Senior Floating Rate and Fixed Income Fund

Fund Facts

OBJECTIVE

Seeks to provide a high level of current income

Share class	Y
Inception	9/30/2011
Ticker	LSFYX
CUSIP	63872T554
Benchmark	Morningstar LSTA US Leveraged Loan Index

Morningstar LSTA US Leveraged Loan Index *is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Market Conditions

- The loan market saw positive performance for the quarter, which started strongly but deteriorated as investor sentiment soured on tariffs and weakening consumer confidence. Average loan prices dropped by a point from year-end, though higher quality loans saw less of a decline. Given that, BB-rated loans outperformed B-rated loans, as lower-rated loans saw market value declines greater than the additional interest income they typically offer.
- Reflecting increasing investor concerns, only 10% of the loan market remains priced over par at the end of the quarter, down from over 60% at the end of 2024. However, 49% of the market remained priced between 99 and par, demonstrating the generally lower volatility of the asset class and buyers' continued desire for exposure to the loan market. Sectors that could be facing more pressure due to tariffs and consumer sentiment, like building materials, consumer discretionary, and chemicals, saw greater declines.
- The size of the Morningstar LSTA US Leveraged Loan Index grew during the period, and now stands at $1.47T. The pace of repricing and refinancing activity slowed in the quarter as lending conditions have been tempered. Nonetheless, merger and acquisition-led transactions, mainly in the lower-quality end of the loan market, were a robust $52B for the quarter and those deals priced at coupons a bit higher than we saw at the end of 2024. The default rate by issuer has fallen to 1.23%, though remains above 4% when adjusted to include distressed exchanges. Retail loan funds flows turned negative as the quarter ended, though were marginally positive on a cumulative basis during the quarter. Collateralized loan obligation (CLO) formation was strong at $48.6B for the period, nearly matching the level seen during the first quarter of 2024.

Portfolio Review

- The fund underperformed its benchmark for the period due to weaker performance from some specific loans – a B+ loan and a CCC+ loan in the software industry, as well as a B- loan in building products. The fund's allocation to high yield bonds was also a modest detractor.

Class Y Performance as of March 31, 2025 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	0.31	0.31	6.34	5.42	8.18	5.00
BENCHMARK	0.48	0.48	6.86	7.21	8.96	5.28

Performance data shown represents past performance and is no guarantee 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 0.81% (Class Y). Net expense ratio 0.74%. 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 3/31/2026. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

Class Y shares are sold to eligible investors without a sales charge.

- The fund experienced no defaults during the period and maintained a steady level of dividend income as interest rates remained relatively high.
- The fund's holdings in cash and Treasury bills very modestly contributed to relative performance, as these categories outperformed credit markets. We maintained less liquidity in the portfolio this quarter than in previous quarters given the positive trend in financial conditions. Minimal levels of liquidity are required and that level changes with economic conditions.

Portfolio Highlights

- We target a yield advantage for the fund versus the benchmark in most market conditions. A yield advantage can be enhanced through primary market new issue discounts and by swapping into loans or bonds with more appealing risk/return characteristics as those opportunities arise. Maintaining an appropriate liquidity policy is a primary objective as well. The fund is currently positioned with approximately 90.6% bank loans, 4.7% high yield bonds, and 7.5% held in cash on a trade-date basis.
- We examine the relative attractiveness of the high yield bond market in relation to bank loans based on potential risk-adjusted return. We judge potential return on high yield bonds in comparison to loans in assessing whether the additional volatility in the bond market is appropriately compensated versus our benchmark. Currently, we view that tradeoff as modestly favoring the high yield market given recent spread widening in much of the bond market. We maintained a small position in Treasury bills to enhance yield beyond the short-term rates offered by the fund's custodian which enables us to boost fund liquidity while earning a return.

Outlook

- Loan credit quality remained stable through the end of the quarter, though earnings growth is decelerating in some sectors. Companies have continued to find ways to cut expenses and preserve margin and cash flow. While performance was challenged as risk sentiment began to erode late in the quarter, loans generally performed well overall given their high interest component. Strong technical demand buoyed loan prices despite accelerating retail outflows – CLO issuance and new issue loan scarcity were uplifting factors to loan performance, as the supply/demand imbalance for loans remained a technical tailwind for loan prices.
- We agree with the market's concern that default rates could increase, but they have remained relatively low due to company-specific circumstances (ample liquidity, few loan maturities and successful cost-savings programs). The default rate remains at historically low levels. That said, there is a modest subset of the space at the lowest end of the quality spectrum that is still trading at a substantial discount to par and will need sustained economic support and healthy financial markets to manage through their specific issues. We do not expect this cohort to have a sizeable effect on total return for the category given our base case assumptions.
- Loomis Sayles's Macro Team shows increasing odds of a downturn, though this scenario is not the highest probability case. Their base case has shifted this year to a "cooling off" scenario with an eye on the current trends in the labor market. This base case calls for stalled growth and a short-term increase in inflation. This was issued prior to April 2nd tariff announcements so was shy of calling it stagflation.
- Our view towards risk assets is increasingly cautious in the short term due to expected near-term volatility and market uncertainty with the recent (and ever-evolving) tariff announcements.
- Throughout the last year, we have been discerning when adding risk as spreads ratcheted tighter, and therefore compensation for stepping down in quality had been squeezed.
- The base case called for the Federal Reserve (Fed) to continue its easing cycle, just at a more measured pace. However, the current tariff announcements and subsequent negotiations

introduce volatility to the market that would pressure risk assets, at least on a technical level if not a fundamental one. We expect the Fed is still in an easing cycle that could beget accelerated if the tariffs put fundamental stress on the economy.

- Our goal is to construct a portfolio that can withstand many pressures without suffering significant credit losses.

Source: Morningstar Pitchbook LCD as of March 31, 2025.

About Risk

Floating-rate loans are often lower-quality debt instruments and may involve greater risk of price changes and greater risk of default on interest and principal payments. The market for floating-rate loans is largely unregulated and these assets usually do not trade on an organized exchange. As a result, floating-rate loans can be relatively illiquid and hard to value. **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. **Leverage** can increase market exposure and magnify investment risk. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market.

[1]Trade date positions may add up to more than 100% due to difference in timing between trading and settlement and quarterly interest and amortization cash flows.

Credit quality reflects the credit rating assigned to individual holdings of the fund by S&P; ratings are subject to change. The fund's shares are not rated by any rating agency and no credit rating for fund shares is implied. Instrument credit ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

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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 containing this and other information. Read it carefully.