

2019 Outlook: A Global Equity Market Perspective

Thoughts from Portfolio Managers Lee Rosenbaum & Eileen Riley

KEY TAKEAWAYS

- Decelerating global growth expected for 2019
- Geopolitical risk & trade tensions remain
- Volatility expected to persist

News headlines describe challenging global conditions - a trade war between the US and China, political turmoil in Europe, and general uncertainty stimulated by geopolitical tensions. How will these themes play out in 2019?

We expect recent volatility to persist, as stimulus is removed, trade tensions continue and political uncertainty remains in many regions around the globe. While we anticipate global growth in 2019, it will undoubtedly continue to decelerate and become less synchronized. In the U.S., GDP growth will likely slow modestly while Europe, we believe, will see more subdued growth as a result of political challenges. Growth in Asia is likely to continue, with China recently adopting more stimulative fiscal and monetary policies.

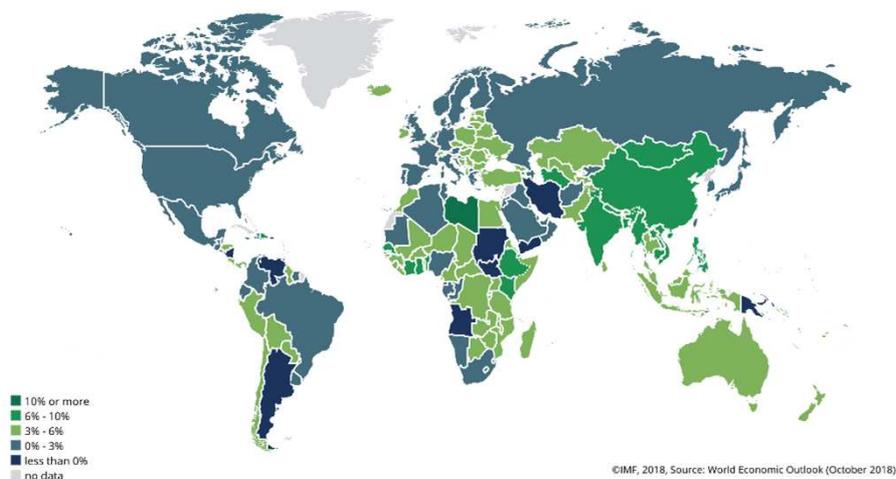
Despite a potentially more challenging global growth environment, we believe those companies with sustainable competitive advantages and strong balance sheets may prove resilient.

GLOBAL GROWTH

According to the International Monetary Fund (IMF), the global economy is forecast to grow 3.7 percent in 2019.

IMF DataMapper

Real GDP growth (Annual percent change, 2018)



Where are we finding opportunities?

POSITIONING

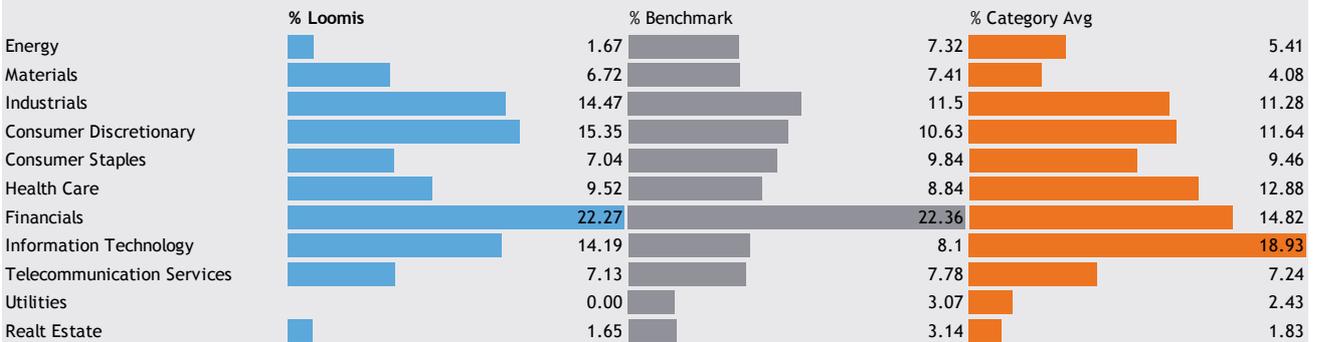
The Loomis Sayles Global Equity Fund is built from the bottom up of our best ideas; opportunities are found across sectors, market capitalisation, and geography.

Portfolio positioning in the Loomis Global Equity Fund is driven by individual security selection. We focus on stocks that possess three alpha drivers: companies with **quality** characteristics, with an ability to grow their **intrinsic value** over time, and that trade at **attractive valuations**. Our long-term investment horizon leads to an equity portfolio with low turnover.

We have maintained significant exposure to the Financials, Industrials and Information Technology sectors. Within the Financials sector, we hold companies that typically benefit from volatility such as financial exchanges, as well as companies supported by secular trends including aging and increasingly affluent populations. Across the Information Technology and Communication Services sectors we hold consulting companies that have robust technology capabilities to help businesses adapt to a rapidly changing environment, as well as leaders in platform businesses with strong network effects and e-commerce companies benefitting from accelerated price transparency across a growing number of retail channels. Across sectors we are invested in companies with a high degree of recurring revenues via replacement, consumable or subscription based products (offering steady cash flow visibility).

