



# Growth Fund



Analyst-Driven %  
100%  
Data Coverage %  
100%

Growth Fund earns gold from Morningstar as of 1/9/2023\*

## 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 <sup>1</sup>	\$88.4 billion
Fund AUM	\$17.1 billion
Share Class	Y
Inception	5/16/1991
Ticker	LSGRX
Benchmark	Russell 1000® Growth Index
CUSIP	543487110
Portfolio Manager	Aziz Hamzaogullari
Manager Since	June 2010

<sup>1</sup>Strategy assets are comprised of Loomis Sayles Large Cap Growth style accounts.

## Portfolio Review

- The fund posted positive returns of 18.58% vs. 17.84% for the Russell 1000® Growth Index, outperforming the benchmark by 0.74% net during the quarter. Nvidia, Netflix, and Oracle were the three largest contributors to performance during the quarter. Regeneron Pharmaceuticals, Vertex Pharmaceuticals, and Thermo Fisher Scientific were the three lowest contributors to performance.
- Stock selection in the information technology, communication services, consumer staples, and industrials sectors, as well as our allocations to the communication services and consumer staples sectors, contributed positively to relative performance. Stock selection in the consumer discretionary and healthcare sectors, as well as our allocations to the information technology, healthcare, financials, industrials, and consumer discretionary 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).

## Class Y Performance as of June 30, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>FUND</b>	18.58	7.51	23.43	30.52	17.66	16.92
<b>BENCHMARK</b>	17.84	6.09	17.22	25.76	18.15	17.01
<b>EXCESS RETURN</b>	+0.74	+1.42	+6.21	+4.76	-0.49	-0.09

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Please see the last page for additional important information on the Morningstar Medalist Rating™.

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](http://www.loomissayles.com).

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.

Additional share classes may be available for eligible investors. Performance will vary based on the share class.

Gross expense ratio 0.67% (Class Y). Net expense ratio 0.66%. 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 1/31/2026. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class Y inception date is 5/16/1991. Institutional Class shares (Class Y) are available to eligible investors with a minimum initial investment of \$100,000 and without a sales charge.

## Top Ten Holdings (%)

NVIDIA Corporation	9.8
Meta Platforms, Inc.	8.3
Netflix, Inc.	7.8
Tesla, Inc.	6.3
Oracle Corporation	5.8
Amazon.com, Inc.	5.6
Alphabet Inc.	5.2
Visa Inc.	4.9
Boeing Company	4.9
Microsoft Corporation	4.8
Total	63.4

**Russell 1000® Growth Index** measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large cap growth segment. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.



## 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, we added to our existing position in Regeneron as near-term price weakness created an attractive reward-to-risk opportunity. We trimmed our positions in Alibaba and Yum China to finance the purchase.

## Contributors

Nvidia, Netflix, and Oracle were the three largest contributors to fund performance.

- **Nvidia Corporation** is the world leader in artificial intelligence (AI) computing, which enables computers to mimic human-like intelligence for problem solving and decision-making capabilities. Founded in 1993 to develop faster and more-realistic graphics for PC-based video games, Nvidia created the first graphics processing unit (GPU), a dedicated semiconductor that employs a proprietary parallel processing architecture to perform superior graphics rendering outside of a computer's standard central processing unit (CPU). The parallel processing capability of Nvidia's GPUs, which contrasts with the linear processing requirement of CPUs, can accelerate computing functions performed by standard CPUs by greater than ten times. As a result, Nvidia extended its visual computing expertise beyond its legacy gaming market into innovative new and larger markets, including data centers, autos, and professional visualization. The parallel processing capability facilitates pattern recognition and machine learning functions that have enabled Nvidia to be at the forefront of growth in artificial intelligence applications. As a result, the data center business, which first surpassed the gaming business to become Nvidia's largest revenue and profit generator in its 2023 fiscal year, grew to represent over 88% of revenue in the company's most recent fiscal year. The company is also focused on building out its GPU-computing-based ecosystem and is helping to enable breakthroughs in autonomous driving, and virtual reality.

