LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

SEPTEMBER 30 2024

Global 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]	$2.4 billion
Fund AUM	$103.4 million
Share Class	Y
Inception	3/31/2016
Ticker	LSGGX
Benchmark	MSCI ACWI Net
CUSIP	63872T224
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

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

Portfolio Review

- The fund posted positive returns of 8.01% vs. 6.62% for the MSCI ACWI Net Index, outperforming the benchmark by 1.39% net during the quarter. MercadoLibre, Tesla, and Meta Platforms were the three largest contributors to performance during the quarter. Novo Nordisk, Boeing, and Alphabet were the three lowest contributors to performance.
- Stock selection in the consumer discretionary, information technology, communication services, financials, and consumer staples sectors, as well as our allocations to the consumer discretionary and information technology sectors, contributed positively to relative performance. Stock selection in the industrials and healthcare sectors, as well as our allocations to the financials, communication services, consumer staples, and industrials 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 (%)

Meta Platforms, Inc.	7.7
MercadoLibre, Inc.	7.0
Amazon.com, Inc.	5.8
Alphabet Inc.	4.9
Tesla, Inc.	4.7
Oracle Corporation	4.4
Netflix, Inc.	4.2
Microsoft Corporation	3.8
Shopify Inc.	3.5
Adyen N.V.	3.5
Total	49.5

MSCI All Country World Index (Net) *is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.*

Class Y Performance as of September 30, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	8.01	19.20	38.03	6.44	13.14	13.52
BENCHMARK	6.62	18.66	31.76	8.09	12.19	11.36
EXCESS RETURN	+1.39	+0.54	+6.27	-1.65	+0.95	+2.16

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 1.14% (Class Y). Net expense ratio 0.96%. 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 3/31/2025. 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

There were no new purchases during the period.

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, there was no investment activity.

Contributors

MercadoLibre, Tesla, and Meta Platforms were the three largest contributors to fund performance.

- **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 strong quarterly financial results that were above consensus expectations for gross merchandise volume (GMV), revenue, operating income, and earnings per share, and the company 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 3.2 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 $5.1 billion grew by 113% 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 $2.1 billion rose 131% year over year in constant currency. GMV of $12.6 billion rose approximately 83% 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 47% 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, grew 6% to 448 million in the quarter, while the number of active users

of MercadoLibre's commerce and fintech businesses grew by 19% and 37%, respectively. Fintech revenue of $2.1 billion grew 92% in constant currency, driven primarily by payment processing and credit services. Total platform payment volumes settled through Mercado Pago were $47 billion and rose 121% year over year in constant currency. Off-platform payment volumes, which represent processed transactions that occur outside of the company's Marketplace platform, accounted for 74% of total payment volumes and grew 145% year over year, benefiting from mobile POS, QR payments, and the company's digital accounts business. The company also reported that its emerging asset management business now has $6.6 billion in assets under management, which grew 88% year over year, and the company has originated $4.9 billion through its growing array of credit offerings, which rose 51% 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, which is now beginning to ease. While reported operating margins of 14.3% 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. The company also expects to increase its investments in several areas, including first-party sales, an improved loyalty program, and advertising technology. 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.

- 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 generates approximately 95% of its sales from its automotive segment and 5% from its energy generation and storage segment. From a geographic standpoint, the US and China are the company's two largest markets, accounting for approximately 47% and 23% of sales, respectively, while the rest of the world collectively accounts for approximately 33%.

A fund holding since the first quarter of 2022, Tesla reported quarterly financial results that reflected a year-over- year decline in unit sales for only the second time since the launch of its model Y. The company highlighted a number of factors weighing on demand, including economic weakness in major EV markets and affordability challenges due to still-high interest rates. The company also again provided guidance for slower-than-expected growth in 2024 as global EV adoption has slowed, despite showing signs of recovery. 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. We believe this near-term weakness does not reflect on Tesla's long-term prospects, nor does it change our expectation for long-term secular growth in EV penetration around the world, irrespective of the level of interest rates.

