



# Global Equity Fund

## THIS FACT SHEET IS FOR THE UNLISTED AND QUOTED CLASS OF UNITS IN THE LOOMIS SAYLES GLOBAL EQUITY FUND ('FUND')

- Loomis Sayles Global Equity Fund is the unlisted class of units
- Loomis Sayles Global Equity Fund (Quoted Managed Fund) is the quoted class of units

### MARKET CONDITIONS

Global equity markets rose in the first quarter, ending the period up 8.7% in AUD terms (as measured by the MSCI All Country World Index). Markets proved resilient in the face of banking turmoil, with the failure of two mid-sized US banks and the rescue acquisition of Credit Suisse by its long-time rival UBS. Similarly, the market also took the crypto currency meltdown and continued economic uncertainty in stride, in our view. The Information Technology sector meaningfully outperformed the broader market, registering a return of nearly 24%. The Communication Services and Consumer Discretionary sectors also posted double-digit gains, while the Energy and Health Care sectors were negative for the period.

### PORTFOLIO PERFORMANCE

The Loomis Sayles Global Equity Fund returned 10.8%, outperforming the MSCI All Country World Index (Net) return of 8.7%. The Information Technology sector was the largest contributor to relative results, followed by the Consumer Discretionary and Energy sectors. The Financials sector was the largest detractor from relative returns, followed by the Communication services and Health Care sectors.

### FUND FACTS

Invst Style	Agnostic
Assets	\$160 M
Investment Horizon	4-5 years
Distributions	Generally annually
Mgt fee*	0.99%
Performance fee	N/A

### GLOBAL EQUITY FUND

APIR	IML0341AU
Inception date	1-Nov-18
Application	1.5654
Redemption	1.5608

### QUOTED MANAGED FUND

APIR	IML3289AU
ASX ticker	LSGE
Inception date	1-Oct-21
NAV	2.3318

\*Inclusive of the net effect of GST

### PERFORMANCE AS AT MARCH 31, 2023

### BENCHMARK MSCI AC World Index

TOTAL RETURN**	1-MTH	3-MTHS	6-MTHS	1-YR	2-YR <sup>^</sup>	3-YR <sup>^</sup>	SINCE INCEPTION <sup>^*</sup>
GLOBAL EQUITY FUND	+4.4%	+10.8%	+15.6%	+2.4%	+3.6%	+9.5%	+10.9%
QUOTED MANAGED FUND	+4.5%	+10.8%	+15.7%	+2.6%	-	-	-
BENCHMARK***	+3.8%	+8.7%	+13.1%	+3.8%	+6.3%	+11.9%	+10.1%

<sup>^</sup>% Performance per annum.

\*Since inception returns calculated from November 1, 2018 (Global Equity Fund); October 1, 2021 (Quoted Managed Fund). \*\*Fund returns are calculated using the net asset value per unit at the start and end of the relevant period in AUD, net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not a reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

\*\*\*The benchmark for this Fund is the MSCI All Country World Index NR (MSCI AC World)

Global Equity Fund performance is the performance of the unlisted class of units and may be a useful reference point for the never quoted class of units in the Fund. However, you should be aware that the quoted class of units in the Fund is has limited performance history. The past performance for the unlisted class of units in the Global Equity Fund is NOT the past performance of the Quoted Managed Fund.



Ratings issued by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (assigned February 2022); Zenith Investment Partners AFSL 226872 (assigned November 2021); SQM Research Pty Ltd ABN 93 122 592 036. All rights reserved by each research house.



## LEADERS

The three largest contributors to performance were **Nvidia**, **Salesforce** and **Airbnb**.

**Nvidia's** origins are in hardware and the gaming end market; it created the world's first discrete graphics processing unit (GPU) in 1999. The company has since evolved into a larger ecosystem of products with the GPU at its core; its accelerators are used in the gaming, professional visualisation, data center and automotive markets. The company created a singular platform across all products and updates are fully compatible making for seamless transitions for their customers. Nvidia has only one GPU competitor, with Nvidia holding approximately 70% market share (depending on which end market). The company has continued growing by creating new uses for its hardware and software. Specifically, the recent AI renaissance - increasingly leveraging GPUs rather than Central Processing Units (CPU) - has led to new and potentially larger opportunities in the data center and automotive markets. The company has been starting to explore its options to monetise its software (currently it is "free" with its hardware) via licensing and subscription models. Gross margin has been on an upward trajectory over the last decade as its mix is shifting towards the more profitable data center business; we expect this to continue as standalone software sales and new markets likely provide a lift. Capital allocation has been strong with dividends, repurchases and select M&A, while maintaining a net cash position.

Shares of **Nvidia** rose following the company's earnings report in late February. Its gaming segment appeared to have bottomed as the inventory correction and China demand issues subsided. While data center sales for the quarter were slightly behind expectations, US hyperscalers remained strong. Management noted their view of the data center market has improved over the last 60-90 days given the buzz around ChatGPT (an AI tool). Management also introduced AI as a Service, which would give access to sophisticated AI tools otherwise not affordable to many; as AI penetration is less than 10%, we see little chance of cannibalisation at this point. Later in the quarter, the company hosted its annual investor day where management reaffirmed its long-term vision. A number of announcements were made regarding new partnerships and product launches with customers.

