

The *Power* of Active Management Done Right

Growth Equity Strategies Team

September 2025





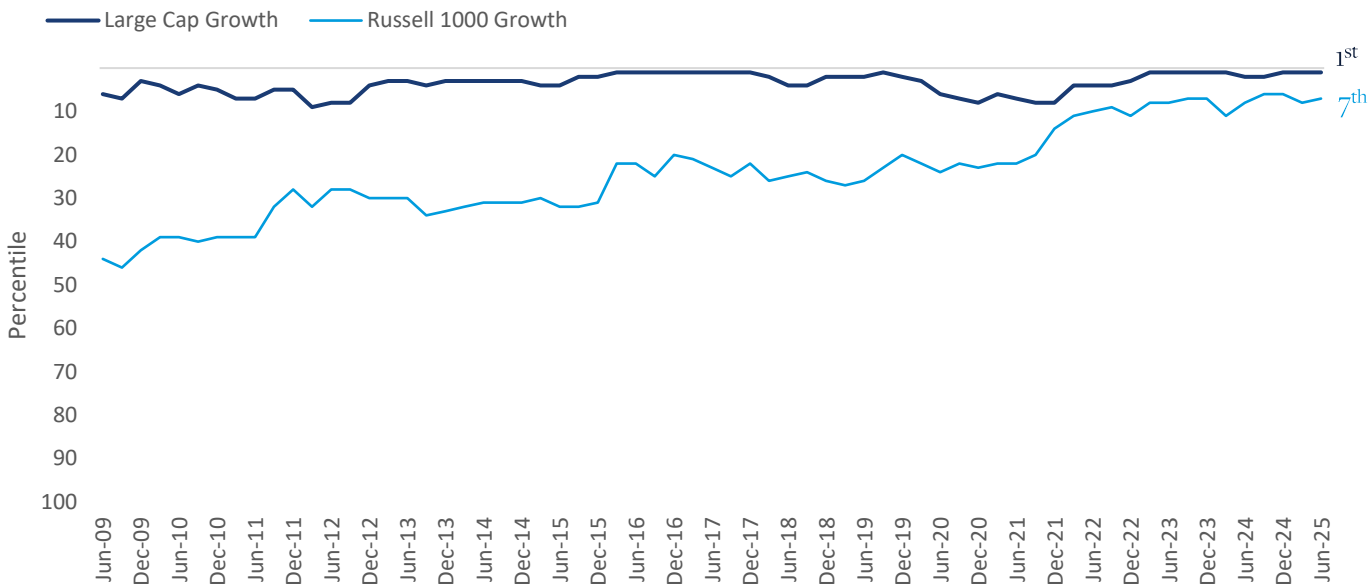
Our Large Cap Growth strategy recently crossed its 19-year anniversary.

Over this period, the Russell 1000 Growth Index outperformed 93% of our large-cap growth peers net of fees (77% gross of fees). Many investors take this to mean that passive investing is superior to, or safer than, active investment management. However, just because many active managers fall victim to behavioral biases that increase the challenge of producing superior long-term returns does not imply that passive investing is inherently superior. In fact, we believe that most passive investing strategies, as well as benchmark-centric active strategies, have shortcomings that amplify risk that can only be remedied by disciplined active management. Identifying those managers that can sustainably add alpha over the long term is not easy; however, the pursuit of such managers employs thousands in our industry who we believe will recognize the more-efficient compounding of returns that can be achieved by moving beyond conventional risk management techniques.

We believe that most passive investing strategies, as well as benchmark-centric active strategies, have shortcomings that amplify risk that can only be remedied by *disciplined active management*.

Net Return Peer Rankings[^] Since Inception (7/1/2006)

Loomis Sayles Large Cap Growth Composite



As of 6/30/2025

[^]Rankings are based on net returns. Net returns are gross returns less effective management fees. Rankings are subject to change. No compensation is received for ranking. Average ranking is out of 210 observations, that ranges from a minimum of 149 and maximum of 335. (eVestment Alliance's Large Cap Growth Universe.) Since inception rank calculated starting once the strategy reached three years of history

Source: eASE Analytics System; eVestment Alliance is the ranking agency.

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. The prior performance information is being included as part of the Loomis Sayles Large Cap Growth Composite. 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. 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.
Past performance is no guarantee of future results.



Since the inception of our Large Cap Growth strategy on July 1, 2006, we have not only outperformed the Russell 1000 Growth Index net of fees (14.51% vs. 13.36% annualized), we have done so with lower risk as reflected in measures such as alpha, Sharpe ratio, down market capture, and maximum drawdown.

