



# Small Cap Value Fund

## Fund Facts

### OBJECTIVE

Seeks to produce long-term capital growth

Share class	I
Inception	5/13/1991
Ticker	LSSCX
CUSIP	543495816
Benchmark	Russell 2000® Value Index

**Russell 2000® Value Index**  
measures the performance of the small cap value segment of the US equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small cap value segment.

## Market Conditions

- US equities broadly rallied during the second quarter of 2025, as investors looked beyond tariff and trade concerns and geopolitical events to focus on solid current fundamentals of the US economy. While trade and tariffs dominated the news cycle early in the quarter, geopolitical events rose to the forefront and were joined late in the quarter by a focus on the US Congress and the passage of a new pro-growth budget.
- US corporate earnings reports were fairly strong during the quarter, and forward earnings estimates were only moderately reduced due to the expectation of higher tariff related costs. The 10-year treasury yield ended the quarter just about where it started, and oil prices finished slightly lower despite the initiation of military action by Israel and the US in Iran. The stock market rally followed a negative return during the first quarter and into early April, with the initial catalyst being the April 9th, 90-day pause of the Liberation Day tariffs. After this, the seemingly benign impact of tariffs and geopolitical events on inflation, interest rates, oil prices and US GDP proved sufficient for market valuations to return to the highs seen in late 2024.
- Domestic stock returns were positive across all market cap ranges and styles, with large caps dominating small caps and growth stocks well ahead of value stocks.

## Portfolio Review

- The fund outperformed its benchmark, the Russell 2000® Value Index, due to positive allocation effects across multiple sectors, which more than offset lagging security selection which detracted from relative performance.

### Class I 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>	5.40	-1.21	3.65	12.59	14.18	7.50
<b>BENCHMARK</b>	4.97	-3.16	5.54	7.45	12.47	6.72

**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).**

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 0.96% (Class I). Net expense ratio 0.90%. 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 I inception date is 5/13/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.

**Top Ten Equity Holdings (%)**

United States Cellular Corporation	1.9
TTM Technologies, Inc.	1.9
Talen Energy Corporation	1.7
Moog Inc.	1.7
Wintrust Financial Corporation	1.6
Popular, Inc.	1.5
Federal Agricultural Mortgage Corporation	1.5
Vontier Corporation	1.5
SouthState Corporation	1.4
Antero Resources Corporation	1.4
Total	16.1

**Contributors**

- Fund performance was helped by having lower exposure to underperforming sectors such as Real Estate Investment Trusts (REITs)<sup>†</sup>, traditional utilities and energy with higher weights in outperforming sectors like industrials and information technology. While overall stock selection metrics were mixed, a handful of top-performing individual stocks with larger portfolio weights also helped drive returns ahead of the benchmark. Among individual stocks TTM Technologies, Limbach Holdings and Talen Energy Corp. provided the most significant positive contributions to relative performance during the quarter.
- TTM is the largest US-domiciled supplier of printed circuit boards, a foundational component for many electronic products. The company has been on a multi-year journey to improve revenue quality and increase margins through factory consolidation. While progress has required patience on the part of investors, the initiatives have begun to show success and accelerated in the second quarter. At the same time, strength in legacy end markets such as Aerospace and Defense as well as new demand from computer servers for AI applications, drove robust revenue growth and raised investors prospects for future growth. The fund continues to hold an investment in TTM Technologies, given an attractive valuation, improving revenue visibility and further opportunities to increase margins.
- Limbach Holdings is a building and industrial mechanical contractor, with expertise in the installation, management and maintenance of HVAC (heating, ventilation and air conditioning), electrical, plumbing and control systems. The company is in year three of a new strategy to emphasize direct relationships with building owners, while de-emphasizing work with general contractors. The result has been higher margins, less competitive bidding, reduced sensitivity to macroeconomic conditions and new building projects, and a higher proportion of recurring maintenance and service contracts. At the time of our original purchase in May of 2024 Limbach was a \$560M market cap company with only two boutique, sell-side analysts covering the stock. As the new strategy has steadily gained traction, investor interest has broadened, and the stock price has advanced. During the second quarter of 2025, the company released another strong quarterly earnings report with revenue growth accelerating as the increase in owner direct sales more than offset the modest decline in general contractor revenue. With the improvement in sales and earnings growth, the stocks valuation has increased, prompting us to reduce the position size during the quarter.
- Talen Energy is a Mid-Atlantic based independent power producer, which, under a previous management, slipped into bankruptcy in 2022 due to a liquidity crisis caused by rising natural gas prices and collateral requirements related to a commodity hedging strategy. By early 2024, with new management and firm financial footing, we purchased the stock based on the thesis that the assets, most notably a large nuclear power plant in northern Pennsylvania with a data center under construction immediately next door, were significantly undervalued as investors had largely shunned the company due to their prior financial difficulties. In March 2024, Talen struck a deal with Amazon Web Services where Amazon acquired the adjacent data center and contracted to purchase nearly half of the nuclear power plant's capacity at rates significantly above the prevailing market price. In 2025, forecasts for an acceleration of power demand have emerged, in part due to power hungry Artificial Intelligence applications as well as the reshoring of manufacturing capacity into the US and the electrification of many everyday products. During the second quarter of 2025, Talen restructured its deal with Amazon to expand the amount of premium priced power under contract while also mitigating recent regulatory concerns.

