LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

DECEMBER 31 2024

International Growth Fund

Fund Facts

The fund seeks to invest in companies with sustainable competitive advantages, long-term structural growth drivers, attractive cash flow returns on invested capital, and management teams focused on creating long-term value for shareholders. The fund's portfolio manager also aims to invest in companies when they trade at a significant discount to the estimate of intrinsic value.

Strategy AUM[1]	$39.3 million
Fund AUM	$29.1 million
Share Class	Y
Inception	12/15/2020
Ticker	LIGYX
Benchmark	MSCI ACWI ex USA Index (Net)
CUSIP	543488563
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

[1]Strategy assets are comprised of Loomis Sayles International Growth style accounts.

Portfolio Review

- The fund posted negative returns of -4.67% vs. -7.60% for the MSCI ACWI Ex USA Index (Net), outperforming the benchmark by 2.93% during the quarter. Tesla, Shopify Inc., and Trip.com Group Limited were the three largest contributors to performance during the quarter. Novo Nordisk, WiseTech Global Limited, and MercadoLibre were the three lowest contributors to performance.

- Stock selection in the consumer discretionary, financials, and healthcare sectors, as well as our allocations to the information technology and consumer discretionary sectors, contributed positively to relative performance. Stock selection in the information technology, consumer staples, industrials, and communication services sectors, as well as our allocations to the financials, healthcare, and consumer staples sectors, detracted from relative performance.

- The fund is actively managed with a 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 (%)

Tesla, Inc.	7.1
MercadoLibre, Inc.	6.3
Trip.com Group Limited	5.8
Adyen N.V.	5.6
WiseTech Global Limited	5.5
Novo Nordisk A/S	5.5
SAP SE	4.7
Tencent Holdings Limited	4.5
Shopify Inc.	4.4
Arm Holdings Plc	4.0
Total	53.6

MSCI ACWI ex USA Index (Net) *is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed (excluding the USA) and emerging markets. The index is shown with minimum dividend reinvested after deduction of withholding tax.*

Class Y Performance as of December 31, 2024 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	-4.67	13.45	13.45	4.18	-	2.45
BENCHMARK	-7.60	5.53	5.53	0.82	-	3.10
EXCESS RETURN	+2.93	+7.92	+7.92	+3.36	-	-0.65

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.

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 1.62% (Class Y). Net expense ratio 0.95%. 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 4/30/2025. When an expense cap has not been exceeded, the fund may have similar expense ratios.

Institutional Class shares (Class Y) are available to institutional investors only; minimum initial investment of $100,000.

New Purchase Highlights

LVMH
Paris-based LVMH is the world's largest luxury company and possesses a portfolio of iconic brands which on average are more than a century old. The company operates primarily through five distinct business units: fashion & leather goods (e.g. Louis Vuitton); selective retailing (e.g. Sephora); perfumes & cosmetics (e.g. Christian Dior); watches & jewelry (e.g. Tiffany); and wines & spirits (e.g. Hennessy). In each segment the company benefits from brand heritage and scale that leave it among the best positioned to benefit from structural growth in the global luxury market.

Portfolio Activity

- All aspects of our quality-growth-valuation investment thesis must be present for us to make an investment. Often our research is completed well in advance of the opportunity to invest. We are patient investors and maintain coverage of high-quality businesses in order to take advantage of meaningful price dislocations if and when they occur. During the quarter, we initiated a new position in LVMH. We added to our existing position in Roche as near-term price weakness created an attractive reward-to-risk opportunity. We trimmed our position in Tesla to finance purchases. We sold our small position in Pluxee that we recently received via spin-off.

Contributors

Tesla, Shopify Inc., and Trip.com Group Limited were the three largest contributors to fund performance.