A fund holding since the first quarter of 2019, Nvidia reported very strong quarterly financial results that reflected the company's dominance in capturing spending on AI computing within data centers. For the quarter, total revenue of \$44.1 billion grew 69% year over year and 12% versus the prior quarter, despite new U.S. Government restrictions on the sale of its H20 chips to China that resulted in \$2.5 billion of foregone revenues in the period. Nvidia's H20 chips were specifically designed to comply with prior U.S. export restrictions, and the company anticipates a further \$8 billion of foregone sales in the current quarter due to the restrictions. Despite the revenue headwind, the company expects revenue of approximately \$45 billion in the current quarter, which would represent 50% growth over the prior-year quarter. The results were also notable due to recent concerns that spending might slow given potentially cheaper options to develop AI functionality. These concerns were catalyzed by the January 2025 launch of DeepSeek-V3, a chatbot that appears to rival OpenAI's ChatGPT from the standpoint of industry performance metrics, but which was claimed to have been created for a fraction of the cost using Nvidia's now-restricted H800 chips. We did not believe that the DeepSeek development materially changed the level of investment needed to develop the next generation of frontier models as companies strive for AGI (artificial general intelligence) and beyond. We believe this view is supported by the unchanged plans for AI investment by the industry's leading spenders. Following the news, some of the world's largest investors in AI technology, including Meta, Microsoft, and Alphabet, reaffirmed and expanded on their intention to spend tens of billions of dollars in 2025. We believe this supports our thesis that Nvidia's accelerated computing technology remains crucial to achieving AGI and other AI advances. Further, Nvidia noted that the success of DeepSeek, which employs reasoning AI, has itself been a driver of strong demand. With reasoning AI, as opposed to providing a "one-shot" answer based on statistical probabilities and existing patterns, the model spends more time refining the answer by running it through the model multiple times before outputting an answer that is more accurate and nuanced. As a result, reasoning AI is more compute intensive



and can require 100 times more computing power per task than one-shot inferencing. With continued evidence that greater capabilities can be achieved with greater computing power and expanding use cases such as agentic AI, we believe both near-term and long-term demand will remain strong.

Record data center revenues of \$39.1 billion rose 73% year over year and represented 89% of quarterly revenues. The company dominated data center spending on AI computing, with quarterly data center revenue that was again approximately four-times that of competitors Intel and AMD, combined. Enterprise, consumer internet companies, and regional cloud hosting providers represented over 50% of data center revenue in the quarter, while hyperscale cloud service providers that are building out their infrastructure of accelerated servers to monetize strong demand for GPUs by companies looking to leverage AI capabilities and drive competitive differentiation represented the balance. Having eased prior supply constraints, Blackwell accounted for nearly 70% of data center revenue in the quarter, which represents the fastest product launch in the company's history. We believe the long-term growth drivers for Nvidia are secular in nature. Still, we anticipate there could be a pause in spending following the initial buildout period as hyperscalers and others digest their substantial new purchases of GPUs. We believe such cyclical pauses are characteristic of even the best growth companies historically. In the current period, however, many of these hyperscalers have already announced increased capex plans with a greater share going to AI architecture that should continue to benefit Nvidia in its 2026 fiscal year and beyond.

We believe Nvidia's decades of focused investment, cumulative know-how, and robust software platform and architecture that has attracted millions of developers, position the company to benefit from several secular long-term growth drivers, including accelerated adoption and continued growth in applications and use cases for artificial intelligence. Over the long-term, we believe virtually all servers will be accelerated, primarily using GPU technology, up from a low-double-digit to mid-teens percentage today.

Gaming revenues of \$3.8 billion rose 42% year over year and 48% versus the prior quarter in which revenue declined following six consecutive quarters of growth. Given supply constraints in its data center business, the company temporarily focused its resources on alleviating constraints in that segment, which have since been addressed. We believe the gaming business can sustain secular growth in the mid-to-high teens, driven by both unit sales and pricing increases.

Nvidia maintains a high-quality financial model in which operating margins have expanded significantly over the past two decades and strong cash flow returns on invested capital have consistently exceeded the cost of capital by a significant margin. During the quarter, the company incurred a \$4.5 billion charge associated with excess inventory and purchase obligations tied to orders placed before the new China restrictions were announced. Absent the charge, adjusted operating margins of 52.8% would have been approximately 1,000 basis points higher at 63%. Over our long-term investment horizon, we believe double-digit growth in gaming revenues and faster growth in its data center markets will enable Nvidia to sustain total annualized revenue growth of approximately 20%. With low capital intensity and high cash flow returns on invested capital, we believe the company can generate faster growth in free cash flow. We believe Nvidia's free cash flow growth prospects are not currently reflected in its share price. As a result, we believe the company's shares trade at a significant discount to our estimate of intrinsic value and offer a compelling long-term reward-to-risk opportunity.

