

# Small Cap Value Fund

## Fund Facts

### OBJECTIVE

Seeks to produce long-term capital growth

Share class	I
Inception	5/13/1991
Ticker	LSSCX
CUSIP	543495816
Benchmark	Russell 2000® Value Index

**Russell 2000® Value Index** measures the performance of the small cap value segment of the US equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small cap value segment.

## Market Conditions

- US equities delivered another quarter of gains during the fourth quarter of 2025, completing a calendar year of double digit returns across most equity market cap ranges and investment styles. The return was even more impressive considering the market weakness early in the year, accentuated by the sharp sell-off following the April announcement of new tariffs - only to be followed soon after by a tariff pause that, in hindsight, marked the bottom of the market for the year. The cumulative effect of Federal Reserve interest rate cuts, new fiscal stimulus from the “One Big Beautiful Bill” Act; stable inflation and solid corporate earnings proved to be a potent combination driving domestic stock prices and valuations to new highs by year-end.
- Market leadership for the year once again favored large caps over small caps, with the mega-cap “Magnificent Seven” remaining at the top of the performance charts, largely driven by investor enthusiasm over the Artificial Intelligence (AI) theme. By the fourth quarter, signs of the market broadening and small caps keeping pace with large started to appear - as consensus earnings estimates for 2026 indicate a better year for smaller companies in term of relative earnings growth. For the quarter, the Russell 2000® Value Index returned 2.2% while the S&P 500® Index was just slightly higher, returning to 2.7%. As noted for the year, the Russell 2000® Index returned 12.8% and trailed the 17.9% return for the S&P 500.
- With the four factors cited earlier (rate cuts, fiscal stimulus, stable inflation and corporate earnings) driving stocks to record highs, market leadership was decidedly in favor of low-quality companies and stocks versus high quality. By virtually any definition of quality (profitability, returns on capital, balance sheet leverage, etc.) low quality stocks trounced high quality in 2025 including the fourth quarter, resulting in a very challenging environment for active managers to outperform their performance benchmarks.

## Portfolio Review

- The fund underperformed its benchmark, the Russell 2000 Value Index, due to lagging security selection which detracted from relative performance in a market that was primarily driven by low quality companies.

### Class I Performance as of December 31, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>FUND</b>	0.49	5.44	5.44	11.80	9.79	9.00
<b>BENCHMARK</b>	3.26	12.59	12.59	11.73	8.88	9.27

**Performance data shown represents past performance and is no guarantee 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 0.96% (Class I). Net expense ratio 0.90%. 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 1/31/2026. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class I inception date is 5/13/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.

**Top Ten Equity Holdings (%)**

MOOG Inc.	2.2
Bel Fuse Inc.	2.2
TTM Technologies, Inc.	1.8
Array Digital Infrastructure, Inc.	1.8
Popular, Inc.	1.7
Ameris Bancorp	1.6
Garrett Motion Inc.	1.5
VSE Corporation	1.4
SouthState Bank Corporation	1.4
Wintrust Financial Corporation	1.4
Total	16.9

**Contributors**

- Fund performance was aided by lower exposure to underperforming index sectors such as real estate, consumer discretionary and the utilities sectors. While overall stock selection metrics lagged the index, the fund owned many top-performing individual stocks with larger portfolio weights which aided overall relative performance. Among individual stocks Haemonetics Corporation, Bel Fuse Inc. and TTM Technologies, Inc., provided the most significant positive contributions to relative performance during the quarter.
- Haemonetics is a global healthcare company providing medical products and solutions in markets such as blood and plasma collection, hospital surgical suite products and hospital transfusion services. In recent quarters the company experienced softness in the hospital segment due to increasing competitive pressures which created uncertainty about management's ability to deliver their long-term growth targets. These issues were most prominent in the third quarter of 2025, leading to a 35% decline in the stock price driving the shares to a valuation level materially below the historic trading range. We held our position and were rewarded. When the company reported fiscal fourth quarter earnings above investor expectations, with stronger organic growth and margin improvement in both the hospital and plasma operating segments. With the rebound in the stock price and closer to our estimation of fair value, we trimmed the position late in the quarter on price strength.
- Bel Fuse is a global industrial company that supplies electronic components that power, protect, and connect industrial and technology products, with aerospace/defense and computer networking as its largest markets. Over the course of the past few years, the company has simplified operations, improved pricing, and optimized capital allocation over the past several years. The stock price performance has been driven by a savvy acquisition in the aerospace end market and a rebound in the networking vertical. We maintained our position in Bel Fuse, although we continue to monitor position size and valuation.
- TTM is the largest domiciled US supplier of printed circuit boards, a foundational component to many electronic products. The company has worked for years to improve revenue quality and margins through factory consolidation, with notable success during the year and again accelerated in the most recent quarter, driven by growth in AI servers and its aerospace segment. The team continues to hold an investment given strong revenue visibility in the defense end market and further opportunities to increase margins, however we have reduced the holding, to manage the position size and to recognize its increased valuation.

