

# Long Duration Corporate Bond

## MANAGEMENT TEAM

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## OBJECTIVE

Seeks to provide diversified, actively managed exposure to the long end of the US investment grade corporate market

## HIGHLIGHTS

- Invests primarily in long duration US investment grade fixed income securities
- Fundamental research from Loomis Sayles credit research is a primary source for investment ideas and specific industry and security selection recommendations are developed by the Loomis Sayles investment grade sector team
- Quantitative risk analysis is applied to portfolio construction to help manage both market and specific portfolio risks, seeking to diversify and minimize unintended risks
- Duration bands: +/- 2 years (typically within +/- 0.5 year) relative to the index
- Typical portfolio: 175 to 225 issuers
- Currency: US dollar only
- Maximum issuer position of 3% or benchmark weight plus 2%, whichever is greater at the time of purchase (Treasuries and GSEs excluded)
- Maximum industry allocation of 25% or the benchmark weight plus 10%, whichever is greater at the time of purchase

## BENCHMARK

Bloomberg Barclays US Long Corporate Index

### FACTS

|                     |            |
|---------------------|------------|
| Strategy inception  | 4/1/09     |
| Composite inception | 9/1/09     |
| Strategy assets*    | \$8,297.8M |
| Composite assets    | \$555.8M   |

### PORTFOLIO CHARACTERISTICS

|                          | Composite | Index     |
|--------------------------|-----------|-----------|
| Average maturity         | 23.30 yrs | 23.43 yrs |
| Average duration         | 13.62 yrs | 13.65 yrs |
| Average yield            | 4.64%     | 4.68%     |
| Average credit quality   | A3        | BAA1      |
| Average number of issues | 264       | -         |
| Weighted average coupon  | 4.91%     | 5.06%     |
| OAS                      | 147 bps   | 150 bps   |

## COMPOSITE PERFORMANCE (%)

|                  | CUMULATIVE RETURN |       | AVERAGE ANNUALIZED RETURN |        |        |         |                |
|------------------|-------------------|-------|---------------------------|--------|--------|---------|----------------|
|                  | 3 MO              | YTD   | 1 YEAR                    | 3 YEAR | 5 YEAR | 10 YEAR | SINCE 9/1/09** |
| <b>GROSS</b>     | 1.11              | -5.12 | -2.06                     | 5.46   | 5.90   | -       | 7.13           |
| <b>NET</b>       | 1.05              | -5.30 | -2.30                     | 5.20   | 5.64   | -       | 6.88           |
| <b>BENCHMARK</b> | 1.32              | -5.54 | -2.38                     | 5.18   | 5.74   | -       | 6.79           |

## COMPOSITE PERIOD PERFORMANCE (%)

|                  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  | 2009** | 2Q09** |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| <b>GROSS</b>     | 12.10 | 11.56 | -5.09 | 16.10 | -5.52 | 13.43 | 16.25 | 11.62 | 2.83   | 12.22  |
| <b>NET</b>       | 11.83 | 11.29 | -5.32 | 15.83 | -5.72 | 13.18 | 15.99 | 11.36 | 2.75   | 12.15  |
| <b>BENCHMARK</b> | 12.09 | 10.97 | -4.61 | 15.73 | -5.68 | 12.41 | 15.91 | 11.20 | 2.47   | 14.75  |

\*Strategy assets are comprised of Long Duration Corporate Bond and Long Duration Credit.

\*\*Due to the composite's significant cash flow policy there was a temporary two month period in July 2009 and August 2009 when there were no accounts included in the composite. Therefore the continuous track record for the composite begins September 1, 2009 despite the April 1, 2009 composite inception date and the 2Q09 period performance is presented on a stand alone basis.

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**Performance data shown represents past performance and is no guarantee of future results. Current performance may be lower or higher than quoted.** Returns are shown in US dollars and are annualized for one and multi-year periods. Gross returns are net of trading costs. Net returns are gross returns less effective management fees.

There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.

Average Yield is Yield to Effective Maturity. Duration and Maturity for equity securities are deemed to be zero.

