Intermediate Duration Bond Fund

Fund Facts

OBJECTIVE

Seeks above-average total return through a combination of current income and capital appreciation

Share class	Y
Inception	1/28/1998
Ticker	LSDIX
CUSIP	543495709
Benchmark	Bloomberg US Intermediate Government/Credit Bond Index

Bloomberg US Intermediate Government/Credit Bond Index *includes securities which have a remaining maturity of 1-10 years and includes Treasurys (public obligations of the US Treasury that have remaining maturities of more than one year) and agencies (publicly issued debt of US government agencies, quasi-federal corporations and corporate or foreign debt guaranteed by the US government), as well as other publicly issued investment grade corporate and noncorporate debentures that meet specified maturity, liquidity, and quality requirements. Indices are unmanaged. It is not possible to invest directly in an index.*

Market Conditions

- After initially moving lower in April, the bond market recovered over the subsequent two months to close the second quarter with a respectable total return. Investor sentiment was muted coming into the quarter, as a series of hotter-than-expected inflation reports in Q1 dampened expectations for the number of interest-rate cuts the US Federal Reserve (Fed) was likely to enact before year-end. Whereas at the start of the year the futures markets were indicating as many as six quarter-point reductions in 2024, by April speculation had mounted that the Fed may in fact need to delay its first cut until 2025. These concerns waned during May and June, however, as inflation pressures showed signs of abating and a series of weaker-than-expected data releases indicated that the economy may be cooling. Although the timing and extent of rate cuts remained in question, these developments helped boost confidence that the Fed would loosen policy in the second half of the year. Bonds recovered in response, allowing the major fixed-income indexes to finish the quarter in positive territory.
- The US Treasury market registered a slight gain in the second quarter, with the contribution from income outweighing the impact of a slight increase in yields. The two-year note moved from 4.59% to 4.71% over the course of the three-month period, while the 10-year climbed from 4.22% to 4.36%. Still, both finished well off of their late April highs of 5.04% and 4.70%, respectively. Treasurys remained in negative territory on a year-to-date basis through the end of June, with positive returns on the short end of the yield curve offsetting weakness in longer-term issues.

Class Y Performance As of June 30, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	0.77	1.15	5.37	-0.97	1.17	1.88
BENCHMARK	0.64	0.49	4.19	-1.18	0.71	1.55

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 0.44% (Class Y). Net expense ratio 0.40%. 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.

Effective August 31, 2016, the fund's Institutional Class shares were redesignated as Class Y shares. Accordingly, the returns shown in the table for Class Y shares prior to August 31, 2016 are those of Institutional Class shares. The fund revised its investment strategies on 5/28/2010; performance may have been different had the current investment strategies been in place for all periods shown.

- Investment-grade corporate bonds had a slightly negative total return with income proving insufficient to offset a modest downturn in prices. Corporates slightly underperformed Treasuries as yield spreads—which began the period on the very low end of the historical range—inched higher. Lower-rated corporates outpaced their higher-rated counterparts. In terms of maturities, bonds in the one- to three-year range generated the best results. Corporates closed June with a modest loss on a year-to-date basis.
- Securitized credit posted strong positive total returns and outpaced the broader investment-grade market in the second quarter. The tailwinds of lower interest rate volatility, greater clarity on the path of Fed rate moves, and strong investor demand contributed to a tightening of spreads despite elevated levels of new-issue supply. Commercial mortgage-backed securities were particularly strong performers following a significant selloff in 2023 that was brought about by concerns about fundamentals in commercial real estate. Commercial asset-backed securities (ABS) and consumer ABS also delivered strong returns amid broader strength in risk assets. Collateralized loan obligations and non-agency residential mortgage-backed securities (MBS) were also positive, while Agency MBS performance was roughly flat.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg US Intermediate Government/Credit Index, primarily due to security selection.

Contributors

- Securitized credit exposure was the largest benefit to performance, primarily due to positive issue selection.
- Exposure to investment grade corporate bonds was also a contributor, with positive effects sourced from both allocation decisions and security selection.
- US Treasury positions contributed to excess return as well.

Detractors

- US Treasurys were a detractor from performance on an absolute basis.
- High yield corporate exposure had a slight negative contribution to performance, largely due to adverse issue selection.
- Government related holdings nominally hampered excess return over the quarter.

Outlook

- The Federal Reserve continued to hold the Fed Funds rate steady at 5.5% (upper) throughout the second quarter, and maintained a hawkish tone, referencing slower progress towards their inflation target of 2% and solid economic expansion. The May Summary of Economic Projections (SEP) reflected a forward shift in the cutting cycle by a full quarter when compared with the March SEP, going from 3 to 2 cuts in 2024 and from 3 to 4 cuts in 2025. Despite a lower than expected real GDP print for Q1, the GDP projections remained unchanged from the March SEP, and the unemployment rate for 2024 was unchanged at 4%, likely reflecting supportive supply-side dynamics largely due to higher immigration, in our view. Current market pricing remains consistent with the "soft landing" narrative, and the appetite for credit risk remained robust, with spreads holding in during the quarter. The yield curve remained inverted (2's-10's have now been inverted for the longest period since the late 1970s), with higher yields on shorter maturity Treasurys relative to longer-dated notes and bonds. Yields on 10-Year Treasurys hit 4.70% before ending the quarter at 4.33%. We believe that growth and inflation are likely to shift to a lower pace in the coming months and for remainder of this year, with potential for the unemployment rate to edge up further.
- We continue to hold the view that we are in the late expansion phase of the credit cycle. Corporate balance sheets have overall deteriorated, but from a very strong starting point. Profit margins are likely to continue to be pressured amid higher input costs including labor, tighter credit conditions, and a slowdown in top line growth in revenue. We believe a relatively healthy middle class consumer and resilient labor market should prevent the economy from entering into a more pronounced downturn in this cycle, but we do anticipate a slowdown from current levels rather than an acceleration in growth and inflation.
- We are concerned about the lagged effects of the significant monetary tightening, globally. We also remain concerned about potential exogenous shocks to growth, possibly emanating out of the ongoing conflict in the Middle East, as well as the potential disruption and volatility around US and global elections. We do not believe that current spreads - IG OAS (proxied by the Bloomberg US Aggregate Corporate Index) at 94 bps and HY OAS (proxied by the Bloomberg US Corporate High Yield Index) at 314 bps (as of 6/30/24) – provide enough compensation for the myriad risks facing the economy and markets.

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. **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. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities.

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, if available, containing this and other information. Read it carefully.

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