Core Plus Bond Fund

Fund Facts

OBJECTIVE

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

Share Class	Y
Inception	12/30/1994
Ticker	NERYX
CUSIP	63872R764
Benchmark	Bloomberg US Aggregate Bond Index

Bloomberg US Aggregate Bond Index *represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. Indices are unmanaged. It is not possible to invest directly in an index.*

Market Conditions

- Most segments of the US bond market lost ground in the fourth quarter, dampening returns for the full year. Although the US Federal Reserve (Fed) reduced interest rates by a quarter-point at its meetings in November and December, which followed a half-point cut in September, investors focused on Fed Chair Jerome Powell's indication that the central bank may slow its pace of rate cuts in the year ahead. With inflation not yet at the Fed's target and the incoming Trump administration anticipated to pursue policies that could prove inflationary, the number of rate cuts expected to occur in 2025 declined. Whereas the Fed projected as many as four quarter-point rate cuts in 2025 at its September meeting, that number fell to two in December. This shift in expectations weighed heavily on market performance in the quarter, with longer-dated issues experiencing the largest losses.
- The combination of an improving growth outlook, together with indications that the Fed would take a less accommodative policy path than investors had previously anticipated, pressured the performance of US Treasurys and other rate-sensitive assets in the fourth quarter. The yield on the two-year note rose from 3.66% to 4.25% (as its price fell), while the 10-year yield climbed from 3.81% to 4.58%. These price moves led to negative total returns across the maturity spectrum, with longer-term issues generally suffering the weakest performance. The Treasury yield curve continued to steepen (meaning the gap between longer- and shorter-dated issues widened), continuing a trend that began in the third quarter.

Class Y Performance as of December 31, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-3.52	0.75	0.75	-2.29	0.34	1.81
BENCHMARK	-3.06	1.25	1.25	-2.41	-0.33	1.35

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 0.50% (Class Y). Net expense ratio 0.49%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense limitation of the fund has been exceeded. This arrangement is set to expire on 1/31/2025. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 12/30/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

- Investment-grade corporate bonds posted a loss but slightly outperformed Treasurys. Although the increase in US Treasury yields was a headwind for performance, corporates were supported somewhat by a narrowing of yield spreads (the difference in yield over Treasurys). Spreads fell near the lowest level since the 1990s on the strength of hearty investor risk appetites, healthy corporate earnings, and optimism about the economic outlook.
- High yield bonds logged a narrow gain and were one of the best-performing segments of the fixed-income market in the quarter. The asset class benefited from its above-average income and a decline in yield spreads toward historic lows. The narrowing of spreads reflected the combination of mounting optimism about the economy and the resulting strength in investor risk appetites. Bank loans also performed well, as the prospect of fewer interest-rate cuts in 2025 helped fuel renewed demand for floating-rate assets.
- Agency mortgage-backed securities (MBS) experienced negative total returns in the fourth quarter due to their sensitivity to rising US Treasury yields, but their performance was flat relative to duration-equivalent Treasurys. Securitized assets generally delivered gains and outperformed Treasurys, with higher yielding, credit-oriented market segments and less rate-sensitive bonds generally producing the best results. Asset-backed securities (ABS) and non-agency residential mortgage-backed securities (NARMBS) provided broadly positive returns. Collateralized Loan Obligations (CLO)s were strong performers, as well.
- Global developed-market bonds and emerging-markets debt both lost ground in US dollar terms in the quarter. In addition to being pressured by rising Treasury yields, the two categories were hurt by pronounced weakness in foreign currencies against the US dollar. The prospect of stronger relative growth in the United States and a potential pause in rate cuts during 2025 helped fuel an impressive rally in the dollar, weighing on the returns of non-dollar assets for US investors.

Portfolio Review

- The fund underperformed its benchmark, the Bloomberg U.S. Aggregate, primarily due to sector allocation.

Contributors

- Security selection contributed positively to performance, primarily driven by securitized agencies
- Investment grade credit was an overall add to returns for the quarter
- High yield corporates also benefited performance

Detractors

- Duration and yield curve positioning were the main detractors from performance this quarter
- Sector allocation detracted from performance, particularly in non-US dollar and investment grade credit
- Non-US dollar modestly detracted from performance as our position in LATAM continued to underperform

