LOOMIS | SAYLES

FACT SHEET

MAR 31 2024

# 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 have had a strong start to the year as investors welcomed the likelihood of a soft landing for the economy and largely improved inflation data. Stocks were also supported by investors' continued appetite for Artificial Intelligence (AI) beneficiaries. The MSCI All Country World Index returned over 13% in AUD terms for the quarter, with all sectors posting gains. The Information Technology sector led the group, returning over 17%, while the Communication Services, Energy, Financials and Industrials sectors also registered double digit results. The Real Estate, Utilities and Materials sectors underperformed the broader market.

## PORTFOLIO PERFORMANCE

The Loomis Sayles Global Equity Fund returned 15.9% (AUD net of fees) in the first quarter, outperforming the MSCI All Country World Index (Net) which returned 13.2% (also in AUD terms) for the same period. Security selection in the consumer discretionary sector was the largest contributor to relative results. The Information Technology, Materials and Consumer Staples sectors also contributed on a relative basis. The Financials, Health Care and Communication Services sectors were the largest detractors from relative returns.

## FUND FACTS

| | |
|---|---|
| Invt Style | Agnostic |
| Assets | $173 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 | 2.1148 |
| Redemption | 2.1084 |

## QUOTED MANAGED FUND

| | |
|---|---|
| APIR | IML3289AU |
| ASX ticker | LSGE |
| Inception date | 1-Oct-21 |
| NAV | 3.1517 |

**Inclusive of the net effect of GST*

## PERFORMANCE AS OF MAR 31, 2024

**BENCHMARK** MSCI AC World Index

| TOTAL RETURN[1] | 1-MTH | 3-MTHS | 6-MTHS | 1-YR | 2-YR[2] | 3-YR[2] | 5-YR[2] | SINCE INCEPTION[2,3] |
|---|---|---|---|---|---|---|---|---|
| **GLOBAL EQUITY FUND** | **2.1%** | **15.9%** | **24.8%** | **35.1%** | **17.6%** | **13.2%** | **14.4%** | **15.0%** |
| BENCHMARK[4] | 2.9% | 13.2% | 18.8% | 26.5% | 14.6% | 12.6% | 12.8% | 13.0% |
| **QUOTED MANAGED FUND** | **2.1%** | **15.9%** | **24.8%** | **35.2%** | **17.8%** | **-** | **-** | **10.1%** |
| BENCHMARK[4] | 2.9% | 13.2% | 18.8% | 26.5% | 14.6% | 12.6% | 12.8% | 10.2% |

*1. 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. 2. % Performance per annum. 3. *Since inception returns calculated from November 1, 2018 (Global Equity Fund); October 1, 2021 (Quoted Managed Fund). 4. The benchmark is the MSCI All Country World Index NR (MSCI AC World)*

***Past performance is no guarantee of future results.***

*Global Equity Fund performance is the performance of the unlisted class of units and may be a useful reference point for the newer quoted class of units in the Fund. However, you should be aware that the quoted class of units in the Fund 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.*

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

Lonsec Zenith RECOMMENDED Superior SQM research

## LEADERS

The three largest contributors to performance were **Nvidia**, **Amazon** and **ASML**.

**Nvidia** created the world's first discrete graphics processing unit (GPU) in 1999 (GPUs run parallel processing vs serial processing). While the company's origins are in hardware and the gaming end markets, it has since evolved into a larger ecosystem of products with the GPU at its core. Most recently, the company has emerged as a critical supplier to the Artificial Intelligence (AI) market; the company's GPUs accelerate AI workloads and its software platform "Cuda" serves AI developers. The company reported a strong quarterly earnings and significantly increased its guidance. At its GTC conference, Nvidia displayed the next generation of GPUs which are anticipated to bring about significant advantages in both compute and total cost of ownership (TCO). Nvidia also unveiled a new software product called NVIDIA Inference Microservice (NIM) that should serve as an "AI-in-a-box" for enterprises looking to deploy AI at scale, assisting in model development.

