Inflation Protected Securities Fund

FUND FACTS

OBJECTIVE

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

Share class	I
Inception	5/20/1991
Ticker	LSGSX
CUSIP	543495766

Market Conditions

- After a tumultuous fourth quarter of 2018, market conditions calmed in the first three months of the year. The end of the government shutdown and hopes for a resolution to the US-China trade dispute helped restore stability to the markets, as did a series of economic reports showing that growth – while slowing – appeared likely to stay in positive territory. The US Federal Reserve (Fed) also contributed to the favorable tone through its statements that it was unlikely to raise interest rates again in 2019. These developments bolstered investor sentiment, leading to lower volatility and a recovery in the various higher-risk asset categories that had underperformed in late 2018.
- Both US and global investment grade corporates outperformed Treasurys. The asset class benefited from the combination of declining US Treasury yields and the renewed demand for yield that accompanied the revival in investors' appetite for risk.
- The backdrop of slowing growth and a more accommodative Fed provided a tailwind for US Treasurys. Yields fell for bonds with maturities of six months and longer (indicating rising prices), with outperformance found at the long end of the curve.

Portfolio Review

- The fund outperformed its benchmark, the Barclays US Treasury Inflation Protected Securities (TIPS) Index, primarily due to out-of-benchmark exposure to investment grade corporate issues and TIPS curve positioning.

CLASS I PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	3.61	3.61	2.29	1.63	1.62	3.50
BENCHMARK	3.19	3.19	2.70	1.70	1.94	3.41

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 0.93% (Class I). Net expense ratio 0.40%. 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 1/31/2020. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class I inception date is 5/20/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of $100,000.

The fund revised its investment strategies on 12/15/2004; performance may have been different had the current investment strategies been in place for all periods shown.

Contributors

- The fund's out-of-benchmark allocation to US investment grade corporate bonds, in particular financial and industrial issues, boosted total return.
- Overall, the fund's positioning along the TIPS maturity spectrum contributed positively.
- A small allocation to bank loans also benefited total return.

Detractors

- The fund's underweight exposure to shorter maturity TIPS weighed on performance.

Outlook

- We maintain the view that a recession is likely not on the immediate horizon. While cyclical GDP growth has peaked along with profits and forecasts for both have been cut consistently, we continue to expect both to increase in 2019. Obviously there is less remaining upside now that markets have rebounded, and the downside risk has increased as a lot of good news is priced in.
- We place the chances of recession at 20% in the next year. The Fed's dovish pivot helps alleviate a major recession risk that the Fed would overshoot on rate hikes, and financial conditions have eased in response. We no longer expect rate hikes in the next 12 months, but see potential for two in the second half of 2020. In addition, we view the risk of an escalation in tariffs as having eased, as a trade deal with China seems more likely.
- While global growth continues to decelerate, we are not forecasting a recession in any major markets this year. We have made downward revisions to global growth forecasts and our views are in line with consensus. Although the market has been revising down its Eurozone growth forecasts recently, consensus is close to our expectation of 1.1% growth in 2019. We also believe growth in Europe has troughed and we expect activity to improve in the second quarter of 2019 as long as we avoid the worst case scenarios around Brexit and Italy's budgetary challenges.
- The emerging market outlook has improved at the margins, as the Fed has put rate increases on the back burner. The dollar has shifted from strengthening, which is globally deflationary, to trading in a range. China continues to ease financial conditions. Much of the good news is discounted so it would be helpful to see growth outside the US rebound, perhaps driven by China credit growth, a weak dollar and continued dovishness from the major central banks.

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. **Inflation protected securities** move with the rate of inflation and carry the risk that in deflationary conditions (when inflation is negative) the value of the bond may decrease. **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 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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **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.

Bloomberg Barclays US Treasury Inflation Protected Securities Index *covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit and collateralized securities. The liquidity constraint for all securities in the index is $300 million. 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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