**Salesforce** is an enterprise software company with leadership in large and growing markets. We feel that Salesforce pioneered "software as a service (SaaS)" which allows customers to access its product via the internet. Since its founding in 1999, Salesforce has continued to develop its original product as well as add additional services, creating the "Salesforce economy", which is the four clouds it operates: Sales Cloud, Service Cloud, Marketing and Commerce Cloud, and Salesforce Platform. The company announced solid quarterly results in early March, highlighted by strong revenue growth and earnings coming in above of consensus expectations. Fiscal year 2024 guidance was strong, ahead of the target that Salesforce had announced at its Investor Day a few months back. We believe management's pivot to profitable growth is encouraging and aligned with our thesis of sustained intrinsic value growth. Notwithstanding the macro challenges, we believe Salesforce remains well positioned to help its customer base manage revenue and process optimization via digital transformation.

**Airbnb** is an online marketplace for short-term stays and vacation rentals. Over the last decade, Airbnb has disrupted the lodging industry by creating a medium where homeowners can offer their properties for rent, introducing significantly more choice for consumers. Our investment thesis on Airbnb is primarily driven by its leadership position within this large addressable market. We believe Airbnb's capital-lite platform, where it collects commissions for each rental, benefits from a powerful network effect. The more property owners who list their properties the more renters it attracts and vice versa. In our view, Airbnb's platform offers a superior consumer experience for both the host and the guest; hosts can access guest profiles, provide feedback on guests, while guests can also provide reviews and ratings on hosts. We believe this experience has created a brand synonymous with seamless private rentals, which is evidenced by the high percentage (over 90%) of direct traffic to Airbnb.com. Shares have performed well following the company's recent earnings report and guidance. We believe the business continues to execute well, with positive top line and strong progression on margins.

## LAGGARDS

The three most significant detractors from returns were **Zions Bank**, **UnitedHealth Group** and **Sherwin Williams**.

**Zions Bank** is a high-quality regional bank with a client base dominated by small to mid-size businesses (SME's) in the western US. It has a strong franchise in its home base of Utah, where it has top market share, and in higher growth southern and western states. Zions has a high-quality management team in our view; since 2018, management's strategy has shifted away from acquisitions and towards better allocation of excess capital generation, including share buybacks. Its focus on SME's provides it with low-cost funding, as it has a relatively high proportion of non-interest-bearing commercial deposits. The bank has made significant improvements since the Global Financial Crisis; we feel it has better managed its expenses, materially improving its



## LAGGARDS (continued)

efficiency ratio, bringing it more in line with peers. We think Zions has also improved its credit risk management through diversifying its loan book, primarily by reducing its proportion of real estate and energy loans. We believe the bank is currently well placed to benefit in a rising interest rate environment due to its strong base of non-interest-bearing deposits. We also think **Zions** has an opportunity to further improve its operations by increasing its fee income through wealth management and capital market services. We currently view shares as attractively valued using our discounted cash flow methodology.

Shares of **Zions** fell nearly 40% in the first quarter; investors were concerned about midsize regional banks' deposit outflows and rising cost of deposits that could put pressure on profitability. These concerns were exacerbated by the failure of Silicon Valley Bank and another regional bank in March, following deposit runs amid scrutiny of banks' unrealized losses in their securities portfolios.

**UnitedHealth Group** is one of the largest managed care operators (MCO) in the U.S. The company's businesses include OptumCare (primary and urgent care centers), OptumInsight, which offers back-office technology to healthcare providers, and OptumRx, the company's Pharmaceutical Benefit Manager business. Shares of UNH gave back gains in the first quarter following a period of outperformance as investors weighed the impacts of a potential dovish pivot from central banks; our investment thesis remains intact. As one of the largest MCOs, we believe it benefits from scale advantages, specifically strong underwriting experience and the ability to leverage non-medical costs. Through its Optum businesses, the company has accumulated valuable medical trend data over decades, providing insights which it leverages for its own MCO as well as external clients. UnitedHealth rates highly across our quality dimensions; the company has consistently returned cash to shareholders via its growing dividend and share buybacks. It has a strong track record of acquisitions, including Surgical Care Affiliates, Advisory Board, and DaVita Medical Group. Most recently, UnitedHealth completed its acquisition of Change Healthcare in the fourth quarter. Change Healthcare operates one of the largest electric data interchange clearinghouses in the nation, which health care providers use to submit claims for payments and insurers use to provide remittances; we believe the acquisition is a natural fit with UnitedHealth's stated mission of increasing efficiency in the U.S. health care system.

