

# ANNUAL REPORT

December 31, 2012



CGM Advisor Targeted Equity Fund  
Harris Associates Large Cap Value Fund  
McDonnell Intermediate Municipal Bond Fund  
Vaughan Nelson Small Cap Value Fund  
Vaughan Nelson Value Opportunity Fund

## TABLE OF CONTENTS

Management Discussion and Performance .....	page 1
Portfolio of Investments .....	page 26
Financial Statements .....	page 44

# About Natixis Funds

At Natixis Funds we focus on providing investors with choices and solutions for creating durable portfolios that can withstand changing market conditions. The Natixis Funds family offers stock, bond and alternative mutual funds from the Natixis Global Asset Management network of investment managers.

Natixis Funds bring you access to the independent thinking and specialized skills of some of the investment industry's most respected money managers. This approach is like having many fund families in one, and allows us to offer you uncommon diversification across a wide range of investment objectives and styles. The complete list of funds is shown to the right.

Natixis Global Asset Management, with \$733.9 billion in AUM,<sup>1</sup> is one of the world's largest asset managers.<sup>2</sup> Beyond investments, Natixis Global Asset Management is known for its focus on solving the big investment issues, for industry-leading ideas on investing and for helping build more durable portfolios. It's an approach known as **Better thinking. Together.**<sup>®</sup> and it's helping investors around the globe meet the challenges of today's rapidly changing markets.

## The Natixis Funds Family

### Alternatives

- ASG Diversifying Strategies Fund
- ASG Global Alternatives Fund
- ASG Managed Futures Strategy Fund Gateway Fund

### Fixed-income

- Loomis Sayles Core Plus Bond Fund
- Loomis Sayles High Income Fund
- Loomis Sayles International Bond Fund
- Loomis Sayles Investment Grade Bond Fund
- Loomis Sayles Limited Term Government and Agency Fund
- Loomis Sayles Senior Floating Rate and Fixed Income Fund
- Loomis Sayles Strategic Alpha Fund
- Loomis Sayles Strategic Income Fund
- McDonnell Intermediate Municipal Bond Fund

### Multi-asset

- Loomis Sayles Capital Income Fund
- Loomis Sayles Global Equity and Income Fund
- Loomis Sayles Multi-Asset Real Return Fund
- Natixis Diversified Income Fund

### Non-U.S. Equity

- ASG Growth Markets Fund
- Gateway International Fund
- Hansberger International Fund
- Natixis Oakmark International Fund

### U.S. Equity

- AEW Real Estate Fund
- CGM Advisor Targeted Equity Fund
- Harris Associates Large Cap Value Fund
- Loomis Sayles Growth Fund
- Loomis Sayles Mid Cap Growth Fund
- Loomis Sayles Value Fund
- Natixis U.S. Multi-Cap Equity Fund
- Vaughan Nelson Select Fund
- Vaughan Nelson Small Cap Value Fund<sup>3</sup>
- Vaughan Nelson Value Opportunity Fund

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<sup>1</sup> As of September 30, 2012. Assets under management (AUM) may include assets for which non-regulatory AUM services are provided. <sup>2</sup> Cerulli Quantitative Update: Global Markets 2012 ranked Natixis Global Asset Management, S.A. as the 13th largest asset manager in the world based on assets under management as of December 31, 2011. <sup>3</sup> The Vaughan Nelson Small Cap Value Fund was closed to new investors on July 31, 2009.

# Letter from the President

Dear Shareholder:

Stock and bond markets may be unpredictable, but you shouldn't need a crystal ball to build a well-diversified portfolio. Natixis Global Asset Management makes it easier with an approach we call **Durable Portfolio Construction**<sup>®</sup>. It's a framework designed for creating portfolios that may be more resilient to changing market conditions.

## **Pursuing opportunity in all markets**

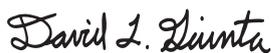
Durable Portfolio Construction seeks to manage risk, manage volatility and enhance diversification. The goal is to create portfolios that are less likely to experience sudden sharp declines, which makes it easier to stay invested for the long run. For more ideas, talk to your investment professional, or visit [durableportfolios.com](https://durableportfolios.com) to see why we believe durability may be your most important asset.

## **Annual performance update**

The annual report summarizes your fund's performance over the past year. The Management Discussion offers insight into the fund's investment decisions, while Investment Results highlights the fund's returns. In addition, the financial statements provide details on individual fund holdings, expenses, and other financial considerations.

At Natixis Funds, we remain committed to working with you and your investment professional to help you meet your financial objectives – now and for many years to come.

Sincerely,



David L. Giunta  
President  
Natixis Funds

# CGM ADVISOR TARGETED EQUITY FUND

## Management Discussion

### Manager:

G. Kenneth Heebner, CFA  
*Capital Growth Management  
Limited Partnership*

### Objective:

Seeks long-term growth of capital through investments in equity securities of companies whose earnings are expected to grow at a faster rate than the overall U.S. economy

### Strategy:

Under normal market conditions, the Fund will invest at least 80% of its net assets (plus any borrowings made for investment purposes) in equity investments, including common stocks and preferred stocks. The Fund will generally invest in a focused portfolio of common stocks of large-capitalization companies.

### Symbols:

Class A NEFGX  
Class B NEBGX  
Class C NEG CX  
Class Y NEG YX

### Market Conditions

The U.S. stock market began and ended the year on a strong note, as investors grew more confident in a U.S. economic expansion. The ride was not without its ups and downs, however. Faced with the possibility of another U.S. recession, a euro-zone meltdown, stalled Chinese economic growth and a new war in the Persian Gulf, national and global economies sputtered. Those worries were offset, however, by a rebounding U.S. housing market, strong U.S. car sales, a falling jobless rate and continued efforts by the Federal Reserve to stimulate the economy.

Overall, stocks fared well despite modest economic growth and a slowdown in corporate earnings. In 2012, the S&P 500® Index returned 16.00%, far better than in 2011 when the index ended the year with a return of 2.11%.

### Performance Results

For the 12 months ended December 31, 2012, Class A shares of **CGM Advisor Targeted Equity Fund** returned 15.44% at net asset value. The fund modestly trailed its benchmark, the S&P 500® Index, which returned 16.00%.

### Explanation of Fund Performance

With more than 98% of its assets invested in the equity markets, CGM Advisor Targeted Equity Fund remained positioned throughout 2012 in anticipation of significant growth in the U.S. economy. Although U.S. growth did not meet expectations, growth prospects for major U.S. financial institutions provided substantial gains for a number of fund holdings in this sector. At the same time, Europe and China, important drivers of the global economy, experienced disappointing growth, limiting opportunities for companies with considerable international exposure.

Although selected issues contributed gains during the period, it was the fund's financial holdings that were the major drivers of performance. The fund maintained a sizeable weight in the financials sector – positioning that proved favorable as financial stocks led the industry

groups in the S&P 500® for the year. Key contributors to fund performance included Citigroup, Morgan Stanley and JPMorgan Chase. Citigroup, a leading global financial services company, continued to make strong progress as management scaled back unsuccessful operations within the company. The firm also witnessed strong growth in its lending and investment banking operations. Morgan Stanley, one of the world's largest diversified financial services companies, increased its position in the wealth management business through the acquisition of a significant piece of the Salomon Smith Barney global wealth management operation. Going forward, we anticipate further improvement in the profit contribution of the firm's investment banking and trading operations. JPMorgan & Chase, a prominent global financial services firm, made significant earnings progress despite large losses from errant trades that originated in the bank's chief investment office. Since announcing the problem in May, JPMorgan has worked to reassure skittish investors. The bank has broadly reshuffled its management ranks and united some of its business operations, which helped support its share price. We continue to hold all three issues.

Global economic challenges caused several of the fund's cyclical stocks (stocks whose profitability, and therefore share prices, track the growth of the wider economy) to decline during the period, dampening the fund's performance. Detractors included Google, Nordstrom and Occidental Petroleum. Nordstrom, an upscale fashion specialty retailer of clothing, shoes and accessories, failed to meet our expectations. The stock was sold because of disappointing sales. The fund also experienced a loss from Occidental Petroleum, a California-based oil and gas exploration and production company. Earnings prospects for the company suffered as a result of the diminished outlook for crude oil pricing, reflecting weakness in the global economy. We also lost ground with Google, the dominant Internet search engine. Third quarter earnings for the company proved disappointing when a consumer transition toward mobile computing from PCs reduced the revenue-per-transaction for the company. Both stocks were sold at a loss.

## Outlook

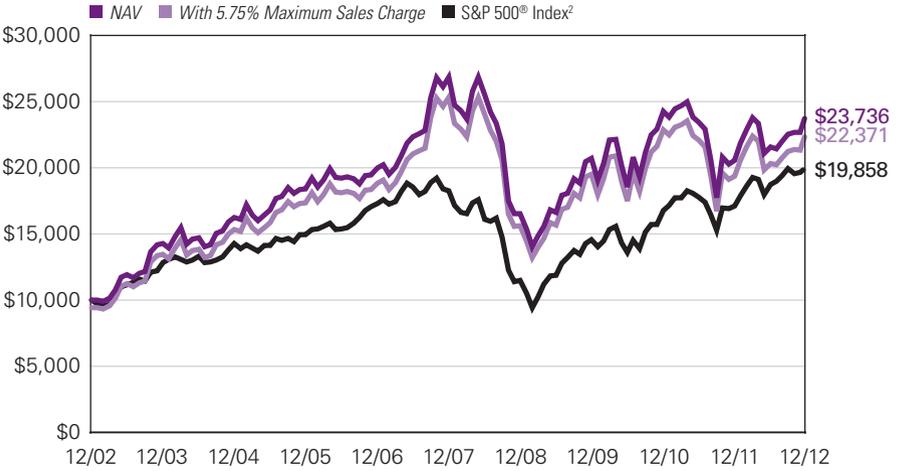
We continue to believe that U.S. growth will provide a positive stage for companies with a strong exposure to the U.S. economy. An improved housing market and increased construction activity will likely give the economy a lift after years of stagnation. Meanwhile, the unemployment rate is at its lowest level since the end of the recession in June 2009, and strong U.S. car sales should help to continue to power U.S. growth in the months ahead.

# CGM ADVISOR TARGETED EQUITY FUND

Investment Results through December 31, 2012

## Growth of \$10,000 Investment in Class A Shares

December 31, 2002 through December 31, 2012



## Average Annual Total Returns — December 31, 2012

	1 Year	5 Years	10 Years
<b>Class A (Inception 11/27/68)</b>			
NAV	15.44%	-2.45%	9.03%
With 5.75% Maximum Sales Charge	8.82	-3.60	8.38
<b>Class B (Inception 2/28/97)</b>			
NAV	14.54	-3.18	8.21
With CDSC <sup>1</sup>	9.54	-3.54	8.21
<b>Class C (Inception 9/1/98)</b>			
NAV	14.45	-3.19	8.22
With CDSC <sup>1</sup>	13.45	-3.19	8.22
<b>Class Y (Inception 6/30/99)</b>			
NAV	15.69	-2.21	9.34
<b>Comparative Performance</b>			
S&P 500 <sup>®</sup> Index <sup>2</sup>	16.00	1.66	7.10

Past performance does not guarantee future results. The chart and table do not reflect taxes shareholders might owe on any fund distributions or when they redeem their shares. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. Unlike a fund, an index is not managed and does not reflect fees and expenses.

### NOTES TO CHARTS

- Performance for Class B shares assumes a maximum 5.00% contingent deferred sales charge ("CDSC") applied when you sell shares, which declines annually between years 1-6 according to the following schedule: 5, 4, 3, 3, 2, 1, 0%. Class C share performance assumes a 1.00% CDSC applied when you sell shares within one year of purchase.
- S&P 500<sup>®</sup> Index is a widely recognized measure of U.S. stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors.

# HARRIS ASSOCIATES LARGE CAP VALUE FUND

## Management Discussion

### Managers:

Edward S. Loeb, CFA  
Michael J. Mangan, CFA  
Diane L. Mustain, CFA  
*Harris Associates L.P.*

### Objective:

Seeks opportunities for long-term capital growth and income

### Strategy:

Under normal market conditions, the Fund will invest substantially all of its assets in common stock of large- and mid-capitalization companies in any industry.

### Symbols:

Class A NEFOX  
Class B NEGBX  
Class C NECOX  
Class Y NEOYX

### Market Conditions

Despite the daily headlines, not much changed during 2012. We started and finished with the same president and Congress clashing over the same fiscal issues. Investors continued to flee equity markets – the brief trauma from the 2008 financial crisis still has many viewing the equity market as risky, rigged and replaceable. Despite impressive fundamental corporate performance, outflows from equity-oriented strategies accelerated as investors continued their backward-looking quest for more diversification. Our New Year's resolution is to think even less about near-term political games and players, and focus even more on the elements that we know drive investment returns: finding strong businesses with robust and growing intrinsic values, shareholder-oriented management teams and wide, attractive price discounts.

### Performance Results

For the 12 months ended December 31, 2012, Class A shares of **Harris Associates Large Cap Value Fund** returned 17.03% at net asset value. The fund performed generally in line with its benchmark, the Russell 1000® Value Index, which returned 17.51%.

### Explanation of Fund Performance

As value investors, our emphasis is on individual stock selection, with country and sector weights determined by our stock-selection process without regard to such weights in any specific benchmark. Sector-wise, the fund benefited most from its significant overweight position in consumer discretionary relative to the Russell 1000® Value Index, as well as from its underweights in utilities and consumer staples. Stock selection in energy and industrials, and a lack of exposure to telecom were the largest relative detractors.

Among the leading contributors to fund returns for the 12 months were Comcast, Wells Fargo and JPMorgan Chase. Comcast's latest results showed higher revenue and operating margins. The company benefited from the Summer Olympics broadcasts on its NBC Universal division, as well as from growth in broadband

and business services. In addition, its video subscriber losses slowed as the competitive dynamics of the pay TV market stabilized. The higher revenue and margin trends, along with continued reductions in capital intensity in the cable business, led to strong free cash flow growth and further returns of capital to shareholders. Wells Fargo continues to execute well in an improving environment. As the year progressed, the company's earnings grew due to lower credit costs, higher mortgage volumes and reduced expenses. Wells Fargo also shared more of those earnings with shareholders, having nearly doubled its dividend to 88 cents per share early in 2012. We believe substantial room for profit improvement remains in the years to come as credit and other workout costs normalize, cross-selling metrics improve and the share base is reduced. JP Morgan Chase has seen strong earnings per share growth, driven by improving credit trends and excellent company-wide execution. We believe that the hedging loss in the corporate treasury function, dubbed by the media as the "London Whale," was uncharacteristic and disappointing. We believe management dealt with the situation in a transparent and expedient manner and that the incident will not jeopardize the company's long-term earning power.

Among the largest detractors from fund returns for the 12 months were Intel, Ultra Petroleum and Apache. Intel, the global leader in semiconductors, felt the global economic slowdown, but continued to generate large amounts of free cash. We believe the company is well-positioned for growth in both developed and emerging markets, as it has streamlined manufacturing processes to reduce costs and sustain strong margins. We see Intel widening its lead over competitors in its core microprocessor business and becoming more competitive in the smartphone and tablet segments. Ultra Petroleum, which was sold from the fund during the first half of 2012, was adversely affected by declining natural gas prices. In May, the company reported that first-quarter revenue fell short of expectations, and management said it would further reduce its planned capital spending in response to weak gas prices. Apache's share price was hurt by declines in the price of North American oil and natural gas liquids and by the ongoing turmoil in Egypt, the company's largest international operation. The reliance on Egypt should diminish, given Apache's recent acquisitions and production growth in the United States. The company's inexpensive valuation, large resource base and strong free cash flow make it an attractive investment in our view.

## Outlook

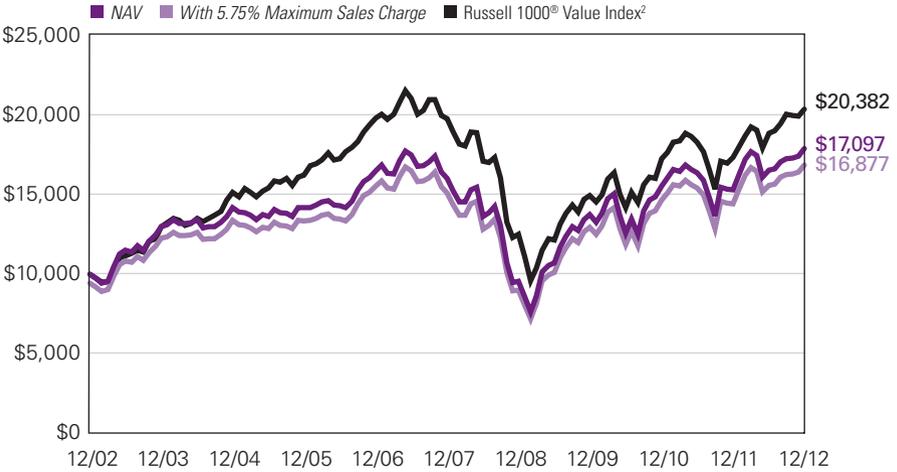
Our fundamental view has not changed: We expect a continuation of solid corporate performance. Balance sheets, cost control and prodigious free cash flow imply rising returns to shareholders. Additional positives include a more certain recovery in housing markets and the benefits of new, low-cost, domestic energy resources. Stock prices reflect some of this good news, but the cautious positioning of most investors has kept valuations very reasonable and reduced the market risk from a macro surprise or disappointment. We continue to believe the short-term risks are overblown and that the scarcity of true, long-term capital in the equity market creates a favorable environment for investors.

# HARRIS ASSOCIATES LARGE CAP VALUE FUND

Investment Results through December 31, 2012

## Growth of \$10,000 Investment in Class A Shares<sup>3</sup>

December 31, 2002 through December 31, 2012



## Average Annual Total Returns — December 31, 2012<sup>3</sup>

	1 Year	5 Years	10 Years
<b>Class A (Inception 5/6/31)</b>			
NAV	17.03%	2.24%	5.99%
With 5.75% Maximum Sales Charge	10.27	1.04	5.37
<b>Class B (Inception 9/13/93)</b>			
NAV	16.22	1.49	5.21
With CDSC <sup>1</sup>	11.22	1.11	5.21
<b>Class C (Inception 5/1/95)</b>			
NAV	16.13	1.48	5.20
With CDSC <sup>1</sup>	15.13	1.48	5.20
<b>Class Y (Inception 11/18/98)</b>			
NAV	17.33	2.54	6.35
<b>Comparative Performance</b>			
Russell 1000 <sup>®</sup> Value Index <sup>2</sup>	17.51	0.59	7.38

Past performance does not guarantee future results. The chart and table do not reflect taxes shareholders might owe on any fund distributions or when they redeem their shares. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. Unlike a fund, an index is not managed and does not reflect fees and expenses.

### NOTES TO CHARTS

- 1 Performance for Class B shares assumes a maximum 5.00% contingent deferred sales charge ("CDSC") applied when you sell shares, which declines annually between years 1-6 according to the following schedule: 5, 4, 3, 3, 2, 1, 0%. Class C share performance assumes a 1.00% CDSC applied when you sell shares within one year of purchase.
- 2 Russell 1000<sup>®</sup> Value Index is an unmanaged index that measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> companies with lower price-to-book ratios and lower expected growth values.
- 3 Fund performance has been increased by fee waivers and/or expense reimbursements, if any, without which performance would have been lower.

# McDonnell Intermediate Municipal Bond Fund

## Management Discussion

### Portfolio Managers:

Dawn Mangerson  
James Grabovac, CFA  
Lawrence Jones  
Steve Wlodarski, CFA  
*McDonnell Investment  
Management, LLC*

### Objective:

Seeks a high level of federal tax-exempt current income, consistent with the preservation of capital

### Strategy:

Invests at least 80% of its net assets (plus borrowings made for investment purposes) in municipal securities that pay interest exempt from federal income taxes. The Fund may invest up to 20% of its assets in debt securities subject to the federal alternative minimum tax.

### Symbols:

Class A MIMAX  
Class C MIMCX  
Class Y MIMYX

The McDonnell Intermediate Municipal Bond Fund commenced operations on November 16, 2012. The fund's registration statement became effective and the fund became available for purchase by investors on December 31, 2012. During this time period, the fund's subadviser invested the initial capital of the fund in accordance with its investment objectives.

### Outlook

We anticipate a stable yield environment, low inflation and moderate economic growth in 2013. A further boost in municipal volume is expected as refunding issuance, national infrastructure needs and recovery efforts along the Eastern Seaboard move forward. Given the recent federal income tax increase, demand for municipal securities is likely to remain strong.

# VAUGHAN NELSON SMALL CAP VALUE FUND

## Management Discussion

### Managers:

Chris D. Wallis, CFA  
Scott J. Weber, CFA  
*Vaughan Nelson Investment  
Management, L.P.*

### Objective:

Seeks capital appreciation

### Strategy:

The Fund normally will invest at least 80% of its net assets (plus any borrowings made for investment purposes) in the equity securities, including common stocks and preferred stocks, of small-cap companies. The Fund may invest in companies with large capitalizations.

### Symbols:

Class A NEFJX  
Class B NEJBX  
Class C NEJCX  
Class Y NEJYX

Effective July 31, 2009, the fund was closed to new investors.

### Market Conditions

Large-scale economic and political factors steered equity markets throughout the 12 months ended December 31, 2012. The Federal Reserve and the European Central Bank both kept interest rates very low in order to free credit markets and to buy time in the face of myriad problems, in particular those facing Europe. Meanwhile, the fiscal cliff of tax hikes and spending cuts scheduled to occur at the end of the year overshadowed the U.S. economic outlook, as uncertainty over tax and regulatory policies left individuals and businesses without clear guidance. Corporate earnings growth decelerated late in the year, along with the overall economy.

### Performance results

For the 12 months ended December 31, 2012, Class A shares of **Vaughan Nelson Small Cap Value Fund** returned 14.93% at net asset value. The fund lagged its benchmark, the Russell 2000® Value Index, which returned 18.05%.

### Explanation of Fund Performance

Individual stocks, not themes, helped drive the period's results. We found particular success among industrial stocks, an eclectic category that encompasses a range of businesses. The fund's stake in the underperforming utilities sector was less than that of the index, and our choices delivered greater returns as we took advantage of high valuations early in the year to reduce exposure. Stock selection in healthcare also added to performance. Financials were a weak performer for the fund, which owned few real estate investment trusts, and those that it held were laggards. Although the bank stocks in the portfolio did not appreciate as much as those in the index, we continue to favor those we hold.

Weaker-than-expected demand and elevated inventories pressured semiconductor stocks, dragging down the technology sector. We still favor technology but over this period have reevaluated our approach to the sector. The result was a revised emphasis, shifting away from storage and networking, where capital

investment is shrinking due to competition from new technologies (including the “cloud,”) which allows users to access data, software and hardware resources over a network – typically the Internet – to a heavier focus on software and services.

In industrials, United Rentals, which rents construction and other equipment, benefited from a trend among users to rent, rather than own this costly equipment. We expect an expansion of commercial construction in 2013, and United has moved higher in anticipation of stronger earnings. Containerboard maker Packaging Corporation also rose as it gained market share and pricing power within its market. Valmont Industries, makers of fabricated metal products for a range of applications, also rose.

