

Focusing On Stock Selection In Today's Market Environment

By the Loomis Sayles Global Equity Team
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We believe that by identifying individual companies through our bottom-up research process, we have created a portfolio that will generate long-term wealth for our clients.

LEE ROSENBAUM,
co-portfolio manager of the
Loomis Sayles Global Equity
Fund.



Until very recently global equity markets were being driven to record highs due to lower interest rates and a consensus that world growth would continue unimpeded – while in the last two weeks we have witnessed a major correction driven by uncertainty about the impact of the coronavirus on world growth and corporate earnings growth.

The Loomis Sayles Global Equity Opportunities team – based in Boston - is experienced in managing equity portfolios through various economic cycles and is focused on building its global portfolio on a stock by stock basis. Through intensive, in-depth, fundamental research, the team selects stocks based on three key alpha drivers: quality, intrinsic value growth, and valuation. The team aims to populate the portfolio with quality companies that can potentially grow cash flows over time and which are currently trading at attractive valuations.

PERFORMANCE POTENTIAL DRIVEN BY STOCK SELECTION

The Loomis Sayles' Global Equity Fund focuses on bottom-up stock selection as a key driver of returns. The team develops a deep understanding of a company's fundamentals and employs an investment process that is disciplined, repeatable and collaborative.

“For us, the research process starts with an assessment of the quality of each company,” says Eileen Riley, co-portfolio manager of the Loomis Sayles Global Equity Fund. “We have seven attributes of quality that we use to assess every business considered for this portfolio.”

This highly selective process can result in a portfolio of their best ideas selected from an investment universe that is unconstrained by style, sector or geography.

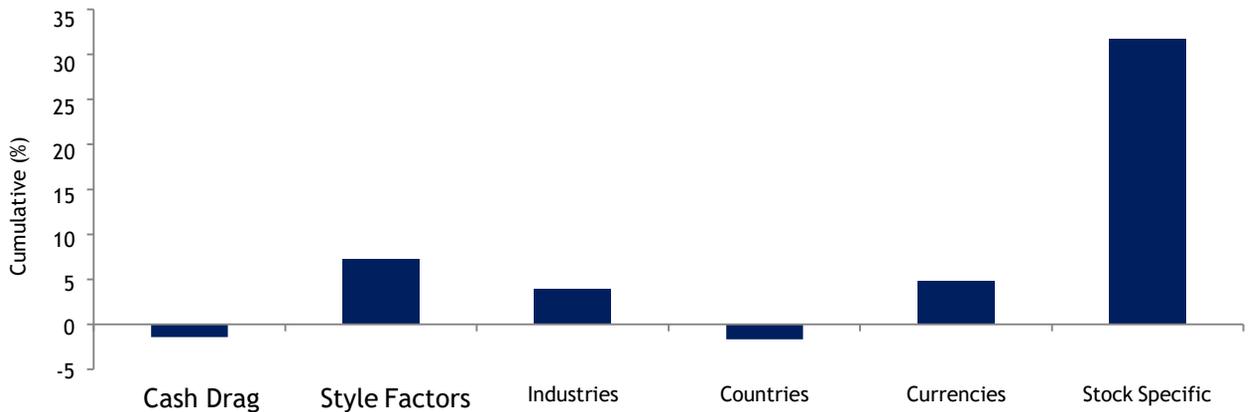
“We’re looking for businesses with a positive slope to their free cashflow. We aim to avoid businesses that are stagnant or shrinking,” Riley continues.



Evidence that this approach to stock selection has helped contribute to portfolio performance is shown in the chart below. This analysis - using the Barra Risk Factor model - demonstrates that for the time period shown, security selection has been the largest driver of returns for the strategy.

CUMULATIVE ATTRIBUTION BY FACTOR CATEGORY

MARCH 2013 - DECEMBER 2019



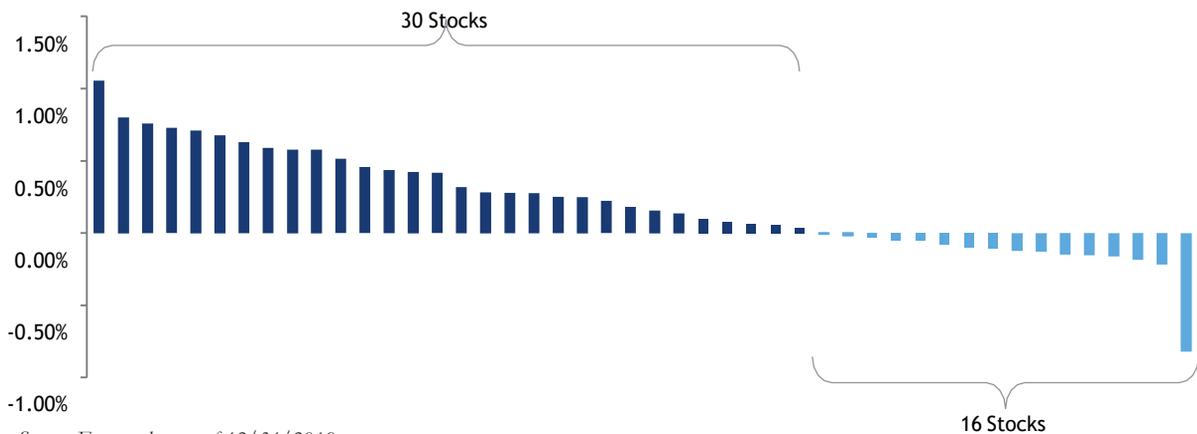
Source: Factset and Barra, data as of 12/31/2019.

