

US High Yield

MANAGEMENT TEAM

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OBJECTIVE

- Seeks to outperform the Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index through a diversified and actively managed exposure to the US high yield credit market
- Seeks to achieve gross returns of 100-125 basis points in excess of the Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index with tracking error of 100-200 basis points

HIGHLIGHTS

- Primarily seek to leverage the insight of Loomis Sayles high yield sector team to outperform through issue and sector selection
- Modify relative market exposure based on macro views of credit cycle
- We believe we can isolate value through intensive fundamental credit research
- We believe we can exploit opportunities through alteration of portfolio positioning based on disciplined process consisting of our macro outlook, credit cycle theory, and examination of market technicals
- Bottom-up security selection in the US high yield market is the primary driver of performance; also seek to add value through limited exposure to off-benchmark positions (maximum 20%)
- Duration: (+/-) 2 years relative to index
- Maximum industry exposure: 25%
- Maximum issuer exposure: 3%
- Maximum investment grades corporate exposure: 10%
- At the time of purchase, minimum portfolio average quality must be B-

BENCHMARK

Bloomberg Barclays US
Corporate High Yield 2% Issuer
Capped Index

FACTS

Strategy inception	7/1/09
Composite inception	10/1/09
Strategy assets	\$3,589.5M
Composite assets	\$609.0M

PORTFOLIO CHARACTERISTICS

	Composite	Index
Average maturity	4.97 yrs	5.12 yrs
Average duration	3.51 yrs	3.82 yrs
Average yield	6.47%	6.25%
Average credit quality	B1	B1
Average number of issues	205	-
Weighted average coupon	6.57%	6.35%
OAS	308 bps	315 bps

COMPOSITE PERFORMANCE (%)

	CUMULATIVE RETURN		AVERAGE ANNUALIZED RETURN				
	3 MO	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
GROSS	2.63	2.25	3.09	8.07	6.33	-	8.63
NET	2.51	1.90	2.62	7.57	5.83	-	8.11
BENCHMARK	2.40	2.57	3.05	8.15	5.55	-	8.10

COMPOSITE PERIOD PERFORMANCE (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
GROSS	8.03	16.29	-1.77	3.38	9.05	16.85	3.64	15.89	5.55	-
NET	7.56	15.72	-2.26	2.86	8.51	16.27	3.13	15.32	5.42	-
BENCHMARK	7.50	17.13	-4.43	2.46	7.44	15.78	4.96	14.94	6.18	-

2009: since composite inception 10/1/2009

Performance data shown represents past performance and is no guarantee of future results. Current performance may be lower or higher than quoted. Returns are shown in US dollars and are annualized for one and multi-year periods. Gross returns are net of trading costs. Net returns are gross returns less effective management fees.

There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return. For Institutional Use Only. Not For Further Distribution.

Average Yield is Yield to Effective Maturity. Duration and Maturity for equity securities are deemed to be zero.

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SECTOR DISTRIBUTION (%)		
	Composite	Index
High Yield Credit	83.1	99.3
Bank Loans	7.5	-
Emerging Market Credit	2.6	0.6
Investment Grade Credit	2.5	0.1
Convertibles	0.5	-
Cash & Equivalents	3.8	-

CURRENCY DISTRIBUTION (%)		
	Composite	Index
US Dollar	100	100

COUNTRY DISTRIBUTION (%)		
	Composite	Index
United States	82.0	85.8
Canada	4.3	4.1
United Kingdom	2.8	2.1
Netherlands	2.0	0.9
Zambia	1.6	-
United Arab Emirates	1.0	-
Belgium	0.9	0.1
Luxembourg	0.9	1.7
Italy	0.8	0.9
Other	3.4	4.3

CREDIT QUALITY (%)		
	Composite	Index
US Treasuries	-	-
AAA	-	-
AA	-	-
A	-	-
BAA	2.5	0.1
BA	30.1	42.8
B	44.6	42.1
CAA & Lower	18.5	14.9
Not Rated	0.4	0.1
Cash & Equivalents	3.8	-

DURATION DISTRIBUTION (%)		
	Composite	Index
Less than 1 Yr.	12.0	6.7
1 to 3 Yrs.	16.0	29.3
3 to 5 Yrs.	50.6	42.1
5 to 7 Yrs.	16.6	16.2
7 to 10 Yrs.	1.0	3.4
10 Yrs. or more	-	2.3
Cash & Equivalents	3.8	-

MATURITY DISTRIBUTION (%)		
	Composite	Index
Less than 1 Yr.	4.8	8.4
1 to 3 Yrs.	10.7	21.0
3 to 5 Yrs.	34.0	27.7
5 to 7 Yrs.	28.2	21.6
7 to 10 Yrs.	17.5	16.1
10 Yrs. or more	1.0	5.2
Cash & Equivalents	3.8	-

KEY RISKS

Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Prepayment Risk and Extension Risk. Investing involves risk including possible loss of principal.

Due to rounding, Sector, Currency, Country, Credit Quality, Duration and Maturity distribution totals may not equal 100%. This portfolio is actively managed and characteristics are subject to change. Credit Quality reflects the middle credit rating assigned to individual holdings of the composite by Moody's, S&P or Fitch; ratings are subject to change. Cash & Equivalents may include unsettled trades, fees and/or derivatives. ABS/RMBS: Asset-Backed Securities/Residential Mortgage-Backed Securities. Agency MBS: Agency Mortgage-Backed Securities. CMBS: Commercial Mortgage-Backed Securities. Emerging Markets Debt in the sector distribution is defined as US dollar denominated, non-investment grade bonds, which are from a country on the firm approved Emerging Markets list based on Bloomberg Barclays Emerging Markets Ex-Aggregate Index.

The US High Yield Composite includes all discretionary separate accounts with market values greater than \$5 million managed by Loomis Sayles with investment guidelines that allow for a diversified, actively managed exposure to the US High Yield credit market which emphasizes a disciplined portfolio construction and risk assessment process in fixed income and related investments of any maturity and credit quality, including lower-rated fixed income investments, derivatives, and bonds with equity like features. The Composite was created in 2010. For additional information on this and other Loomis Sayles strategies, please visit our web site at www.loomisayles.com.

ERISA FIDUCIARY DISCLOSURE

(For ERISA accounts only)

We are not undertaking to provide impartial advice or advice in a fiduciary capacity in connection with the sales and distribution of our investment products or services.

We have a financial interest in connection with the sale of our products and services. We are compensated through the receipt of investment management fees with respect to the assets we manage, which can be found in our Form ADV and other documents provided to clients pertaining to the provision of our investment products and services.

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