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
Benchmark	Bloomberg Global Aggregate Index

Bloomberg 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.*

Market Conditions

- The final three months of the year brought an easing of the fears that had weighed on investor sentiment since early 2022, fueling a broad-based rally across the financial markets. Inflation continued to experience a meaningful decline, with the headline Consumer Price Index falling back to levels not seen since early 2021. This represented a major shift from the previous quarter, when the markets were under pressure from concerns that inflation would remain sticky and central banks would be compelled to adopt a "higher for longer" approach with respect to interest rates. With inflation receding, the markets grew comfortable with the idea that rate hikes were in the rearview mirror. In December, US Federal Reserve (Fed) Chairman Jerome Powell reinforced this notion with comments suggesting that rate cuts could begin as early as the first half of 2024. Not least, GDP growth remained positive. In combination, these developments caused investors became optimistic that the Fed was on track to achieve the ideal outcome of a "soft landing" for the economy.
- The bond market produced a robust gain in the fourth quarter, moving its total return for 2023 firmly into positive territory. Bonds rallied in November and December, helping the asset class recover all of the price decline that occurred in the first ten months of the year. The credit sectors performed particularly well, as the drop in yields was augmented by a decline in yield spreads. Investment-grade corporates, high yield bonds, securitized assets and the emerging markets all participated in the upturn.
- The shift in expectations for Fed policy led to a reversal of the previous quarter's advance in the US dollar, when the higher-for-longer narrative fueled a strong showing in the greenback relative to its global peers. In contrast, the prospect of Fed easing caused the dollar to give back a sizable portion of its earlier gains in the final three months of the year, with losses against all G-10 currencies.

Class I Performance as of December 31, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	8.69	5.48	5.48	-6.01	0.13	0.54
BENCHMARK	8.10	5.72	5.72	-5.51	-0.32	0.38

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 0.75% (Class I). Net expense ratio 0.70%. 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 1/31/2024. When an expense limitation 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.

- Stocks surged in the quarter, with an impressive November-December rally that brought most major indexes above or near all-time highs by year-end. While mega-cap US technology-related companies continued to be an important driver of market performance, small caps, international equities, and the value style also delivered robust returns. Emerging-market equities registered a modest gain, but—as was the case throughout 2023—they lagged their developed-market peers due in part to persistent weakness in China's economy.

- The world equity markets lost ground in the quarter, giving back a portion of the gains achieved in the first six months of the year. The losses were widespread, with few regions, countries, or sectors able to escape the downdraft. US mega-cap technology stocks, which make up a sizable portion of the major global indexes, lost momentum and failed to provide the leadership they had earlier in the year. European equities also lagged amid signs that the region's economy was decelerating. On the positive side, the energy sector performed very well behind the rally in crude oil. Japan was a top performer at the geographic level thanks to its relatively stable inflation outlook, easy central bank policy, and the economic stimulus provided by the weaker yen. Emerging-market equities, while losing ground in absolute terms, slightly outperformed the developed markets.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg Global Aggregate Index, primarily due to yield curve and duration positioning with additional alpha coming from credit positioning.

Contributors

- The fund's positioning along the yield curve (which depicts the relationship among bond yields across the maturity spectrum) was a top driver of excess return. In particular, an overweight stance with respect to US duration contributed to performance as government bond yields fell sharply following the November FOMC meeting in which the Fed struck a dovish tone with regard to future monetary policy. Modest long duration positioning in select EM markets added to relative performance as well.
- Contribution to excess return from credit positioning was driven mainly by USD investment grade corporates. In particular, risk-adjusted overweights to the communications, energy and consumer non-cyclical industries proved most additive, along with an overweight to Agency mortgage-backed-securities.
- Select issuers within owned no-guarantee, and communications had the largest impact from a security selection standpoint.

Detractors

- Currency allocation detracted from the fund's relative performance during the quarter. The portfolio's overweight USD stance during the quarter was a drag on performance as the broad risk on tone drove a weaker USD vs many other major currencies. Most notably underweight allocations to the Chinese Renminbi and the EUR weighed on performance as both currencies appreciated vs. USD.
- An underweight to Italian government bonds weighed on performance as yields fell even more than other European government bonds.
- Hedge costs were a drag on performance, driven mainly by long JPY currency forwards to hedge our local bond market underweight.

Outlook

- At the end of 2023, domestic inflation was slowing broadly and the Fed appeared willing to pivot toward interest rate cuts by mid-2024. In fact, most central banks appear to be done hiking interest rates. The European Central Bank (ECB) and Bank of England (BoE) seem content to hold policy rates near current levels, even with real growth near 0%. We think a downturn is less likely now that the US earnings recession is over. If profit growth can remain in the mid-single-digit range, unemployment should remain relatively stable, as companies are likely to retain workers so long as profits are on the rise.
- Global fixed income continues to feature attractive yield levels, relative to recent history. While credit fundamentals have been relatively resilient to restrictive financial conditions thus far, we think further credit spread compression is less likely given current valuations and urge caution in taking credit risk.
- We believe global central banks' rate-hiking cycles are largely in the rearview mirror now that inflation is well off of its previous high and supply-chain issues have normalized. This could set the stage for bond yields to move lower across the developed markets. In the US, investors no longer wonder if the Fed will cut rates, but merely when and by how much.
- We think the conditions are in place for further US dollar weakness. The Fed's apparent intention to ease interest rates would be a headwind for the dollar if the European Central Bank (ECB) and Bank of England (BOE) hold rates steady. Longer term, our cyclical bullishness will at some point give way to structural bearishness, as the fiscal challenges facing most G-7 governments (demographics, decarbonization, defense, debt service) remain unaddressed.
- In terms of risks, we are watching potential signs of slowing growth, such as yield curve inversions and significant declines in leading economic indicators. Traditional recession signals are flashing and have been for several months, indicating that there is still the possibility of a recession in 2024. In all likelihood, this would lead to a downturn across the credit and equity markets given that prices already reflected a soft landing at the end of 2023. A resurgence in inflation, which would prompt central banks to keep interest rates higher for longer, would also represent an obstacle for market performance. U.S. fiscal wrangling and election politics could unleash volatility well above that embedded in market pricing.

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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **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. **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.

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 800-633-3330 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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