



LOOMIS | SAYLES

# Large Cap Growth

GROWTH EQUITY STRATEGIES TEAM ANNUAL  
PERFORMANCE OVERVIEW

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DECEMBER 2021

# Performance Overview

**At the end of the first quarter of 2020, when our strategy evidenced its characteristic down market protection during the market's steep correction, our excess returns (gross and net) were positive over every reported trailing time period (one-, three-, five-, and ten-years), and better than at least 70% of our peers based on eVestment's US Large Cap Growth category<sup>1</sup> on a one- and three-year basis and better than 90% of our peers on a five- and ten-year basis.**

Since then, despite strong absolute returns, we have lagged the market's dramatic rebound over the past two years. As long-term investors with an average holding period of approximately eight years, we neither manage the portfolio nor judge ourselves on a calendar-year basis. We believe a calendar-year orientation can lead to more simplistic conclusions about performance. For instance, in 2020, not owning two large benchmark holdings, in the IT and consumer discretionary sectors, explain over 100% of our underperformance. In 2021, our three largest relative detractors, Alibaba, Autodesk, and Walt Disney, explain 75% of total underperformance. We have owned Alibaba since its initial public offering (IPO) in 2014 and Autodesk since 2012. Both companies are among the top 25 overall contributors to the strategy's returns since inception in 2006\*. Disney was a new purchase in May 2020 and has made a modest positive contribution to overall portfolio returns over our short holding period. Instead, we believe the market's recent preference for largely lower-quality<sup>2</sup> companies that are estimated to have the highest growth prospects, and concurrent discount for the established, high-quality, profitable growth companies that populate our portfolio, was the dominant performance narrative of the past two years.

<sup>1</sup>As of 3/31/2020. Source: eASE Analytics System. eVestment Alliance's US Large Cap Growth Universe. Number of observations: 305 (1-yr) 287 (3-yr), 274 (5-yr) and 241 (10-yr). Rankings are subject to change. Although we believe it is reliable, we cannot guarantee the accuracy of data from a third party source. This information cannot be copied or redistributed in any form. The Portfolio Manager for the Large Cap Growth Composite joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm. For more details, please see gross and net trailing returns at the end of this paper.

<sup>2</sup>Please refer to our discussion of quality beginning on page 4.

\*The portfolio manager for the Large Cap Growth Composite joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm.



## Market Backdrop

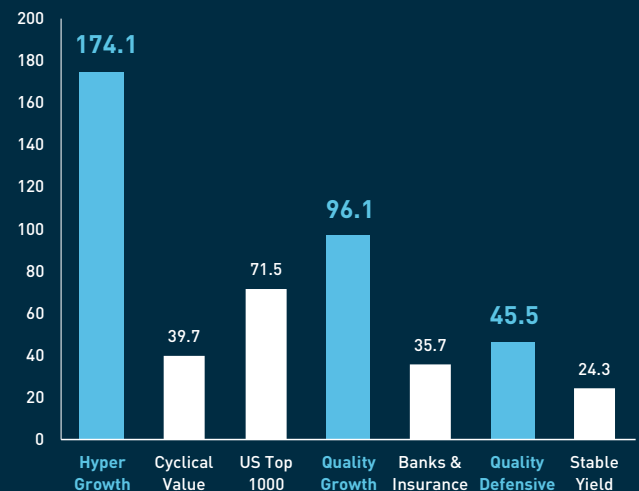
The valuation gap between high-quality and low-quality growth stocks is the biggest in the last three decades with the exception of the tech bubble.

Over the last 21 months, we have witnessed a material shift in the market's appetite for risk that we believe is most analogous to the behavior we observed in the "dot-com" era of the late 1990s and early 2000s. Contrary to our most deeply-held investment beliefs, in our view, the market is placing an outsized and historically-high premium on low-quality stocks that are considered to have the highest growth prospects, while overly discounting the type of high-quality growth companies that have enabled us to generate long-term, risk-adjusted outperformance.

Beginning in 2020, we observed a dramatic shift in the market's risk appetite that culminated in a narrow set of about 200 companies realizing substantial price appreciation that ranged from 100% to 1000% in calendar year 2020<sup>3</sup>. We believe the common thread among these companies, largely in the information technology, consumer discretionary, and healthcare sectors, is that they were seen to be beneficiaries of the "work-from-home" environment. We have continued to track this "high expectations" cohort as a proxy for the market's heightened risk appetite, along with a set of companies sharing similarly inflated expectations that Credit Suisse HOLT<sup>4</sup> categorizes as "hyper growth" companies. As of December 31, 2021, these cohorts currently account for over 18% of the Russell 1000 Growth index by market capitalization.

For the two years ended December 31 2021, the average company in HOLT's hyper-growth market segment had returned 1.8 times the average of its quality-growth market segment, and 3.8 times the average of its quality-defensive market segment.

## TOTAL RETURN % SINCE DEC 31, 2019 SEGMENT CONSTITUENT AVERAGE



Source: Credit Suisse HOLT, the BLOOMBERG PROFESSIONAL™ service,

Universe = Largest 1000 US companies by trailing 12-month market cap. Segments use Region, Size relative Peer Ranks

Top chart: Segment assigned as of 11/30/2021. Data Date: 12/31/2021.

Bottom chart: Market implied yield abbreviated as MIY. Data Date: 12/10/2021.

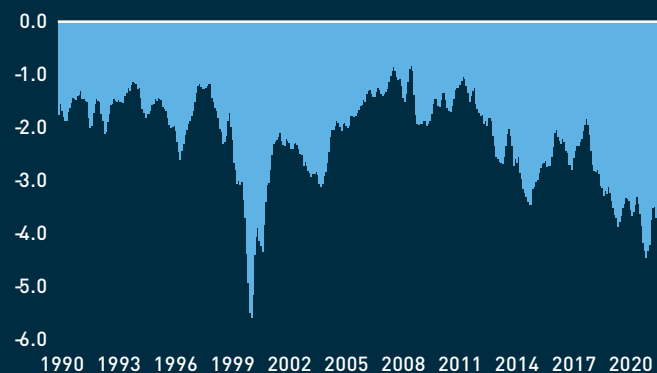
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Please see HOLT disclosure at the end of this presentation.

Past market experience is no guarantee of future results.

## HYPER GROWTH – QUALITY GROWTH MIY SPREAD (%)



<sup>3</sup>Data Source: FactSet.

<sup>4</sup>HOLT® is Credit Suisse's leading equity analysis and valuation tool that provides investors with specific insights into a company's performance, valuation, future expectations, and risk considerations using a database of over 20,000 companies across 70 countries.

And while the performance discrepancy narrowed in 2021, with “hyper growth” stocks down 32.7% on average from their 52 week high as of December 31, the valuation discrepancy between quality-growth and hyper-growth stocks, as measured by the market implied discount rate<sup>5</sup>, remains wider than at any point over the last thirty years, with the exception of the tech bubble. Given that the majority of our Large Cap Growth representative account is composed of companies that would generally fall into the quality-growth and quality-defensive segments, not owning these hyper-

growth names had a negative impact on our performance over the past two years. The reason we do not own these hyper-growth names is simple; our investment discipline is premised on investing in high-quality companies, with sustainable and profitable growth, when they trade at attractive valuations. In our view, the majority of these hyper-growth companies fail to meet each of these criteria. We believe our role is to manage the risk inherent in the market and our benchmark – not participate in it. Therefore, we believe adherence to our Quality-Growth-Valuation investment discipline remains vital.