**Amazon** shares rose after its surprise fourth quarter 2023 earnings announcement, and the resulting revisions to operating margins and free cash flow. Management noted lower costs in the retail segment driven by the company's regionalization of its US fulfilment network. Continued optimism that margins have room to expand further likely supported shares during the remainder of the period.

**ASML**, a semiconductor equipment company, reported strong earnings during the quarter; orders also rose materially versus the prior quarter. As the world's only manufacturer of EUV extreme ultra violet machines currently- which are needed to produce high-end chips - ASML has benefitted from Artificial Intelligence demand. Moreover, ASML shipped their first high NA (numerical aperture) EUV, which allows for higher transistor densities, in our opinion further cementing their lead in next generation technologies. We continue to believe ASML's product set and business fundamentals will help to generate strong returns on invested capital. The stock is attractively valued based on our current scenario-based DCF framework.

## LAGGARDS

The three most significant detractors from returns were **Nike**, **Adobe** and **UnitedHealth Group**.

**Nike** the largest market share in the growing athletic sporting goods market, and it continues to gain market share across its categories. Nike has a strong ecosystem with over 300 million digital members creating a large captive audience, which it can leverage for building direct relationships with customers. We believe this ecosystem serves as one of the company's competitive advantages. Nike has been increasingly controlling more of its distribution (reducing its dependence on wholesalers) and elevating the shopping experience with differentiated in-store and digital experiences, which in turn have been increasing revenue and margins. Nike's size also helps to create benefits from purchasing power to strong supply chain relationships. We believe intrinsic value growth will be primarily driven by revenue growth, margin expansion, and free cash flow generation. Shares of Nike declined over the period; the company is navigating a number of different domestic, international and logistical cross-currents impacting current results.

**Adobe** shares underperformed as market participants debated how text-to-video artificial intelligence models (such as OpenAI's Sora) would impact Adobe's leadership position in digital tools for creative professionals. We feel confident in Adobe's competitive positioning and expect investor sentiment to shift as Adobe adds video generation capabilities to its family of artificial intelligence models. Longer-term, we view Adobe as a key beneficiary and enabler of the growth of digital content; the stock is attractively valued in our current scenario-based DCF framework.

**UnitedHealth Group** retracted some gains in the first quarter as markets favored companies perceived to benefit from potential interest rate cuts in 2024. We believe this sentiment shift will be short-term in nature. UnitedHealth's business fundamentals look quite healthy. We believe UnitedHealth's medical management capabilities, significant scale, and diversification across businesses should enable the company to mitigate near-term industry headwinds potentially better than peers while still driving above-market growth. We expect intrinsic value growth to be driven largely by continued strong revenue growth and margin expansion at Optum, and the strong free cash flow generation of its managed care subsidiary UnitedHealthcare. Shares of UnitedHealth Group are currently attractive based on our scenario-based valuation framework.

## PHILOSPHY & 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.

As we move further into 2024, we remain optimistic about the current economy. While central banks may not have reached their absolute inflation targets, we feel confident the trend in core inflation is lower from here. Most central banks appear to be done hiking interest rates and are poised to embark on easing cycles. We believe the Federal Reserve (Fed) could cut rates three times this year. The European Central Bank (ECB) and Bank of England (BoE) may also begin rate cutting cycles as well, but most likely after the Fed begins.

The turn higher in earnings and expectations has been a key driver of the equity market rally. This has been in part due to the promise of structural economic change, notably the effect of artificial intelligence (AI) on productivity. We believe markets can continue their rally, although a repeat of first-quarter 2024 performance is probably unlikely. Earnings growth expectations for Europe are the laggard, but we think valuations reflect this outlook.

Despite our increased optimism, there is still the possibility that a downturn could occur in 2024. For example, if inflation proves stickier than markets expect, higher rate expectations could weigh on risk assets. There is also the possibility that the global consumer is more strapped for cash than we currently believe. Less consumer spending would be a material impediment to the prospect of steady-state economic growth.

In this still uncertain backdrop, our focus remains on investing in quality companies we believe have the ability to manage the current environment and help generate value over the longer-term. Periods of volatility can provide us with the opportunity to build positions in quality companies at potentially more attractive valuations.

