MAURA MURPHY

Maura Murphy may have stuck with Loomis Sayles since graduating college, but she still knows when it's time to switch up a portfolio in pursuit of better yields

VICKY GE HUANG

Lots of investors like to boast about the early age at which they bought their first stocks, but how many can claim to have worked alongside fixed income veteran Dan Fuss at the tender age of 17?

Maura Murphy, who rubbed shoulders with Fuss as an intern at Loomis Sayles while she was still in high school, is probably one of the youngest 15-year veterans of the asset management industry, having stuck with the Boston-based asset manager ever since.

After her stint at the firm during high school, Murphy returned to intern there while in college, before eventually joining the firm full-time. It's still the only company she has ever worked for.

'I've been able to chat with Dan basically from day one. He's so friendly and accessible, and that's the culture that he has built at the firm,' Murphy says. 'You're encouraged to collaborate, to share knowledge, to be passionate about what you do and to learn from the best around you. I really believe that he has set that tone and made us all want to be like that.'

After majoring in math at college, Murphy started her Loomis career in the quantitative research and risk management group. After four years there, she moved to a hedge fund team within the firm, where she developed her quant skills by working on relative value, capital structure arbitrage and trade idea generation.

But nothing piqued her interest quite like the first asset allocation account she worked on back in 2009. 'I felt like I had found where I wanted to be,' she says. 'Every day was different. It was so dynamic. You had to keep learning. I think that experience made it a natural fit for me to become a multi-asset manager.'

BRINGING IN THE INCOME

Today, Citywire A-rated Murphy manages the equity income part of the $148.9 million Loomis Sayles Multi-Asset Income fund. She works alongside + rated Kevin Kearns, who focuses on credit and portfolio construction, and A-rated Tom Fahey, who is associate director of macro strategies at the firm.

Launched in November 2005, the fund is ranked 39th out of the 143 Flexible Portfolio funds tracked by Citywire for three-year total returns to the end of August. Over that period, the fund is up 26.8%, compared with the average Flexible Portfolio fund's 22% and the LCI Mixed Asset USD Balanced - Global index's 22.5%.

The fund takes a tactical approach, building a portfolio of income-producing securities to maximize risk-adjusted returns. 'We are obviously focused on income by mandate, but it's not about reaching for the highest yielding securities. It's about how we can find quality of income so that we can get that consistency of yields in a risk-aware way,' Murphy explains.

Driven by this philosophy, the investment process starts at the macro level. 'We break the cycle into four distinct parts – downturn, credit

> WE FELT AS THOUGH THE US WAS GOING TO BE THE GROWTH ENGINE FOR THE GLOBE IN THE NEAR TERM

repair, recovery and expansion,' Murphy explains. 'At this macro research level, we're working very closely with our sovereign and macro research team. That work helps to inform us about where countries are in their economic cycle.'

Next, the team delves into the concept of 'GRIT' – growth, rates, inflation and turmoil – to help guide its tactical asset allocations.

Discussing these four indicators encourages the team to watch both the absolute level of volatility at the asset class level and also the changing relationships between asset classes, Murphy says.

The final stage of the process is security selection, which is supported by Loomis Sayles' credit and equity research analysts around the world. 'We believe in central research, so we are in constant communication with our Singapore office and our London office, as well as the Boston research teams. We're really trying to get that full picture from research, quant and trading,' Murphy says.

HOME BIAS

With a flexible mandate, the fund is able to go wherever the team sees fit. From an asset allocation perspective, the biggest bet within the fund is US equities, which accounted for 26% of the fund's assets at the end of June. Murphy says the call is based on the team's view that US growth is still surging while the rest of the world has started to slow down.

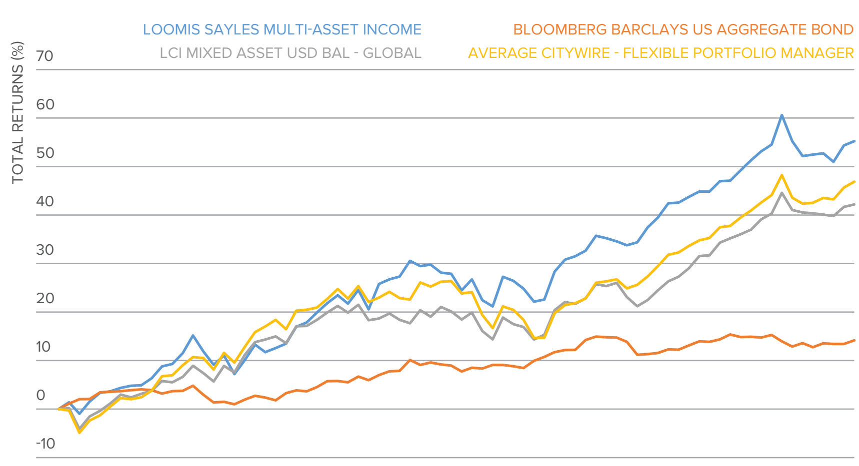
'China and Europe slipped a little bit and because of that, when we talk about the GRIT, the growth and the rates moves that we saw have made us lean more toward US equities,' she says. 'We felt as though the US was going to be the growth engine for the globe in the near term, and that made us shift tactically to favor US equities and US equity income over global equity.'