Loomis Sayles Global Equity Fund

GICS Sector Breakdown



Where are the challenges?

MARKET VOLATILITY

By taking advantage of short term market fluctuations, Loomis Sayles Global Equity Fund could initiate positions or add to current holdings trading at a discount to intrinsic value.

In our view market volatility is likely to persist in 2019, driven by current geopolitical risks and political uncertainty in the Eurozone. Trade tensions also show little sign of easing. Ongoing trade uncertainty may influence companies to delay capital expenditures or take precautionary supply chain measures, subsequently reducing the efficiency of global supply chains and increasing business costs. The gradual removal of liquidity from markets by central banks, with negative real interest rates in most developed economies, is another expected contributor to overall volatility as we move into 2019.

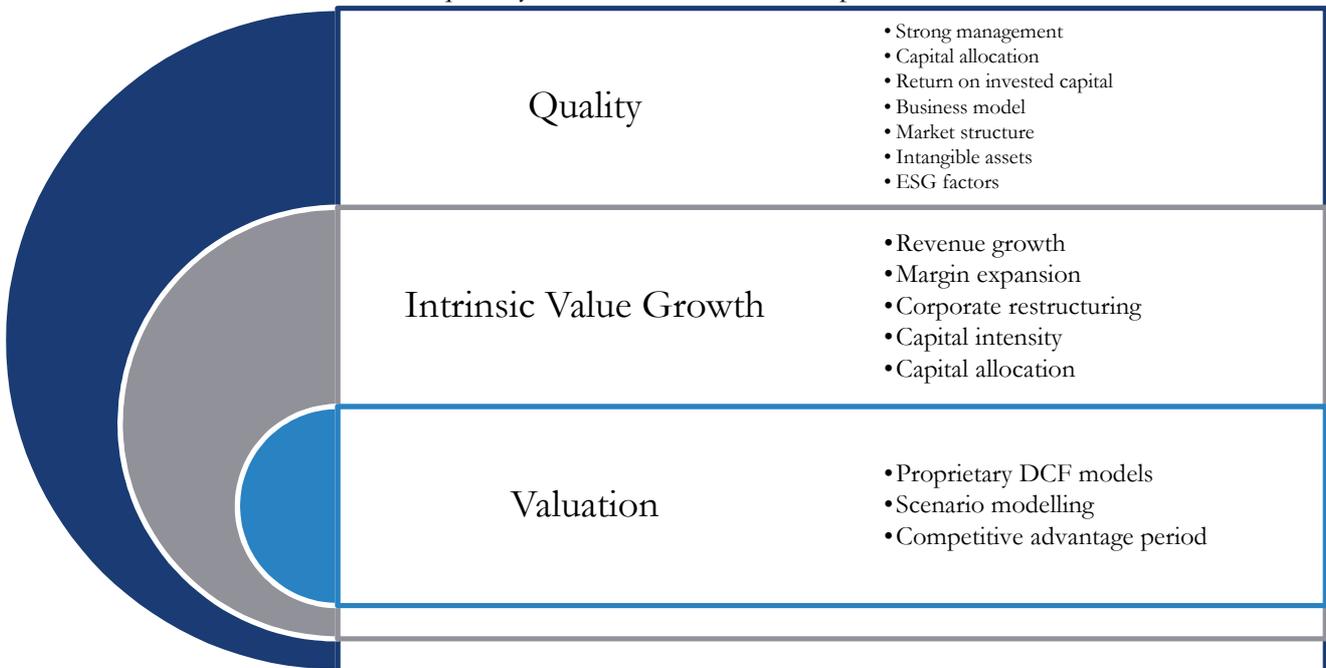
We anticipate the increasingly volatile market environment to create opportunities for us to build long-term positions in high-quality companies and to trim or sell positions at what we consider attractive levels. Rather than try to predict macro events, we focus on companies with sustainable business models and attractive valuations.

Investment philosophy and principles

We believe investing in companies with multiple alpha drivers, where the risks can be quantified, can help deliver outperformance.

Three alpha drivers are critical to generating long-term performance: quality, intrinsic value growth and valuation. We believe companies which possess quality characteristics should outperform over longer-term period and free cash flow, a key driver of intrinsic value growth, is correlated with likely strong long-term returns. We also believe that market prices can reflect a company’s fundamentals over the long-term, but may diverge short-term.

Lastly, we invest only in our best ideas as we believe risk can be best managed by focusing on a concentrated number of stocks. Conducting in-depth research on a select group of names allows us to fully understand and quantify the risks associated with alpha drivers.



Disclaimer

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About Loomis Sayles

- Founded in 1926
- Manages USD \$267.3 billion in assets on behalf of clients worldwide (as of September 30, 2018).
- Expertise across all major asset classes brings a unique perspective to investing
- Research focused organisation: 296 investment professionals. 75% of investment professionals dedicated to research & trading
- Global perspective: investors in USA, Europe and Asia

Value of \$10,000 invested since inception

The performance strategy of the Fund has been designed to replicate the strategy of the Loomis Sayles Global Equity Opportunities composite, a separate investment vehicle offered in the USA by the Fund Manager, Loomis Sayles & Company, LP (**Composite**). The chart below demonstrates the historical performance of the Composite as a reference point for the Global Equity Fund. **However, you should be aware that the Fund itself is new and has limited performance history – the past performance information below is NOT the past performance of the Fund. Past performance is not a reliable indicator of future performance.**



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