Limited Term Government and Agency Fund

FUND FACTS

OBJECTIVE

Seeks high current return consistent with preservation of capital

Share class	Y
Inception	3/31/1994
Ticker	NELYX
CUSIP	543487326

Market Conditions

- The bond market produced mixed returns in the third quarter, as investors began to look ahead to the point at which the US Federal Reserve (Fed) will start to taper its stimulative quantitative easing (QE) policy. In September, Fed Chairman Jerome Powell stated that the central bank was likely to announce a tapering program before the end of 2021. This change wouldn't mark an immediate end to the stimulus, but rather a gradual reduction over the course of the coming year. However, the markets also began to price in a significant likelihood that the Fed will enact its first rate hike in late 2022. The primary reason for the expected policy shift is not only that economic growth has been firmly in positive territory for over a year, but also signs that the recent increase in inflation is more than just a "transitory" phenomenon – particularly in light of increased bottlenecks in the global supply chain. Together, these factors dampened returns across the fixed-income market.
- The prospect of a change in Fed policy led to higher yields for US Treasurys with maturities of one year and above. The yield on the benchmark 10-year note rose from 1.45% at the beginning of the quarter to 1.52% at the end of September. All of the upward move occurred in September, as yields were flat to lower in the first two months of the quarter due in part to uncertainty about the trajectory of economic growth. Notably, Treasurys experienced day-to-day volatility that was well above historical levels as investors struggled to assess the various cross-cutting factors affecting the economic outlook.
- Securitized assets—including mortgage backed securities, asset backed securities and commercial mortgage backed securities—produced positive total returns as a group, outpacing other credit-oriented segments of the domestic market. The category's underlying

CLASS Y PERFORMANCE AS OF SEPTEMBER 30, 2021 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-0.15	-0.51	-0.33	2.54	1.58	1.59
BENCHMARK	0.03	-0.44	-0.43	3.28	1.82	1.46

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 0.49% (Class Y). Net expense ratio 0.45%. 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 1/31/2022. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 3/31/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

fundamentals remained firm with continued strength in both real estate prices and consumer credit.

Portfolio Review

- The fund underperformed its benchmark, the Bloomberg US Government 1-5 Year Index, primarily due to security selection.

Contributors

- The fund's security selection was a positive contributor to performance during the quarter.
- Selection within securitized agency securities contributed to performance during the period, most notably holdings of agency commercial mortgage-backed securities (CMBS), collateralized mortgage-obligations (CMOs) and pass-through mortgage-backed securities (MBS).
- Selection within non-agency securitized assets also contributed to performance, most notably exposures to auto loans and student loans within asset-backed securities (ABS).

Detractors

- The fund's positioning along the yield curve (which depicts the relationship among bond yields across the maturity spectrum) detracted from performance during the period.
- Security selection within non-agency CMBS detracted from performance during the period.
- The fund's lack of exposure to US agency securities detracted from performance.

Outlook

- Agency mortgage-backed security (MBS) spreads (the difference in yield between agency MBS and Treasurys of similar maturity) have declined below their longer-term averages. We continue to favor MBS sectors less likely to face refinancing and extension risk, such as low loan balance mortgages and home equity conversion mortgages.
- Within the commercial real estate sector, we have focused on agency commercial mortgage-backed security (CMBS) opportunities.
- Our non-agency securitized exposures remain steady, although we have marginally adjusted upward exposure to asset-backed securities relative to CMBS. The ABS market has recovered faster than CMBS, and we continue to find opportunities which offer strong credit quality and enhanced yield.

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. **US government agency securities** are not insured and may not be guaranteed by the US government. **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.

Bloomberg US 1-5 Year Government Bond Index *is an unmanaged, market-weighted index of bonds issued by the US government and its agencies, with maturities between one and five years. 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 800-225-5478 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.