- Founded in 2003, **Tesla** is a global leader in the design, manufacturing, and sales of high-performance fully electric (battery) vehicles (EVs). The company's automotive unit sells its products directly to customers through its website and retail locations and continues to grow its customer-facing infrastructure through a global network of vehicle service centers, mobile service technicians, body shops, Supercharger stations, and Destination Chargers to accelerate widespread adoption of its products. Tesla also designs, manufactures, sells, and installs solar energy generation and energy storage products to residential, commercial, and industrial clients through its energy generation and storage unit. The company is expected to generate approximately 90% of its sales from its automotive segment and 10% from its energy generation and storage segment in its 2024 fiscal year. From a geographic standpoint, the US and China are the company's two largest markets, expected to account for approximately 50% and 21% of 2024 sales, respectively, while the rest of the world collectively accounts for approximately 29%.

  A fund holding since the fourth quarter of 2022, Tesla shares may have responded positively to the US election results in which CEO Elon Musk publicly supported President-elect Trump. The election results, which have no impact on our long-term structural investment thesis for the company, have brought renewed focus on the full-self driving (FSD) and other software opportunities for Tesla. Tesla's monetization of its growing installed base of vehicles through software sales, primarily FSD, has always been a key aspect of our investment thesis. During the quarter, Tesla reported that deliveries rose year over year and quarter over quarter, reversing a recent trend of declines. Given that affordability in the auto industry is being impacted by multi-decade-high interest rates and lingering materials and logistics cost inflation, we believe Tesla has been prudently managing the business, which included record auto production and deliveries in 2023, as well as the company's Model Y becoming the highest selling vehicle on a global basis, which has continued year-to-date in 2024. The company was also able to expand its automotive gross margins excluding the benefit of regulatory credits, which were also near an all-time high as other automotive manufacturers continue to fall behind emission targets and need Tesla's credits to reduce the potential for hefty fines. We believe ongoing near-term industry weakness does not reflect on Tesla's long-term prospects, nor does it change our expectation for long-term secular growth in EV penetration and software sales around the world, irrespective of the level of interest rates.

  Revenue of $25.1 billion rose 8% year over year. Despite working to lower the price of its vehicles to increase affordability, higher interest rates have impacted the core mass market customer Tesla ultimately seeks to win over. Tesla has a pricing strategy where they price their vehicles to maximize overall profit dollars. Historically the company had reduced price annually as it leveraged its growing scale to lower the total cost of ownership for potential buyers and drive EV adoption. The company is focused on penetrating mass-market buyers, where pricing sensitivity is a greater factor, and rising rates effectively increased the price of Tesla's cars by 10% over the past few years. The company also reiterated that it would be launching new passenger-driven vehicles and more affordable models starting in the first half of 2025 to further drive adoption of EVs. We estimate Tesla's existing models currently address a potential market of approximately 11 million to 24 million cars sold annually. We believe a lower-priced car could increase the company's addressable market to 50 million units. We believe this is the correct strategy as long as Tesla continues to protect its brand equity, which is one of the company's most important intangible assets. Given that Tesla manufacturing factories have high fixed costs that benefit from scale, increasing EV sales from current levels would improve production utilization and generate higher profit per vehicle. We believe that increased volumes will offset near-term margin pressure over time. Further, unlike traditional auto manufacturers, Tesla has the ability to sell software to car owners after the initial sale, providing incentive to grow an installed base that can later be monetized through software sales. We believe the company is making strong progress on its industry-leading software which benefits from its data leadership in autonomous driving. In the last six months, the company captured more data than in the prior 2.5 years combined, and the company is ramping up customer education by demonstrating the technology at every new vehicle pick up, which it will extend to every service appointment as well. The company recognized higher FSD revenue during the period as it also enabled FSD on the Cybertruck and released Actual Smart Summon, a feature designed to enable the driver to move the car to a desired location, to all FSD users. The Cybertruck also posted positive gross margins less than one year after its launch, while competitors such as Rivian still generate gross losses. We believe this underscores the company's cost leadership, scale advantages, and the maturity of its manufacturing operations.