Revenue of $25.5 billion rose 2% 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 two years. 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. 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 Tesla is rolling out version 12 and already working on version 12.5 of its FSD (full self driving) beta software. Despite a substantial year-over-year decline in operating margins 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, we believe these impacts are temporary and that over the long term, Tesla can generate operating margins in the mid-20% range. 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 accounted for a low-double-digit percentage of new light vehicle sales in 2023, 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 over 20% 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 2022, Tesla launched an enhanced autopilot feature for customers who only want self-driving functionality on highways. While we believe most consumers will ultimately adopt FSD functionality over the long term, at 50% of the cost of FSD, we believe the enhanced autopilot option will accelerate uptake of its software offerings. Over the past few months, the company has begun to further sharpen its FSD strategy. First, the company rolled out a free trial to all US car owners with hardware 3 and higher, which represented 1.8 million cars, for which the company saw 50% usage. The company also created a lower pricing tier for "supervised" FSD, which provides access to a scaled-down version of FSD that is allowed by current regulations, but at half the price of FSD. 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 0% 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.

- **Meta Platforms** operates online social networking platforms that allow people to connect, share, and interact with friends and communities. The company's Facebook platform allows message exchange, photo and video sharing, and common-interest user groups, and Meta's family of apps also includes leading global social and messaging applications Instagram, Messenger, and WhatsApp.

  A fund holding since inception, Meta reported quarterly financial results that were

strong and above expectations for revenue, operating income, and earnings per share. The company also provided revenue guidance for the coming quarter that was above expectations, while reiterating its annual expense outlook and modestly increasing its capital expenditures (capex) forecast. Meta expects capex to remain elevated over the next few years as it levers its talent, data, and scalable infrastructure to build new solutions for its family of apps and become one of the world's leading AI companies. We believe this is a necessary cycle for maintaining sustainable competitive advantages and long-term growth. The company continues to invest significantly in its early-stage Reality Labs segment, which includes augmented- and virtual-reality (VR) products that the company views as building its long-term vision for the metaverse. While the company lost $4.5 billion in its Reality Labs segment during the quarter, Meta's core family of apps generated strong operating profit of $19.3 billion on 50% operating margins that expanded by 900 basis points year over year. As a result, the investment represented just over 23% of the operating profit generated by the company's highly profitable core business. We believe Mark Zuckerberg has always managed the company with a long-term focus and strong strategic vision. Over the past ten years, Meta has spent over $160 billion on research and development and $135 billion on capital expenditures, including over $130 billion and over $100 billion, respectively, in the last five years. This represents a level of investment that few firms can match and creates high barriers to entry for competitors that are further compounded by Meta's growth of cumulative knowledge over time. We expect Meta to continue to invest in products around virtual and augmented reality with the long-term vision of creating a metaverse platform. We believe the company's overall AI initiatives and those within its family of apps businesses are complementary to and overlap with its reality labs product-focused areas. For instance, Meta has invested in its Llama large language model, which is a product supporting developers but also training the company's Meta AI assistant that is used in its family of apps business. Today, Meta AI has nearly 500 million monthly active users, and the company's goal is for Meta AI to become the most-used AI assistant in the world. Meta AI is also expected to be used in its recently released Orion augmented-reality glasses prototype, as well as other smart glasses products. Orion leverages both Meta AI and its family of apps products to conduct calls, videos, and messages. We expect Meta to continue to invest around virtual, augmented, and mixed-reality devices and software and to lever investments in AI and the ecosystem of its family of apps businesses. Given the potential size of the opportunity, which we estimate could impact over $1 trillion of spending over the long term, and Meta's positioning with billions of users and hundreds of millions of businesses, we believe Meta's current balanced approach to its forward looking investments make sense.

We believe Meta continues to have significant advantages arising from its network of over 3.2 billion daily users of its family of apps, over 200 million businesses that use its platforms and tools every month, and approximately 10 million advertisers who have consistently paid more per user for access to its rare network. We expect that businesses and decision makers in all sectors will continue to allocate an increasing proportion of their advertising spending online, and Meta remains one of very few platforms where advertisers can reach consumers at such scale in such a targeted and effective fashion.

For the quarter, revenue from Meta's family of apps, which is primarily advertising revenue, accounted for 99% of the company's $39 billion in total revenue and rose 22% year over year in constant currency. User data, coupled with the scale and frequency of engagement, allows Meta an unprecedented ability to specifically target direct marketing. The ability of advertisers to deliver relevant content, in turn, increases user engagement, and contributes to growth in the overall ecosystem. Across its family of apps – Facebook, Messenger, WhatsApp, and Instagram – daily active users grew 6.5% year over year to 3.27 billion. As users grow, more advertisers come to the platform. Meta now has over 200 million businesses that use its platforms or tools every month, and the company last reported the number of advertisers grew to over 10 million, up from over 8 million at the end of 2019 and over 7 million at the end of 2018. Total average revenue per person (ARPP) for the quarter of $11.90 rose 14% year over year. Since 2012, annual monetization per user has increased globally from $5 per user to over $44 in 2023, a compounded annual growth rate of 22%, which we believe is a secular trend that reflects Facebook's strong pricing power and ability to monetize its global user base. The company's reality labs segment, which includes augmented- and virtual-reality consumer hardware, software, and content, accounted for 1% of total revenues, which rose 40% year over year due primarily to higher

sales of its Quest VR headsets.

