Global Bond Fund

FUND FACTS

OBJECTIVE

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

Share class	I
Inception	5/10/1991
Ticker	LSGBX
CUSIP	543495782

Market Conditions

- Global growth momentum continued to cool off and become less harmonized, but still remained strong. US trade tensions with China continued to simmer as more products from both countries were subjected to new tariffs despite progress made with both the European Union (EU) and Mexico. The US agreed to a cease fire in its trade war with the EU and, separately, reached a handshake agreement on a new bilateral trade agreement with Mexico. Finally, in the late hours of September 30, 2018, the US reached a compromise with Canada on a new trilateral trade agreement to replace NAFTA. The underlying strength of the US economy helped corporate credit markets shrug off the daily volatility from trade-related headlines and continued concerns about emerging market countries and Italy that carried over from the prior quarter.
- Corporate credit spreads (the difference in yield between credit and Treasury securities of similar maturity) narrowed on the back of broad-based earnings growth, which continued to support corporate fundamentals. Credit markets had a rather muted response to the news of the escalation in US-China trade tensions, in part due to a building consensus that the growth and inflation impact from tariffs should be limited.
- Continued US dollar strength was driven by soft economic growth abroad, while the US outlook remained supported as fiscal stimulus took hold. Unsteady global risk appetite, tighter US monetary policy and capital inflows in the wake of rising volatility appear to have helped sustain the dollar rally.

CLASS I PERFORMANCE AS OF SEPTEMBER 30, 2018 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-0.68	-2.71	-1.85	2.78	0.87	3.98
BENCHMARK	-0.92	-2.37	-1.32	1.98	0.75	2.89

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 0.80% (Class I). Net expense ratio 0.72%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 1/31/2019. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class I inception date is 5/10/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of $100,000.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg Barclays Global Aggregate Index, primarily due to security selection and positioning with respect to global interest rates.

Contributors

- The fund's stance with respect to overall portfolio duration (and corresponding sensitivity to changes in interest rates) and positioning with respect to global yield curves (which depict the relationship among bond yields along the maturity spectrum) contributed positively to performance over the quarter. In particular, local-market positioning in the US dollar, Brazilian real, Japanese yen and British pound sterling markets proved beneficial.
- With respect to the fund's credit exposure, spread sector allocation was a positive factor in performance, primarily due to overweights in the energy, banking and insurance sectors.
- Security selection was additive to performance as a result of issuer decisions within the home equity, energy and global treasury sectors. Positioning with respect to energy continued to be helpful in the quarter.

Detractors

- Selected sector positioning detracted from performance during the period. Underweight allocations to the technology and government-related sectors weighed on return.
- Negative bond selections within the banking, Treasury inflation-protected security (TIPS) and insurance sectors detracted from performance.
- The fund's currency allocation had a negative overall impact on performance, with overweight positions in the Brazilian real, Australian dollar, South African rand and Indonesian rupiah representing the main detractors.

Outlook

- Renewed confidence in global growth, combined with credible monetary and fiscal policy measures, may help take pressure off emerging market and European risk assets. Disappointment, however, could prove disruptive.
- Growth in China still looks set to slow moderately due to tighter financial regulations and environmental cleanup efforts. While we don't expect a sharp rise in debt-financed fiscal initiatives by China as seen in the past, we do anticipate some modest easing of regulatory clamp-down efforts to help offset the growing downside risks to growth from US and Chinese tariffs.
- Strong earnings have given global corporate credit investors confidence to stay the course, and we anticipate the vast majority of corporate industries will maintain stable credit fundamentals. Late credit cycle[1] behavior, such as accelerated mergers and acquisitions activity or an overly aggressive US Federal Reserve (Fed), could induce volatility. Euro investment grade credit should see stability, with reasonable valuations, healthy fundamentals and continued technical support from European Central Bank corporate buying. The UK remains hampered by the Brexit overhang, and we expect elements of contentious negotiations, both within the UK and with the EU, to be a market driver for the UK and possibly the broader European asset markets.

[1] *A credit cycle is a cyclical pattern that follows credit availability and corporate health*

- Valuations indicate the US dollar is expensive, but there appears to be no near-term cyclical catalyst to revert it toward fair value. Strong momentum in the US looks more likely to stick in the quarters ahead relative to the rest of the world. The Fed looks likely to stay on its current course, but we're watching for more dovish signals that might suggest the rate hiking cycle is coming to an end sooner than anticipated. The Trump administration prefers a weaker dollar; a healthier growth and inflation trajectory in Europe and abroad may help in this regard, but only so long as China helps contain any renewed pressure on its currency.

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. **Foreign securities** may involve heightened risk due to currency fluctuations. Additionally, they may be subject to greater political, economic, environmental, credit and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity.

Bloomberg Barclays Global Aggregate Index *provides a broad-based measure of the global investment grade fixed income markets. The three major components of this Index are the US Aggregate, the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The Index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

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.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-633-3330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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