- Founded in 1997, **Netflix** is one of the world's leading internet entertainment platforms and a pioneer of subscription video on demand (SVOD), which it first launched in 2007. Today the company is a global leader with over 300 million paid subscribers, out of what we estimate is a total addressable market of one billion households outside of China, who access TV series, movies, mobile games, and other entertainment content across a wide variety of genres, languages, and devices. The company has subscribers in over 190 countries, with an estimated global audience in excess of 700 million, and generates almost 60% of its revenue from outside of North America.

We believe Netflix's strong and sustainable competitive advantages include its focus, scale, brand, and a large installed base of clients that are protected by high barriers to entry. As



a pioneer in SVOD, Netflix has amassed a subscriber base that we estimate to represent just under 40% of all SVOD subscribers globally and approximately 50% of the industry revenue share of the leading global providers. The company's strong brand is reflected in both its premium pricing versus peers and mid-single-digit growth in average revenue per user over the past five years. Over the past decade, Netflix has invested over \$120 billion in content and amassed an estimated over 14,000 hours of original content, which is estimated to represent just under two times the next five largest streaming competitors combined. Of course, it is not just the quantity, but quality of the content that matters. Over this same period, Netflix received over 1000 Emmy nominations and had 218 wins. The company has captured the first or second spot in total Emmy Awards during the past six years, which we believe reflects the quality of its content. We believe the ability to create and acquire high quality content, based on cumulative knowledge and insights attained from its large installed base of subscribers, has contributed to very high barriers to entry.

A fund holding since the first quarter of 2022, Netflix reported quarterly financial results that were strong and above management guidance and consensus expectations for revenue, operating margins, free cash flow, and earnings per share. The company also provided guidance for the current quarter that was above consensus expectations, but maintained its full-year outlook for key metrics. Quarterly revenue of \$10.5 billion rose 16% in constant currency, driven by higher subscription and ad revenue, both of which benefited from membership growth and pricing gains. The company recently increased prices in the US, UK, and Argentina, and announced it would be increasing prices in France. The company also successfully rolled out an internal ad tech platform in the US and transitioned off a partner platform. The company anticipates rolling out this platform to all its ad markets over the next several months, which is expected to contribute to better measurement and targeting, as well as enabling new ad formats and expanded programmatic capabilities. While the company stopped reporting subscriber numbers beginning in 2025, it did highlight its regionally specific approach to growing user engagement and market share. Citing the UK as emblematic of its approach, it reported that its share of UK TV time rose to 9% from 8% in the prior-year quarter, behind only local media providers BBC and ITV, whose share includes both linear and streaming programming. The company believes that paid sharing and its ad-supported pricing plan, which was initially rolled out in 12 markets in November 2022, will further broaden its addressable subscriber base and has contributed to accelerating revenue growth and greater monetization per user. The company previously commented that the paid-sharing initiative was resulting in better-than-expected retention and conversion of borrowing households into full paying members.

We believe Netflix has an attractive and improving financial model. Operating income of \$3.3 billion rose 27% year over year on margins of 32% that expanded by 400 basis points over the prior-year quarter. Free cash flow of \$2.7 billion rose 29% from the prior-year quarter and represented 26% of total revenue. Long-term debt to equity of 58% declined from 62% in the prior-year period. The company's balance sheet continues to improve, with long-term debt to equity declining from over 200% in 2019.

We believe SVOD will continue to benefit from a secular shift from linear television to streaming entertainment due to growing global penetration of broadband internet connections, the proliferation of internet-connected devices, and consumers' desire for on-demand personalized entertainment at prices that are generally significantly below paid TV. As a leading provider of SVOD, we believe Netflix will take its share of global consumer entertainment spending from about 3% today to approximately 5% over our long-term investment horizon, contributing to low-double-digit growth in revenue. We expect substantial recent investments in content will moderate, and we believe the company will benefit from higher gross margins as its content library is leveraged over a growing global subscriber base. We recently increased our longer-term projected operating margins for Netflix, driven by our expectation of greater scale benefits, and we now expect Netflix to generate longer-term operating margins in the mid-30% range, up from approximately 30%, previously. As a result, we expect both operating profits and free cash flow will grow faster than revenues, in the mid-teens. We believe current market expectations substantially underestimate the strength of Netflix's business model and its ability to generate sustainable growth in free cash flow over our long-term investment horizon. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and can offer a compelling reward-to-risk opportunity.





