Limited Term Government and Agency Fund

Fund Facts

OBJECTIVE

Seeks high current return consistent with preservation of capital

Share class	Y
Inception	3/31/1994
Ticker	NELYX
CUSIP	543487326
Benchmark	Bloomberg US 1-5 Year Government Bond Index

Bloomberg US 1-5 Year Government Bond Index *is an unmanaged, market-weighted index of bonds issued by the US government and its agencies, with maturities between one and five years. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Market Conditions

- The bond market produced a strong gain in the fourth quarter, moving its total return for 2023 firmly into positive territory. The final three months of the year brought an easing of the fears that had weighed on the fixed-income market since early 2022, boosting investor sentiment. Inflation continued to experience a meaningful decline, with the headline Consumer Price Index falling back to levels not seen since early 2021. This represented a major shift from the previous quarter, when bonds were under pressure from fears that inflation would remain sticky and the US Federal Reserve (Fed) would be compelled to adopt a "higher for longer" approach with respect to interest rates. With inflation receding, the markets grew comfortable with the idea that the Fed was finished raising rates. In December, Fed Chairman Jerome Powell added fuel to the rally with comments suggesting that rate cuts could begin as early as the first half of 2024. The bond market took another leg higher in response, helping it recover all of the price decline that occurred in the first ten months of the year.
- US Treasury yields plunged, leading to surging prices, in reaction to the improving outlook for inflation and Fed policy. The yield on the 10-year Treasury note, which peaked at 4.98% on October 19, fell to 3.88% by December 31 and finished the year at the same level where it ended 2022. Similarly, the two-year note, which came into 2023 at 4.41% and ultimately reached a high-water mark of 5.19% in October, fell to 4.23% on the final day of the year. The Treasury market was also helped by reduced fears about the government's ability to continue funding its sizable deficit. The rally was accompanied by a modest decline in the degree to which the yield curve was inverted (in other words, the extent of short-term bonds' yield advantage relative to longer-term issues).

Class Y Performance as of December 31, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	2.95	5.22	5.22	-0.14	1.28	1.22
BENCHMARK	3.19	4.39	4.39	-0.83	1.18	1.13

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Investment return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit www.loomissayles.com.

Additional share classes may be available for eligible investors. Performance will vary based on the share class. 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. You may not invest directly in an index.

Gross expense ratio 0.48% (Class Y). Net expense ratio 0.45%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense limitation of the fund has been exceeded. This arrangement is set to expire on 1/31/2024. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 3/31/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

- Securitized assets generally posted strong positive total returns and outperformed the broader fixed income market. Longer-duration commercial asset-backed securities, collateralized loan obligations, and non-agency commercial mortgage-backed securities provided the strongest total and excess returns behind improving fundamentals in aircraft asset-backed securities, receding fears of an economic "hard landing," and rising expectations of Fed rate cuts in 2024. (Duration is a measure of interest rate sensitivity.) Shorter-duration sectors, such as consumer asset-backed securities and residential mortgage-backed securities, also produced gains. Agency mortgage-backed securities generated positive total and excess returns with the decline in rates and rally in risk assets, but lower-coupon issues generally outperformed higher coupons with greater refinance risk.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg US Government 1-5 Year Index, primarily due to security selection.

Contributors

- Duration continues to be managed near our target of 2 years but the Fund's short duration posture was the largest headwind to results as yields declined during the quarter.
- Agency backed exposure continues to be the dominant asset class in the fund and was the largest asset class contributor to performance as spreads declined. Within the sector, agency CMBS provided the bulk of the ballast during the period.
- Non-government exposure (ABS and CMBS) contributed to performance during the period as spreads contracted or remained steady. CMBS exposure contributed more than ABS during the period.

Detractors

- The overweight to Securitized Agency detracted for the quarter, despite positive issue selection.

Outlook

- Agency mortgage-backed security (MBS) spreads (the difference in yield between agency MBS and Treasurys of similar maturity) are trending higher than their longer-term averages. We continue to favor MBS sectors less likely to face refinancing and extension risk, such as low loan balance mortgages and home equity conversion mortgages.
- Within the commercial real estate sector, we have focused on agency commercial mortgage-backed security (CMBS) opportunities.
- Our non-agency securitized exposures remain steady, utilizing asset-backed securities (ABS) and commercial mortgage backed securities (CMBS) equally. In aggregate, non-agency exposure continues to be in the upper end of our preferred zone but has receded from higher points last year.

About Risk

Fixed income securities may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity. **US government agency securities** are not insured and may not be guaranteed by the US government. **Mortgage-related and asset-backed securities** are subject to the risks of the mortgages and assets underlying the securities. Other related risks include prepayment risk, which is the risk that the securities may be prepaid, potentially resulting in the reinvestment of the prepaid amounts into securities with lower yields. **Securities purchased on a forward commitment, when-issued or delayed delivery basis** are subject to many of the same risks (such as market risk and interest rate risk) as other securities. In addition, when-issued and delayed delivery securities are subject to other risks including loss of value prior to delivery; the security may not be issued; or a counterparty to the transaction may not meet its obligations.

Important Disclosure

Outlook as presented in this material reflects subjective judgments and assumptions of the portfolio team and does not necessarily reflect the views of Loomis, Sayles & Company, L.P. There is no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold. These perspectives are as of the date indicated and may change based on market and other conditions. Actual results may vary. Please refer to the Fund prospectus for a comprehensive discussion of risks.

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor Investment recommendations may be inconsistent with these opinions. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.

Market conditions are extremely fluid and change frequently.

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

Commodity, interest and derivative trading involves substantial risk of loss.

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

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

Past performance is no guarantee of future results.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-225-5478 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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