However, the US equity market is not the only domestic space favored by the team. US high yield accounted for 18.4% of the strategy's assets as of the end of June – although Murphy concedes that there are question marks about that market at the moment.

'A lot of it is supported by strong fundamentals – very low default rates, strong earnings growth and quite healthy company balance sheets – but we're getting to the point where we're having a

THE LOOMIS SAYLES MULTI-ASSET INCOME FUND HAS PERFORMED STRONGLY SINCE MURPHY JOINED THE TEAM IN APRIL 2012

DATA TO AUGUST 31, 2018 / SOURCE: CITYWIRE/LIPPER



debate as a team about how much value is really left and whether it's worth the risk,' she says. 'We're up in quality in high yields at the moment, and we're doing our homework on the specific credits that we're invested in. The asset class has performed very well, but we're being cautious.'

BOLD CALLS

The team has also taken two big sector bets in financials (18.9%) and energy (24.7%). This has mostly been achieved through a 12.2% exposure to preferreds and a 6.6% allocation to master-limited partnerships (MLPs).

'Financials are benefiting from the rising rate environment and the deregulation policies that we're seeing from the administration in the US,' Murphy says. 'Preferreds, on average, tend to yield about 6% or 7%, so [you get] strong yields with less risk than the full equity position.'

Aside from banking, the team believes that energy has the potential to outperform in the latter stage of this cycle's economic expansion phase.

'MLPs were very volatile at the beginning of the year, but with the rebound that we've seen in oil, they have been providing some good diversification,' Murphy says. 'They have a lower correlation than many other assets that we invest in, and they offer an attractive yield of more than 7%.'

The fund still has significant exposure to emerging markets too, at 9.5% of the portfolio. However, the strength of the US dollar and the turmoil in certain emerging markets has weighed on returns, prompting the team to move out of local currency debt.

'Looking at the performance so far this year, our emerging markets exposure was a great diversifier and introduced strong yields to the portfolio, but the negative total return outweighed the benefits,' Murphy explains. 'We have been trying to mitigate that negative performance with interesting yield opportunities in other areas such as US equities, bank loans, preferreds and high yields, which have less volatility and more total return potential going forward.'

A SEAT AT THE TABLE

Having been to a single-sex high school, Murphy appreciates the importance of having a wide range of perspectives in the team. What's more, plenty has changed over the course of her 15 years in the industry.

'When I first started, I would probably be the only woman in a meeting room most days. There were very few women at my level at the time,' she recalls. 'What I'm hoping to do with the younger generation is to make sure these women see that they can be successful in our industry.

'Breaking the glass ceiling is still hard. All we can do is to keep trying to get a seat at that table and keep having a voice. Bringing this diversity of perspectives is so important in investment management.' ■

VERDICT

FRANK TALBOT
HEAD OF INVESTMENT RESEARCH, CITYWIRE

The Multi-Asset Income portfolio has been a strong performer since Maura Murphy joined in 2012. It has shifted away from equities toward fixed income this year, and the team now sits toward the bottom of the peer group in terms of its weighting to stocks.

Even so, the fund has just about remained in the top half of the peer group for returns over the past year. This is due in part to the decision to cut overseas holdings and focus on the domestic market. The fund also retains Loomis Sayles' penchant for high yield, reflecting Fuss's experience and expertise.

Nevertheless, this is a portfolio going on the defensive. That has been a bold and unprofitable move in recent years, and investors will hope that the team hasn't pulled out too soon.

This communication is dated as of October 29, 2018. This material may not be redistributed, published, or reproduced, in whole or in part. This reprint and the materials delivered with it should not be construed as an offer to sell or a solicitation of an offer to buy shares of any fund.

This is for informational purposes only and should not be construed as investment advice. Any economic projections or forecasts contained herein reflect the subjective judgments and assumptions of the authors, and do not necessarily reflect the views of Loomis, Sayles, & company, L. P. There can be no assurance that developments will transpire as forecasted. This reflects the opinions of Citywire on the date made and is subject to change at any time without notice. All data contained in the article is based on research compiled by Citywire. Loomis Sayles cannot guarantee the accuracy or completeness of any statements or data.

Loomis Sayles and Citywire are not affiliated.

Loomis Sayles Multi-Asset Income Fund: Asset Allocation strategies do not guarantee a profit or protect against a loss. **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. **Below Investment Grade 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. **REITs** may be subject to risks including but not limited to declines in the value of real estate, risks related to general economic conditions, changes in the value of the underlying property owned by the trust, and defaults by borrowers. **Master Limited Partnerships (MLPs)** may trade less frequently than traditional investments such as equities, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment including the risk that an MLP could lose its tax status as a partnership. **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.

