



# Strategic Alpha Fund

## Fund Facts

### OBJECTIVE

Seeks to provide an attractive absolute total return, complemented by prudent investment management designed to manage risks and protect investor capital. The secondary goal of the fund is to achieve these returns with relatively low volatility

Share class	Y
Inception	12/15/2010
Ticker	LASYX
CUSIP	63872T620
Benchmark	Bloomberg US Aggregate Bond Index

### **Bloomberg US Aggregate Bond Index.**

The 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. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.

### **ICE BofA 3-month Treasury Bill Index.**

The ICE BofA 3-Month Treasury Bill Index tracks the performance of 3-Month Treasury Bills. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.

## Market Conditions

- Most segments of the bond market produced positive total returns in the second quarter, albeit with elevated volatility. The first week of April brought significant disruptions across the financial markets, as President Donald Trump's "Liberation Day" trade plan levied tariffs well in excess of what investors had been anticipating. Risk assets initially plunged on expectations that the protectionist policy shift would lead to rising inflation and slower economic growth. The downturn proved short-lived, however, as President Trump responded to market turmoil by enacting a 90-day pause on new tariffs within a week of the initial announcement. The markets quickly stabilized following the pivot, and volatility subsided over the remainder of the period as investors returned their attention to the backdrop of steady growth and slowing inflation. The fixed-income market further benefited from an emerging consensus that the US Federal Reserve was poised to begin resume cutting interest rates in the second half of the year. Credit-oriented market segments performed well in this environment and generally outpaced government debt.
- After an initial downturn caused by worries about the potential impact of tariffs, investment-grade corporate bonds recovered to post gains for the second quarter. The positive total return was driven by the combination of falling US Treasury yields, a contraction in yield spreads, and income return. While all major segments of the corporate bond market gained ground, the best returns came from lower-rated debt, bonds with maturities in the five- to 10-year range, and more economically sensitive issuers.
- High-yield bonds delivered robust total returns and outperformed the investment-grade category in the second quarter. After an initial sell-off caused by concerns about the potential impact of rising U.S. tariffs, high yield staged a strong recovery over the

### Class Y Performance as of June 30, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>FUND</b>	2.61	4.33	10.24	7.38	4.18	3.46
<b>BENCHMARK*</b>	1.21	4.02	6.08	2.55	-0.73	1.76

**Performance data shown represents past performance and is no guarantee 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](http://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.

\*Bloomberg US Aggregate Bond Index.

Gross expense ratio 0.80% (Class Y). Net expense ratio 0.73%. 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 4/30/2026. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 12/15/2010. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.



remainder of the period thanks to the combination of falling US Treasury yields and a decline in yield spreads. Intermediate-term issues (those with five to 10-year maturities) outpaced the broader category. Lower-rated securities outperformed their higher-rated counterparts, primarily as a result of elevated investor risk appetite late in the quarter.

## Portfolio Review

- The fund outperformed its benchmark, the Bloomberg US Aggregate Index, primarily due to emerging market exposure.

## Contributors

- Investment Grade Corporate exposure was positive for the quarter, as assets within the technology sector had the largest positive impact.
- High Yield Corporate assets generated positive return for the quarter, particularly within the consumer non-cyclical sector.
- Securitized exposure was also positive. Holdings within asset-backed securities (ABS) were the best performers within the allocation.

## Detractors

- Exposure to emerging market bonds detracted slightly for the quarter.