**We believe adherence to our Quality-Growth-Valuation investment discipline remains vital.**

## Quality

### Our high-quality growth portfolio vs. low-quality, high-expectation and hyper-growth companies

Our Quality-Growth-Valuation investment process begins with the art of trying to identify high-quality companies – those with differentiated, difficult-to-replicate business models and sustainable competitive advantages. A successful business will attract competition and capital, which over time could shrink profit margins and lower returns on invested capital for the business. A quality business – one with a wide economic moat – can sustain and even extend its

competitive advantages so that its profitable growth opportunities are not eroded by the competition. Quality companies also tend to exhibit sound balance sheets, strong returns on invested capital, healthy cash flow growth, and highly capable management teams who can efficiently allocate capital.

In contrast, we believe the majority of the companies in these two cohorts have neither the sustainable competitive advantages that we require, nor the returns on invested capital that we associate with high quality businesses. Our assessment of quality is proprietary and does not rely on any quantitative screen or third-party definition.

<sup>5</sup> The Market Implied Yield (market implied discount rate) is the real yield equating the CFROI framework's systematically forecasted net cash receipt stream to the current enterprise value of a firm.



However, we have used Morningstar's "economic moat" categorization as a proxy for quality. In contrast to our representative account, 76% of which Morningstar classifies as having a "wide" moat, less than 20% of the companies in the "high expectations" and hyper-growth cohorts were deemed to have a wide moat. We contend that all the companies we own possess a wide moat but believe the Morningstar measure is a reasonable proxy for illustrating the differences in quality.

MORNINGSTAR ECONOMIC MOAT CLASSIFICATION	LOOMIS SAYLES LARGE CAP GROWTH*	HIGH EXPECTATIONS COHORT	HYPER GROWTH COMPANIES
<b>WIDE MOAT</b>	<b>76%</b>	<b>19%</b>	<b>18%</b>

As of 12/31/2021. Source: Morningstar and Loomis Sayles.

\*Loomis Sayles Large Cap Growth data is shown for a representative account.

Morningstar describes an economic moat as a structural feature that allows a firm to sustain excess profits over a long period of time. Economic profits as defined as returns on invested capital (or ROIC) over and above Morningstar's estimate of a firm's cost of capital, or weighted average cost of capital (or WACC).

Percentages are weighted by position size (LCG) or market cap (2020 Cohort and Hyper Growth Companies). Percentages normalized to 100% for securities without Morningstar Economic Moat classification.

Further, while our established, profitable companies have, and continue to generate, strong returns on invested capital, the majority of companies in these cohorts have low or negative cash flow returns on invested capital (CFROI™), with more than half losing shareholder value through returns that are below their cost of capital.<sup>6</sup> While such companies may capture investor fancy at any point in time, we believe they cannot create long-term shareholder value (or justify embedded expectations) without dramatic improvements in CFROI – which we consider highly unlikely for the vast majority of these companies.

#### QUALITY GAP BETWEEN TODAY'S HIGH EXPECTATIONS COHORT AND LOOMIS SAYLES' LARGE CAP GROWTH REPRESENTATIVE ACCOUNT

AS OF 12/31/2021	CFROI (LAST FISCAL YEAR)	CFROI (5 YEAR MEDIAN)	PERCENT OF COMPANIES EARNING ABOVE COST OF CAPITAL
HIGH EXPECTATIONS COHORT	<b>2.02%</b>	<b>-2.30%</b>	<b>39%</b>
HYPER GROWTH COHORT	<b>-0.54%</b>	<b>0.50%</b>	<b>48%</b>
LOOMIS SAYLES LARGE CAP GROWTH REPRESENTATIVE ACCOUNT	<b>16.39%</b>	<b>16.21%</b>	<b>97%</b>

As of 12/31/2021.

Source: Credit Suisse HOLT, Loomis Sayles. CFROI = Cash Flow Returns on Invested Capital.

CFROI data is based on individual company fiscal year.

Please see HOLT disclosure at the end of this document.

Characteristics are shown for a representative account. Due to systems limitations it is difficult to analyze holdings on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Large Cap Growth investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Large Cap Growth investment style.

<sup>6</sup> See the table above with 39% and 48% figures, respectively. The inverse means that >50% of companies earn less than their cost of capital, which means they are losing value.

# Growth

## Profitable, sustainable growth vs. profitless, unsustainable growth

As growth investors, we insist on companies that we believe can generate above-average growth. However, we believe that as important as the rate of that growth is the likelihood that it be both sustainable and profitable. To assess the sustainability of a company's growth rate, we evaluate the drivers of that growth. We are looking for long-term secular and structural growth drivers – dynamics that are not likely to change for five years or longer. Examples of business drivers include: growth in online advertising, the shift from cash and checks to digital payments, and growth in artificial-intelligence-related tech spending.

In contrast, we believe that the growth assumptions embedded in most of the “high expectations” and “hyper growth” cohorts are unreasonable and unlikely to be sustained or met. We believe investors are exhibiting a classic case of recency bias, which is leading them to extrapolate the aftermath of once-in-a-hundred-year pandemic-related spending far into the future. And while we do expect some lasting changes from the pandemic – for instance, we believe certain jobs might never return to a physical office setting – we do not believe that the manufacturers of swimming pools or home furniture have suddenly become secular growth businesses, nor do we believe that multi-decade growth in global air travel or spending at theme parks is structurally impaired.

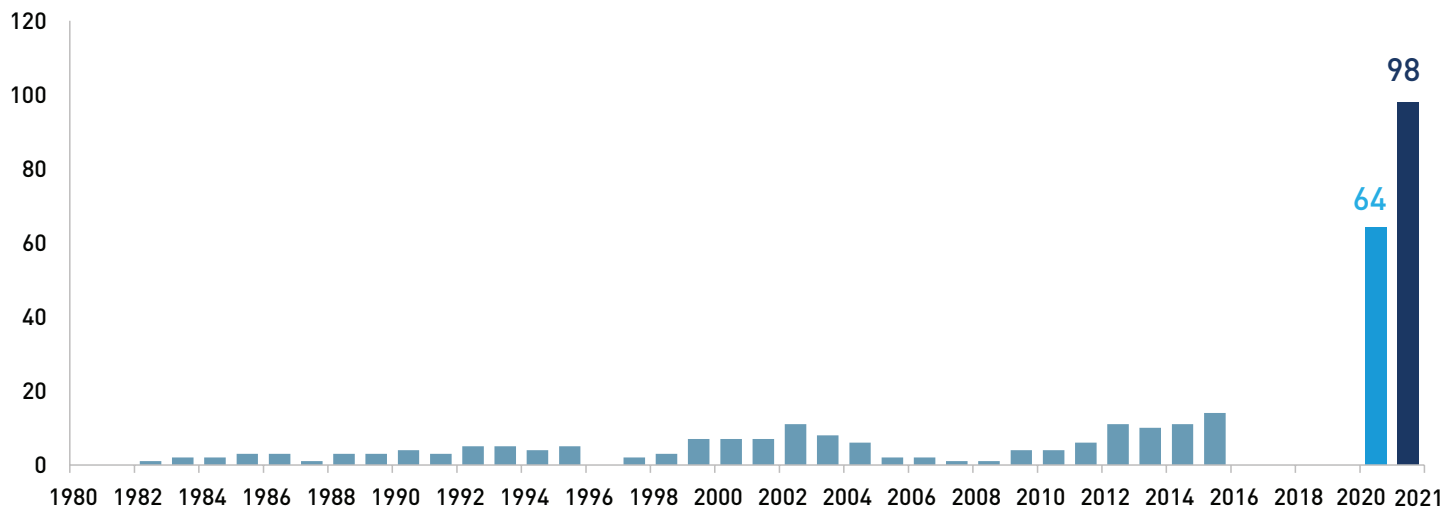
**Examples of business drivers include: growth in online advertising, the shift from cash and checks to digital payments, and growth in artificial-intelligence-related tech spending.**