After declining over the past few quarters due to lower average selling prices, new factories that are not yet operating at full efficiency, higher raw materials and logistics costs, and strong investments in research and development to support the Cybertruck and its AI robot, Tesla's operating margins rose over 300 basis points during the quarter to 10.5%. We believe these negative recent impacts are temporary and that over the long term, Tesla can generate operating margins in the mid-20% range, supported in part by an increasing mix of FSD sales. After posting negative free cash flow in the first quarter, free cash flow was positive for the second quarter in a row, and we believe it will remain positive as profits and capital expenditure efficiencies improve. Despite an automotive industry slowdown, we believe that Tesla is a structural share gainer in the overall auto industry and will continue to gain share and grow faster than the industry as a whole.

We believe the secular growth driver for Tesla is increasing penetration of electric vehicles as a share of global automotive sales. Around the world, EVs are expected to account for a low-double-digit percentage of new light vehicle sales in 2024, with penetration rates ranging from high-single digits in North America to low double-digits in Western Europe and almost 30% in China. We believe the pace of EV adoption will accelerate, driven by advances in battery technology that will drive cost parity, lower ongoing cost of ownership for consumers, government incentives, and numerous global initiatives to phase out internal combustion engine sales over the next two decades. Tesla is the global leader in battery EV sales, with high-teens unit share, around 25% revenue share, and a much higher share of industry profitability. While we expect competition to increase substantially, we believe Tesla's superior brand, focus, technology leadership, and strong ongoing consumer demand will enable the company to maintain a leading global market position.

In mid-2024, Tesla replaced the current FSD offering with FSD (Supervised), which allows the company to offer full-self-driving functionality but requiring consumers to remain alert. In addition, the company debuted FSD version 13 that was used to power the cybercab and the unmanned Model 3 and Model Y as the company announced its robotaxi strategy. FSD 13, which represents the first version of FSD software based solely on AI training on the company's super computers, delivers a step change improvement in autonomous driving capabilities and has been rolled out to existing subscribers. We believe most consumers will ultimately adopt FSD functionality over the long term. We believe Tesla's software offerings carry profit margins that are significantly greater than the current company average and we believe they will drive strong profit growth. Over time, we believe uptake of high-margin software capabilities, which we believe can increase from a negligible percentage of profits today to approximately 25%, will contribute to expanding the company's operating margins. We believe the assumptions embedded in Tesla's share price underestimate the company's significant long-term growth opportunities and the sustainability of its global market share. We believe the company's shares currently sell at a significant discount to our estimate of intrinsic value and thereby offer a compelling reward-to-risk opportunity.

However, we trimmed our holdings to manage position size during the quarter.

- **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 72% of revenues in North America, with Europe, the Middle East and Africa accounting for 18%, and Asia-Pacific contributing approximately 10%.

  A fund holding since the first quarter of 2022, Shopify reported strong quarterly results that were above consensus expectations for most key metrics, including gross merchandise volume (GMV), revenue, adjusted operating profit, and free cash flow. The company also provided guidance for the current quarter that was above expectations for revenue, operating profits, and free cash flow. Revenue of $2.2 billion rose 26% year over year, representing the sixth consecutive quarter of growth in excess of 25% when excluding the sale of its logistics business that was included in the prior-period results. The company generated $70 billion of GMV on its platform during the quarter, which increased by 24% and was 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 28% of revenue and grew 26% year over year, driven by merchant additions and subscription price increases within the company's Shopify Plus platform. Merchant solutions represented 72% of revenue and also grew 26% year over year, benefiting from strong growth in GMV and greater usage of the company's value-added services. Operating income of $283 million rose from $122 million in the prior-year period as the company benefited from lower headcount and the sale of its logistics business. Adjusted operating margins of 18% expanded 500 basis points over the prior-year period. Positive free cash flow of $421 million rose 53% year over year and was well 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 is on pace for a high-teens margin in 2024.

  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 10,000 applications that extend the functionality of the company's core commerce solutions, as well as over 40,000 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 increases the value to all participants. With over two million merchants and over $230 billion of GMV in 2023, 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 total revenue growth of almost 20% 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.