Corrections Corporation of America, the nation’s leading for-profit prison operator, manages prisons under contract to federal and state governments and owns and operates others. The shares continued to perform well as CCA expands operations. A.O. Smith, makers of water heaters and boilers, responded favorably to the turnaround in the housing industry. KAR Auction Services saw sales opportunities grow as new car sales and strong leasing markets expanded the volume of used cars coming to auction. KAR’s growing Internet presence also enhanced growth.

DSW, a warehouse shoe retailer, has executed its business plan extremely well and delivered good earnings. DSW has opened new stores while enhancing productivity and broadening the merchandise offerings. In financials, Ares Capital, which lends to mid-sized businesses, enjoyed good credit experience and saw its loan volume increase. Ares is structured as a business development corporation, which requires it to pay out the bulk of its earnings to shareholders, who have enjoyed generous yields.

Among disappointments in technology was RF Micro Devices, whose products are widely used in cell phones and other devices. RF saw slowing demand and increased competition in China as well as order cutbacks from one of its largest customers. Qlogic and Super Micro Computer were also weak amid declining demand for hardware infrastructure.

In energy, contract driller Unit Corporation declined, as falling natural gas prices brought reduced utilization of its rigs. Discount retailer Big Lots struggled as the economy hurt sales of discretionary items and competitors put pricing pressure on consumable items. Consolidated Graphics, a commercial printing company, experienced slower sales as businesses cut back and smaller competitors applied price pressure.

## Outlook

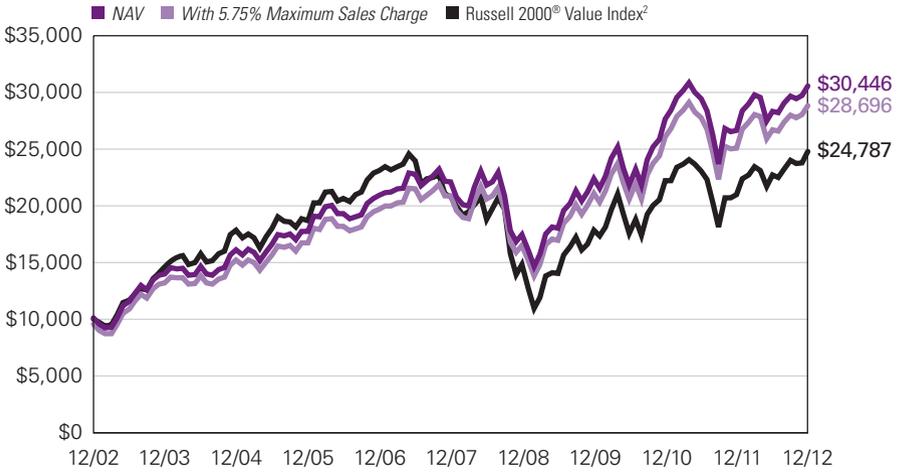
Economic growth remains on the weak side. But despite obvious macro risks, the economy has the potential to do better in 2013 if Washington provides clarity on taxes, budgets and regulations. Equities do not appear expensive to us; there are many growing companies whose stocks trade at good valuations. We seek those that are growing a little faster than their groups, but we are careful not to overpay. Growing strength in housing is helping to shore up consumer confidence and should help boost employment, and retail sales appear healthy. We added to banks where we found good value and shed utilities early in the year. The fund remains underweight in financials, but we are finding opportunities among cyclical sectors such as industrials, technology and materials.

# VAUGHAN NELSON SMALL CAP VALUE FUND

Investment Results through December 31, 2012

Growth of \$10,000 Investment in Class A Shares<sup>3</sup>

December 31, 2002 through December 31, 2012



See Notes to Charts on Page 13.

## Average Annual Total Returns — December 31, 2012<sup>3</sup>

	1 Year	5 Years	10 Years	Since Inception
<b>Class A (Inception 12/31/96)</b>				
NAV	14.93%	6.72%	11.78%	—
With 5.75% Maximum Sales Charge	8.34	5.47	11.13	—
<b>Class B (Inception 12/31/96)</b>				
NAV	14.12	5.93	10.95	—
With CDSC <sup>1</sup>	9.12	5.68	10.95	—
<b>Class C (Inception 12/31/96)</b>				
NAV	14.08	5.92	10.95	—
With CDSC <sup>1</sup>	13.08	5.92	10.95	—
<b>Class Y (Inception 8/31/06)</b>				
NAV	15.18	7.01	—	8.09
<b>Comparative Performance</b>				
Russell 2000 <sup>®</sup> Value Index <sup>2</sup>	18.05	3.55	9.50	2.68

Past performance does not guarantee future results. The chart and table do not reflect taxes shareholders might owe on any fund distributions or when they redeem their shares. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. Unlike a fund, an index is not managed and does not reflect fees and expenses.

### NOTES TO CHARTS

- 1 Performance for Class B shares assumes a maximum 5.00% contingent deferred sales charge ("CDSC") applied when you sell shares, which declines annually between years 1-6 according to the following schedule: 5, 4, 3, 3, 2, 1, 0%. Class C share performance assumes a 1.00% CDSC applied when you sell shares within one year of purchase.
- 2 Russell 2000<sup>®</sup> Value Index is an unmanaged index that measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000<sup>®</sup> companies with lower price-to-book ratios and lower forecasted growth values.
- 3 Fund performance has been increased by fee waivers and/or expense reimbursements, if any, without which performance would have been lower.

# VAUGHAN NELSON VALUE OPPORTUNITY FUND

## Management Discussion

### Managers:

Dennis G. Alff, CFA

Chris D. Wallis, CFA

Scott J. Weber, CFA

*Vaughan Nelson Investment  
Management, L.P.*

### Objective:

Seeks long-term capital appreciation

### Strategy:

The Fund, under normal market conditions, will invest primarily in companies that, at the time of purchase, have market capitalizations either within the capitalization range of the Russell Midcap Value Index or of \$15 billion or less. The Fund may invest in companies with smaller or larger capitalizations and does not have any market capitalization limits.

### Symbols:

Class A VNVAX

Class C VNVCX

Class Y VNVYX

### Market Conditions

Large-scale economic and political factors steered equity markets throughout the 12 months ended December 31, 2012. The Federal Reserve and the European Central Bank both kept interest rates very low in order to free up credit and to buy time in the face of myriad problems, particularly those facing Europe. Meanwhile, the fiscal cliff of tax hikes and spending cuts scheduled to occur at the end of the year overshadowed the U.S. economic outlook, as uncertainty over tax and regulatory policies left individuals and businesses without clear guidance. Corporate earnings growth decelerated late in the year, along with the overall economy.

### Performance results

For the 12 months ended December 31, 2012, Class A shares of **Vaughan Nelson Value Opportunity Fund** returned 15.93% at net asset value. The fund underperformed its benchmark, the Russell Midcap® Value Index, which returned 18.51%.

### Explanation of Fund Performance

Stock selection within financials, healthcare and energy held back returns relative to the benchmark, while the materials and broad industrial categories proved beneficial to performance. Results were mixed among consumer stocks. The fund was underweight compared to its benchmark in the under-performing utilities sector, which aided returns, and good stock selection enhanced that advantage. Utility holdings were sold when valuations reached levels that appeared excessive.

In the consumer discretionary sector, positions in Jarden and Discovery Communications aided relative performance. Jarden, marketers of Coleman, Sunbeam, Rawlings and other brands, continued to enjoy growing sales. Discovery Communications, which operates the Discovery Channel, gained market share by extending its reach internationally while adding new outlets. In the materials sector, the fund owned containerboard maker Packaging Corporation, which rose as it gained market share and pricing power within its market.

In the technology sector, the fund benefited from an overweight relative to the benchmark in NCR, one of the largest makers of ATMs and point-of-sale terminals, which gained significant ground. NCR broadened its offerings and generated new sales through software and service products that carry higher margins. In the financial sector, SEI Investments, which is not included in the index, boosted relative return. SEI, which provides investment processing and other services for institutional clients, enjoyed added sales as it introduced new products.

Fund disappointments during the period included Rovi Corporation in the technology sector, a stock that is not included in the index. Rovi declined as some of its more mature businesses are shrinking, reducing growth prospects. We continue to hold the shares based on the potential of its digital entertainment guides and interactive programming for cable and satellite providers. Allscripts Healthcare Solutions detracted from results in the wake of some execution issues and the need to restate earlier earnings. Allscripts helps physicians and other health care providers cut costs and reduce errors by automating their practices. Allscripts has a strong client roster and we are optimistic about its future. The fund had more exposure than the index to EZCorp, which operates pawnshops and offers payday loans in the United States and Mexico. The sputtering economy caused earnings growth to stall in the United States, but business has been stronger elsewhere. Lower gold prices have pressured the company's jewelry scrapping business, which melts and resells gold items that pawn customers have abandoned. Growth plans are moving ahead in Mexico and we believe the company has attractive long-term potential despite the issues often associated with payday lending. In the industrials sector, Navistar suffered from slow demand for heavy trucks amid the sluggish economy and fewer new orders as its engines failed to meet more rigorous EPA emissions standards. New leadership appears to be taking corrective steps, with trucks now incorporating a new engine that meets emission guidelines. Finally, a position in discount retailer Big Lots detracted from relative return. The retailer struggled as the economy hurt sales of discretionary items and competitors put pricing pressure on consumables.

## Outlook

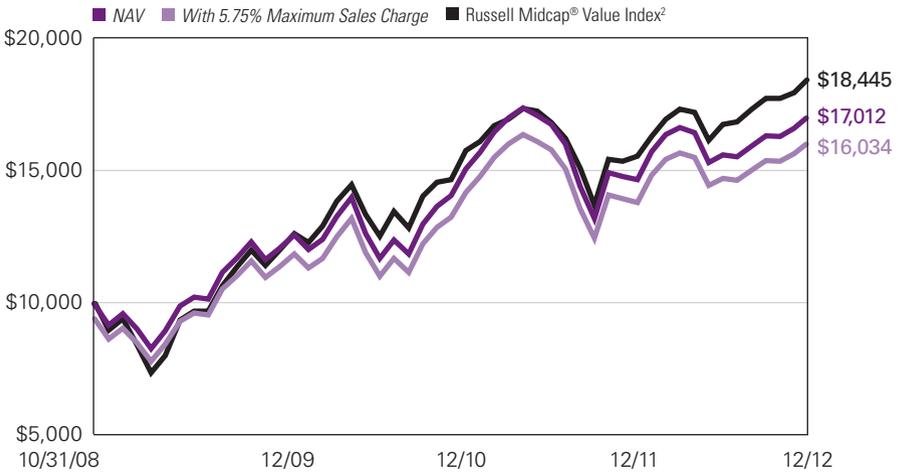
Economic growth remains on the weak side. But despite obvious macro risks, we believe the economy has the potential to do better in 2013 if Washington provides clarity on taxes, budgets and regulations. Equities do not appear expensive to us; there are many growing companies whose stocks trade at good valuations. We seek those that are growing a little faster than their groups but we are careful not to overpay. An improved housing market is helping to shore up consumer confidence and should boost employment, and retail sales appear healthy. The fund remains underweight in financials, but we did add to banks that appeared attractively valued and shed utilities during the year. Overall, we are finding opportunities among cyclical sectors such as industrials, technology and materials.

# VAUGHAN NELSON VALUE OPPORTUNITY FUND

Investment Results through December 31, 2012

Growth of \$10,000 Investment in Class A Shares<sup>3</sup>

October 31, 2008 (inception) through December 31, 2012



See Notes to Charts on Page 17.

## Average Annual Total Returns — December 31, 2012<sup>3</sup>

	1 Year	Since Inception
<b>Class A (Inception 10/31/08)</b>		
NAV	15.93%	13.60%
With 5.75% Maximum Sales Charge	9.29	11.99
<b>Class C (Inception 10/31/08)</b>		
NAV	15.10	12.76
With CDSC <sup>1</sup>	14.10	12.76
<b>Class Y (Inception 10/31/08)</b>		
NAV	16.28	13.89
<b>Comparative Performance</b>		
Russell Midcap <sup>®</sup> Value Index <sup>2</sup>	18.51	15.83

Past performance does not guarantee future results. The chart and table do not reflect taxes shareholders might owe on any fund distributions or when they redeem their shares. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. Unlike a fund, an index is not managed and does not reflect fees and expenses.

### NOTES TO CHARTS

- 1 Performance for Class C shares assumes a 1.00% contingent deferred sales charge ("CDSC") applied when you sell shares within one year of purchase.
- 2 Russell Midcap<sup>®</sup> Value Index is an unmanaged index that measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap<sup>®</sup> Index companies with lower price-to-book ratios and lower forecasted growth values.
- 3 Fund performance has been increased by fee waivers and/or expense reimbursements, if any, without which performance would have been lower.

## ADDITIONAL INFORMATION

The views expressed in this report reflect those of the portfolio managers as of the dates indicated. The managers' views are subject to change at any time without notice based on changes in market or other conditions. References to specific securities or industries should not be regarded as investment advice. Because the funds are actively managed, there is no assurance that they will continue to invest in the securities or industries mentioned.

### ADDITIONAL INDEX INFORMATION

This document may contain references to third party copyrights, indexes, and trademarks, each of which is the property of its respective owner. Such owner is not affiliated with Natixis Global Asset Management or any of its related or affiliated companies (collectively "NGAM") and does not sponsor, endorse or participate in the provision of any NGAM services, funds or other financial products.

The index information contained herein is derived from third parties and is provided on an "as is" basis. The user of this information assumes the entire risk of use of this information. Each of the third party entities involved in compiling, computing or creating index information disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to such information.

### PROXY VOTING INFORMATION

A description of the funds' proxy voting policies and procedures is available without charge, upon request, by calling Natixis Funds at 800-225-5478; on the funds' website at [ngam.natixis.com](http://ngam.natixis.com); and on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov). Information regarding how the funds voted proxies relating to portfolio securities during the 12-month period ended June 30, 2012 is available from the funds' website and the SEC's website.

### QUARTERLY PORTFOLIO SCHEDULES

The funds file a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The funds' Forms N-Q are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

## UNDERSTANDING FUND EXPENSES

As a mutual fund shareholder, you incur different costs: transaction costs, including sales charges (loads) on purchases and contingent deferred sales charges on redemptions, and ongoing costs, including management fees, distribution and/or service fees (12b-1 fees), and other fund expenses. Certain exemptions may apply. These costs are described in more detail in the funds' prospectus. The following examples are intended to help you understand the ongoing costs of investing in the funds and help you compare these with the ongoing costs of investing in other mutual funds.

The first line in the table of each class of fund shares shows the actual account values and actual fund expenses you would have paid on a \$1,000 investment in the fund from July 1, 2012 through December 31, 2012. To estimate the expenses you paid over the period, simply divide your account value by \$1,000 (for example \$8,600 account value divided by \$1,000 = 8.60) and multiply the result by the number in the Expenses Paid During Period column as shown for your class.

The second line in the table for each class of fund shares provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid on your investment for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown reflect ongoing costs only, and do not include any transaction costs, such as sales charges. Therefore, the second line in the table of each fund is useful in comparing ongoing costs only, and will not help you determine the relative costs of owning different funds. If transaction costs were included, total costs would be higher.

<b>CGM ADVISOR TARGETED EQUITY FUND</b>	<b>BEGINNING ACCOUNT VALUE 7/1/2012</b>	<b>ENDING ACCOUNT VALUE 12/31/2012</b>	<b>EXPENSES PAID DURING PERIOD* 7/1/2012 – 12/31/2012</b>
<b>Class A</b>			
Actual	\$1,000.00	\$1,099.20	\$6.28
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.15	\$6.04
<b>Class B</b>			
Actual	\$1,000.00	\$1,094.70	\$10.21
Hypothetical (5% return before expenses)	\$1,000.00	\$1,015.38	\$9.83
<b>Class C</b>			
Actual	\$1,000.00	\$1,094.80	\$10.22
Hypothetical (5% return before expenses)	\$1,000.00	\$1,015.38	\$9.83
<b>Class Y</b>			
Actual	\$1,000.00	\$1,100.70	\$4.96
Hypothetical (5% return before expenses)	\$1,000.00	\$1,020.41	\$4.77

\* Expenses are equal to the Fund's annualized expense ratio: 1.19%, 1.94%, 1.94% and 0.94% for Class A, B, C and Y, respectively, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by 366 (to reflect the half-year period).

<b>HARRIS ASSOCIATES LARGE CAP VALUE FUND</b>	<b>BEGINNING ACCOUNT VALUE 7/1/2012</b>	<b>ENDING ACCOUNT VALUE 12/31/2012</b>	<b>EXPENSES PAID DURING PERIOD* 7/1/2012 – 12/31/2012</b>
<b>Class A</b>			
Actual	\$1,000.00	\$1,082.80	\$6.81
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.60	\$6.60
<b>Class B</b>			
Actual	\$1,000.00	\$1,078.50	\$10.71
Hypothetical (5% return before expenses)	\$1,000.00	\$1,014.83	\$10.38
<b>Class C</b>			
Actual	\$1,000.00	\$1,078.20	\$10.71
Hypothetical (5% return before expenses)	\$1,000.00	\$1,014.83	\$10.38
<b>Class Y</b>			
Actual	\$1,000.00	\$1,083.90	\$5.50
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.86	\$5.33

\* Expenses are equal to the Fund's annualized expense ratio (after waiver/reimbursement): 1.30%, 2.05%, 2.05% and 1.05% for Class A, B, C and Y, respectively, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by 366 (to reflect the half-year period).

<b>MCDONNELL INTERMEDIATE MUNICIPAL BOND FUND</b>	<b>BEGINNING ACCOUNT VALUE 7/1/2012<sup>1</sup></b>	<b>ENDING ACCOUNT VALUE 12/31/2012</b>	<b>EXPENSES PAID DURING PERIOD 7/1/2012<sup>1</sup> – 12/31/2012</b>
<b>Class A</b>			
Actual	\$1,000.00	\$1,000.00	\$0.00 <sup>1</sup>
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.11	\$4.06*
<b>Class C</b>			
Actual	\$1,000.00	\$1,000.00	\$0.00 <sup>1</sup>
Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.34	\$7.86*
<b>Class Y</b>			
Actual	\$1,000.00	\$1,000.00	\$0.00 <sup>1</sup>
Hypothetical (5% return before expenses)	\$1,000.00	\$1,022.37	\$2.80*

\* Hypothetical expenses are equal to the Fund's annualized expense ratio (after waiver/reimbursement): 0.80%, 1.55% and 0.55% for Class A, C and Y, respectively, multiplied by the average account value over the period, multiplied by the number of days in the most recent half-year (184), divided by 366 (to reflect the half-year period).

<sup>1</sup> Shares of the Fund were first registered under the Securities Act of 1933 effective December 31, 2012; therefore, actual expenses during the period were zero.

<b>VAUGHAN NELSON SMALL CAP VALUE FUND</b>	<b>BEGINNING ACCOUNT VALUE 7/1/2012</b>	<b>ENDING ACCOUNT VALUE 12/31/2012</b>	<b>EXPENSES PAID DURING PERIOD* 7/1/2012 – 12/31/2012</b>
<b>Class A</b>			
Actual	\$1,000.00	\$1,080.80	\$7.27
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.15	\$7.05
<b>Class B</b>			
Actual	\$1,000.00	\$1,077.00	\$11.22
Hypothetical (5% return before expenses)	\$1,000.00	\$1,014.33	\$10.89
<b>Class C</b>			
Actual	\$1,000.00	\$1,077.30	\$11.23
Hypothetical (5% return before expenses)	\$1,000.00	\$1,014.33	\$10.89
<b>Class Y</b>			
Actual	\$1,000.00	\$1,081.80	\$6.02
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.36	\$5.84

\* Expenses are equal to the Fund's annualized expense ratio: 1.39%, 2.15%, 2.15% and 1.15% for Class A, B, C and Y, respectively, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by 366 (to reflect the half-year period).

<b>VAUGHAN NELSON VALUE OPPORTUNITY FUND</b>	<b>BEGINNING ACCOUNT VALUE 7/1/2012</b>	<b>ENDING ACCOUNT VALUE 12/31/2012</b>	<b>EXPENSES PAID DURING PERIOD* 7/1/2012 – 12/31/2012</b>
<b>Class A</b>			
Actual	\$1,000.00	\$1,089.00	\$6.83
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.60	\$6.60
<b>Class C</b>			
Actual	\$1,000.00	\$1,085.30	\$10.75
Hypothetical (5% return before expenses)	\$1,000.00	\$1,014.83	\$10.38
<b>Class Y</b>			
Actual	\$1,000.00	\$1,090.40	\$5.52
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.86	\$5.33

\* Expenses are equal to the Fund's annualized expense ratio: 1.30%, 2.05% and 1.05% for Class A, C and Y, respectively, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, divided by 366 (to reflect the half-year period).

## BOARD APPROVAL OF THE INITIAL ADVISORY AND SUB-ADVISORY AGREEMENTS FOR MCDONNELL INTERMEDIATE MUNICIPAL BOND FUND

The Investment Company Act of 1940, as amended (the “1940 Act”), requires that both the full Board of Trustees of the Trust and a majority of the Trustees who are not “interested persons” (as defined in the 1940 Act) of the Trust (the “Independent Trustees”), voting separately, initially approve for a two-year term any new investment advisory and sub-advisory agreements for a registered investment company, including a newly formed fund such as the McDonnell Intermediate Municipal Bond Fund (the “Fund”). The Trustees, including the Independent Trustees, unanimously approved the proposed investment advisory and sub-advisory agreements (together, the “Agreements”) for the Fund at an in-person meeting held on November 16, 2012. Because McDonnell was proposed to be acquired by an affiliate of NGAM Advisors after the commencement of Fund operations, the Agreements considered by the Trustees included both a sub-advisory agreement with McDonnell under its pre-transaction ownership and a sub-advisory agreement to take effect upon the consummation of the transaction.

In connection with this review, Fund management and other representatives of the Fund’s adviser, NGAM Advisors, L.P. (“NGAM Advisors”), and sub-adviser, McDonnell Investment Management, LLC (“McDonnell”) (collectively, the “Advisers”), distributed to the Trustees materials including, among other items, (i) information on the investment performance of institutional accounts managed by the Advisers with similar strategies, (ii) information on the proposed advisory and sub-advisory fees and other expenses to be charged to the Fund, including information comparing the Fund’s expected expenses to those of a peer group of funds, information on fees charged to other accounts advised or sub-advised by the Advisers and information on the proposed expense cap, (iii) the Fund’s investment objective and strategies, (iv) the size, education and experience of the Advisers’ respective investment staff and the investment strategies proposed to be used in managing the Fund, (v) proposed arrangements for the distribution of the Fund’s shares and the related costs, (vi) the procedures proposed to be employed to determine the value of the Fund’s assets, (vii) the Fund’s investment policies and restrictions, policies on personal securities transactions and other compliance policies, (viii) information about the ownership of McDonnell and the pending transaction pursuant to which McDonnell would become an affiliate of NGAM Advisors, (ix) information about the Advisers’ performance, (x) information obtained through the completion of a questionnaire by the Advisers (the Trustees are consulted as to the information required through the questionnaire) and (xi) the general economic outlook with particular emphasis on the mutual fund industry. The Trustees also considered the fact that they oversee other funds advised by NGAM Advisors, as well as information about NGAM Advisors they had received in connection with their oversight of those other funds. Because the Fund is newly formed and had not commenced operations at the time of the Trustees’ review, certain information, including data relating to Fund performance, was not available, and therefore could not be distributed to the Trustees. Throughout the process, the Trustees were afforded the opportunity to ask questions of, and request additional materials from, the Advisers.

