Natixis Loomis Sayles Short Duration Income ETF

Fund Facts

OBJECTIVE

Seeks current income consistent with preservation of capital

Inception	12/27/2017
Ticker	LSST
CUSIP	63873X208
Benchmark	Bloomberg US 1-5 Year Government Bond Index

Bloomberg US Government/ Credit 1-3 Year Index *is the 1-3 year component of the Bloomberg US Government/Credit Index. The US Government/Credit Index includes securities in the government and credit indices. The Government Index includes Treasurys (i.e., public obligations of the US Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government). The Credit Index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Investment grade refers to bonds rated BBB/Baa or higher. Ratings are determined by third-party rating agencies such as Standard & Poor's or Moody's and are an indication of a bond's credit quality.

Market Conditions

- The global fixed-income markets performed poorly in the third quarter, adding to a period of weak returns for bonds that dates back to mid-2020. Crude oil prices surged to their highest level since July 2022, raising the possibility that inflation—which had been ticking lower since late last year—would begin to reaccelerate. In addition, the US Federal Reserve (Fed) made it clear that although its pace of interest-rate increases slowed in 2023, it remained open to further hikes if necessary. This marked a shift from the more positive tone that characterized the first half of the year, when investors appeared to be looking ahead to the point at which the Fed could stop raising rates.
- US Treasurys suffered a sizable downturn. In addition to being hurt by the prospect of rising rates, government issues faced pressure from an increase in supply caused by the need to fund the nation's burgeoning debt load. Foreign central banks were net sellers of Treasurys, further adding to the imbalance of supply and demand. Later in the period, the possibility of a government shutdown emerged as an additional source of instability for the market.
- The yield on the two-year Treasury note climbed to 5.03% on the final trading day of September, up from 4.87% at the end of June. Longer-term bonds were hit much harder, with the yield on the 10-year issue surging from 3.81% to 4.59%. Notably, the five- and ten-year yields touched their highest levels since 2007 in the final week of the quarter, and the 30-year rose to its highest point since 2010. While the yield curve remained inverted—

Performance as of September 30, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
ETF (NAV)	1.08	2.62	3.94	-0.01	1.97	1.83
ETF (MARKET PRICE)	0.99	2.40	3.94	-0.02	1.94	1.82
BENCHMARK	0.73	1.87	2.77	-0.72	1.21	1.13

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.im.natixis.com.

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. An exchange-traded fund's market price is the price at which shares in the ETF can be bought or sold on the exchanges during trading hours, while the net asset value (NAV) represents the value of each share's portion of the fund's underlying assets and cash at the end of the trading day. ETFs calculate the NAV at 4 p.m. EST, after the markets close.

Gross expense ratio 0.88%. Net expense ratio 0.35%. 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 Investment Advisor has given a binding contractual undertaking to the Fund to limit the amount of the Fund's total annual fund operating expenses to 0.38% of the Fund's average daily net assets, exclusive of brokerage expenses, interest expense, taxes, acquired fund fees and expenses, organizational and extraordinary expenses, such as litigation and indemnification expenses. This undertaking is in effect through April 30, 2026 and may be terminated before then only with the consent of the Fund's Board of Trustees.

meaning that short-term yields were above those of longer-term issues—the gap moderated considerably over the course of the quarter (as gauged by the difference between the two- and 10-year notes).

- Investment-grade corporate bonds experienced a negative return and finished in line with Treasurys, with the benefit of higher yields counterbalancing the effect of weaker price performance. The most rate-sensitive areas of the market—longer-term issues and higher-quality debt—were hardest hit in the downturn.
- Over the prior quarter, securitized assets produced largely positive returns, with the exception of non-agency commercial mortgage-backed securities (CMBS)[1] and agency mortgage-backed securities (MBS).[2] Collateralized loan obligations (CLOs)[3] and commercial asset-backed securities (ABS)[4] provided particularly strong returns over the period, with portions of the residential mortgage-backed securities (RMBS)[5] market also outperforming. Headwinds facing the commercial real estate sector persisted, negatively impacting non-agency CMBS performance over the period. The shorter duration in most securitized credit sectors led to outperformance versus corporates in total return terms. A challenging technical backdrop negatively impacted agency MBS as elevated levels of rate volatility continued and rates sold off.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg US Government/Credit 1-3 Years Index, primarily due security selection.

