

# 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<br>US Leveraged Loan<br>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 Morningstar LSTA Leveraged Loan index returned 1.95% for 3Q26, 4.55% LTM. While continued geopolitical tensions, a shifting rate outlook and AI uncertainty stoked investor concerns, the possibility of higher rates provided a tailwind to the loan market. Overall issuance was lower during the quarter, but new issue volume stayed steady with 12 jumbo loans issued and supply concentrated in higher quality names. Software-related loan issuance has dropped this year despite a claw back in performance from earlier losses, with Media and Healthcare issuance taking the lead instead. On the demand front, CLO issuance popped during 3Q26, with ETF/retail flows remaining positive with presumed rate hikes ahead. Refinancing risk is still a concern for B-minus borrowers with maturities in 2028/9.

## Portfolio Review

- The fund outperformed its benchmark for the period, driven by results both within the loan allocation and across non-loan investments.
- Within bank loans, the portfolio outperformed the benchmark across the overall loan cohort. Outperformance was driven by single-B and double-B rated names. From an industry perspective, select technology and building issuers contributed positively.
- Outside of bank loans, the fund generated additional positive performance through exposure to CLOs.
- The fund experienced no defaults during the period and maintained a steady level of dividend income as interest rates remained relatively high.

## Portfolio Highlights

- The fund seeks to maintain a yield advantage relative to the benchmark across most market environments. This objective is supported through disciplined participation in primary market opportunities, opportunistic credit rotation, and active risk-adjusted positioning.

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

|                  | CUMULATIVE TOTAL RETURN |      | AVERAGE ANNUALIZED RETURN |        |        |                 |
|------------------|-------------------------|------|---------------------------|--------|--------|-----------------|
|                  | 3 MONTH                 | YTD  | 1 YEAR                    | 3 YEAR | 5 YEAR | SINCE INCEPTION |
| <b>FUND</b>      | 2.04                    | 3.58 | 4.53                      | 6.70   | 5.02   | 5.08            |
| <b>BENCHMARK</b> | 1.95                    | 3.29 | 4.55                      | 7.03   | 6.19   | 5.34            |

**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 0.82% (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 3/31/2027. 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.



As of quarter-end, the portfolio was positioned with approximately 80% bank loans, 6% in CLOs, 4% high yield bonds, 5% ETF, and 3% held in cash on a trade-date basis.

- In evaluating relative value across asset classes, we continue to assess high-yield bonds versus bank loans through a risk-adjusted return framework. Current positioning reflects a preference for bank loans, where higher carry and floating-rate structures offer more attractive compensation relative to tight high-yield spreads. Select non-loan exposures are utilized opportunistically to enhance diversification, income, and total return while maintaining an appropriate liquidity profile. The fund maintains a small position in an ETF 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

- 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<sup>1</sup>. 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)<sup>2</sup> 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.



Source: Morningstar Pitchbook LCD as of September 30, 2026

## 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.

<sup>1</sup>A credit cycle is a cyclical pattern that follows credit availability and corporate health.

<sup>2</sup>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.

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).

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](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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