

Global Growth Managed Account

MARKETING COMMUNICATION

Strategy Facts

The strategy seeks to produce long-term, excess returns vs. the MSCI ACWI Index Net on a risk-adjusted basis over a full market cycle (at least 5 years) through bottom-up stock selection

Strategy AUM	\$2.9 billion
Inception	12/1/2021
Benchmark	MSCI ACWI Index Net
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

Quarterly Portfolio Review

- The strategy posted negative returns of -2.94% (pure gross) and -3.66% (net total wrap fee) vs. 3.29% for the MSCI ACWI Index Net, underperforming the benchmark by -6.95% (net total wrap fee) during the quarter. Alphabet, Shopify Inc., and Fanuc were the three largest contributors to performance during the quarter. Oracle, Netflix, and MercadoLibre were the three lowest contributors to performance.
- Stock selection in the industrials and consumer staples sectors, as well as our allocations to the healthcare, information technology, and consumer staples sectors, contributed positively to relative performance. Stock selection in the information technology, healthcare, communication services, consumer discretionary, and financials sectors, as well as our allocations to the consumer discretionary and financials sectors, detracted from relative performance.
- The strategy is managed with a highly selective, long-term private equity approach to investing. Through our proprietary bottom-up research framework, we look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value (our estimate of the true worth of a business, which we define as the present value of all expected future net cash flows to the company).

Top Ten Holdings (%)

	Rep. Account
Alphabet Inc.	7.7
Meta Platforms, Inc.	7.5
Tesla, Inc.	6.6
Amazon.com, Inc.	6.0
Shopify Inc.	5.8
MercadoLibre, Inc.	5.7
Netflix, Inc.	4.7
Oracle Corporation	4.2
Microsoft Corporation	3.6
Boeing Company	3.6
Total	55.4

Top 10 holdings may not be representative of current or future holdings and will evolve over time. 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.

Global Growth ADR Managed Account Composite as of December 31, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN				
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
PURE GROSS	-2.94	18.60	18.60	26.51	-	-	11.19
NET TOTAL WRAP FEE	-3.66	15.18	15.18	22.88	-	-	7.97
NET MGMT FEE - INSTL	-3.12	17.72	17.72	25.59	-	-	10.37
BENCHMARK	3.29	22.34	22.34	20.66	-	-	10.28

Performance data shown represents past performance and is no guarantee of future results. Current performance may be lower or higher than quoted.

Pure Gross of fee account returns are time-weighted rates of return that do not reflect the deduction of any trading costs, fees, commissions or expenses, and are shown as supplemental information. Net of total wrap fee returns reflect the deduction of an annual fee of 3.00%, the highest fee a managed account sponsor would have charged. Net of Management (Institutional) fee returns are the gross returns less the effective management fees and are only applicable to institutional portfolios. Additional information about fees can be found in Loomis Sayles' Form ADV, which is available upon request. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

The primary benchmark returns only are shown above.

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



Contributors

Alphabet, Shopify Inc., and Fanuc were the three largest contributors to performance.

- **Alphabet** is a holding company that owns a collection of businesses, the largest and most important of which by far is Google. Google is the global leader in online search and advertising and also offers cloud solutions to businesses and consumers globally, with a goal of organizing the world's information and making it universally accessible and useful. Google dominates the US and global traditional search market with a greater than 80% share of search volumes. As a function of seeing more searches, Google is able to provide better search results, resulting in a higher customer conversion rate for advertisers and enabling Google to capture a leading share of search revenue. Google's large network of consumers, advertisers, and publishers is a powerful business ecosystem as third-party participants such as marketing affiliates and independent software vendors add value to the user experience. As a result, we believe consumers get their best and most relevant search results and advertisers get the best returns on their advertising dollars. Such a robust ecosystem attracts increasing numbers of participants and thereby creates a virtuous cycle for a sustainable business model and long-term growth. In its emerging cloud business, we estimate that Google captures less than 10% market share of the global market for public cloud services. We believe Google remains one of the few global companies that has the scale, research and development (R&D), and technical talent to effectively compete in this market over the long term. Non-Google businesses comprise less than 1% of Alphabet revenues and are held in the company's Other Bets segment.