In considering whether to initially approve the Agreements, the Board of Trustees, including the Independent Trustees, did not identify any single factor as determinative. Individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. Matters considered by the Trustees, including the Independent Trustees, in connection with their approval of the Agreements included, but were not limited to, the factors listed below.

*The nature, extent and quality of the services to be provided to the Fund under the Agreements.* The Trustees considered the nature, extent and quality of the services to be provided by the Advisers and their respective affiliates to the Fund, and the resources to be dedicated to the Fund by the Advisers and their respective affiliates. The Trustees considered their experience with other funds advised by NGAM Advisors, as well as the current and pending affiliations between the Advisers and Natixis Global Asset Management, L.P. (“Natixis US”). In this regard, the Trustees considered not only the advisory and sub-advisory services proposed to be provided by the Advisers to the Fund, but also the monitoring and oversight services proposed to be provided by NGAM Advisors to the Fund. The Trustees also considered the administrative services proposed to be provided by NGAM Advisors and its affiliates to the Fund.

The Trustees also considered the benefits to shareholders of investing in a mutual fund that is part of a family of funds that offers shareholders the right to exchange shares of one type of fund for shares of another type of fund, and provides a variety of fund and shareholder services.

After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the Agreements, that the scope of the services to be provided to the Fund under the Agreements seemed consistent with the Fund’s operational requirements, and that the Advisers had the capabilities, resources and personnel necessary to provide the advisory and sub-advisory services that would be required by the Fund. The Trustees determined that the nature, extent and quality of services proposed to be provided under the Agreements supported approval of the Agreements.

*Investment performance of the Fund and the Advisers.* Because the Fund had not yet commenced operations, performance information for the Fund was not considered; however, the Board considered the performance of other funds and accounts managed by the Advisers. Based on this and other information, the Trustees concluded, within the context of their overall conclusions regarding the Agreements, that the Advisers’ performance records and/or other relevant factors supported approval of the Agreements.

*The costs of the services to be provided by the Advisers and their affiliates from their respective relationships with the Fund.* Although the Fund had not yet commenced operations at the time of the Trustees’ review of the Agreements, the Trustees reviewed information comparing the proposed advisory and sub-advisory fees and estimated total expenses of the Fund’s share classes with the fees and expenses of comparable share classes of comparable funds identified by the Advisers and of other accounts managed by McDonnell, as well as information about differences in such fees and the reasons for any such differences. In considering the fees charged to such comparable accounts, the Trustees considered, among other things, management’s representations about the

differences between managing mutual funds as compared to other types of accounts, including the additional resources required to effectively manage mutual fund assets. In evaluating the Fund's proposed advisory and sub-advisory fees, the Trustees also took into account the demands, complexity and quality of the investment management of the Fund and the need for the Advisers to offer competitive compensation. The Trustees also noted that the Fund would have an expense cap in place. In addition, the Trustees considered information regarding the administrative and distribution fees to be paid by the Fund to the Advisers' affiliates.

Because the Fund had not yet commenced operations, historical profitability information with respect to the Fund was not considered. However, the Trustees noted the information provided in court cases in which adviser compensation or profitability were issues, the estimated expense levels of the Fund and that the Fund would be subject to an expense cap.

After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the Agreements, that the advisory and sub-advisory fees proposed to be charged to the Fund were fair and reasonable, and supported the approval of the Agreements.

*Economies of scale.* The Trustees considered the extent to which the Advisers may realize economies of scale or other efficiencies in managing the Fund, and whether those economies could be shared with the Fund through breakpoints in the advisory and sub-advisory fees or other means, such as expense waivers or caps. The Trustees noted that the Fund would be subject to an expense cap. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the Agreements, that the extent to which economies of scale might be shared with the Fund supported the approval of the Agreements.

The Trustees also considered other factors, which included but were not limited to the following: the compliance-related resources the Advisers and their respective affiliates would provide to the Fund and the potential so-called "fallout benefits" to the Advisers, such as the engagement of affiliates of NGAM Advisors to provide distribution and administrative services to the Fund and the benefits of research made available to the Advisers by reason of brokerage commissions (if any) generated by the Fund's securities transactions. The Trustees also considered the fact that NGAM Advisors' parent company would benefit from the retention of affiliated advisers. The Trustees considered the possible conflicts of interest associated with these fallout and other benefits, and the reporting, disclosure and other processes in place to disclose and monitor such possible conflicts of interest.

Based on their evaluation of all factors that they deemed to be material, including those factors described above, and assisted by the advice of independent counsel, the Trustees, including the Independent Trustees, concluded that the Agreements should be approved.

# Portfolio of Investments – as of December 31, 2012

## CGM Advisor Targeted Equity Fund

Shares	Description	Value (t)
<b>Common Stocks — 97.2% of Net Assets</b>		
<b>Airlines — 6.1%</b>		
2,718,000	Delta Air Lines, Inc.(b)	\$ 32,262,660
<b>Automobiles — 6.2%</b>		
180,000	Honda Motor Co. Ltd., Sponsored ADR	6,649,200
280,000	Toyota Motor Corp., Sponsored ADR	26,110,000
		32,759,200
<b>Capital Markets — 8.5%</b>		
2,330,000	Morgan Stanley	44,549,600
<b>Chemicals — 5.9%</b>		
330,000	Monsanto Co.	31,234,500
<b>Diversified Financial Services — 20.6%</b>		
1,200,000	Bank of America Corp.	13,920,000
1,325,000	Citigroup, Inc.	52,417,000
960,000	JPMorgan Chase & Co.	42,211,200
		108,548,200
<b>Health Care Providers &amp; Services — 3.4%</b>		
590,000	HCA Holdings, Inc.	17,800,300
<b>Household Durables — 16.8%</b>		
1,320,000	DR Horton, Inc.	26,109,600
790,000	Lennar Corp., Class A	30,549,300
1,740,000	PulteGroup, Inc.(b)	31,598,400
		88,257,300
<b>Insurance — 10.7%</b>		
710,000	American International Group, Inc.(b)	25,063,000
590,000	Prudential Financial, Inc.	31,464,700
		56,527,700
<b>IT Services — 5.8%</b>		
202,000	Visa, Inc., Class A	30,619,160
<b>Multiline Retail — 7.1%</b>		
960,000	Macy's, Inc.	37,459,200
<b>Specialty Retail — 1.0%</b>		
170,000	Gap, Inc. (The)	5,276,800
<b>Tobacco — 5.1%</b>		
320,000	Philip Morris International, Inc.	26,764,800
	Total Common Stocks	512,059,420
	(Identified Cost \$466,578,198)	

# Portfolio of Investments – as of December 31, 2012

## CGM Advisor Targeted Equity Fund – (continued)

Principal Amount	Description	Value (t)
<b>Short-Term Investments — 1.5%</b>		
\$ 7,745,000	Tri-Party Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/2012 at 0.010% to be repurchased at \$7,745,004 on 1/02/2013 collateralized by \$7,515,000 U.S. Treasury Note, 2.125% due 12/31/2015 valued at \$7,900,144 including accrued interest (Note 2 of Notes to Financial Statements)	
	(Identified Cost \$7,745,000)	\$ 7,745,000
	Total Investments — 98.7%	
	(Identified Cost \$474,323,198)(a)	519,804,420
	Other assets less liabilities — 1.3%	7,038,857
	Net Assets — 100.0%	<u>\$ 526,843,277</u>
(t)	See Note 2 of Notes to Financial Statements.	
(a)	Federal Tax Information:	
	At December 31, 2012, the net unrealized appreciation on investments based on a cost of \$474,734,578 for federal income tax purposes was as follows:	
	Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 50,170,432
	Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	(5,100,590)
	Net unrealized appreciation	<u>\$ 45,069,842</u>
(b)	Non-income producing security.	
ADR	An American Depositary Receipt is a certificate issued by a custodian bank representing the right to receive securities of the foreign issuer described. The values of ADRs may be significantly influenced by trading on exchanges not located in the United States.	

## Industry Summary at December 31, 2012 (Unaudited)

Diversified Financial Services	20.6%
Household Durables	16.8
Insurance	10.7
Capital Markets	8.5
Multiline Retail	7.1
Automobiles	6.2
Airlines	6.1
Chemicals	5.9
IT Services	5.8
Tobacco	5.1
Health Care Providers & Services	3.4
Specialty Retail	1.0
Short-Term Investments	1.5
Total Investments	98.7
Other assets less liabilities	1.3
Net Assets	<u>100.0%</u>

Portfolio of Investments – as of December 31, 2012  
Harris Associates Large Cap Value Fund

Shares	Description	Value (t)
<b>Common Stocks — 96.2% of Net Assets</b>		
<b>Aerospace &amp; Defense — 3.3%</b>		
57,900	Boeing Co. (The)	\$ 4,363,344
<b>Air Freight &amp; Logistics — 3.4%</b>		
50,400	FedEx Corp.	4,622,688
<b>Auto Components — 6.4%</b>		
44,700	Autoliv, Inc.	3,012,333
88,500	Delphi Automotive PLC(b)	3,385,125
41,300	TRW Automotive Holdings Corp.(b)	2,214,093
		8,611,551
<b>Automobiles — 2.2%</b>		
31,900	Toyota Motor Corp., Sponsored ADR	2,974,675
<b>Capital Markets — 6.3%</b>		
34,300	Franklin Resources, Inc.	4,311,510
32,400	Goldman Sachs Group, Inc. (The)	4,132,944
		8,444,454
<b>Commercial Banks — 5.1%</b>		
198,700	Wells Fargo & Co.	6,791,566
<b>Consumer Finance — 1.6%</b>		
37,300	Capital One Financial Corp.	2,160,789
<b>Diversified Financial Services — 6.4%</b>		
58,900	CME Group, Inc., Class A	2,986,819
127,300	JPMorgan Chase & Co.	5,597,381
		8,584,200
<b>Electrical Equipment — 1.8%</b>		
28,600	Rockwell Automation, Inc.	2,402,114
<b>Energy Equipment &amp; Services — 1.9%</b>		
38,100	National Oilwell Varco, Inc.	2,604,135
<b>Health Care Equipment &amp; Supplies — 0.5%</b>		
16,200	Medtronic, Inc.	664,524
<b>Hotels, Restaurants &amp; Leisure — 9.1%</b>		
128,300	Carnival Corp.	4,717,591
109,200	Marriott International, Inc., Class A	4,069,884
17,500	McDonald's Corp.	1,543,675
33,800	Starwood Hotels & Resorts Worldwide, Inc.	1,938,768
		12,269,918
<b>Insurance — 2.5%</b>		
93,500	American International Group, Inc.(b)	3,300,550
<b>IT Services — 7.2%</b>		
11,900	MasterCard, Inc., Class A	5,846,232
24,700	Visa, Inc., Class A	3,744,026
		9,590,258

Portfolio of Investments – as of December 31, 2012  
Harris Associates Large Cap Value Fund – (continued)

Shares	Description	Value (t)
<b>Machinery — 8.3%</b>		
21,200	Caterpillar, Inc.	\$ 1,899,096
29,000	Cummins, Inc.	3,142,150
72,500	Illinois Tool Works, Inc.	4,408,725
19,400	Parker Hannifin Corp.	1,650,164
		<u>11,100,135</u>
<b>Media — 4.7%</b>		
102,200	Comcast Corp., Special Class A	3,674,090
39,900	Omnicom Group, Inc.	1,993,404
12,900	Walt Disney Co. (The)	642,291
		<u>6,309,785</u>
<b>Oil, Gas &amp; Consumable Fuels — 4.6%</b>		
39,800	Apache Corp.	3,124,300
35,000	ExxonMobil Corp.	3,029,250
		<u>6,153,550</u>
<b>Semiconductors &amp; Semiconductor Equipment — 12.3%</b>		
349,300	Applied Materials, Inc.	3,995,992
317,100	Intel Corp.	6,541,773
62,600	Lam Research Corp.(b)	2,261,738
121,300	Texas Instruments, Inc.	3,753,022
		<u>16,552,525</u>
<b>Software — 3.5%</b>		
140,000	Oracle Corp.	4,664,800
<b>Specialty Retail — 4.1%</b>		
18,500	Advance Auto Parts, Inc.	1,338,475
49,900	CarMax, Inc.(b)	1,873,246
41,000	Tiffany & Co.	2,350,940
		<u>5,562,661</u>
<b>Textiles, Apparel &amp; Luxury Goods — 1.0%</b>		
25,400	NIKE, Inc., Class B	1,310,640
	Total Common Stocks (Identified Cost \$107,705,530)	<u>129,038,862</u>
<b>Principal Amount</b>		
<b>Short-Term Investments – 4.2%</b>		
\$ 5,635,187	Tri-Party Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/2012 at 0.010% to be repurchased at \$5,635,190 on 01/02/2013 collateralized by \$5,595,000 Federal Home Loan Mortgage Corp., 3.000% due 8/06/2020 valued at \$5,748,863 including accrued interest (Note 2 of Notes to Financial Statements) (Identified Cost \$5,635,187)	<u>5,635,187</u>
	Total Investments — 100.4% (Identified Cost \$113,340,717)(a)	134,674,049
	Other assets less liabilities — (0.4)%	(543,634)
	Net Assets — 100.0%	<u>\$ 134,130,415</u>

## Portfolio of Investments – as of December 31, 2012

### Harris Associates Large Cap Value Fund – (continued)

(t) See Note 2 of Notes to Financial Statements.

(a) Federal Tax Information:

At December 31, 2012, the net unrealized appreciation on investments based on a cost of \$114,434,157 for federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 22,743,824
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	<u>(2,503,932)</u>
Net unrealized appreciation	<u>\$ 20,239,892</u>

(b) Non-income producing security.

ADR An American Depositary Receipt is a certificate issued by a custodian bank representing the right to receive securities of the foreign issuer described. The values of ADRs may be significantly influenced by trading on exchanges not located in the United States.

### Industry Summary at December 31, 2012 (Unaudited)

#### Semiconductors & Semiconductor

Equipment	12.3%
Hotels, Restaurants & Leisure	9.1
Machinery	8.3
IT Services	7.2
Auto Components	6.4
Diversified Financial Services	6.4
Capital Markets	6.3
Commercial Banks	5.1
Media	4.7
Oil, Gas & Consumable Fuels	4.6
Specialty Retail	4.1
Software	3.5
Air Freight & Logistics	3.4
Aerospace & Defense	3.3
Insurance	2.5
Automobiles	2.2
Other Investments, less than 2% each	6.8
Short-Term Investments	<u>4.2</u>
Total Investments	100.4
Other assets less liabilities	<u>(0.4)</u>
Net Assets	<u>100.0%</u>

Portfolio of Investments – as of December 31, 2012

McDonnell Intermediate Municipal Bond Fund

Principal Amount	Description	Value (t)
<b>Bonds and Notes — 97.5% of Net Assets</b>		
<b>Municipals — 97.5%</b>		
<b>Alaska — 3.3%</b>		
\$ 400,000	Anchorage, GO, Schools, Refunding, Series B, (NATL-RE insured, FGIC insured), 5.000%, 9/01/2018	\$ 483,880
<b>Arizona — 5.8%</b>		
300,000	Phoenix Civic Improvement, Corporate Excise Tax Revenue, Series A, 5.000%, 7/01/2024	365,004
400,000	Pima County Sewer System Revenue, Series A, 5.000%, 7/01/2022	492,388
		<u>857,392</u>
<b>California — 5.9%</b>		
400,000	Bay Area Toll Authority, Toll Bridge Revenue, San Francisco Bay Area, 4.000%, 4/01/2030	435,092
400,000	California State, GO, Various Purpose, Refunding, 4.000%, 9/01/2027	433,312
		<u>868,404</u>
<b>Colorado — 9.4%</b>		
400,000	Colorado State Health Facilities Authority Revenue, Craig Hospital Project, 5.000%, 12/01/2028	457,424
400,000	Denver City and County, Airport System Revenue, Series B, 5.000%, 11/15/2029	470,472
400,000	Douglas County School District #Re-1, GO, Refunding, (State Aid Withholding), 4.000%, 12/15/2020	468,440
		<u>1,396,336</u>
<b>Connecticut — 5.9%</b>		
375,000	State of Connecticut Special Tax Revenue, Second Lien, Transportation Infrastructure, Refunding, Series 1, 5.000%, 2/01/2016	421,646
400,000	State of Connecticut, GO, Series G, 4.000%, 10/15/2026	451,764
		<u>873,410</u>
<b>Florida — 8.3%</b>		
250,000	Florida State Board of Education, GO, Capital Outlay 2011, Refunding, Series B, 5.000%, 6/01/2015	276,388
400,000	Florida State Board of Governors, University System Improvement Revenue, Refunding, Series A, 5.000%, 7/01/2018	480,784
400,000	Orlando & Orange County Expressway Authority Revenue, Refunding, 5.000%, 7/01/2023	478,800
		<u>1,235,972</u>
<b>Hawaii — 3.1%</b>		
400,000	Honolulu City and County, GO, Series B, 5.000%, 8/01/2016	459,396
<b>Illinois — 6.1%</b>		
370,000	Illinois Finance Authority Revenue, Children’s Memorial Hospital, Series B, 5.500%, 8/15/2028	428,001
100,000	Illinois Finance Authority Revenue, Loyola University Chicago, Series B, 5.000%, 7/01/2021	121,407
320,000	Illinois State Toll Highway Authority Revenue, Senior Priority, Series A, (AGM insured), 5.000%, 1/01/2017	353,341
		<u>902,749</u>

# Portfolio of Investments – as of December 31, 2012

## McDonnell Intermediate Municipal Bond Fund – (continued)

Principal Amount	Description	Value (t)
<b>Kentucky — 2.3%</b>		
\$ 275,000	Louisville & Jefferson County, Metropolitan Government Revenue, Jewish Hospital St. Mary's Healthcare, Prerefunded 2/01/2018@100, 6.125%, 2/01/2037	\$ 347,215
<b>Massachusetts — 3.0%</b>		
400,000	Massachusetts School Building Authority Sales Tax Revenue, Prerefunded 8/15/2015@100, Series A, (AGM insured), 5.000%, 8/15/2017	447,684
<b>New York — 5.7%</b>		
350,000	New York State Dormitory Authority Revenue, Cornell University, Series B, 5.000%, 7/01/2021	432,866
350,000	New York State Dormitory Authority Revenue, Mental Health Services Facility Improvements, (State Appropriation), 5.000%, 2/15/2017	405,209
		838,075
<b>North Carolina — 6.2%</b>		
400,000	North Carolina Eastern Municipal Power Agency Revenue, Refunding, Series A, 5.250%, 1/01/2020	470,404
375,000	Raleigh Durham Airport Authority Revenue, Refunding, Series A, 5.000%, 5/01/2024	446,224
		916,628
<b>Ohio — 5.3%</b>		
400,000	American Municipal Power Revenue, Hydroelectric Projects, Refunding, Series CA, (AGM insured), 5.000%, 2/15/2021	475,112
270,000	State of Ohio Hospital Facilities Revenue, Cleveland Clinic Health System, Refunding, Series A, 5.000%, 1/01/2018	316,421
		791,533
<b>Pennsylvania — 8.2%</b>		
335,000	Delaware County Authority Revenue, Villanova University, 5.000%, 8/01/2019	401,648
285,000	Delaware River Joint Toll Bridge Commission Revenue, Refunding, Series A, 4.000%, 7/01/2027	306,438
450,000	Philadelphia Airport Revenue, Refunding, Series D, AMT, 5.000%, 6/15/2016	502,555
		1,210,641
<b>Texas — 12.3%</b>		
400,000	Frisco Independent School District, GO, School Building, Refunding, Series B, (PSF-GTD), 5.000%, 8/15/2020	502,992
400,000	Garland, GO, Refunding, (AGM insured), 5.000%, 2/15/2016	452,752
400,000	Pasadena Independent School District, GO, Refunding, Series D, (PSF-GTD), 4.000%, 2/15/2019	465,572
400,000	San Antonio, GO, General Improvements, Refunding, 4.000%, 2/01/2013	401,156
		1,822,472
<b>Utah — 2.0%</b>		
250,000	Utah State Transit Authority Sales Tax Revenue, Refunding, 5.000%, 6/15/2024	301,598
<b>Washington — 4.7%</b>		
360,000	Energy Northwest Electric Revenue, Columbia Generating Station, Series D, 5.000%, 7/01/2029	433,940
250,000	Spokane County, GO, Limited Tax, Refunding, 4.000%, 12/01/2014	267,190
		701,130
	Total Bonds and Notes (Identified Cost \$14,611,999)	14,454,515

Portfolio of Investments – as of December 31, 2012

McDonnell Intermediate Municipal Bond Fund – (continued)

Principal Amount	Description	Value (t)
<b>Short-Term Investments — 1.6%</b>		
\$ 246,525	Tri-Party Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/2012 at 0.010% to be repurchased at \$246,525 on 1/02/2013 collateralized by \$245,000 Federal Home Loan Mortgage Corp., 3.000% due 8/06/2020 valued at \$251,738 including accrued interest (Note 2 of Notes to Financial Statements) (Identified Cost \$246,525)	\$ 246,525
	Total Investments — 99.1% (Identified Cost \$14,858,524)(a)	14,701,040
	Other assets less liabilities — 0.9%	128,053
	Net Assets — 100.0%	<u>\$ 14,829,093</u>

(t) See Note 2 of Notes to Financial Statements.