- **Oracle** is a leader in the enterprise software market with a strong market position in database, infrastructure and application software, and cloud-based software and services. We believe the company's competitive advantages include its large and experienced direct sales force, a founder-driven management team that reinvests relentlessly to maintain a leading intellectual property (IP) portfolio and differentiated product suite, and a large installed base of clients with high switching costs where it consistently achieves renewal and retention rates in the mid-90% range. We believe Oracle is well positioned to benefit from the continuing growth in data storage and enterprise application software, as well as the shift to cloud-based solutions.

A long-term fund holding, Oracle reported strong quarterly financial results that were above management guidance and consensus expectations on most measures, including remaining performance obligation (RPO) bookings, a forward-looking measure of revenue. As a result, the company expects revenue growth to accelerate and raised its guidance to at least 16% revenue growth in its 2026 fiscal year, driven by cloud growth in excess of 40%. Oracle is the world leader in its largest business segment, enterprise database software used in customer on-premise IT environments. However, the company continues to focus on transitioning its business from a traditional on-premise, up-front software licensing and maintenance revenue model to a cloud computing subscription-based model where software revenue is recognized over the life of the client's contract. While there has been pressure on year-over-year overall revenue comparisons during this transition, which started over a decade ago as Oracle released cloud versions of its applications and infrastructure software, as up-front license revenue shifts to subscription revenue, we have long expected this to lead to faster growth over time due to a higher customer lifetime value as the transition progresses. We believe the cloud model also allows Oracle to monetize its services and technology more efficiently and yield savings to the customer.

During the period, Oracle grew its cloud revenues, which now represent a low-40s percentage of total revenues, 27% year over year and has seen total revenue growth inflect upward, consistent with our long-term expectations. Adjusted EBIT (earnings before interest and taxes) of \$5 billion rose 4% year over year and was above consensus expectations, despite a 266 basis point decline in EBIT margins to 44%. Operating cash flow of \$20.8 billion represented 36% of revenues, but free cash flow was negative in the quarter due to elevated capital expenditures to support the continued build out of its cloud infrastructure. Over the trailing twelve months, the company invested \$21 billion in capital expenditures, which represented a greater than 200% increase over the prior-year period. There are no changes to our view of Oracle as a structurally attractive business trading substantially below our estimate of intrinsic value.

Oracle has a strong financial model that currently has high financial leverage due to its increased allocation of capital to share repurchases and more recently its \$28 billion acquisition of healthcare IT provider Cerner in 2022. However, the company routinely generates high cash flow margins in the low-to-mid 30% range and cash flow returns on invested capital that are well above its cost of capital, and we believe cash flow will be focused on debt reduction over the near to immediate term. As the subscription-based, cloud-computing services model matures and increases in sales mix, we believe Oracle will realize stronger revenue, operating margins, and free cash flow growth.

We believe Oracle's stock price embeds free cash flow growth assumptions that are well below our long-term forecast. As a result, we believe its shares are selling at a significant discount to our estimate of intrinsic value and can offer a compelling reward-to-risk opportunity.

## Detractors

Regeneron Pharmaceuticals, Vertex Pharmaceuticals, and Thermo Fisher Scientific were the three lowest contributors to performance.

- **Regeneron Pharmaceuticals** is a fully integrated biopharmaceutical company that discovers, develops, manufactures, and commercializes medicines for the treatment of serious medical conditions. The company was established in 1988 with the vision of empowering scientists to shape the path of the business by advancing long-term scientific