A strategy holding since inception, Alphabet reported quarterly financial results that were fundamentally strong and above consensus expectations for revenue, operating income, and earnings per share. The company also announced that it expects to spend \$92 billion on capex in 2025, up 8% from its prior estimate and reflective of the opportunities it sees to leverage AI across all of its businesses. Alphabet is seeing the positive benefits of its AI investments in all the core areas of its business, including accelerating search volumes, strong user engagement and streamlined content creation on YouTube as well as the broader advertising business, and faster growth in the company's cloud business. Total revenue of \$102 billion represented a 16% increase year over year in constant currency, while reported earnings per share rose 35%. Alphabet reports results in three segments: Google Services, Google Cloud, and Other Bets. Google Services reported quarterly revenue of \$87 billion, which increased 14% year over year and represented approximately 85% of total revenue. Advertising revenue accounted for 85% of Google Services revenue and increased by 13% compared with the year-ago quarter. Advertising revenue was driven by the search business, which grew 15% year over year. The company is benefiting from its recent rollout of AI overviews, which are now available in 40 languages and 200 countries and currently have over 2 billion monthly average users. Google also recently launched AI Mode, the company's native AI-search powered by its Gemini models, into 200 countries where it now has 75 million daily active users. Alphabet's core AI products, including AI overview and AI mode, are resulting in faster query growth, and newer AI-based ad models are contributing to improved monetization. As an example, Alphabet's recently launched AI Max in search is contributing to improvements in estimating consumer intent, while other AI-based models are contributing to improved ad creation and measurement. Alphabet's AI investments have already contributed to higher returns on ad spending for its advertising customers, and the company's search business benefited from high-single-digit pricing growth as a result of resulting performance improvements. Outside of search, the company reported 15% growth in YouTube, which benefited from improvement in direct response ads and brand advertising, while the network advertising businesses continued to show weakness, declining 3% year over year. Non-advertising revenue, which includes Google Play, hardware, and YouTube non-advertising revenues such as subscriptions, represented 15% of Google Services revenues and increased 21% year over year. The company experienced strong growth in YouTube subscriptions, as well as Google One, which offers subscription-based access to enhanced storage and AI functionality.

Google Cloud reported quarterly revenue of \$15 billion on growth that accelerated 200 basis points to 34% year over year and represented 15% of total revenue. Google's cloud business includes Google Cloud Platform (GCP), the company's infrastructure- and platform-as-a-service offerings, and G Suite, which includes the company's software-as-a-service offerings such as Gmail, Docs, Drive, and Calendar. Revenue in Alphabet's Other Bets segment declined 11% year over year and represented 0.3% of total revenues. Many of



these businesses are still early stage and results are volatile on a quarterly basis. We believe Google's key revenue drivers of mobile search, YouTube, programmatic advertising, and an emerging cloud business that is Google's fastest growing business, each continue to benefit from secular drivers including increased mobility, video advertising, better use of advertising technology to drive performance, and increased penetration of public cloud services.

Alphabet continues to have a high-quality financial profile and strong financial position. Overall operating income rose 22% to \$35 billion, excluding a \$3.5 billion EC fine, benefiting from operating leverage and operating efficiency initiatives in the cloud business, and the company reported solid adjusted operating margins of 34% that expanded 200 basis points year over year. Google's attractive financial model continues to generate strong free cash flow and earns high returns on invested capital, enabling it to reinvest significantly in its business. In the quarter, free cash flow of \$24.5 billion rose 37% year over year and represented 24% of gross revenue. Free cash flow was impacted by elevated capital expenditures, which rose 83% year over year to \$24 billion, reflecting the substantial opportunities the company has identified to leverage AI functionality across all of its businesses.

We believe market expectations underestimate Alphabet's long-term sustainable growth rate. As a result, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers a compelling reward-to-risk opportunity.

- **Shopify** is a leading global provider of mission-critical commerce infrastructure that enables retail companies to start, grow, market, and manage a retail business of any size. Shopify's cloud-based platform offers merchants an end-to-end solution that was previously only available to significantly larger businesses. From a single global storefront, the company offers merchants a multi-channel solution through which they can display, manage, market, and sell products across all sales channels, including web and mobile storefronts, physical retail locations, social media, marketplaces, and other retail formats. The platform enables merchants to sell anywhere and in any language, facilitating cross-border commerce for end customers who can shop using their local currencies, languages, domains, and payment methods. Shopify also provides merchants a single, integrated back-end platform through which merchants can manage and source inventory, process orders and payments, fulfill and ship orders, build customer relationships, leverage reporting and analytic tools, and access financing. With a mission to improve commerce and empower merchants to realize their potential by making a complex process simple, the company has effectively created a retail operating system used by over two million merchants in over 175 countries. The company generates approximately 71% of revenues in North America, with Europe, the Middle East and Africa accounting for 19%, and Asia-Pacific contributing 10%.