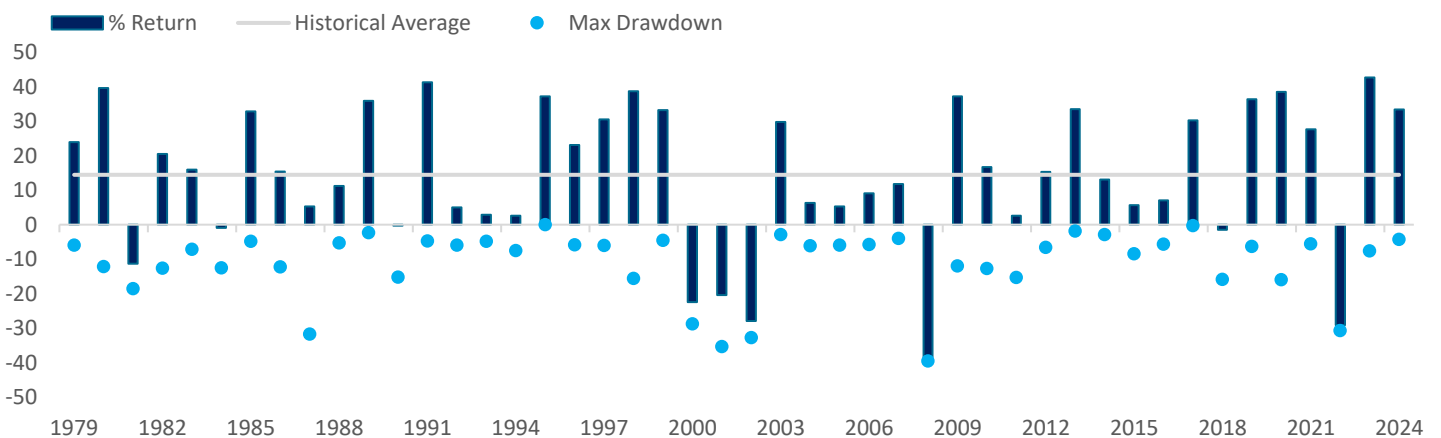
Why is that important? Despite equity markets' positive expected returns over long periods, drawdowns and downside tail events are more common than most investors expect, and performance in down markets has an outsized impact on long-term returns.

In a 2023 article in *The Journal of Portfolio Management**, authors Alankar, Ding, Maymin, and Scholes identified 23 "downside tail events" over the prior 150 years, which they defined as a market decline of 15% or greater. That's an average of one tail event every 6.5 years. Four of the events occurred during the time we've been managing our Large Cap Growth strategy, so the frequency has been even greater over the past two decades. In fact, since its 1979 inception, the Russell 1000 Growth Index has experienced an intra-year drawdown in excess of 10% on average every 2.5 years.

The frequency of these market declines suggests to us that risk is always "on." We believe event risk is always around the corner. Looking back on these historical drawdowns, in our experience, no one talks about the precursors the day before. Only after the fact and with hindsight bias do investors typically rationalize these price movements. We believe price volatility is an inherent part of equity investing. And because we believe attempts to time the market or to predict each drawdown and exogenous event are futile, we believe navigating the inevitable ups and downs requires a permanent and structural approach to risk management. So, through our quality, growth, and valuation investment discipline we first seek to manage risk at the individual security level. At the portfolio level, we manage risk by investing in a portfolio of 30 to 40 companies with different business drivers, which we detail below. We believe this approach is largely responsible for our long-term history of outperformance during market declines.

To be clear, we define risk as permanent loss of investor capital; not as tracking error versus an index, temporary periods of underperformance, or inevitable share price volatility. The fact that investor sentiment regarding stock prices can swing wildly, at times favoring the stocks in which we invest and at other times penalizing those same stocks, does not in and of itself change the intrinsic value of the underlying businesses in which we invest.

Russell 1000 Growth Annual Returns and Intra-Year Drawdown



Source: Factset, Russell, Loomis Sayles. Depicts Index's largest drawdown during each calendar year. Benchmark returns are gross.