Despite the impact of elevated investment spending, we believe Meta continues to have an attractive financial profile. Quarterly earnings before interest and taxes (EBIT) of $14.8 billion rose 58% year over year on margins of 38% that rose from 29% in the prior-year period. The company's family of apps generated $19 billion of EBIT on operating margins of 50%. Meta continues to invest heavily in new growth drivers, such as Reality Labs, which is the division that focuses on VR and augmented reality hardware and software. The reality labs segment generated a quarterly operating loss of $4.5 billion. Meta's total free cash flow of $10.9 billion declined 1% year over year due to elevated capital expenditures that rose 33%. During the quarter, the company repurchased $6.6 billion of shares and paid over $1 billion in dividends.

We believe Meta is a high-quality company, benefiting from the secular shift from traditional advertising to online advertising and positioned for strong and sustainable growth over our investment time horizon. We believe Meta benefits from the competitive advantages of its network, scale, strong brands, platform strategy, and a targeting advantage. With 3.27 billion daily users and over 200 million businesses worldwide using its family of apps, the scale and reach of Meta's network is unrivaled. When excluding China, where Meta is not currently operating, we estimate that the unique users of the company's Family of Apps exceed 80% of the world's internet population. We expect that businesses will continue to allocate an increasing proportion of their advertising spending online, and Meta remains one of very few platforms where advertisers can reach consumers at such scale in such a targeted and effective fashion. We believe Meta's brands, network, and targeting advantage position the company to take increasing share of the industry's profit pool and grow the company's market share from approximately 7% currently to over 10% of the estimated over $1.85 trillion total global advertising market over our investment time horizon. We also believe that the expectations embedded in Meta's current share price show a lack of appreciation for the company's growth opportunities and the sustainability of its business model. We believe the consensus expectations and current market price reflect assumptions for free cash flow growth that are well below our long-term expectations of strong double-digit cash flow growth. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value, creating a compelling reward-to-risk opportunity.

Detractors

Novo Nordisk, Boeing, and Alphabet 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 approximately 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 continued growth.

  A fund holding since inception, Novo reported quarterly financial results that were modestly ahead of consensus expectations, benefiting from continued demand for the company's industry-leading GLP-1 products. The company also modestly increased its full-year guidance range for both revenue and cash flow, while lowering the mid-point of profit guidance by 2% to 24%. Shares may have reactively negatively to a decline in realized

pricing for GLP-1s. However, because net pricing for products is not disclosed and must be estimated by reported revenues and approximate prescriptions per period, for rapidly growing products such as the company's Wegovy and Ozempic therapies, net pricing is often higher than realized pricing due to the timing of revenue recognition which occurs when the product is shipped to distributors, while prescriptions are lagged. This effect creates volatility in realized price that we believe is not reflective of normalized pricing. While both we and the company expect pricing to decline as the therapies continue to further penetrate the market, there is no change to our view of the attractiveness of the GLP-1 market, where Novo remains the clear leader and demand continues to substantially outstrip current supply. Novo continues to invest in manufacturing infrastructure that can be leveraged not only for GLP-1s, but which also has the flexibility to produce all of Novo's peptide-based therapies.

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 converting patients to its next generation therapies, growing penetration of the GLP-1 market, and share gains against former market leader Trulicity. The company estimates that GLP-1 therapies continue to penetrate earlier into the treatment paradigm. With Novo's leading clinical profile and share of the GLP-1 market, we believe that Novo's leading profile and continued innovation will allow it to continue to improve upon its leading share of the total 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 discount to our estimate of intrinsic value and offer an attractive reward-to-risk opportunity.