A strategy holding since the first quarter of 2022, Shopify reported strong quarterly results that were above both consensus expectations and management's guidance for most key metrics, including gross merchandise volume (GMV), revenue, adjusted operating profit, and free cash flow. The company also provided revenue guidance for the current quarter that was above expectations. Revenue of \$2.8 billion rose 32% year over year, benefiting from new client acquisition, strong growth among existing clients, and continued penetration of its merchant solutions. The company generated approximately \$92 billion of GMV on its platform during the quarter, which increased by 32% and was well above our estimates of the growth in both e-commerce and overall retail sales, indicating that the company grew its market share during the quarter. Subscription revenue represented 25% of revenue and grew 15% year over year, driven by merchant additions and a greater contribution from higher-priced plans. Merchant solutions represented 75% of revenue and grew 38% year over year, benefiting from strong growth in GMV and greater usage of the company's value-added services. Operating income of \$465 million rose from \$402 million in the prior-year period on adjusted operating margins of 16% that declined 260 basis points as higher cloud and infrastructure costs to support volume growth and geographic expansion more than offset the benefit from the company's disciplined expense management. Positive free cash flow of \$507 million rose 20% year over year and was above consensus expectations. The company has seen its free cash flow margins increase from -3% in 2022 following a period of elevated investments to 13% in 2023 and 18% of revenue in the most-recent quarter.

We believe Shopify's strong and sustainable competitive advantages include its network



and ecosystem, scale, brand, and an installed base of clients for whom its mission-critical platform serves as a retail operating system. Shopify's network includes software developers that have built over 16,000 applications that extend the functionality of the company's core commerce solutions, as well as over 100,000 partners such as design and marketing agencies, photographers, and other digital and service professionals and experts that add further solutions and services to merchants. Because merchants wish to partner with a leading platform that offers numerous tools and solutions by partners that are in turn attracted to the platform by the merchants' growth and success, a difficult-to-replicate network effect is created which ultimately should increase the value to all participants. With over two million merchants and over \$290 billion of GMV in 2024, Shopify is the second largest merchant platform in the US behind Amazon. As a function of its scale, the company can provide merchant services including software, payments, capital, shipping, and fulfillment at a cost that only a large merchant could achieve, enabling Shopify's small and mid-sized business (SMB) clients to better compete against larger merchants. The company's scale also allows it to reinvest substantially in the business, all of which is focused on growing its platform and driving success for its merchants. As a result of its embedded nature and centrality to merchants' daily operations and success, switching costs are high, which contributes to high client retention, and merchants tend to expand their relationship with the company over time. Individually and collectively, we believe Shopify's strong and sustainable competitive advantages would be difficult for a competitor to replicate and can become stronger still over time as growth in its ecosystem continues to add value for all participants.

We believe Shopify will benefit from several secular growth drivers, all focused on driving merchant and commerce growth. While most of Shopify's revenue and GMV is linked to e-commerce, we expect omnichannel commerce will also become a growth driver for Shopify. We believe merchants will look to have an integrated software solution for all of their commerce needs, which we expect will benefit Shopify by expanding its addressable market to all retail commerce while simultaneously increasing client stickiness. As a function of strong secular growth drivers and numerous competitive advantages, we believe Shopify can sustain mid-to-high-teens total revenue growth over our long-term investment horizon. While we expect investments to remain elevated in the near-term, over time we believe Shopify will benefit from increased operating expense leverage in all expense categories, including product and development, general and administrative, and sales and marketing. As a result, we expect operating profits and free cash flow to grow faster than revenues over our forecast period, in excess of 20% compounded annually. We believe current market expectations are substantially underestimating the company's multiple long-term secular growth drivers and the strength of the company's business model and competitive positioning. As a result we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

- **Fanuc Corporation** is a global leader in the factory automation industry, serving customers in over 100 countries from over 270 service locations worldwide. The company was founded by Dr. Seiueemon Inaba as a division of Fujitsu in the 1950s before becoming an independent company in 1972. Dr. Inaba pioneered the NC (numerical control) and CNC (computer numerical control) technologies that serve as the operating systems for machine tools, and the name Fanuc is derived from Factory Automation NUMerical Control. Today Fanuc is a market leader in each of its three primary operating segments; Factory Automation (FA), approximately 24% of revenue, where its CNC systems are used to operate machine tools assembled by original equipment manufacturers (OEMs); Robot, approximately 41% of revenue, where the company's industrial robots are used to replace manual labor in repetitive manufacturing processes; and Robomachine, approximately 17% of revenue, where the company makes specialized machine tools. Fanuc also captures service revenue related predominantly to its installed base of factory automation and robot clients, which represents approximately 17% of revenue.

