Intermediate Municipal Bond Fund

FUND FACTS

OBJECTIVE

Seeks a high level of federal tax-exempt current income, consistent with the preservation of capital

Share class	Y
Inception	12/31/2012
Ticker	MIMYX
CUSIP	63872T455

Market & Economic Overview

Interest rate markets rallied and yield curves flattened during the second quarter as investors reassessed the Federal Reserve's (Fed's) level of tolerance for a 'transitory' rise in inflation. Fed Chair Powell has consistently maintained that the Federal Open Market Committee both expects and plans to tolerate inflation levels above their 2% long-term target as the economy recovers from the pandemic-induced recession. While the bond market was already in rally mode when the quarter began, the release of the Fed's updated Summary of Economic Projections in June signaled to market participants that the Committee's patience was on a relatively short leash. The projections now indicate expectations of 50 basis points of policy tightening beginning in 2023, which reassured market participants that the sentiment of the Committee had not grown too tolerant of inflation, particularly with the economy strong and aggressive fiscal policy in place. Next in focus will likely be the Kansas City Fed's Jackson Hole Economic Policy Symposium in late August. Anticipation has been growing that Fed Chair Powell may use the forum to signal when and how the Fed will begin tapering its asset purchase program.

CLASS Y PERFORMANCE (%)

	CUMULATIVE RETURN		AVERAGE ANNUALIZED RETURN			
	3 MO	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	1.18	0.30	2.64	4.06	2.38	2.61
BENCHMARK	1.42	1.06	4.17	5.10	3.25	3.47

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.

Effective June 30, 2019, Loomis Sayles became the new Sub-adviser to the fund. The fund was previously sub-advised by McDonnell Investment Management, LLC.

Effective May 1, 2019, Steve Wlodarski is no longer a portfolio manager of the Fund.

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 1.17% (Class Y). Net expense ratio 0.46%. 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 4/30/2022. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

Income exempt from federal tax may be subject to state or local tax. A portion of the fund's income may be subject to the federal alternative minimum tax. Income or fund distributions attributable to capital gains are usually subject to both state and federal taxes.

Credit Quality reflects the highest credit rating assigned to individual holdings of the fund among Moody's, S&P or Fitch; ratings are subject to change. The Fund's shares are not rated by any rating agency and no credit rating for Fund shares is implied. Bond credit ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

Municipal Market

For the quarter, municipal yields declined led by the longer-end of the curve. Credit spreads (the incremental yield provided by lower quality bonds) continued to compress with lower quality paper sharply outperforming higher quality as investors continued to reach for yield. The pace of new issue volume accelerated versus last year's first half levels, with an overall gain of approximately 6%. Tax exempt volume was up 7.9% while taxable issuance slipped 4.3%. Despite the increase in exempt volume, however, the market has continued to experience a significant supply/demand imbalance evidenced by consistently strong net inflows into municipal mutual funds. Through the first half of 2021, shareholders added more than $48 billion of inflows. This brings the total net inflows since the market recovery began last May to nearly $111 billion. In addition, historically June and July are strong months for reinvestment cash flows from maturating bonds and coupon income. Municipal valuations versus Treasuries remained elevated, as they have been throughout most of the year. In this regard, however, in our view municipals are little different than many other fixed income asset classes, as the sizeable amount of liquidity that policymakers have injected into the system has continued to suppress interest rates, tighten spreads and buoy markets.

Contributors to Performance

The fund slightly underperformed the benchmark during the second quarter primarily due its positioning along the yield curve (which depicts the relationship among bond yields across the maturity spectrum) and a higher credit quality bias. In particular, an underweight to BBB-rated securities negatively impacted performance as lower quality spreads continue to tighten. Additionally, an underweight to the longer-end of the yield curve hindered performance as rates marched lower over the quarter. From a sector perspective, an overweight to higher yielding spread sectors such as higher education and transportation, coupled with an underweight to state general obligation bonds, enhanced performance. However, an underweight in leasing and security selection within the water & sewer, special tax and electric sectors hampered performance. State weightings did not play a significant role in performance for the quarter.

Outlook

MThe underlying credit fundamentals in the municipal market have improved sharply across most major sectors following passage of the American Recovery Plan and amid a strong economic recovery. Market participants appear focused on the prospects for infrastructure legislation. The municipal market, perhaps more than any other sector, could be significantly impacted by whether legislation makes it past the final hurdle. We anticipate a significant increase in the issuance of taxable municipals if and when such legislation passes, as direct subsidy bonds appear to be a likely financing option. The bipartisan framework that was recently announced would add $579 billion of infrastructure spending over eight years, largely targeting traditional areas of infrastructure investment affecting transportation, bridges, water, clean power and broadband access. Whether this framework can pass a finely balanced Congress remains an open question. Other priorities that the administration has put forward appear to have little chance of bipartisan agreement. Congress may seek to undertake an effort to pass elements of the agenda through the process known as budget reconciliation. Finally, we believe Congress will also have to address the debt ceiling which was suspended until the end of July. Treasury Secretary Yellen has warned that the Treasury could run out of room to fund the government in August without action. With the economic recovery solidly on track, we expect that Beltway developments will likely receive a good deal of attention over the second half of the year.

About Risk

Municipal markets may be volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. **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.

*The fund's primary index, the **Bloomberg Barclays US Municipal Bond Index**, is a market value–weighted index of investment-grade municipal bonds with maturities of one year or more.*

*The fund's secondary index, the **Bloomberg Barclays 3-15 Year Blend Municipal Bond Index**, is an unmanaged index of municipal bonds issued after January 1, 1999 with a minimum credit rating of at least Baa, been issued as part of a deal of at least $50 million, have a maturity value of at least $5 million and a maturity range of 12 to 17 years. As of January 1996, the index also includes zero coupon bonds and bonds subject to the Alternative Minimum Tax. It is a subindexof the U.S. Municipal Index and covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefundedbonds. Many of the indices have historical data to January 1980.*

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.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-225-5478 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

Natixis Distribution, L.P. (fund distributor, member FINRA|SIPC) and Loomis, Sayles & Company L.P. are affiliated.