outcomes over short-term results. Regeneron-invented technologies include VelocImmune, a patented technology for creating fully human monoclonal antibodies, enabling rapid discovery and development of viable candidates for clinical trials. With this accelerated process, the time and capital required for pre-clinical research is reduced, which has allowed Regeneron to significantly outpace its competition in bringing new therapies to trial, and ultimately to market. As a result, while many biotechnology companies have the ability to pursue only one or two drugs, Regeneron has over 40 fully human antibodies in clinical development, including nine currently marketed therapies for which it is investigating additional indications. Early in its clinical lifecycle, Regeneron's technology enabled it to negotiate risk-mitigating and platform-validating collaborations with larger biopharmaceutical company partners which fund early-stage research and development (R&D) in exchange for a share of potential profits and research cost reimbursement, and through which Regeneron accesses scale and distribution strength. Today, Regeneron stands on its own as one of the leading innovators and commercial powerhouses in biopharma; the company markets therapies for eye diseases, atopic dermatitis, asthma, oncology, high LDL cholesterol, and a rare inflammatory condition. The company has also developed a robust pipeline of candidates in areas of high unmet medical need including oncology, allergic disease, central nervous system (CNS) diseases, hematology, and infectious diseases. We believe that Regeneron's science-driven culture, unique technology, and long-term focus on delivering innovative medical solutions will result in substantial value creation over our investment horizon.

Purchased in the third quarter of 2016, Regeneron's shares declined sharply following news that a phase 3 clinical therapy met its primary endpoint in only one of two clinical trials in treating former smokers with inadequately controlled chronic obstructive pulmonary disease (COPD). While the company is evaluating next steps, we believe it is likely that the program, developed in collaboration with Sanofi, will be severely delayed if not shelved altogether. And while our base case valuation for the company included a positive probability-weighted contribution from the program, the market decline was far greater than our estimate of the program's value contribution, such that our assessment of reward-to-risk to our revised base case following the market reaction became even more attractive. We believe the market reaction may have been exaggerated due to pre-existing concerns regarding Eylea, historically the company's largest revenue generator. For the quarter, the company reported that sales for its Eylea franchise declined versus the prior-year period due in part to a funding gap at copay assistance foundations that led cost-sensitive consumers to off-label Avastin, as well as competition from new entrants. We have long expected Eylea to face heightened competition, most immediately from the 2022 approval of Roche's Vabysmo, as well as the eventual introduction of biosimilar competition for 2mg Eylea. However, we believe Eylea's efficacy and greater than 10-year safety profile provides a very strong competitive advantage that remains difficult for competitors to overcome. Regeneron has responded to the competitive threat with an increased (8mg) dose of Eylea (Eylea HD) that was approved by the FDA in 2023. We believe Eylea HD's potential is clinically superior to any existing or clinical therapy, carries the benefit of less-frequent dosing than 2mg Eylea, earlier-generation competitors, and all current biosimilars, and benefits from Eylea's 10-year safety history, once again illustrating Regeneron's demonstrated ability to innovate and sustain its market leadership. The company has made good progress in switching patients from the regular dose of Eylea, as well as capturing those that are not well managed on existing alternative therapies, despite competition from Vabysmo. However, the combination of near-term affordability given the co-pay issue which impacted branded therapies relative to cheaper alternatives, along with temporary labeling disadvantages, have benefited competitors in the current period. While we believe Eylea HD remains superior to alternative options, given Eylea HD's more-recent approval than Roche's Vabysmo, it is currently behind in gaining approval for some key competitive attributes. For instance, it is not yet indicated for a particular type of macular edema (following retinal vein occlusion (RVO)), as the original Eylea and Roche's Vabysmo are. It is also not yet indicated for more frequent 4-week interval dosage in those rare instances when required for certain patients. In approved indications, Regeneron and Roche are both indicated on their labels to dose at intervals of up to 16 weeks between treatments. Both companies are working to demonstrate longer intervals between dosing, though after the FDA responded with a request for more data to Regeneron's first attempt to extend dosing to 20 – 24 weeks for Eylea HD, Regeneron has indicated that they plan to re-file for longer



dosing intervals in WetAMD. In recent trials for macular edema following RVO, Roche's Vabysmo has demonstrated the potential for a subset of patients to be dosed out to every 20 week intervals between treatments, which, if approved, could potentially give Vabysmo a near term competitive edge. While the impact of each of these attributes are relatively small compared to the overall potential of the market, it is clear that a portion of the market is sensitive to these temporary deficiencies, as suggested by share losses to Roche's Vabysmo that we have seen in recent periods. While we believe that Roche's Vabysmo, of which parent company Roche is also a holding in the portfolio, will continue to be a compelling competitor to Eylea HD, we believe that as Eylea HD's label rises to parity of indications with the competition, it will remove barriers to some physician's prescribing of Eylea HD, allow Regeneron to showcase the overall greater efficacy and leverage the long term safety track record of the underlying aflibercept molecule to compete effectively for share leadership in the market.

