Senior Floating Rate and Fixed Income Fund

Fund Facts

OBJECTIVE

Seeks to provide a high level of current income

Share class	Y
Inception	9/30/2011
Ticker	LSFYX
CUSIP	63872T554
Benchmark	Morningstar LSTA US Leveraged Loan Index

***Morningstar LSTA US Leveraged Loan Index** is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Market Conditions

- The loan market saw very strong performance during the third quarter, despite a bit of retracement seen at the end of the period. Lower-rated loans generally outperformed, driven by larger price increases and better spreads. Defaults have continued to gently increase, while lower-rated loan prices remain more technically depressed than their higher-rated counterparts. At the end of the period, loan prices hovered in the mid-90's, indicative of an easing in the market's recession concerns.
- The size of the benchmark loan index saw modest expansion during the period, and now stands at $1.41 trillion, driven by an increase in non-refinancing activity. Repricings, maturity extensions and amendments proliferated, especially among higher-rated issuers.
- Retail loan funds flows returned to positive territory during the last month of the period, but were still in net outflows totaling $0.4 billion. Collateralized loan obligation (CLO) formation returned to more typical issuance levels and stood at $28 billion for the quarter.

Portfolio Review

- The fund underperformed its benchmark for the period due to allocations outside of the benchmark. The bank loan allocation, which makes up the majority of the fund's holdings, outperformed.
- The fund's high yield bond, Treasury and cash holdings all modestly detracted from relative performance, as these categories could not keep pace with the loan market. While our Treasury and cash positions detracted given the favorable loan returns for the quarter, we view those allocations as both dry powder and ballast in a market that has not yet decided which way the economy is headed.
- The fund saw outperformance versus the benchmark constituents across almost all bank loan ratings categories. The exception to this pattern was not-rated loans. In the not-rated bucket, we held an education technology loan that struggled during the quarter. However, the fund experienced no defaults during the period, and maintained a steady level of dividend income as interest rates remained high.

Class Y Performance as of September 30, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	3.17	9.54	10.93	4.52	2.57	4.67
BENCHMARK	3.45	10.16	13.05	6.08	4.46	4.92

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 1.00% (Class Y). Net expense ratio 0.75%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 3/31/2025. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

Class Y shares are sold to eligible investors without a sales charge.

Portfolio Highlights

- We target a yield advantage for the fund versus the benchmark in most market conditions. A yield advantage can be enhanced through primary market new issue discounts and by swapping into loans or bonds with more appealing risk/return characteristics as those opportunities arise. Maintaining an appropriate liquidity policy is of paramount concern. The fund is currently positioned with approximately 87.5% bank loans, 6.6% high yield bonds, and 8.9% held in cash on a trade-date basis.[1]
- We examine the relative attractiveness of the high yield bond market in relation to bank loans based on potential risk-adjusted return. We judge potential return on high yield bonds in comparison to loans in assessing whether the additional volatility in the bond market is appropriately compensated versus our benchmark. Currently, we view that tradeoff as poorly compensated in much of the bond market. We maintained a small position in Treasury bills to enhance yield beyond the short-term rates offered by the fund's custodian which enables us to boost fund liquidity while earning a return.

Outlook

- The environment for loan credit quality has remained relatively stable despite the drag from inflation and market uncertainty, though earnings trends have become more mixed over the last two quarters. Loans have continued to perform strongly despite retail outflows and restrained CLO issuance. We attribute that to loan scarcity (too few new issues) and Fed actions that continue to disappoint a market that is hoping rates decline. We agree with the market's expectation that default rates are increasing, but they remain relatively low due to both company-specific circumstances (ample liquidity, few loan maturities, and successful cost-savings programs) and capital structures that can withstand current macroeconomic headwinds.
- We observed that inflationary cost pressures have, thus far, been well-absorbed by most companies to which we lend. We have observed that these companies have handled increased borrowing costs associated with rate increases well. We believe that most borrowers have hedged at least some of their interest rate risk.
- Our macro base case shows odds of a downturn decreasing as our macro team has yet to see profits decline and unemployment increase before making an official call on recession. We think inflation is past its peak. Loomis Sayles' Yield Curve Team expects the Federal Reserve actions to be data dependent, with future interest rate changes reliant upon the patterns of jobless claims and employment.
- As we look out 12 months, we suspect risk markets will be looking out 6 or more months from there, which would be beyond the Loomis Sayles view of potential recession timing. If so, given a base rate today over 5% plus coupons averaging over 300 basis points, returns could remain quite strong even if base rates begin to subside. We think the economy may be entering a period with higher-for-longer rate volatility that may favor loans as part of an asset allocation that targets less return volatility.
- Our goal is to construct a portfolio that can withstand many pressures without suffering significant credit losses.
- As always, exogenous shocks, possibly political or geopolitical, may disrupt market expectations.

About Risk

Floating-rate loans are often lower-quality debt instruments and may involve greater risk of price changes and greater risk of default on interest and principal payments. The market for floating-rate loans is largely unregulated and these assets usually do not trade on an organized exchange. As a result, floating-rate loans can be relatively illiquid and hard to value. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Leverage** can increase market exposure and magnify investment risk. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market.

Important Disclosure

[1]Trade date positions may add up to more than 100% due to difference in timing between trading and settlement and quarterly interest and amortization cash flows.

Credit quality reflects the credit rating assigned to individual holdings of the fund by S&P; ratings are subject to change. The fund's shares are not rated by any rating agency and no credit rating for fund shares is implied. Instrument credit ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

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.

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