- China-based **Trip.com (TCOM)**, formerly known as Ctrip, is the world's largest global travel platform. Founded in 1999, the company offers a comprehensive, integrated platform on which travelers can make arrangements for lodging, transportation, packaged tours and other related services, including online advertising and financial services, as well as providing corporate travel management services. The company provides its services in China through its Ctrip and Qunar platforms and serves non-Chinese customers primarily thorough Trip.com and Skyscanner. China-related travel accounts for over 85% of revenue, but Trip.com is available in 24 languages and 35 local currencies while Skyscanner is available in over 50 countries and over 35 languages. Trip.com also holds equity interests in other leading travel sites, including Tongcheng-Elong, China's third largest online travel agent (OTA), and MakeMyTrip, the largest OTA in India.

  A holding in the fund since inception, Trip.com reported quarterly financial results that were strong and above consensus expectations for revenue, adjusted operating profit, and earnings per share. The company reported year-over-year revenue growth of 16% as it benefits from the continued recovery of the China travel market for both domestic and international destinations, with outbound accommodation and transportation revenues once again exceeding pre-pandemic levels. The company provided guidance for growth to continue at a similar level in the current quarter, which was also above consensus expectations.

  As a function of revenue growth and efforts undertaken to optimize its cost structure and enhance productivity, the company reported adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margins of 36%, which expanded by 200 basis points year over year. Despite the substantial impact of Covid-19 on the travel industry, the company maintained a strong and improving financial position that includes cash and both short and long-term investments of $17.5 billion, which substantially exceed the company's $3 billion of outstanding debt.

  As the leading global travel platform and largest in China, we believe Trip.com is well positioned to benefit from long-term growth in travel expenditures by consumers and business travelers in China. The company has recovered from the pandemic, with business now exceeding pre-pandemic levels while other parts of the industry such as international flights still remain at approximately 80% of pre-pandemic levels. We believe the company's share price embeds expectations for key revenue and cash flow metrics that are substantially below our long-term assumptions. As a result, we believe the company's shares are trading at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Detractors

Novo Nordisk, WiseTech Global Limited, and MercadoLibre were the largest detractors to performance during the quarter.

- **Novo Nordisk** is a global healthcare company with over 100 years of innovation and leadership in protein science and diabetes care. Over this time, Novo's focus on the biology and causes of diabetes have led to unparalleled endocrine and metabolic disorder expertise, experience, and competitive advantage. The company's understanding of the biology of diabetes has not only sustained Novo as a global leader in the market for decades, but also provided the foundation for Novo to be the leading innovator and first mover in using GLP-1s to treat obesity. Today, with over 90% of Novo sales coming from diabetes and obesity, Novo also captures over one third of global diabetes value share and over 80% value share of the global obesity market. In its rare disease business segment, which represents approximately 10% of annual revenues, Novo Nordisk has leading positions within hemophilia care, growth hormone therapy, and hormone replacement therapy. Headquartered in Denmark, Novo Nordisk employs over 60,000 people globally and markets its products in 170 countries. We believe this expertise, commercial scale, and manufacturing footprint, combined with its relentless commitment to ongoing innovation, provides the foundation for sustained growth.

  A fund holding since inception, shares responded negatively to summary trial results for Cagrisema in obesity. Cagrisema is a combination therapy that pairs Novo's leading GLP-1 therapy (semaglutide) with Cagrilintide, an amylin agonist, and offered the potential for increased weight loss versus semaglutide alone. While the summary results implied efficacy comparable to Tirzepatide, Eli Lily's competing GLP-1 molecule, and better than semaglutide alone, the approximately 22% weight loss experience was less than the 25% anticipated by management, which would have given Novo the clear lead in next generation obesity therapies. While disappointing relative to expectations, the therapy represents an advancement over Novo's existing therapy and perpetuates the strong leading duopoly of Novo and Lilly in terms of weight loss efficacy. We took advantage of near-term price weakness to add to our holdings following announcement of the results.