A holding since the first quarter of 2020, Fanuc reported quarterly results that were better than consensus expectations for revenue, operating income, and earnings per share, and the company increased revenue and margin guidance for the full year. Shares further responded positively to news that the company was partnering with Nvidia and opening its software platform to others. The initiatives will help enable Fanuc to embed physical AI into industrial robots as well as create digital twins – photorealistic virtual factories to efficiently train AI, test applications, and optimize production before physical deployment - allowing for wider use cases, and lowering the barrier to installing and using robots. For the quarter,



revenue of \$211 million rose 9% year over year, driven by China and the Americas. Orders were up 11%, led by 38% growth in the robot segment, while FA and robomachine orders declined. The company benefited from 16% revenue growth in its robot division, which accounted for almost 45% of revenue during the quarter, driven by strong demand from the EV (electric vehicle) industry in China and manufacturing activity in the US. Revenues in the FA segment rose 5% year over year, driven by strong demand in both China and India, while both Europe and Japan were relatively weak. Robomachine revenues rose 6% over the prior-year period, also benefiting from strong performance in India. Operating margins of 20.2% were solid but declined 150 basis points from the prior-year period, which included some one-time benefits.

We believe Fanuc benefits from its technological leadership, a market-leading base of installed clients that face high switching costs, and a substantial cost advantage versus peers. The company's first-mover advantage, technology leadership, and high degree of customer focus has enabled it to capture approximately 50% market share for over three decades in factory automation. Further, its leadership in CNC systems, which represent the key value-added components for its robot and robomachine segments, provides a substantial cost advantage versus competitors that lack the same degree of vertical integration. Despite facing a high degree of annual cyclicalities, we believe rising labor costs across all major manufacturing countries and the falling cost of automation supports long-term secular growth in demand for factory automation. Across its businesses, we believe Fanuc can grow its revenues in the high-single digits over our long-term investment horizon. We believe operating margins, which have been recently depressed due to supply-chain issues, capacity investments, and higher research and development expense, can rebound to the low-30% range, collectively contributing to free cash flow growth in the high single digits. We believe Fanuc's share price is embedding expectations for free cash flow growth that are below our long-term expectations. As a result, we believe the shares are trading at a discount to our estimate of intrinsic value. We trimmed our position during the period to fund a new position in Ferrari.

Detractors

Oracle, Netflix, and MercadoLibre were the three lowest contributors to performance.

- **Oracle** is a leader in the enterprise software market with a strong market position in database, infrastructure and application software, and cloud-based software and services. We believe the company's competitive advantages include its large and experienced direct sales force, a founder-driven management team that reinvests relentlessly to maintain a leading intellectual property (IP) portfolio and differentiated product suite, and a large installed base of clients with high switching costs where it consistently achieves renewal and retention rates in the mid-90% range. We believe Oracle is well positioned to benefit from the continuing growth in data storage and enterprise application software, as well as the shift to cloud-based solutions.

A holding since strategy inception, in September, Oracle shares rose by approximately 25% to an all-time high after reporting that remaining performance obligation (RPO) bookings, a forward-looking measure of revenue, grew 359% year over year to \$455 billion, which was almost three-times greater than consensus expectations. In the most recent quarter, the company reported that RPO grew by a further \$68 billion to reach \$523 billion. The shares have since given up all those gains on concerns regarding the company's elevated capital investments to support the conversion of the RPO backlog into revenue and the associated need to fund those investments, as well as the degree of customer concentration in the RPO backlog. Given Oracle's high degree of recurring revenue, attractive operating margins, and high cash flow returns on invested capital, we believe the company can support higher levels of indebtedness, and we expect the backlog to become more diversified over time. There is no change to our structural investment thesis for the company, and shares still returned 18% for the year.

Contracts with companies including OpenAI, xAI, Meta, and Nvidia, along with other enterprises, contributed substantially to growth in RPO. The material increase in RPO provides long-term visibility into Oracle's revenue growth, and Oracle is now targeting over \$100 billion in revenue by the company's 2029 fiscal year in its Oracle Cloud Infrastructure (OCI) segment, up from just over \$10 billion in its 2025 fiscal year, and we expect this business will grow in excess of 30% compounded annually over the next decade.

