



# Small/Mid Cap Growth Fund

## Fund Facts

### OBJECTIVE

Seeks long-term capital growth from investments in common stocks or other equity securities

Share class	I
Inception	6/30/2015
Ticker	LSMIX
CUSIP	543488779
Benchmark	Russell 2500™ Growth Index

*Russell 2500™ Growth Index measures the performance of the small to mid cap growth segment of the US equity universe. It includes those Russell 2500™ companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell 2500™ Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid cap growth market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid cap opportunity set and that the represented companies continue to reflect growth characteristics. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell™ is a trademark of Russell Investment Group.*

## Market Conditions

- While small/mid cap stocks are still up year to date, they continue to be choppy as they retreated in the second quarter after a strong first quarter, and continued to widen their relative gap with large cap stocks.
- Security selection remained key as individual stocks have become less correlated as the year has progressed.
- Among small/mid cap stocks, quality continued to outperform YTD with highest ROE names noticeably outperforming lowest ROE names. Top sales growth companies also strongly outperformed lower revenue growers.
- An environment that favors higher growth and quality with falling correlations tends to be favorable for our Fund on a relative basis, and that was the case this quarter.

## Portfolio Review

- The Small/Mid Cap Growth Fund outperformed its benchmark, the Russell 2500 Growth index, primarily due to security selection within the healthcare, information technology and consumer discretionary sectors.

### Class I Performance as of June 30, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
<b>FUND</b>	0.95	9.99	11.14	-2.41	6.68	8.95
<b>BENCHMARK</b>	-4.22	3.93	9.02	-4.11	7.58	8.50

*Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Investment return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit [www.loomissayles.com](http://www.loomissayles.com).*

*Additional share classes may be available for eligible investors. Performance will vary based on the share class. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. You may not invest directly in an index.*

*Gross expense ratio 0.93% (Class I). Net expense ratio 0.85%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 1/31/2025. When an expense cap has not been exceeded, the fund may have similar expense ratios.*

*The Class I inception date is 6/30/2015. Class I shares are only available to certain institutional investors only; minimum initial investment of \$1,000,000.*



### TOP TEN EQUITY HOLDINGS (%)

CyberArk Software Ltd.	2.1
Light & Wonder, Inc.	1.9
Tetra Tech, Inc.	1.8
Nova Ltd.	1.8
Axon Enterprise, Inc.	1.8
United Therapeutics Corporation	1.8
Hamilton Lane Incorporated	1.8
Insmmed Incorporated	1.7
ATI, Inc.	1.7
Texas Roadhouse, Inc.	1.6
<b>Total</b>	<b>18.0</b>

## Contributors

- On an individual stock level, Insmmed, Nova and United Therapeutics were the top contributors to performance.
- Insmmed is a pharmaceutical company focused on respiratory diseases. The stock outperformed as a result of the company reporting positive Phase 3 results for its lead pipeline asset, brensocatic. We believe the data support the drug’s potential to be a multi-billion dollar blockbuster.
- Nova manufactures equipment addressing the semiconductor market, specifically in the inspection and metrology space. As semiconductors become more sophisticated and complex, there is a greater need for their tools to ensure higher yields by the semiconductor companies in their manufacturing process. We believe Nova is well positioned here and has consistently gained share through a combination of new internally developed products and acquired products. We expect the company to be a valuable asset to other industry players and likely be monetized.
- United Therapeutics is a pharmaceutical company focused on pulmonary disease. The stock outperformed in the quarter as competitive concerns around newly launched drugs by competitors faded. In addition, the company implemented a \$1B share repurchase.

## Detractors

- Evolent Health, Exact Sciences and SiteOne Landscape Supply were the largest individual detractors from performance.
- Evolent Health is a healthcare technology and services company that helps insurance companies and providers participate in value based care programs. While the company has continued to execute very well, there has been meaningful speculation that increased healthcare utilization will negatively impact their business, weighing on the stock’s performance.
- Exact Sciences is a diagnostic company focused on oncology. The company underperformed during the quarter after concerns around direct and indirect competition arose. Fundamentally, we believe the company has a broad moat and execution should continue, but the new entrants may start to gain share at the margins.
- SiteOne Landscape is a distributor of landscaping products across the country. Management has been able to grow organically and through acquisitions by rolling up a very fragmented industry, driving double digit revenue growth. As the supply chain tightness abated and commodity prices fell, it created a deflationary pricing scenario for the company, which had a negative impact on revenue and margins. We suspect this trend is close to an end and we believe this well-run company will get back to putting up solid revenue numbers with expanding margins.

## Outlook

- As evidenced by the recent strength in the larger cap benchmarks, the market is discounting positive outcomes in the economy (soft landing) and the beginning of monetary easing by the Federal Reserve later this year. New highs in the S&P 500 (at the time of this writing) are also being driven by a small group of companies that sit squarely in the current theme of artificial intelligence (AI).



- While we have always tried to stay away from second guessing the broad market and timing macro-led inflection points, we seem to have arrived at a place where small and smid caps could not be less in the spotlight relative to their large cap cousins.
- As a result, when we look out over a reasonable horizon, our belief is that we are inching closer to the next small and smid cap cycle. Will we need to endure more pain before we reach some kind of small vs large inflection point? Perhaps. Yet, as we analyze the data presented in the letter, we truly believe that exposure to our asset class will be rewarded in the coming years.
- With correlations falling and dollars being reallocated down the market cap spectrum as portfolios/plans creep further off-sides on large cap exposures, disciplined investment processes like ours should see a tailwind to their absolute and relative returns. Risk management will, as usual, remain critical, and this is woven into our DNA. We look forward to updating you on our progress.



## About Risk

**Equity securities** are volatile and can decline significantly in response to broad market and economic conditions. **Investments in small and mid-size companies** can be more volatile than those of larger companies. **Growth stocks** may be more sensitive to market conditions than other equities, as their prices strongly reflect future expectations. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets.

## Important Disclosure

*Outlook as presented in this material reflects subjective judgments and assumptions of the portfolio team and does not necessarily reflect the views of Loomis, Sayles & Company, L.P. There is no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold. These perspectives are as of the date indicated and may change based on market and other conditions. Actual results may vary. Please refer to the Fund prospectus for a comprehensive discussion of risks.*

*This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. Investment recommendations may be inconsistent with these opinions. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.*

*Holdings data is based on total gross assets before any fees are paid; any cash held is included. The portfolio is actively managed and holdings are subject to change. References to specific securities or industries should not be considered a recommendation. Holdings may combine more than one security from the same issuer and related depositary receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit [www.loomissayles.com](http://www.loomissayles.com).*

***Market conditions are extremely fluid and change frequently.***

***Diversification does not ensure a profit or guarantee against a loss.***

***Commodity, interest and derivative trading involves substantial risk of loss.***

***Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.***

***There is no guarantee that the investment objective will be realized or that the Fund will generate positive or excess return.***

***Past performance is no guarantee of future results.***

***Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [www.loomissayles.com](http://www.loomissayles.com) or call 800-633-3330 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.***

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