The company is awaiting an FDA decision on both issues, expected in August. Further, while it is available in a more-convenient pre-filled syringe (PFS) outside the US, temporary issues with a contract manufacturer in the US have delayed the availability of the PFS in the US. We believe all of these issues will be rectified shortly, which should re-establish the therapy's competitive positioning in the market given its unmatched history of safety and efficacy. We believe the Eylea franchise's competitive advantages remain intact. Eylea has established itself as the leading branded therapy in treating a broad and expanding range of diseases of the back of the eye. Its leading efficacy over both the short and long term and attractive safety and side effect profile have made it the market leader and choice of physicians across multiple indications - a position that will be difficult for new competitors to replicate.

Outside of potentially heightened competitive intensity for Eylea in the US, the company continues to perform well, despite total quarterly revenue of \$3 billion declining 4% year over year. Global sales of Dupixent, part of which are recognized by collaboration partner Sanofi, rose 19% versus the prior-year quarter to \$3.7 billion, benefiting from its differentiated efficacy profile, first-mover advantage, benign side effects, and growing list of indications, while maintaining competitive advantage versus new entrants. Dupixent continued to penetrate patient populations in its atopic dermatitis, allergic asthma, and chronic rhinosinusitis, and Eosinophilic Esophagitis indications, and in September 2024 received FDA approval for patients with chronic obstructive pulmonary disease (COPD), which is independent of the company's more recent trial for COPD in former smokers.

Libtayo, the company's PD-1 therapy for cutaneous squamous cell carcinoma (CSCC), basal cell carcinoma (BCC), and non-small cell lung cancer (NSCLC), grew 8% year over year. Although in its nascent stages relative to its potential with \$285 million in quarterly sales, the therapy continued to penetrate global markets. Libtayo has ongoing trials as a backbone for combination therapies with both chemo and other agents in numerous additional indications. We believe Libtayo's results to date continue to reflect positively on the likelihood that Libtayo will serve as a foundational therapy for Regeneron to successfully compete in other, large immuno-oncology (IO) indications both as monotherapy and in combination with other agents.

We believe Regeneron is among the highest quality businesses in healthcare, with both broad-based established therapies and meaningful pipeline assets that include over 40 product candidates in clinical development that were generated primarily using the company's proprietary VelociSuite of technologies. We believe the share price embeds a lack of appreciation for the company's multiple growth opportunities and the uniqueness of its business model. As a result, the company's shares trade at a significant discount to our estimate of intrinsic value and represent a compelling reward-to-risk opportunity. We took advantage of near-term price weakness to add to our position during the quarter.

- **Vertex Pharmaceuticals**, founded in 1989, is a global biopharmaceutical company with deep expertise in protein and genetic science and a focus on specialty markets. The company is the leader in creating therapies for patients suffering from cystic fibrosis (CF), with five currently approved CF treatments, and the company is building out its capabilities to address related diseases that lever its core expertise in biology and medicinal chemistry.

A fund holding since June 2021, Vertex reported quarterly results that were fundamentally



solid but below consensus expectation for revenues and profitability. Sales were negatively impacted by counterfeiting in Russia that was estimated to lower sales by \$100 million in the period, with a similar impact anticipated over the remainder of the year. The company also announced that it was pausing one of its trials aimed at the 10% of CF patients that do not produce the CFTR proteins targeted by Vertex's current therapies, in order to assess its side-effect profile. Because it remains an active clinical trial the company did not provide further details so as to maintain trial integrity, and the company reported positive clinical progress across a number of other programs.

