



Bond Fund

Fund Facts

OBJECTIVE

Seeks high total investment return through a combination of current income and capital appreciation

Share Class	I
Inception	5/16/1991
Ticker	LSBDX
CUSIP	543495840
Benchmark	Bloomberg US Aggregate Index

The Bloomberg US Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.

Market Conditions

- The global fixed-income markets performed well in the third quarter. Investors reacted favorably to the backdrop of slow but steady economic growth and moderate inflation, together with the US Federal Reserve's decision to reduce interest rates by a quarter point at its September meeting. The cut, which marked the first easing since December 2024, brought the fed funds rate to a range of 4.0% to 4.25%. Investors also displayed confidence that the Fed was likely to continue easing policy over the course of the coming year. Bonds responded favorably to these developments, with longer-term debt and more credit-sensitive categories leading the way.
- US Treasury yields declined modestly across the curve (as prices rose), augmenting the contribution from income. The move represented the continuation of an uneven downtrend in yields that began in late May. Investors reacted favorably to the US Federal Reserve's first interest rate cut of 2025, as well as expectations for a shift toward more dovish policy. The yield on the two-year note declined from 3.72% to 3.60%, while the 10-year fell from 4.24% to 4.16%. Treasuries, while positive in absolute terms, didn't keep pace with the stronger returns for more credit-sensitive areas of the market.
- Corporate bonds produced a gain and outperformed Treasuries in the quarter. The positive total return reflected the combination of income, a modest decline in Treasury yields, and a continued compression in yield spreads driven by positive investor sentiment and healthy corporate earnings. According to the Federal Reserve Bank of St. Louis, the yield advantage for corporates relative to government bonds declined from 86 basis points (0.86 percentage points) at the start of the quarter to 76 basis points at the end of September, marking the narrowest level since the late 1990s.
- High-yield bonds delivered a healthy total return and outpaced the investment-grade market. The gain reflected the combination of income, a modest decline in Treasury yields, and a continued compression in yield spreads driven by hearty investor risk appetites and robust corporate profits. According to the Federal Reserve Bank of St. Louis, the yield advantage for high yield bonds over government debt moved from 296 basis points (2.96 percentage points) at the beginning of the quarter to 280 basis points on September 30. This put spreads at the low end of the range that has been in place

Class I Performance as of September 30, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	2.28	7.51	6.29	8.41	3.36	3.68
BENCHMARK	2.03	6.13	2.88	4.93	-0.45	1.84

Performance data shown represents past performance and is no guarantee 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 0.72% (Class I). Net expense ratio 0.64%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense limitation of the fund has been exceeded. This arrangement is set to expire on 4/30/2027. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class I inception date is 5/16/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.



since the late 1990s.

- Agency mortgage-backed securities (AMBS) gained ground in the third quarter. Lower-coupon issues, which benefited from falling interest rates and lower sensitivity to prepayment risks, led outperformance relative to Treasuries. Returns for asset-backed securities (ABS), non-agency residential mortgage-backed securities (NARMBS), commercial mortgage-backed securities (CMBS), and collateralized loan obligations (CLOs) were also broadly positive thanks to tightening yield spreads.
- Developed-market government bonds lagged the United States. The European fixed-income markets were pressured by fiscal worries, and Japan faced a headwind from rising inflation and reduced bond purchases by its central bank. Emerging-market bonds registered robust total returns and outpaced the US credit sectors on the strength of improving economic conditions and investors' elevated appetite for risk.

Portfolio Review

- The Fund outperformed its benchmark, the Bloomberg US Aggregate Index, due to security selection and sector allocation.

Winners

- Security selection within investment-grade corporate credit contributed to performance, with notable strength in issuers from the energy and insurance sectors. The portfolio's overweight position in these areas provided a further advantage as credit spreads tightened throughout the period.
- Issuer selection within high-yield corporate credit was also beneficial, with particular positions in the communications sector standing out as key contributors to excess returns.
- Exposure to convertible securities added value to the portfolio, especially among high conviction holdings in the communications sector, which continued to deliver positive results.

Laggards

- Selection within securitized credit had a negative impact on excess returns. Specifically, certain non-agency CMBS securities detracted from performance.
- Our yield curve positioning, which was shorter than the benchmark, also weighed on results.

Outlook

- Most segments of the global fixed income market generated positive returns during the third quarter as trade tensions subsided and expectations for Federal Reserve (Fed) interest rate cuts increased. Amid lingering inflation concerns, the Fed held rates steady at the July meeting, however, as labor market data weakened during the quarter, the Fed shifted its focus towards downside growth risk and delivered its first rate cut in 2025 at the September meeting. Concerns of the Fed's ability to uphold complete independence increased during the quarter due to an escalating legal battle over the Trump administration's attempt to fire Fed Governor Lisa Cook. The outcome of the situation is pivotal, as a shift to policies that favor fiscal policies aimed at lower borrowing costs over maximum employment and stable prices could have a significant impact on macroeconomic factors and financial markets going forward, in our view. The 10-year US Treasury was relatively stable quarter-over-quarter, moving from 4.23% to 4.15%, while risk appetite remained strong as investment grade and high yield spreads moved tighter. Risk assets were supported by the September Fed rate cut, continued strong earnings growth by corporates and a surge in artificial intelligence (AI) investments.
- Going forward, we believe the US economy will remain in the late cycle phase of the credit cycle¹, supported by recent tariff negotiations, a healthy mid-to-high income consumer and stable corporate fundamentals. Growth appears to be marginally improving in the US, and we do not anticipate a recession at this time, rather, our base case calls for trend-like growth.