The chart below highlights the extremity of growth expectations that HOLT has observed in its “hyper-growth” cohort. At the end of 2021, HOLT estimated that there were 98 hyper-growth companies whose consensus forecasts called for sales growth to exceed 10% in each of the next five years. However, in the past 40 years, no prior vintage of hyper-growth stocks has produced more than 13 companies that achieved sales growth in excess of 10% in the subsequent five years. Further, over the last four decades, only 69 companies in total, on average less than two companies per year, have achieved this level of growth. Today’s market expectations imply that 7.5-times as many companies will achieve this milestone over the next five years than have done so in any five-year period in the past forty years. Or, said differently, over 50 times as many companies are expected to achieve this feat than have on average in any given year over the last 40 years. We do not believe “this time is different.”

## HYPER GROWTH STOCKS THAT ACHIEVED 10%+ SALES GROWTH IN EACH OF THE NEXT 5 YEARS

### Hyper Growth Stock Within Top 1000 US Companies



Data source: Materials provided by HOLT with permission as of December 31, 2021.

Universe: Top 1000 U.S. companies by trailing 12 month market cap. For calendar years 2016 – 2019, companies have not yet experienced the following 5 years to see if they meet the 10%+ sales growth criteria. Calendar year 2020 and calendar year 2021 are estimates and are based on 5-year forward looking projections.

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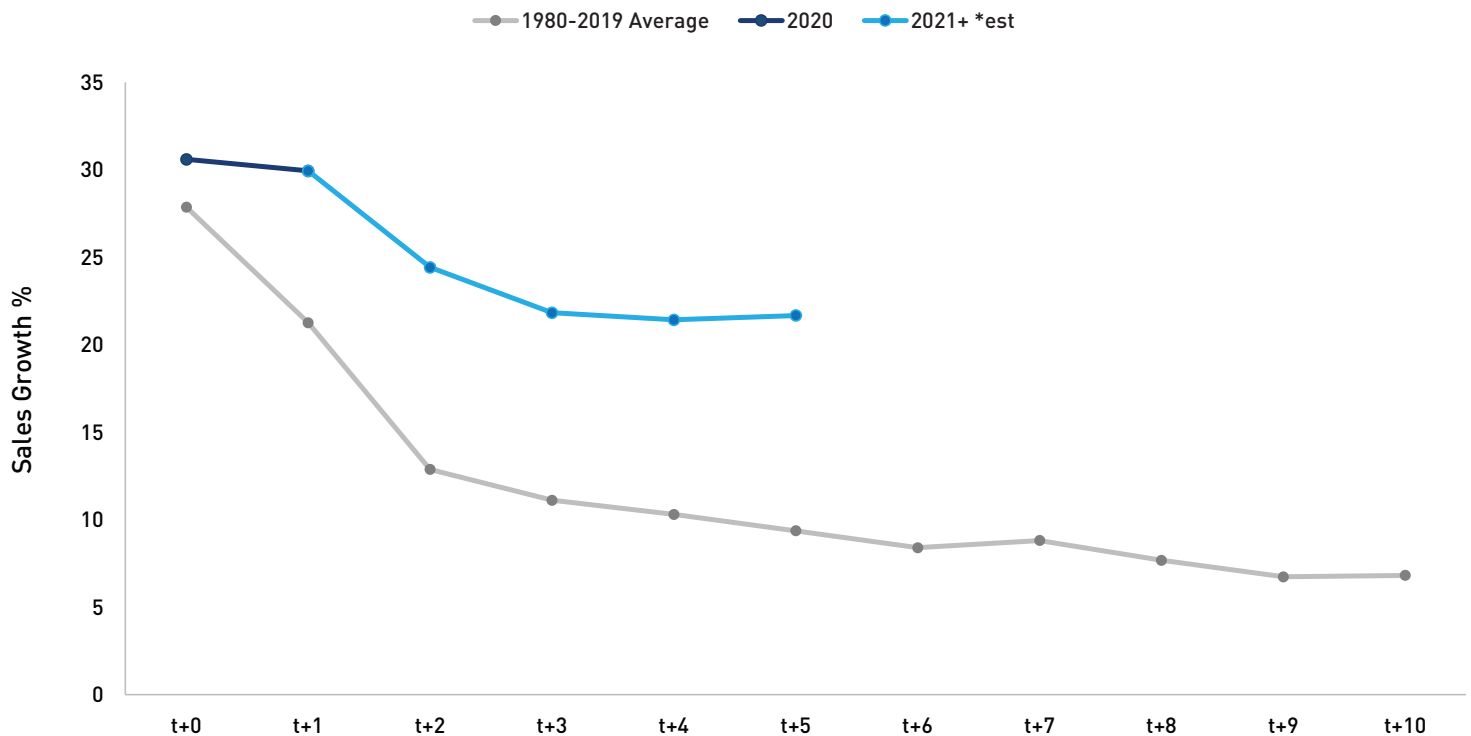
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Past market experience is no guarantee of future results.

To further illustrate this point, we believe the below graph illustrates how high and unrealistic the current embedded expectations are. As HOLT recently observed, consensus forecasts for the average hyper-growth stock called for annual sales growth of 20% to persist in excess of five years.<sup>7</sup> However, over the past four decades, hyper-growth stocks as a group have not been able to sustain such sales growth for even two years.

## AVERAGE SALES GROWTH TRAJECTORY OF HYPER GROWTH COMPANIES

### Top 1000 US Companies



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We believe that investors are projecting that the exceptional growth realized by recent pandemic beneficiaries will persist for years. And while such lofty expectations are not unprecedented, the small number of companies that have sustained such growth rates historically suggests that most companies will fail to meet those expectations. Further, in addition to the sustainability of growth, we care that growth also be profitable. And as illustrated in our discussion of quality above, most of these hyper-growth companies make no or little profits and on average do not earn their cost of capital.

<sup>7</sup> Refer to Average Sales Growth Trajectory of Hyper Growth Companies chart above.



