Natixis Loomis Sayles Short Duration Income ETF

FUND FACTS

OBJECTIVE

Seeks current income consistent with preservation of capital

Inception	12/27/2017
Ticker	LSST
CUSIP	63873X208

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 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.
- US interest rates advanced during the third quarter, reflecting persistent economic growth, a stable inflation rate and a steady pace of Fed rate hikes. US interest rates remain above those of other developed countries where monetary policy has been more accommodative.
- Investment grade corporate bonds posted positive performance. The asset class outperformed duration-matched Treasurys (duration refers to a security's price sensitivity to interest rate changes), but underperformed high yield corporate bonds. From a sector perspective, communication companies posted healthy gains while utilities declined.
- Securitized assets outperformed duration-matched Treasurys. Commercial mortgage-backed securities (CMBS) performed particularly well, posting positive total and absolute returns.

Portfolio Review

- The fund outperformed its benchmark, the Barclays US Government/Credit 1-3 Year Index.

PERFORMANCE AS OF SEPTEMBER 30, 2018 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
ETF (NAV)	0.78	0.61	--	--	--	0.69
ETF (MARKET PRICE)	0.78	0.73	--	--	--	0.81
BENCHMARK	0.33	0.41	--	--	--	0.45

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.im.natixis.com.

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. An exchange-traded fund's market price is the price at which shares in the ETF can be bought or sold on the exchanges during trading hours, while the net asset value (NAV) represents the value of each share's portion of the fund's underlying assets and cash at the end of the trading day. ETFs calculate the NAV at 4 p.m. EST, after the markets close.

Gross expense ratio 0.87%. Net expense ratio 0.38%. 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.

Contributors

- The fund's sizeable underweighting of US Treasurys was additive to performance as US Treasurys underperformed corporate bonds over the quarter. Additionally, the fund's overweight position to corporate bonds, particularly financials and industrials, was also a strong performer for the quarter. Specifically, overweight positions in the banking, consumer cyclical and energy segments aided return.
- Performance was further strengthened by security selection within the industrials space. In particular, issuers within the consumer non-cyclical, energy and consumer cyclical segments performed well.
- Issuer selection within the high yield corporate space was also notably positive for the quarter. Selections within industrials were the main source of outperformance in high yield, with holdings in the communications and energy segments leading contributions. Selections within high yield financials also aided return.

Detractors

- There were no meaningful detractors from performance during the quarter.

Outlook

- We believe that the Fed will tighten monetary conditions in a gradual and measured way as aggregate demand remains healthy, with another hike likely coming in December 2018.
- Corporate fundamentals continue to indicate the US is in the late expansion phase of the credit cycle,[1] with slowing margin growth, increased mergers and acquisitions and rising leverage. Our view is that the cycle will continue to evolve slowly. Asset classes like corporate credit are supported by US tax reform and fiscal stimulus from the Trump administration. Corporate credit remains in demand due to a need for yield, fundamentals like improving corporate earnings, and technical factors such as lower bond supply. We continue to favor corporate credit over risk-free assets. We believe the primary risks to the credit markets include the pace of global growth, the timing of Fed tightening, increasing concerns about a protracted trade war and a significant uptick in inflation.
- We remain underweight government bonds, given low yields, and continue to favor sectors offering higher yield potential than Treasurys.
- We continue to be modestly overweight credit. We are focused on security selection opportunities, buying new issues with concessions and secondary bonds that can potentially offer favorable risk/return profiles.
- We believe valuations in CMBS are fair. We remain overweight to the sector, particularly senior parts of the capital stack.
- We think valuations in mortgage-backed securities (MBS) have improved and are becoming more interesting. We are focused on securities with limited prepayment risk.
- The high-quality asset-backed securities (ABS) sector remains attractive relative to government bonds. Specifically, we believe auto loans and credit card receivables remain attractive.

[1]A credit cycle is a cyclical pattern that follows credit availability and corporate health.

- We have been maintaining a higher yield and exposure to more credit-sensitive sectors relative to the benchmark.
- We continue to monitor our portfolio and diversify our holdings with an eye toward minimizing undue exposure to macro and/or issuer events.
- We believe high yield issuers will continue to experience low default rates and we are maintaining holdings in selected names that appear to offer value.

About Risk

The fund is new with a limited operating history. **Exchange-traded funds (ETFs)** trade like stocks, are subject to investment risk and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable directly with the fund and are bought and sold at market price, which may be higher or lower than the ETF's net asset value (NAV). Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. **Unlike typical exchange-traded funds**, there are no indexes that the fund attempts to track or replicate. Thus, the ability of the fund to achieve its objectives will depend on the effectiveness of the portfolio manager. There is no assurance that the investment process will consistently lead to successful investing. **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 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. **Interest rate risk** is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors.

Bloomberg Barclays US Government/Credit 1-3 Year Index *is the 1-3 year component of the Bloomberg Barclays US Government/Credit Index. The US Government/Credit Index includes securities in the government and credit indices. The Government Index includes Treasurys (i.e., public obligations of the US Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government). The Credit Index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Investment grade refers to bonds rated BBB/Baa or higher. Ratings are determined by third-party rating agencies such as Standard & Poor's or Moody's and are an indication of a bond's credit quality.

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 800-458-7452 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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