We believe Oracle's strong performance within its OCI business is driven by its modern



architecture that was built from the ground up incorporating Oracle intellectual property that results in price, performance, and data governance and security benefits. OCI was built for enterprise and data-intensive and AI workloads by offering features such as high performance networking through its cluster networking and bare metal compute architecture. OCI was built with a security-first design that spans all layers of the infrastructure stack with security that was integrated and automated into the platform. Oracle's IP also extends its ability by providing its OCI technology within a customer's own data center. Examples include OCI dedicated regions or OCI sovereign cloud, where Oracle can offer sovereign AI to customers in regulated industries, entities, or jurisdictions – providing its full suite of software, platform, and infrastructure services with modern cloud-like performance and enhanced control over data residency and compliance.

Oracle is the world leader in its largest business segment, enterprise database software used in customer on-premise IT environments. However, the company continues to focus on transitioning its business from a traditional on-premise, up-front software licensing and maintenance revenue model to a cloud computing subscription-based model where software revenue is recognized over the life of the client's contract. While there has been pressure on year-over-year overall revenue comparisons during this transition, which started over a decade ago as Oracle released cloud versions of its applications and infrastructure software, as up-front license revenue shifts to subscription revenue, we have long expected this to lead to faster growth over time due to a higher customer lifetime value as the transition progresses. The cloud model also allows Oracle to monetize its services and technology more efficiently and yield savings to the customer.

In the company's most-recently reported quarterly financials, Oracle grew its cloud revenues, which now represent 50% of total revenues, by 33% year over year. The company has recently seen total revenue growth inflect upward, consistent with our long-term expectations. Adjusted EBIT (earnings before interest and taxes) of \$6.7 billion rose 8% year over year on margins of 42% that declined 170 basis points year over year. Operating cash flow of \$22.3 billion over the past 12 months rose 10% year over year and represented 37% of revenues, but free cash flow was negative in the quarter due to elevated capital expenditures to support the continued build out of its cloud infrastructure. Over the trailing twelve months, the company invested \$35 billion in capital expenditures, which represented a 230% increase over the prior-year period. There are no changes to our view of Oracle as a structurally attractive business trading substantially below our estimate of intrinsic value.

Oracle has a strong financial model that currently has high financial leverage due to both organic and inorganic investments to support its product and growth roadmap, as well as returning substantial amounts of capital to shareholders over the past decade. We expect Oracle's capital expenditures to continue to increase over the intermediate term as Oracle invests to build out its AI infrastructure and cloud computing business on a global basis as well as to convert its RPO backlog into revenue. Following the transition stage of building out this business we expect Oracle's capital expenditure needs to decrease, resulting in improved profit growth and free cash flow generation. Oracle continues to benefit from the high incremental margins of the software industry and the intellectual property which differentiates its propriety technology and generates very attractive operating margins in excess of 40%, which contributes to the company's high operating cash flow conversion.

We believe Oracle's stock price embeds free cash flow growth assumptions that are well below our long-term forecast. As a result, we believe its shares are selling at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

- Founded in 1997, **Netflix** is one of the world's leading internet entertainment platforms and a pioneer of subscription video on demand (SVOD), which it first launched in 2007. Today the company is a global leader with over 300 million paid subscribers, out of what we estimate is a total addressable market of one billion households outside of China, who access TV series, movies, mobile games, and other entertainment content across a wide variety of genres, languages, and devices. The company has subscribers in over 190 countries, with an estimated global audience in excess of 700 million, and generates almost 60% of its revenue from outside of North America.

We believe Netflix's strong and sustainable competitive advantages include its focus, scale, brand, and a large installed base of clients that are protected by high barriers to entry. As a pioneer in SVOD, Netflix has amassed a subscriber base that we estimate to represent just under 40% of all SVOD subscribers globally and approximately 50% of the industry revenue share of the leading global providers. The company's strong brand is reflected in both its premium pricing versus peers and mid-single-digit growth in average revenue per



user over the past five years. Over the past decade, Netflix has invested over \$120 billion in content and amassed an estimated over 14,000 hours of original content, which is estimated to represent just under two times the next five largest streaming competitors combined. Of course, it is not just the quantity, but quality of the content that matters. Over this same period, Netflix received over 1000 Emmy nominations and had 246 wins. The company has captured the first or second spot in total Emmy Awards in nine out of the last ten years, which we believe reflects the quality of its content. We believe the ability to create and acquire high quality content, based on cumulative knowledge and insights attained from its large installed base of subscribers, contributes to very high barriers to entry.

