

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	\$2.8 billion
Fund AUM	\$110.9million
Share Class	Y
Inception	3/31/2016
Ticker	LSGGX
Benchmark	MSCI ACWI Index Net
CUSIP	63872T224
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

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

Portfolio Review

- The fund posted negative returns of -13.09% vs. -3.20% for the MSCI ACWI Index Net, underperforming the benchmark by -9.89% net during the quarter. Arm Holdings, Novartis, and Ambev were the three largest contributors to performance during the quarter. Shopify, Adyen, and Tesla were the three largest detractors to performance.
- Stock selection in the financials and information technology sectors, contributed positively to relative performance. Stock selection in the information technology, financials, consumer discretionary, industrials, healthcare, and communication services sectors, as well as our allocations to the consumer discretionary, communication services, consumer staples, industrials, and healthcare sectors, detracted from relative performance.
- The fund is managed with a highly selective, long-term private equity approach to investing. Through our proprietary bottom-up research framework, we look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value (our estimate of the true worth of a business, which we define as the present value of all expected future net cash flows to the company).

Portfolio Activity

Class Y Performance as of March 31, 2026 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	-13.09	-13.09	5.71	13.26	5.38	11.93
BENCHMARK	-3.20	-3.20	20.01	16.58	9.49	11.33
EXCESS RETURN	-9.89	-9.89	-14.30	-3.32	-4.11	0.60

Performance data shown represents past performance and is no guarantee 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 1.13% (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 3/31/2026. 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.

Top Ten Holdings (%)

Alphabet Inc.	8.0
Meta Platforms, Inc.	7.0
Tesla, Inc.	6.2
Amazon.com, Inc.	6.0
MercadoLibre, Inc.	5.4
Netflix, Inc.	5.3
Shopify Inc.	4.9
Novartis AG	4.1
Boeing Company	3.7
Oracle Corporation	3.6
Total	54.3

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.



New Purchase Highlights

There were no new purchases during the period.

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 added to our existing position in Ferrari as near-term price weakness created an attractive reward-to-risk opportunity.

Contributors

Arm Holdings, Novartis, and Ambev were the three largest contributors to fund performance.

- **Arm Holdings** is the world's leading microprocessor intellectual property (IP) supplier. The company develops and licenses its microprocessor IP technology to a network of partners to facilitate the design and manufacture of semiconductor chips used in a wide range of end markets, with a primary focus on mobile, cloud, automotive, and IoT (internet of things). Arm's clients include most of the world's leading semiconductor companies, which pay licensing fees to utilize the company's industry-standard technologies and ongoing royalties for the resulting chips incorporating its technology. While it can take in excess of five years before newly licensed technology is commercialized into new products, the resulting royalty payments to Arm can span decades. We owned Arm in our large cap and all cap growth portfolios from 2012 until it was acquired by SoftBank Group in 2016. Under SoftBank, the company invested substantially in research and development (R&D) and accelerated its pace of innovation. As a result, Arm launched Armv9, its most advanced processor architecture, and its Neoverse microarchitecture that now enables the company to effectively compete in the data center business.

A holding since the company's September 2023 initial public offering (IPO) in which SoftBank spun-off a minority interest in the company, Arm reported quarterly financials that again reflected record results in its 10th quarter as a public company, including record-high royalty revenue and the third highest quarter for licensing revenue. The company is seeing faster-than-expected incorporation of its higher-royalty technology as companies look to monetize AI, and the company offers the only available design tool allowing for customization. The company is also seeing strong traction for its next-generation Armv9 architecture in the mobile market it has long dominated, with smartphone-related revenue up well above the low-to-mid-single-digit growth in unit sales, reflecting the company's ability to grow significantly faster than the market due to adoption of its higher-royalty premium content. Further, with its Neoverse Compute Subsystems (CSS) architecture, which seeks to lessen the design and development time for new complex data center chips, the company is growing share in cloud server compute and also seeing traction in both mobile and automotive end markets. As a result, Armv9 royalty revenue, which had grown to over 30% of royalty revenue when last disclosed and which carries a royalty rate twice as high as Armv8, rose both from the prior-year period and prior quarter. The company will again disclose the penetration of v9 royalty revenue in its fiscal year end report. During the quarter, Arm also announced its first data center chip that customers can incorporate into their servers. The Arm AGI data center CPU chip was co-developed with Meta Platforms over the past few years. Meta saw the need to further lessen the design and development time to more quickly achieve the 2x performance-per-watt benefit of Arm's chip versus Intel's x86. Even though co-developed with Meta, the AGI chip can be sold to other data center customers with the primary pool of future customers being non-hyperscale players. Arm also announced that OpenAI would be an early adopter of the chip. AGI will potentially increase Arm's share of the chip profit pool by ten times versus the incorporation of its CSS architecture alone. Even with the growing penetration of its latest architecture and increasing product offerings, as of the company's most-recent fiscal year, approximately 50% of Arm's royalty revenue came from products launched over a decade ago, which we believe highlights the persistence of revenue from Arm's technology.