(a) Federal Tax Information:

At December 31, 2012, the net unrealized depreciation on investments based on a cost of \$14,858,524 for federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 15,019
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	(172,503)
Net unrealized depreciation	<u>\$ (157,484)</u>

AGM	Assured Guaranty Municipal Corporation
AMT	Alternative Minimum Tax
FGIC	Financial Guaranty Insurance Company
GO	General Obligation
NATL-RE	National Public Finance Guarantee Corporation
PSF-GTD	Permanent School Fund Guarantee Program

Holdings Summary at December 31, 2012 (Unaudited)

General Obligation	21.8%
Medical	13.2
Transportation	12.7
School District	9.7
Higher Education	9.7
Airport	9.5
Power	9.3
General	5.3
Water	3.3
Education	3.0
Short-Term Investments	1.6
Total Investments	99.1
Other assets less liabilities	0.9
Net Assets	<u>100.0%</u>

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Small Cap Value Fund

Shares	Description	Value (t)
<b>Common Stocks — 96.3% of Net Assets</b>		
<b>Air Freight &amp; Logistics — 1.7%</b>		
120,325	Atlas Air Worldwide Holdings, Inc.(b)	\$ 5,331,601
<b>Building Products – 2.6%</b>		
51,437	A.O. Smith Corp.	3,244,132
97,600	Lennox International, Inc.	5,125,952
		8,370,084
<b>Capital Markets — 1.6%</b>		
186,775	LPL Financial Holdings, Inc.	5,259,584
<b>Chemicals — 1.1%</b>		
146,150	Kraton Performance Polymers, Inc.(b)	3,511,985
<b>Commercial Banks — 9.1%</b>		
445,325	Associated Banc-Corp	5,842,664
462,455	FirstMerit Corp.	6,562,236
121,325	Fulton Financial Corp.	1,165,933
143,825	Hancock Holding Co.	4,565,006
138,175	Prosperity Bancshares, Inc.	5,803,350
274,025	Webster Financial Corp.	5,631,214
		29,570,403
<b>Commercial Services &amp; Supplies — 5.7%</b>		
204,125	Corrections Corp. of America	7,240,314
321,075	KAR Auction Services, Inc.	6,498,558
159,200	McGrath Rentcorp	4,619,984
		18,358,856
<b>Construction &amp; Engineering — 1.8%</b>		
236,850	MasTec, Inc.(b)	5,904,671
<b>Consumer Finance — 2.0%</b>		
131,575	First Cash Financial Services, Inc.(b)	6,528,751
<b>Containers &amp; Packaging — 4.2%</b>		
158,225	Packaging Corp. of America	6,086,916
180,275	Silgan Holdings, Inc.	7,497,637
		13,584,553
<b>Electrical Equipment — 0.4%</b>		
131,425	GrafTech International Ltd.(b)	1,234,081
<b>Electronic Equipment, Instruments &amp; Components — 1.8%</b>		
73,725	Littelfuse, Inc.	4,549,570
42,725	ScanSource, Inc.(b)	1,357,373
		5,906,943
<b>Energy Equipment &amp; Services — 2.8%</b>		
84,230	Oil States International, Inc.(b)	6,025,814
358,125	Precision Drilling Corp.	2,965,275
		8,991,089

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Small Cap Value Fund – (continued)

Shares	Description	Value (t)
	<b>Food Products — 1.6%</b>	
155,625	Post Holdings, Inc.(b)	\$ 5,330,156
	<b>Gas Utilities — 2.1%</b>	
190,425	Atmos Energy Corp.	6,687,726
	<b>Health Care Equipment &amp; Supplies — 4.3%</b>	
82,050	Sirona Dental Systems, Inc.(b)	5,288,943
102,700	Teleflex, Inc.	7,323,537
23,600	West Pharmaceutical Services, Inc.	1,292,100
		13,904,580
	<b>Health Care Providers &amp; Services — 1.3%</b>	
160,275	Health Management Associates, Inc., Class A(b)	1,493,763
71,800	LifePoint Hospitals, Inc.(b)	2,710,450
		4,204,213
	<b>Hotels, Restaurants &amp; Leisure — 2.0%</b>	
146,250	Choice Hotels International, Inc.	4,916,925
58,225	Jack in the Box, Inc.(b)	1,665,235
		6,582,160
	<b>Household Durables — 2.6%</b>	
116,375	Harman International Industries, Inc.	5,194,980
92,250	Ryland Group, Inc. (The)	3,367,125
		8,562,105
	<b>Household Products — 1.1%</b>	
76,775	WD-40 Co.	3,616,870
	<b>Insurance — 6.2%</b>	
196,550	American Equity Investment Life Holding Co.	2,399,875
36,950	Aspen Insurance Holdings Ltd.	1,185,356
609,200	CNO Financial Group, Inc.	5,683,836
174,262	HCC Insurance Holdings, Inc.	6,484,289
242,575	Tower Group, Inc.	4,310,558
		20,063,914
	<b>IT Services — 1.6%</b>	
231,400	Broadridge Financial Solutions, Inc.	5,294,432
	<b>Machinery — 3.8%</b>	
225,675	Actuant Corp., Class A	6,298,589
44,075	Valmont Industries, Inc.	6,018,441
		12,317,030
	<b>Metals &amp; Mining — 2.8%</b>	
262,050	Globe Specialty Metals, Inc.	3,603,187
87,500	Reliance Steel & Aluminum Co.	5,433,750
		9,036,937
	<b>Oil, Gas &amp; Consumable Fuels — 2.3%</b>	
230,639	Oasis Petroleum, Inc.(b)	7,334,320

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Small Cap Value Fund – (continued)

Shares	Description	Value (t)
	<b>Professional Services — 2.4%</b>	
81,075	ICF International, Inc.(b)	\$ 1,900,398
105,175	Towers Watson & Co., Class A	5,911,887
		<u>7,812,285</u>
	<b>REITs — Apartments — 0.9%</b>	
178,975	Associated Estates Realty Corp.	2,885,077
	<b>REITs — Hotels — 1.6%</b>	
444,600	Hersha Hospitality Trust	2,223,000
113,075	LaSalle Hotel Properties	2,870,974
		<u>5,093,974</u>
	<b>REITs — Office Property — 2.0%</b>	
188,400	Highwoods Properties, Inc.	6,301,980
	<b>REITs — Shopping Centers — 0.9%</b>	
230,925	Excel Trust, Inc.	2,925,820
	<b>Semiconductors &amp; Semiconductor Equipment — 6.3%</b>	
52,525	Hittite Microwave Corp.(b)	3,261,803
277,200	Microsemi Corp.(b)	5,832,288
141,825	MKS Instruments, Inc.	3,656,248
155,175	Semtech Corp.(b)	4,492,316
147,275	Skyworks Solutions, Inc.(b)	2,989,683
		<u>20,232,338</u>
	<b>Software — 4.7%</b>	
26,450	ACI Worldwide, Inc.(b)	1,155,601
79,875	Manhattan Associates, Inc.(b)	4,819,657
180,675	SS&C Technologies Holdings, Inc.(b)	4,177,206
171,450	Verint Systems, Inc.(b)	5,033,772
		<u>15,186,236</u>
	<b>Specialty Retail — 5.4%</b>	
204,122	Aaron's, Inc.	5,772,570
57,000	DSW, Inc., Class A	3,744,330
87,800	Group 1 Automotive, Inc.	5,442,722
70,725	Lithia Motors, Inc., Class A	2,646,530
		<u>17,606,152</u>
	<b>Textiles, Apparel &amp; Luxury Goods — 1.0%</b>	
76,800	Wolverine World Wide, Inc.	3,147,264
	<b>Trading Companies &amp; Distributors — 4.6%</b>	
170,075	United Rentals, Inc.(b)	7,741,814
106,175	WESCO International, Inc.(b)	7,159,380
		<u>14,901,194</u>
	Total Common Stocks (Identified Cost \$274,414,191)	<u>311,579,364</u>
	<b>Closed End Investment Companies — 2.8%</b>	
519,325	Ares Capital Corp. (Identified Cost \$8,335,987)	<u>9,088,187</u>

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Small Cap Value Fund – (continued)

Principal Amount	Description	Value (t)
<b>Short-Term Investments — 2.1%</b>		
\$ 6,691,640	Tri-Party Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/2012 at 0.010% to be repurchased at \$6,691,644 on 1/02/2013 collateralized by \$6,820,000 U.S. Treasury Note, 0.625% due 5/31/2017 valued at \$6,828,525 including accrued interest (Note 2 of Notes to Financial Statements)	
	(Identified Cost \$6,691,640)	\$ 6,691,640
	Total Investments — 101.2%	
	(Identified Cost \$289,441,818)(a)	327,359,191
	Other assets less liabilities — (1.2)%	(3,903,621)
	Net Assets — 100.0%	<u>\$ 323,455,570</u>

(t) See Note 2 of Notes to Financial Statements.

(a) Federal Tax Information:

At December 31, 2012, the net unrealized appreciation on investments based on a cost of \$291,643,727 for federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 40,210,851
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	<u>(4,495,387)</u>
Net unrealized appreciation	<u>\$ 35,715,464</u>

(b) Non-income producing security.

REITs Real Estate Investment Trusts

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Small Cap Value Fund – (continued)  
 Industry Summary at December 31, 2012 (Unaudited)

Commercial Banks	9.1%
Semiconductors & Semiconductor Equipment	6.3
Insurance	6.2
Commercial Services & Supplies	5.7
Specialty Retail	5.4
Software	4.7
Trading Companies & Distributors	4.6
Health Care Equipment & Supplies	4.3
Containers & Packaging	4.2
Machinery	3.8
Metals & Mining	2.8
Closed End Investment Companies	2.8
Energy Equipment & Services	2.8
Household Durables	2.6
Building Products	2.6
Professional Services	2.4
Oil, Gas & Consumable Fuels	2.3
Gas Utilities	2.1
Hotels, Restaurants & Leisure	2.0
Consumer Finance	2.0
REITs - Office Property	2.0
Other Investments, less than 2% each	18.4
Short-Term Investments	<u>2.1</u>
Total Investments	101.2
Other assets less liabilities	<u>(1.2)</u>
Net Assets	<u><u>100.0%</u></u>

Portfolio of Investments – as of December 31, 2012

Vaughan Nelson Value Opportunity Fund

Shares	Description	Value (t)
<b>Common Stocks — 94.3% of Net Assets</b>		
<b>Aerospace &amp; Defense — 0.7%</b>		
27,625	B/E Aerospace, Inc.(b)	\$ 1,364,675
<b>Auto Components — 2.4%</b>		
74,800	Delphi Automotive PLC(b)	2,861,100
49,750	Tenneco, Inc.(b)	1,746,722
		<u>4,607,822</u>
<b>Biotechnology — 1.1%</b>		
200,450	Elan Corp. PLC, Sponsored ADR(b)	2,046,595
4,889	Prothena Corp. PLC(b)	35,836
		<u>2,082,431</u>
<b>Capital Markets — 1.2%</b>		
102,075	SEI Investments Co.	2,382,431
<b>Chemicals — 3.6%</b>		
28,750	Airgas, Inc.	2,624,587
37,950	Celanese Corp., Series A	1,689,914
47,150	FMC Corp.	2,759,218
		<u>7,073,719</u>
<b>Commercial Banks — 7.9%</b>		
71,475	CIT Group, Inc.(b)	2,761,794
235,075	Fifth Third Bancorp	3,570,789
374,725	First Niagara Financial Group, Inc.	2,971,569
574,425	Huntington Bancshares, Inc.	3,670,576
336,025	Regions Financial Corp.	2,392,498
		<u>15,367,226</u>
<b>Computers &amp; Peripherals — 2.1%</b>		
162,500	NCR Corp.(b)	4,140,500
<b>Construction &amp; Engineering — 1.4%</b>		
101,275	Quanta Services, Inc.(b)	2,763,795
<b>Consumer Finance — 1.5%</b>		
148,125	Ezcorp, Inc., Class A(b)	2,941,763
<b>Containers &amp; Packaging — 3.6%</b>		
118,650	Crown Holdings, Inc.(b)	4,367,506
70,750	Packaging Corp. of America	2,721,753
		<u>7,089,259</u>
<b>Distributors — 0.8%</b>		
70,750	LKQ Corp.(b)	1,492,825
<b>Energy Equipment &amp; Services — 3.3%</b>		
63,000	Helmerich & Payne, Inc.	3,528,630
138,175	Superior Energy Services, Inc.(b)	2,862,986
		<u>6,391,616</u>
<b>Food Products — 1.9%</b>		
56,375	Ingredion, Inc.	3,632,241

Portfolio of Investments – as of December 31, 2012

Vaughan Nelson Value Opportunity Fund – (continued)

Shares	Description	Value (†)
	<b>Health Care Equipment &amp; Supplies — 0.5%</b>	
16,950	Sirona Dental Systems, Inc.(b)	\$ 1,092,597
	<b>Health Care Providers &amp; Services — 1.9%</b>	
120,475	HCA Holdings, Inc.	3,634,731
	<b>Health Care Technology — 1.0%</b>	
202,275	Allscripts Healthcare Solutions, Inc.(b)	1,905,431
	<b>Hotels, Restaurants &amp; Leisure — 0.9%</b>	
39,425	Darden Restaurants, Inc.	1,776,885
	<b>Household Durables — 2.7%</b>	
58,050	Jarden Corp.(b)	3,001,185
59,700	Lennar Corp., Class A	2,308,599
		5,309,784
	<b>Household Products — 1.4%</b>	
61,525	Spectrum Brands Holdings, Inc. (b)	2,764,318
	<b>Insurance — 9.4%</b>	
83,275	Endurance Specialty Holdings Ltd.	3,305,185
177,600	Hartford Financial Services Group, Inc. (The)	3,985,344
72,575	Reinsurance Group of America, Inc., Class A	3,884,214
94,325	Validus Holdings Ltd.	3,261,758
156,600	XL Group PLC	3,924,396
		18,360,897
	<b>IT Services — 5.9%</b>	
129,700	Broadridge Financial Solutions, Inc.	2,967,536
39,425	Fiserv, Inc.(b)	3,115,758
65,575	Global Payments, Inc.	2,970,547
37,950	MAXIMUS, Inc.	2,399,199
		11,453,040
	<b>Machinery — 6.5%</b>	
68,175	AGCO Corp.(b)	3,348,756
14,375	Flowserve Corp.	2,110,250
91,750	Navistar International Corp.(b)	1,997,397
53,800	Pentair Ltd. (Registered)	2,644,270
33,525	Snap-on, Inc.	2,648,140
		12,748,813
	<b>Media — 2.5%</b>	
50,475	CBS Corp., Class B	1,920,574
46,425	Discovery Communications, Inc., Class A(b)	2,947,059
		4,867,633
	<b>Metals &amp; Mining — 3.1%</b>	
52,250	Carpenter Technology Corp.	2,697,667
54,900	Reliance Steel & Aluminum Co.	3,409,290
		6,106,957

Portfolio of Investments – as of December 31, 2012

Vaughan Nelson Value Opportunity Fund – (continued)

Shares	Description	Value (†)
<b>Oil, Gas &amp; Consumable Fuels — 4.5%</b>		
169,500	Denbury Resources, Inc.(b)	\$ 2,745,900
30,225	Noble Energy, Inc.	3,075,091
27,625	Pioneer Natural Resources Co.	2,944,549
		<u>8,765,540</u>
<b>Pharmaceuticals — 2.8%</b>		
51,611	Valeant Pharmaceuticals International, Inc.(b)	3,084,789
197,125	Warner Chilcott PLC, Class A	2,373,385
		<u>5,458,174</u>
<b>Professional Services — 1.9%</b>		
65,225	Towers Watson & Co., Class A	3,666,297
<b>Semiconductors &amp; Semiconductor Equipment — 2.1%</b>		
74,800	Avago Technologies Ltd.	2,368,168
86,325	Skyworks Solutions, Inc.(b)	1,752,398
		<u>4,120,566</u>
<b>Software — 7.5%</b>		
53,800	BMC Software, Inc.(b)	2,133,708
37,950	Check Point Software Technologies Ltd.(b)	1,807,938
22,850	Intuit, Inc.	1,359,575
135,600	Nuance Communications, Inc.(b)	3,026,592
193,075	Rovi Corp.(b)	2,979,147
61,525	Solera Holdings, Inc.	3,289,742
		<u>14,596,702</u>
<b>Specialty Retail — 3.1%</b>		
67,850	Rent-A-Center, Inc.	2,331,326
68,900	Signet Jewelers Ltd.	3,679,260
		<u>6,010,586</u>
<b>Tobacco — 1.2%</b>		
21,000	Lorillard, Inc.	2,450,070
<b>Trading Companies &amp; Distributors — 3.9%</b>		
84,375	United Rentals, Inc.(b)	3,840,750
54,900	WESCO International, Inc.(b)	3,701,907
		<u>7,542,657</u>
	Total Common Stocks (Identified Cost \$170,821,025)	<u>183,961,981</u>
<b>Closed End Investment Companies — 1.5%</b>		
169,500	Ares Capital Corp. (Identified Cost \$2,580,405)	<u>2,966,250</u>

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Value Opportunity Fund – (continued)

Principal Amount	Description	Value (t)
<b>Short-Term Investments — 4.0%</b>		
\$ 7,795,742	Tri-Party Repurchase Agreement with Fixed Income Clearing Corporation, dated 12/31/2012 at 0.010% to be repurchased at \$7,795,746 on 01/02/2013 collateralized by \$7,905,000 Federal Home Loan Mortgage Corp., 1.650% due 11/15/2019 valued at \$7,954,406 including accrued interest (Note 2 of Notes to Financial Statements)	
	(Identified Cost \$7,795,742)	\$ 7,795,742
	Total Investments — 99.8%	
	(Identified Cost \$181,197,172)(a)	194,723,973
	Other assets less liabilities — 0.2%	335,885
	Net Assets — 100.0%	<u>\$ 195,059,858</u>

(t) See Note 2 of Notes to Financial Statements.

(a) Federal Tax Information:

At December 31, 2012, the net unrealized appreciation on investments based on a cost of \$182,261,485 for federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 21,741,811
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	<u>(9,279,323)</u>
Net unrealized appreciation	<u>\$ 12,462,488</u>

(b) Non-income producing security.

ADR An American Depositary Receipt is a certificate issued by a custodian bank representing the right to receive securities of the foreign issuer described. The values of ADRs may be significantly influenced by trading on exchanges not located in the United States.

Portfolio of Investments – as of December 31, 2012  
 Vaughan Nelson Value Opportunity Fund – (continued)  
 Industry Summary at December 31, 2012 (Unaudited)

Insurance	9.4%
Commercial Banks	7.9
Software	7.5
Machinery	6.5
IT Services	5.9
Oil, Gas & Consumable Fuels	4.5
Trading Companies & Distributors	3.9
Containers & Packaging	3.6
Chemicals	3.6
Energy Equipment & Services	3.3
Metals & Mining	3.1
Specialty Retail	3.1
Pharmaceuticals	2.8
Household Durables	2.7
Media	2.5
Auto Components	2.4
Computers & Peripherals	2.1
Semiconductors & Semiconductor Equipment	2.1
Other Investments, less than 2% each	18.9
Short-Term Investments	<u>4.0</u>
Total Investments	99.8
Other assets less liabilities	<u>0.2</u>
Net Assets	<u><u>100.0%</u></u>

# Statements of Assets & Liabilities

December 31, 2012

	<b>CGM Advisor Targeted Equity Fund</b>	<b>Harris Associates Large Cap Value Fund</b>	<b>McDonnell Intermediate Municipal Bond Fund</b>	<b>Vaughan Nelson Small Cap Value Fund</b>	<b>Vaughan Nelson Value Opportunity Fund</b>
<b>ASSETS</b>					
Investments at cost	\$474,323,198	\$113,340,717	\$14,858,524	\$289,441,818	\$181,197,172
Net unrealized appreciation (depreciation)	45,481,222	21,333,332	(157,484)	37,917,373	13,526,801
Investments at value	519,804,420	134,674,049	14,701,040	327,359,191	194,723,973
Cash	3,415	—	—	—	—
Receivable for Fund shares sold	116,050	125,199	—	130,916	1,168,950
Receivable for securities sold	37,142,747	—	—	—	—
Dividends and interest receivable	565,602	30,630	168,255	178,170	138,243
<b>TOTAL ASSETS</b>	<b>557,632,234</b>	<b>134,829,878</b>	<b>14,869,295</b>	<b>327,668,277</b>	<b>196,031,166</b>
<b>LIABILITIES</b>					
Payable for securities purchased	27,336,187	—	—	252,210	540,327
Payable for Fund shares redeemed	2,161,468	110,323	—	3,399,073	184,074
Management fees payable (Note 5)	317,135	66,218	4,309	249,042	129,063
Deferred Trustees' fees (Note 5)	766,001	405,389	22	175,895	40,624
Administrative fees payable (Note 5)	19,713	5,040	563	12,333	7,191
Payable to distributor (Note 5d)	3,350	568	—	3,751	2,123
Other accounts payable and accrued expenses	185,103	111,925	35,308	120,403	67,906
<b>TOTAL LIABILITIES</b>	<b>30,788,957</b>	<b>699,463</b>	<b>40,202</b>	<b>4,212,707</b>	<b>971,308</b>
<b>NET ASSETS</b>	<b>\$526,843,277</b>	<b>\$134,130,415</b>	<b>\$14,829,093</b>	<b>\$323,455,570</b>	<b>\$195,059,858</b>
<b>NET ASSETS CONSIST OF:</b>					
Paid-in capital	\$486,248,553	\$120,383,014	\$14,986,577	\$280,208,600	\$180,820,156
Distributions in excess of net investment income	(765,786)	(405,387)	—	(129,472)	(40,624)
Accumulated net realized gain (loss) on investments and foreign currency transactions	(4,120,712)	(7,180,544)	—	5,459,069	753,525
Net unrealized appreciation (depreciation) on investments	45,481,222	21,333,332	(157,484)	37,917,373	13,526,801
<b>NET ASSETS</b>	<b>\$526,843,277</b>	<b>\$134,130,415</b>	<b>\$14,829,093</b>	<b>\$323,455,570</b>	<b>\$195,059,858</b>

# Statements of Assets & Liabilities (continued)

December 31, 2012

	<b>CGM Advisor Targeted Equity Fund</b>	<b>Harris Associates Large Cap Value Fund</b>	<b>McDonnell Intermediate Municipal Bond Fund</b>	<b>Vaughan Nelson Small Cap Value Fund</b>	<b>Vaughan Nelson Value Opportunity Fund</b>
<b>COMPUTATION OF NET ASSET VALUE AND OFFERING PRICE:</b>					
<b>Class A shares:</b>					
Net assets	\$438,288,125	\$113,869,637	\$ 989	\$160,399,673	\$ 28,381,103
Shares of beneficial interest	42,848,608	7,078,667	100	8,457,123	1,831,975
Net asset value and redemption price per share	\$ 10.23	\$ 16.09	\$ 9.89	\$ 18.97	\$ 15.49
Offering price per share (100/[100-maximum sales charge] of net asset value) (Note 1)	\$ 10.85	\$ 17.07	\$ 10.25	\$ 20.13	\$ 16.44
<b>Class B shares:</b> (redemption price per share is equal to net asset value less any applicable contingent deferred sales charge) (Note 1)					
Net assets	\$ 3,446,541	\$ 2,144,902	\$ —	\$ 3,105,814	\$ —
Shares of beneficial interest	376,767	144,661	—	198,507	—
Net asset value and offering price per share	\$ 9.15	\$ 14.83	\$ —	\$ 15.65	\$ —
<b>Class C shares:</b> (redemption price per share is equal to net asset value less any applicable contingent deferred sales charge) (Note 1)					
Net assets	\$ 35,224,828	\$ 6,015,973	\$ 989	\$ 26,980,392	\$ 3,090,024
Shares of beneficial interest	3,874,273	407,857	100	1,725,570	203,171
Net asset value and offering price per share	\$ 9.09	\$ 14.75	\$ 9.89	\$ 15.64	\$ 15.21
<b>Class Y shares:</b>					
Net assets	\$ 49,883,783	\$ 12,099,903	\$14,827,115	\$132,969,691	\$163,588,731
Shares of beneficial interest	4,756,287	727,495	1,500,000	6,910,063	10,506,751
Net asset value, offering and redemption price per share	\$ 10.49	\$ 16.63	\$ 9.88	\$ 19.24	\$ 15.57

# Statements of Operations

For the Year Ended December 31, 2012

	<b>CGM Advisor Targeted Equity Fund</b>	<b>Harris Associates Large Cap Value Fund</b>	<b>McDonnell Intermediate Municipal Bond Fund(a)</b>
<b>INVESTMENT INCOME</b>			
Dividends	\$11,491,514(b)	\$ 2,791,919	\$ —
Interest	2,247	228	27,371
Less net foreign taxes withheld	(67,540)	(4,152)	—
	<u>11,426,221</u>	<u>2,787,995</u>	<u>27,371</u>
Expenses			
Management fees (Note 5)	4,150,039	944,008	7,349
Service and distribution fees (Note 5)	1,669,848	375,619	—
Administrative fees (Note 5)	263,663	60,785	819
Trustees' fees and expenses (Note 5)	121,948	68,115	58
Transfer agent fees and expenses (Note 5)	643,287	224,871	5
Audit and tax services fees	45,341	41,215	32,500
Custodian fees and expenses	37,095	21,783	2,322
Legal fees	9,481	2,155	21
Registration fees	64,892	59,741	—
Shareholder reporting expenses	85,030	28,174	200
Miscellaneous expenses	20,390	10,207	263
Total expenses	7,111,014	1,836,673	43,537
Less waiver and/or expense reimbursement (Note 5)	—	(45,044)	(743)
Net expenses	<u>7,111,014</u>	<u>1,791,629</u>	<u>42,794</u>
Net investment income (loss)	<u>4,315,207</u>	<u>996,366</u>	<u>(15,423)</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS</b>			
Net realized gain on:			
Investments	47,297,560	3,988,484	—
Foreign currency transactions	655	—	—
Net change in unrealized appreciation (depreciation) on:			
Investments	<u>31,061,066</u>	<u>15,718,145</u>	<u>(157,484)</u>
Net realized and unrealized gain (loss) on investments and foreign currency transactions	<u>78,359,281</u>	<u>19,706,629</u>	<u>(157,484)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u>\$82,674,488</u>	<u>\$20,702,995</u>	<u>\$(172,907)</u>

(a) From commencement of operations on November 16, 2012 through December 31, 2012.