The chart presented above is shown for illustrative purposes only. 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. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

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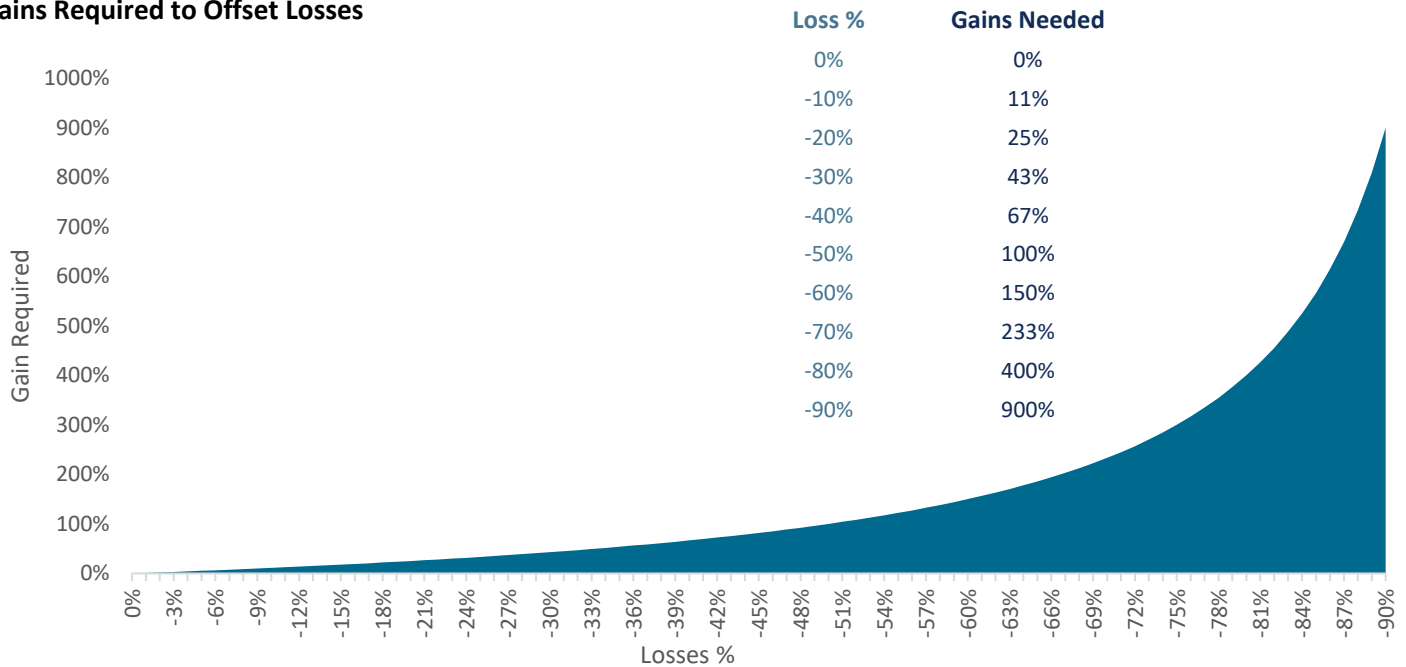
*Source: *The Journal of Portfolio Management* by Ashwin Alankar, Daniel Ding, Allan Maymin, Philip Maymin, Myron Scholes

We believe this volatility is a gift to investors who allocate capital on the basis of valuation and long-term business fundamentals rather than using the benchmark weight of a security as a starting point for portfolio construction. Because we believe the intrinsic value of our companies changes far less frequently than investor sentiment regarding those companies, we stand prepared to capitalize on the market’s often manic behavior. By contrast, we believe indices and benchmark-centric active managers amplify risk by overemphasizing companies that have recently outperformed and thus seen their position size grow in capitalization-weighted indices – irrespective of the attractiveness of their valuation or potential downside risk. This dynamic has resulted in companies such as General Electric, Phillip Morris, and Exxon Mobil at times holding top-five positions in the Russell 1000 Growth Index over the time we have been managing our Large Cap Growth strategy. Of greater concern is when investors embrace popular narratives that see wide swaths of benchmark securities see their values temporarily inflated to excessive levels. We observed this with technology stocks in 1999-2000, energy, industrials, and materials companies in 2007-'08, and more recently with “work-from-home” stocks in 2020-'21.

Not only do these companies see their weights grow in the benchmark, but benchmark-centric managers, especially those that embrace “momentum” as part of their buy discipline, often over-emphasize these same securities. Cognizant of these market dynamics, we do not attempt to insulate our portfolio from inevitable swings in share price that occur for even the highest-quality companies in which we invest, but rather those associated with overvaluation and loss of capital, due to the asymmetric mathematics of loss.

We know from Prospect Theory[^] that investors prioritize loss avoidance more than they value a commensurate amount of gain, so we believe minimizing investors’ loss experience relative to passive market exposure increases the likelihood that investors remain invested through inevitable market ups and downs – thereby increasing the chances of ultimately meeting long-term investment objectives. But beyond soothing investor psychology, minimizing loss is critical because recovering losses requires an exponentially greater amount of gains.

