LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

DECEMBER 31 2022

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 global fixed-income market staged a modest recovery in the fourth quarter, recapturing some of the losses incurred over the previous nine months. Signs of cooling inflation, together with slightly more dovish commentary from US Federal Reserve (Fed) officials, raised hopes that the Fed may be nearing the end of its long series of interest rate hikes. Still, current policy remained restrictive: the Fed hiked rates by three-quarters of a percentage point in November and another half point in December, bringing the benchmark fed funds rate to a range of 4.25% - 4.50%.
- Optimism that the end of the hiking cycle is near contributed to a rally across the financial markets in October and November. However, risk appetites waned somewhat in December as investors began to anticipate a pronounced slowdown in economic growth in the year ahead.
- US Treasurys posted a modest gain in the quarter, with the benefit of income offsetting a small decline in prices. Short-term bonds underperformed, increasing the extent of the yield curve's inversion. (An inverted yield curve occurs when yields on short-term bonds are higher than those on longer-term debt.) The yield on the two-year note rose from 4.22% to 4.41% as its price fell, while the yield on the 10-year issue climbed from 3.83% to 3.88%. The market continued to experience high volatility, with sell-offs in early October and late December offset by a mid-quarter rally. Despite its positive showing in the fourth quarter, the Treasury market finished with its second consecutive year of negative returns – the first time this has happened since 1958-59.
- Securitized assets—including agency mortgage-backed securities (MBS), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS)—posted positive total returns but trailed both investment grade and high yield corporates. Agency MBS

Class Y Performance as of December 31, 2022 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	0.58	-4.41	-4.41	-0.71	0.53	0.64
BENCHMARK	0.93	-5.46	-5.46	-0.85	0.62	0.68

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 1/31/2023. 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.

performed particularly well as interest rate volatility decreased from its recent historic highs.

Portfolio Review

- The fund underperformed its benchmark, the Bloomberg US Government 1-5 Year Index, primarily due to agency CMBS exposure.

Contributors

- While the fund's duration (which reflects the portfolio's overall interest rate sensitivity) continues to be managed near the target of 2 years, duration differences between the fund and the benchmark contributed positively to results.
- A lack of exposure to US agency holdings proved beneficial to performance relative to the benchmark.

Detractors

- The fund's agency CMBS exposure detracted the most during the period as spreads (which reflect the yield differential provided lower quality bonds relative to Treasurys) widened marginally and the fund experienced some negative issue selection
- Exposure to collateralized mortgage obligations also detracted due to negative issue selection.
- Non-agency CMBS exposure hindered performance as well as spreads increased and the fund experienced negative issue selection.

Outlook

- Agency mortgage-backed security (MBS) spreads (the difference in yield between agency MBS and Treasurys of similar maturity) are trending higher than 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, favoring asset-backed securities (ABS) over CMBS.

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. **Securities purchased on a forward commitment, when-issued or delayed delivery basis** are subject to many of the same risks (such as market risk and interest rate risk) as other securities. In addition, when-issued and delayed delivery securities are subject to other risks including loss of value prior to delivery; the security may not be issued; or a counterparty to the transaction may not meet its obligations.

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.

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