LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

Q3 2018

Multi-Asset Income Fund

FUND FACTS

OBJECTIVE

Seeks current income with a secondary objective of capital appreciation

Share class	Y
Inception	12/3/2012
Ticker	YIDPX
CUSIP	63872R582

Market Conditions

- Upward pressure on rates continued, leaving interest rates higher across the yield curve (a curve that shows the relationship among bond yields across the maturity spectrum). US Treasury total returns were negative, but investment grade and high yield corporate bonds posted gains. The Federal Reserve (Fed) hiked rates in September as core PCE inflation remained close to its target rate of 2%. US dollar strength persisted, undermining emerging market performance for US-dollar-based investors. Speculation increased regarding the potential implications of US trade negotiations—especially those with China—on US markets.
- Strong economic growth, both within the US and globally, continued to benefit equity markets with earnings being the key driver. Although global earnings have been favorable, fundamentals have remained stronger in the US. Such macroeconomic tailwinds have generally insulated equity markets from concerns over trade war rhetoric, key election cycle outcomes and rising rates.
- Buoyed by favorable economic growth and corporate earnings strength, high yield credits posted gains in the quarter. With durations on the shorter end of the spectrum (duration refers to a security's price sensitivity to interest rate changes), the asset class is less sensitive to upward pressure on rates. Technical support also played a role, with healthy demand relative to supply.

CLASS Y PERFORMANCE AS OF SEPTEMBER 30, 2018 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	3.24	0.91	4.65	9.00	7.40	8.61
BENCHMARK	0.02	-1.60	-1.22	1.31	2.16	3.77

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 0.91% (Class Y). Net expense ratio 0.73%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 4/30/2019. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 12/3/2012. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase. Prior to the inception of Class Y shares (12/3/2012), performance is that of Class A shares and reflects the higher net expenses of that share class. Not all share classes are available for purchase by all investors. See the prospectus for more details.

Effective August 31, 2015, the Natixis Diversified Income Fund changed its name to the Loomis Sayles Multi-Asset Income Fund. Prior to the stock market close August 31, 2015, the fund had multiple sub-advisers. The performance results shown above for the periods prior to the stock market close August 31, 2015, reflect results achieved by those sub-advisers using different investment strategies.

- While weakness was seen across emerging market assets, major moves to the downside were generally contained to the countries facing the most intense political and financial pressure. The stronger US dollar weighed on many emerging market currencies, and country-specific events further dampened risk appetite for the asset class.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg Barclays US Aggregate Bond Index, primarily due to holdings of US dividend-paying equities, high yield corporate bonds, master limited partnerships (MLPs) and preferred securities.

Contributors

- Exposure to US dividend-paying equities, which were supported by generally positive macroeconomic data, including stable economic growth and declining unemployment, contributed to performance during the quarter. US equities benefited from being relatively insulated from global concerns by strong earnings and tax cut-induced earnings growth. The quarter ended on an optimistic note with a new trade agreement among the United States, Mexico and Canada. The fund's holdings within the technology, communications, banking and consumer sectors led positive contributions.
- The fund's holdings of high yield corporate bonds also bolstered return during the quarter. Credit spreads (which reflect the incremental yield provided by lower-quality issues relative to US Treasurys) tightened over the period as solid second-quarter earnings, negative net bond issuance and strong economic data buoyed sentiment. Performance of high yield bonds was supported by strong equity market performance, as investors were not overly concerned about the potential impact on growth from rising inflation and interest rates. Within the fund's high yield allocation, positive contributions were led by energy, communications and consumer non-cyclical names.
- The fund's exposure to MLPs, expressed through exchange-traded funds (ETFs), contributed to performance as energy prices increased during the quarter. In addition to the strength in the price of oil, the sector benefited from sustained high levels of merger and acquisition (M&A) activity.

Detractors

- The fund's exposure to real estate investment trusts (REITs) had a muted impact on quarterly performance as the Fed continued to raise the federal funds rate. Concerns about higher rates leading to both increased competition among yield-oriented vehicles and higher financing costs negatively affected sentiment toward the sector.

Outlook

- We see the Fed hiking once more in 2018 and four times in 2019, ultimately reaching a terminal range of 3.25% - 3.50%. Reaching the terminal rate does not necessarily mean the cycle's end is imminent, but we will be watching the yield curve, which we expect to be even flatter at that point, for signs of inversion. We believe the domestic economy is highly unlikely to take a turn for the worse over the next 12 months. The global economy is on less sure footing, but the impending tariffs on Chinese goods have already been built into the economic outlook. We do not believe the Fed will pause for emerging market asset volatility unless the situation grows considerably more severe.
- We have somewhat revised our outlook for synchronized global growth. Although growth remains strong, it has decelerated and become less synchronized. A lot of bad news, particularly concerning emerging market volatility, has been digested since the last quarter. We expect US growth to outpace global growth in 2019, taking into account increased volatility, concerns about trade wars and political instability around midterm elections.
- Our outlook for both US and global equites is positive due primarily to favorable earnings growth. We maintain a preference for US equities compared to global equities. This view is supported by a higher pace of growth in the US, as the slowdown in Europe has weighed on global growth. US inflation and labor tightness may compress profit margins in coming quarters, but we look for companies to pass through costs where possible. We are cognizant of the risk that equity market valuations experience pressure from higher interest rates, but don't expect valuations to be threatened in the near term.
- We believe renewed momentum in growth abroad and more credible monetary policy in emerging markets are needed to take the pressure off emerging market and European risk assets. Leading indicators for global manufacturing fell again in August, with weakness across most purchasing manager index subcomponents. New tariffs against China went into effect in early October. We continue to monitor conditions as the trade war intensifies, which could cause further downward revisions to our outlook. Robust US corporate profits are insulating domestic credit spreads while spreads remain elevated elsewhere, particularly in Europe.

About Risk

Asset allocation strategies do not guarantee a profit or protect against a loss. **Equity securities** are volatile and can decline significantly in response to broad market and economic conditions. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Foreign securities** may involve heightened risk due to currency fluctuations. Additionally, they may be subject to greater political, economic, environmental, credit and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. **Real estate** investing may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrowers. **Master Limited Partnerships (MLPs)** may trade less frequently than traditional investments such as equities, which may result in erratic price movement or difficulty in buying or selling. MLPs are subject to significant regulation and may be adversely affected by changes in the regulatory environment including the risk that an MLP could lose its tax status as a partnership. **Derivatives** involve risk of loss and may entail additional risks. Because derivatives depend on the performance of an underlying asset, they can be highly volatile and are subject to market and credit risks.

The Bloomberg Barclays US Aggregate Index *represents securities that are SEC-registered, taxable, and dollar denominated. The Index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. 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.

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.

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