- Founded in 1916, **Boeing** is a global leader in the commercial and defense aerospace industries. The company manufactures commercial aircraft for passenger and cargo traffic as well as manned and unmanned military aircraft, missile and defense systems, satellites and launch systems, and other space and security systems. The company operates primarily through three segments: commercial airplanes (historically around 60% of revenues), defense, space and security (historically 20-25% of revenues), and global services (historically 15-20% of revenues). Along with Airbus, Boeing is part of a global duopoly that accounts for almost all commercial planes sold with greater than 125 seats – the largest market segment. The company serves customers in over 150 countries and non-US sales typically account for greater than 40% of total revenues.

  Boeing has been a holding in our fund since the second quarter of 2020, when the Covid-19 outbreak prompted a record decline in air travel, creating substantial uncertainty around the near-term demand for aircraft and resulting in a substantial near-term disruption in the

company's stock price. We believed the impact of Covid-19, along with the 2019 grounding of the 737 MAX, represented temporary, not structural, issues and created the opportunity to initiate our position. Since our investment, global air travel has almost fully returned to pre-pandemic levels, and the MAX has been cleared to fly in all major countries, including China. More recently, the company has faced new challenges which have again created near-term uncertainty among investors. We believe Boeing is one of only two companies globally which possess the requisite expertise and scale to profitably serve the global demand for commercial aircraft, and we believe the company's long-term earnings power and our long-term structural investment thesis for Boeing remain intact, as we outline below.

On January 5th, a Boeing 737 MAX-9, flown by Alaska Airlines, suffered a mid-air structural failure when a panel fell off in flight. While the FAA grounded all MAX-9 planes following the incident, after inspecting the whole MAX-9 fleet, all the aircraft are now back in service. The MAX-9 fuselage is provided to Boeing by Spirit Aerosystems, which was once part of Boeing and is the company's largest supplier. In July, Boeing announced a definitive agreement to acquire Spirit, a move that we believe makes sense and that we previously suggested to management as execution issues from Spirit before the Alaska accident cost the company more in lost profits than the market cap of Spirit. Following the accident, to improve product quality and safety, Boeing has focused on reducing "travelled work," or work done out of sequence due to part availability or defective parts. Despite the near-term challenges, we do not view the issues as structural and believe the long-term earnings power of the company remains unchanged and significantly underappreciated.

Following the initial missteps with the MAX, which led to the departure of the prior CEO, we believe that Boeing took meaningful steps to strengthen the culture of safety throughout the company and the broader aerospace industry. The company has been accommodative with customers around compensation for lost income and taken a more constructive approach to its relationship with the FAA. The company also tailored compensation to reflect its execution priorities, realigning the engineering function as part of the company's commitment to safety. While the Alaska accident showed that there are further steps to take, we're confident that the steps to which Boeing committed after the accident will strengthen the company's product quality. In May, the company submitted a comprehensive plan to the FAA, which has capped production rates for the 737 to 38 per month until it is satisfied with Boeing's improvements. While production rates are still hampered by Spirit's ability to produce compliant fuselages, production rates have increased steadily over the year to reach mid-20s per month, and the FAA recently allowed Boeing to reopen a third assembly line.

In September, members of Boeing's largest union, the International Association of Machinists and Aerospace Workers (IAM), voted to go on strike, rejecting a contract offer that had been recommended by union leadership. The IAM has a history of striking somewhat frequently against Boeing (most recently in 2008 and 2005), and we anticipated a substantial increase in labor costs as part of the current negotiations. Manufacturing labor costs represent a small percentage of the company's overall costs, and our investment thesis was not predicated on a strike being avoided or even short-lived. While the strike has a near-term impact on free cash flows, it does not impact our long-term view of the company's cash-generation ability. And while we believe internally generated free cash flow will satisfy the majority of the company's funding needs over our long-term investment horizon, the company has multiple funding options if needed in the near-term, which might include raising equity as the company deals with the impact of the strike and continuing production limitations.

Boeing's most-recently reported quarterly financial results were challenging and included a cash outflow of over $4 billion as the company continued to accept inventory at a level that exceeded current assembly rates in order to keep its supply chain on pace. The company has since taken steps to reduce cash outlays, including furloughing workers who are not part of the strike and slowing its inventory build. The company also noted that some customers are withholding progress payments until production rates improve, which also negatively impacted free cash flow. While improving production rates will be the biggest driver of improved cash flow, we believe the company has made tangible progress since the Alaska Airlines incident. Further, we estimate that Boeing has approximately $39 billion of aircraft currently in inventory, which will generate substantial revenue and cash flow as they are likely delivered over the next 12-to-24 months. As of June quarter-end, the commercial

airline backlog of $437 billion, or over 5,400 aircraft, was up 20% year over year. Despite still uneven quarterly results and the uncertain duration of the strike, absent further issues with the MAX and 787, we believe the company's long-term earnings power remains intact.