For the quarter, revenues of \$2.5 billion rose 3% year over year, driven by the continued penetration of Trikafta, until recently its latest and most efficacious CF therapy, and an early contribution from Alyftrek, its newest CF therapy. The company continues to penetrate the global CF patient population, both through new patients that did not previously have a therapy available and patients switching from older generations of therapies to the new standard of care. Alyftrek, the next generation of Trikafta, was approved by the FDA in late December 2024. The therapy requires once-a-day dosing versus twice daily for Trikafta, offers improved cell function, and may be better tolerated by the approximately 20% of patients who experienced uncomfortable side effects with earlier generation therapies. By continuing to innovate, the company not only extends patent protection beyond 2040 (versus mid-to-late 2030s for Trikafta), but also again raises the bar for new entrants by producing a clinically superior drug with real benefit potential to all stakeholders. The company also reported positive momentum in recently launched therapies Casgevy and Journvax. Casgevy, a one-time gene therapy for blood disorders now has more than 65 authorized treatment centers activated globally and approximately 90 patients have had their first cell collection. Journvax, the first and only non-opioid oral pain inhibitor for adults with moderate-to-severe acute pain, is already available in 95% of retail pharmacies after first launching in early March. As a result of elevated investments to support the commercial launches of Alyftrek, Casgevy, and Journvax, adjusted operating margins of 43% declined 700 basis points year over year.

When we initiated our position in Vertex, the company's then-approved therapies all addressed CF. Given the company's deep understanding of biology, its focus on specialty markets where its core expertise is determinative of success, and its well-defined strategy of iterating through multiple parallel approaches to treat a single target, we believed the company was likely to increase its penetration of the CF market, drive further innovation in its already leading suite of CF therapies, and develop potentially transformative therapies outside of CF as well. Since then, through its partnership with CRISPR, the company received FDA approval in December 2023 for Casgevy, a one-time gene therapy for sickle cell disease and the first approved therapy using CRISPR-Cas9 gene editing technology, which was further approved for the treatment of beta thalassemia, another blood disorder, in January 2024. In January 2025 the company received FDA approval for Journvax, the first new class of pain medicine approved in more than 20 years. The company has also continued to advance pipeline therapies for CF, additional pain indications, kidney disease, and type-1 diabetes, among other initiatives. Our forecast at the time of purchase included a probabilistic estimate of contributions from the company's pipeline – which continues to contribute positively to our estimate of intrinsic value as its pipeline therapies reach or move closer to commercialization.

We believe Vertex's strong and sustainable competitive advantages include its unparalleled understanding of CF, rooted in its history of investment and innovation for which it is recognized as setting the standard of care, its partnerships with the CF Foundation and other entities that enhance its solutions capabilities, and its broader understanding of biology and serial approach to drug development. Vertex created the only five therapies approved for CF, which currently account for the vast majority of the company's revenues. Over our long-term investment horizon, we believe growing medical access, ongoing market penetration, lower patient mortality, and ongoing innovation will drive mid-single-digit growth in the company's dominant CF franchise. We also believe the company's deep understanding of biology, well-defined and disciplined approach to innovation, and growing pipeline of clinical therapies addressing diseases outside of CF, will collectively enable the company to realize low-double-digit growth in revenues over our forecast period, and similar growth in operating income and free cash flow. We believe expectations embedded in Vertex's share price underestimate the defensibility of its dominant CF





franchise, the life-changing benefit of its therapies for its growing base of approximately 70,000 patients, and the strength of its science and innovation ability that is contributing to a growing pipeline of potentially transformative therapies. We believe the shares embed expectations for revenue and free cash flow that are below our long-term expectations. As a result, we believe the shares are trading at a significant discount to our estimate of intrinsic value and can offer a compelling long-term reward-to-risk opportunity.

- **Thermo Fisher Scientific (TMO)** is a comprehensive provider of scientific research tools including analytical instruments, laboratory equipment, consumables (such as reagents, chemicals, and lab supplies), software solutions, and services. The company serves various end markets that include pharma and biotech (approximately 57% of revenues), diagnostics and healthcare (15% of revenues), academic and government (15%), and industrial and applied (13%), worldwide. The company generates approximately 52% of its revenue in the United States, with Europe, Asia-Pacific, China and the rest of the world contributing 24%, 10%, 8% and 5%, respectively. TMO was formed through the 2006 merger of Thermo Electron Corp, a provider of analytical instruments and scientific equipment, and Fisher Scientific, a leading supplier of laboratory supplies and chemicals. The company is known to almost all labs through the massive Fisher supply catalog, which offers virtually everything needed for the laboratory and in turn provides entrée for the company to sell higher value equipment and services. About 83% of the company's revenue can be considered recurring in nature, with 43% coming from consumables and 40% from services. The remaining 17% comes from non-recurring instrument sales.

