



Senior Floating Rate and Fixed Income Fund

Fund Facts

OBJECTIVE

Seeks to provide a high level of current income

| | |
|-------------|--|
| Share class | Y |
| Inception | 9/30/2011 |
| Ticker | LSFYX |
| CUSIP | 63872T554 |
| Benchmark | Morningstar LSTA US Leveraged Loan Index |

Morningstar LSTA US Leveraged Loan Index is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.

Market Conditions

- The loan market saw largely positive performance for the quarter, building off the rebound in Q2 from tariff-related concerns. Average loan price was flat from last quarter, with lower quality loans seeing a modest uplift, under ½ point. BB-rated loans underperformed B-rated loans, which is typical of a risk on environment as lower-rated loans typically offer more interest income; BB loans were down modestly (1/6 point).
- 37% of the loan market was priced above par at quarter end down from over 40% at the start of the quarter as higher quality issuers worked through repricing exercises through the period. An additional 35% of the market was priced between 99 and par, up 5% quarter over quarter, demonstrating the generally lower volatility of the asset class and buyers' continued desire for exposure to the loan market. We continue to watch sectors that could face more pressure due to tariffs and consumer sentiment, including building materials, consumer discretionary, automobiles, and chemicals.
- The size of the Morningstar LSTA US Leveraged Loan Index grew during the period, and now stands at a new record high \$1.51T, beating the record last quarter. Contributing to this increase were the positive issuance months in August and September, totaling \$52B and \$129B, respectively. July set a record at \$224B in issuance, making Q3 the highest issuance quarter in bank loan history at just over \$400B.
- The default rate by issuer has largely remained largely stable at 1.47%, though remains above 4% when adjusted to include distressed exchanges. A lower base rate environment, all else equal, would improve interest coverage ratios and relieve pressure on highly levered issuers, potentially leading to lower default rates, though average interest coverage of the loan market today remains at around the same level as the 5-year average.
- Retail loan funds flows were negative for the quarter, but those negative flows began to decelerate by the end of the quarter. July saw ~\$3.5B in fund outflows while September slowed to ~\$1.4B in outflows. CLO issuance reached \$53.15B this quarter, up from \$51B last quarter.

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

| | CUMULATIVE TOTAL RETURN | | AVERAGE ANNUALIZED RETURN | | | |
|------------------|-------------------------|------|---------------------------|--------|--------|-----------------|
| | 3 MONTH | YTD | 1 YEAR | 3 YEAR | 5 YEAR | SINCE INCEPTION |
| FUND | 1.56 | 4.42 | 7.00 | 8.84 | 5.82 | 5.12 |
| BENCHMARK | 1.77 | 4.63 | 7.00 | 9.85 | 6.96 | 5.39 |

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 0.81% (Class Y). Net expense ratio 0.74%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 3/31/2026. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

Class Y shares are sold to eligible investors without a sales charge.



Portfolio Review

- The fund underperformed its benchmark for the period due to a specific loan – a B loan in automotive which defaulted in September. This was partially offset by positive performance from BB rated technology and capital goods loans.
- The fund experienced one default during the period and maintained a steady level of dividend income as interest rates remained relatively high.
- The fund's holdings in cash and Treasury bills detracted from relative performance, as performance for the loan market was relatively strong. We maintained slightly elevated liquidity in the portfolio this quarter given the negative investor sentiment in the beginning of the period. Minimal levels of liquidity are required and that level changes with economic conditions.

Portfolio Highlights

- We target a yield advantage for the fund versus the benchmark in most market conditions. A yield advantage can be enhanced through primary market new issue discounts and by swapping loans or bonds with more appealing risk/return characteristics as those opportunities arise. Maintaining an appropriate liquidity policy is a primary objective as well. The fund is currently positioned with approximately 85% bank loans, 9% in CLOs, 3% high yield bonds, and 3% held in cash on a trade-date basis.
- We examine the relative attractiveness of the high yield bond market in relation to bank loans based on potential risk-adjusted return. We judge potential return on high yield bonds in comparison to loans in assessing whether the additional volatility in the bond market is appropriately compensated versus our benchmark. Currently, we view that tradeoff as modestly favoring the bank loan market considering its higher carry and a tight high yield spreads. We maintained a small position in Treasury bills to enhance yield beyond the short-term rates offered by the fund's custodian which enables us to boost fund liquidity while earning a return.

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) 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. 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, “America First” policy and the lack of US security assurances and 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, in order to prevent 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. 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. 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.

Source: Morningstar Pitchbook LCD as of September 30, 2025.

About Risk

Floating-rate loans are often lower-quality debt instruments and may involve greater risk of price changes and greater risk of default on interest and principal payments. The market for floating-rate loans is largely unregulated and these assets usually do not trade on an organized exchange. As a result, floating-rate loans can be relatively illiquid and hard to value. **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. **Leverage** can increase market exposure and magnify investment risk. **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. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market.

¹Trade date positions may add up to more than 100% due to difference in timing between trading and settlement and quarterly interest and amortization cash flows.

Credit quality reflects the credit rating assigned to individual holdings of the fund by S&P; ratings are subject to change. The fund's shares are not rated by any rating agency and no credit rating for fund shares is implied. Instrument credit ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

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

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