



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	\$3.0 billion
Fund AUM	\$140.8 million
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 positive returns of 7.59% vs. 7.62% for the MSCI ACWI Index Net, underperforming the benchmark by 0.03% net during the quarter. Tesla, Alphabet, and Oracle were the three largest contributors to performance during the quarter. MercadoLibre, Netflix, and Adyen N.V. were the three lowest contributors to performance.
- Stock selection in the healthcare sector, as well as our allocations to the communication services, financials, consumer staples, consumer discretionary, and industrials sectors, contributed positively to relative performance. Stock selection in the financials, industrials, communication services, and consumer discretionary sectors, as well as our allocations to the information technology 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).

Top Ten Holdings (%)

Meta Platforms, Inc.	7.3
Tesla, Inc.	6.2
MercadoLibre, Inc.	5.9
Oracle Corporation	5.9
Alphabet Inc.	5.8
Shopify Inc.	5.3
Netflix, Inc.	5.3
Amazon.com, Inc.	5.1
Microsoft Corporation	3.7
Tencent Holdings Limited	3.5
Total	54.1

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.

Class Y Performance as of September 30, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	7.59	21.26	24.66	29.33	12.42	14.64
BENCHMARK	7.62	18.44	17.27	23.12	13.54	11.97
EXCESS RETURN	-0.03	+2.82	+7.39	+6.21	-1.12	+2.67

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.



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 positions in Novo Nordisk and Vertex as near-term price weaknesses created attractive reward-to-risk opportunities. We trimmed our position in Alibaba to finance the purchases based on reward to risk.

Contributors

Tesla, Alphabet, and Oracle were the three largest contributors to fund performance.

- 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 approximately 90% of its sales from its automotive segment and 10% from its energy generation and storage segment in its 2024 fiscal year. From a geographic standpoint, the US and China are the company's two largest markets and accounted for approximately 49% and 21% of 2024 sales, respectively, while the rest of the world collectively accounts for approximately 30%.

Tesla has been a fund holding since the first quarter of 2022. During the quarter, the company put forth a new compensation plan for CEO Elon Musk that will be voted on at the company's upcoming annual shareholder meeting in November. Following the proposed compensation package, shares may have responded positively to news that Musk had purchased \$1 billion worth of company shares, which represents his first meaningful purchase since 2018. While representing a small percentage of his total net worth, we believe the investment reflects positively on his continued belief in the company's prospects.

Regarding the proposed compensation package the CEO Performance Award covers the next 10 years and follows a methodology similar to prior plans in 2012 and 2018 that set very ambitious targets for which Musk will be highly compensated if achieved. Under the current proposal Musk can earn up to 12 tranches of restricted stock for the achievement of a combination of market capitalization-related and operational milestones. Each tranche would represent 1% of the company's outstanding share count and would vest 7.5 years to 10 years after the initial date the compensation plan is approved by shareholders. After the 10 year anniversary, any stock not earned will be forfeited. Earning the first tranche would require Tesla achieving a market capitalization of \$2 trillion, which was approximately 2x the company's value prior to the proposal, as well as the achievement of at least one operational milestone. Operational milestones, which can only be used once in the achievement of a tranche, are closely aligned with corporate goals and include total vehicle deliveries, active full-self-driving (FSD) subscriptions, robotaxis, humanoid robots, and the achievement of various EBITDA (earnings before interest, taxes, depreciation, and amortization) levels. Only if Tesla is able to achieve a market capitalization of \$ 8.5 trillion, which would be approximately eight times the company's value prior to the proposal and twice the market cap of Nvidia, currently the most valuable company in the world, generate \$400 billion in EBITDA, which at the time of the proposal would be equivalent to the trailing 12-month EBITDA of Microsoft, Apple and Nvidia, combined, and developed a CEO succession plan can Musk earn all 12 tranches. We believe compensation plans should include long-term fundamental and company valuation targets that align CEOs and management with long-term shareholders. We believe the prior plan and current proposal both achieve that objective.