Arm participates in end markets that we estimate represent approximately \$300 billion of addressable annual expenditures that we expect to collectively grow at a mid-single-digit compounded annual rate. Prior to its acquisition by Softbank, the mobile market accounted for two-thirds of Arm's revenues. As a result of its investments in next generation architecture, continued expansion into diversified end markets, and share gains across all of its newer markets, markets outside of mobile grew to represent approximately 65% of



the company's revenue in its 2023 fiscal year, before declining more recently due to strong growth in up-front licensing revenue. Over time, we expect royalty revenue will grow to comprise about 80% of the business by the end of our forecast period, from around 60% today. We believe Arm's brand, value proposition, and massive ecosystem position the company for healthy growth across all of its current end markets, arising from a combination of underlying market growth, share gains, and pricing power. Collectively we believe the company can generate compounded annual revenue growth in the high-teens. With our expectation for continued growth in the high-margin royalty business, which possesses a greater than 75% operating margin, as well as the benefits of growing scale in other areas of its business, we believe Arm will grow operating income and free cash flow faster than revenues, in the low-20% and approximately 30% ranges, respectively.

We believe Arm's shares embed expectations that underestimate the company's sustainable growth and margin expansion opportunities. As a result, we believe that the company is trading at a meaningful discount to our intrinsic value and represents an attractive reward-to-risk opportunity.

- **Novartis** is a diversified global healthcare company with market leadership in branded pharmaceuticals across a broad range of treatment areas, including oncology (30% of revenues), immunology (almost 20% of revenues), cardiovascular, renal, and metabolic (almost 20%), and neurology (10%). The company also derives over 20% of revenues from mature branded products in non-core therapy areas. With the October 2023 spinoff of the company's Sandoz generics and biosimilars division, which followed the 2019 spinoff of ophthalmologic equipment maker Alcon and 2018 divestiture of a consumer health joint venture, the company is now 100% focused on innovative medicines, which accounted for about 80% of revenue and 85% of core operating income prior to the Sandoz spinoff. The company generates approximately 50% of revenue from the Americas, 30% from Europe, and 20% from the rest of the world.

A holding in the fund since inception, Novartis reported quarterly financial results that were fundamentally solid but slightly below consensus expectations for revenue. The company provided guidance for 2026 that included low-single-digit revenue growth, despite the largest patent expiry in the company's history as Entresto, Promacta, and Tasigna all started facing generic competition in 2025. We believe Novartis' narrowed focus on branded innovative medicines, a pipeline increasingly focused on high-value transformative innovations with substantial end markets, and a broad portfolio that continues to have multiple growth drivers, leave the company well-positioned for sustained future growth over our long-term investment horizon. In addition, we believe the company is seeing the fruits of its shift in research and development (R&D) efforts over the last decade begin to materialize in the form of novel drug launches, such as Pluvicto, a first-in-class radioligand therapy used to treat prostate cancer, and Leqvio, a treatment for cardiovascular disease, with many more expected over the coming years.

Novartis reported total revenues of \$13.3 billion declined 1% year over year in constant currency, below consensus expectations for \$13.8 billion. The company experienced faster-than-expected erosion in revenues from Entresto, the small molecule heart failure drug that lost US patent protection in the second half of 2025. Breast cancer therapy Kisqali was also below expectations, but still posted robust growth, growing 44% year over year in constant currency. Of the other key growth products, Cosentyx, Pluvicto and Kesimpta all performed well and above consensus.

Operating income rose 4% in constant currency, benefiting from operating leverage and in line with consensus expectations. Core operating margins of 37% expanded 70 basis points year over year in constant currency. Despite the strong margin expansion that we have seen in recent periods with productivity and portfolio optimization, we believe margins can continue to expand over time from ongoing productivity gains and consistent investment in innovation that we believe will drive new product launches and resulting operating leverage.