Gains Required to Offset Losses



Source: Loomis Sayles

The charts above are shown for illustrative purposes only. They display the mathematical breakeven returns for any investment. They show the percentage gain needed to break even after the corresponding loss across any investment in the market. These breakevens are not based on any specific portfolio or strategy. Views and opinions expressed reflect the current opinions of the GES Team only, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions. [^] Theory developed by Daniel Kahneman that describes how people make decisions when presented with alternatives that involve risk. Source: Prospect Theory: An Analysis of Decision under Risk, by Daniel Kahneman and Amos Tversky



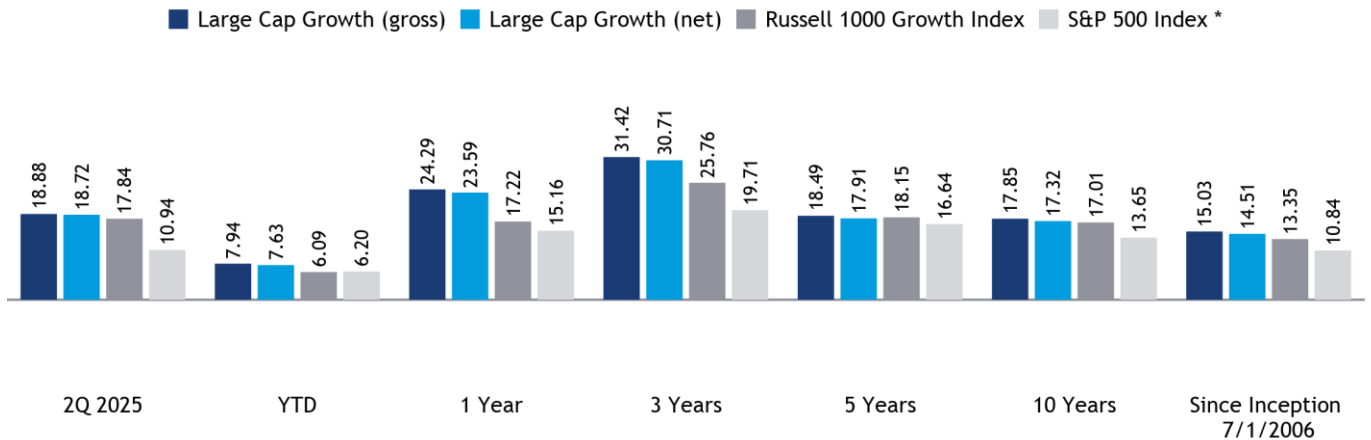
Because most passive strategies allocate capital broadly and without regard to valuation, we believe passive investing exposes investors to greater risk of loss, and consequently, less efficient compounding of long-term returns. We believe investors take false comfort in thinking that a portfolio with 400 or 500 securities and representation from all “sectors” ensures prudent diversification of risk. Not only does owning hundreds of stocks not contribute meaningfully to portfolio diversification¹, but we believe it significantly increases the risk of owning companies that you cannot possibly know as well and whose valuations may be unattractive or worse.

Our investment process begins with the art of trying to identify high-quality companies – those with unique, difficult-to-replicate business models and sustainable competitive advantages.

High-quality businesses are rare. We believe less than one percent of all businesses are able to sustain their competitive advantages beyond a decade. We also believe less than one percent of businesses can generate durable and profitable long-term growth. Demanding these two characteristics means we are very selective investors. Not only is this combination of traits extremely rare, but such businesses even more rarely go on sale, and we seek to own these companies only when their market price is at a significant discount to intrinsic value – Ben Graham’s classic “margin of safety”² concept.

So, quality and growth determine *what* companies we wish to own, but valuation and our assessment of the resulting reward-to-risk is the sole determinant of *when* we are willing to own these high-quality, secular-growth businesses. In fact, we believe any investment decision made on a basis other than valuation constitutes an irrational decision.

Composite Performance as of 6/30/2025 (%)
Trailing Returns



	Cumulative Total Return			Annualized Total Return				
Excess return vs. Russell 1000 Growth	GROSS	+1.04	+1.85	+7.08	+5.66	+0.34	+0.83	+1.67
	NET	+0.88	+1.54	+6.38	+4.96	-0.23	+0.31	+1.15
Excess return vs. S&P 500	GROSS	+7.94	+1.74	+9.13	+11.71	+1.85	+4.20	+4.19
	NET	+7.78	+1.43	+8.43	+11.00	+1.27	+3.68	+3.67

*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. Source: Loomis Sayles, FTSE Russell & S&P Global.

