

Dear Fellow Shareholders,

There's no doubt—the past year has been a difficult one for our shareholders. The [Loomis Sayles Bond](#) and [Strategic Income](#) Funds have performed poorly for the one-year and year-to-date periods. After avoiding the problems in the securitized markets in 2007, we were early entrants into the corporate credit markets in late 2007 and the beginning of 2008. In hindsight, our timing was too early. The unprecedented market conditions, coupled with the timing of that reallocation and some specific security choices, have led to our recent underperformance.

On a positive note, this period of market uncertainty is resulting in bond prices that appear extraordinary on both a historic and fundamental basis. We believe that, looking backward, this period (which feels very uncomfortable now) may be viewed as having been a great opportunity to add long-term value for shareholders.

On our website, we've posted a detailed explanation of the sources of our year-to-date and quarterly underperformance. We've also outlined where we see future opportunities and how we are positioning the Funds in an effort to capitalize. Several key points are worth highlighting:

- Based on a view that we would experience a protracted period of slow economic growth earlier in the year, we began investing in sectors that we thought would benefit from a gradual recovery, including the financial sector. We did not expect the unprecedented economic disruption that has occurred or the subsequent severe "crisis of confidence" that has hurt recent performance.
- Despite today's poor economic backdrop, based on the current yield on the investments we hold and, in our view, the positive price potential given where some of these securities are now trading, we believe the portfolios are well positioned over the long-term—even if default rates exceed the worst levels in history (including the Great Depression).
- It is our belief that once the systemic pressures ease and liquidity returns, debt holdings will rise significantly as underlying fundamental value is recognized. In bond investing, it's important to own the bonds when they are discounted in order to benefit when they begin to regain prices that are based on fundamentals rather than fear in the market.
- We also believe that once this "flight to quality" period ends, the US dollar should weaken and our significant non-dollar position can begin adding value as it had prior to the events of the past year. Of course, past performance is no guarantee of future results.

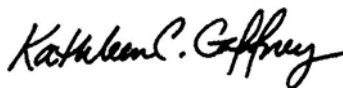
We understand that the recent performance of the Loomis Sayles Bond and Loomis Sayles Strategic Income Funds have not met your expectations. As shareholders of the Funds, we also recognize the impact this has had on your portfolio. Each of us has a significant proportion of our own personal money invested in these Funds. Loomis Sayles employees collectively have \$50 million invested in these Funds (as of September 30, 2008), so we are acutely aware of the impact of recent performance.

We remain optimistic about the Funds' current positioning. These Funds are intended as long-term investments, and short-term underperformance will occur from time-to-time. Historically, it is during times of extreme market dislocation that many of the best investment opportunities present themselves.

We thank you for your patience during this volatile period and look forward, as fellow investors, to more rational markets.



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The letter is for informational purposes only. It should not be construed as investment advice. Outlook as presented reflects subjective judgments and assumptions of the portfolio managers as of October 9, 2008, and unexpected events may occur. There can be no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold.

Because the Fund(s) 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(s) 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.

For more complete information about the Loomis Sayles Bond Fund, or any other Loomis Sayles fund, including charges and expenses, please write or call Natixis Distributors, L.P. at 1-800-633-3330 for a free prospectus. Investors should consider a fund's objective, risks and expenses carefully before investing. This and other information can be found in the Fund's prospectus. Please read the prospectus carefully before you invest or send money. Natixis Distributors, L.P. (member FINRA), 399 Boylston Street, Boston, MA 02111