After a record year for deliveries in 2023, deliveries declined in 2024, representing the first fiscal year in which deliveries declined year over year. Declines extended into the first half of 2025, which represented the company's weakest results in three years. We believe this



near-term weakness does not reflect on Tesla's long-term prospects, nor does it change our expectation for long-term secular growth in EV penetration around the world. Given that affordability in the auto industry is being impacted by multi-decade-high interest rates and lingering materials and logistics cost inflation, we believe Tesla has been prudently managing the business, which included the company's Model Y becoming the highest selling vehicle on a global basis in 2023 and 2024. More recently, CEO Elon Musk's involvement in US and global politics is thought to have brought negative attention to the brand, which was believed to be one of the primary drivers for share price weakness earlier in 2025. While we believe this could be impacting some sales, we believe the greater impact to current sales is the introduction of the new model Y, which is Tesla's most popular vehicle, representing close to 70% of the company's units sold. To accommodate the necessary updates for the new model, the company shut down all factories to retool production during the first quarter. Even with the lower availability of the Y, it nonetheless remained the highest selling vehicle on a global basis in the first quarter. Further, in California, the company's model 3 was the best-selling car in the past two quarters after having recently trailed the Honda Civic and Toyota Camry, while the Model Y was the best-selling SUV. Despite the recent sales decline, 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, including new models anticipated in 2025. 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.

For the quarter, Tesla reported financial results that reflected weak deliveries and revenue that declined year over year, both of which we attribute primarily to issues with the introduction of the new model Y, but both improved versus the previous quarter. The company also noted that the pending elimination of US tax credits for EV purchases was likely to impact sales later this year and into the first half of 2026. Quarterly revenue of \$22.5 billion declined 12% year over year, but rose 16% from the prior quarter. Despite working to lower the price of its vehicles to increase affordability, higher interest rates have impacted the core mass market customer Tesla ultimately seeks to win over. Tesla has a pricing strategy where they price their vehicles to maximize overall profit dollars. Historically the company had reduced price annually as it leveraged its growing scale to lower the total cost of ownership for potential buyers and drive EV adoption. The company is focused on penetrating mass-market buyers, where pricing sensitivity is a greater factor, and rising rates effectively increased the price of Tesla's cars by 10% over the past few years. The company also confirmed that it began initial production on a more affordable model, with production at volume expected in the second half of 2025. We estimate Tesla's existing models currently address a potential market of approximately 20 million cars sold annually. We believe a lower-priced car could increase the company's addressable market to 50 million units. We believe this is the correct strategy as long as Tesla continues to protect its brand equity, which is one of the company's most important intangible assets. Given that Tesla manufacturing factories have high fixed costs that benefit from scale, increasing EV sales from current levels would improve production utilization and generate higher profit per vehicle. Over time, we believe that increased volumes will offset near-term margin pressure. Further, 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 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 4.1% declined by approximately 220 basis points during the period, due primarily to lower deliveries and increased research and development expenses to support future product launches. However, the Cybertruck has achieved positive gross margins within the first year after its launch, while competitors such as Rivian still generate gross losses. We believe this underscores the company's cost leadership, scale advantages, and the maturity of its manufacturing operations. We believe these recent margin impacts are temporary and that over the long term, Tesla can generate operating margins in the mid-20% range, supported in part by 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 fifth 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 late 2024, the company debuted FSD version 13 that was used to power the cybercab and the unmanned Model 3 and Model Y as the company announced its robotaxi strategy. FSD 13, which represents the first version of FSD software based solely on AI training on the company's super computers, delivered a step change improvement in autonomous driving capabilities. The company is expected to release FSD 14, which we believe will further extend FSD capabilities as the company makes progress toward unsupervised FSD. We believe most consumers will ultimately adopt FSD functionality over the long term. 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.

