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 credit posted strong positive total and excess returns in the first quarter. Receding fears of an economic "hard landing" and further rising expectations for Fed rate cuts in 2024 were beneficial for the sector. Commercial mortgage-backed securities were particularly strong performers following a significant selloff in 2023 that was brought about by concerns about fundamentals in commercial real estate. Commercial ABS and consumer asset-backed securities also delivered strong returns amid a broader rally in risk assets. Collateralized loan obligations and non-agency residential mortgage-backed securities (MBS) were also positive. Agency MBS experienced negative total returns, with lower-coupon issues generally underperforming those with higher coupons.
- Investment-grade bonds finished the first quarter with a narrow loss, as the benefit of narrowing spreads was outmatched by rising US rates. Bonds rallied significantly in the final two months of 2023 on expectations that falling inflation would allow the US Federal Reserve (Fed) to begin reducing interest rates. Coming into the year, the futures markets were indicating that the Fed would enact as many as six to seven rate cuts in 2024, with the first potentially occurring in March. This positive outlook ultimately proved to be premature, as rising oil prices and robust economic data began to fuel concerns that inflation may be set to reaccelerate. The consensus number of rate cuts fell to three by quarter-end as a result, with the likely timing of the first cut pushed back to June. While Fed Chairman Jerome Powell reiterated his December statement that the Fed indeed is on track to begin cutting rates this year, market participants appeared to display a lower degree of confidence. In combination, these factors led to uninspiring returns for most segments of the bond market.
- The less favorable interest rate outlook led to a slightly negative total return for US Treasurys. Although bonds with maturities of two years and below finished with small gains, the benefit was outweighed by weakness in longer-term issues. The yield on the two-year note rose from 4.23% to 4.59% (as its price fell) over the course of the quarter, while the 10-year climbed from 3.88% to 4.22%. The yield curve remained inverted—meaning that short-term yields were above those on longer-term debt)—extending the duration of the inversion to the longest in history and exceeding the previous high set in 1978.

Class I Performance as of March 31, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-0.13	-0.13	3.48	-1.79	0.70	2.12
BENCHMARK	-0.91	-0.91	1.61	-2.71	-0.25	1.19

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 outperformed its benchmark, the Bloomberg US Securitized Index, primarily due to its overweight to agency CMBS and CMBS.

Contributors

- The fund's diversification supported its performance, with Securitized Credit's higher returns offsetting Agency MBS' lower returns.
- The leading contributor to the fund's performance relative to the benchmark for the quarter was a significant overweight to agency CMBS, specifically allocation to multi-family derivatives.
- An overweight position in CMBS was additive to relative performance for the period particularly due to single-asset, single-borrower fixed holdings.
- An overweight position in commercial ABS also contributed positive to relative return for the period, notably issues backed by aircraft leases.
- An overweight position in consumer ABS also boosted returns for the period.
- The fund's allocation to RMBS contributed to relative performance, specifically exposure in re-performing loans.

Detractors

- The fund's duration and yield positioning detracted modestly from returns.
- The fund's security selection within Agency MBS was also a modest detractor.

Outlook

- Agency MBS conventional loans have been fairly muted but we expect them to increase in the future as recent production loans start to season. The Federal Reserve's MBS holdings are in runoff, and some banks are opportunistically selling low coupon MBS holdings to reduce their duration and optimize risk-weighted capital. Banks that are adding MBS are mainly focused on purchasing Ginnies due to their 0% risk weight.
- In Consumer ABS valuation, spreads have tightened over recent months and are close to fully valued to corporates. Senior tranches of Prime Auto Loan and Student Loan backed transactions appear to offer the best relative value, as the credit curve has flattened significantly. Primary market issuance YTD in 2024 has significantly outpaced that of 2023, however the elevated supply is being met with strong investor demand, likely driven by fixed income inflows and under-allocated investors ramping up. Liquidity remains strong.

- Fundamentals of Commercial ABS are strong as demand for air travel has fully recovered to pre-COVID levels and aircraft supply remains constrained due to a combination of Boeing's door plug failure, significant production delays, and engine shortages. Solar: Solar is currently facing challenging fundamentals with slowing demand under the high rates environment and new regulatory changes (NEM 3.0 in California). Aircraft remains our best pick among Commercial ABS sectors as we expect the positive demand/supply trends to last several years. Many other sectors in Commercial ABS have tightened significantly, particular those sectors like Whole Business and Container Leasing which have seen limited new issue supply which is driving valuations to relatively unattractive levels.
- CLO IG bonds continue to provide investors with attractive opportunities for higher carry. We favor AA CLOs that either have shorter, de-levering profiles or are longer spread duration with clean collateral and strong structures. Some highly leveraged corporate issuers will face challenges as rising costs (goods, labor, and debt service) hit margins, resulting in increased bank loan defaults. Leveraged loan rating downgrades will likely outpace upgrades over the coming months, continuing to erode junior over-collateralization tests in CLOs and causing some to fail. Weakened loan covenants will weigh on recoveries but we remain confident in the structural credit protection provided by CLOs.
- CRE values are already down 21% from the 2022 peak, and we expect them to decline an additional 5-10% in 2024 as a result of tight lending conditions, weak NOI growth, and rising cap rates. We expect CMBS delinquency rates to rise to 6% - 7% in 2024, mostly due to maturity defaults and borrowers seeking extension modifications ahead of near-term scheduled maturities.
- We remain confident in the protections provided in the deals' structures to prevent losses from impacting held positions in RMBS. 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. 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 as the asset re-calibrates to a structurally higher yield curve following years of artificially low interest rates. However, given the secular tailwinds of deficient housing supply and strong underwriting, we anticipate the near-term softening of home prices to be controlled and manageable.

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.

For institutional use only.

Natixis Distribution, LLC (fund distributor, member FINRA|SIPC) and Loomis, Sayles & Company L.P. are affiliated.

1037331.41.1
LSSAF03-0324