(b) Includes non-recurring dividends of \$3,280,000.

# Statements of Operations (continued)

For the Year Ended December 31, 2012

	Vaughan Nelson Small Cap Value Fund	Vaughan Nelson Value Opportunity Fund
<b>INVESTMENT INCOME</b>		
Dividends	\$ 7,818,399(c)	\$ 4,055,175(c)
Interest	442	194
Less net foreign taxes withheld	(2,779)	—
	<u>7,816,062</u>	<u>4,055,369</u>
Expenses		
Management fees (Note 5)	3,390,660	1,425,190
Service and distribution fees (Note 5)	847,303	94,283
Administrative fees (Note 5)	169,888	80,249
Trustees' fees and expenses (Note 5)	43,421	22,931
Transfer agent fees and expenses (Note 5)	456,449	193,748
Audit and tax services fees	39,326	38,019
Custodian fees and expenses	33,646	23,516
Legal fees	6,282	2,796
Registration fees	83,283	56,407
Shareholder reporting expenses	60,009	33,659
Miscellaneous expenses	19,985	10,807
Total expenses	<u>5,150,252</u>	<u>1,981,605</u>
Net investment income	<u>2,665,810</u>	<u>2,073,764</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS</b>		
Net realized gain (loss) on:		
Investments	25,930,055	6,478,478
Foreign currency transactions	(168)	—
Net change in unrealized appreciation (depreciation) on:		
Investments	<u>24,173,221</u>	<u>14,399,847</u>
Net realized and unrealized gain on investments and foreign currency transactions	<u>50,103,108</u>	<u>20,878,325</u>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
	<u>\$52,768,918</u>	<u>\$22,952,089</u>

(c) Includes non-recurring dividends of \$1,701,273 and \$1,415,388 for Vaughan Nelson Small Cap Value Fund and Vaughan Nelson Value Opportunity Fund, respectively.

# Statements of Changes in Net Assets

	<b>CGM Advisor Targeted Equity Fund</b>	
	<b>Year Ended December 31, 2012</b>	<b>Year Ended December 31, 2011</b>
<b>FROM OPERATIONS:</b>		
Net investment income	\$ 4,315,207	\$ 3,279,660
Net realized gain on investments and foreign currency transactions	47,298,215	100,088,779
Net change in unrealized appreciation (depreciation) on investments	31,061,066	(243,921,485)
Net increase (decrease) in net assets resulting from operations	<u>82,674,488</u>	<u>(140,553,046)</u>
<b>FROM DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net investment income		
Class A	(3,813,264)	(2,783,146)
Class B	(610)	—
Class C	(31,566)	—
Class Y	(557,124)	(488,284)
Net realized capital gains		
Class A	(19,506,253)	—
Class B	(170,718)	—
Class C	(1,766,210)	—
Class Y	(2,163,006)	—
Total distributions	<u>(28,008,751)</u>	<u>(3,271,430)</u>
<b>NET DECREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS (NOTE 9)</b>	<u>(140,868,009)</u>	<u>(225,503,135)</u>
Net decrease in net assets	(86,202,272)	(369,327,611)
<b>NET ASSETS</b>		
Beginning of the year	<u>613,045,549</u>	<u>982,373,160</u>
End of the year	<u>\$ 526,843,277</u>	<u>\$ 613,045,549</u>
<b>DISTRIBUTIONS IN EXCESS OF NET INVESTMENT INCOME</b>	<u>\$ (765,786)</u>	<u>\$ (663,505)</u>

# Statements of Changes in Net Assets (continued)

	<b>Harris Associates Large Cap Value Fund</b>	
	<b>Year Ended December 31, 2012</b>	<b>Year Ended December 31, 2011</b>
<b>FROM OPERATIONS:</b>		
Net investment income	\$ 996,366	\$ 706,958
Net realized gain on investments	3,988,484	2,453,610
Net change in unrealized appreciation (depreciation) on investments	15,718,145	(5,021,499)
Net increase (decrease) in net assets resulting from operations	<u>20,702,995</u>	<u>(1,860,931)</u>
<b>FROM DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net investment income		
Class A	(913,298)	(683,171)
Class B	—	(1,388)
Class C	(8,756)	(2,052)
Class Y	(122,737)	(65,626)
Total distributions	<u>(1,044,791)</u>	<u>(752,237)</u>
<b>NET DECREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS (NOTE 9)</b>	<u>(10,081,022)</u>	<u>(14,370,952)</u>
Net increase (decrease) in net assets	9,577,182	(16,984,120)
<b>NET ASSETS</b>		
Beginning of the year	124,553,233	141,537,353
End of the year	<u>\$134,130,415</u>	<u>\$124,553,233</u>
<b>DISTRIBUTIONS IN EXCESS OF NET INVESTMENT INCOME</b>	<u>\$ (405,387)</u>	<u>\$ (347,644)</u>

**McDonnell  
Intermediate  
Municipal  
Bond Fund**

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**Period Ended  
December 31,  
2012 (a)**

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**FROM OPERATIONS:**

Net investment loss	\$ (15,423)
Net change in unrealized appreciation (depreciation) on investments	(157,484)
Net decrease in net assets resulting from operations	<u>(172,907)</u>

**NET INCREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS (NOTE 9)**

15,002,000

Net increase in net assets	14,829,093
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**NET ASSETS**

Beginning of the period	<u>—</u>
End of the period	<u>\$14,829,093</u>

**UNDISTRIBUTED NET INVESTMENT INCOME**

\$ —

(a) From commencement of operations on November 16, 2012 through December 31, 2012.

# Statements of Changes in Net Assets (continued)

	<b>Vaughan Nelson Small Cap Value Fund</b>	
	<b>Year Ended December 31, 2012</b>	<b>Year Ended December 31, 2011</b>
<b>FROM OPERATIONS:</b>		
Net investment income	\$ 2,665,810	\$ 2,383,062
Net realized gain on investments and foreign currency transactions	25,929,887	70,526,494
Net change in unrealized appreciation (depreciation) on investments	24,173,221	(91,520,839)
Net increase (decrease) in net assets resulting from operations	<u>52,768,918</u>	<u>(18,611,283)</u>
<b>FROM DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net investment income		
Class A	(1,095,844)	(1,089,250)
Class B	—	(280)
Class C	(23,674)	—
Class Y	(1,287,864)	(986,874)
Net realized capital gains		
Class A	(11,383,253)	(49,424,710)
Class B	(256,797)	(1,141,557)
Class C	(2,136,731)	(7,191,157)
Class Y	(8,612,912)	(29,760,594)
Total distributions	<u>(24,797,075)</u>	<u>(89,594,422)</u>
<b>NET DECREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS (NOTE 9)</b>	<u>(98,018,043)</u>	<u>(29,639,917)</u>
Net decrease in net assets	(70,046,200)	(137,845,622)
<b>NET ASSETS</b>		
Beginning of the year	<u>393,501,770</u>	<u>531,347,392</u>
End of the year	<u>\$323,455,570</u>	<u>\$ 393,501,770</u>
<b>DISTRIBUTIONS IN EXCESS OF NET INVESTMENT INCOME</b>	<u>\$ (129,472)</u>	<u>\$ (145,563)</u>

**Vaughan Nelson Value  
Opportunity Fund**

	<b>Year Ended December 31, 2012</b>	<b>Year Ended December 31, 2011</b>
<b>FROM OPERATIONS:</b>		
Net investment income	\$ 2,073,764	\$ 141,286
Net realized gain on investments	6,478,478	4,262,752
Net change in unrealized appreciation (depreciation) on investments	14,399,847	(8,855,945)
Net increase (decrease) in net assets resulting from operations	22,952,089	(4,451,907)
<b>FROM DISTRIBUTIONS TO SHAREHOLDERS:</b>		
Net investment income		
Class A	(246,978)	—
Class C	(7,944)	—
Class Y	(1,789,205)	(112,793)
Net realized capital gains		
Class A	(707,026)	(786,318)
Class C	(78,628)	(66,223)
Class Y	(4,019,631)	(4,052,804)
Total distributions	(6,849,412)	(5,018,138)
<b>NET INCREASE IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS (NOTE 9)</b>	46,408,042	89,212,415
Net increase in net assets	62,510,719	79,742,370
<b>NET ASSETS</b>		
Beginning of the year	132,549,139	52,806,769
End of the year	\$195,059,858	\$132,549,139
<b>DISTRIBUTIONS IN EXCESS OF NET INVESTMENT INCOME</b>	\$ (40,624)	\$ (27,627)

# Financial Highlights

For a share outstanding throughout each period.

	Income (Loss) From Investment Operations:				Less Distributions:		
	Net asset value, beginning of the period	Net investment income (loss) (a)(b)	Net realized and unrealized gain (loss)	Total from investment operations	Dividends from net investment income (b)	Distributions from net realized capital gains	Total distributions (b)
<b>CGM ADVISOR TARGETED EQUITY FUND</b>							
<b>Class A</b>							
12/31/2012	\$ 9.36	\$ 0.08(g)	\$ 1.36	\$ 1.44	\$(0.09)	\$(0.48)	\$(0.57)
12/31/2011	11.12	0.05	(1.76)	(1.71)	(0.05)	—	(0.05)
12/31/2010	9.54	0.05(h)	1.58	1.63	(0.05)	—	(0.05)
12/31/2009	7.66	0.05	1.88	1.93	(0.05)	—	(0.05)
12/31/2008	13.01	0.09	(4.94)	(4.85)	(0.06)	(0.44)	(0.50)
<b>Class B</b>							
12/31/2012	8.41	(0.00)(g)	1.22	1.22	(0.00)	(0.48)	(0.48)
12/31/2011	10.01	(0.03)	(1.57)	(1.60)	—	—	—
12/31/2010	8.61	(0.02)(h)	1.42	1.40	(0.00)	—	(0.00)
12/31/2009	6.92	(0.01)	1.70	1.69	—	—	—
12/31/2008	11.81	(0.00)	(4.45)	(4.45)	(0.00)	(0.44)	(0.44)
<b>Class C</b>							
12/31/2012	8.37	(0.00)(g)	1.20	1.20	(0.00)	(0.48)	(0.48)
12/31/2011	9.96	(0.03)	(1.56)	(1.59)	—	—	—
12/31/2010	8.57	(0.02)(h)	1.41	1.39	(0.00)	—	(0.00)
12/31/2009	6.89	(0.01)	1.69	1.68	(0.00)	—	(0.00)
12/31/2008	11.79	0.02	(4.46)	(4.44)	(0.02)	(0.44)	(0.46)
<b>Class Y</b>							
12/31/2012	9.59	0.11(g)	1.39	1.50	(0.12)	(0.48)	(0.60)
12/31/2011	11.40	0.07	(1.80)	(1.73)	(0.08)	—	(0.08)
12/31/2010	9.78	0.07(h)	1.63	1.70	(0.08)	—	(0.08)
12/31/2009	7.84	0.06	1.96	2.02	(0.08)	—	(0.08)
12/31/2008	13.32	0.13	(5.09)	(4.96)	(0.08)	(0.44)	(0.52)

- Per share net investment income (loss) has been calculated using the average shares outstanding during the period.
- Amount rounds to less than \$0.01 per share, if applicable.
- Had certain expenses not been waived/reimbursed during the period, if applicable, total returns would have been lower.
- A sales charge for Class A shares and a contingent deferred sales charge for Class B and Class C shares are not reflected in total return calculations. Periods less than one year, if applicable, are not annualized.
- The investment adviser and/or administrator agreed to waive its fees and/or reimburse a portion of the Fund's expenses during the period. Without this waiver/reimbursement, if applicable, expenses would have been higher.
- Computed on an annualized basis for periods less than one year, if applicable.

**Ratios to Average Net Assets:**

<b>Redemption fees (b)</b>	<b>Net asset value, end of the period</b>	<b>Total return (%) (c)(d)</b>	<b>Net assets, end of the period (000's)</b>	<b>Net expenses (%) (e)(f)</b>	<b>Gross expenses (%) (f)</b>	<b>Net investment income (loss) (%) (f)</b>	<b>Portfolio turnover rate (%)</b>
\$ —	\$10.23	15.44(g)	\$438,288	1.18	1.18	0.78(g)	192
—	9.36	(15.36)	503,330	1.13	1.13	0.45	236
—	11.12	17.14	753,518	1.16	1.16	0.52(h)	146
—	9.54	25.19	693,386	1.19	1.19	0.69	170
0.00(i)	7.66	(38.36)	796,146	1.10	1.10	0.83	211
—	9.15	14.54(g)	3,447	1.93	1.93	(0.05)(g)	192
—	8.41	(15.98)	5,296	1.88	1.88	(0.32)	236
—	10.01	16.26	9,934	1.91	1.91	(0.28)(h)	146
—	8.61	24.42	12,401	1.94	1.94	(0.11)	170
0.00(i)	6.92	(38.90)	13,971	1.85	1.85	(0.03)	211
—	9.09	14.45(g)	35,225	1.93	1.93	(0.02)(g)	192
—	8.37	(15.96)	47,416	1.88	1.88	(0.32)	236
—	9.96	16.22	81,291	1.91	1.91	(0.23)(h)	146
—	8.57	24.42	75,098	1.95	1.95	(0.14)	170
0.00(i)	6.89	(38.85)	59,544	1.85	1.85	0.17	211
—	10.49	15.69(g)	49,884	0.93	0.93	1.02(g)	192
—	9.59	(15.16)	57,003	0.87	0.87	0.62	236
—	11.40	17.39	137,631	0.91	0.91	0.69(h)	146
—	9.78	25.75	265,441	0.94	0.94	0.64	170
0.00(i)	7.84	(38.28)	44,240	0.85	0.85	1.21	211

- (g) Includes non-recurring dividends. Without these dividends, net investment income (loss) per share would have been \$0.02, \$(0.05), \$(0.05) and \$0.05 for Class A, Class B, Class C and Class Y shares, respectively, total returns would have been 14.81%, 13.83%, 13.86% and 14.96% for Class A, Class B, Class C and Class Y shares, respectively and the ratios of net investment income (loss) to average net assets would have been 0.21%, (0.56)%, (0.55)% and 0.47% for Class A, Class B, Class C and Class Y shares, respectively.
- (h) Includes a non-recurring dividend. Without this dividend, net investment income (loss) per share would have been \$0.02, \$(0.05), \$(0.05) and \$0.05 for Class A, Class B, Class C and Class Y shares, respectively, and the ratio of net investment income (loss) to average net assets would have been 0.23%, (0.53)%, (0.52)% and 0.48% for Class A, Class B, Class C and Class Y shares, respectively.
- (i) Effective June 2, 2008, redemption fees were eliminated.

# Financial Highlights (continued)

For a share outstanding throughout each period.

	Income (Loss) From Investment Operations:				Less Distributions:		
	Net asset value, beginning of the period	Net investment income (loss) (a)(b)	Net realized and unrealized gain (loss)	Total from investment operations	Dividends from net investment income (b)	Distributions from net realized capital gains	Total distributions (b)
<b>HARRIS ASSOCIATES LARGE CAP VALUE FUND</b>							
<b>Class A</b>							
12/31/2012	\$13.86	\$ 0.12	\$ 2.24	\$ 2.36	\$(0.13)	\$—	\$(0.13)
12/31/2011	14.17	0.08	(0.30)	(0.22)	(0.09)	—	(0.09)
12/31/2010	12.58	0.05	1.60	1.65	(0.06)	—	(0.06)
12/31/2009	8.77	0.05(h)	3.81	3.86	(0.05)	—	(0.05)
12/31/2008	14.97	0.13	(6.20)	(6.07)	(0.13)	—	(0.13)
<b>Class B</b>							
12/31/2012	12.76	(0.01)	2.08	2.07	—	—	—
12/31/2011	13.07	(0.03)	(0.28)	(0.31)	(0.00)	—	(0.00)
12/31/2010	11.65	(0.05)	1.48	1.43	(0.01)	—	(0.01)
12/31/2009	8.16	(0.02)(h)	3.52	3.50	(0.01)	—	(0.01)
12/31/2008	13.84	0.03	(5.70)	(5.67)	(0.01)	—	(0.01)
<b>Class C</b>							
12/31/2012	12.72	0.00	2.05	2.05	(0.02)	—	(0.02)
12/31/2011	13.02	(0.03)	(0.27)	(0.30)	(0.00)	—	(0.00)
12/31/2010	11.61	(0.05)	1.47	1.42	(0.01)	—	(0.01)
12/31/2009	8.13	(0.02)(h)	3.51	3.49	(0.01)	—	(0.01)
12/31/2008	13.82	0.03	(5.69)	(5.66)	(0.03)	—	(0.03)
<b>Class Y</b>							
12/31/2012	14.32	0.17	2.31	2.48	(0.17)	—	(0.17)
12/31/2011	14.65	0.12	(0.33)	(0.21)	(0.12)	—	(0.12)
12/31/2010	12.99	0.08	1.67	1.75	(0.09)	—	(0.09)
12/31/2009	9.05	0.08(h)	3.93	4.01	(0.07)	—	(0.07)
12/31/2008	15.47	0.19	(6.42)	(6.23)	(0.19)	—	(0.19)

- (a) Per share net investment income (loss) has been calculated using the average shares outstanding during the period.
- (b) Amount rounds to less than \$0.01 per share, if applicable.
- (c) A sales charge for Class A shares and a contingent deferred sales charge for Class B and Class C shares are not reflected in total return calculations. Periods less than one year, if applicable, are not annualized.
- (d) Had certain expenses not been waived/reimbursed during the period, if applicable, total returns would have been lower.
- (e) The investment adviser and/or administrator agreed to waive its fees and/or reimburse a portion of the Fund's expenses during the period. Without this waiver/reimbursement, if applicable, expenses would have been higher.
- (f) Computed on an annualized basis for periods less than one year, if applicable.
- (g) Includes fee/expense recovery of 0.01%.
- (h) Includes a non-recurring dividend of \$0.01 per share.

**Ratios to Average Net Assets:**

<b>Increase from regulatory settlements (b)</b>	<b>Net asset value, end of the period</b>	<b>Total return (%) (c)(d)</b>	<b>Net assets, end of the period (000's)</b>	<b>Net expenses (%) (e)(f)</b>	<b>Gross expenses (%) (f)</b>	<b>Net investment income (loss) (%) (f)</b>	<b>Portfolio turnover rate (%)</b>
\$ —	\$16.09	17.03	\$113,870	1.30	1.33	0.77	25
—	13.86	(1.56)	107,978	1.30(g)	1.30(g)	0.57	36
—	14.17	13.08	118,938	1.30	1.39	0.36	32
0.00	12.58	44.03	113,309	1.30	1.50	0.53	131
—	8.77	(40.45)	85,761	1.28	1.28	1.04	38
—	14.83	16.22	2,145	2.05	2.08	(0.04)	25
—	12.76	(2.34)	3,341	2.05(g)	2.05(g)	(0.21)	36
—	13.07	12.31	5,614	2.05	2.13	(0.40)	32
0.00	11.65	42.88	7,864	2.05	2.25	(0.22)	131
—	8.16	(40.87)	8,191	2.03	2.04	0.25	38
—	14.75	16.13	6,016	2.05	2.08	0.02	25
—	12.72	(2.28)	5,667	2.05(g)	2.05(g)	(0.19)	36
—	13.02	12.26	7,399	2.05	2.14	(0.39)	32
0.00	11.61	42.91	7,208	2.05	2.25	(0.22)	131
—	8.13	(40.90)	6,222	2.03	2.03	0.26	38
—	16.63	17.33	12,100	1.05	1.09	1.04	25
—	14.32	(1.40)	7,567	1.05(g)	1.05(g)	0.80	36
—	14.65	13.47	9,586	1.05	1.14	0.61	32
0.00	12.99	44.39	7,450	1.05	1.12	0.77	131
—	9.05	(40.18)	5,842	0.84	0.84	1.47	38

# Financial Highlights (continued)

For a share outstanding throughout each period.

	Loss from Investment Operations:				Less Distributions:		
	Net asset value, beginning of the period	Net investment loss (a)	Net realized and unrealized gain	Total from investment operations	Dividends from net investment income	Distributions from net realized capital gains	Total distributions
<b>McDONNELL INTERMEDIATE MUNICIPAL BOND FUND</b>							
<b>Class A</b>							
12/31/2012(f)	\$10.00	\$(0.01)	\$(0.10)	\$(0.11)	\$—	\$—	\$—
<b>Class C</b>							
12/31/2012(f)	10.00	(0.01)	(0.10)	(0.11)	—	—	—
<b>Class Y</b>							
12/31/2012(f)	10.00	(0.01)	(0.11)	(0.12)	—	—	—

- (a) Per share net investment loss has been calculated using the average shares outstanding during the period.
- (b) A sales charge for Class A shares and a contingent deferred sales charge for Class C shares are not reflected in total return calculations. Periods less than one year, if applicable, are not annualized.
- (c) Had certain expenses not been waived/reimbursed during the period, if applicable, total returns would have been lower.
- (d) The investment adviser agreed to waive its fees and/or reimburse a portion of the Fund's expenses during the period. Without this waiver/reimbursement, if applicable, expenses would have been higher.
- (e) Computed on an annualized basis for periods less than one year, if applicable.
- (f) From commencement of operations on November 16, 2012 through December 31, 2012.
- (g) Prior to December 31, 2012, there was no expense limitation agreement in place for the Fund (See Note 5 of Notes to Financial Statements).

Ratios to Average Net Assets:

<u>Net asset value, end of the period</u>	<u>Total return (%) (b)(c)</u>	<u>Net assets, end of the period (000's)</u>	<u>Net expenses (%) (d)(e)</u>	<u>Gross expenses (%) (e)</u>	<u>Net investment loss (%) (e)</u>	<u>Portfolio turnover rate (%)</u>
\$9.89	(1.10)	\$ 1	2.19(g)	2.23	(0.71)	0
9.89	(1.10)	1	2.20(g)	2.24	(0.73)	0
9.88	(1.20)	14,827	2.33(g)	2.37	(0.84)	0

# Financial Highlights (continued)

For a share outstanding throughout each period.