A portfolio holding since the first quarter of 2022, Netflix reported quarterly financial results that were fundamentally solid and approximately in line with consensus expectations for revenue, but below expectations for operating income due to a dispute with Brazilian tax authorities. Absent the tax dispute, which is anticipated to be a one-time impact, operating income and margins would have been above guidance. There are no changes to our structural investment thesis for Netflix, which is operating at or above our long-term expectations for revenue growth and operating margins.

In December, Netflix announced that it had reached a definitive agreement to acquire Warner Bros., which is expected to close after that company completes its previously announced spinoff of Discovery Global, its global networks division. The proposed transaction values Warner Bros. at \$82.7 billion, including the assumption of approximately \$11 billion of debt.

Our investment thesis for Netflix is not predicated on a successful acquisition of Warner Bros. And while we recognize that there will be near-term uncertainty as a function of the proposed acquisition, there is no change to our long-term investment thesis, and we believe the combination would add positively to the company's scale and pricing power over time if consummated.

We believe Netflix's strong and sustainable competitive advantages include its focus, scale, brand, and a large installed base of clients that are protected by high barriers to entry. The first question we ask ourselves is whether the proposed acquisition negatively impacts the structural quality of the business over the long-term. Our assessment is that it does not.

We believe the subscription-video-on-demand industry is structurally attractive to scaled participants, benefiting from high barriers to entry, low power of buyers, secular growth, and attractive economics. The need for sought-after content such as well-established TV and film franchises, large TV and film libraries, and the scale, resources, and expertise to continue to create differentiated, world-class content creates high barriers to entry for competitors. Netflix already spends approximately \$20 billion annually in content creation and acquisition, and has invested about \$120 billion over the last 10 years – a level of investment few companies can match.

At a \$72 billion equity value, the proposed acquisition represents approximately four times what we expect the company to spend on content creation and acquisition in 2025, and would expand the company's lead in content. We currently estimate that Netflix has amassed over 14,000 hours of original content, which is just under two times as much as the next five streaming competitors combined. While Netflix has done a strong job in developing content, the company has only focused on content development for just over a decade. The current structure of Warner Bros would enable Netflix to acquire a best-in-class film and television studio with over 100 years of intellectual property and strong production assets that does not come with legacy media assets. Warner Brothers owns brands including Harry Potter and Friends, Game of Thrones, The Sopranos, The Wizard of Oz, and the DC Universe (Batman, Superman, Wonder Woman, etc.). As a scale business, we believe the proposed acquisition would continue to position the company attractively against other scaled competitors, including Disney, YouTube, and other forms of consumer entertainment.

We believe Netflix has the potential to derive value from this acquisition in several ways. We expect Netflix to better monetize Warner Bros.' intellectual property by leveraging Netflix's core strengths: a superior product experience, advanced member discovery, and extensive global distribution reach. This enhanced monetization should be reflected through new user growth, higher customer retention, increased engagement with the platform, and stronger pricing power. We would expect to see more unique and differentiated content as Netflix integrates Warner Brothers and HBO's production capabilities within its own. Within the HBO franchise, we see increased opportunity to expand the user base from its approximately 100 million users in 100 markets, which compares to Netflix with over 300 million users in over 190 countries. There is also opportunity to improve monetization through bundling different plans and service options. Another potential revenue



opportunity lies in the new forms of entertainment, including live experiences and gaming. From a cost perspective, we expect the combined company will benefit from greater scale and operational efficiencies, particularly in overlapping areas such as technology and development, sales and marketing, and general and administrative expenses.

While we remain optimistic about Netflix's ability to capture value from this acquisition through successful integration, we acknowledge several risks and uncertainties. These include higher financial leverage, management focus, regulatory approval, and the challenge of integrating different businesses and cultures.

The company intends to issue debt to finance the acquisition, which increases financial risk. However, given the company's strong free cash flow generation we believe it has the capacity to service the additional debt. The company's strong cash generation enabled Netflix to significantly improve its balance sheet, from over 200% long-term debt to equity in 2019 to 64% as of September 30, 2025, and 30% net debt to equity after accounting for the company's \$9.3 billion of cash and short-term investments. Post-acquisition, the company intends to prioritize deleveraging while maintaining a strong balance sheet and investment-grade credit rating. Management focus on continuing to execute within its core business remains critical, and we believe the company's dual CEO structure should be a benefit during the integration process. Regulatory approval also remains an uncertainty, and the company would be subject to a \$5.8 billion termination fee if the deal fails to win regulatory approval. While not an ideal situation, that possibility does not materially impact our long-term assessment of Netflix's intrinsic value, even were the company required to pay. It also suggests that the company is confident of a positive regulatory outcome, which management reiterated in a recent conversation.

