



# Limited Term Government and Agency Fund

## Fund Facts

### OBJECTIVE

Seeks high current return consistent with preservation of capital

Share class	Y
Inception	3/31/1994
Ticker	NELYX
CUSIP	543487326
Benchmark	Bloomberg US 1-5 Year Government Bond Index

**Bloomberg US 1-5 Year Government Bond Index** is an unmanaged, market-weighted index of bonds issued by the US government and its agencies, with maturities between one and five years. Indices 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.
- 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.

## Class Y Performance as of September 30, 2025 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>FUND</b>	1.11	4.55	4.15	4.78	1.63	1.76
<b>BENCHMARK</b>	1.14	4.63	3.78	4.43	1.06	1.64

**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](http://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 0.52% (Class Y). Net expense ratio 0.45%. 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 1/31/2026. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 3/31/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.



## Portfolio Review

- The fund underperformed the benchmark for the quarter, mostly due to positive security selection.

## Contributors

- Allocation effect was the main driver of outperformance.
- The overweight allocations to Securitized Agency and Credit were positive for the period, particularly agency backed mortgage exposure.

## Detractors

- Despite positive contribution from Securitized Credit, security selection within the sector was slightly negative.
- Duration continues to be managed in line with the benchmark but small duration differences between the portfolio and the benchmark during the quarter resulted in a small negative performance effect.

## Outlook

- Fixed income markets delivered strong returns during the third quarter, as both spreads and yields declined. Spread sectors continued to be well supported, while yields re-priced and the curve continued to steepen in anticipation of a 25 basis point cut at the Federal Reserve's September meeting. Alongside the widely anticipated September cut, Chairman Powell indicated that the Fed would look through tariff related inflation impacts. Additional comments on labor force conditions pulled forward market expectations of a third cut to the Federal Funds rate this year. Despite pressure from the White House, the Fed continues to be data driven. Current market expectations are for two 25 basis point cuts at the November and December meetings.
- We are generally constructive on corporate fundamentals, which remain at a healthy level by historical standards. However, as the impact of tariffs begins to work through the economy, weak pricing power and rising debt service costs suggest margin compression going forward. On the consumer front, we believe moderating demand for labor, the continued decline in excess savings, and tight credit conditions are potential catalysts for weaker spending, which may be further exacerbated by higher prices for goods.
- We continue to believe that we are in the late expansion phase of the credit cycle, with growth slowing to below trend, and a short-term increase in inflation. While we do not anticipate the US will enter a recession, we continue to see elevated risk of a downturn scenario. We are concerned that slowing rates of hiring may weigh more heavily on incomes and consumption, the potential for tariffs, the growing fiscal burden and the risk of an extended government shutdown in the US. Lastly, we are monitoring the vulnerability surrounding the US dollar as demand seemingly moves towards economies with perceived higher growth rates and more attractive risk market valuations.



- Agency mortgage-backed securities (MBS) spreads (the difference in yield between agency MBS and US Treasuries of similar maturity) are currently trending near their longer-term averages. We continue to favor MBS securities that are less likely to face refinancing and extension risk, such as low loan balance mortgages and home equity conversion mortgages.
- Within the commercial real estate sector, we remain focused on agency commercial mortgage-backed securities issued by Fannie Mae and Freddie Mac.
- Our non-agency securitized exposures remain steady, utilizing asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) equally. In aggregate, non-agency securitized exposure is in the upper zone of our allowed range.



## 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. **US government agency securities** are not insured and may not be guaranteed by the US government. **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. **Securities purchased on a forward commitment, when-issued or delayed delivery basis** are subject to many of the same risks (such as market risk and interest rate risk) as other securities. In addition, when-issued and delayed delivery securities are subject to other risks including loss of value prior to delivery; the security may not be issued; or a counterparty to the transaction may not meet its obligations.

## 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](http://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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