**Detractors**

- The character of the stocks that contributed to the market's advance during the quarter was a clear mismatch with our strategy's focus on long-term fundamentals and higher quality business models. Our top performers more than offset the impact of our poor performers; however, portfolio breadth (the number of stocks providing positive contribution to relative return) was negative – as is typical when our high-quality style is temporarily out of favor. From an individual stock perspective Crane NXT, Bath & Body Works, Inc., and Blue Bird Corporation detracted the most from performance.
- Crane NXT (a holding since its 2023 spin-off from Crane Corporation) is a technology oriented industrial company with high margins and low capital intensity, with market leadership in niche markets such as currency printing and related security features, product authentication, and cash acceptance technologies. Since the spin-off, the business has had mixed results with positives such as strong margins, growth in international currency and several strategic acquisitions offset by choppy end markets in its cash acceptance business (predominately gaming) as well as downtime in the US currency segment as the Bureau of Engraving and Printing prepares to introduce a new, redesigned \$10 bill in 2026. These latter factors, combined with margin pressure in international markets led to a wave of outlook reductions and a 29% share price decline during fourth quarter of 2025. We remain positive about the long-term outlook for the business, and we look forward to an update on the business at the company's analyst day scheduled for late February. We added to the position during the fourth quarter.
- Bath & Body Works is a personal care and consumable home goods retailer featuring fragrance, body care, and bath products. The company's key products such as candles, soaps,



sanitizers, and lotions are low-priced but possess a high-margin for the company but have faced several challenges in recent years as their product categories have been under pressure for longer than expected following a COVID-19 driven demand boom. To offset the weakness, Bath & Body Works entered adjacent product categories (e.g., laundry products, lip care) though that effort was largely unsuccessful leading to a CEO change in May 2025. The new CEO initially sparked optimism that he could make immediate operational improvements given his background at Nike and laid out a detailed strategy during the company's third quarter earnings conference call in November that was a sharp pivot from our original expectations. Management's strategy was now centered on new customer acquisition in the company's core categories and de-emphasized their goal of entering new categories. While investors had been expecting Bath & Body Works to return to growth in 2025, management also indicated that the company would have sales declines in both 2025 and 2026. At higher levels of leverage, these sales and earnings declines will pressure the quality of their balance sheet. We eliminated the position following the significant change in strategy, ongoing category pressure, and potential balance sheet concerns if future earnings decline sharply.

- Blue Bird is one of three primary manufacturers of school buses in the US, accounting for about 30% of the units shipped in North America. The position was added to the fund in late 2024 at a time of weaker industry-wide unit demand and peak uncertainty regarding the sustainability of planned government subsidies for new, electric powered buses. The stock was deeply discounted at purchase and subsequent quarters of solid earnings, raised earnings guidance and continued flow of government funding for electric buses lifted the stock price. The stock price retraced a portion of its strong year-to-date performance during the quarter after an earnings report revealed incoming orders were softer than the recent trend. Management has provided guidance for a slight earnings improvement over 2025 next year, but investors were disappointed with the softness in the business during the past quarter. We believe the shares are trading at a deep discount to longer term value, and we are maintaining a position in the stock.

## Outlook

- We remain committed to identifying inefficiencies in the small-cap market that result in stock prices and valuations that do not accurately reflect our assessment of the underlying value of corporate enterprises. This approach is applied consistently over time, regardless of the current market environment.
- While many forms of inefficiency may exist, we focus on companies that are misunderstood, underfollowed or in the midst of a "special situation" where we believe we can use our strengths in the form of our time horizon, resource deployment or a willingness to solve complex situations. We require fundamentally sound business models, capable management teams and financial stability. Key to our process is identifying distinct, company-specific catalysts on the horizon to sustain, enhance or highlight the fundamental outlook.
- Our goal is to achieve an attractive total return for our investors, while managing to an appropriate level of risk over a market cycle.

## About Risk

**Equity securities** are volatile and can decline significantly in response to broad market and economic conditions. **Smaller company investments** can be more volatile than those of larger companies. **Value investing** carries the risk that a security can continue to be undervalued by the market for long periods of time. **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.*

***The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.***

*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 depository 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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