Securitized Asset Fund

Fund Facts

OBJECTIVE

Seeks a high level of current income consistent with capital preservation

Share class	I
Inception	3/2/2006
Ticker	LSSAX
CUSIP	543495741
Benchmark	Bloomberg US Securitized Bond Index

Bloomberg US Securitized Bond Index *is an unmanaged index of asset-backed securities, collateralized mortgage-backed securities (ERISA eligible) and fixed rate mortgage-backed securities. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Market Conditions

- 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.
- 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.

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	7.10	7.01	7.01	-1.71	1.20	2.33
BENCHMARK	7.28	5.08	5.08	-8.15	1.85	15.30

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.

Shares of the Fund are currently offered exclusively to investors in certain wrap fee programs or other institutional advisory clients of Loomis, Sayles & Company that meet criteria determined by Loomis Sayles.

The Class I inception date is 3/2/2006. Class I shares are available to certain institutional investors only.

- 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).

Portfolio Review

- The fund slightly underperformed its benchmark, the Bloomberg US Securitized Index, primarily due to its significant underweight to agency MBS. This was somewhat offset by positive contributions from securitized credit sectors.

Contributors

- The leading contributor to the fund's performance relative to the benchmark for the quarter was an allocation to CLOs mainly due to exposure in senior mezzanine loans.
- The fund's allocation to agency CMOs was additive to relative performance for the period, most notably exposure in inverse interest-only derivatives.
- An overweight position in commercial ABS also contributed positive to relative return for the period, notably issues backed by aircraft leases.
- The fund's allocation to RMBS contributed to relative performance, specifically exposure in re-performing loans.
- An overweight position in consumer ABS also boosted returns for the period.

Detractors

- The fund's significant underweight positioning with respect to agency pass-through MBS detracted from returns for the quarter.
- An overweight position in CMBS detracted from relative performance for the period particularly due to single-asset, single-borrower fixed holdings.

Outlook

- Consumer ABS fundamentals are mixed as the labor market softens. While inflation has come down, wage growth has slowed the most for lower income workers in the most cyclical sectors. The unemployment rate has bounced off the lows for younger workers, which tend to be lower income and least educated.
- In Commercial ABS valuation, Aircraft remains our best pick among Commercial ABS sectors as we expect the positive demand/supply trends to last several years. Senior Rental Fleet ABS also offers attractive value as spreads have lagged the corporate rally in travel related sectors. Primary issuance in many Commercial ABS sectors remains very light especially in Aircraft, Shipping Container, and Railcar.
- CLO IG bonds continue to provide investors with attractive opportunities for high carry. While the market dispersion decreased between top tier and lower tier managers since the beginning of 2023, bonds from lower tier managers remain wide. Bank demand for CLO AAAs may return in 2024 as banks pressures have eased. Conversely, Japanese interest in CLO AAA will likely decrease as higher JGB yields make domestic options more attractive.

- Among lower rated CMBS, we think security selection will be paramount as a higher interest rate environment and tighter lending conditions cause collateral values to deteriorate and subordinate bonds to re-price lower with increased downgrade risk. We expect CRE values to decline an additional 10% in 2024 as a result of tight lending conditions and continued cap rates increases. With continued stress on CRE and lack of clarity on market direction, subordinate bonds remain weakly unsupported by dealers.
- We remain confident in the RMBS protections provided in the deals' structures to prevent losses from impacting held positions. We think broadly spreads are compensatory for the risk associated with softening in home prices, though we are more cautious on the riskiest securities exposed primarily to markets with significant appreciation over the prior cycle. Home sales have softened as buyers have decreased purchases but this has been balanced by a slowdown of new listings in many markets. A reduction in rate and credit volatility broadly should lead to some resumption of activity in the housing sector. We would anticipate any broader recovery in activity to be met with some weakness in prices.

About Risk

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. **US government agency securities** are not insured, and may not be guaranteed by the US government. **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. **Derivatives** involve risk of loss and may entail additional risks. Because derivatives depend on the performance of an underlying asset, they can be highly volatile and are subject to market and credit risks.

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 800-633-3330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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