Contributors

- Issue selection was the largest benefit to performance, particularly within the investment grade corporate sector.
- Securitized credit was positive particularly selection within ABS.
- Industrials and financials within High Yield Credit were also positive.

Detractors

- The underweight exposure to US Treasurys was a hindrance during the period.

Outlook

- The Federal Reserve increased rates by another 25 bps in July, after skipping the June meeting, bringing the Fed Funds rate to 5.50%. The Fed expressed encouragement over the continued moderation of inflationary pressures through most measures. However, the Fed remained concerned about shelter costs, wage-led pressures in the services economy, tight credit spreads and solid equity market performance. The Fed Funds rate remained steady at the September meeting but bond yields rose sharply in the subsequent weeks in response to hawkish Fed guidance and improving economic sentiment. Expectations for an eventual reversal in monetary policy have been pushed out to mid-2024. From a yield curve perspective, the net result over the quarter was that the curve remains inverted but experienced some "bear-steepening" as longer dated yields rose more than intermediate yields. While the equity market has pulled back from its recent highs, credit spreads have moved relatively little off of their recent cycle tights, at least thus far.

- We continue to believe that we remain in the very late expansion phase of the credit cycle, and that the significant increase in rates is now starting to impact business and consumer spending decisions. Corporate and consumer balance sheets have been starting to show some signs of strain, and we expect that the lagged effects of tighter credit conditions on the real economy eventually translate into employment pressure and corporate profit degradation. Should growth and inflation sufficiently moderate over the coming 3-6 month period, we think the Fed can pause hiking at or near the current 5.5% Fed Funds rate, and then consider easing policy somewhat starting in the early summer of 2024. This "soft landing" scenario is also currently the stated goal of the Federal Reserve.
- We view the primary market risks to be above trend economic growth and persistent "sticky" inflation. If inflation remains above the Fed's target, and doesn't moderate as we forecast, we could see several more rate hikes this year. Rate hikes may continue into next year, with a peak fed funds rate of 6% or higher, even if unemployment is starting to rise and economic growth is weakening. Recession risk could continue to be a factor if incoming economic data obscures the true impact of higher rates and restrictive monetary policy pushes the economy into downturn. We anticipate potential volatility around government shutdowns, labor unrest, and other knock-on effects from higher inflation and tighter credit conditions.
- We continue to favor spread sectors, such as corporate bonds and securitized assets.
- Corporate bond risk relative to benchmark declined during the quarter to the middle of the historical risk range. For mandates which allow for non-investment grade allocations, the team continues to hold a small number of issuers we believe offer value.
- We believe asset backed securities (ABS) continue to be a favorable alternative in the front end of the curve. We currently favor consumer related collateral and prefer the top of the capital stack but are not limited to the highest quality band of the structure. The strategy's ABS risk relative to benchmark increased marginally during the quarter and is now around two-thirds of risk budget.
- While the strategy continues to hold commercial mortgage backed securities (CMBS), the exposure is typically on the low end of our risk range relative to benchmark. When opportunities arise within CMBS we tend to favor senior parts of the capital stack.
- We continue to follow our process of seeking to build diversified exposures by asset class, industry and issuers.

About Risk

Exchange-traded funds (ETFs) trade like stocks, are subject to investment risk and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable directly with the fund and are bought and sold at market price, which may be higher or lower than the ETF's net asset value (NAV). Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. **Unlike typical exchange-traded funds**, there are no indexes that the fund attempts to track or replicate. Thus, the ability of the fund to achieve its objectives will depend on the effectiveness of the portfolio manager. There is no assurance that the investment process will consistently lead to successful investing. **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. **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. **Interest rate risk** is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors.

[1]Commercial Mortgage-Backed Securities (CMBS) are secured by loans on commercial property.
[2]Mortgage-Backed Securities (MBS) derive cash flows from debt such as mortgages, home-equity loans and subprime mortgage
[3]Collateralized Loan Obligations (CLO) are structured securities backed by leveraged bank loans.
[4]Asset Backed Securities (ABS) are backed by loans, leases or receivables against assets other than real estate or mortgage backed securities.
[5]Residential Mortgage-Backed Securities (RMBS) derive cash flows from residential debt such as mortgages, home-equity loans and subprime mortgages.

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.

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 800-458-7452 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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