# GLOBAL EQUITY FUND

## Portfolio data as of March 31, 2024

## SECTOR ALLOCATION (%)

| | Fund | Index |
|---|---|---|
| Information Technology | 25.4 | 23.7 |
| Consumer Discretionary | 19.9 | 10.9 |
| Financials | 17.4 | 16.1 |
| Industrials | 12.3 | 10.8 |
| Health Care | 11.1 | 11.1 |
| Communication Services | 4.2 | 7.6 |
| Materials | 4.2 | 4.2 |
| Consumer Staples | 2.9 | 6.4 |
| Energy | 1.7 | 4.5 |
| Real Estate | -- | 2.2 |
| Utilities | -- | 2.5 |
| Cash | 1.0 | -- |

## TOP 10 HOLDINGS (%)

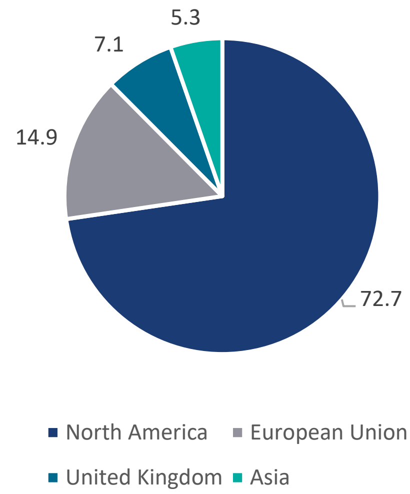
| | Fund |
|---|---|
| Amazon.com, Inc. | 5.1 |
| S&P Global Inc. | 4.6 |
| Alphabet Inc. | 4.2 |
| Linde Plc | 4.2 |
| Mastercard Incorporated | 4.1 |
| NVIDIA Corporation | 3.8 |
| Atlas Copco AB | 3.6 |
| Airbnb, Inc. | 3.5 |
| ASML Holding NV | 3.4 |
| Salesforce, Inc. | 3.3 |
| **Total** | **39.9** |

## PORTFOLIO CHANGES*

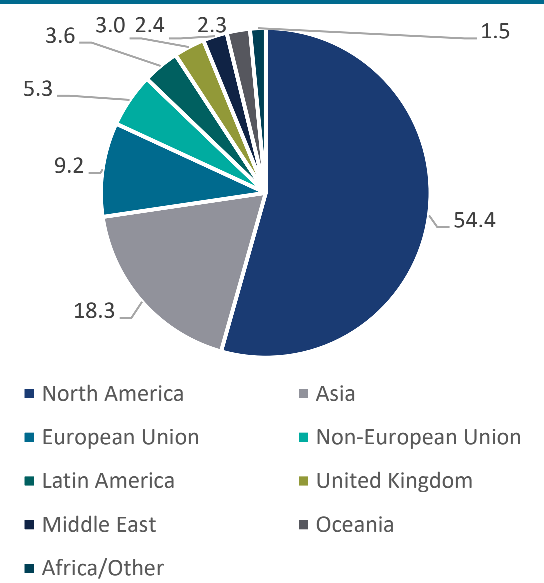
| | |
|---|---|
| New holdings | None |
| Sold holdings | None |

**Veralto Corp. was created in 2023 from the spin-off of Danaher's Environmental and Applied Solutions division.*

## REGIONAL ALLOCATION BY DOMICILE (%)




## REGIONAL ALLOCATION BY REVENUE (%)




### ABOUT LOOMIS, SAYLES & COMPANY

Boston-based Loomis Sayles has been managing money for investors since 1926. The firm currently manages US $335 billion, as of 31 December 2023, 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.

### PLATFORMS

| | |
|---|---|
| AMP | Hub24 |
| Asgard | IOOF |
| BT Wrap | Netwealth |
| BT Panorama | MLC Wrap |
| CFS | MLC Navigator |
| Dash | Macquarie Wrap |

** There is a 30 day lag on portfolio changes*

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