## Valuation

### Discount to intrinsic value vs. extreme expectations for hyper growth companies

Valuation analysis is the final component in our Quality-Growth-Valuation investment process. Growth is important, but not growth at any price. And for us, not even growth at a reasonable price will do. We are seeking companies that can generate sustainable and profitable growth and invest only when they are selling at a significant discount to our estimate of intrinsic value. Investing with a margin of safety<sup>8</sup> requires not only a disciplined understanding of a company's intrinsic value but a clear recognition of what the market price implies about consensus expectations for that company's value. As of December 31, 2021, we estimated that the Loomis Sayles Large Cap Growth representative account of 33 companies was trading

at a 37.1% weighted average discount to our estimate of intrinsic value.

In contrast, we estimate that the "high expectations" and "hyper growth" cohorts were trading at valuations that most closely approximate the extremes of the tech bubble in 2000. To contextualize valuations for this group, we used simple metrics to compare with prior cohorts of high-expectation stocks that experienced similar price appreciation in the run-up to the dot-com bubble in 2000 and the financial crisis and energy bubble in 2008. As of December 31, 2021, the valuation metrics for today's companies were substantially higher than in 2007 and comparable to the peak of the dot-com bubble in 2000.

### VALUATION METRICS FOR RUSSELL 3000 GROWTH COs WITH >100% 12-MONTH PRICE APPRECIATION AT PRIOR MARKET PEAKS

AS OF	P/E LTM	P/SALES LTM	P/FCF LTM
3/10/2000 (TECH BUBBLE)	105.9	22.7	208.5
10/9/2007 (FINANCIAL CRISIS)	53.3	6.3	58.1
12/31/2021 (HIGH EXPECTATIONS COHORT)	101.1	32.1	124.8

As of 12/31/2021.

Source: Loomis Sayles, FactSet. Data normalized for companies with negative multiples and outliers winsorized to 95th percentile.

LTM = Last twelve months; P/E = Price to Earnings; P/Sales = Price to Sales; P/FCF = Price to Free Cash Flow.

Although the Russell 1000 Growth index is the benchmark for this strategy, the Russell 3000 Growth Index is shown in this table as supplemental information. The Russell 3000 Index is a capitalization-weighted stock market index that seeks to be a benchmark of the entire US stock market.

Past market experience is no guarantee of future results.

<sup>8</sup> Holding all else equal, the larger the discount between market price of a particular security and our estimate of its intrinsic value, the greater we view our margin of safety. Margin of safety is not an indication of the strategy's safety as all investments carry risk, including risk of loss.

With the market assigning a premium to the highest growth companies, irrespective of quality and profitability, we believe the Loomis Sayles Large Cap Growth representative account trades at a substantial discount to these high-expectations companies.

## VALUATION GAP BETWEEN TODAY'S HIGH EXPECTATIONS COHORT AND LOOMIS SAYLES' LARGE CAP GROWTH REPRESENTATIVE ACCOUNT

AS OF 12/31/2021	P/E LTM	P/SALES LTM	P/FCF LTM
HIGH EXPECTATIONS COHORT	101.1	32.1	124.8
LOOMIS SAYLES LARGE CAP GROWTH REPRESENTATIVE ACCOUNT	45.5	8.0	37.8
LOOMIS SAYLES LARGE CAP GROWTH DISCOUNT TO HIGH EXPECTATIONS COHORT	55%	75%	70%

As of 12/31/2021.

Source: Loomis Sayles, FactSet. Data normalized for companies with negative multiples and outliers winsorized to 95th percentile.

LTM = Last twelve months; P/E – Price to Earnings; P/Sales = Price to Sales; P/FCF = Price to Free Cash Flow. Russell 1000 Growth index is the benchmark.

Although the Russell 1000 Growth index is the benchmark for this strategy, the Russell 3000 Growth Index is shown in this table as supplemental information.

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Characteristics are shown for a representative account. Due to systems limitations it is difficult to analyze holdings on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Large Cap Growth investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Large Cap Growth investment style.

Why do we believe valuation is so critically important in deciding when to own even high-quality, secular-growth stocks? Because history shows the results of investing in hyper-growth companies at such inflated valuations can be devastating. Of the 169 companies that Credit Suisse HOLT categorized as hyper-growth at the peak of the dot-com bubble in March 2000, only 24% exist today.<sup>9</sup> Though 40 of those companies still existed as of December 31, 2021, only 10 of those companies (6 percent of the total hyper-growth segment) both survived and outperformed the market over the subsequent 20 years. Excluding the top 5 companies by performance (Amazon, Gilead, Adobe, Intuit and Lam Research), even the surviving companies underperformed the benchmark by 217% cumulatively on average since March of 2000.<sup>10</sup>

Successful businesses can have substantially negative returns if purchased at the wrong price. Because our strategy is to invest in a stock only when its market price is at a significant discount to our estimate of a company's intrinsic value, we actively pursue both greater upside potential and the possibility of lower downside risk. While we do not try or expect to achieve this in every calendar year or any discrete period that is less than a full market cycle (at least five years) we believe our median since-inception up and down market capture ratios of 103.7% and 91.5%, respectively, suggests this has been an effective long-term approach.

<sup>9</sup> Data source: Certain data and materials provided by HOLT with permission as of 12/31/21. Please see HOLT disclosure page at the end of this presentation.

<sup>10</sup> Ibid.

# Market Outlook

**There is no “macro” element to our process. We do not attempt to predict interest rates, GDP growth, or sector returns, and we do not attempt to time the market or call tops and bottoms; nor have we ever. Despite substantial price appreciation and extreme valuations, we are not making a prediction on the near term direction of the market.**

However, we believe that our bottom-up observations are consistent with behaviors we have seen at prior inflection points. In our experience, periods when market leadership has been similarly concentrated in a narrow group of companies expressing a popular theme have typically been precursors to inflection points and often corrections in those high-flying companies. Both in 2000 and 2008, those companies suffered significant corrections at a time when both the benchmark and our Morningstar peer group<sup>11</sup> had substantially elevated exposures.<sup>12</sup>

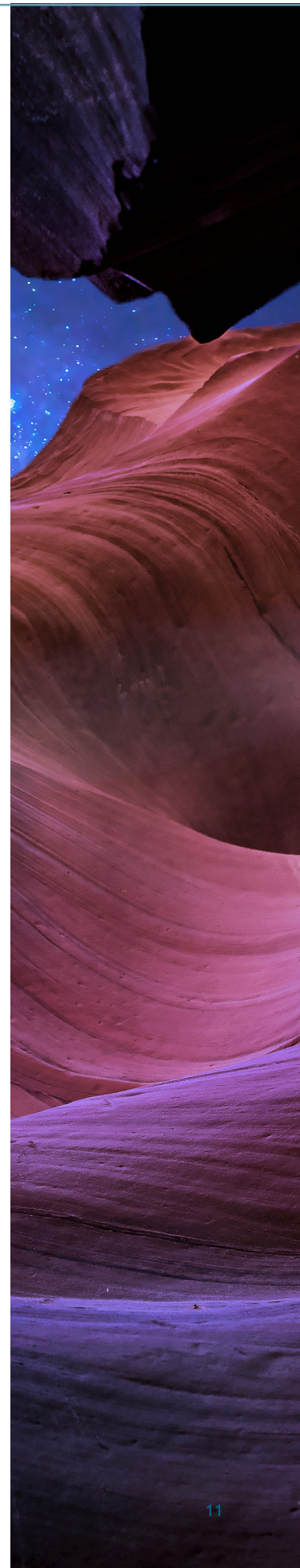
We seek to take a long-term structural view that looks beyond simple valuation metrics and asks what cash flow growth expectations must be embedded in today’s companies to justify their current prices – let alone any further upside potential. When we look at empirical evidence, over a 10-to-20 year time frame, only a handful of companies achieve top-line growth in excess of 20% and generate attractive economics such as high cash flow returns on invested capital.<sup>13</sup> Given the sheer number and nature of companies that are currently expected to achieve these rare feats, we believe the embedded expectations are unrealistic and unsustainable.

