



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 another quarter of strong performance, once again buoyed by the high interest rate component of floating rate loans and loan prices crowding around par as investor sentiment remained generally positive. Lower-rated loans typically outperformed, mostly driven by higher spreads, though lower-rated (B) loan prices remain modestly below those of their higher-rated (BB) counterparts.
- At the end of 2Q 2024, BB and B-rated average loan prices had declined by about 20 bps from the average index price seen at the end of 1Q 2024, representing a slight rebalancing of the supply/demand dynamic in the loan market.
- 44% of the loan market remains priced over par – some of these are loans still eligible for a repricing, while others are priced strongly as a reflection of buyers’ continued appetite for exposure to the loan market.
- The size of the benchmark loan index grew modestly during the period, and now stands above \$1.39 trillion, as new volume remains constrained by higher rates. Repricings, maturity extensions, and amendments made up the majority of new issuance, though we are beginning to see LBO and M&A activity come back. Companies are again starting to opportunistically refinance capital structures that were put in place in 2022, which was a less borrower-friendly year for leveraged finance. Default rate by issuer has fallen further from already-low percentages.
- Retail loan funds flows were positive throughout the period, totaling approximately \$4.6 billion in subscriptions. Collateralized loan obligation (CLO) formation remained very strong and stood at \$52.6 billion for the period, setting a record annualized pace.

Portfolio Review

- The fund underperformed its benchmark for the period due mild underperformance from some loans and to allocations outside of the benchmark.
- The fund saw positive contribution versus the benchmark constituents from our CCC-rated

Class Y Performance as of June 30, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	1.47	3.94	9.92	4.18	3.66	4.91
BENCHMARK	1.90	4.40	11.11	6.14	5.53	5.21

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 0.92% (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.



loans, of which we hold an overweight position relative to the benchmark. A broadcasting BB-rated loan and a technology B-rated loan underperformed, leading those loan quality types to underperform versus their index rating cohorts. However, the fund experienced no defaults during the period and maintained a steady level of dividend income as interest rates remained high.

- The fund's holdings in cash and Treasury bills modestly detracted from relative performance, as these categories could not keep pace with the strong return in the loan market. We have maintained less liquidity in the portfolio this quarter, given the positive trend in financial conditions, but minimal levels are required.

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 of paramount concern. The fund is currently positioned with approximately 99.9% bank loans, 2.5% high yield bonds, and 10.2% 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 poorly compensated given the shape of the yield curve and the tight spreads 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

- The environment for loan credit quality has remained relatively stable despite the drag from inflation and market uncertainty, though earnings trends have become more mixed. Loans have continued to perform strongly despite modest retail outflows – CLO issuance and new issue loan scarcity were uplifting factors to loan performance.
- We agree with the market's expectation that default rates could increase, but they remain relatively low due to both company-specific circumstances (ample liquidity, few loan maturities, and successful cost-savings programs) and the rising trend has recently stabilized at historical averages. Bottlenecks and inflationary cost pressures were well-absorbed by most companies to which we lend and are moving to the rear view mirror. The rise in borrowing costs has been well-managed. Many borrowers have hedged some of or all of their interest rate risk and now those all-in interest costs are decreasing as most credits are able to achieve a repricing of their loan spread.
- Loomis Sayles's Macro Team base case shows low odds of a downturn, as we have not seen the prerequisite decline in profits decline and rise in unemployment. Their base case has shifted to a soft landing yet odds are not overwhelming. The market has also shifted to this line of thinking, hence the improvement in financial conditions. We are cautiously optimistic but have used the strong market to exit credits whose return potential did not compensate for its perceived risk.
- We felt the market had gotten ahead of itself pricing in more rate cuts than implied in the Fed dot plot and has now moved to more reasonable assumption, which is relatively constructive for loans. "Higher for longer" is good for the loan market carry as long as inflation continues to move in the right direction and the economy remains buoyant. In the longer run, we think the economy may be entering a period of rate volatility that we haven't seen since prior to the GFC. We believe that would favor loans as part of an asset allocation, as their risk adjusted returns would be relatively appealing.
- Our goal is to construct a portfolio that can withstand many pressures without suffering



significant credit losses.

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.

¹Trade 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.

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