We believe Novartis remains a differentiated business that we expect will benefit from accelerating growth, continued solid execution, a structurally improving business, and a strong management team that has made sound strategic decisions to enable greater focus on the company's long-term competitive advantages of brand, scale, technology, and innovation. We believe the company is focused on and executing in the right areas of growth to create long-term shareholder value. We believe the current stock price embeds future growth expectations that are well below our forecasts. As a result, we believe the shares are selling at a discount to our estimate of intrinsic value and offer an attractive



reward-to-risk opportunity.

- **Ambev SA** is the leading beer brewer and distributor in South America and among the five largest brewers globally. Operating in 18 countries throughout South America, Central America, and the Caribbean, as well as in Canada, Ambev is the market share leader in its three largest markets, including its home market of Brazil, the third-largest market for beer consumption after the US and China. The company owns a number of leading local beer brands, including Skol and Brahma in Brazil and Labatt in Canada, and its access to the brand portfolio of majority-owner Anheuser-Busch Inbev (ABI) gives Ambev a rich portfolio of premium imports as well. The company's scale in manufacturing and distribution enable it to serve as the exclusive bottler and distributor of Pepsi products in Brazil and other Latin American countries.

A fund holding since the third quarter of 2017, Ambev reported quarterly financial results that reflected solid execution under difficult market conditions. The company reported that revenue rose 5% over the prior-year quarter, despite weakness in the company's two largest markets, Brazil and Argentina. In Brazil, unfavorable weather impacted results industry wide. Ambev, due to its long-term focus, continues to invest in innovation in both its products and business model in advance of peers. The company continues to gain market share in the faster growing premium and super-premium categories which in Brazil grew by a mid-teens percentage while overall beer volumes declined during the period.

The company also saw 30% volume growth in non-alcoholic beer during the quarter, highlighting its leadership in the segment. While overall EBITDA (earnings before interest, taxes, depreciation and amortization) margins of 33.4% declined 110 basis points year over year, the company continues to make progress in regaining pre-pandemic margin levels, which we believe can approach 40% over our long-term investment horizon. In Argentina, continued inflation continues to pressure beer volumes, but the company was still able to generate high-single-digit organic revenue growth due to pricing gains. We believe Ambev's strong and sustainable competitive advantages include its portfolio of leading regional and global beer brands, its difficult-to-replicate local scale in manufacturing, and strong distribution capabilities, which contribute to monopoly-like positioning in many of its key markets and attractive financial returns. With its portfolio of regionally dominant brands, Ambev holds the leading market share in ten countries which account for over 90% of its beer volume and value. In addition to the strength of its brands, Ambev has achieved local scale in manufacturing that we believe would be difficult to profitably replicate given the combination of cost and market sizes.

We believe Ambev remains a uniquely positioned company in an attractive industry with strong and sustainable competitive advantages. We believe that long-term beer consumption trends and Ambev's pricing power remain intact and will drive future growth for the company. The company is taking the necessary actions to sustain the economics of its business – including ongoing innovation, brand building, and a greater focus on product affordability – that we believe it is uniquely positioned to do as a function of its regional scale in manufacturing and distribution. We believe the current share price underestimates the strength of the company's business model and the long-term, sustainable growth opportunity. As a result, we believe the shares are trading at a significant discount to our estimate of intrinsic value, representing a compelling reward-to-risk opportunity.

Detractors

Shopify, Adyen, and Tesla were the three largest detractors to performance 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 millions of merchants in over 175 countries. The company generates approximately 68% of revenues in North America, with Europe, the Middle East and Africa accounting for 21%, and Asia-Pacific contributing 10%.

A fund holding since the first quarter of 2022, Shopify reported strong quarterly results that were above both consensus expectations and management's guidance for most key metrics, including gross merchandise volume (GMV), revenue, adjusted operating profit, and free cash flow. The company also provided revenue guidance for the current quarter that was well above expectations for revenue, but lower than expected for free cash flow due to a higher expected tax rate in the quarter. Despite the positive results, which included continued market share gains, shares traded down likely due to the mixed guidance and a prevailing market narrative that AI poses an existential threat to enterprise software companies. Regarding that narrative, we believe the view is flawed. Companies such as Shopify (along with other portfolio holdings including Autodesk, Oracle, Salesforce, and Workday, for instance) provide mission-critical services to their clients who face high switching costs in moving to other providers. We believe this dynamic is reflected in both their pricing power and the high degree of client retention for these businesses. While AI may prove additive to the core functions these companies provide, AI in and of itself does not negate the core competitive advantages these companies enjoy, which include sticky client relationships, distribution reach, proprietary data, a reputation for reliability and security, integration for mission-critical corporate functions, and domain expertise. As we do with any material corporate or industry developments, we will continue to monitor and assess any potential structural impact on our long-term investment thesis for each of these companies and on their market share or growth. However, we believe AI is more likely to expand their total addressable markets than it is to threaten their core businesses. Unless these companies cease to continue to innovate and don't themselves employ AI to further differentiate their products and services, we don't believe AI represents an inherent threat to their core businesses.