Finally, integrating two distinct businesses and cultures will require thoughtful execution. We believe the lengthy closing period should allow for careful planning, and Netflix is committed to preserving Warner Bros.' unique culture. After extensive discussions with the executive team, we believe management understands these risks and is well-positioned to manage integration successfully and realize long-term value from the acquisition.

As we do with any material corporate developments, we will continue to monitor and assess any potential structural impact on our long-term investment thesis for Netflix and on the company's market share or growth. However, we believe Netflix remains well positioned to benefit from secular growth in global entertainment spending, which we estimate to represent approximately \$1.2 trillion of annual spending outside of China, where Netflix is not operating. While there will be near-term uncertainty arising from the proposed acquisition, we believe the risks appear manageable and that the acquisition would contribute positively to the company's scale and pricing power. We believe current market expectations substantially underestimate the strength of Netflix's business model and its ability to generate sustainable growth in free cash flow over our long-term investment horizon. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

For the quarter, revenue of \$11.5 billion rose 17%, driven by higher subscriptions, higher subscription pricing, and increased ad revenue. The company recently increased prices in the US, UK, France, and Argentina. The company also highlighted engagement trends in the US and UK, two of its largest markets, where its share of TV viewing has grown by 15% and 22%, respectively, since the end of 2022. Netflix also recently completed the rollout of an internal ad tech platform and transitioned off a partner platform in all of its ad markets. The new platform is expected to contribute to better measurement and targeting, as well as enabling new ad formats and expanded programmatic capabilities, and the company is targeting a doubling of advertising revenue in 2025. The company believes that both paid sharing and its ad-supported pricing plan, which was initially rolled out in 12 markets in November 2022, will further broaden its addressable subscriber base and has contributed to accelerating revenue growth and greater monetization per user. The company previously commented that the paid-sharing initiative was resulting in better-than-expected retention and conversion of borrowing households into full-paying members.

We believe Netflix has an attractive and improving financial model. Operating income of \$3.3 billion rose 12% year over year on margins of 28% that would have been over 500 basis points higher if not for the tax dispute. Free cash flow of \$2.7 billion rose 21% from the prior-year quarter and represented 23% of total revenue. The company's balance sheet continues to improve, with long-term debt to equity of 56% declining from over 200% in 2019.

We believe SVOD will continue to benefit from a secular shift from linear television to streaming entertainment due to growing global penetration of broadband internet connections, the proliferation of internet-connected devices, and consumers' desire for on-



demand personalized entertainment at prices that are generally significantly below paid TV. As a leading provider of SVOD, we believe Netflix will take its share of global consumer entertainment spending from about 3% today to over 5% over our long-term investment horizon, contributing to low-double-digit growth in revenue. We expect substantial recent investments in content will moderate, and we believe the company will benefit from higher gross margins as its content library is leveraged over a growing global subscriber base. We recently increased our longer-term projected operating margins for Netflix, driven by our expectation of greater scale benefits, and we now expect Netflix to generate longer-term operating margins in the mid-to-high-30% range, up from approximately 30%, previously. As a result, we expect both operating profits and free cash flow will grow faster than revenues, in the mid teens. We believe current market expectations substantially underestimate the strength of Netflix's business model and its ability to generate sustainable growth in free cash flow over our long-term investment horizon. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

- **MercadoLibre** is the largest online commerce platform in Latin America. The company offers its users an ecosystem of six integrated e-commerce services that include its marketplace, payment and fintech solutions, shipping and logistics, advertising, classified listings, and merchant web services. In its most recent fiscal year, commerce and related services accounted for approximately 59% of net revenue, while payments and fintech solutions accounted for approximately 41%. The company operates in 18 countries representing the vast majority of Latin American GDP, and its 218 million active users, last disclosed in 2023, represented over 45% of the region's estimated 480 million total internet users. We believe MercadoLibre benefits from strong and sustainable competitive advantages that include its network and ecosystem, brand, and understanding of local markets that collectively contribute to its leadership position in each market it serves. With continued growth in internet access, increasing availability of credit, and the company's continuing investments to improve the ease and convenience of transacting online, we believe MercadoLibre remains well positioned for sustained growth over the next decade, driven by the secular growth of e-commerce across Latin America.