And while we believe efforts to predict the timing, duration, and magnitude of any correction is futile, the good news is we believe one need not predict these events to be prepared for the events. The best preparation requires, we believe, a consistent and disciplined ability to do the right thing every day; that is to allocate capital rationally based on informed views of risk-reward. Our disciplined quality-growth-valuation process leads us to avoid these lower-quality names and also reflects a contrarian posture: we look to invest in those rare, high-quality growth business only when they are selling at a significant discount to intrinsic value. We remain confident that our investors are likely to be well compensated for their patience when the valuations for today’s “high-expectations” and “hyper-growth” cohorts more closely reflect their reality.

<sup>11</sup> Morningstar US Large Growth category. Morningstar universe is referenced for robust sector exposure, dating back to 2000, because sufficient eVestment data is not available for the composite.

<sup>12</sup> These past experiences do not necessarily predict future results.

<sup>13</sup> Data source: Certain data and materials provided by HOLT with permission as of 12/31/21. Please see HOLT disclosure page at the end of this document.







## Long-term Focus;

### Point-In-Time Vs. Over-Time Performance

Because the Growth Equity Strategies team is an active manager and seeks to buy businesses that we can own for years without regard to their weightings in the benchmark, we expect to endure periods when our returns are substantially different from the benchmark. More often than not, those differences have been positive.

Periods of underperformance are inevitable. A 2019 study of active US mutual fund managers that delivered top quartile performance over a ten-year period showed that across equity asset classes, on average, 83% of those

managers experienced at least a three-year period where they delivered below median returns, while 54% experienced a five-year period with below median returns. So managers that deliver top quartile returns over ten years frequently experience extended periods of below-median performance in the course of generating those results. Although we find ourselves in an inevitable period of underperformance, it does not impact how we manage the portfolio, nor does it change our objective of delivering superior risk-adjusted excess returns over a full market cycle – at least five years.

### 10-YEAR TOP QUARTILE MUTUAL FUNDS FALLING BELOW MEDIAN

#### During One or More 3- and 5-Year Periods (as of end of 2018)

MORNINGSTAR CATEGORY	% OF 10-YEAR TOP QUARTILE FUNDS BELOW MEDIAN FOR A 3-YEAR PERIOD	AVERAGE # OF CONSECUTIVE QUARTERS SPENT IN BOTTOM HALF OF PEER GROUP	% OF 10-YEAR TOP QUARTILE FUNDS BELOW MEDIAN FOR A 5-YEAR PERIOD
Large-Cap Value	85%	5.9	53%
Large-Cap Core	85%	6.2	55%
Large-Cap Growth	74%	5.3	43%
Mid-Cap Value	95%	5.7	84%
Mid-Cap Core	100%	7.3	83%
Mid-Cap Growth	76%	6.3	44%
Small-Cap Value	95%	7.5	73%
Small-Cap Core	81%	7.3	56%
Small-Cap Growth	95%	6.8	74%
<b>Total</b>	<b>83%</b>	<b>6.2</b>	<b>54%</b>

Source: Anthony Novara, CFA, Collin McGee, CFA, Matthew Rice, CFA, "The Next Chapter in the Active vs. Passive Management Debate", White Paper, June 2019. Study based on 2,150 mutual funds through 2018. This study has not been updated to the current date. Although this study is for mutual funds, we believe that it is relevant because Growth Equity Strategy Funds are managed by the same investment team and based on the same philosophy as the Composite. Results shown above were modified to only include Morningstar domestic equity categories, comprised of 1,412 funds. We removed Morningstar categories Intermediate Bond, High Yield Bond, International/Global Bond, International Value, International Core, International Growth, Emerging Markets and Real Estate categories (comprised of 738 funds) since these categories are not included in the domestic equity space where we are focused.

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When we first published our [Alpha Thesis](#) in 2012, we introduced the concept by explaining that “a performance track record cannot readily explain the level of skill employed to achieve the results, or guarantee continued success.” We did not make this argument because we wished to explain poor performance – our annualized alpha since inception ranked in the 4th percentile versus peers at the time, and today alpha since inception remains 4th percentile versus peers.<sup>14</sup> Instead, we understood that there is randomness to short term results.

Despite the near-constant admonition that “past performance is no guarantee of future success,” the temptation remains to assess managers’ skill

based on a point-in-time assessment of trailing three- and five-year performance. We believe that short-term performance is largely random in nature, and that any single period of performance is essentially an arbitrary and artificial construct. Instead, to understand how a manager performs over a given period, we believe it is important to look at performance in the context of all periods of similar length in a manager’s track record. When viewed in the context of all rolling three-, five-, and ten-year periods since inception of our strategy, over which we have outperformed both more frequently and by greater magnitude than our large cap growth peers, we believe our differentiated record remains compelling.

ROLLING PERIOD	% OF PERIODS WITH POSITIVE EXCESS NET RETURN		AVERAGE POSITIVE EXCESS NET RETURN		
	LS LCG	LCG UNIVERSE	LS LCG	LCG UNIVERSE	DIFFERENCE
6 MONTHS	51%	42%	+308 bps	+276 bps	+33 bps
1 YEAR	51%	40%	+424 bps	+414 bps	+10 bps
3 YEARS (ANNUALIZED)	70%	34%	+247 bps	+199 bps	+49 bps
5 YEARS (ANNUALIZED)	86%	29%	+171 bps	+148 bps	+23 bps
10 YEARS (ANNUALIZED)	94%	21%	+142 bps	+101 bps	+41 bps

ROLLING PERIOD	% OF PERIODS WITH NEGATIVE EXCESS NET RETURN		AVERAGE NEGATIVE EXCESS NET RETURN		
	LS LCG	LCG UNIVERSE	LS LCG	LCG UNIVERSE	DIFFERENCE
6 MONTHS	49%	58%	-278 bps	-287 bps	+9 bps
1 YEAR	49%	60%	-316 bps	-440 bps	+124 bps
3 YEARS (ANNUALIZED)	30%	66%	-182 bps	-263 bps	+81 bps
5 YEARS (ANNUALIZED)	14%	71%	-177 bps	-210 bps	+33 bps
10 YEARS (ANNUALIZED)	6%	79%	-49 bps	-163 bps	+114 bps