## Outlook

- The second quarter of 2025 saw a significant increase in financial market volatility, marked by an escalation in the global trade war, uncertainty in US fiscal policy and intensifying geopolitical risk in the Middle East. Risk assets sold off aggressively to start the quarter as President Donald Trump announced widespread reciprocal tariffs on April 2nd (aptly named “Liberation Day”), disrupting global trade and triggering uncertainty in growth and inflation expectations. As yields surged and liquidity thinned, the bond market flashed warning signs. A weak 3-year note auction set the tone, and with 10- and 30-year auctions looming, Trump took the off-ramp and paused tariffs for 90 days, which calmed investor concerns in the short-term. Investors shifted their focus towards uncertainty around US fiscal policy in mid-May as Moody’s downgraded the US government’s credit rating from Aaa to Aa1 and further highlighted long-term deficit concerns. This was quickly followed by the passing of the One Big Beautiful Bill Act by the House of Representatives, which has the potential to further exacerbate the fiscal gap. Lastly, in mid-June, geopolitical risk rose as Israel launched surprise attacks on key military and nuclear facilities in Iran. The US joined shortly thereafter to assist in striking Iranian nuclear sites, however, a ceasefire was announced shortly thereafter on June 24th. Despite the myriad of events, the 10-year US Treasury was stable quarter-over-quarter, moving from 4.21% to 4.24%, and, as expected, the Federal Reserve (Fed) remained on hold during their May and June meetings. Investment grade and high yield spreads initially widened but bounced back and ended the quarter near their pre-sell off levels.
- Going forward, we believe the US economy will remain in the late cycle phase of the credit cycle, supported by the recent backtrack in tariff policy, a healthy mid-to-high income consumer and stable corporate fundamentals. Our base case calls for trend/below trend US growth and we do not anticipate a recession at this time. The risk of global trade seizing



up and causing widespread recession appears to be diminished by tariff pause extensions, temporary truces and the potential for trade deals. In Europe, the shift toward more expansionary fiscal policy should raise long-term trend growth rates for those economies through large investments in the economy. This could offset any negative impact with a potential change in the US trade relationship, the effects of which will be hard to predict. In China, the government will likely continue to bolster domestic demand while it seeks to play defense in the face of tariff pressures, however, we believe uncertainty remains regarding the scale and effectiveness of such measures. A substantial trade deal could present an upside surprise.

- US inflation has been sticky and continues to print above the Fed's target. The tariff backtrack in the second quarter has alleviated some of the concerns of inflationary pressures in the short-term, but we believe risks to unstable inflation remain. We believe prices may experience a temporary spike in the coming months as companies pass through tariff-related cost increases. In addition, the risk of a re-escalation in the global trade war remains as the 90-day pause on higher tariff rates ends on July 9th. On a long-term basis, we have been suggesting that inflation may remain unstable and potentially experience higher lows in future cycles due to structural factors, such as the fiscal deficit, trade protectionism, deglobalization, decarbonization and aging demographics. From a growth perspective, labor market health and ongoing job creation should keep consumer spending on firm footing, in our view. Absent a significant shock to the economy, we believe growth should remain positive, which puts the Fed in a difficult position – should they focus on growth or inflation? In our view, the Fed may be comfortable with inflation hovering above their 2% target, explaining it away as transitory (again), in order to prevent the labor market from softening too much. The Fed seems to be in a “wait-and-see” mode and likely continues to be data dependent, focusing on developments in the trade war, the budget and events of the Middle East.
- We believe a key risk is the structural economic and demographic factors that are weighing on the US fiscal deficit. Large nondiscretionary spending, mostly related to entitlements and defense, have led to a deficit that is structural rather than counter-cyclical. Debt servicing costs have also risen significantly, as interest rates have increased and the overall debt burden has expanded. Currently, the fiscal deficit is unsustainable and has the potential to stimulate inflation, which in turn could raise borrowing costs across the economy. The One Big Beautiful Bill Act extends most of Trump's tax provisions, raises the debt ceiling and potentially increases the annual deficit over the next decade. Unless there is significantly higher growth (which we believe is unlikely), expenditures are reduced or another large source of revenue materializes (tariffs), we do not see a stabilization or contraction in the deficit occurring in the near term. US budget negotiations are ongoing, however, fiscal rectitude does not seem to be attainable – and this may reflect the reality that the mid-term elections are approaching quickly. Our structural view of higher interest rates remains intact. We believe Treasury supply will continue to be a topic of heavy discussion, which could increase interest rate volatility and put a floor under long-term Treasury yields. We believe the long end of the curve, at this point, is not adequately pricing in potential risks. We believe long-term fair value for the 10-year US Treasury is approximately 4.50-4.75%, based on a 1.75-2.00% real rate and 2.75% breakeven rate; however, Trump's policies could push the fair value target slightly higher.
- Our investment process lends itself to constantly reassessing value through our risk premium framework. Our Credit Health Index (CHIN) within investment grade and



