

# Long Duration Government/Credit

## MANAGEMENT TEAM

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## OBJECTIVE

Seeks to provide diversified, actively managed exposure to the long end of the US investment grade government and credit markets

## 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, by seeking to diversify and minimize unintended risks
- Duration bands: +/- 2 years (typically within +/-0.5 year) relative to the index
- Typical portfolio: 150 to 225 issuers
- Allocations to non-US dollar and emerging markets debt securities may be allowed, per client guidelines
- Investments in securities rated <BBB may be allowed, per client guidelines
- Maximum issuer position of 3% or the 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 Government/Credit Index

### FACTS

Strategy inception	3/1/06
Composite inception	3/1/06
Strategy assets	\$5,766.1M
Composite assets	\$4,555.2M

### PORTFOLIO CHARACTERISTICS

	Composite	Index
Average maturity	24.02 yrs	23.91 yrs
Average duration	14.92 yrs	14.94 yrs
Average yield	4.03%	3.96%
Average credit quality	A1	A1
Average number of issues	260	-
Weighted average coupon	3.86%	4.41%
OAS	105 bps	100 bps

## COMPOSITE PERFORMANCE (%)

	CUMULATIVE RETURN		AVERAGE ANNUALIZED RETURN				
	3 MO	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
<b>GROSS</b>	-1.37	-4.80	-0.47	4.90	5.74	8.12	7.26
<b>NET</b>	-1.43	-4.91	-0.69	4.66	5.51	7.92	7.07
<b>BENCHMARK</b>	-1.45	-4.98	-0.78	4.34	5.10	6.79	6.17

## COMPOSITE PERIOD PERFORMANCE (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>GROSS</b>	11.25	9.27	-4.51	19.36	-6.89	10.62	22.79	12.43	9.28	5.53
<b>NET</b>	11.01	9.02	-4.72	19.14	-7.07	10.41	22.58	12.25	9.09	5.34
<b>BENCHMARK</b>	10.71	6.67	-3.30	19.31	-8.83	8.78	22.49	10.16	1.92	8.44

*Diversification does not ensure a profit or guarantee against a loss.*

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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	51.3	56.0
US Treasury	43.2	40.7
High Yield Credit	2.2	-
Municipals	1.8	1.7
US Agency	0.7	1.6
Cash & Equivalents	0.7	-

CURRENCY DISTRIBUTION (%)		
	Composite	Index
US Dollar	100	100

COUNTRY DISTRIBUTION (%)		
	Composite	Index
United States	88.5	88.4
United Kingdom	2.0	1.7
Canada	1.7	1.9
Mexico	1.6	1.8
Belgium	1.2	1.0
Netherlands	0.9	0.7
Brazil	0.5	0.2
Colombia	0.5	0.5
Switzerland	0.4	0.3
Other	2.6	3.5

CREDIT QUALITY (%)		
	Composite	Index
US Treasuries	43.2	40.7
AAA	1.8	3.7
AA	4.6	5.6
A	16.7	22.1
BAA	30.8	28.0
BA	1.2	-
B	1.0	-
CAA & Lower	-	-
Not Rated	-	-
Cash & Equivalents	0.7	-

DURATION DISTRIBUTION (%)		
	Composite	Index
Less than 1 Yr.	-0.3	-
1 to 3 Yrs.	0.4	0.2
3 to 5 Yrs.	0.9	-
5 to 7 Yrs.	4.0	0.3
7 to 10 Yrs.	6.6	8.1
10 Yrs. or more	87.8	91.5
Cash & Equivalents	0.7	-

MATURITY DISTRIBUTION (%)		
	Composite	Index
Less than 1 Yr.	-0.3	0.1
1 to 3 Yrs.	0.2	0.1
3 to 5 Yrs.	0.9	-
5 to 7 Yrs.	1.0	0.1
7 to 10 Yrs.	7.8	0.6
10 Yrs. or more	89.8	99.1
Cash & Equivalents	0.7	-

## KEY RISKS

Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Prepayment Risk and Extension Risk. 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 Bloomberg Barclays Emerging Markets Ex-Aggregate Index.*

*The Long Duration Government/Credit Composite includes all discretionary separate and commingled accounts with market values greater than \$20 million managed by Loomis Sayles with investment guidelines that allow from 0 to 20% high yield and are managed against a long broad benchmark. Proprietary quantitative models are employed in portfolio construction and risk assessment. Loomis Sayles' security level research and significant allocation to non-index sectors and tactical sectors are primary alpha sources for this product. 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 2006. For additional information on this and other Loomis Sayles strategies, please visit our web site at www.loomisayles.com.*

## ERISA FIDUCIARY DISCLOSURE

(For ERISA accounts only)

We are not undertaking to provide impartial advice or advice in a fiduciary capacity in connection with the sales and distribution of our investment products or services.

We have a financial interest in connection with the sale of our products and services. We are compensated through the receipt of investment management fees with respect to the assets we manage, which can be found in our Form ADV and other documents provided to clients pertaining to the provision of our investment products and services.

MALR020615-0818