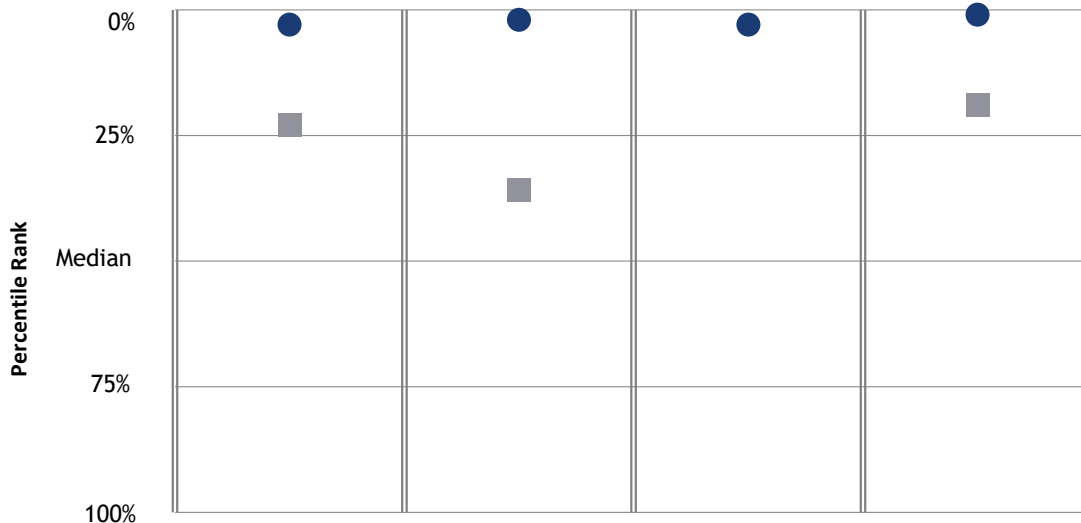
The portfolio manager for the Growth Equity Strategies joined Loomis Sayles on May 19, 2010, and performance prior to that date was achieved at his prior firm. The prior performance information is being included as part of the Loomis Sayles Large Cap Growth Composite. Gross returns are net of trading 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.



By contrast, the largest positions in capitalization-weighted indices are not necessarily those with the most durable businesses and attractive valuations (which to us is a product of their quality and growth), but rather those that have experienced the greatest amount of price appreciation. In fact, we have observed that at times, the largest positions of a cap-weighted index may have the least margin of safety—or worse, market prices above intrinsic value—yet are given the largest capital allocations in indices and many benchmark-centric active portfolios.

By seeking to invest exclusively in approximately 30 to 40 high-quality, secular-growth companies, and only when they are trading below our estimate of intrinsic value, we have delivered both absolute and risk-adjusted returns that have been superior to both our Russell 1000 Growth benchmark and the vast majority of our peers.

Large Cap Growth Composite Inception 7/1/2006 – 6/30/2025
 Statistics & Rankings vs Index[^]



	Annualized Returns	Annualized Alpha	Information Ratio	Sharpe Ratio
● Large Cap Growth (Gross)	15.03	1.98	0.34	0.80
% Ranking*	3 rd	2 nd	3 rd	1 st
■ Russell 1000 Growth	13.36	0.00	N/A	0.71
% Ranking	23 rd	36 th	N/A	19 th
Median	12.70	-0.30	16.89	-0.16
Large Cap Growth (net)	14.51	1.51		

[^]Performance and risk statistics are calculated on a gross-of-fee basis and do not reflect the deduction of fees and expenses. Please see the Composite trailing returns for standard gross and net performance. *Rankings are based on gross returns. Ranking out of 157 observations. (eVestment Alliance's Large Cap Growth Universe.) Source: eASE Analytics System; eVestment Alliance is the ranking agency. **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.** The prior performance information is being included as part of the Loomis Sayles Large Cap Growth Composite. 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. No compensation is received for rankings. 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.

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Perhaps most notable is the asymmetry of returns we achieved by outperforming the benchmark and the majority of our peers in *both* rising and falling markets. Most growth managers tend to outperform in either one or the other.

Of the 156 strategies in the eVestment US Large Cap Growth Equity universe that share our 19-year track record, only 2 other managers have strategies that have achieved this distinction. Those other strategies provided less downside protection and generated lower alpha than Loomis Sayles Large Cap Growth.