**Detractors**

- The “quality trade” that has recently been a tailwind for our strategy, was largely absent during the period. While a defensive posture was beneficial early in the quarter, “risk-on” stocks assumed leadership as the quarter progressed. Overall, stocks of loss-making companies outperformed profit making, and low Return on Capital companies outperformed high Return on Capital companies, and as a result the fund (with its high-quality focus) was temporarily out of synch with where market leadership resided and resulted in stock selection lagging the benchmark return. From an individual stock perspective SanDisk Corp., Magnera Corporation and Champion Homes detracted the most from performance.



- SanDisk is a leading manufacturer of flash memory data storage primarily for consumer electronic devices and the recent investment was predicated on a cyclical recovery in the company's end markets. However, the potential negative consequences of tariffs on the consumer electronics market and data storage prices was determined to be an investment thesis break and we exited our relatively small position after a modest rally in the stock off the early April price level.
- Magnera was a newer portfolio position, created through the merger of two existing entities. The combined company is a manufacturer of non-woven materials for consumer products such as diapers, feminine products, and food and beverage items. We bought shares in the fourth quarter of 2024 following the merger transaction as we viewed the combination as having high potential while acknowledging a somewhat elevated financial leverage of the new company. Following the announcement of global tariffs, the elevated risk profile proved to be outside the bounds of our investment thesis, and we chose to exit the position relatively early in the quarter.
- Champion Homes is a leading manufactured home builder and retailer offering an affordable housing product at a time when overall home affordability is close to all-time lows. We are attracted to the company's low capital needs and its ability to increase market share both organically and through market consolidation. The housing market has softened over the last few months and Champion Homes has not been immune, leading to the company reporting disappointing earnings in May due to both weaker unit sales and pricing. The company has a very healthy balance sheet with a net cash position and is positioned to weather any short-term disruptions to the housing market caused by higher interest rates or dips in consumer confidence.

## Outlook

- We remain committed to identifying inefficiencies in the small-cap market that result in stock prices and valuations that do not accurately reflect our assessment of the underlying value of corporate enterprises. This approach is applied consistently over time, regardless of the current market environment.
- While many forms of inefficiency may exist, we focus on companies that are misunderstood, underfollowed or in the midst of a "special situation" where we believe we can use our strengths in the form of our time horizon, resource deployment or a willingness to solve complex situations. We require fundamentally sound business models, capable management teams and financial stability. Key to our process is identifying distinct, company-specific catalysts on the horizon to sustain, enhance or highlight the fundamental outlook.
- Our goal is to achieve an attractive total return for our investors, while managing to an appropriate level of risk over a market cycle.



## About Risk

**Equity securities** are volatile and can decline significantly in response to broad market and economic conditions. **Smaller company** investments can be more volatile than those of larger companies. **Value** investing carries the risk that a security can continue to be undervalued by the market for long periods of time. **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.

*\*Investing in **Real Estate Investment Trusts (REITs)** may be subject to risks including but not limited to declines in the value of real estate, risks related to general economic conditions, changes in the value of the underlying property owned by the trust, and defaults by borrowers.*

## Important Disclosure

*Outlook as presented in this material reflects subjective judgments and assumptions of the portfolio team and does not necessarily reflect the views of Loomis, Sayles & Company, L.P. There is no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold. These perspectives are as of the date indicated and may change based on market and other conditions. Actual results may vary. Please refer to the Fund prospectus for a comprehensive discussion of risks.*

*This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. Investment recommendations may be inconsistent with these opinions. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.*

*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).*

**Market conditions are extremely fluid and change frequently.**

**Diversification does not ensure a profit or guarantee against a loss.**

**Commodity, interest and derivative trading involves substantial risk of loss.**

**Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.**

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

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

**Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [www.loomissayles.com](http://www.loomissayles.com) or call 800-633-3330 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.**

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