LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

DECEMBER 31 2023

Global Allocation Fund

Fund Facts

OBJECTIVE

Seeks high total investment return through a combination of capital appreciation and current income

Share class	Y
Inception	5/1/1996
Ticker	LSWWX
CUSIP	543487870
Primary Benchmark	MSCI All Country World Index (Net)
Secondary Benchmark	60% MSCI All Country World Index (Net)/ 40% Bloomberg Global Aggregate Bond Index

*The fund's primary benchmark is the **MSCI All Country World Index (Net)**. The fund's secondary benchmark is a blended benchmark of **60% MSCI All Country World Index (Net)/ 40% Bloomberg Global Aggregate Bond Index**. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

*The **MSCI All Country World Index (Net)** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.*

*The **Bloomberg Global Aggregate Bond Index** provides a broad-based measure of the global investment grade fixed income markets. The three major components of this Index are the US Aggregate, the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The Index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities.*

Market Conditions

- The final three months of the year brought an easing of the fears that had weighed on investor sentiment since early 2022, fueling a broad-based rally across the financial markets. 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 the markets were under pressure from concerns that inflation would remain sticky and central banks 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 rate hikes were in the rearview mirror. In December, US Federal Reserve (Fed) Chairman Jerome Powell reinforced this notion with comments suggesting that rate cuts could begin as early as the first half of 2024. Of equal interest to the markets, GDP growth remained positive.
- Bonds rallied in November and December, helping the asset class recover all of the price decline that occurred in the first ten months of the year. The credit sectors performed particularly well, as the drop in yields was augmented by a narrowing of credit spreads. Investment grade corporates, high yield bonds, securitized assets and emerging markets all participated in the upturn.
- The shift in expectations for Fed policy led to a reversal of the previous quarter's advance in the US dollar, when the higher-for-longer narrative fueled a strong showing in the greenback relative to its global peers. In contrast, the prospect of Fed easing caused the dollar to give back a sizable portion of its earlier gains in the final three months of the year, with losses against all G-10 currencies.
- Stocks surged in the quarter, with an impressive November-December rally that brought most major indexes above or near all-time highs by year-end. While mega-cap US technology-related companies continued to be an important driver of market performance, small caps, international equities and value stocks also delivered robust returns. Emerging market equities registered a modest gain but, as was the case throughout 2023, lagged their developed market peers due in part to persistent weakness in China's economy.

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	12.19	22.43	22.43	2.52	9.53	7.26
PRIMARY BENCHMARK	11.03	22.20	22.20	5.75	11.72	7.93
SECONDARY BENCHMARK	9.88	15.43	15.43	1.25	7.01	5.05

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 0.89% (Class Y). Net expense ratio 0.89%. 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 1/31/2025. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 5/1/1996. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

Top Ten Equity Holdings (%)

S&P Global Inc	3.5
Amazon.com Inc	3.4
Alphabet Inc	3.0
Linde GmbH	2.8
Atlas Copco AB	2.8
Mastercard Inc	2.8
UnitedHealth Group Inc	2.5
Airbnb Inc	2.3
Home Depot Inc	2.3
Accenture PLC	2.2
Total	27.5

Data is based on total gross assets before any fees are paid; any cash held is included. The portfolio is actively managed and holdings are subject to change. References to specific securities or industries should not be considered a recommendation. Holdings may combine more than one security from the same issuer and related depositary receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit our website.

Portfolio Review

- The fund outperformed its primary benchmark, the MSCI All Country World Index, primarily due to strong returns in the fund's equity component. The fund also outperformed its secondary blended benchmark (60% MSCI All Country World/40% Bloomberg Global Aggregate) due to outperformance in both equities and fixed income.