  For the quarter, Novo reported fundamentally strong financial results that were mixed with respect to consensus expectations. Prior to the Cagrisema results, shares of both Novo and competitor Eli Lilly had been under pressure as very robust GLP-1 growth was below lofty market expectations, as well as uncertainty regarding potential changes in US healthcare regulatory leadership. We believe the slower-than-expected growth doesn't reflect any structural changes in the market or level of demand, as demand continues to far outstrip supply. Rather, we believe both companies are managing supply to ensure new patients can maintain uninterrupted treatment as they progress from starter doses to higher doses, and to ensure consistent weekly supply increases to stay off the drug shortage list, benefiting patient continuity as well as defending against pharmacies' legal standing to market compounded versions of the therapies. Thus, while near-term results may be resetting near-term expectations, we believe there will be continued robust and consistent growth over the long term. Regarding regulatory and access uncertainty, while we believe that both leading competitors will employ pricing as a lever for access, we view the balance between pricing decisions and resulting volume benefit will drive continued growth and drive incremental competitive advantages, allowing the leading GLP-1 therapies continue to further penetrate the market. There is no change to our view of the attractiveness of the market, where Novo remains a clear market share and innovation leader and the two incumbents maintain an ever-widening manufacturing scale advantage while demand continues to substantially outstrip current supply. We believe that by optimizing price and volume for access and market penetration, Novo continues to build economic scale advantages, enabling it to remain structurally the lowest cost producer in the world. In addition, as Novo continues to innovate differentiated therapies that provide incremental value over the standard of care/existing generation, we believe these new therapies will continue to command incremental pricing commensurate with the value they add to the health care system, even as undifferentiated therapies see increasing pricing pressure. There is no change to our view that Novo Nordisk remains a high quality business that is positioned to remain an innovator and leader in providing therapies for a broad range of diseases that afflict hundreds of millions of people globally.

GLP-1 therapies are a quickly growing class of medications that were first indicated for type 2 diabetes and are now indicated for the broad obesity market and being further tested in a range of comorbidities, including heart failure, sleep apnea, MASH/NASH (metabolic dysfunction-associated steatohepatitis aka nonalcoholic steatohepatitis), and kidney disease. Wegovy, the brand name for Novo's semaglutide molecule in obesity indications, is the first GLP-1 approved for obesity and is seeing rapid growth as patient demand from the more than 100 million obese patients in the US and over 1 billion obese people worldwide learn of the substantial weight loss benefits the treatment can provide. Ozempic, the brand name for Novo's GLP-1 semaglutide molecule in the type 2 diabetes setting, is the latest generation non-insulin, once weekly, anti-diabetic treatment that can postpone the need for insulin for two-to-four years. Novo continues to transition patients to Ozempic from its prior generation, lower-efficacy and once-daily Victoza, which should further insulate the company from pending biosimilar competition for this earlier class. The GLP-1 market continues to innovate and grow rapidly, and Novo is at the forefront. While rival therapy Tirzepatide (brand name Mounjaro in Type 2 diabetes and Zepbound in obesity) from competitor Eli Lilly has posted very solid competitive data, we believe Novo will sustain its competitive position. In addition to innovation, Novo's results also reflect its success in its next generation therapies continuing to penetrate earlier into the treatment paradigm. With Novo's leading clinical profile and continued dedication to innovation leveraging its growing scale advantages and established share of the GLP-1 market, we believe Novo will continue to improve its position in the market.

While we expect Novo will maintain its strong market position, we believe both Eli Lilly and Novo will continue to innovate and compete in GLP-1s, driving increased penetration of the overall addressable market and sustaining double-digit market growth over our long-term investment horizon. We believe that Novo's product differentiation and first-mover advantage will drive continued penetration across a growing range of obesity and comorbidity patients, contributing to double-digit growth in revenues and free cash flows. Despite competitive pressures, we believe continued innovation in products still in development as well as ongoing operational execution will enable the company's continued long-term success. We believe the company's shares are currently selling at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity. We took advantage of near-term price weakness to add to our holdings during the quarter.