Outlook

- We continue to believe that we are in the late expansion phase of the credit cycle. Our base case scenario remains for a softer economic landing, under which we would expect growth and inflation to normalize toward trend-like rates, allowing the Federal Reserve to proceed at a steady pace towards a long-run neutral rate in the low to mid-3% range. We anticipate that the incoming Trump administration will aggressively pursue its expansionary agenda, and we are watching for changes in trade and immigration policies and their potential impacts on the labor market, growth, and inflation.
- Currently we are constructive on the macro and fundamental backdrop for credit health and corporate fundamentals. Profits remain elevated, and a potential reduction in the corporate tax rate, as well as de-regulation, may provide another boost. Risk assets continue to be well supported, helping to hold credit spreads near historic tights and provide healthy liquidity. However, debt service costs have been rising, despite rate cuts and narrow spreads, and consumer demand could stumble due to a combination of weakness in labor markets, lagged effects of tighter credit conditions, and depleted excess savings. We believe this scenario would negatively impact near term growth expectations, and precipitate a more dovish monetary policy than the approximately 30 basis points (bps) in rate cuts currently priced in for 2025.
- We are concerned about the growing fiscal burden in the US, potential for retaliatory tariffs, and a significant slowdown in China impacting global growth. We also remain concerned about potential exogenous shocks, possibly emanating out of the ongoing conflicts in the Middle East and Ukraine.
- We continue to believe that the balance of risks seems to favor lower rates — modestly lower in a soft landing, or markedly lower if labor markets stumble in the interim. We have reduced duration, but maintain a modestly long bias at roughly 1/2 of a year long on a nominal basis, but notably at only 1/10th of a year long on an empirical basis, which we believe is a better measure of expected sensitivity of the portfolio to interest rate changes, as it incorporates historical behavior of risk assets. We have also been incrementally reducing exposure to the long end of the curve, and adding to the 2- 5-Year part of the curve. While we believe that the yield curve has potential to bull steepen should recent growth expectations moderate as consumer spending wanes, we acknowledge that fiscal pressures from more expansionary tax and regulatory policy may result in higher term premiums going forward, limiting the improvement in longer-dated Treasury yields.
- We continue to maintain an "up in quality and price transparency" bias in the portfolio, given our view that the economy is more likely to slow than to re-accelerate from current elevated levels. We hold over 60% of the portfolio in Government assets (Treasurys and Agency MBS), which is on the higher end of our historical positioning. Looking ahead, we expect Treasurys to be supported by slowing economic activity and continued disinflation. Importantly, we have significant liquidity for re-entering spread markets should valuations cheapen meaningfully from current levels.
- During the fourth quarter, we moved from a modest overweight to an approximate 2% underweight in agency mortgage-backed securities versus the benchmark, recognizing the strong performance of that sector over the prior 12 months. We continue to emphasize favorable convexity and structure through coupon and specified pool selection.

- Within investment grade corporate credit, we remain underweight on both market value and contribution-to-duration measures. We have a modest bias towards BBB-rated securities as we believe they currently offer the most attractive carry and return potential, despite overall investment grade valuations that have pushed towards valuations historical tights. We tend to favor industries that have benefitted from higher rates, such as banks and business development companies, and those with favorable supply/demand dynamics such as aircraft leasing companies.
- We have a large overweight to high quality investment grade securitized credit, primarily in the front end of the yield curve, for more defensive, non-corporate carry. We continue to favor higher-rated asset-backed securities (ABS) related to consumer receivables, as well as aircraft-related, automotive rental fleet, infrastructure, and whole loan ABS. We have minimal exposure to commercial real estate. Our overweight and strong excess returns contributed to overall portfolio performance.
- Within the Plus sectors, our allocation to high yield is up relative to last quarter. Currently we own approximately 5.2% in fixed rate high yield corporates, including 1.9% in emerging market high yield corporates. We remain at the low end of our historical allocation range in high yield given stretched valuations, and continue to favor front-end, lower spread duration yield. We increased our allocation to high-quality, investment grade collateralized loan obligations (CLOs) where permitted, currently at 5.4% (In guidelines which do not allow CLOs, we have maintained an approximately 4.3% exposure to bank loans). High Yield, CLO's and Emerging Markets High Yield all contributed strongly to overall portfolio performance.
- We reduced our position in local pay Mexico Governments by around 0.5% in November, given less favorable political environments both in Mexico and the US. Currently, non-US dollar exposure is approximately 2.6% of total market value, with 1.1% in Uruguay, 1.0% in Brazil, and 0.5% in Mexico. While the underperformance in non-USD in 2024 has been disappointing and was a significant drag on overall portfolio performance in 2024 (after strong performance in prior years), we continue to favor the significant carry from these positions, and potential for foreign exchange and local bond market price appreciation should market sentiment improve in 2025 as we anticipate.

About Risk

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. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Inflation protected securitie**s move with the rate of inflation and carry the risk that in deflationary conditions (when inflation is negative) the value of the bond may decrease.

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 800-225-5478 for a prospectus and a summary prospectus containing this and other information. Read it carefully.

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