DIVERSIFYING SOURCES OF POTENTIAL ALPHA

Contributions to excess return for the Loomis Sayles Global Equity Fund have been broad. The chart below illustrates the wide spread number of stocks that helped contribute to the Fund's excess performance compared to the MSCI All Country World Index over the calendar year of 2019.

INDIVIDUAL CONTRIBUTORS TO EXCESS RETURN FOR 2019

JANUARY 2019 - DECEMBER 2019



Source: Factset, data as of 12/31/2019.

Charts are illustrative for presentation purposes only. Some, or all, of the information on these charts may be dated, and, therefore, should not be the basis to purchase or sell any securities.

Past performance is no guarantee of future results.



Over the 12 months to December 2019, the Loomis Sayles Global Equity Fund held 46 different stocks in the portfolio. Of the stocks held, 30 names made a positive contribution against the benchmark while 16 detracted from relative performance vs the benchmark. This demonstrates that, while the portfolio is concentrated on the team's best ideas, the performance of the Fund is not reliant on a few outperformers to achieve its performance potential.

LOOMIS SAYLES LONG-TERM PERFORMANCE

The Loomis Sayles Global Equity Fund was launched in Australia in November 2018 and is based on an existing strategy with a track record dating back to 2004. The co-portfolio managers of this strategy, Eileen Riley and Lee Rosenbaum, have been working together for over a decade initially as analysts and then as co-portfolio managers since April 2013.

The Loomis Global Equity Fund has achieved a return of +27.7% since its inception on November 1, 2018 through to the end of January 2020. This compares favourably to the benchmark's return of +20.0% over the same period.

The long-term performance of the Loomis Sayles Global Equity Opportunities strategy, upon which the Fund is based, has also performed strongly over the long term, producing a return of +11.4%, per annum since its inception in October 1, 2004 until the end of January 2020 which compares favourably with the benchmark's return of +7.9% per annum over the same period.

SEEKING NEW OPPORTUNITIES

The Loomis Sayles Global Equity Opportunities team continues to build a portfolio of high quality companies that, in their view, are mispriced by the market and that have the ability to provide investors with the potential benefits of the 'duration effect' - defined as the benefit from compounding free cashflow growth over the long term.

Some examples include the following 3 stocks added to the portfolio:

Becton, Dickinson and Company is a healthcare products company comprised of three global business segments: BD Medical, BD Life Sciences and BD Interventional. Becton is the largest manufacturer of needles and syringes; surgical products account for more than half of the company's revenues. Its diagnostic business has a large installed base, and its biosciences business has leading positions in flow cytometers (which measure cell characteristics). Across segments the company has transitioned its portfolio to more advanced products in higher growth areas, such as smart medication management systems, injectables and bioscience.

Estee Lauder is a US-based, multi-national manufacturer and marketer of prestige beauty products. Estee Lauder is benefitting from the growth of the middle class in emerging markets as their demand for prestige beauty products grows as well as from the shift away from traditional distribution to alternative channels including specialty retail and online. Beyond the Estee Lauder namesake brands, the company also produces and markets other well-known brands such as Aerin, Clinique, and Mac Cosmetics.



Open Text is Canada's largest software company. Open Text is a well-run consolidator of multiple enterprise software niches it brings together under the banner of Enterprise Information Management (EIM). The company focuses on mission critical products with high switching costs (e.g. the sharing of fax, invoices and other documents between enterprise customers and their supply chain vendors). It targets more mature markets with smaller addressable markets, thus insulating it from competition from the larger platform technology companies.

CONCLUSION

While equity markets are currently unpredictable and volatile in the short term as the coronavirus impacts market sentiment, the Loomis Sayles Global Equity Opportunities team continues to focus on identifying high quality companies trading at attractive valuations with the aim of delivering long-term returns for clients.

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This information should not be relied upon in determining whether to invest in the Fund and is not a recommendation to buy, sell or hold any financial product, security or other instrument. In deciding whether to acquire or continue to hold an investment in the Fund, an investor should consider the Fund's product disclosure statement, available on the website www.loomissayles.com.au or by contacting us on 1300 157 862.

Past performance is not a reliable indicator of future performance.

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

Characteristics are shown for a representative account as supplemental information. 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 Global Equity Opportunities 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 Global Equity Opportunities investment style. Please request a current Disclosure Statement which displays performance, including dispersion, for the Loomis Sayles Global Equity Opportunities composite.

Examples above are provided to illustrate the investment process for the strategy used by Loomis Sayles and should not be considered recommendations for action by investors. They may not be representative of the strategy's current or future investments and they have not been selected based on performance. Loomis Sayles makes no representation that they have had a positive or negative return during the holding period.