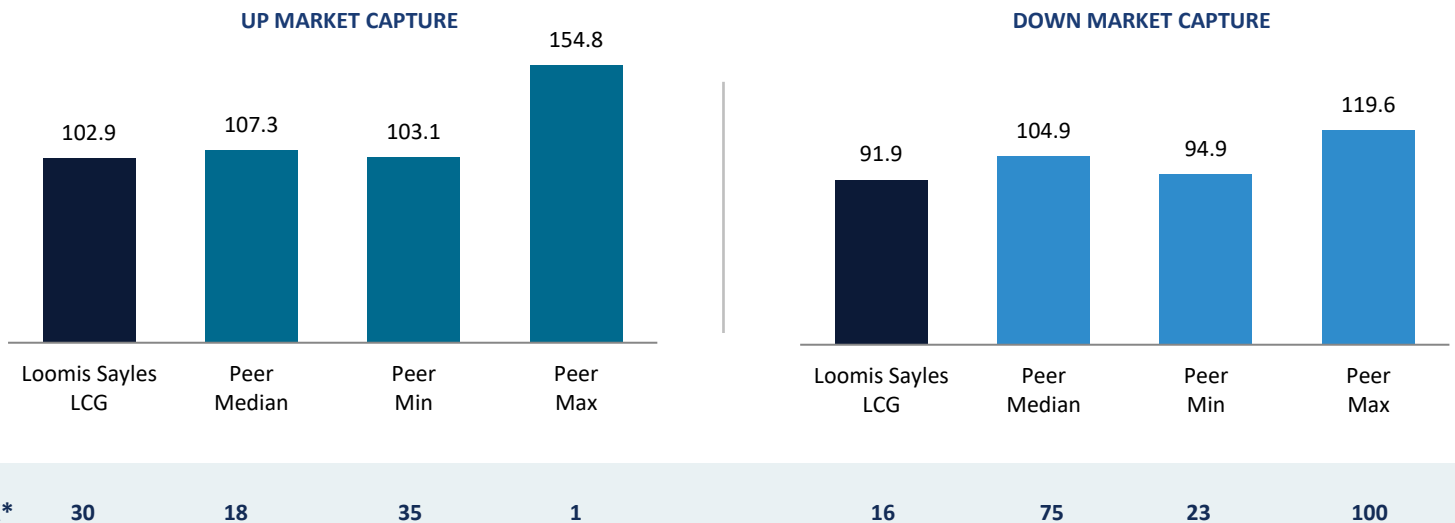
Further, among those strategies that achieved better up-market capture than we did, none provided better down-market capture, and the median manager among that group was in the fourth quartile for downside protection.

Similarly, among those strategies that achieved better down-market capture than we did, none provided better up-market capture, and the median manager among that group was in the fourth quartile for up-market capture.

Up Market Capture* vs. Universe Peers

Peers with greater median up market capture also had greater down market capture

- Of 281 peer managers in the eVestment LCG universe, 156 have a minimum 19-year track record
- Of these 156 managers, 58 of them, or 37%, have better median up market capture. Of the 58 managers, the median down market capture is 104.9% versus our 91.9%.



*Performance and risk statistics are calculated on a gross-of-fee basis and do not reflect the deduction of fees and expenses. Please see the Composite trailing returns for standard gross and net performance. Returns are based on the medians of all since inception (7/2006) returns of the composite through 6/30/2025. First observation is from 6/30/2006 to 6/30/2009 in order to have a meaningful time frame and moving forward on a quarterly frequency (consisting of 65 total observations).

Source: eASE Analytics System. As of 6/30/2025.