Contributors

- In equities, the three largest contributors to performance were S&P Global, Atlas Copco and Amazon.
- S&P Global is a global financial information services company headquartered in the US. It is comprised of a Ratings business; an Indices business, where it maintains and sells the intellectual property of indices including the S&P 500 and the Dow Jones Industrial Average; and a Market Intelligence business which offers financial data, research and analytical tools to asset managers and other financial institutions. With an entrenched position in these three synergistic businesses, the company rates highly across our quality criteria. The company's largest business is Ratings, where it operates in an oligopolistic market structure as S&P and Moody's dominate in bond and bank loan ratings. Most large bond issuers obtain ratings from both companies and many bond mutual funds require that holdings have ratings from both agencies. This segment also has high barriers to entry, as significant compliance costs necessitate scale. The company has a similarly strong competitive advantage in its Indices business, the fastest growing and highest margin segment. It is highly unusual for a mutual fund to switch its benchmark index once launched. Moreover, the company's S&P 500 Index is the standard performance measurement benchmark in US-listed large-cap equities. Lastly, S&P's data business is supported by structural drivers of demand for data, driven in part by algorithmic trading, artificial intelligence and Big Data (i.e., processing of new data sources to gain additional investment insights).

  Shares of S&P Global rose after the company announced its quarter earnings as the company beat expectations and raised revenue guidance for its Ratings segment. Strong bond issuance in December and further optimism for 2024 issuance also likely contributed to the positive sentiment.
- Atlas Copco makes critically important tools for its customers across multiple end markets, including semiconductor and general industrial manufacturing construction. The majority of its business centers around compression and vacuum machinery that controls the flow and pressure of air. It also manufactures industrial-focused products (e.g., assembly tools and machine vision products) and construction-focused products (e.g., light towers and mobile compressors). The company has a growing services business, which provides on-site visits for repairs and upgrades, as well as a specialty equipment rental business. The company's business model focuses on making niche products that are mission critical but not a large part of the customer's capital expenses, creating pricing power. The company further solidifies its importance to its customers by employing a sales force of engineers; these engineers co-develop product refreshes and new products with clients, while Atlas retains all intellectual property. The company's growing services business, which represents approximately one-third of sales, also enhances Atlas' customer relationships, while creating revenue consistency and visibility. The company rates highly on ESG factors, driven by an energy saving product offering. Shares of Atlas Copco outperformed as the company continues to execute well across a variety of end markets.
- Amazon is a leading operator within two large growth markets led by a management team with a long-term strategic vision. We believe the company is well-positioned within both e-commerce and Cloud. In retail, we believe it will continue to benefit from the secular shift from brick and mortar stores to on-line, which in our view is still in the early stages in the United States. Amazon's scale and network effect create significant barriers to entry for competitors and the company continues to gain market share by improving its selection, product availability and customer service. In Cloud, Amazon Web Service (AWS), is one of the three dominant players and, as such, we believe it is well-positioned to continue to capture industry growth. The company also continues to invest heavily in digital content and infrastructure which supports future growth. We also see Advertising emerging as a high margin growth driver for Amazon, with significant room for future growth. We expect intrinsic value growth will be driven by double digit top line growth and margin expansion over time. A rebound in free cash flow generation driven by normalization of capital expenditures generated outperformance for the stock in the fourth quarter.

- In fixed income, yield curve exposure was a top contributor to performance, particularly allocations to the US dollar, euro and Mexican peso-pay markets. Global yields broadly declined as many central banks halted their hiking cycles with inflation cooling over the quarter.
- Credit positioning was also a contributor, particularly allocations to the consumer cyclical, consumer non-cyclical, and finance company sectors. Within consumer cyclical, holdings of Uber and Norwegian Cruise Line were strong performers. Holdings of pharmaceutical and healthcare companies such as Biomarin Pharmaceutical and Teladoc Health were top drivers of returns within consumer non-cyclical. Lastly, holdings of specialty finance company Rock Holdings Inc. and aircraft leasing issuer Aercap Ireland Capital contributed positively to performance within the finance company sector.

Detractors

- In equities, the three most significant detractors from returns were Airbnb, Zions Bank and Veralto.
- Airbnb is an online marketplace for short-term stays and vacation rentals. Over the last decade, Airbnb has disrupted the lodging industry by creating a medium where home owners can offer their properties for rent, introducing significantly more choice for consumers. Our investment thesis on Airbnb is driven by its leadership position within this large addressable market. Airbnb's capital-light platform, where it collects commissions for each rental, benefits from a powerful network effect. The more property owners who list their properties on the service the more renters it attracts and vice versa. Airbnb's platform offers a superior consumer experience for both the host and the guest driven by trust; hosts can access guest profiles and provide feedback on guests, while guests can provide reviews and ratings on hosts. We believe this experience has created a brand synonymous with seamless private rentals, which is evidenced by the high percentage (over 90%) of direct traffic to Airbnb.