Average Annual Total Returns (%) as of 6/30/19†	3 Months	1 Year	3 Years	5 Years	10 Years
Loomis Sayles Multi-Asset Income Fund Class A *at NAV*	1.98	1.53	4.94	4.42	9.68
Loomis Sayles Multi-Asset Income Fund Class A *with 4.25% maximum sales charge*	-2.32	-2.77	3.43	3.52	9.20
Loomis Sayles Multi-Asset Income Fund Class Y*	2.07	1.81	5.21	4.68	9.81
Bloomberg Barclays U.S. Aggregate Bond Index	3.08	7.87	2.31	2.95	3.90
S&P 500® Index	4.30	10.42	14.19	10.71	14.70

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Total 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 im.natixis.com. Performance for other share classes will be greater or less than shown based on differences in fees and sales charges. You may not invest directly in an index. †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.

* Prior to the inception of Class Y shares (12/3/12), performance is that of Class A shares and reflects the higher net expenses of that share class.

Gross expense ratio 1.14% (Class A) and 0.89% (Class Y). Net expense ratio 1.00% (Class A) and 0.75% (Class Y). 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 cap of the fund has been exceeded. This arrangement is set to expire on 4/30/20. When an expense cap has not been exceeded, the gross and net expense ratios and/or yields may be the same.

[1] **Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index that covers the US-dollar-denominated, investment grade, fixed rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities, asset-backed securities, and collateralized mortgage-backed securities sectors.
[2] **S&P 500 Index** is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market.

Citywire Fund Manager Ratings: Citywire scrutinizes the manager's track record with a methodology approved by an independent actuary. The ratings take account of a three-year performance record and are updated every month. They are entirely quantitative and Citywire analysis is based on the information ratio, a recognized measure of risk-adjusted performance. However, Citywire calls it the Citywire Manager Ratio as it takes into account career moves and all the funds a manager runs. Citywire covers the whole market meaning every manager is eligible for a rating and investors can have confidence in the objectivity of Citywire's ratings. Citywire currently tracks more than 15,000 fund managers in 41 countries across more than 240 investment sectors. When calculating performance, all annual or ongoing fund charges are taken into account although Citywire assumes there is no initial fee on purchase.

In order to be rated by Citywire, a fund manager will need to beat his or her benchmark over a three-year period. A benchmark is often the relevant stock market index. Fewer than 25% of fund managers tracked by Citywire actually achieve this, and managers in this select group will either receive a Citywire+, A, AA, or the top AAA rating. The four ratings bands are assigned in the following way: the top 10% of managers in this elite group will gain the highest AAA rating; the next 20% will be awarded the AA rating; the following 30% will get a single A rating; and the remaining 40% will gain a Citywire+ rating. Each Citywire rated fund manager will have one universal rating, reflecting the performance on every fund he or she runs across the 41 countries in our database.

Citywire judges fund managers running absolute return funds in a slightly different way. We group them into 15 peer groups, featuring those running bond and mixed asset funds, as well as Alternative Ucits strategies, which use shorting as part of their investment process. Fund managers are judged on their ability to: beat cash returns by 2% over three years; control losses (maximum drawdown – their highest loss from peak to trough – cannot be 50% higher than peer group average); and generate strong risk-adjusted performance over three years. Fund managers who meet these criteria will then be allocated one of four ratings, depending on their risk-adjusted performance: the top 10% of managers will gain the highest AAA rating; the next 20% of managers will be awarded the AA rating; the following 30% will get a single A rating; and the remaining 40% will gain a Citywire+ rating. Managers may run funds that are assessed on this methodology but also run others that come under Citywire's traditional ratings system. In those cases, they will be assessed for separate ratings. The three-year performance ended 6/30/18.

Citywire Fund Manager Rankings calculate the total percentage returns generated by individual fund managers in a sector and show which funds they are currently managing. Their performance versus their peers can be analyzed over various time periods based on the following methodology: When one fund manager runs two or more funds, concurrently within the same unit trust sector, a monthly average is calculated across these funds; when a fund manager has a 'career break' there is no monthly return figure in the analysis. However, once that manager resumes managing a fund in the same sector, we substitute the average performance of all managers in that sector for the missing months. So the longer a fund manager is inactive, the more average he or she may look; a fund manager has to be currently active, as well as being active at the beginning of, or before, the period under review; and joint managers are treated as being equally responsible for a fund's performance.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Visit im.natixis.com or call 800-225-5478 for a prospectus or a summary prospectus containing this and other information. Read it carefully.

This document may contain references to third party copyrights, indexes, and trademarks, each of which is the property of its respective owner. Such owner is not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis") and does not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products.

The index information contained herein is derived from third parties and is provided on an "as is" basis. The user of this information assumes the entire risk of use of this information. Each of the third party entities involved in compiling, computing or creating index information disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to such information.

This material should not be considered a solicitation to buy or an offer to sell any product or service to any person in any jurisdiction where such activity would be unlawful.

Natixis Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers.

Natixis Distribution, L.P. • 800-225-5478 • im.natixis.com

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

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

2317923.1.3
MALR022755
Exp. 10/31/19
AR297-0719