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| SECTOR DISTRIBUTION (%) |           |       |
|-------------------------|-----------|-------|
|                         | Composite | Index |
| Investment Grade Credit | 87.2      | 100   |
| US Treasury             | 10.3      | -     |
| High Yield Credit       | 1.3       | -     |
| Municipals              | 0.3       | -     |
| Emerging Markets Debt   | 0.1       | -     |
| Cash & Equivalents      | 0.8       | -     |

| CURRENCY DISTRIBUTION (%) |           |       |
|---------------------------|-----------|-------|
|                           | Composite | Index |
| US Dollar                 | 100       | 100   |

| COUNTRY DISTRIBUTION (%) |           |       |
|--------------------------|-----------|-------|
|                          | Composite | Index |
| United States            | 84.8      | 85.5  |
| United Kingdom           | 4.3       | 3.4   |
| Canada                   | 3.0       | 3.4   |
| Belgium                  | 2.3       | 1.9   |
| Netherlands              | 1.2       | 1.5   |
| Australia                | 1.1       | 0.4   |
| Brazil                   | 1.0       | 0.4   |
| Switzerland              | 0.7       | 0.5   |
| Mexico                   | 0.4       | 0.6   |
| Other                    | 1.1       | 2.4   |

| CREDIT QUALITY (%) |           |       |
|--------------------|-----------|-------|
|                    | Composite | Index |
| US Treasuries      | 10.3      | -     |
| AAA                | 1.1       | 3.2   |
| AA                 | 4.7       | 6.2   |
| A                  | 31.5      | 40.6  |
| BAA                | 50.2      | 49.9  |
| BA                 | 0.4       | -     |
| B                  | 1.0       | -     |
| CAA & Lower        | -         | -     |
| Not Rated          | -         | -     |
| Cash & Equivalents | 0.8       | -     |

| DURATION DISTRIBUTION (%) |           |       |
|---------------------------|-----------|-------|
|                           | Composite | Index |
| Less than 1 Yr.           | -0.1      | -     |
| 1 to 3 Yrs.               | -         | -     |
| 3 to 5 Yrs.               | 0.5       | -     |
| 5 to 7 Yrs.               | 3.2       | 0.2   |
| 7 to 10 Yrs.              | 3.1       | 8.1   |
| 10 Yrs. or more           | 92.4      | 91.7  |
| Cash & Equivalents        | 0.8       | -     |

| MATURITY DISTRIBUTION (%) |           |       |
|---------------------------|-----------|-------|
|                           | Composite | Index |
| Less than 1 Yr.           | -0.1      | -     |
| 1 to 3 Yrs.               | -         | -     |
| 3 to 5 Yrs.               | 0.5       | -     |
| 5 to 7 Yrs.               | 0.6       | -     |
| 7 to 10 Yrs.              | 3.8       | 0.8   |
| 10 Yrs. or more           | 94.4      | 99.1  |
| Cash & Equivalents        | 0.8       | -     |

## KEY RISKS

Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Prepayment Risk and Extension Risk. Diversification does not ensure a profit or guarantee against a loss. Investing involves risk including possible loss of principal.

*Due to rounding, Sector, Currency, Country, Credit Quality, Duration and Maturity distribution totals may not equal 100%. This portfolio is actively managed and characteristics are subject to change. Credit Quality reflects the middle credit rating assigned to individual holdings of the composite by Moody's, S&P or Fitch; ratings are subject to change. Cash & Equivalents may include unsettled trades, fees and/or derivatives. ABS/RMBS: Asset-Backed Securities/Residential Mortgage-Backed Securities. Agency MBS: Agency Mortgage-Backed Securities. CMBS: Commercial Mortgage-Backed Securities. Emerging Markets Debt in the sector distribution is defined as US dollar denominated, non-investment grade bonds, which are from a country on the firm approved Emerging Markets list based on Barclays Emerging Markets Ex-Aggregate Index.*

*The Long Duration Corporate Bond Composite includes all discretionary separate and commingled accounts with market values greater than \$20 million managed by Loomis Sayles and seeks to provide diversified, actively managed exposure primarily to the long end of the US investment grade corporate market. Prior to June 1, 2015 the Composite minimum size requirement was \$5 million. Beginning February 1, 2014 the Composite was redefined to include commingled accounts, previously only separate accounts were included. The Composite was created in 2010. For additional information on this and other Loomis Sayles strategies, please visit our website at www.loomisayles.com.*

## ERISA FIDUCIARY DISCLOSURE

(For ERISA accounts only)

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