**Sherwin-Williams** is one of the largest coatings companies globally, with brands including Sherwin-Williams, Valspar, HGTV HOME, Dutch Boy, Minwax, and Thompson's Water Seal. Shares underperformed in the first quarter; we eliminated our position after a long period of ownership (we initiated the position in 2015). Despite the continued benefit from pricing actions taken in 2022, we believe volume pressures and SG&A cost inflation will likely create significant margin headwinds for the business. In our view, valuation was not supportive of the challenging operating environment; thus, we decided to eliminate the position.



## PHILOSOPHY & OUTLOOK

Our investment philosophy is predicated on the belief that investing in companies with multiple alpha drivers, where the risks can be quantified, can help deliver outperformance. We follow a disciplined and repeatable process, seeking to invest only in opportunities that meet our three alpha drivers: quality, intrinsic value growth and attractive valuation. This bottom-up approach results in a concentrated portfolio of businesses where we fully understand and have quantified the risks associated with each investment. Our scenario analysis, under which we determine a range of business values, is an integral part of this process. Through this framework, we determine the relative attractiveness of our investments to assist in constructing an optimal portfolio.

We expect heightened market volatility to persist as we move through 2023. While we do not expect a banking crisis, we do believe another bank failure is possible along with pressure on banks' profitability as deposit costs rise. We believe this financial stress exacerbates the effect of tighter monetary policies.

Corporate fundamentals, while starting from a strong position, have also been showing some deterioration. In the US large-capitalisation corporate profits contracted year over year in the fourth quarter of 2022. Another contraction in the first quarter of 2023 is likely, which would constitute a "technical" profits recession. A profits recession could spark further layoff announcements as companies look to lower costs; lower corporate profits and higher unemployment increase recession risks, particularly with the financial system already under strain.

In this more challenged backdrop, our focus remains on investing in companies we believe have the ability to manage the current environment and help generate value over the longer-term. We believe periods of volatility could potentially provide us with opportunities to build positions in high quality companies at relatively more attractive valuations.



## GLOBAL EQUITY FUND

Portfolio data as of March 31, 2023

### SECTOR ALLOCATION (%)

	Fund	Index
Information Technology	28.4	20.4
Consumer Discretionary	18.0	10.9
Financials	15.6	15.6
Health Care	12.3	12.3
Industrials	10.2	10.4
Consumer Staples	4.9	7.7
Materials	4.3	4.9
Communication Services	4.2	7.3
Energy	1.2	5.0
Real Estate	--	2.4
Utilities	--	2.9
Cash	1.0	--

### TOP 10 HOLDINGS (%)

	Fund
ASML Holding NV	4.7
Amazon.com, Inc.	4.5
Linde Plc	4.3
LVMH Moët Hennessy Louis Vuitton SE	4.2
Alphabet Inc.	4.2
S&P Global, Inc.	4.1
Airbnb, Inc.	4.0
Mastercard Incorporated	4.0
Salesforce, Inc.	4.0
Accenture Plc	3.8
<b>Total</b>	<b>41.8</b>

### PORTFOLIO CHANGES\*

New holdings	N/A
Sold holdings	Sherwin Williams

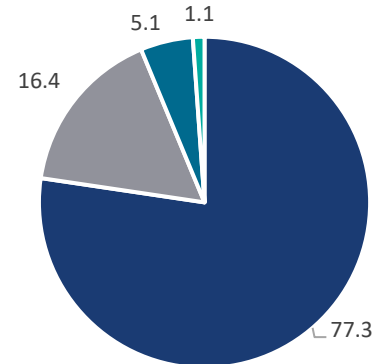
### ABOUT LOOMIS, SAYLES & COMPANY

Boston-based Loomis Sayles has been managing money for investors since 1926. The firm currently manages US \$282 billion, as of 31 December 2022, on behalf of clients worldwide. With extensive resources across the US, Europe and Asia, Loomis Sayles is well positioned to manage global equities and deliver attractive risk-adjusted returns for clients.

\* There is a 30 day lag on portfolio changes

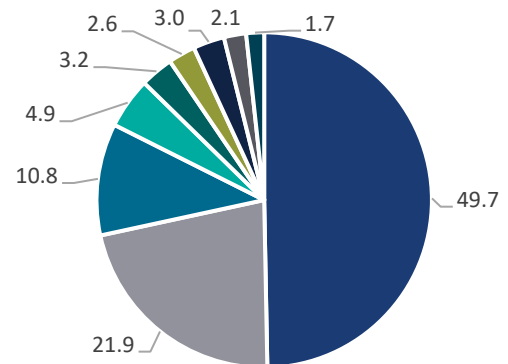
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### REGIONAL ALLOCATION BY DOMICILE (%)



- North America
- European Union
- Asia
- United Kingdom

### REGIONAL ALLOCATION BY REVENUE (%)



- North America
- European Union
- Latin America
- Middle East
- Africa/Other
- Asia
- Non-European Union
- United Kingdom
- Oceania

### PLATFORMS

AMP	Netwealth
Asgard	Powerwrap
BT Wrap	MLC Wrap
BT Panorama	MLC Navigator
CFS	Macquarie Wrap
Hub24	uXchange