	Income (Loss) From Investment Operations:				Less Distributions:		
	Net asset value, beginning of the period	Net investment income (loss) (a)	Net realized and unrealized gain (loss)	Total from investment operations	Dividends from net investment income (b)	Distributions from net realized capital gains	Total distributions
<b>VAUGHAN NELSON SMALL CAP VALUE FUND</b>							
<b>Class A</b>							
12/31/2012	\$17.74	\$ 0.13(g)	\$ 2.50	\$ 2.63	\$(0.14)	\$(1.26)	\$(1.40)
12/31/2011	22.69	0.10	(0.83)	(0.73)	(0.09)	(4.13)	(4.22)
12/31/2010	22.31	(0.01)	5.27	5.26	—	(4.90)	(4.90)
12/31/2009	17.42	0.05(h)	4.88	4.93	(0.04)	—	(0.04)
12/31/2008	22.11	0.03	(4.69)	(4.66)	—	(0.03)	(0.03)
<b>Class B</b>							
12/31/2012	14.84	(0.02)(g)	2.09	2.07	—	(1.26)	(1.26)
12/31/2011	19.73	(0.07)	(0.69)	(0.76)	(0.00)	(4.13)	(4.13)
12/31/2010	20.06	(0.17)	4.72	4.55	—	(4.90)	(4.90)
12/31/2009	15.76	(0.09)(h)	4.39	4.30	—	—	—
12/31/2008	20.15	(0.14)	(4.22)	(4.36)	—	(0.03)	(0.03)
<b>Class C</b>							
12/31/2012	14.85	(0.01)(g)	2.08	2.07	(0.02)	(1.26)	(1.28)
12/31/2011	19.74	(0.06)	(0.70)	(0.76)	—	(4.13)	(4.13)
12/31/2010	20.07	(0.16)	4.71	4.55	—	(4.90)	(4.90)
12/31/2009	15.76	(0.08)(h)	4.39	4.31	—	—	—
12/31/2008	20.16	(0.13)	(4.24)	(4.37)	—	(0.03)	(0.03)
<b>Class Y</b>							
12/31/2012	17.99	0.18(g)	2.53	2.71	(0.20)	(1.26)	(1.46)
12/31/2011	22.96	0.15	(0.84)	(0.69)	(0.15)	(4.13)	(4.28)
12/31/2010	22.47	0.06	5.31	5.37	—	(4.90)	(4.90)
12/31/2009	17.55	0.12(h)	4.90	5.02	(0.10)	—	(0.10)
12/31/2008	22.20	0.12	(4.74)	(4.62)	—	(0.03)	(0.03)

- (a) Per share net investment income (loss) has been calculated using the average shares outstanding during the period.
- (b) Amount rounds to less than \$0.01 per share, if applicable.
- (c) A sales charge for Class A shares and a contingent deferred sales charge for Class B and Class C shares are not reflected in total return calculations. Periods less than one year, if applicable, are not annualized.
- (d) Had certain expenses not been waived/reimbursed during the period, if applicable, total returns would have been lower.
- (e) The investment adviser and/or administrator agreed to waive its fees and/or reimburse a portion of the Fund's expenses during the period. Without this waiver/reimbursement, if applicable, expenses would have been higher.
- (f) Computed on an annualized basis for periods less than one year, if applicable.

**Ratios to Average Net Assets:**

Increase from regulatory settlements	Redemption fees (b)	Net asset value, end of the period	Total return (%) (c)(d)	Net assets, end of the period (000's)	Net expenses (%) (e)(f)	Gross expenses (%) (f)	Net investment income (loss) (%) (f)	Portfolio turnover rate (%)
\$ —	\$ —	\$18.97	14.93(g)	\$160,400	1.39	1.39	0.67(g)	73
—	—	17.74	(3.77)	228,445	1.36	1.36	0.44	88
0.02	—	22.69	23.67	267,192	1.41	1.41	(0.03)	80
—	—	22.31	28.30	322,961	1.45	1.49	0.27	102
—	0.00(i)	17.42	(21.11)	171,875	1.45	1.51	0.13	124
—	—	15.65	14.12(g)	3,106	2.14	2.14	(0.14)(g)	73
—	—	14.84	(4.51)	4,657	2.11	2.11	(0.38)	88
0.02	—	19.73	22.78	7,996	2.16	2.16	(0.78)	80
—	—	20.06	27.28	10,630	2.20	2.24	(0.56)	102
—	0.00(i)	15.76	(21.67)	11,788	2.20	2.26	(0.78)	124
—	—	15.64	14.08(g)	26,980	2.14	2.14	(0.07)(g)	73
—	—	14.85	(4.51)	30,284	2.11	2.11	(0.33)	88
0.02	—	19.74	22.78	38,855	2.16	2.16	(0.76)	80
—	—	20.07	27.35	39,238	2.20	2.24	(0.48)	102
—	0.00(i)	15.76	(21.71)	21,861	2.20	2.26	(0.68)	124
—	—	19.24	15.18(g)	132,970	1.14	1.14	0.95(g)	73
—	—	17.99	(3.54)	130,115	1.10	1.10	0.65	88
0.02	—	22.96	24.00	217,305	1.16	1.16	0.24	80
—	—	22.47	28.61	232,903	1.18(j)	1.18(j)	0.60	102
—	0.00(i)	17.55	(20.81)	71,568	1.20	1.21	0.65	124

(g) Includes non-recurring dividends. Without these dividends, net investment income (loss) per share would have been \$0.04, \$(0.09), \$(0.08) and \$0.10 for Class A, Class B, Class C and Class Y shares, respectively, total return would have been 14.42%, 13.64%, 13.52% and 14.73% for Class A, Class B, Class C and Class Y shares, respectively and the ratio of net investment income (loss) to average net assets would have been 0.22%, (0.56)%, (0.51)% and 0.50% for Class A, Class B, Class C and Class Y shares, respectively.

(h) Includes a non-recurring dividend of \$0.03 per share.

(i) Effective June 2, 2008, redemption fees were eliminated.

(j) Includes fee/expense recovery of less than 0.01%.

# Financial Highlights (continued)

For a share outstanding throughout each period.

	Income (Loss) From Investment Operations:				Less Distributions:		
	Net asset value, beginning of the period	Net investment income (loss) (a)	Net realized and unrealized gain (loss)	Total from investment operations	Dividends from net investment income (b)	Distributions from net realized capital gains	Distributions from paid-in capital
<b>VAUGHAN NELSON VALUE OPPORTUNITY FUND</b>							
<b>Class A</b>							
12/31/2012	\$13.83	\$ 0.15(g)	\$ 2.05	\$ 2.20	\$(0.14)	\$(0.40)	\$ —
12/31/2011	14.75	(0.01)	(0.39)	(0.40)	—	(0.52)	—
12/31/2010	12.46	0.08(i)	2.36	2.44	(0.07)	(0.02)	(0.06)
12/31/2009	9.60	0.09	2.88	2.97	(0.04)	(0.07)	—
12/31/2008(j)	10.00	0.03	(0.41)	(0.38)	(0.02)	—	—
<b>Class C</b>							
12/31/2012	13.60	0.04(g)	2.01	2.05	(0.04)	(0.40)	—
12/31/2011	14.63	(0.12)	(0.39)	(0.51)	—	(0.52)	—
12/31/2010	12.39	(0.03)(i)	2.36	2.33	(0.04)	(0.02)	(0.03)
12/31/2009	9.59	(0.02)	2.89	2.87	(0.00)	(0.07)	—
12/31/2008(j)	10.00	0.02	(0.41)	(0.39)	(0.02)	—	—
<b>Class Y</b>							
12/31/2012	13.89	0.18(g)	2.08	2.26	(0.18)	(0.40)	—
12/31/2011	14.80	0.03	(0.41)	(0.38)	(0.01)	(0.52)	—
12/31/2010	12.49	0.12(i)	2.37	2.49	(0.09)	(0.02)	(0.07)
12/31/2009	9.60	0.10	2.90	3.00	(0.04)	(0.07)	—
12/31/2008(j)	10.00	0.03	(0.40)	(0.37)	(0.03)	—	—

- Per share net investment income (loss) has been calculated using the average shares outstanding during the period.
- Amount rounds to less than \$0.01 per share, if applicable.
- A sales charge for Class A shares and a contingent deferred sales charge for Class C shares are not reflected in total return calculations. Periods less than one year, if applicable, are not annualized.
- Had certain expenses not been waived/reimbursed during the period, if applicable, total returns would have been lower.
- The investment adviser and/or administrator agreed to waive its fees and/or reimburse a portion of the Fund's expenses during the period. Without this waiver/reimbursement, if applicable, expenses would have been higher.
- Computed on an annualized basis for periods less than one year, if applicable.

**Ratios to Average Net Assets:**

<b>Total distributions</b>	<b>Net asset value, end of the period</b>	<b>Total return (%) (c)(d)</b>	<b>Net assets, end of the period (000's)</b>	<b>Net expenses (%) (e)(f)</b>	<b>Gross expenses (%) (f)</b>	<b>Net investment income (loss) (%) (f)</b>	<b>Portfolio turnover rate (%)</b>
\$(0.54)	\$15.49	15.93(g)	\$ 28,381	1.31	1.31	0.97(g)	65
(0.52)	13.83	(2.71)	21,308	1.40(h)	1.40(h)	(0.07)	75
(0.15)	14.75	19.64	11,268	1.40	1.69	0.62(i)	143
(0.11)	12.46	30.98	3,645	1.40	5.24	0.79	45
(0.02)	9.60	(3.75)	16	1.40	39.61	1.92	12
(0.44)	15.21	15.10(g)	3,090	2.06	2.06	0.24(g)	65
(0.52)	13.60	(3.48)	1,822	2.15(h)	2.15(h)	(0.83)	75
(0.09)	14.63	18.85	824	2.15	2.46	(0.23)(i)	143
(0.07)	12.39	30.01	370	2.15	8.54	(0.14)	45
(0.02)	9.59	(3.90)	41	2.15	40.36	1.62	12
(0.58)	15.57	16.28(g)	163,589	1.06	1.06	1.22(g)	65
(0.53)	13.89	(2.53)	109,419	1.15(h)	1.15(h)	0.23	75
(0.18)	14.80	19.96	40,715	1.15	1.43	0.92(i)	143
(0.11)	12.49	31.37	8,626	1.15	7.22	0.90	45
(0.03)	9.60	(3.74)	960	1.15	38.91	1.41	12

- (g) Includes non-recurring dividends. Without these dividends, net investment income (loss) per share would have been \$0.02, \$(0.08) and \$0.06 for Class A, Class C and Class Y shares, respectively, total returns would have been 15.06%, 14.21% and 15.41% for Class A, Class C and Class Y shares, respectively and the ratios of net investment income (loss) to average net assets would have been 0.16%, (0.57)% and 0.42% for Class A, Class C and Class Y shares, respectively.
- (h) Includes fee/expense recovery of 0.01%.
- (i) Includes non-recurring dividends. Without this dividend, net investment income (loss) per share would have been \$0.01, \$(0.09) and \$0.04 for Class A, Class C and Class Y shares, respectively, and the ratio of net investment income (loss) to average net assets would have been 0.07%, (0.74)% and 0.34% for Class A, Class C and Class Y shares, respectively.
- (j) From commencement of operations on October 31, 2008 through December 31, 2008.

# Notes to Financial Statements

December 31, 2012

**1. Organization.** Natixis Funds Trust I and Natixis Funds Trust II (the “Trusts” and each a “Trust”) are each organized as a Massachusetts business trust. Each Trust is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. Each Declaration of Trust permits the Board of Trustees to authorize the issuance of an unlimited number of shares of the Trust in multiple series. The financial statements for certain funds of the Trusts are presented in separate reports. The following funds (individually, a “Fund” and collectively, the “Funds”) are included in this report:

## Natixis Funds Trust I:

CGM Advisor Targeted Equity Fund (the “Targeted Equity Fund”)

Vaughan Nelson Small Cap Value Fund (the “Small Cap Value Fund”)

## Natixis Funds Trust II:

Harris Associates Large Cap Value Fund (the “Large Cap Value Fund”)

McDonnell Intermediate Municipal Bond Fund (the “Intermediate Municipal Bond Fund”)

Vaughan Nelson Value Opportunity Fund (the “Value Opportunity Fund”)

The Intermediate Municipal Bond Fund commenced operations on November 16, 2012 via contribution to the Fund by Natixis Global Asset Management, L.P. (“Natixis US”) and affiliates of \$15,002,000. Class A, Class C and Class Y shares were first registered under the Securities Act of 1933 effective December 31, 2012 (subsequent to its commencement of operations).

Each Fund is a diversified investment company.

Each Fund offers Class A, Class C and Class Y shares. Effective October 12, 2007, Class B shares of Targeted Equity Fund, Large Cap Value Fund and Small Cap Value Fund are no longer offered. Existing Class B shareholders may continue to reinvest dividends into Class B shares and exchange their Class B shares for Class B shares of other Natixis Funds subject to existing exchange privileges as described in the prospectus.

Effective July 31, 2009, the Small Cap Value Fund was closed to new investors. The Fund continues to offer Class A, Class C and Class Y shares to existing investors. The Fund, in its sole discretion, may permit an investor in another Vaughan Nelson-managed fund or product that follows the same investment strategy as the Fund to transfer assets from that fund or product into the Fund.

Class A shares are sold with a maximum front-end sales charge of 5.75%, with the exception of Intermediate Municipal Bond Fund, which is sold with a maximum front-end sales charge of 3.50%. Class B shares do not pay a front-end sales charge; however, they are charged higher Rule 12b-1 fees, and are subject to a contingent deferred sales charge (“CDSC”) if such shares are redeemed within six years of purchase. After eight years of ownership, Class B shares convert to Class A shares. Class C shares do not

# Notes to Financial Statements (continued)

December 31, 2012

pay a front-end sales charge, do not convert to any other class of shares, pay higher Rule 12b-1 fees than Class A shares and may be subject to a CDSC of 1.00% if those shares are redeemed within one year of acquisition, except for reinvested distributions. Class Y shares do not pay a front-end sales charge, a CDSC or Rule 12b-1 fees. Class Y shares are generally intended for institutional investors with a minimum initial investment of \$100,000, though some categories of investors are exempted from the minimum investment amount as outlined in the Funds' prospectus.

Most expenses of the Trusts can be directly attributed to a fund. Expenses which cannot be directly attributed to a fund are generally apportioned based on the relative net assets of each of the funds in the Trusts. Expenses of a Fund are borne *pro rata* by the holders of each class of shares, except that each class bears expenses unique to that class (including the Rule 12b-1 service and distribution fees). In addition, each class votes as a class only with respect to its own Rule 12b-1 Plan. Shares of each class would receive their *pro rata* share of the net assets of a Fund if the Fund were liquidated. The Trustees approve separate distributions from net investment income on each class of shares.

**2. Significant Accounting Policies.** The following is a summary of significant accounting policies consistently followed by each Fund in the preparation of its financial statements. The Funds' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America which require the use of management estimates that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Management has evaluated the events and transactions subsequent to year-end through the date the financial statements were issued and has determined that there were no material events that would require disclosure in the Funds' financial statements.

**a. Valuation.** Equity securities, including shares of closed-end investment companies and exchange-traded funds, for which market quotations are readily available are valued at market value, as reported by independent pricing services recommended by the investment adviser and subadvisers and approved by the Board of Trustees. Such independent pricing services generally use the security's last sale price on the exchange or market where the security is primarily traded or, if there is no reported sale during the day, the closing bid price. Securities traded on the NASDAQ Global Select Market, NASDAQ Global Market and NASDAQ Capital Market are valued at the NASDAQ Official Closing Price ("NOCP"), or if lacking a NOCP, at the most recent bid quotation on the applicable NASDAQ Market. Debt securities (other than short-term obligations purchased with an original or remaining maturity of sixty days or less) and unlisted equity securities are generally valued on the basis of evaluated bids furnished to the Funds by an independent pricing service recommended by the investment adviser and subadvisers and approved by the Board of Trustees, which service determines valuations for normal, institutional-size trading units of such securities using market information, transactions for comparable securities and various relationships between

# Notes to Financial Statements (continued)

December 31, 2012

securities which are generally recognized by institutional traders. Broker-dealer bid quotations may also be used to value debt and equity securities where an independent pricing service is unable to price a security or where an independent pricing service does not provide a reliable price for the security. Investments in other open-end investment companies are valued at their net asset value each day. Short-term obligations purchased with an original or remaining maturity of sixty days or less are valued at amortized cost, which approximates market value. Securities for which market quotations are not readily available are valued at fair value as determined in good faith by the Funds' investment adviser or subadvisers using consistently applied procedures under the general supervision of the Board of Trustees.

Certain Funds may hold securities traded in foreign markets. Foreign securities are valued at the market price in the foreign market. However, if events occurring after the close of the foreign market (but before the close of regular trading on the New York Stock Exchange) are believed to materially affect the value of those securities, such securities are fair valued pursuant to procedures approved by the Board of Trustees. When fair valuing securities, the Funds may, among other things, use modeling tools or other processes that may take into account factors such as securities market activity and/or significant events that occur after the close of the foreign market and before the Funds calculate their net asset values.

**b. Investment Transactions and Related Investment Income.** Investment transactions are accounted for on a trade date plus one day basis for daily net asset value calculation. However, for financial reporting purposes, investment transactions are reported on trade date. Dividend income is recorded on ex-dividend date, or in the case of certain foreign securities, as soon as a Fund is notified, and interest income is recorded on an accrual basis. Interest income is increased by the accretion of discount and decreased by the amortization of premium. Distributions received from investments in securities that represent a return of capital or capital gain are recorded as a reduction of cost of investments or as a realized gain, respectively. The calendar year-end amounts of ordinary income, capital gains, and return of capital included in distributions received from the Funds' investments in real estate investment trusts ("REITs") are reported to the Funds after the end of the fiscal year; accordingly, the Funds estimate these amounts for accounting purposes until the characterization of REIT distributions is reported to the Funds after the end of the fiscal year. Estimates are based on the most recent REIT distribution information available. In determining net gain or loss on securities sold, the cost of securities has been determined on an identified cost basis. Investment income, non-class specific expenses and realized and unrealized gains and losses are allocated on a *pro rata* basis to each class based on the relative net assets of each class to the total net assets of the Fund.

**c. Foreign Currency Translation.** The books and records of the Funds are maintained in U.S. dollars. The values of securities, currencies and other assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars based

# Notes to Financial Statements (continued)

December 31, 2012

upon foreign exchange rates prevailing at the end of the period. Purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions.

Since the values of investment securities are presented at the foreign exchange rates prevailing at the end of the period, it is not practical to isolate that portion of the results of operations arising from changes in exchange rates from fluctuations which arise due to changes in market prices of investment securities. Such changes are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Funds' books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, other than investment securities, at the end of the fiscal period, resulting from changes in exchange rates.

**d. Federal and Foreign Income Taxes.** Each Trust treats each fund as a separate entity for federal income tax purposes. Each Fund intends to meet the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies, and to distribute to its shareholders substantially all of its net investment income and any net realized capital gains at least annually. Management has performed an analysis of each Fund's tax positions for the open tax years as of December 31, 2012 and has concluded that no provisions for income tax are required. The Funds' federal tax returns for the prior three fiscal years, where applicable, remain subject to examination by the Internal Revenue Service. Management is not aware of any events that are reasonably possible to occur in the next twelve months that would result in the amounts of any unrecognized tax benefits significantly increasing or decreasing for the Funds. However, management's conclusions regarding tax positions taken may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws and accounting regulations and interpretations thereof.

A Fund may be subject to foreign withholding taxes on investment income and taxes on capital gains on investments that are accrued and paid based upon the Fund's understanding of the tax rules and regulations that exist in the countries in which the Fund invests. Foreign withholding taxes on dividend and interest income are reflected on the Statements of Operations as a reduction of investment income, net of amounts eligible to be reclaimed. Dividends and interest receivable on the Statements of Assets and Liabilities are net of foreign withholding taxes. Foreign withholding taxes eligible to be reclaimed are reflected on the Statements of Assets and Liabilities as tax reclaims receivable. Capital gains taxes paid are included in net realized gain (loss) on investments in the Statements of Operations. Accrued but unpaid capital gains taxes are reflected as foreign taxes payable on the Statements of Assets and Liabilities, if

# Notes to Financial Statements (continued)

December 31, 2012

applicable, and reduce unrealized gains on investments. In the event that realized gains on investments are subsequently offset by realized losses, taxes paid on realized gains may be returned to a Fund. Such amounts, if applicable, are reflected as foreign tax rebates receivable on the Statements of Assets and Liabilities and are recorded as a realized gain when received.

**e. Dividends and Distributions to Shareholders.** Dividends and distributions are recorded on ex-dividend date. The timing and characterization of certain income and capital gain distributions are determined annually in accordance with federal tax regulations, which may differ from accounting principles generally accepted in the United States of America. Permanent differences are primarily due to differing treatments for book and tax purposes of items such as foreign currency gains and losses, deferred Trustees' fees, net operating losses, distribution redesignations, return of capital and capital gain distributions received and distributions in excess of current earnings. Permanent book and tax basis differences relating to shareholder distributions, net investment income and net realized gains will result in reclassifications to capital accounts. Temporary differences between book and tax distributable earnings are primarily due to deferred Trustees' fees, wash sales and return of capital distributions received. Distributions from net investment income and short-term capital gains are considered to be distributed from ordinary income for tax purposes.

The tax characterization of distributions is determined on an annual basis. The tax character of distributions paid to shareholders during the periods ended December 31, 2012 and 2011 was as follows:

<u>Fund</u>	<u>2012 Distributions Paid From:</u>		
	<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>	<u>Total</u>
Targeted Equity Fund	\$4,402,564	\$23,606,187	\$28,008,751
Large Cap Value Fund	1,044,791	—	1,044,791
Intermediate Municipal Bond Fund	—	—	—
Small Cap Value Fund	4,733,385	20,063,690	24,797,075
Value Opportunity Fund	4,894,888	1,954,524	6,849,412

<u>Fund</u>	<u>2011 Distributions Paid From:</u>		
	<u>Ordinary Income</u>	<u>Long-Term Capital Gains</u>	<u>Total</u>
Targeted Equity Fund	\$3,271,430	\$ —	\$ 3,271,430
Large Cap Value Fund	752,237	—	752,237
Small Cap Value Fund	9,887,166	79,707,256	89,594,422
Value Opportunity Fund	2,390,222	2,627,916	5,018,138

# Notes to Financial Statements (continued)

December 31, 2012

Differences between these amounts and those reported in the Statements of Changes in Net Assets are primarily attributable to different book and tax treatment for short-term capital gains.