A strategy holding since inception, MercadoLibre reported strong quarterly financial results that were above consensus expectations for gross merchandise volume (GMV) and revenue but below expectations for operating income, and earnings per share due to elevated investments in the period. Shares were pressured post earnings on concerns around continued elevated investments and increasing competitive intensity heading into the fourth quarter holiday season. The company continues to execute well and gained market share in e-commerce, payments, and financial services. Since 2019, the company's GMV has increased by almost 5 times, reflecting the high value proposition to consumers, and the company continues to invest in providing better selection, price, and service.

For the quarter, net revenue of \$7.4 billion grew by 49% year over year in constant currency. The services provided by MercadoLibre generally fall into two distinct revenue streams. "Commerce" includes MercadoLibre's core e-commerce marketplace and related services and solutions, and accounted for 56% of revenue. "Fintech" accounted for 44% of revenue and includes items such as off-platform payment fees generated through the company's Mercado Pago payments platform, financing fees, and revenues from the sale of mobile point-of-sale (POS) products. Commerce revenue of \$4.2 billion rose 38% year over year in constant currency. GMV of \$16.5 billion rose approximately 35% year over year on a constant currency basis, driven by strong growth in Brazil and Mexico and improving performance in Argentina. We believe the healthy growth in e-commerce is persisting due to the high value proposition to consumers and merchants and the lower penetration rate of e-commerce in Latin America versus other geographies. Commerce revenue also benefited from continued growth in its advertising business, which grew 63% year over year in constant currency. The company continues to focus on expanding its product categories and deepening its selection. Live listings, one of the company's key performance indicators that demonstrates the broad and growing number of products available through the company's marketplaces, rose by approximately 37% to 618 million in the quarter, while the number of active users of MercadoLibre's commerce and fintech businesses grew by 26% and 29%, respectively. Fintech revenue of \$3.2 billion grew 65% in constant currency, driven by strong growth in merchant acquiring and credit services. Credit services in particular benefited from 83% growth in the company's \$11 billion credit portfolio that extends credit to both consumers and merchants. Total platform payment volumes increased by 54% to \$71 billion. Acquiring payment volumes represented 67% of the total volume and increased



by 45% while payment volumes related to fintech services represented 33% of volume and increased by 72%. The company also reported that its emerging asset management business now has \$15 billion in assets under management, which grew 89% year over year.

We believe MercadoLibre continues to have an attractive financial model which has been impacted over the past few years by an elevated investment cycle intended to strengthen the company's ecosystem and long-term competitive positioning. Reported operating margins of 10% declined 70 basis points year-over-year, due primarily to the company's decision to lower free-shipping thresholds, provide seller shipping discounts, as well as a higher portion of first-party sales and increased credit loss provisions. Despite the decision to accelerate investments in the most recent quarter, margins have improved materially over the past few years from the low-to-mid single digits. We believe management has demonstrated its long-term focus and commitment to investing everywhere needed to add value for users, including greater selection, frictionless payment options, and reduced cost and increased speed of delivery. For instance, in its commerce business, the company opened six new fulfillment centers in the latter half of 2024, including five in Brazil that will increase same-day delivery cities by 40%, and the company anticipates opening a total of six more by the end of 2025. While its elevated investments over the past few years have pressured near-term profits, management remains focused on balancing the investments needed to further improve user experience and extend the company's leadership in e-commerce and payments with maintaining a sustainable and profitable financial model. We believe the current market price embeds expectations for revenue and cash flow growth that are well below our long-term assumptions. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and represent a compelling reward-to-risk opportunity.

Outlook

- Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process has led to a lower-turnover portfolio in which sector positioning is the result of stock selection.
- At quarter end, we were overweight in the communication services, consumer discretionary, and healthcare sectors. We were underweight in the financials, information technology, industrials, and consumer staples sectors. We held no positions in the materials, energy, utilities, or real estate sectors.
- We remain committed to our long-term investment approach to invest in those few high quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value. Though we have no stated portfolio turnover target, as a result of our long-term investment horizon, our estimated annualized portfolio turnover is approximately 8.7% since the inception of the strategy. The overall portfolio discount to intrinsic value was approximately 46.1% as of December 31, 2025.

Important Disclosure

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Holdings analysis is shown for a representative account. Due to systems limitations it may be difficult to analyze holdings on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Global Growth investment strategy. Due to guideline restrictions and other factors, there may be some dispersion between the returns of this account and other accounts managed in the Global Growth investment style.

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