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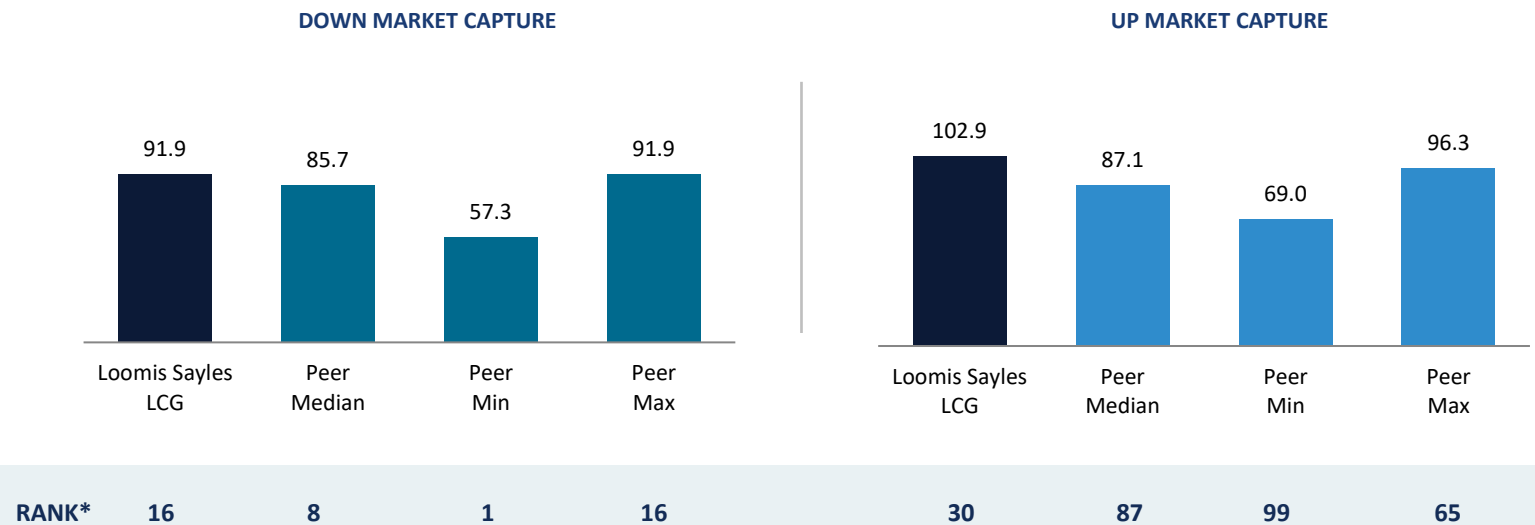
eVestment Alliance's US Large Cap Growth Universe. Excludes strategies with inception dates after 7/1/2006 as they are not direct comparisons to the Loomis Sayles Composite. Total universe size is 156 managers. Annualized performance is calculated as the geometric mean of the product's returns with respect 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 based on gross returns and subject to change. No compensation is received for ranking. 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 upside capture than Loomis Sayles (count = 58).

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Down Market Capture* vs. Universe Peers

Peers with lower median down market capture also had lower up market capture

- Of 281 peer managers in the eVestment LCG universe, 156 have a minimum 19-year track record
- Of these 156 managers, 27 of them, or 17%, have better median down market capture. Of the 27 managers, the median up market capture is 87.1% versus our 102.9%.



This performance dynamic of long-term outperformance in both rising and falling markets has held not just over the full history of the strategy, but at some of the key inflection points we have faced, including 2008–2009, and 2022–2023, during which we outperformed in both 2008 and 2022 as well as the ensuing rebounds in 2009 and 2023.



**Performance and risk statistics are calculated on a gross-of-fee basis and do not reflect the deduction of fees and expenses. Please see the Composite trailing returns for standard gross and net performance. Returns are based on the medians of all since inception (7/2006) returns of the composite through 6/30/2025. First observation is from 6/30/2006 to 6/30/2009 in order to have a meaningful time frame and moving forward on a quarterly frequency (consisting of 65 total observations).*

Source: eASE Analytics System. As of 6/30/2025.

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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. Total universe size is 156 managers. 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 based on gross returns and subject to change. No compensation is received for ranking. 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 = 27).

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Historical Market Drawdowns*

Resilient in 2008-2010 & 2022-2024

	CALENDAR YEAR RETURN (%) (GROSS/NET)			CUMULATIVE RETURN (%) (GROSS/NET)	
	2008	2009	2010	2008-2009	2008-2010
Large Cap Growth Composite	-28.04/-28.48	41.23/40.43	14.10/13.54	1.63/0.43	15.95/14.03
Percentile**	5/5	22/31	69/69	1/2	3/3
Russell 1000 Growth Index	-38.44	37.21	16.71	-15.53	-1.42
Excess Return	10.40/9.95	4.02/3.23	-2.61/-3.17	17.16/15.96	17.37/15.45
S&P 500 Index***	-37.00	26.46	15.06	-20.32	-8.32
Excess Return	8.96/8.51	14.77/13.97	-0.97/-1.52	21.95/20.76	24.28/22.36

	CALENDAR YEAR RETURN (%) (GROSS/NET)			CUMULATIVE RETURN (%) (GROSS/NET)	
	2022	2023	2024	2022-2023	2022-2024
Large Cap Growth Composite	-27.15/-27.46	52.53/51.69	35.21/34.45	11.12/10.04	50.24/47.95
Percentile**	40/40	6/6	22/20	2/2	1/1
Russell 1000 Growth Index	-29.14	42.68	33.36	1.11	34.83
Excess Return	1.98/1.68	9.85/9.01	1.85/1.10	10.01/8.93	15.41/13.12
S&P 500 Index***	-18.11	26.29	25.02	3.42	29.29
Excess Return	-9.04/-9.35	26.25/25.40	10.19/9.44	7.70/6.62	20.95/18.66

*Drawdowns of approximately 20% or more.