- **Alphabet** is a holding company that owns a collection of businesses, the largest and most important of which by far is Google. Google is the global leader in online search and advertising and also offers cloud solutions to businesses and consumers globally, with a goal of organizing the world's information and making it universally accessible and useful. Google dominates the US and global traditional search market with a greater than 80% share of search volumes. As a function of seeing more searches, Google is able to provide better search results, resulting in a higher customer conversion rate for advertisers and enabling Google to capture a leading share of search revenue. Google's large network of consumers, advertisers, and publishers is a powerful business ecosystem as third-party participants such as marketing affiliates and independent software vendors add value to the user experience. As a result, we believe consumers get their best and most relevant search results and advertisers get the best returns on their advertising dollars. Such a robust ecosystem attracts increasing numbers of participants and thereby creates a virtuous cycle for a sustainable business model and long-term growth. In its emerging cloud business, we estimate that Google captures less than 10% market share of the global market for public cloud services. We believe Google remains one of the few global companies that has the scale, research and development (R&D), and technical talent to effectively compete in this market over the long term. Non-Google businesses comprise less than 1% of Alphabet revenues and are held in the company's Other Bets segment.

A holding in the fund since inception, shares responded positively following disclosure of prospective remedies in an ongoing lawsuit with the U.S. Department of Justice (DOJ) that were better than feared. In August 2024, in a case originally filed in 2020 by the DOJ and multiple U.S. states, a U.S. District Court ruled that Google had acted illegally to maintain a monopoly in online search by paying companies such as Apple to present its search engine as the default choice on their devices and web browsers. During the quarter, the judge provided potential remedies which neither required any business divestitures by Alphabet,



nor called for an outright ban on payments. The company has said it may potentially still appeal both the verdict as well as the proposed remedies, but the remedies were less punitive than feared. We expect this process will likely still take over a year before it is ultimately settled and any changes are implemented. And while we do not know what the final outcome will be, based on its ongoing innovation and substantial competitive advantages, we do not believe the company's competitive positioning will ultimately be diminished, and we believe the company continues to represent an attractive reward-to-risk opportunity.

Alphabet has been a holding in our strategy since inception in July 2006. Different authorities in different jurisdictions have investigated Alphabet over the course of our holding period – sometimes finding it guilty of violating anti-trust laws and sometimes finding it had not violated any statutes. For instance, in 2011, a U.S. Federal Trade Commission (FTC) anti-trust investigation focused on Google's ability to leverage its strong position in search to enhance its own competitive advantage. The investigation lasted two years and the FTC elected not to pursue any lawsuits, levy any fines, nor require any changes in business practices. More recently, the European Commission (EC) found Google guilty of violating its anti-trust laws around its practices with Google Shopping, the licensing of Android to device manufacturers, and for placing restrictive clauses in contracts with third-party websites which prevented ads from Google competitors. The company incurred fines of approximately \$10 billion and in each instance was required to modify its businesses practices. We observed no material change in the company's competitive positioning as a result of these changes.

We believe Google's dominance in the online search and advertising market is a function of its superior product offerings and strong and sustainable competitive advantages – not the product of anti-competitive business practices. In Europe, where Google was required to provide users with a choice of browsers on its Android devices, the company maintains over 90% market share – suggesting the company's dominance is a function of consumer preference and not its default positioning. Even on desktop devices pre-installed with Microsoft's edge browser, the company captures approximately 80% of global search activity.

As we did with earlier legal and regulatory challenges against the company, we will continue to monitor and assess any potential structural impact on our investment thesis for Alphabet and on the company's market share or growth. However, we believe Alphabet remains well positioned to benefit from the secular shift of the approximately \$2 trillion in global annual advertising and marketing expenditures outside of China to online and mobile advertising from traditional advertising media.

For the quarter, Alphabet reported financial results that were fundamentally strong and above consensus expectations for revenue, operating income, and earnings per share. The company also announced that it expects to spend \$85 billion on capex in 2025, up 13% from its prior estimate and reflective of the opportunities it sees to leverage AI across all of its businesses. Total revenue of \$96 billion represented a 14% increase year over year in constant currency, while reported earnings per share rose 22%. Alphabet reports results in three segments: Google Services, Google Cloud, and Other Bets. Google Services reported quarterly revenue of \$83 billion, which increased 12% year over year and represented approximately 86% of total revenue. Advertising revenue accounted for 86% of Google Services revenue and increased by 10% compared with the year-ago quarter. Advertising revenue was driven by the search business, which grew 12% year over year. The company is benefiting from its recent rollout of AI overviews, which are now available in 40 languages and 200 countries and currently have over 2 billion monthly average users. Google also recently launched AI Mode, the company's native AI-search powered by its Gemini models, into 180 countries and expanded into over 35 languages. Outside of search, the company reported 12% growth in YouTube, which benefited from improvement in direct response ads and brand advertising, while the network advertising businesses continued to show weakness, declining 1% year over year. Non-advertising revenue, which includes Google Play, hardware, and YouTube non-advertising revenues such as subscriptions, represented 14% of Google Services revenues and increased 20% year over year. The company experienced strong growth in YouTube subscriptions, as well as Google One, which offers subscription-based access to enhanced storage and AI functionality.