As of 12/31/2021. Source: Loomis Sayles, eASE Analytics System (eVestment Alliance’s Large Cap Growth Universe). Data is pulled from eASE Analytics and calculated by Loomis Sayles. Number of rolling periods: 175 (1-yr) 151 (3-yr), 127 (5-yr) and 67 (10-yr). LS LCG is the Loomis Sayles Large Cap Growth Composite. Top quartile for all periods is 34 managers. Top quartile managers are based on % total return for the period indicated. The full universe is comprised of the 134 managers with a full track record since inception of our LCG strategy, regardless of the length of the rolling period. Managers reporting only gross of fee returns are excluded. Total universe of managers with track record back to July, 2006 is 134 managers. Excess returns are based on net returns and are calculated vs the benchmark Russell 1000 Growth Index. The Russell 1000 Growth Index, is a nationally recognized index that represents the large-cap growth segment of the U.S. equity universe. It is used here for universe comparison purposes only. There are large cap growth strategies that use an alternate primary benchmark or are benchmark agnostic; a common benchmark is not a prerequisite to be a constituent of the eVestment Alliance Large Cap Growth Universe. **See chart in the addendum which shows large cap growth strategies versus only those in the universe that use the Russell 1000 Growth as a benchmark.** Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, performance prior to that date was achieved at his prior firm. **Past performance is no guarantee of future results. Please see trailing returns and other statistics as of the most recent quarter-end at the end of this document.**

<sup>14</sup> As of 12/31/2012 and 12/31/2021. Source: eASE Analytics System. eVestment Alliance’s US Large Cap Growth Universe. Number of observations: 215 (12/31/2012) and 233 (12/31/2021). Rankings are subject to change. Although we believe it is reliable, we cannot guarantee the accuracy of data from a third party source. This information cannot be copied or redistributed in any form. The Portfolio Manager for the Large Cap Growth Composite joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm.

When we take this analysis further, and evaluate those managers who have performed well in this recent low-quality rally, we find that most of these managers' long-term track records have not demonstrated the same consistency of outperformance over longer-term periods. For instance, among our large cap growth peers whose performance ranks in the top quartile since March 31, 2020 – the start of what we view as a period of anomalous market performance precipitated by a once-in-a-hundred-year event – on average, they have produced positive excess returns

in less than 50% of all rolling three- and five-year periods since the 2006 inception of our strategy, and in less than 30% of all ten-year rolling periods. Because we think the market has been driven for the past 21 months by low-quality companies that have generated poor returns on invested capital and likely have unsustainable growth expectations, it is not surprising to us that the managers that invest in these companies do not approach the consistency of long-term outperformance that our strategy has generated.

### % OF PERIODS WITH NEGATIVE EXCESS NET RETURN

ROLLING PERIOD	LS LCG	LCG UNIVERSE	TOP QUARTILE LCG MANAGERS SINCE INCEPTION	TOP QUARTILE LCG MANAGERS SINCE 3/31/2020	TOP QUARTILE LCG MANAGERS TRAILING 1 YEAR
1 YEAR	49%	60%	45%	53%	65%
3 YEARS (ANNUALIZED)	30%	66%	41%	60%	75%
5 YEARS (ANNUALIZED)	14%	71%	43%	64%	81%
10 YEARS (ANNUALIZED)	6%	79%	40%	71%	91%

As of 12/31/2021. Source: Loomis Sayles, eASE Analytics System (eVestment Alliance's Large Cap Growth Universe). Data is pulled from eASEAnalytics and calculated by Loomis Sayles. Number of rolling periods: 175 (1-yr) 151 (3-yr), 127 (5-yr) and 67 (10-yr). LS LCG is the Loomis Sayles Large Cap Growth Composite. Top quartile for all periods is 34 managers. Top quartile managers are based on % total return for the period indicated. The full universe is comprised of the 134 managers with a full track record since inception of our LCG strategy, regardless of the length of the rolling period. Managers reporting only gross of fee returns are excluded. Total universe of managers with track record back to July, 2006 is 134 managers. Excess returns are calculated vs the benchmark Russell 1000 Growth Index. The Russell 1000 Growth Index, is a nationally recognized index that represents the large-cap growth segment of the U.S. equity universe. It is shown here for universe comparison purposes only. There are large cap growth managers that use an alternate primary benchmark or are benchmark agnostic; a common benchmark is not a prerequisite to be a constituent of the eVestment Alliance Large Cap Growth Universe.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, performance prior to that date was achieved at his prior firm.

Past performance is no guarantee of future results.

Please see trailing returns and other statistics as of the most recent quarter-end at the end of this document.

Not only have we outperformed with greater frequency and magnitude than our peers, but our return profile is also differentiated in both rising and falling markets. Versus peers, our median since-inception down-market capture and up-market capture statistics ranked in the top 16th percentile and 30th percentile, respectively. In the group of

32 managers that has had better down market capture, the maximum up market capture is 93.4% versus our 103.7%, and the median manager is in the bottom quartile in up markets. Similarly, in the group of 60 managers that have stronger up market capture statistics, the minimum down market capture is 94.7% versus our 91.5%, and the

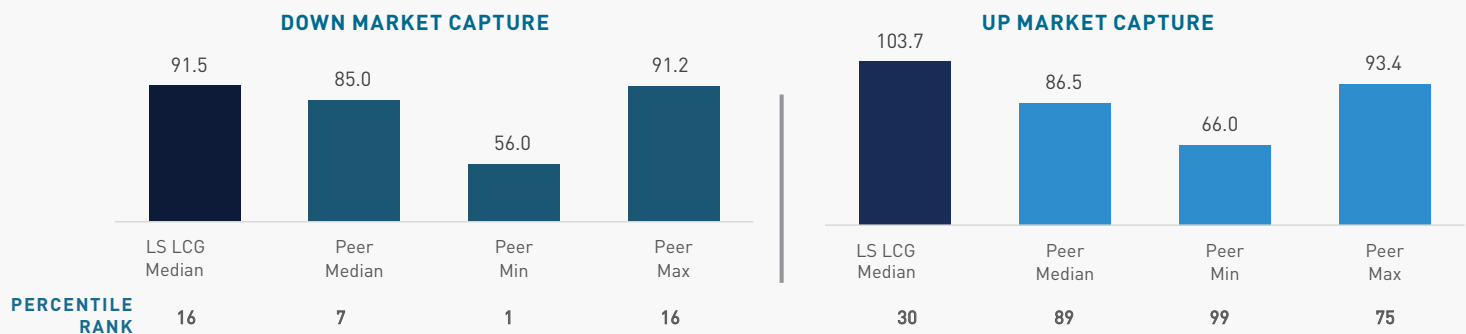


median manager in this group was bottom quartile in down markets, capturing 105.7% of market declines, versus our 91.5%. In summary, the group of managers that has done better than us in down markets significantly underperformed our strategy in up markets on average and delivered bottom

quartile up market performance on average. The group of managers that has done better than us in up markets significantly underperformed our strategy in down markets on average and also delivered bottom quartile down market performance on average.