- **Wisetech Global** is the leading software solutions provider to the global logistics industry. Founded in 1994 to provide freight-forwarding and customs software to the Australian logistics industry, Wisetech solutions are used in whole or in part by over 90% of the world's 50 largest third-party logistics providers (3PLs) and all of the 25 largest freight forwarders, led by the company's primary SAAS (software-as-a-service) platform, CargoWise One (CW1). From a single unified platform, the company offers function-specific and enterprise-wide modules that support the complex international movement of goods and create substantial efficiencies for its logistics clients. The company's vision is to become the world's operating system for global logistics.

A holding since fund inception, Wisetech's most-recently reported financial results for its 2024 fiscal year ended June 2024 reflected continued strong penetration of its end markets, 15% organic revenue growth, and improving operating margins. After having substantially slowed its pace of acquisition activity, the company announced two sizeable acquisitions in landside logistics in 2023, which continued to expand the company's capabilities outside of forwarding to execute on its strategy of building a universal operating system for global logistics, but were expected to depress its operating margins for the next few years. We did not believe the decline in margins was structural, and in our view, the company continued to execute well on its long-term strategic vision. In its most recent report, the company disclosed that EBITDA (earnings before interest, taxes, depreciation and amortization) margins had rebounded to 50% in the most recent quarter, which wasn't expected until later next year, and the company provided guidance for further margin expansion in the coming year. During the quarter, shares were pressured following media reports of potential personal misconduct on the part of CEO and founder Richard White, including potential workplace misconduct. The Board of Directors is investigating the allegations and Mr.

White agreed to step down as CEO and transition to a consulting role focused on product and business development. Andrew Cartledge, who has served as CFO since 2015, during which time the company grew from approximately AUD 80 million in revenue to over AUD 1 billion in its latest fiscal year, will serve as interim CEO while the Board launches a global search for a new CEO. While the circumstances are unfortunate, as Mr. White's vision and strategy were key to building the company to the leading position it holds today, pending further negative developments, we believe his ongoing involvement, with the prospect of adding a more operationally focused CEO, represents an acceptable compromise under the circumstances. White remains fully committed to the company of which he continues to hold a 35% equity interest. He further entered into a 10-year consulting arrangement, with a five-year extension option and a two-year termination notice period. Shares fully recovered after CEO White agreed to step aside, but declined later in the quarter when the company provided lower-than-expected guidance for 2025, due primarily to the distractions arising from the organizational changes. As we do with any regulatory or corporate development, we will continue to monitor and assess any potential structural impact on our investment thesis for Wisetech and on the company's market share or growth. However, there is currently no change to our view of Wisetech as a high-quality, secular-growth company that continues to trade at a meaningful discount to our estimate of intrinsic value.

Consistent with recent history, the company showed continued growth among its existing client base, with every calendar-year cohort of new clients going back to 2006 showing growth over the prior year, and client attrition remained under 1% for the 12th year in a row. The company also continues to sign large new forwarders, with 5 major global roll-outs over the past year, bringing its total relationship with large forwarders to 51, including 13 of the top 25. We believe that given the company's proven value proposition to clients and lack of lack of any meaningful competition, it is eventually likely to succeed in serving as the operating system for virtually all freight forwarders. Finally, the company announced two new products, as well as an upgrade to CW1, all of which are expected to be rolled out in the second half of 2024. The company's Container Transport Optimization product packages functionality from several acquired companies to facilitate planning and execution of container moves within ports. Its ComplianceWise product similarly builds on expertise assembled through dozens of acquisitions to offer a global customs platform to protect against breaches of international trade laws. And with Cargowise Next, the company is upgrading the technology backbone of its CW1 platform which will facilitate the introduction of new applications and modules anticipated to further expand average revenue per user.