  Shares of Airbnb were weak over the period, in part driven by headlines around the passage of a law in New York City that could reduce Airbnb inventory. Concerns about the health of the consumer and associated travel spending also contributed to performance. Shares did begin to rebound in November as the consumer outlook brightened on expectations for lower interest rates.
- Zions Bank is a regional bank with a client base dominated by small to mid-size businesses (SME's) in the western US. For the three month period, shares underperformed along with most of the banking sector after third quarter earnings were released in October. Concerns included high bond yields driving unrealized losses on securities and potentially increased provisions for credit losses due to higher-for-longer interest rates. We eliminated our position in Zions as we were finding more attractive risk/reward opportunities elsewhere.
- Veralto Corp. was created in 2023 from the spin-off of Danaher's Environmental and Applied Solutions division. Given that Veralto is a new publicly traded entity, we expect volatility in the stock price as investors familiarize themselves with the company; however, we have followed the business for many years as long-time Danaher shareholders. Veralto scores highly on our quality dimensions as a leading vendor of industrial solutions for water quality and product identification, both large and highly-regulated markets with high barriers to entry and high switching costs. The company's ESG opportunities support our quality analysis; for example, its water businesses ensure safe water for over 3.4 billion people daily. We expect intrinsic value growth to be driven by revenue growth, margin expansion and the productive deployment of excess capital towards mergers and acquisitions that the Danaher family of companies has demonstrated for decades. Shares of Veralto are attractive based on our discounted cash flow methodology.
- Although credit positioning as a whole contributed to performance in fixed income, the allocation to the technology sector detracted modestly from performance, particularly holdings of Commscope.
- Although currency allocation contributed to performance over the quarter, the allocation to the Colombian peso detracted modestly as the currency lost ground against the US dollar over the quarter.

Outlook

- At the end of 2023, domestic inflation was slowing broadly, and the Fed appeared willing to pivot toward interest rate cuts by mid-2024. In fact, most central banks appear to have finished hiking interest rates. The European Central Bank (ECB) and Bank of England (BoE) seem content to hold policy rates near current levels, even with real growth near 0%. We think a downturn is less likely now that the US earnings recession is over. If profit growth can remain in the mid-single-digit range, unemployment should remain relatively stable as companies are likely to retain workers as long as profits are on the rise.
- Global fixed income continues to feature attractive yield levels relative to recent history. While credit fundamentals have been relatively resilient to restrictive financial conditions thus far, we think further credit spread compression is less likely given current valuations and are cautious with respect to taking credit risk.
- We believe global central bank rate hiking cycles are largely in the rearview mirror now that inflation is well off of its previous highs and supply chain issues have normalized. This could set the stage for bond yields to move lower across the developed markets. In the US, investors no longer wonder if the Fed will cut rates, but merely when and by how much.
- We think the conditions are in place for further US dollar weakness. The Fed's apparent intention to ease interest rates would be a headwind for the dollar if the ECB and BOE hold rates steady. Longer term, our cyclical bullishness will at some point give way to structural bearishness, as the fiscal challenges facing most G-7 governments (demographics, decarbonization, defense, debt service) remain unaddressed.
- In terms of risks, we are watching for potential signs of slowing growth, such as yield curve inversions and significant declines in leading economic indicators. Traditional recession signals are flashing and have been for several months, indicating that there is still the possibility of a recession in 2024. In all likelihood, this would lead to a downturn across the credit and equity markets given that prices already reflected a soft landing at the end of 2023. A resurgence in inflation, which would prompt central banks to keep interest rates higher for longer, would also represent an obstacle for market performance. In addition, US fiscal wrangling and election politics could unleash volatility well above that embedded in market pricing.

About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **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. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline.

Important Disclosure

*The **Standard & Poor's 500® Index** is a market capitalization weighted index consisting of 500 US industrial, transportation, financial, and utility companies, calculated on a total return basis with dividends reinvested.*

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.*

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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, containing this and other information. Read it carefully.

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