high yield corporate credit suggest defaults/losses will be in line with historical averages for this part of the cycle. Geopolitical and fiscal uncertainties have provided pockets of spread widening, however, risk premiums remain below the lower end of our value range. We believe that credit health remains stable as corporate fundamentals, technicals and earnings growth continue to be positive even as the economy has potentially started to downshift. It is difficult to see any real signs of credit deterioration, and in our opinion, corporate balance sheets can weather potential volatility in the macroeconomic backdrop.

- We believe that long-term value has returned to fixed income markets with a combination of discount-to-par (positive convexity) and favorable yields. As investors sit on record levels of cash, we expect strong demand will likely support bond markets. The fiscal gap remains a long-term threat to yield stability, and investors will need to be compensated for a potential rise in yields at the long end. Fortunately, bondholders can manage through this uncertainty. In this environment, we believe that reinvestment rate risk is on the side of the fixed income investor, but the challenge is getting to progressively higher step-ups of yield while maintaining or growing principal. Given our expectation for a relatively benign loss environment, we believe investors should also consider moderately leaning into credit risk for any potential extra carry pick-up. We are mindful of the risks going forward, such as a growing US deficit, trade protectionism (tariffs) and geopolitical risk. Each of these risks could further elevate market volatility and create additional buying opportunities in credit, interest rates and currencies, for which we would consider redeploying reserves faster. In today's environment, we believe bond investors should maintain flexibility with regards to interest rate and credit risk, considering the risk/reward of the intermediate part of the curve against the long-term risks associated with long-end curve exposures while being selective in potential opportunities in investment grade credit, high yield credit, bank loans and securitized credit, in our opinion.
- During periods in which the US dollar appreciates relative to foreign currencies, funds that hold non-US-dollar-denominated bonds, foreign currency or foreign currency-based derivative securities ("Foreign Currency Exposures") may realize currency losses in connection with the maturity or sale of certain Foreign Currency Exposures. These losses impact a fund's ordinary income distributions (to the extent that losses are not offset by realized currency gains within the fund's fiscal year). A recognized currency loss, in accordance with federal tax rules, decreases the amount of ordinary income a fund has available to distribute, even though non-US-dollar-denominated bonds continue to generate coupon income.
- Fund officers have analyzed the fund's current portfolio of investments, realized currency gains and losses, schedule of maturities, and the corresponding amounts of unrealized currency losses that may become realized during the current fiscal year. This analysis is performed regularly to determine how realized currency losses have and will impact periodic ordinary income distributions for the fund. Based on the most recent quarterly analysis (as of June 30, 2025), realized currency losses could continue to have an impact on the distributions in the 2025 fiscal year. This analysis is based on certain assumptions including, but not limited to, the amount of Foreign Currency Exposures held by the funds, the level of foreign currency exchange rates, security prices, interest rates, the fund advisers' ability to manage realized currency losses, and the net asset level of the fund. Changes to these assumptions could materially impact the analysis and the



amounts of future fund distributions. Fund officers will continue to monitor these amounts on a regular basis and take the necessary actions required to manage the fund's distributions to address realized currency losses while seeking to avoid a return of capital distribution.

<sup>1</sup>A credit cycle is a cyclical pattern that follows credit availability and corporate health.

## 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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **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. **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. **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. **Commodity-related** investments, including derivatives, may be affected by a number of factors including commodity prices, world events, import controls and economic conditions, and therefore may involve substantial risk of loss. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market. **Short exposures** using derivatives may present various risks. If the value of the asset, asset class or index on which the Fund holds short investment exposure increases, the Fund will incur a loss. The potential risk of loss from a short exposure is theoretically unlimited, and there can be no assurance that securities necessary to cover a short position will be available for purchase.

## 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.***



***Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [www.loomissayles.com](http://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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