We believe Wisetech benefits from strong and sustainable competitive advantages that include an installed client base with high switching costs, its freight-forwarding industry expertise, significant investments in research and development, its brand, and network. We believe Wisetech will benefit from secular growth in logistics software and services as companies increasingly move towards outsourcing and away from less effective in-house solutions. With virtually no comparable off-the-shelf competition to its unified global platform, Wisetech is the dominant market share leader in its legacy freight-forwarding market. We estimate the company now captures over 25% share of its addressable freight forwarding market, up from the high-single digits five years ago, with gains coming at the expense of proprietary solutions or competitor offerings that addressed only limited industry functions or geographies.

Through underlying industry growth, continued market share gains in its legacy freight-forwarding market, and ongoing penetration of other parts of the logistics industry performed by 3PLs, including warehouse management, land transportation, and cargo handling, we believe the company can generate compounded annual revenue growth of approximately 20% over our long-term investment horizon, with faster growth in operating profits and free cash flow as the company benefits from scale and operating leverage. We continue to believe the expectations embedded in Wisetech's share price underestimate the company's superior positioning and the sustainability of its growth. As a result, we believe the shares trade at a meaningful discount to our estimate of intrinsic value and represent an attractive 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 57% of net revenue, while payments and fintech solutions accounted for approximately 43%. The company operates in 18 countries representing the vast majority of Latin American GDP, and its 218 million active users 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 fund holding since inception, MercadoLibre reported fundamentally solid 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. The company frequently invests to improve its long-term growth and positioning, and strategic investments in both its logistics and credit services businesses pressured margins during the period. The company continues to execute well and gained market share in e-commerce, payments, and financial services. Despite remaining in a period of elevated investment spending, the company also showed strong improvements in operating profits that were materially above consensus expectations, as well strong free cash flow generation. Since 2019, the company's GMV has increased by approximately 3.5 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 $5.3 billion grew by 103% 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 59% of revenue. "Fintech" accounted for 41% 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 $3.1 billion rose 121% year over year in constant currency. GMV of $12.9 billion rose approximately 71% year over year on a constant currency basis, driven by strong growth in Brazil and Mexico. While benefiting in part from a highly inflationary environment in Argentina, this follows solid GMV growth of 59% in the prior-year quarter, which suggests to us that the accelerated shift to 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. 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, declined by approximately 1% to 452 million in the quarter, while the number of active users of MercadoLibre's commerce and fintech businesses grew by 21% and 35%, respectively. Fintech revenue of $2.2 billion grew 81% in constant currency, driven primarily by payment processing and credit services. Credit services in particular benefited from 77% growth in the company's $6 billion credit portfolio that extends credit to both consumers (80%) and merchants (20%). Total platform payment volumes increased by 73% to $51 billion. Acquiring payment volumes represented 71% of the total volume and increased by 59% while payment volumes related to fintech services represented 29% of volume and increased by 124%. The company also reported that its emerging asset management business now has $8 billion in assets under management, which grew 93% 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. While reported operating margins of 10.5% declined year-over-year, they have improved materially over the past few years from the low-to-mid single digits to the mid teens. 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. In its commerce business, margins were impacted by the opening of six new fulfilment centers during the quarter, including five in Brazil that will increase same-day delivery cities by 40%, and the company anticipates opening a further six by the end of 2025. In the credit business, margins were impacted by upfront credit loss provisioning to support its increased originations during the period, and faster growth in lower-margin credit cards relative to other financing products. 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 consumer discretionary, healthcare, information technology, and consumer staples sectors. We were underweight in the financials, industrials, and communication services 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 portfolio turnover since the inception of the fund is approximately 7.5%. The overall portfolio discount to intrinsic value was approximately 41.2% as of December 31, 2024.

About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **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. **Growth stocks** may be more sensitive to market conditions than other equities as their prices strongly reflect future expectations. **Investments in small and mid-size companies** can be more volatile than those of larger companies. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline.

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.

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.

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.

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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 or call 800-225-5478 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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