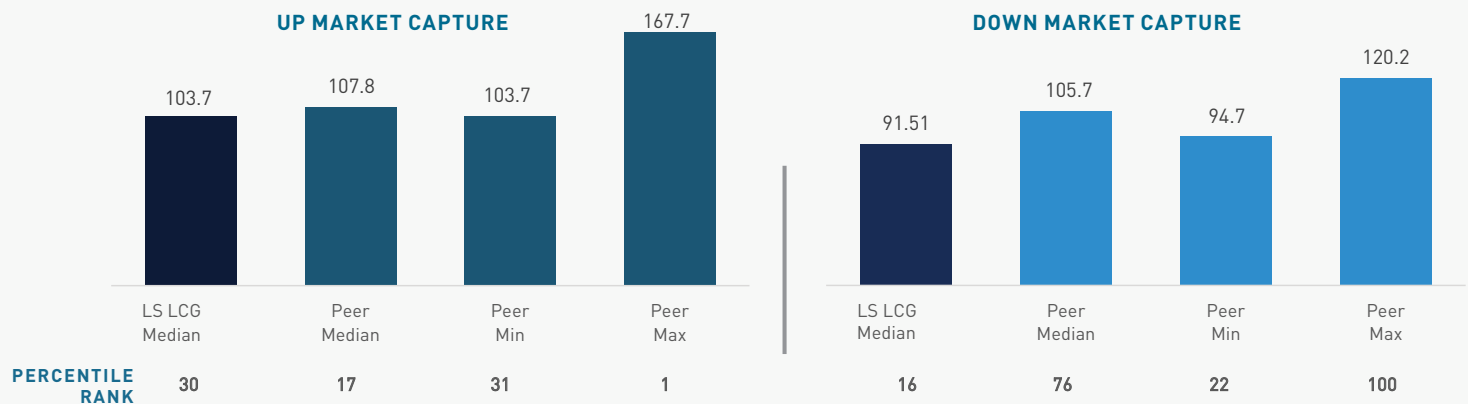
#### LOOMIS SAYLES LARGE CAP GROWTH COMPOSITE - MEDIAN DOWN MARKET CAPTURE\* AS OF 12/31/2021

### PEERS WITH LOWER DOWN MARKET CAPTURE ALSO HAD LOWER UP MARKET CAPTURE



#### LOOMIS SAYLES LARGE CAP GROWTH COMPOSITE - MEDIAN UP MARKET CAPTURE\* AS OF 12/31/21

### PEERS WITH HIGHER UP MARKET CAPTURE ALSO HAD HIGHER DOWN MARKET CAPTURE



As of 12/31/2021. Source: eASE Analytics System. eVestment Alliance's US Large Cap Growth Universe. Excludes strategies with inception dates after 7/1/2006 as they are not direct comparisons to the Loomis Sayles Composite. Annualized performance is calculated as the geometric mean of the product's returns with respect to one year. Returns-based data are gross of management fees and net of trading costs. The highest (or most favorable) percentile rank is 1, and the lowest (or least favorable) percentile rank is 100. Rankings are subject to change. Although we believe it is reliable, we cannot guarantee the accuracy of data from a third party source. This information cannot be copied or redistributed in any form. Summary statistics for Peer Group with better downside capture than Loomis Sayles (count = 32), with better upside capture (count = 60). \*Returns are based on the medians of all since inception (7/2006) returns of the composite through 12/31/2021. First observation is from 6/30/2006 to 6/30/2009 in order to have a meaningful time frame (i.e., a cycle of 3-5 years) and moving forward on a quarterly frequency (consisting of 51 total observations). The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm.

Please see gross and net trailing returns page for additional details on the following page.

Past performance is no guarantee of future results.

Please see trailing returns and other statistics as of the most recent quarter-end at the end of this document.



While we have underperformed the index and our peer group during this period of extreme risk appetite, our history suggests this period of underperformance is consistent with the type of market environments in which we have tended to underperform. We believe that adherence to our Quality-Growth-Valuation investment discipline remains especially important in times of such market extremes, and that our investors will ultimately be rewarded for their patience.

## COMPOSITE PERFORMANCE AS OF 6/30/2023 (%)

### Trailing Returns

	2Q 2023	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 7/1/2006
Large Cap Growth (gross)	13.79	38.38	41.08	13.23	15.02	16.29	13.72
Large Cap Growth (net)	13.6c3	38.00	40.41	12.74	14.54	15.83	13.23
Russell 1000 Growth Index	12.81	29.02	27.11	13.73	15.14	15.74	12.06
Excess Return vs. Russell 1000 Growth (gross)	0.98	9.36	13.97	-0.51	-0.12	0.55	1.66
Excess Return vs. Russell 1000 Growth (net)	0.82	8.99	13.30	-0.99	-0.60	0.09	1.17

Data Source: Loomis Sayles, the Frank Russell Company and S&P Global.

\*The benchmark for the Large Cap Growth Composite is the Russell 1000 Growth Index. Performance for the S&P 500 Index is shown as supplemental information.

The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm.

Gross returns are net of trading costs but gross of management fees. Net returns are gross returns less the effective management fees. Returns for multi-year periods are annualized.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

Returns may increase or decrease as a result of currency fluctuations.

Past performance is no guarantee of future results.

This Commentary was originally published in December 2021. However, we believe that the content is valuable to understand how the team performs in all market environments. We have added current trailing returns for the Large Cap Growth Composite.



# Performance Addendum as of 6/30/2023

## QUARTER END TRAILING RETURNS AND STATISTICS

### Rolling Periods of Composite Performance vs All Strategies in the Large Cap Growth Universe

Rolling Period as of 6/30/2023	% of Periods with POSITIVE Excess Net Return		Average POSITIVE Excess Net Return		
	LS LCG	LCG Universe	LS LCG	LCG Universe	Difference
1 Year	51%	41%	+443 bps	+426 bps	+17 bps
3 Years (Annualized)	62%	33%	+247 bps	+203 bps	+45 bps
5 Years (Annualized)	75%	28%	+171 bps	+155 bps	+16 bps
10 Years (Annualized)	79%	20%	+134 bps	+103 bps	+32 bps
	% of Periods with NEGATIVE Excess Net Return		Average NEGATIVE Excess Net Return		
	LS LCG	LCG Universe	LS LCG	LCG Universe	Difference
1 Year					
3 Years (Annualized)	49%	59%	-348 bps	-485 bps	+138 bps
5 Years (Annualized)	38%	67%	-240 bps	-296 bps	+56 bps
10 Years (Annualized)	25%	72%	-223 bps	-236 bps	+13 bps
1 Year	21%	80%	-44 bps	-182 bps	+138 bps

As of 6/30/2023. Source: Loomis Sayles, eASE Analytics System (eVestment Alliance's Large Cap Growth Universe). Data is pulled from eASE Analytics and calculated by Loomis Sayles. Number of rolling periods: 190 (1-yr) 166 (3-yr), 142 (5-yr) and 82 (10-yr). LS LCG is the Loomis Sayles Large Cap Growth Composite. Top quartile for all periods is 36 managers. Top quartile managers are based on % total return for the period indicated. The full universe is the same 146 managers with a full track record since inception of our LCG strategy, regardless of the length of the rolling period. Managers reporting only gross of fee returns are excluded. Total universe of managers with track record back to July, 2006 is 146 managers. Excess returns are calculated vs the benchmark Russell 1000 Growth Index. The Russell 1000 Growth Index, is a widely used, nationally recognized index that represents the large-cap growth segment of the U.S. equity universe. The benchmark index is not available for investment and does not reflect investment costs; it is used here for universe comparison purposes only. There are large cap growth strategies that use an alternate primary benchmark or are benchmark agnostic; a common benchmark is not a prerequisite to be a constituent of the eVestment Alliance Large Cap Growth Universe. **Please see chart at the end of this paper showing the comparison against only those managers using the Russell 1000 Growth as the benchmark.**

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, performance prior to that date was achieved at his prior firm.