A fund holding since the third quarter of 2023, TMO reported quarterly financial results that were solid and better than consensus expectations, despite a challenging operating environment that included weakness in government and academic end markets and a headwind from the runoff of pandemic-related revenues. While revenues and adjusted operating margins were roughly flat year over year, the company continued to gain market share and further embed itself into customer operations. The company also announced an agreement to acquire the purification and filtration business of Solvendum, for approximately \$4.1 billion in cash. The products, used in the production of biologics as well as in medical technologies and industrial applications, are complimentary to and expand the company's bioproduction business. Acquisitions have been a routine part of TMO's corporate strategy, and we believe the company has a demonstrated track record of rigorous selection criteria to ensure the assets add value to customers while exercising financial discipline to not overpay, demonstrated by sustained high cash flow returns on invested capital.

Over our long-term investment horizon, we expect TMO's end markets to grow at a mid-single-digit compounded annual rate. Over the past decade, the company has made a concerted effort to increase its exposure to faster-growth, higher-margin end markets, with a particular focus on biopharma. The company has also increased its market share within each client segment over the past decade. Given TMO's trusted customer relationships, unmatched scale, leading distribution and e-commerce capabilities, a strong supply chain and ability to localize R&D, and its unique breadth and depth of products and service offerings, we believe the company will continue to grow faster than its underlying markets, at a high-single-digit rate. The company has also shown a historic ability to improve its profitability through a combination of favorable business mix, improvements in operational efficiency, and scale. We expect each of these trends to continue over our investment horizon and for operating profits and free cash flow to grow in excess of revenues – in the low double digits.

We believe sentiment for companies in the life sciences tools industry has remained overly pessimistic. Covid-19 created a spike in demand that was exacerbated by supply chain constraints that led customers to build up inventory. With the pandemic abated and supply chains improved, post-pandemic demand slowed from elevated levels and excess inventories are being drawn down, which has led to downward estimates for near-term revenue growth. Further, uncertainty regarding the impact of tariffs has led the company to modestly widen its full-year revenue guidance, while maintaining the same mid-point, and to lower its expected operating margins by about 120 basis points. The company believes it will be able to more fully mitigate the impact of tariffs next year. We believe that industry fundamentals support long-term secular growth for which TMO is well positioned to



benefit. We believe the company's share price embeds expectations that it will be unable to grow its market share and that operating margins will deteriorate from current levels, resulting in expectations for revenue and 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 its intrinsic value and can 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, healthcare, financials, consumer discretionary, and industrials sectors. We were underweight in the information technology and consumer staples sectors. We held no positions in the real estate, utilities, materials, or energy 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 manager transition of the fund is approximately 8.4%. The overall portfolio discount to intrinsic value was approximately 49.4% as of June 30, 2025.

## 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. **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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline.

## Important Disclosure

*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.*

*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](http://www.loomissayles.com).*

*Holdings data is based on total gross assets before any fees are paid; any cash held is included. The portfolio is actively managed and holdings are subject to change. References to specific securities or industries should not be considered a recommendation. Holdings may combine more than one security from the same issuer and related depositary receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit [www.loomissayles.com](http://www.loomissayles.com).*

*The Morningstar Medalist Rating<sup>TM</sup> is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered through specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer fund group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars--People, Parent, and Process--which, when coupled with a fee assessment, form the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they've assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated by an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and re-evaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to [global.morningstar.com/managerdisclosures/](http://global.morningstar.com/managerdisclosures/).*

***The Morningstar Medalist Ratings are not statements of fact, nor are they credit or risk ratings. The Morningstar Medalist Rating (i) should not be used as the sole basis in evaluating an investment product; (ii) involves unknown risks and uncertainties that may cause expectations not to occur or to differ significantly from what was expected; (iii) are not guaranteed to be based on complete or accurate assumptions or models when determined algorithmically; (iv) involve the risk that the return target will not be met due to such things as unforeseen changes in management, technology, economic development, interest-rate development, operating and/or material costs; competitive pressure, supervisory law, exchange rate, tax rates, exchange rate changes, and/or changes in political and social conditions; and (v) should not be considered an offer or solicitation to buy or sell the investment product. A change in the fundamental factors underlying the Morningstar Medalist Rating can mean that the rating is subsequently no longer accurate.***

***Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [www.loomissayles.com](http://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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