As of December 31, 2012, the components of distributable earnings on a tax basis were as follows:

	Targeted Equity Fund	Large Cap Value Fund	Intermediate Municipal Bond Fund	Small Cap Value Fund	Value Opportunity Fund
Undistributed ordinary income	\$ 215	\$ —	\$ —	\$ 2,105,218	\$ 484,796
Undistributed long-term capital gains	—	—	—	5,602,183	1,333,042
Total undistributed earnings	215	—	—	7,707,401	1,817,838
Capital loss carryforward:					
Short-term:					
Expires					
December 31, 2017	—	(5,297,011)	—	—	—
December 31, 2018	—	(790,094)	—	—	—
Total capital loss carryforward	—	(6,087,105)	—	—	—
Late-year ordinary and post-October capital loss deferrals*	(3,709,332)	—	—	—	—
Unrealized appreciation (depreciation)	45,069,842	20,239,892	(157,484)	35,715,464	12,462,488
Total accumulated earnings (losses)	<u>\$41,360,725</u>	<u>\$14,152,787</u>	<u>\$(157,484)</u>	<u>\$43,422,865</u>	<u>\$14,280,326</u>
Capital loss carryforward utilized in the current year	<u>\$15,907,430</u>	<u>\$ 3,909,538</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

\* Under current tax law, capital losses, foreign currency losses, and losses on passive foreign investment companies and contingent payment debt instruments after October 31, may be deferred and treated as occurring on the first day of the following taxable year.

**f. Repurchase Agreements.** It is each Fund's policy that the market value of the collateral for repurchase agreements be at least equal to 102% of the repurchase price, including interest. Certain repurchase agreements are tri-party arrangements whereby the collateral is held in a segregated account for the benefit of the Fund and on behalf of the counterparty. Repurchase agreements could involve certain risks in the event of

# Notes to Financial Statements (continued)

December 31, 2012

default or insolvency of the counterparty, including possible delays or restrictions upon a Fund's ability to dispose of the underlying securities.

**g. Securities Lending.** Certain Funds have entered into an agreement with State Street Bank and Trust Company ("State Street Bank"), as agent of the Funds, to lend securities to certain designated borrowers. The loans are collateralized with cash or securities in an amount equal to at least 105% or 102% of the market value (including accrued interest) of the loaned international or domestic securities, respectively, when the loan is initiated. Thereafter, the value of the collateral must remain at least 102% of the market value (including accrued interest) of loaned securities for U.S. equities and U.S. corporate debt; at least 105% of the market value (including accrued interest) of loaned securities for non-U.S. equities; and at least 100% of the market value (including accrued interest) of loaned securities for U.S. Government securities, sovereign debt issued by non-U.S. Governments and non-U.S. corporate debt. In the event that the market value of the collateral falls below the required percentages described above, the borrower will deliver additional collateral on the next business day. As with other extensions of credit, the Funds may bear the risk of loss with respect to the investment of the collateral. The Funds invest cash collateral in short-term investments, a portion of the income from which is remitted to the borrowers and the remainder allocated between the Funds and State Street Bank as lending agent.

For the year ended December 31, 2012, none of the Funds had loaned securities under this agreement.

**h. Indemnifications.** Under the Trusts' organizational documents, their officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

**3. Fair Value Measurements.** In accordance with accounting standards related to fair value measurements and disclosures, the Funds have categorized the inputs utilized in determining the value of each Fund's assets or liabilities. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – prices determined using other significant inputs that are observable either directly, or indirectly through corroboration with observable market data (which could include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.); and

# Notes to Financial Statements (continued)

December 31, 2012

- Level 3 – prices determined using significant unobservable inputs when quoted prices or observable inputs are unavailable such as when there is little or no market activity for an asset or liability (unobservable inputs reflect each Fund’s own assumptions in determining the fair value of assets or liabilities and would be based on the best information available).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used to value the Funds’ investments as of December 31, 2012, at value:

## Targeted Equity Fund

### Asset Valuation Inputs

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks(a)	\$512,059,420	\$ —	\$ —	\$512,059,420
Short-Term Investments	—	7,745,000	—	7,745,000
Total	<u>\$512,059,420</u>	<u>\$7,745,000</u>	<u>\$ —</u>	<u>\$519,804,420</u>

- (a) Details of the major categories of the Fund’s investments are reflected within the Portfolio of Investments.

For the year ended December 31, 2012, there were no transfers between Levels 1, 2 and 3.

## Large Cap Value Fund

### Asset Valuation Inputs

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks(a)	\$129,038,862	\$ —	\$ —	\$129,038,862
Short-Term Investments	—	5,635,187	—	5,635,187
Total	<u>\$129,038,862</u>	<u>\$5,635,187</u>	<u>\$ —</u>	<u>\$134,674,049</u>

- (a) Details of the major categories of the Fund’s investments are reflected within the Portfolio of Investments.

For the year ended December 31, 2012, there were no transfers between Levels 1, 2 and 3.

# Notes to Financial Statements (continued)

December 31, 2012

## Intermediate Municipal Bond Fund

### Asset Valuation Inputs

Description	Level 1	Level 2	Level 3	Total
Bonds and Notes(a)	\$—	\$14,454,515	\$ —	\$14,454,515
Short-Term Investments	—	246,525	—	246,525
Total	<u>\$—</u>	<u>\$14,701,040</u>	<u>\$ —</u>	<u>\$14,701,040</u>

(a) Details of the major categories of the Fund's investments are reflected within the Portfolio of Investments.

Since the Intermediate Municipal Bond Fund commenced operations during the year ended December 31, 2012, there were no transfers to recognize between Levels 1, 2 and 3.

## Small Cap Value Fund

### Asset Valuation Inputs

Description	Level 1	Level 2	Level 3	Total
Common Stocks(a)	\$311,579,364	\$ —	\$ —	\$311,579,364
Closed End Investment Companies	9,088,187	—	—	9,088,187
Short-Term Investments	—	6,691,640	—	6,691,640
Total	<u>\$320,667,551</u>	<u>\$6,691,640</u>	<u>\$ —</u>	<u>\$327,359,191</u>

(a) Details of the major categories of the Fund's investments are reflected within the Portfolio of Investments.

For the year ended December 31, 2012, there were no transfers between Levels 1, 2 and 3.

## Value Opportunity Fund

### Asset Valuation Inputs

Description	Level 1	Level 2	Level 3	Total
Common Stocks(a)	\$183,961,981	\$ —	\$ —	\$183,961,981
Closed End Investment Companies	2,966,250	—	—	2,966,250
Short-Term Investments	—	7,795,742	—	7,795,742
Total	<u>\$186,928,231</u>	<u>\$7,795,742</u>	<u>\$ —</u>	<u>\$194,723,973</u>

(a) Details of the major categories of the Fund's investments are reflected within the Portfolio of Investments.

For the year ended December 31, 2012, there were no transfers between Levels 1, 2 and 3.

# Notes to Financial Statements (continued)

December 31, 2012

**4. Purchases and Sales of Securities.** For the period ended December 31, 2012, purchases and sales of securities (excluding short-term investments and U.S. Government/Agency securities and including paydowns) were as follows:

<u>Fund</u>	<u>Purchases</u>	<u>Sales</u>
Targeted Equity Fund	\$1,093,764,988	\$1,263,391,669
Large Cap Value Fund	31,872,342	42,485,407
Intermediate Municipal Bond Fund	14,639,647	—
Small Cap Value Fund	267,537,487	375,802,273
Value Opportunity Fund	147,299,400	111,325,021

## 5. Management Fees and Other Transactions with Affiliates.

**a. Management Fees.** NGAM Advisors, L.P. (“NGAM Advisors”) serves as investment adviser to each Fund except the Targeted Equity Fund. Capital Growth Management Limited Partnership (“CGM”) is the investment adviser to the Targeted Equity Fund. Under the terms of the management agreements, each Fund pays a management fee at the following annual rates, calculated daily and payable monthly, based on each Fund’s average daily net assets:

<u>Fund</u>	<u>Percentage of Average Daily Net Assets</u>				
	<u>First</u>	<u>Next</u>	<u>Next</u>	<u>Next</u>	<u>Over</u>
	<u>\$200 million</u>	<u>\$300 million</u>	<u>\$500 million</u>	<u>\$1 billion</u>	<u>\$2 billion</u>
Targeted Equity Fund	0.75%	0.70%	0.65%	0.65%	0.60%
Large Cap Value Fund	0.70%	0.65%	0.60%	0.60%	0.60%
Intermediate Municipal Bond Fund	0.40%	0.40%	0.40%	0.40%	0.40%
Small Cap Value Fund	0.90%	0.90%	0.90%	0.90%	0.90%
Value Opportunity Fund	0.80%	0.80%	0.80%	0.80%	0.80%

NGAM Advisors has entered into subadvisory agreements for each Fund as listed below.

Large Cap Value Fund	Harris Associates L.P. (“Harris”)
Intermediate Municipal Bond Fund	McDonnell Investment Management, LLC (“McDonnell”)
Small Cap Value Fund	Vaughan Nelson Investment Management, L.P. (“Vaughan Nelson”)
Value Opportunity Fund	Vaughan Nelson

Payments to NGAM Advisors are reduced by the amount of payments to the subadvisers.

NGAM Advisors has given binding undertakings to certain Funds to waive management fees and/or reimburse certain expenses to limit the Funds’ operating expenses, exclusive of acquired fund fees and expenses, brokerage expenses, interest expense, taxes and extraordinary expenses. These undertakings are in effect until April 30, 2013, except for Intermediate Municipal Bond Fund, which is until April 30, 2014

# Notes to Financial Statements (continued)

December 31, 2012

and are reevaluated on an annual basis. Management fees payable, as reflected on the Statements of Assets and Liabilities, is net of waivers and/or expense reimbursements, if any, pursuant to these undertakings.

For the year ended December 31, 2012, the expense limits as a percentage of average daily net assets under the expense limitation agreements were as follows:

<u>Fund</u>	<u>Expense limit as a Percentage of Average Daily Net Assets</u>			
	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class Y</u>
Large Cap Value Fund	1.30%	2.05%	2.05%	1.05%
Small Cap Value Fund	1.45%	2.20%	2.20%	1.20%
Value Opportunity Fund	1.40%	—	2.15%	1.15%

Effective December 31, 2012, the expense limits as a percentage of average daily net assets under the expense limitation agreement for Intermediate Municipal Bond Fund were as follows:

<u>Expense limit as a Percentage of Average Daily Net Assets</u>		
<u>Class A</u>	<u>Class C</u>	<u>Class Y</u>
0.80%	1.55%	0.55%

Prior to December 31, 2012, there was no expense limitation agreement in place for Intermediate Municipal Bond Fund.

NGAM Advisors shall be permitted to recover expenses it has borne under the expense limitation agreements (whether through waiver of its management fees or otherwise) on a class by class basis in later periods to the extent the annual operating expenses of a class fall below a class' expense limits, provided, however, that a class is not obligated to pay such waived/reimbursed fees or expenses more than one year after the end of the fiscal year in which the fees or expenses were waived/reimbursed.

# Notes to Financial Statements (continued)

December 31, 2012

For the period ended December 31, 2012, the management fees and waivers of management fees for each Fund were as follows:

Fund	Gross Management Fees	Waivers of Management Fees <sup>1</sup>	Net Management Fees	Percentage of Average Daily Net Assets	
				Gross	Net
Targeted Equity Fund	\$4,150,039	\$ —	\$4,150,039	0.71%	0.71%
Large Cap Value Fund	944,008	45,044	898,964	0.70%	0.67%
Intermediate Municipal Bond Fund	7,349	743	6,606	0.40%	0.36%
Small Cap Value Fund	3,390,660	—	3,390,660	0.90%	0.90%
Value Opportunity Fund	1,425,190	—	1,425,190	0.80%	0.80%

<sup>1</sup> Management fee waivers are subject to possible recovery until December 31, 2013.

No expenses were recovered for any of the Funds during the year ended December 31, 2012.

Certain officers and directors of NGAM Advisors and its affiliates are also officers or Trustees of the Funds. NGAM Advisors, CGM, Harris, McDonnell and Vaughan Nelson are subsidiaries of Natixis US, which is part of Natixis Global Asset Management, an international asset management group based in Paris, France.

**b. Service and Distribution Fees.** NGAM Distribution, L.P. (“NGAM Distribution”), which is a wholly-owned subsidiary of Natixis US, has entered into a distribution agreement with the Trusts. Pursuant to this agreement, NGAM Distribution serves as principal underwriter of the Funds of the Trusts.

Pursuant to Rule 12b-1 under the 1940 Act, the Trusts have adopted a Service Plan relating to each Fund’s Class A shares (the “Class A Plans”) and a Distribution and Service Plan relating to each Fund’s Class B (if applicable) and Class C shares (the “Class B and Class C Plans”).

Under the Class A Plans, each Fund pays NGAM Distribution a monthly service fee at an annual rate not to exceed 0.25% of the average daily net assets attributable to the Funds’ Class A shares, as reimbursement for expenses incurred by NGAM Distribution in providing personal services to investors in Class A shares and/or the maintenance of shareholder accounts.

Under the Class B (if applicable) and Class C Plans, each Fund pays NGAM Distribution a monthly service fee at an annual rate not to exceed 0.25% of the average daily net assets attributable to the Funds’ Class B (if applicable) and Class C shares, as compensation for services provided by NGAM Distribution in providing personal services to investors in Class B (if applicable) and Class C shares and/or the maintenance of shareholder accounts.

# Notes to Financial Statements (continued)

December 31, 2012

Also under the Class B (if applicable) and Class C Plans, each Fund pays NGAM Distribution a monthly distribution fee at an annual rate of 0.75% of the average daily net assets attributable to the Funds' Class B (if applicable) and Class C shares, as compensation for services provided by NGAM Distribution in connection with the marketing or sale of Class B (if applicable) and Class C shares.

For the period ended December 31, 2012, the service and distribution fees for each Fund were as follows:

Fund	Service Fees			Distribution Fees	
	Class A	Class B	Class C	Class B	Class C
Targeted Equity Fund	\$1,203,203	\$10,837	\$105,824	\$32,510	\$317,474
Large Cap Value Fund	287,519	6,869	15,156	20,607	45,468
Intermediate Municipal Bond Fund	— <sup>2</sup>	—	— <sup>2</sup>	—	— <sup>2</sup>
Small Cap Value Fund	517,264	9,564	72,945	28,694	218,836
Value Opportunity Fund	67,035	—	6,812	—	20,436

<sup>2</sup> Amount rounds to less than \$1.

**c. Administrative Fees.** NGAM Advisors provides certain administrative services for the Funds and contracts with State Street Bank to serve as sub-administrator. NGAM Advisors is a wholly-owned subsidiary of Natixis US. Pursuant to an agreement among Natixis Funds Trust I, Natixis Funds Trust II, Natixis Funds Trust IV, Gateway Trust ("Natixis Funds Trusts"), Loomis Sayles Funds I, Loomis Sayles Funds II ("Loomis Sayles Funds Trusts"), Hansberger International Series and NGAM Advisors, each Fund pays NGAM Advisors monthly its *pro rata* portion of fees equal to an annual rate of 0.0575% of the first \$15 billion of the average daily net assets of the Natixis Funds Trusts, Loomis Sayles Funds Trusts and Hansberger International Series, 0.0500% of the next \$15 billion, 0.0400% of the next \$30 billion and 0.0350% of such assets in excess of \$60 billion, subject to an annual aggregate minimum fee for the Natixis Funds Trusts, Loomis Sayles Funds Trusts and Hansberger International Series of \$10 million, which is reevaluated on an annual basis.

For the period ended December 31, 2012, administrative fees for each Fund were as follows:

Fund	Administrative Fees
Targeted Equity Fund	\$263,663
Large Cap Value Fund	60,785
Intermediate Municipal Bond Fund	819
Small Cap Value Fund	169,888
Value Opportunity Fund	80,249

# Notes to Financial Statements (continued)

December 31, 2012

**d. Sub-Transfer Agent Fees.** NGAM Distribution has entered into agreements, which include servicing agreements, with financial intermediaries that provide recordkeeping, processing, shareholder communications and other services to customers of the intermediaries that hold positions in the Funds and has agreed to compensate the intermediaries for providing those services. Intermediaries transact with the Funds primarily through the use of omnibus accounts on behalf of their customers who hold positions in the Funds. These services would have been provided by the Funds' transfer agent and other service providers if the shareholders' accounts were maintained directly at the Funds' transfer agent. Accordingly, the Funds have agreed to reimburse NGAM Distribution for all or a portion of the servicing fees paid to these intermediaries. The reimbursement amounts (sub-transfer agent fees) paid to NGAM Distribution are subject to a current per-account equivalent fee limit approved by the Funds' Board, which is based on fees for similar services paid to the Funds' transfer agent and other service providers.

For the year ended December 31, 2012, sub-transfer agent fees (which are reflected in transfer agent fees and expenses in the Statements of Operations) for each Fund were as follows:

<u>Fund</u>	<u>Sub-Transfer Agent Fees</u>
Targeted Equity Fund	\$289,694
Large Cap Value Fund	44,838
Small Cap Value Fund	316,992
Value Opportunity Fund	160,100

As of December 31, 2012, the Funds owe NGAM Distribution the following reimbursements for sub-transfer agent fees:

<u>Fund</u>	<u>Reimbursements of Sub-Transfer Agent Fees</u>
Targeted Equity Fund	\$3,350
Large Cap Value Fund	568
Small Cap Value Fund	3,751
Value Opportunity Fund	2,123

**e. Commissions.** Commissions (including CDSCs) on Fund shares retained by NGAM Distribution during the period ended December 31, 2012, were as follows:

<u>Fund</u>	<u>Commissions</u>
Targeted Equity Fund	\$88,554
Large Cap Value Fund	29,078
Small Cap Value Fund	22,354
Value Opportunity Fund	25,436

# Notes to Financial Statements (continued)

December 31, 2012

**f. Trustees Fees and Expenses.** The Trusts do not pay any compensation directly to their officers or Trustees who are directors, officers or employees of NGAM Advisors, NGAM Distribution, Natixis US or their affiliates. The Chairperson of the Board receives a retainer fee at the annual rate of \$265,000. The Chairperson does not receive any meeting attendance fees for Board of Trustees meetings or committee meetings that she attends. Each Independent Trustee (other than the Chairperson) receives, in the aggregate, a retainer fee at the annual rate of \$95,000. Each Independent Trustee also receives a meeting attendance fee of \$10,000 for each meeting of the Board of Trustees that he or she attends in person and \$5,000 for each meeting of the Board of Trustees that he or she attends telephonically. In addition, each committee chairman receives an additional retainer fee at an annual rate of \$15,000. Each Contract Review and Governance Committee member is compensated \$6,000 for each Committee meeting that he or she attends in person and \$3,000 for each meeting that he or she attends telephonically. Each Audit Committee member is compensated \$7,500 for each Committee meeting that he or she attends in person and \$3,750 for each meeting that he or she attends telephonically. These fees are allocated among the funds in the Natixis Funds Trusts, Loomis Sayles Funds Trusts and Hansberger International Series based on a formula that takes into account, among other factors, the relative net assets of each fund. Trustees are reimbursed for travel expenses in connection with attendance at meetings.

Effective January 1, 2013, the Chairperson of the Board will receive a retainer fee at the annual rate of \$285,000 and each Independent Trustee (other than the Chairperson) will receive, in the aggregate, a retainer fee at the annual rate of \$115,000. In addition, each committee chairman will receive an additional retainer fee at an annual rate of \$17,500, and each Audit Committee member will be compensated \$6,000 for each Committee meeting that he or she will attend in person and \$3,000 for each meeting that he or she will attend telephonically. All other Trustee fees will remain unchanged.

A deferred compensation plan (the "Plan") is available to the Trustees on a voluntary basis. Deferred amounts remain in the Funds until distributed in accordance with the provisions of the Plan. The value of a participating Trustee's deferral account is based on theoretical investments of deferred amounts, on the normal payment dates, in certain funds of the Natixis Funds Trusts, Loomis Sayles Funds Trusts and Hansberger International Series as designated by the participating Trustees. Changes in the value of participants' deferral accounts are allocated *pro rata* among the funds in the Natixis Funds Trusts, Loomis Sayles Funds Trusts, and Hansberger International Series, and are normally reflected as Trustees' fees and expenses in the Statements of Operations. The portions of the accrued obligations allocated to the Funds under the Plan are reflected as Deferred Trustees' fees in the Statements of Assets and Liabilities.

**g. Affiliated Ownership.** As of December 31, 2012, Natixis US and affiliates held shares of Intermediate Municipal Bond Fund representing 100% of net assets.

Investment activities of affiliated shareholders could have material impacts on the Fund.

# Notes to Financial Statements (continued)

December 31, 2012

**6. Line of Credit.** Each Fund, except Intermediate Municipal Bond Fund, together with certain other funds of Natixis Funds Trusts, Loomis Sayles Funds Trusts and Hansberger International Series, participates in a \$200,000,000 committed unsecured line of credit provided by State Street Bank, with an individual limit of \$125,000,000 for each fund that participates in the line of credit. Interest is charged to each participating fund based on its borrowings at a rate per annum equal to the greater of the Federal Funds rate or overnight LIBOR, plus 1.25%. In addition, a commitment fee of 0.10% per annum, payable at the end of each calendar quarter, is accrued and apportioned among the participating funds based on their average daily unused portion of the line of credit. Prior to April 19, 2012, the commitment fee was 0.125% per annum.

For the period ended December 31, 2012, none of the Funds had borrowings under these agreements.

Intermediate Municipal Bond Fund was added as a participant in the line of credit subsequent to December 31, 2012.

**7. Brokerage Commission Recapture.** Certain Funds have entered into agreements with certain brokers whereby the brokers will rebate a portion of brokerage commissions. All amounts rebated by the brokers are returned to the Funds under such agreements and are included in realized gains on investments in the Statements of Operations. For the year ended December 31, 2012, amounts rebated under these agreements were as follows:

<u>Fund</u>	<u>Rebates</u>
Targeted Equity Fund	\$344,614
Small Cap Value Fund	8,499
Value Opportunity Fund	32,111

**8. Concentration of Ownership.** From time to time, the Funds may have a concentration of one or more accounts constituting a significant percentage of shares outstanding. Investment activities by holders of such accounts could have material impacts on the Funds. As of December 31, 2012, based on management's evaluation of the shareholder account base, certain Funds had accounts representing controlling ownership of more than 5% of the Fund's total outstanding shares. The number of such accounts, based on accounts that represent more than 5% of an individual class of shares, and the aggregate percentage of net assets represented by such holdings was as follows:

<u>Fund</u>	<u>Number of &gt; 5% Non-Affiliated Shareholders</u>	<u>Percentage of Non-Affiliated Ownership</u>	<u>Percentage of Affiliated Ownership</u>	<u>Total Percentage of Ownership</u>
Large Cap Value Fund	1	6.93%	—	6.93%
Intermediate Municipal Bond Fund	—	—	100.00%	100.00%
Small Cap Value Fund	2	17.28%	—	17.28%
Value Opportunity Fund	1	16.78%	—	16.78%

# Notes to Financial Statements (continued)

December 31, 2012

Omnibus accounts for which NGAM believes the intermediary has discretion over the underlying shareholder accounts are included in the table above. For other omnibus accounts, the Funds may not have information on the individual shareholder accounts underlying omnibus accounts; therefore, there could be other 5% shareholders in addition to those disclosed in the table above.