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



# Performance Addendum as of 6/30/2023

## QUARTER END TRAILING RETURNS AND STATISTICS

### % of Periods with Positive Excess Net Return

Rolling Period as of 6/30/2023	Loomis Sayles Large Cap Growth	LCG Universe	Top Quartile LCG Managers Since Inception
1 Year	51%	41%	50%
3 Years (Annualized)	62%	33%	52%
5 Years (Annualized)	75%	28%	53%
10 Years (Annualized)	79%	20%	50%

### % of Periods with Negative Excess Net Return

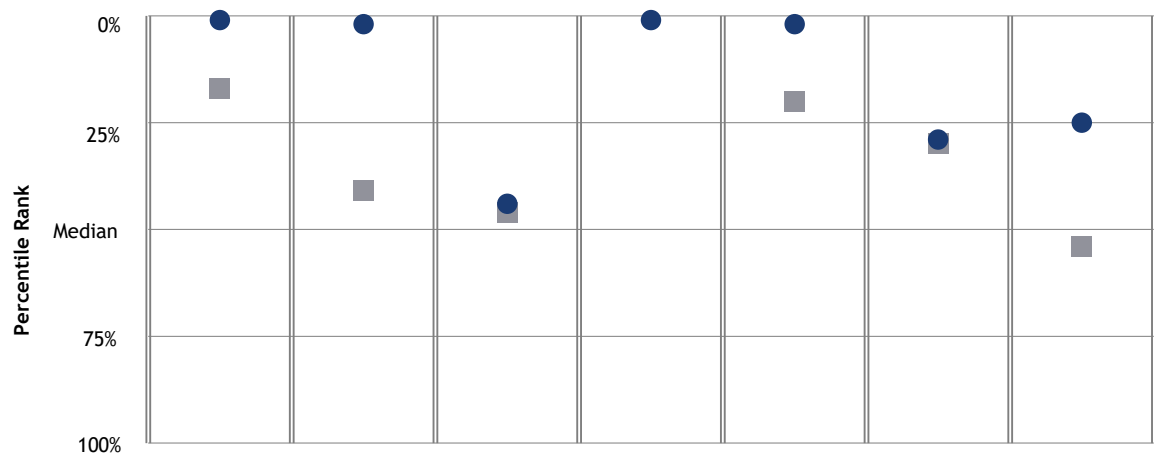
Rolling Period as of 6/30/2023	Loomis Sayles Large Cap Growth	LCG Universe	Top Quartile LCG Managers Since Inception
1 Year	49%	59%	50%
3 Years (Annualized)	38%	67%	48%
5 Years (Annualized)	25%	72%	47%
10 Years (Annualized)	21%	80%	50%

As of 6/30/2023. Source: Loomis Sayles, eASE Analytics System (eVestment Alliance's Large Cap Growth Universe). Number of rolling periods: 190 (1-yr) 166 (3-yr), 142 (5-yr) and 82 (10-yr). Data is for the Loomis Sayles Large Cap Growth Composite. Top quartile managers are based on % total return for the period indicated. Managers reporting only gross of fee returns are excluded. Total universe of managers with track record back to July, 2006 is 146 managers. Top quartile managers for each period is 36. Excess returns are calculated vs the benchmark Russell 1000 Growth Index. Please see current composite rankings below. The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, performance prior to that date was achieved at his prior firm. Gross returns are net of trading costs but do not include management fees. Net returns are gross returns less effective management fees. **Past performance is no guarantee of future results.**

# Performance Addendum as of 6/30/2023

## LARGE CAP GROWTH COMPOSITE INCEPTION (7/1/2006) THROUGH 6/30/2023

### Statistics and Rankings vs. Index



	Annualized Returns	Annualized Alpha	Standard Deviation	Information Ratio	Sharpe Ratio	Up Market Capture	Down Market Capture
Large Cap Growth (gross)	13.72	2.09	16.69	0.33	0.75	100.18	93.48
% Ranking*	1 <sup>st</sup>	2 <sup>nd</sup>	44 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	29 <sup>th</sup>	25 <sup>th</sup>
Russell 1000 Growth	12.06	N/A	16.74	N/A	0.65	100.00	100.00
% Ranking	17 <sup>th</sup>	41 <sup>st</sup>	46 <sup>th</sup>	N/A	20 <sup>th</sup>	30 <sup>th</sup>	54 <sup>th</sup>
Median	11.41	-0.26	16.88	-0.13	0.61	97.78	98.95
Large Cap Growth (net)	13.22	1.64					

Source: eASE Analytics System; eVestment Alliance is the ranking agency. Rankings are based on gross returns. \*Ranking out of 178 observations. (eVestment Alliance's Large Cap Growth Universe.) Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Annualized performance is calculated as the geometric mean of the product's returns with respect to one year. The highest (or most favorable) percentile rank is 1, and the lowest (or least favorable) percentile rank is 100. Rankings are subject to change. Although we believe it is reliable, we cannot guarantee the accuracy of data from a third party source. This information cannot be copied, reproduced or redistributed without authorization in any form. Any investment that has the possibility for profits also has the possibility of losses, including loss of principal. Please see Key Investment Risks at the end of this paper.

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

The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm.

**Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.**

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

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## Important Disclosures

*Data Source: FactSet, eVestment Alliance, Morningstar, Credit Suisse HOLT.*

*The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm.*

*This analysis is based on historical data and does not predict future results. Therefore, the use of this type of information to make investment decisions has inherent limitations. There is no guarantee that future experience will be similar. The analysis reflected in this presentation is limited to certain periods. We make no representation that the experience of any other periods is comparable.*

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*Gross returns are net of trading costs. Net returns are gross returns less effective management fees.*

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

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

***Equity securities are volatile and can decline significantly in response to broad market and economic conditions.***

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*Characteristics are shown for a representative account. Due to system limitations, it is difficult to analyze this data on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Large Cap Growth investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Loomis Sayles Large Cap Growth investment style.*

***Key Risks:*** Equity Risk, Market Risk, Non-US Securities Risk, Liquidity Risk. Investing involves risk including possible loss of principal.

*For additional information, a full presentation book with the GIPS Report is available upon request.*

*Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.*

#### **Credit Suisse HOLT disclosure:**

*Sources: Credit Suisse HOLT US Market Overview –September 2021: U.S. Value Stocks are Becoming Harder to Ignore. Credit Suisse HOLT Investment Strategy: Hyper Growth –Broadening of Growth may Derail the Hype Train (February 2, 2021). Credit Suisse HOLT US Market Overview –December 2021: Hyper Growth Suffered in '21, but Quality and Value Remain More Appealing.*

#### **Analyst Certification**

*HOLT Specialist: David Rones, HOLT Specialist: Richard Curry, HOLT Specialist: Sean Burns, HOLT Specialist: Vishal Bondre and HOLT Specialist: Joseph Pecora each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.*

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*The default scenario that is produced by the HOLT valuation model establishes a warranted price that represents the expected mean value for a security based upon empirically derived algorithms that forecast a firm's future return on capital and growth rates over an extended period of time. As the third party data are updated, the warranted price updates automatically. A company's future achieved return on capital or growth rate may differ from HOLT default forecast. Additional information about the HOLT methodology is available upon request.*