Investment Grade Bond Fund

Fund Facts

OBJECTIVE

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

Share class	Y
Inception	12/31/1996
Ticker	LSIIX
CUSIP	543487136
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

- Bonds performed poorly in the third quarter, with nearly every major segment of the market posting a negative return. The ongoing conflict in the Middle East led to persistently high oil prices, fueling worries about rising inflation. At the same time, economic growth remained robust. The US Federal Reserve responded with a quarter-point interest rate increase at its September meeting, and the markets began to price in expectations for further hikes in the year ahead. A number of other major central banks—including the European Central Bank and the Bank of Japan—made similar moves. Investors also grew concerned about expanding government debt and unsustainable budget deficits, as well as the impact of massive new-issue supply related to the funding of the AI infrastructure buildout. In combination, these factors fueled a broad-based sell-off that affected both the rate- and credit-oriented segments of the market.
- US Treasurys lost ground in the quarter, with the effect of falling prices outweighing the contribution from income. Yields rose across the curve, and the 10- and 30-year issues hit their highest levels in approximately 20 years. Notably, yields on both the 5- and 10-year notes climbed above the psychologically important 5% threshold in September. All maturities suffered losses except very short-term debt, and longer-dated issues finished with the weakest returns.
- Investment-grade corporates recorded a loss and underperformed Treasurys. Corporates were adversely affected by the increase in government bond yields, together with a rise in yield spreads from the low levels of early summer. Higher-rated issues, which tend to have greater interest rate sensitivity than the overall category, lagged their lower-quality counterparts. Consistent with trends in the Treasury market, longer-dated securities generally experienced the weakest performance.
- While high-yield bonds were also hurt by the combined impact of rising yields and increasing yield spreads, the asset class outperformed the investment-grade market. In addition to benefiting from a higher contribution from income, it was helped by its lower sensitivity to interest rate movements. Leveraged loans registered a solid gain for the quarter as the prospect of higher rates boosted demand for investments with floating-rate features.

Class Y Performance as of September 30, 2026 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-3.61	-2.77	-1.98	4.69	0.32	2.62
BENCHMARK	-3.51	-2.91	-1.84	4.06	-0.64	1.14

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 0.53% (Class Y). Net expense ratio 0.48%. 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 Y inception date is 12/31/1996. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

- Asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) posted negative total returns but outperformed the Bloomberg US Aggregate Index due to their lower interest rate sensitivity. Agency mortgage-backed securities (MBS) underperformed the index as elevated interest rate volatility weighed on valuations. Collateralized loan obligations (CLOs), which benefited from increased investor demand for their floating-rate coupons as short-term interest rates rose, generated positive total returns.
- As was the case in the United States, yields moved to multi-decade highs across the developed markets amid the concerns about stubborn inflation and deteriorating fiscal trends. Weakness in a number of currencies relative to the US dollar exacerbated the downturn for US-based investors. Emerging-market bonds, while experiencing losses, nonetheless slightly outperformed developed-market debt. The asset class gained a measure of support from continued strength in global growth, together with favorable political developments and rising commodity prices.

Portfolio Review

- The fund slightly underperformed its benchmark, the Bloomberg US Aggregate Index, returning -3.61% versus -3.51% for in index.

Contributors

- Security selection in securitized credit contributed positively to performance, led by select collateralized loan obligations (CLOs).
- Our selection within bank loan securities was positive, with names in the healthcare and consumer cyclical space among the strongest contributors.

Detractors

- Our exposure to convertible securities was a detractor during the quarter, specifically select names in the capital goods sector.
- Our exposure to investment grade credit negatively impacted returns led by securities in the communications industry.
- Security selection in high yield credit was a headwind to performance during the quarter.