Google Cloud reported quarterly revenue of \$14 billion on growth that accelerated 400 basis points to 32% year over year and represented 14% of total revenue. Google's cloud business includes Google Cloud Platform (GCP), the company's infrastructure- and platform-as-a-service offerings, and G Suite, which includes the company's software-as-



a-service offerings such as Gmail, Docs, Drive, and Calendar. The segment generated an operating profit of \$2.8 billion on EBIT (earnings before interest and taxes) margins of almost 21%, which improved from 11% in the prior-year quarter. Alphabet's Other Bets segment reported revenue of \$373 million that rose 2% year over year and represented less than 1% of total revenues. Many of these businesses are still early stage and results are volatile on a quarterly basis. We believe Google's key revenue drivers of mobile search, YouTube, programmatic advertising, and an emerging cloud business that is Google's fastest growing business, each continue to benefit from secular drivers including increased mobility, video advertising, better use of advertising technology to drive performance, and increased penetration of public cloud services.

Alphabet continues to have a high-quality financial profile and strong financial position. Overall operating income rose 14% to \$31 billion, benefiting from lower cost of goods sold and operating leverage, and the company reported solid adjusted operating margins of 32% that were flat year over year. Google's attractive financial model continues to generate strong free cash flow and earns high returns on invested capital, enabling it to reinvest significantly in its business. In the quarter, free cash flow of \$5.3 billion declined 61% year over year and represented 5% of gross revenue. Free cash flow was impacted by elevated capital expenditures, which rose 70% year over year to \$22.4 billion, reflecting the substantial opportunities the company has identified to leverage AI functionality across all of its businesses.

We believe market expectations underestimate Alphabet's long-term sustainable growth rate. As a result, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers 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 fund holding since inception, Oracle reported fundamentally strong quarterly financial results that were generally above management guidance but mixed with respect to near-term consensus expectations. However, the company reported that remaining performance obligation (RPO) bookings, a forward-looking measure of revenue, grew 359% year over year to \$455 billion, which was almost three-times greater than consensus expectations. The company indicated that recently signed contracts with companies including OpenAI, xAI, and Meta contributed substantially to growth in RPO. The material increase in RPO provides long-term visibility into Oracle's revenue growth, and Oracle is now targeting over \$100 billion in revenue by the company's 2029 fiscal year in its Oracle Cloud Infrastructure (OCI) segment, up from just over \$10 billion in its 2025 fiscal year, and we expect this business will grow in excess of 30% compounded annually over the next decade.

We believe Oracle's strong performance within its OCI business is driven by its modern architecture that was built from the ground up incorporating Oracle intellectual property that results in price, performance, and data governance and security benefits. OCI was built for enterprise and data-intensive and AI workloads by offering features such as high performance networking through its cluster networking and bare metal compute architecture. OCI was built with a security-first design that spans all layers of the infrastructure stack with security that was integrated and automated into the platform. Oracle's IP also extends to its ability by providing its OCI technology within a customer's own data center and examples of this included OCI Dedicated Regions or OCI sovereign cloud where Oracle can offer sovereign AI to customers in regulated industries, entities, or jurisdictions.