In July, Boeing announced that Kelly Ortberg would replace David Calhoun as CEO, beginning in early-August. Calhoun had previously announced that he would step down at the end of 2024. We have not yet met Mr. Ortberg, who was formerly the CEO of aerospace and defense supplier Rockwell Collins until its 2018 acquisition by United Technologies, where he later led a segment with approximately $25 billion in revenues until retiring in 2021. Mr Ortberg has over 35 years of aerospace industry experience including a number of important leadership posts, and is an engineer by background.

We believe Boeing is one of only two companies globally which possess the requisite expertise and scale to profitably serve the global demand for commercial aircraft. 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 Boeing and on the company's market share or growth. However, we believe the current market price embeds expectations for aircraft deliveries, margins, and free cash flow growth that are well below our long-term assumptions. 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.

- **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 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, 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 holding in the fund since inception, Alphabet's most-recently reported quarterly financial results were strong and above consensus expectations for revenue, operating income, operating margin, and earnings per share. In August, in a case originally filed in 2020 by the U.S. Justice Department (DOJ) and multiple U.S. states, a U.S. District Court ruled that Google had acted illegally to maintain a monopoly in online search by paying companies such as Apple to present its search engine as the default choice on their devices and web browsers. Google has announced that it will appeal the decision, but may have to wait until after the remedy phase is complete before an appeal is heard. For perspective, it took approximately three years for remedies to be ultimately decided following an anti-trust lawsuit against Microsoft a number of years ago, and it took Alphabet over four years to win its appeal of a $1.7 billion EU anti-trust fine that was levied in 2019 and annulled in September 2024. We expect this process will likely take multiple years before it is ultimately settled and any changes are implemented. And while we do not know what the final outcome will be, based on its ongoing innovation and substantial competitive advantages, we do not believe the company's competitive positioning will ultimately be diminished, and we believe the company continues to represent an attractive reward-to-risk opportunity.

Alphabet has been a holding in our strategy since inception in July 2006. Different authorities in different jurisdictions have investigated Alphabet over the course of our holding period – sometimes finding it guilty of violating anti-trust laws and sometimes finding it had not violated any statutes. For instance, in 2011, a U.S. Federal Trade Commission (FTC) anti-trust investigation focused on Google's ability to leverage its

strong position in search to enhance its own competitive advantage. The investigation lasted two years and the FTC elected not to pursue any lawsuits, levy any fines, nor require any changes in business practices. More recently, the European Commission (EC) found Google guilty of violating its anti-trust laws around its practices with Google Shopping, the licensing of Android to device manufacturers, and for placing restrictive clauses in contracts with third-party websites which prevented ads from Google competitors. The company incurred fines of approximately $10 billion and in each instance was required to modify is businesses practices. We observed no material change in the company's competitive positioning as a result of these changes.

We believe Google's dominance in the online search and advertising market is a function of its superior product offerings and strong and sustainable competitive advantages – not the product of anti-competitive business practices. In Europe, where Google was required to provide users with a choice of browsers on its Android devices, the company maintains over 90% market share – suggesting the company's dominance is a function of consumer preference and not its default positioning. Even on desktop devices pre-installed with Microsoft's edge browser, the company captures over 80% of search activity. Further, if Google is enjoined from paying companies to secure default positioning, it may realize savings from the more than $20 billion it currently spends annually on customer acquisition costs.

As we did with earlier legal and regulatory challenges against the company, we will continue to monitor and assess any potential structural impact on our investment thesis for Alphabet and on the company's market share or growth. However, we believe Alphabet remains well positioned to benefit from the secular shift of the approximately $1.85 trillion in global annual advertising and marketing expenditures outside of China to online and mobile advertising from traditional advertising media. We believe market expectations underestimate Alphabet's long-term sustainable growth rate. Therefore, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers 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, communication services, and healthcare sectors. We were underweight in the financials, information technology, consumer staples, and industrials 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 since the inception of the fund is approximately 9.6%. The overall portfolio discount to intrinsic value was approximately 43.0% as of September 30, 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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Investments in small and mid-size companies** can be more volatile than those of larger companies. **Growth stocks** may be more sensitive to market conditions than other equities as their prices strongly reflect future expectations.

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.

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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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