

loomis sayles bond fund

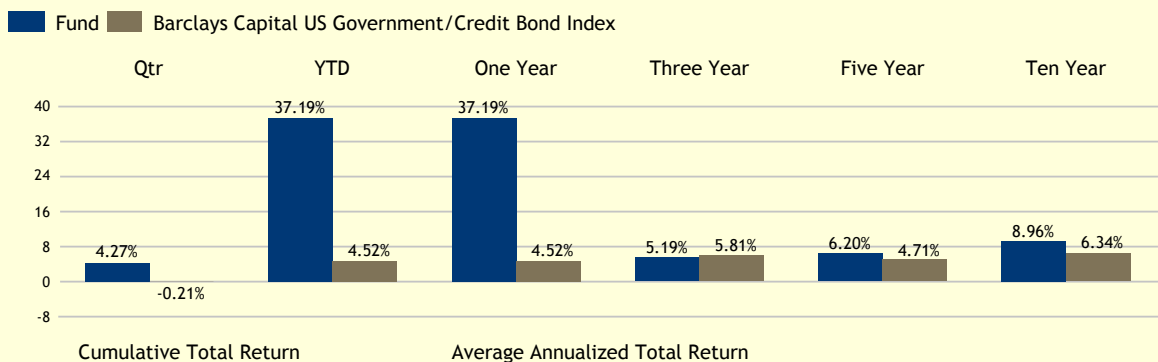
PORTFOLIO REVIEW

- The Fund's outperformance was primarily due to strong results from corporate credits, high yield, convertible bonds and non-US-dollar-denominated investments.
- The credit markets continued to benefit from the market's preference for risk.
- The Federal Reserve's accommodative monetary policy combined with tame inflation expectations kept yields on US government-related bonds range-bound.

WINNERS

- Investment grade corporates were a solid contributor, as sizeable new issuance, strong market liquidity and investors' appetite for risk persisted. Higher-beta, cyclical sectors (entertainment, autos, media) were among the Fund's top gainers. Other contributors included bonds in the energy, paper and metals and mining industries. Select investment grade financials (diversified finance, consumer finance, insurance) generated strong returns on continued deleveraging and enhanced corporate balance sheets.
- High yield performed well as demand for yield continued in the low interest rate environment. An expected decline in corporate defaults and improving corporate credit fundamentals helped generate strong gains from high yield communications, technology, airlines and consumer-related names. Paper, chemical and healthcare industries were also among the sector's better performing industries.
- The Fund's convertible bonds received a major boost from the equity market rally and were the leading contributors to overall performance. In particular, positions in the pharmaceuticals, auto and technology industries posted some of the best returns in the space.
- Bonds denominated in commodity-rich countries, including Canada, Mexico and Indonesia, rallied on increased expectations for global growth. In addition, our bonds issued in the euro, British pound sterling and Brazilian real posted solid returns.

I Share Performance as of December 31, 2009



Past performance is no guarantee of future results. Investment return and principal value may fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance data quoted represents past performance and current returns may be higher or lower. For performance current to the most recent month-end, please visit www.loomissayles.com. Other share classes are available. Performance may be lower depending upon the expenses of different share classes.

Total return assumes reinvestment of dividends and capital gains distributions, if any. Performance data reflects certain fee waivers and reimbursements, if any. Without such waivers, performance would be lower. The gross expense ratio of 0.64% Class I share does not reflect any potential reimbursement/reduction of expenses as stated in the most recent fund prospectus. The net expense ratio of 0.64% Class I share reflects the reimbursement/reduction of expenses, if any, as stated in the most recent fund prospectus. Please Note: Fund expenses and expense reductions are subject to change. Expense reductions are contractual and are set to expire 1/31/10. Investors should consult the most recent fund prospectus for more detailed information.

LAGGARDS

- Weak currency performance led to poor returns from our Iceland krona-issued bonds.
- Local market weakness muted currency gains from our Australian-dollar-denominated debt holdings.
- Although performance from investment grade financials was positive, our underweight allocation to the sector relative to the Benchmark eroded some of the gains.

OUTLOOK

- The Fund is positioned for the re-emergence of domestic and global growth. Recent price rallies in riskier assets have been significant, but we believe there is room for further appreciation in the corporate space, particularly high yield, as economic fundamentals improve.
- We view the credit segment of the market as an area where specific bond and equity (through convertible securities) picking, as opposed to broad segment exposure, could lead to outperformance. We are following a strategy of security-specific risk in the Fund.
- We will maintain selective exposure to structured finance positions, given their relative value and underlying government support. We continue to add opportunistically to our foreign currency positions, with a focus on currencies of commodity-rich nations and select Asian countries that could perform well as global growth resumes.

ABOUT RISK

Because the Fund can invest a significant percentage of assets in foreign securities the value of the Fund shares can be adversely affected by changes in currency exchange rates, political, and economic developments. In emerging markets these risks can be significant. The Fund is subject to currency risk, which is the risk that fluctuations in exchange rates between the US dollar and foreign currencies may cause the value of a Fund's investments to decline. Funds that invest in securities denominated in, or receive revenues in, foreign currency are subject to currency risk. Accordingly, the purchase of fund shares should be viewed as a long-term investment. Because the Fund can invest a significant percentage of assets in debt securities that are rated below investment grade the value of fund shares can be adversely affected by changes in economic conditions or other circumstances. These events could reduce or eliminate the capacity of issuers of these securities to make principal and interest payments. Lower rated debt securities have speculative characteristics because of the credit risk of their issuers and may be subject to greater price volatility than higher rated investments. In addition, the secondary market for these securities may lack liquidity which, in turn, may adversely affect the value of these securities and that of the Fund. Accordingly, the purchase of fund shares should be viewed as a long-term investment. Mutual funds that invest in bonds can lose their value as interest rates rise and an investor can lose principal.

The **Barclays Capital US Government/Credit Bond Index** includes Treasuries (public obligations of the US Treasury that have remaining maturities of more than one year) and agencies (publicly issued debt of US government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US government) as well as other publicly issued investment grade corporate and foreign debentures that meet specified maturity, liquidity, and quality requirements. Indexes are unmanaged, do not incur fees and it is not possible to invest directly in an index.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit loomissayles.com or call us at 800-633-6330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

Natixis Distributors, L.P. (fund distributor) and Loomis, Sayles & Company, L.P. are affiliated.

130622.