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. 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 represented 48% of total revenues, by 28% year over year. The company has recently seen total revenue growth inflect upward, consistent with our long-term expectations. Adjusted EBIT (earnings before interest and taxes) of \$6.2 billion rose 7% year over year and was above consensus expectations, despite a 144 basis point decline in EBIT margins to 44%. Operating cash flow of \$21.5 billion over the past 12 months rose 13% year over year and 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 \$27 billion in capital expenditures, which represented an almost 250% 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 both organic and inorganic investments to support its product and growth roadmap, as well as returning capital to shareholders. We expect Oracle's capital expenditures to continue to increase over the intermediate term as Oracle invests to build out its AI infrastructure and cloud computing business on a global basis as well as to convert its RPO backlog into revenue. Following the transition stage of building out this business we expect Oracle's capital expenditure needs to decrease, resulting in improved profit growth and free cash flow generation. Oracle benefits from the high incremental margins of the software industry and the intellectual property which differentiates its proprietary technology and generates very attractive operating margins in excess of 40%, which contributes to the company's high operating cash flow conversion.

During the quarter, the company also announced succession plans for CEO Safra Catz, who will assume the role of Executive Vice Chairman and continue to work with the existing leadership team and customers. The company will implement a co-CEO structure as it did in 2014 when Chairman, Founder, and Chief Technology Officer Larry Ellison transitioned to his current role from CEO. Replacing Safra are Clay Magouyrk and Mike Sicilia, who were previously Presidents of OCI and Oracle Industries, respectively. Magouyrk joined Oracle from Amazon Web Services in 2014 and was a founding member of Oracle's cloud engineering team. Sicilia brings deep expertise in applied AI and its application across industry verticals including healthcare, banking, communications, utilities, hospitality, and retail. In promoting the two, the company is elevating both technical and sales/financial leaders who have helped drive the company's success over the past decade. Oracle will continue to be guided on technology and business strategy by Ellison, and we don't anticipate any material changes to the company's focus or strategy as a result of these changes.

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 offer a compelling reward-to-risk opportunity.

Detractors

MercadoLibre, Netflix, and Adyen N.V. were the largest detractors to performance during the quarter.

- **MercadoLibre** is the largest online commerce platform in Latin America. The company offers its users an ecosystem of six integrated e-commerce services that include its marketplace, payment and fintech solutions, shipping and logistics, advertising, classified listings, and merchant web services. In its most recent fiscal year, commerce and related services accounted for approximately 59% of net revenue, while payments and fintech solutions accounted for approximately 41%. The company operates in 18 countries representing the vast majority of Latin American GDP, and its 218 million active users, last disclosed in 2023, represented over 45% of the region's estimated 480 million total



internet users. We believe MercadoLibre benefits from strong and sustainable competitive advantages that include its network and ecosystem, brand, and understanding of local markets that collectively contribute to its leadership position in each market it serves. With continued growth in internet access, increasing availability of credit, and the company's continuing investments to improve the ease and convenience of transacting online, we believe MercadoLibre remains well positioned for sustained growth over the next decade, driven by the secular growth of e-commerce across Latin America.

A fund holding since inception, MercadoLibre reported strong quarterly financial results that were above consensus expectations for gross merchandise volume (GMV) and revenue but below expectations for operating income, and earnings per share due to elevated investments in the period. The company continues to execute well and gained market share in e-commerce, payments, and financial services. Since 2019, the company's GMV has increased by almost 5 times, reflecting the high value proposition to consumers, and the company continues to invest in providing better selection, price, and service.