For the quarter, revenue of \$3.7 billion rose 31% year over year, benefiting from strong growth among existing clients, continued penetration of its merchant solutions, and new client acquisition across all regions. The company rolled out its payments solutions to 60 new countries and expanded Shopify capital to 8 countries as it continues to expand its merchant solutions outside of North America. The company also recently introduced its universal commerce protocol (UCP) in collaboration with Google. UCP is an open-source standard for integrating commerce with agents that should enable Shopify's merchants to benefit from the release and adoption of agentic commerce. The company also reported that its AI assistant, Sidekick, continues to show increased engagement by merchants, where it leverages two decades of platform data to improve merchants' revenue generation and efficiency.

The company reported generating approximately \$94 billion of GMV on its platform during the quarter, which increased by 31% and was well above our estimates of the growth in both e-commerce and overall retail sales, indicating that the company grew its market share during the quarter. Subscription revenue represented 21% of revenue and grew 17% year over year, driven by merchant additions and a greater contribution from higher-priced plans. Merchant solutions represented 79% of revenue and grew 35% year over year, benefiting from strong growth in GMV and greater usage of the company's value-added services. Adjusted operating income of \$760 million rose from \$585 million in the prior-year period on adjusted operating margins of 21% that were flat year over year. Positive free cash flow of \$715 million rose 31% year over year and was above consensus expectations. The company has seen its free cash flow margins increase from -3% in 2022 following a period of elevated investments to 13% in 2023 and 19% of revenue in the most-recent quarter.

We believe Shopify's strong and sustainable competitive advantages include its network and ecosystem, scale, brand, and an installed base of clients for whom its mission-critical platform serves as a retail operating system. Shopify's network includes software developers that have built over 21,000 applications that extend the functionality of the company's core commerce solutions, as well as over 100,000 partners such as design and marketing agencies, photographers, and other digital and service professionals and experts that add further solutions and services to merchants. Because merchants wish to partner with a leading platform that offers numerous tools and solutions by partners that are in turn attracted to the platform by the merchants' growth and success, a difficult-to-replicate network effect is created which we believe should ultimately increase the value to all participants. With millions of merchants and \$378 billion of GMV in 2025, Shopify is the



second largest merchant platform in the US behind Amazon. As a function of its scale, the company can provide merchant services including software, payments, capital, shipping, and fulfillment at a cost that only a large merchant could achieve, enabling Shopify's small and mid-sized business (SMB) clients to better compete against larger merchants. The company's scale also allows it to reinvest substantially in the business, all of which is focused on growing its platform and driving success for its merchants. As a result of its embedded nature and centrality to merchants' daily operations and success, switching costs are high, which contributes to high client retention, and merchants tend to expand their relationship with the company over time. Individually and collectively, we believe Shopify's strong and sustainable competitive advantages would be difficult for a competitor to replicate and can become stronger still over time as growth in its ecosystem continues to add value for all participants.

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

- **Adyen** is a global merchant acquisition and payment solutions provider based in Amsterdam. Surinamese for "to start over again," the company was founded in 2006 by executives who previously founded Bibit, which was sold to Worldpay in 2004 and became the e-commerce platform for the world's largest merchant acquisition company. Adyen was created to serve as a next-generation, integrated provider of payment solutions to merchants, and today the company supports over 250 payment methods globally across online, mobile, and point-of-sale (POS) transactions for clients that include Meta Platforms, Microsoft, Netflix, and Uber.

A fund holding since the company's initial public offering (IPO), Adyen reported financial results for the second half of 2025 that were fundamentally solid but slightly below expectations for revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization). The company also modestly lowered its 2026 guidance to reflect revenue growth of 20% to 22% (from low-to-mid 20% growth previously) and EBITDA margins of approximately 53% versus consensus expectations for 54%. Adyen reiterated its intermediate-term target of achieving EBITDA margins of greater than 55% by 2028. There is no change to our view of Adyen as a high-quality company trading well below our estimate of intrinsic value. Revenues grew 21% in constant currency in the second half of 2025, above our estimate of payments and e-commerce growth, suggesting the company continued to expand its market share during the period. Growth in each of the company's three verticals, digital, unified commerce, and platforms, benefited from share of wallet gains with existing customers, expansion into new markets and sales channels, and continued onboarding of new merchants and platforms. Adyen previously reported that it had 31 platforms for which it had processed at least €1 billion over the prior twelve months, up from 25 a year earlier, reflecting the success and scale of the company's unified offering.