**9. Capital Shares.** Each Fund may issue an unlimited number of shares of beneficial interest, without par value. Transactions in capital shares were as follows:

<b>Targeted Equity Fund</b>	<b>Year Ended December 31, 2012</b>		<b>Year Ended December 31, 2011</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>
<b>Class A</b>				
Issued from the sale of shares	1,244,172	\$ 12,681,069	3,184,509	\$ 33,232,138
Issued in connection with the reinvestment of distributions	2,186,579	22,106,299	282,978	2,637,355
Redeemed	<u>(14,333,293)</u>	<u>(145,957,912)</u>	<u>(17,448,381)</u>	<u>(176,294,304)</u>
Net change	<u>(10,902,542)</u>	<u>\$(111,170,544)</u>	<u>(13,980,894)</u>	<u>\$(140,424,811)</u>
<b>Class B</b>				
Issued from the sale of shares	11,137	\$ 102,054	22,290	\$ 209,108
Issued in connection with the reinvestment of distributions	17,902	161,835	—	—
Redeemed	<u>(282,048)</u>	<u>(2,571,222)</u>	<u>(384,942)</u>	<u>(3,528,090)</u>
Net change	<u>(253,009)</u>	<u>\$(2,307,333)</u>	<u>(362,652)</u>	<u>\$(3,318,982)</u>
<b>Class C</b>				
Issued from the sale of shares	354,260	\$ 3,184,715	896,423	\$ 8,494,213
Issued in connection with the reinvestment of distributions	128,372	1,154,067	—	—
Redeemed	<u>(2,275,351)</u>	<u>(20,591,593)</u>	<u>(3,391,034)</u>	<u>(30,547,401)</u>
Net change	<u>(1,792,719)</u>	<u>\$(16,252,811)</u>	<u>(2,494,611)</u>	<u>\$(22,053,188)</u>
<b>Class Y</b>				
Issued from the sale of shares	2,271,561	\$ 24,317,133	3,063,998	\$ 33,665,698
Issued in connection with the reinvestment of distributions	177,324	1,838,849	24,987	238,628
Redeemed	<u>(3,636,450)</u>	<u>(37,293,303)</u>	<u>(9,218,830)</u>	<u>(93,610,480)</u>
Net change	<u>(1,187,565)</u>	<u>\$(11,137,321)</u>	<u>(6,129,845)</u>	<u>\$(59,706,154)</u>
Increase (decrease) from capital share transactions	<u>(14,135,835)</u>	<u>\$(140,868,009)</u>	<u>(22,968,002)</u>	<u>\$(225,503,135)</u>

# Notes to Financial Statements (continued)

December 31, 2012

## 9. Capital Shares (continued).

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Amount	Shares	Amount
<b>Large Cap Value Fund</b>				
<b>Class A</b>				
Issued from the sale of shares	571,312	\$ 8,808,474	362,434	\$ 5,194,882
Issued in connection with the reinvestment of distributions	48,834	781,803	42,241	582,465
Redeemed	(1,333,266)	(20,652,590)	(1,006,523)	(14,401,573)
Net change	(713,120)	\$(11,062,313)	(601,848)	\$(8,624,226)
<b>Class B</b>				
Issued from the sale of shares	5,514	\$ 79,569	4,821	\$ 64,740
Issued in connection with the reinvestment of distributions	—	—	95	1,299
Redeemed	(122,644)	(1,722,972)	(172,664)	(2,279,597)
Net change	(117,130)	\$(1,643,403)	(167,748)	\$(2,213,558)
<b>Class C</b>				
Issued from the sale of shares	44,036	\$ 614,371	14,556	\$ 192,169
Issued in connection with the reinvestment of distributions	374	5,481	74	1,019
Redeemed	(82,147)	(1,165,567)	(137,075)	(1,793,043)
Net change	(37,737)	\$(545,715)	(122,445)	\$(1,599,855)
<b>Class Y</b>				
Issued from the sale of shares	446,523	\$ 7,104,087	52,358	\$ 787,377
Issued in connection with the reinvestment of distributions	6,927	114,635	4,200	59,792
Redeemed	(254,239)	(4,048,313)	(182,830)	(2,780,482)
Net change	199,211	\$ 3,170,409	(126,272)	\$(1,933,313)
Increase (decrease) from capital share transactions	(668,776)	\$(10,081,022)	(1,018,313)	\$(14,370,952)

# Notes to Financial Statements (continued)

December 31, 2012

## 9. Capital Shares (continued).

<b>Intermediate Municipal Bond Fund</b>	<b>Period Ended December 31, 2012*</b>	
	<b>Shares</b>	<b>Amount</b>
<b><u>Class A</u></b>		
Issued from the sale of shares	100	\$ 1,000
Issued in connection with the reinvestment of distributions	—	—
Redeemed	—	—
Net change	<u>100</u>	<u>\$ 1,000</u>
<b><u>Class C</u></b>		
Issued from the sale of shares	100	\$ 1,000
Issued in connection with the reinvestment of distributions	—	—
Redeemed	—	—
Net change	<u>100</u>	<u>\$ 1,000</u>
<b><u>Class Y</u></b>		
Issued from the sale of shares	1,500,000	\$15,000,000
Issued in connection with the reinvestment of distributions	—	—
Redeemed	—	—
Net change	<u>1,500,000</u>	<u>\$15,000,000</u>
Increase (decrease) from capital share transactions	<u>1,500,200</u>	<u>\$15,002,000</u>

\* From commencement of operations on November 16, 2012 through December 31, 2012.

# Notes to Financial Statements (continued)

December 31, 2012

## 9. Capital Shares (continued).

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Amount	Shares	Amount
<b>Small Cap Value Fund</b>				
<b>Class A</b>				
Issued from the sale of shares	905,472	\$ 16,716,388	3,643,470	\$ 82,393,516
Issued in connection with the reinvestment of distributions	438,554	8,273,160	1,590,219	30,259,390
Redeemed	(5,765,681)	(110,211,901)	(4,129,370)	(90,649,356)
Net change	(4,421,655)	\$ (85,222,353)	1,104,319	\$ 22,003,550
<b>Class B</b>				
Issued from the sale of shares	16,274	\$ 256,874	19,113	\$ 365,516
Issued in connection with the reinvestment of distributions	16,395	255,633	70,308	1,130,787
Redeemed	(147,930)	(2,337,894)	(180,896)	(3,487,616)
Net change	(115,261)	\$ (1,825,387)	(91,475)	\$ (1,991,313)
<b>Class C</b>				
Issued from the sale of shares	87,893	\$ 1,380,808	183,324	\$ 3,193,176
Issued in connection with the reinvestment of distributions	100,469	1,566,065	325,308	5,194,638
Redeemed	(502,562)	(7,960,221)	(437,680)	(8,311,014)
Net change	(314,200)	\$ (5,013,348)	70,952	\$ 76,800
<b>Class Y</b>				
Issued from the sale of shares	1,264,819	\$ 24,842,034	1,970,543	\$ 45,319,180
Issued in connection with the reinvestment of distributions	390,474	7,473,169	1,227,435	23,963,566
Redeemed	(1,978,724)	(38,272,158)	(5,430,354)	(119,011,700)
Net change	(323,431)	\$ (5,956,955)	(2,232,376)	\$ (49,728,954)
Increase (decrease) from capital share transactions	(5,174,547)	\$ (98,018,043)	(1,148,580)	\$ (29,639,917)

# Notes to Financial Statements (continued)

December 31, 2012

## 9. Capital Shares (continued).

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Amount	Shares	Amount
<b>Value Opportunity Fund</b>				
<b>Class A</b>				
Issued from the sale of shares	1,004,548	\$ 15,213,332	1,293,700	\$ 20,064,791
Issued in connection with the reinvestment of distributions	61,029	941,234	55,637	775,015
Redeemed	(774,396)	(11,761,310)	(572,243)	(8,442,798)
Net change	291,181	\$ 4,393,256	777,094	\$ 12,397,008
<b>Class C</b>				
Issued from the sale of shares	126,208	\$ 1,867,002	121,179	\$ 1,857,011
Issued in connection with the reinvestment of distributions	5,492	83,139	4,804	65,821
Redeemed	(62,517)	(925,300)	(48,298)	(678,464)
Net change	69,183	\$ 1,024,841	77,685	\$ 1,244,368
<b>Class Y</b>				
Issued from the sale of shares	5,743,517	\$ 87,929,210	6,640,679	\$ 97,980,918
Issued in connection with the reinvestment of distributions	280,268	4,346,477	196,859	2,756,032
Redeemed	(3,392,058)	(51,285,742)	(1,713,518)	(25,165,911)
Net change	2,631,727	\$ 40,989,945	5,124,020	\$ 75,571,039
Increase (decrease) from capital share transactions	2,992,091	\$ 46,408,042	5,978,799	\$ 89,212,415

# Report of Independent Registered Public Accounting Firm

To the Trustees of Natixis Funds Trust I and Natixis Funds Trust II and Shareholders of CGM Advisor Targeted Equity Fund, Harris Associates Large Cap Value Fund, McDonnell Intermediate Municipal Bond Fund, Vaughan Nelson Small Cap Value Fund and Vaughan Nelson Value Opportunity Fund:

In our opinion, the accompanying statements of assets and liabilities, including the portfolios of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of the CGM Advisor Targeted Equity Fund, and Vaughan Nelson Small Cap Value Fund, each a series of Natixis Funds Trust I; and the Harris Associates Large Cap Value Fund, Vaughan Nelson Value Opportunity Fund and McDonnell Intermediate Municipal Bond Fund, each a series of Natixis Funds Trust II (collectively, the "Funds"), at December 31, 2012, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, MA  
February 22, 2013

## 2012 U.S. Tax Distribution Information to Shareholders (Unaudited)

**Corporate Dividends Received Deduction.** For the fiscal year ended December 31, 2012, a percentage of dividends distributed by the Funds listed below qualify for the dividends received deduction for corporate shareholders. These percentages are as follows:

<u>Fund</u>	<u>Qualifying Percentage</u>
Targeted Equity	100.00%
Large Cap Value	100.00%
Small Cap Value	100.00%
Value Opportunity	47.56%

**Capital Gains Distributions.** Pursuant to Internal Revenue Section 852(b), the following Funds paid distributions, which have been designated as capital gains distributions for the fiscal year ended December 31, 2012.

<u>Fund</u>	<u>Amount</u>
Targeted Equity	\$23,606,187
Small Cap Value	20,063,690
Value Opportunity	1,954,524

**Qualified Dividend Income.** A percentage of dividends distributed by the Funds during the fiscal year ended December 31, 2012 are considered qualified dividend income, and are eligible for reduced tax rates. These lower rates range from 0% to 15% depending on an individual's tax bracket. These percentages are noted below:

<u>Fund</u>	<u>Qualifying Percentage</u>
Targeted Equity	100.00%
Large Cap Value	100.00%
Small Cap Value	100.00%
Value Opportunity	69.31%

# Trustee and Officer Information

The tables below provide certain information regarding the trustees and officers of Natixis Funds Trust I and Natixis Funds Trust II (the “Trusts”). Unless otherwise indicated, the address of all persons below is 399 Boylston Street, Boston, MA 02116. The Funds’ Statements of Additional Information include additional information about the trustees of the Trusts and are available by calling Natixis Funds at 800-225-5478.

<u>Name and Year of Birth</u>	<u>Position(s) Held with the Trusts, Length of Time Served and Term of Office<sup>1</sup></u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in Fund Complex Overseen<sup>2</sup> and Other Directorships Held During Past 5 Years</u>	<u>Experience, Qualifications, Attributes, Skills for Board Membership</u>
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## INDEPENDENT TRUSTEES

<b>Charles D. Baker</b> (1956)	Trustee From 2005 to 2009 and since 2011 Contract Review and Governance Committee Member	Executive in Residence at General Catalyst Partners (venture capital and growth equity firm); formerly, President and Chief Executive Officer, Harvard Pilgrim Health Care (health care organization)	44 Director, Athenahealth, Inc. (software company)	Significant experience on the Board; executive experience (including president and chief executive officer of a health care organization and executive officer of a venture capital and growth equity firm)
<b>Daniel M. Cain<sup>3</sup></b> (1945)	Interested Trustee of Natixis Funds Trust II Independent Trustee of Natixis Funds Trust I Since 1996 for Natixis Funds Trust I and Natixis Funds Trust II Chairman of the Contract Review and Governance Committee	Chairman (formerly, President and Chief Executive Officer) of Cain Brothers & Company, Incorporated (investment banking)	44 Director, Sheridan Healthcare Inc. (physician practice management)	Significant experience on the Board and on the board of other business organizations (including at a health care organization); experience in the financial industry (including roles as chairman and former chief executive officer of an investment banking firm)

# Trustee and Officer Information

Name and Year of Birth	Position(s) Held with the Trusts, Length of Time Served and Term of Office <sup>1</sup>	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen <sup>2</sup> and Other Directorships Held During Past 5 Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b><u>INDEPENDENT TRUSTEES</u></b> <u>continued</u>				
Kenneth A. Drucker (1945)	Trustee Since 2008 Chairman of the Audit Committee	Retired	44 Formerly, Director, M Fund, Inc. (investment company); Director, Gateway Trust (investment company)	Significant experience on the Board and on the board of other business organizations (including at investment companies); executive experience (including as treasurer of an aerospace, automotive, and metal manufacturing corporation)
Edmond J. English <sup>4</sup> (1953)	Trustee Since 2013 Contract Review and Governance Committee Member	Chief Executive Officer of Bob's Discount Furniture (retail)	44 Formerly, Director, BJ's Wholesale Club (retail); formerly, Director, Citizens Financial Group (bank)	Significant experience on the board of other business organizations (including at a retail company and a bank); executive experience (including at a retail company)

# Trustee and Officer Information

Name and Year of Birth	Position(s) Held with the Trusts, Length of Time Served and Term of Office <sup>1</sup>	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen <sup>2</sup> and Other Directorships Held During Past 5 Years	Experience, Qualifications, Attributes, Skills for Board Membership
<u>INDEPENDENT TRUSTEES</u> continued				
Wendell J. Knox (1948)	Trustee Since 2009 Audit Committee Member	Director (formerly, President and Chief Executive Officer) of Abt Associates Inc. (research and consulting)	44 Director, Eastern Bank (commercial bank); Director, The Hanover Insurance Group (property and casualty insurance)	Significant experience on the Board and on the board of other business organizations (including at a commercial bank and at a property and casualty insurance firm); executive experience (including roles as president and chief executive officer of a consulting company)
Martin T. Meehan <sup>5</sup> (1956)	Trustee Since 2012 Contract Review and Governance Committee Member	Chancellor and faculty member, University of Massachusetts Lowell	44 None	Experience as Chancellor of the University of Massachusetts Lowell; experience on the board of other business organizations; government experience (including as a member of the U.S. House of Representatives); academic experience

# Trustee and Officer Information

Name and Year of Birth	Position(s) Held with the Trusts, Length of Time Served and Term of Office <sup>1</sup>	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen <sup>2</sup> and Other Directorships Held During Past 5 Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b><u>INDEPENDENT TRUSTEES</u></b>				
<b><u>continued</u></b>				
Sandra O. Moose (1942)	Chairperson of the Board of Trustees since November 2005 Trustee Since 1982 for Natixis Funds Trust I (including its predecessors); and since 1993 for Natixis Funds Trust II Ex officio member of the Audit Committee and Contract Review and Governance Committee	President, Strategic Advisory Services (management consulting)	44 Director, Verizon Communications; Director, AES Corporation (international power company); formerly, Director, Rohm and Haas Company (specialty chemicals)	Significant experience on the Board and on the board of other business organizations (including at an international power company and a specialty chemicals corporation); executive experience (including at a management consulting company)
Erik R. Sirri (1958)	Trustee Since 2009 Audit Committee Member	Professor of Finance at Babson College; formerly, Director of the Division of Trading and Markets at the Securities and Exchange Commission	44 None	Experience on the Board; experience as Director of the Division of Trading and Markets at the Securities and Exchange Commission; academic experience; training as an economist
Peter J. Smail (1952)	Trustee Since 2009 Contract Review and Governance Committee Member	Retired; formerly, President and Chief Executive Officer of Pyramid Global Advisors (investment management)	44 None	Experience on the Board; mutual fund industry and executive experience (including roles as president and chief executive officer for an investment adviser)

# Trustee and Officer Information

Name and Year of Birth	Position(s) Held with the Trusts, Length of Time Served and Term of Office <sup>1</sup>	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen <sup>2</sup> and Other Directorships Held During Past 5 Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b><u>INDEPENDENT TRUSTEES</u></b> <b><u>continued</u></b>				
Cynthia L. Walker (1956)	Trustee Since 2005 Audit Committee Member	Deputy Dean for Finance and Administration, Yale University School of Medicine; formerly, Executive Dean for Administration, Harvard Medical School	44 None	Significant experience on the Board; executive experience in a variety of academic organizations (including roles as dean for finance and administration)

## **INTERESTED TRUSTEES**

Robert J. Blanding <sup>6</sup> (1947) 555 California Street San Francisco, CA 94104	Trustee Since 2003	President, Chairman, Director and Chief Executive Officer, Loomis, Sayles & Company, L.P.	44 None	Significant experience on the Board; continuing service as President, Chairman, and Chief Executive Officer of Loomis, Sayles & Company, L.P.
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# Trustee and Officer Information

Name and Year of Birth	Position(s) Held with the Trusts, Length of Time Served and Term of Office <sup>1</sup>	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen <sup>2</sup> and Other Directorships Held During Past 5 Years	Experience, Qualifications, Attributes, Skills for Board Membership
<b>INTERESTED TRUSTEES</b>				
<u>continued</u>				
David L. Giunta <sup>7</sup> (1965)	Trustee Since 2011 President and Chief Executive Officer	President and Chief Executive Officer, NGAM Distribution Corporation, NGAM Advisors, L.P. and NGAM Distribution, L.P.; formerly President, Fidelity Charitable Gift Fund; and formerly, Senior Vice President, Fidelity Brokerage Company	44 None	Experience on the Board; continuing experience as President and Chief Executive Officer of NGAM Advisors, L.P.
John T. Hailer <sup>8</sup> (1960)	Trustee Since 2000	President and Chief Executive Officer-U.S. and Asia, Natixis Global Asset Management, L.P.; formerly, President and Chief Executive Officer, NGAM Distribution Corporation, NGAM Advisors L.P. and NGAM Distribution, L.P.	44 None	Significant experience on the Board; continuing experience as Chief Executive Officer U.S. and Asia, Natixis Global Asset Management, L.P.

<sup>1</sup> Each trustee serves until retirement, resignation or removal from the Board. The current retirement age is 72. The position of Chairperson of the Board is appointed for a two-year term. Ms. Moose was appointed to serve an additional two year term as the Chairperson of the Board on November 18, 2011.

<sup>2</sup> The trustees of the Trusts serve as trustees of a fund complex that includes all series of the Natixis Funds Trust I, Natixis Funds Trust II, Natixis Funds Trust IV and Gateway Trust (collectively, the “Natixis Funds Trusts”), Loomis Sayles Funds I and Loomis Sayles Funds II (collectively, the “Loomis Sayles Funds Trusts”), and Hansberger International Series (collectively, the “Fund Complex”).

<sup>3</sup> Mr. Cain is deemed an “interested person” of Natixis Funds Trust II since November 2012 because he is an affiliated person of Cain Brothers & Company, LLC, a registered broker-dealer that has executed

# Trustee and Officer Information

portfolio transactions on behalf of certain institutional separate accounts managed by McDonnell Investment Management, LLC, the sub-adviser to the McDonnell Intermediate Municipal Bond Fund, a series of Natixis Funds Trust II.

- 4 Mr. English was appointed as a trustee effective January 1, 2013.
- 5 Mr. Meehan was appointed as a trustee effective July 1, 2012.
- 6 Mr. Blanding is deemed an “interested person” of the Trusts because he holds the following positions with an affiliated person of the Trusts: President, Chairman, Director and Chief Executive Officer of Loomis, Sayles & Company, L.P.
- 7 Mr. Giunta is deemed an “interested person” of the Trusts because he holds the following positions with an affiliated person of the Trusts: President and Chief Executive Officer of NGAM Distribution Corporation, NGAM Advisors, L.P. and NGAM Distribution, L.P.
- 8 Mr. Hailer is deemed an “interested person” of the Trusts because he holds the following positions with an affiliated person of the Trusts: President and Chief Executive Officer – U.S. and Asia, Natixis Global Asset Management, L.P.

# Trustee and Officer Information

<u>Name and Year of Birth</u>	<u>Position(s) Held with the Trusts</u>	<u>Term of Office<sup>1</sup> and Length of Time Served</u>	<u>Principal Occupation During Past 5 Years<sup>2</sup></u>
<b><u>OFFICERS OF THE TRUSTS</u></b>			
<b>Coleen Downs Dinneen</b> (1960)	Secretary, Clerk and Chief Legal Officer	Since September 2004	Executive Vice President, General Counsel, Secretary and Clerk (formerly, Senior Vice President, Deputy General Counsel, Assistant Secretary and Assistant Clerk), NGAM Distribution Corporation, NGAM Advisors, L.P. and NGAM Distribution, L.P.
<b>Russell L. Kane</b> (1969)	Chief Compliance Officer, Assistant Secretary and Anti-Money Laundering Officer	Chief Compliance Officer since May 2006; Assistant Secretary since June 2004; and Anti-Money Laundering Officer since April 2007	Chief Compliance Officer for Mutual Funds, Senior Vice President, Deputy General Counsel, Assistant Secretary and Assistant Clerk, NGAM Distribution Corporation, NGAM Advisors, L.P. and NGAM Distribution, L.P.
<b>Michael C. Kardok</b> (1959)	Treasurer, Principal Financial and Accounting Officer	Since October 2004	Senior Vice President, NGAM Advisors, L.P. and NGAM Distribution, L.P.

- <sup>1</sup> Each officer of the Trusts serves for an indefinite term in accordance with the Trusts' current by-laws until the date his or her successor is elected and qualified, or until he or she sooner dies, retires, is removed or becomes disqualified.
- <sup>2</sup> Each person listed above, except as noted, holds the same position(s) with the Fund Complex. Previous positions during the past five years with NGAM Distribution, L.P., NGAM Advisors, L.P. or Loomis, Sayles & Company, L.P. are omitted, if not materially different from a trustee's or officer's current position with such entity.

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# Contact us

To learn more about Natixis Funds products and services:

800-225-5478

[ngam.natixis.com](http://ngam.natixis.com)

**Before investing, consider the fund's investment objectives, risk, charges, and expenses.**

**Visit [ngam.natixis.com](http://ngam.natixis.com) or call 800-225-5478 for a prospectus or summary prospectus containing this and other information. Read it carefully.**



## ► Contact us by mail:

If you wish to communicate with the funds' Board of Trustees, you may do so by writing to:

### Secretary of the Funds

NGAM Advisors, L.P.

399 Boylston Street Boston, MA 02116

The correspondence must (a) be signed by the shareholder; (b) include the shareholder's name and address; and (c) identify the fund(s), account number, share class, and number of shares held in that fund, as of a recent date.

## ► Or by e-mail:

[secretaryofthefunds@ngam.natixis.com](mailto:secretaryofthefunds@ngam.natixis.com)

(Communications regarding recommendations for Trustee candidates may not be submitted by e-mail.)

**Please note:** Unlike written correspondence, e-mail is not secure. Please do NOT include your account number, Social Security number, PIN, or any other non-public personal information in an e-mail communication because this information may be viewed by others.

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NGAM Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Global Asset Management, L.P.

NGAM Distribution, L.P. is located at 399 Boylston St., Boston, MA 02116.

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