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

Market Conditions

- In the second quarter of 2021, positive risk sentiment and demand for loans fueled healthy supply and drove prices closer to par. Second quarter returns were strong but tailed off toward the end of the period as there was little remaining room for price appreciation.
- With prices generally tight to par, which we think is the normal state of a healthy market, yields compressed a bit, nudging some yield-hungry investors toward lower-rated, higher-coupon loans.
- Second quarter issuance totaled $145.8 billion of which $83.9 billion funded merger and acquisition activity, resulting in more than 4% growth in the size of the asset class.
- Collateralized loan obligation (CLO) formation continued to surge, amounting to $39.9 billion, and retail loan inflows totaled $13.9 billion, compelled by investors' search for yield and a favorable economic outlook.

Portfolio Review

- The fund underperformed its benchmark, the S&P/LSTA Leveraged Loan Index.
- The fund targets a yield advantage versus the benchmark in most market conditions. The fund's unsubsidized 30-day SEC yield was 3.41% as of June 30, 2021.[1]
- Risk positioning in the bank loan segment of the portfolio was the largest driver of relative return. Positive contributions were led by the fund's relatively low exposure to lower-returning BBB and BB-rated loans, as higher-rated loans generally underperformed lower-rated ones in the second quarter.

CLASS Y PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	1.37	3.16	12.72	2.76	4.24	5.14
BENCHMARK	1.47	3.28	11.65	4.39	4.99	4.93

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 0.95% (Class Y). Net expense ratio 0.82%. 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 3/31/2022. 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.

[1]***The 30-day SEC yield*** *is a standardized calculation, calculated by dividing the net investment income per share for the 30-day period by the maximum offering price per share at the end of the period and annualizing the result. A subsidized 30-day SEC yield reflects the effect of fee waivers and expense reimbursements. The SEC yield is not based upon distributions of the fund and actual income distributions may be higher or lower than the 30-day SEC yield amounts. During periods of unusual market conditions, the fund's 30-day SEC yield amounts may be materially higher or lower than its actual income distributions.* ***Unsubsidized 30-day SEC yield*** *is calculated using the gross expenses of the fund. Gross expenses do not include any fee waivers or reimbursement.*

- The largest detractor from relative return was the underperformance of the fund's B-rated loans versus the respective segment in the benchmark. This is likely the result of not owning riskier B-rated benchmark names, as there were minimal actual negative contributors to performance in the period. The fund's small position in equity remainders from previous loan restructures also detracted from relative return. We hold these positions if we think significant return potential is possible as their markets normalize, though we do not expect to ever have significant exposure to such securities.

Portfolio Highlights

- The fund is currently positioned with about 91.80% bank loans, 4.56% bonds, and 9.11% held in cash on a trade-date basis.[2]
- We believe we are in the expansion phase of the credit cycle, and our goal is to gradually enhance the fund's yield advantage through primary issue market discounts and by swapping into loans or bonds with more appealing risk/return characteristics when the opportunity arises.
- We continue to examine the relative attractiveness of the high yield corporate bond market in relation to bank loans based on potential risk-adjusted-return. As always, 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. At present we are underwhelmed by the relative value of most of the high yield bonds in our universe.

Outlook

- Demand for loans has been very strong and we think that is likely to remain the case if the US economy continues to recover throughout 2021, as we expect. Demand from CLO formation, retail investors and global institutional clients has increased given a lack of yield alternatives, the relative richness of the high yield bond market and sentiment shifts on the direction of longer-term interest rates.
- We agree with the market's expectation that default rates are likely to be very low over the next year due to both company-specific circumstances (liquidity, few maturities, cost cutting and revenue retention) and macro stimulus (fiscal and monetary). Many of last year's downgrades have become this year's upgrades as the agencies reflect how well many companies have weathered the worst months of the pandemic.
- Our macro base case is for expansion, predicated by our belief that the quick and sharp pandemic recession of 2020 reset the credit-cycle clock. This scenario is likely to create investment opportunities, and our goal is to discriminate between winners and losers in the post-pandemic world. In this vein, we expect to use higher quality positions as a source of funds to reinvest in loans or bonds with better return potential while remaining true to our strategy of investing in credit stories we believe in.
- Our goal, as before the pandemic, is to construct portfolios that can withstand many pressures without suffering significant credit losses. Our horizon is years, not months.

[2] *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.*

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.

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).

S&P/LSTA 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.*

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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