**Rankings (gross/net) out of 486/178 observations in 2008, 466/189 in 2009, 441/199 in 2010, 456/178 in 2008-2009 (2YR), 420/178 in 2008-2010 (3YR), 291/271 in 2022, 281/277 in 2023, 261/271 in 2024, 278/267 in 2022-2023 (2YR), and 256/260 in 2022-2024 (3YR) (eVestment Alliance's Large Cap Growth Universe).

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

Source: eVestment Alliance. Universe is eVestment Large Cap Group universe including current inactive funds.

The first annual periods shown (2008 and 2022) outlines a major drawdown followed by two annual recovery years.

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

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We believe these results emanate in part from another aspect of our strategy in which we seek to minimize risk more efficiently than passive and benchmark-centric active approaches that rely on a large number of holdings with broad representation across industry sectors. Through our quality, growth, and valuation investment discipline we first seek to manage risk at the individual security level. At the portfolio level, we manage risk by diversifying the business drivers to which our holdings are exposed.

We identify the primary business driver through our bottom-up valuation analysis for each company as the growth driver that has the largest impact on our estimate of its intrinsic value. Examples include growth in e-commerce, increased consumer spending in emerging markets, diabetes and obesity, energy drink growth, AI spending, cystic fibrosis patient population growth, online advertising and electrification of cars. We seek to invest in business drivers that are imperfectly correlated because the positive impact of one may offset the negative impact of another. For instance, it makes intuitive sense to us that growth in e-commerce bears little relation on the demand for growth in cystic fibrosis drugs or energy drink consumption. However, we also substantiate this disciplined approach to diversification by analyzing cash flow correlations among our holdings. As of June 30, 2025, the average correlation of year-over-year cash flow growth among our portfolio holdings over the prior ten years was 0.01. And while equities can exhibit high correlations to one another, especially in periods of market turbulence, the correlation of share price performance of our portfolio holdings over the same period was 0.310. This compares with an average correlation of 0.331 for stocks in the S&P 500 – again indicating how a concentrated portfolio prudently diversified based on underlying business drivers can yield diversification benefits comparable to or greater than a far broader index.

We believe diversification using traditional sector definitions can potentially mask high underlying correlation between stocks in different sectors that are nonetheless being impacted by similar business drivers, such as expectations for China growth in 2007 that we believe resulted in a bubble in energy, industrials, and materials stocks, or “work-from-home” beneficiaries in 2022. In 2022 you could have had a one-hundred stock portfolio that appeared well diversified across sectors such as information technology, healthcare, communication services, and financials – but if the underlying holdings were all outsized beneficiaries of the pandemic lockdown, your portfolio contained far greater risk than met the eye.

We believe the efficacy of this approach is demonstrated by our historic outperformance in falling markets. Not only have we outperformed in such periods more often than not, but we have successfully navigated some of the index’s steepest declines, including a maximum drawdown that was 9.26% lower than the Russell 1000 Growth Index and better than 96% of our peers over the past 19 years.

Importantly, while achieving this performance dynamic is intentional on our part, we do not expect that we will succeed in outperforming in every market decline, especially when drawdowns are a function of commonplace investor skittishness as opposed to true impairment of capital. There have been 17 quarters in which the Russell 1000 Growth Index has recorded negative returns during the 19 years we have been managing our Large Cap Growth strategy. In six of those quarters we underperformed during the market decline. However, by delivering median quarterly outperformance of 1.35% during those 17 down quarters, and faring better during the index’s steepest decline, we have maintained outperformance versus the Russell 1000 Growth Index since strategy inception that has consistently ranked in the top decile versus our large cap growth peers.



The inability of most active managers to generate long-term outperformance versus passive strategies is not an indictment of active management. Instead, we believe it exposes behavioral biases which lead many managers to mimic the flaws inherent in most passive strategies. We believe true risk minimization and the resulting generation of superior long-term returns is only possible when investment decisions are made selectively based on quality, growth, and valuation, and by employing more-efficient diversification techniques than are embedded in traditional passive approaches.



To learn more about the team, please visit:

[GESLOOMISSAYLES.COM](https://www.gesloomissayles.com)

End Notes

¹A study by Citigroup demonstrated that a portfolio of 30 stocks was able to diversify more than 85% of the diversifiable risk. The diversification benefit of adding more stocks to the portfolio declined significantly as the number of stocks increased. For example, adding 70 more stocks to a 30-stock portfolio improved diversification benefits by just 9%.

²Holding 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.

Disclosure

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

Market conditions are extremely fluid and change frequently.

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

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

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

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