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

- The loan market continued to demonstrate a quality bias during the second quarter; interest in double-B rated loans supported strong bids for solid names in this category. There was much less interest for single-B names as retail outflows persisted. Fundamentals generally remain favorable, however only 8% of the index was priced above par at the end of the second quarter.
- Collateralized loan obligation (CLO) formation was strong with approximately $36 billion of new vehicles priced in the second quarter. Retail outflows continued during the second quarter, amounting to $10.1 billion.
- Loan issuance was thin during the second quarter, falling to a three-year low alongside lack of demand from the retail market. Repayments and refinancing activity were muted. Nonetheless, the benchmark index grew to $1.20 trillion.

Portfolio Review

- The fund underperformed its benchmark, the S&P/LSTA Leveraged Loan Index.
- We target a yield advantage for the fund vs. the benchmark in most market conditions. The fund's unsubsidized 30-day SEC yield was 7.00% as of June 30, 2019.[1]
- Technical conditions in the loan market contrasted with the strength of equity and high yield markets, where risk comfort was more evident in the second quarter. The fund

CLASS Y PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	1.42	4.18	2.51	5.15	3.68	5.73
BENCHMARK	1.68	5.74	3.97	5.24	3.68	5.01

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 0.80% (Class Y). Net expense ratio 0.80%. 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 3/31/2020. 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. Unsubsidized 30-day SEC yield is calculated using the gross expenses of the fund, which do not include any fee waivers or reimbursement.

continued its focus on credit selection and generating a high level of current income. We maintain a fundamentally positive intermediate view of the US loan market, and there were no significant shifts in our long-term macroeconomic view during the reporting period, though we are assuming two rate cuts by the Federal Reserve in our 2019 return models.

- Security selection within both single-B and double-B loans detracted from performance, driven by a few names with respect to which we remain more constructive than their current prices imply.
- The fund's best performing industries were drugs and broadcast radio and television, while the worst performing industry was oil and gas.
- Our second lien positions, particularly one oil and gas loan, underperformed the benchmark, detracting from performance.

Portfolio Highlights

- The fund ended the quarter with about 89.9% in bank loans, 6.1% in bonds and 4.0% held in cash.
- Our relatively small allocation to high yield corporate bonds contributed to performance over the period; we continue to believe high yield market yields in general look unattractive when compared to bank loans.
- The fund's exposure to second liens decreased during the period as the amount available in the market has declined.

Outlook

- CLO formation is likely to remain solid for the rest of 2019, given moderate liability costs and relatively stable credit quality. Retail demand is unlikely to increase as long as rates are flat or declining.
- Fundamentals are fairly good and likely to remain that way given modest but slowing US economic growth. We expect loan default rates to remain below their historical average in 2019.
- Lower demand for lower-quality loans may reduce primary issuance and refinancing rates vs. 2018.
- We are balancing our relatively constructive view of intermediate fundamentals with our expectation that economic growth is slowing and potential risk is increasing. As always, portfolio construction will reflect both our bottom-up and top-down views.

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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