We see some vulnerabilities amongst lower-income consumers; however, we do not expect to see a big pullback in consumer spending. In aggregate, consumers still have jobs, built-up wealth and healthy balance sheets. Outside the US, shifting trade dynamics continue to hang over the global economy and we view tariffs as a tax on growth. Encouragingly, many countries have the ability to increase fiscal spending to support their economies if needed. In Europe, we believe the “America First” policy and lack of US security assurances could push Eurozone leaders to recommit to more expansionary fiscal policy and massive borrowing for security infrastructure, thus reviving European output. We expect Chinese growth to muddle along at current levels, supported by additional policy measures, however, we still have questions about the quality and sustainability of growth moving forward. The tariff reprieve has been welcomed, but a more durable long-term resolution may be more challenging.

- Our view is that US inflation will remain sticky and continue to print above the Fed’s 2% target. In the short term, we believe prices may experience a temporary increase as companies pass through tariff-related cost increases. On a long-term basis, we have been suggesting that inflation may remain unstable and potentially experience higher lows in future cycles due to structural factors, such as the fiscal deficit, trade protectionism, deglobalization, decarbonization and aging demographics. Despite cooling labor market data, we are not expecting a massive wave in layoffs and view corporate health as the lynchpin behind the labor market. Absent a significant shock to the economy, we believe growth should remain positive, which puts the Fed “stuck in the middle” – should they focus on supporting growth or reducing inflation? In our view, the Fed may be comfortable with inflation hovering above their 2% target, considering tariff-related inflation as a temporary increase, to help mitigate the labor market from softening too much. There has been an exuberance for rate cuts priced in the front end of the curve as the market seems to be placing a larger weight on the Trump administration’s push for lower rates versus the reality of the inflation data that continues to show stickiness, in our view.
- We believe a key risk is the structural economic and demographic factors that are weighing on the US fiscal deficit. Large nondiscretionary spending, mostly related to entitlements and defense, has led to a deficit that is structural rather than counter-cyclical. Debt servicing costs have also risen significantly, as interest rates have increased and the overall debt burden has expanded. Currently, the fiscal deficit is unsustainable and has the potential to stimulate inflation, which in turn could raise borrowing costs across the economy, in our view. Unless there is significantly higher growth (which we believe is unlikely), expenditures are reduced or another large source of revenue materializes (tariffs), we do not see a stabilization or contraction in the deficit occurring in the near term. US budget negotiations are ongoing; however, fiscal rectitude does not seem to be attainable as both sides seem to have dug into their positions, resulting in a partial federal shutdown – and this may reflect the reality that the mid-term elections are approaching quickly. As a result, our structural view of higher interest rates remains intact. We believe Treasury supply will continue to be a topic of heavy discussion, which could increase interest rate volatility and put a floor under long-term Treasury yields. We believe the long end of the curve, at this point, is not adequately pricing in potential risks. We believe long-term fair value for the 10-year US Treasury is approximately 4.00-4.50%, based on a 1.75-2.00% real rate and 2.25-2.50% breakeven rate; however, Trump’s policies could push the fair value target slightly higher.
- Our investment process lends itself to constantly reassessing value through our risk premium framework. Our Credit Health Index (CHIN) within investment grade and high yield corporate credit suggest defaults/losses will be in line with historical averages for this part of the cycle. Credit fundamentals still look solid, and the technical backdrop has helped push spreads and risk premiums to tight levels. We believe that credit health remains stable as corporate fundamentals, technicals and earnings growth continue to be positive. It is difficult to see any real signs of credit deterioration, and in our opinion, corporate balance sheets can weather potential volatility in the macroeconomic backdrop.
- We believe that long-term value has returned to fixed income markets with a combination of discount-to-par (positive convexity) and favorable yields. As investors sit on record levels of cash, we expect strong demand will likely support bond markets. The fiscal gap remains a long-term threat to yield stability, and investors will need to be compensated for a potential rise in yields at the long end, in our view. Fortunately, bondholders can manage through



this uncertainty. In this environment, we believe that reinvestment rate risk is on the side of the fixed income investor, but the challenge is getting to progressively higher step-ups of yield while maintaining or growing principal. Given our expectation for a relatively benign loss environment, we believe investors should consider moderately leaning into credit risk for any potential extra carry pick-up. Compressed credit spreads have led us to remain diversified in our credit exposure across the fixed income markets, and we are mindful of the risks going forward, such as a growing US deficit, Fed independence, trade protectionism (tariffs) and geopolitical risk. Each of these risks could further elevate market volatility and create additional buying opportunities in credit, interest rates and currencies, for which we would consider redeploying reserves faster. In today's environment, we believe bond investors should maintain flexibility with regards to interest rate and credit risk, considering the risk/reward of the intermediate part of the curve against the long-term risks associated with long-end curve exposures while being selective in potential opportunities in investment grade credit, high yield credit, bank loans and securitized credit, in our opinion.



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

About Risk

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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Equity securities** are volatile and can decline significantly in response to broad market and economic conditions.

Important Disclosure

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. These perspectives are as of the date indicated and may change based on market and other conditions. Actual results may vary. Please refer to the Fund prospectus for a comprehensive discussion of risks

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. Investment recommendations may be inconsistent with these opinions. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.

Market conditions are extremely fluid and change frequently.

Diversification does not ensure a profit or guarantee against a loss.

Commodity, interest and derivative trading involves substantial risk of loss.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

There is no guarantee that the investment objective will be realized or that the Fund will generate positive or excess return.

Past performance is no guarantee of future results.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-633-3330 for a prospectus and a summary prospectus containing this and other information. Read it carefully.

Natixis Distribution, LLC (fund distributor, member FINRA|SIPC) and Loomis, Sayles & Company L.P. are affiliated.

LS Loomis | Sayles is a trademark of Loomis, Sayles & Company, L.P. registered in the US Patent and Trademark Office.