Outlook

- Investors reassessed the outlook for growth, inflation, monetary policy, and long-term interest rates during the third quarter. Economic growth remained resilient despite higher energy prices and tighter financial conditions, while inflation continued to prove more persistent than many had expected. As a result, market attention shifted from the risks associated with the Middle East conflict toward the prospect of a prolonged period of restrictive monetary policy. Against this backdrop, the 10-year U.S. Treasury yield rose from 4.47% to 5.28% as investors demanded greater compensation for inflation uncertainty and the potential for elevated Treasury supply. Credit markets also experienced some repricing, as investment grade and high yield corporate spreads widened modestly.
- Looking ahead, we continue to believe the U.S. remains firmly within the 'Expansion to Late Cycle' phase of the credit cycle[1]. Corporate profitability continues to exceed expectations, labor markets remain healthy, consumer spending remains resilient, and the artificial intelligence (AI) investment cycle continues to drive significant capital spending. Manufacturing activity remains constructive, with healthy order books and lean inventories. We believe the economy is on solid footing and that the primary macroeconomic debate is the appropriate level of interest rates required to maintain price stability.
- Inflation remains a key challenge. The disinflation many investors expected at the beginning of the year has largely stalled, with inflation increasingly supported by structural

forces including persistent fiscal deficits, demographic pressures, deglobalization, supply-chain reconfiguration, rising defense spending, and significant investment in AI, energy infrastructure, and industrial capacity. Earlier in 2026, markets focused on the timing of future rate cuts. Now, the discussion increasingly centers on the magnitude of additional tightening that may ultimately be required. Forward markets are signaling tighter monetary conditions for several months ahead, and the Federal Open Market Committee moved in that direction with a September rate hike accompanied by a more hawkish tone. We believe the Fed will maintain a bias toward price stability until inflation shows clearer evidence of moving sustainably lower. Our base case remains above-target inflation accompanied by trend-like growth, which keeps the Fed hiking toward 4.75% with upside risk if supply-side inflation reaccelerates.

- We continue to view the U.S. fiscal deficit as a longer-term concern. Large structural expenditures related to entitlements and defense, combined with elevated debt-servicing costs, suggest deficits are likely to remain sizable. While fiscal expansion contributes to inflationary pressures and Treasury supply, we do not believe it is the sole driver of higher yields. Most of the rise in Treasury rates this year has been driven by higher real yields rather than inflation expectations, suggesting markets are repricing growth and equilibrium interest rates more than questioning the Federal Reserve's credibility. In addition, competition for capital across AI infrastructure, energy investment, and government borrowing is helping to support a structurally higher interest rate environment. In our view, investors are still adapting to a world characterized by structurally higher nominal and real interest rates.
- Against this backdrop, our cycle-based investment process remains anchored to a long-term horizon and focused on balancing valuation, fundamentals, and risk. Credit spreads remain relatively tight by historical standards, but corporate fundamentals continue to justify a constructive stance. Our Credit Health Index (CHIN)[2] suggests defaults and downgrades should remain below historical averages, supported by strong profitability, healthy margins, and resilient balance sheets. We believe corporate balance sheets remain well positioned to absorb episodic macro volatility related to geopolitics, energy prices and policy uncertainty.
- Fed Chair Warsh has attributed higher yields to economic strength, geopolitics, and competition for capital, and we broadly agree. From an investment perspective, today's interest-rate environment presents some of the most attractive fixed income opportunities investors have seen in years. We believe current yield levels allow investors to earn compelling income while maintaining high-quality portfolios. Within our portfolios, we remain focused on maintaining flexibility, selectively extending duration, and preserving liquidity. Given our expectation for a relatively benign loss environment, we are leaning into credit risk to capture incremental carry while maintaining broad diversification across fixed income sectors. We believe we have an edge in security selection and up-in-quality carry, not broad credit beta. We remain selective across investment grade and high yield credit, bank loans, and securitized assets, where relative value opportunities continue to emerge. We believe diversification across non-U.S.-dollar exposures remains compelling, as investors can seek higher yields and potential for currency appreciation outside the US. Lastly, convergence between public and private credit markets is also creating additional opportunities for multi-sector investors.

[1]A credit cycle is a cyclical pattern that follows credit availability and corporate health.
[2]As of 9/30/2026- The Credit Health Index (CHIN) is a macro tool created by Loomis Sayles. The CHIN is currently managed by the Loomis Sayles Applied IQ team. It is a proprietary framework that utilizes a combination of macro, financial market and policy variables to project US corporate health and may not accurately predict future conditions.

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. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Mortgage-related and asset-backed securities** are subject to the risks of the mortgages and assets underlying the securities. Other related risks include prepayment risk, which is the risk that the securities may be prepaid, potentially resulting in the reinvestment of the prepaid amounts into securities with lower yields.

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 800-225-5478 for a prospectus and a summary prospectus containing this and other information. Read it carefully.

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