For the quarter, net revenue of \$6.8 billion grew by 53% year over year in constant currency. The services provided by MercadoLibre generally fall into two distinct revenue streams. "Commerce" includes MercadoLibre's core e-commerce marketplace and related services and solutions, and accounted for 57% of revenue. "Fintech" accounted for 43% of revenue and includes items such as off-platform payment fees generated through the company's Mercado Pago payments platform, financing fees, and revenues from the sale of mobile point-of-sale (POS) products. Commerce revenue of \$3.8 billion rose 45% year over year in constant currency. GMV of \$15.3 billion rose approximately 37% year over year on a constant currency basis, driven by strong growth in Brazil and Mexico and improving performance in Argentina. We believe the healthy growth in e-commerce is persisting due to the high value proposition to consumers and merchants and the lower penetration rate of e-commerce in Latin America versus other geographies. Commerce revenue also benefited from continued growth in its advertising business, which grew 59% year over year in constant currency. The company continues to focus on expanding its product categories and deepening its selection. Live listings, one of the company's key performance indicators that demonstrates the broad and growing number of products available through the company's marketplaces, rose by approximately 20% to 536 million in the quarter, while the number of active users of MercadoLibre's commerce and fintech businesses grew by 25% and 30%, respectively. Fintech revenue of \$3 billion grew 63% in constant currency, driven by strong growth in merchant acquiring and credit services. Credit services in particular benefited from 91% growth in the company's \$9.4 billion credit portfolio that extends credit to both consumers and merchants. Total platform payment volumes increased by 61% to \$65 billion. Acquiring payment volumes represented 69% of the total volume and increased by 53% while payment volumes related to fintech services represented 31% of volume and increased by 83%. The company also reported that its emerging asset management business now has \$13.8 billion in assets under management, which grew 109% year over year.

We believe MercadoLibre continues to have an attractive financial model which has been impacted over the past few years by an elevated investment cycle intended to strengthen the company's ecosystem and long-term competitive positioning. Reported operating margins of 12.2% declined 210 basis points year-over-year, due primarily to the company's decision to lower free-shipping thresholds, provide seller shipping discounts, as well as a higher portion of first-party sales and increased credit loss provisions. Margins benefited in part from operating leverage in both general-and-administrative and product-and-development expenses. Despite the decision to accelerate investments in the most recent quarter, margins have improved materially over the past few years from the low-to-mid single digits. We believe management has demonstrated its long-term focus and commitment to investing everywhere needed to add value for users, including greater selection, frictionless payment options, and reduced cost and increased speed of delivery. For instance, in its commerce business, the company opened six new fulfillment centers in the latter half of 2024, including five in Brazil that will increase same-day delivery cities by 40%, and the company anticipates opening a total of six more by the end of 2025. While its elevated investments over the past few years have pressured near-term profits, management remains focused on balancing the investments needed to further improve user experience and extend the company's leadership in e-commerce and payments with maintaining a sustainable and profitable financial model. We believe the current market price embeds expectations for revenue and cash flow growth that are well below our long-term assumptions. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and represent a compelling 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 246 wins. The company has captured the first or second spot in total Emmy Awards in nine out of the last ten 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, contributes 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 consensus expectations for revenue, operating margins, free cash flow, and earnings per share. The company also increased guidance for full-year revenue and operating profit that was above consensus expectations. Shares nonetheless declined following the report due to elevated near-term expectations. Quarterly revenue of \$11.1 billion rose 17% 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, France, and Argentina. The company also completed the rollout of an internal ad tech platform and transitioned off a partner platform in all of its ad markets. The new platform is expected to contribute to better measurement and targeting, as well as enabling new ad formats and expanded programmatic capabilities, and the company is targeting a doubling of advertising revenue in 2025. The company believes that both 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 \$3.8 billion rose 45% year over year on margins of 34% that expanded by 700 basis points over the prior-year quarter. Free cash flow of \$2.3 billion rose 87% from the prior-year quarter and represented 20% of total revenue. The company's balance sheet continues to improve, with long-term debt to equity of 66% 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 over 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-to-high-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 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 its initial public offering in 2018, Adyen reported financial results for the first half of 2025 that were modestly below consensus expectations for revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization), and the company lowered its full-year revenue guidance to reflect growth consistent with the first half, whereas when last provided in 2024, the company had anticipated revenue growth to accelerate. Growth in the period was dampened in part by changes to U.S. tariffs, which impacted some of the company’s largest Asia-based merchants. For the half, revenues grew 21% year over year in constant currency, above our estimate of personal consumption expenditures, card-based purchases, and omni-channel payments, 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 both from growing share with existing clients as well new business wins. Adyen now has 32 platforms for which it had processed at least €1 billion over the prior twelve months, up from 22 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.

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 materials, energy, 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 9.0%. The overall portfolio discount to intrinsic value was approximately 43.0% as of September 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. 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.

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.

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

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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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