We believe Adyen is a high quality company with sustainable competitive advantages and secular growth opportunities that are not reflected in its current share price. We believe the secular shift to electronic-based payments from traditional paper-based systems represents the most significant growth driver for Adyen. While Adyen has been growing substantially faster than the leading global acquirers over the past few years, the company still captures only a small percentage of overall industry volumes. We believe a combination of industry- and company-specific factors will enable Adyen to continue to grow at more than twice the rate of growth in the overall payments industry over our long-term investment horizon. We also expect Adyen to benefit from the high incremental margins of its business, contributing to margin expansion and substantial cash flow growth over our forecast period. We believe Adyen's strong growth prospects are not currently reflected in its share price. As a result, we



believe the company's shares are trading 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 generated over 90% of its sales from its automotive segment and under 10% from its energy generation and storage segment in its 2025 fiscal year. From a geographic standpoint, the US and China are the company's two largest markets and accounted for approximately 50% and 22% of 2025 sales, respectively, while the rest of the world collectively accounts for under 30%.

A fund holding since the first quarter of 2022, Tesla reported quarterly financial results that were better-than-expected for revenues and operating margins, driven by improving software sales and strong performance in its energy generation and storage system business. Shares may have responded negatively to the company's plans to more than double its capital expenditures as it invests substantially in new factories and AI-computing infrastructure. While vehicle deliveries declined for a second straight year in 2025, Tesla reported record vehicle sales in Asia Pacific and average selling prices increased 4% year over year due to the higher-priced new model Y. We believe the concurrent pullback in EV investments by many traditional auto manufacturers will enable Tesla to extend its product and technology advantages, driving even further differentiation as consumers consider the full suite of Tesla products. The company also highlighted its rapid evolution from a hardware-centric company to one focused on physical AI and enabling autonomy. There is no change to our long-term structural investment thesis for Tesla, which continues to trade at a significant discount to our estimate of intrinsic value.

Quarterly revenue of \$24.9 billion declined 3% year over year as 27% growth at the small-but-growing energy generation and storage unit was more than offset by an 11% decline in automotive revenues. The company continues to make progress on full self driving (FSD), reporting that subscriptions rose 38% year over year to 1.1 million, representing 12% of the company's fleet of approximately 8.7 million cars. 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 we believe benefits from its data leadership in autonomous driving. The company continues to gather data from a fleet now averaging over 500 million miles of FSD driving per quarter. The company is also ramping up customer education by demonstrating the technology at every new vehicle pick up, which it will extend to every service appointment as well. In addition to the US, FSD is available in Canada, China, Mexico, Puerto Rico, Australia, and New Zealand. The company is awaiting a decision in Europe.

Despite making continued progress in lowering its cost per car, operating margins of 5.7% declined by approximately 50 basis points during the period, due to increased research and development expenses to support future product launches. We believe these recent margin impacts are temporary and that over the long term, Tesla can generate operating margins in the low-to-mid-20% range, supported in part by a recovery in auto margins and an increasing mix of FSD sales. After posting negative free cash flow in the first quarter of 2024, free cash flow was positive for the seventh 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 accounted 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 a global leader in battery EV sales. The company recently had low-teens unit share, which is down from high teens in 2024 as a result of the refresh of the Model Y at the start of the year, while the company maintains around 25% revenue share and a much higher share of industry profitability. While we expect competition to increase substantially, we believe Tesla's brand, focus, technology leadership, and strong ongoing consumer demand will enable the company to maintain a leading global market position.

In October, the company debuted FSD version 14 that brings capabilities from the Robotaxi FSD model to its passenger cars and advances the company towards unsupervised FSD. Over the long term, we believe most consumers will ultimately adopt FSD functionality, and the company has eliminated the one-time purchase option in favor of its subscription-based model. 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.

Outlook

- Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process has led to a lower-turnover portfolio in which sector positioning is the result of stock selection.
- At quarter end, we were overweight in the communication services, consumer discretionary, and healthcare sectors. We were underweight in the financials, information technology, industrials, and consumer staples sectors. We held no positions in the energy, materials, 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 8.7%. The overall portfolio discount to intrinsic value was approximately 47.9% as of March 31, 2026.



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.

Investing involves risk including possible loss of principal.

Important Disclosure

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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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