

High Income Opportunities Fund

Fund Facts

OBJECTIVE

Seeks high current income with capital appreciation as the secondary objective

Share class	I
Inception	4/12/2004
Ticker	LSIOX
CUSIP	543495758
Benchmark	Bloomberg US Corporate High Yield Index

Bloomberg US Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. 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 produced largely flat returns in the first three months of the year. Despite the uneven end result, bonds in fact performed well through January and February amid anticipation that the US Federal Reserve and other major central banks would continue cutting interest rates in 2026. This backdrop changed considerably in early March, when the outbreak of war in Iran caused a spike in crude oil prices and raised fears that other commodities could face shortages. Investor's concerns over increased inflation rose as a result, and the markets quickly began to factor in the likelihood that central banks would need to hold rates steady or possibly even tighten policy. Yields rose sharply (as prices fell) in response to the shifting outlook, erasing the earlier gains and offsetting the contribution from income.
- US Treasuries posted a small loss in the aggregate in the first quarter, as the start of the war in Iran raised inflation expectations and reduced the odds that the US Federal Reserve could continue to cut interest rates. As a result, the government bond market didn't fulfill its typical role as a "safe haven" during times of turmoil. The longer end of the yield curve modestly underperformed, while shorter-term issues (those with maturities of two years and below) finished with narrow gains.
- Investment-grade corporates posted a loss and underperformed US Treasuries in the first quarter. The asset class came under pressure from the increased inflation expectations and rise in government bond yields that followed the start of the war in Iran. In addition, the "risk-off" sentiment that accompanied the conflict fueled an increase in yield spreads off of the multi-decade low achieved in late January. Short-term corporates outpaced their longer-dated counterparts, mirroring the prevailing trend in the government bond market. Nearly every industry group lost ground in the quarter, with only independent energy, oilfield services, and refining companies recording positive total returns.

Class I Performance as of March 31, 2026 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-0.29	-0.29	8.32	9.21	3.80	6.04
BENCHMARK	-0.50	-0.50	7.01	8.60	4.23	6.12

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.

Shares of the fund are currently offered exclusively to investors in certain wrap fee programs or other institutional advisory clients of Loomis, Sayles & Company that meet criteria determined by Loomis Sayles.

The Class I inception date is 4/12/2004. Class I shares are available to certain institutional investors only.



- High-yield bonds recorded a slightly negative total return in the first quarter and underperformed the investment-grade market. The category was adversely affected by the combination of rising US Treasury yields and the increase in yield spreads that followed the start of the Iran war. However, the contribution from income, together with strength in the energy sector, largely offset these headwinds. Within the high yield space, higher-quality issues generally outpaced their lower-quality counterparts.
- Securitized credit broadly outperformed corporate bonds at a time of geopolitical turmoil and rising inflation expectations. Agency mortgage-backed securities (MBS) posted gains, supported by Trump administration-directed Agency MBS purchases by government-sponsored enterprises. In securitized credit, collateralized loan obligations (CLOs), commercial asset-backed securities (ABS), residential mortgage-backed securities (RMBS), and consumer ABS were the leaders in terms of total returns, while commercial mortgage-backed securities (CMBS) delivered more muted performance.
- International developed-market and emerging-market government bonds suffered negative returns in the first quarter. Prior to the start of the Iran war in early March, prevailing investor expectations largely favored a regime of low inflation, positive growth, and accommodative central bank policies. However, the onset of hostilities led to heightened uncertainty and raised the possibility of fewer interest rate cuts than the markets had anticipated coming into the year. This shift led to a sharp move higher in yields across the world in March, wiping out the earlier gains and causing the major fixed-income indexes to finish in the red. Weakness in foreign currencies relative to the US dollar was an additional headwind for US-based investors.

Portfolio Review

- The Fund outperformed its benchmark, the Bloomberg High Yield Index during the quarter, primarily due to security selection.

Contributors

- Issuer selection within high yield corporate credit contributed positively, led by select positions in the energy and communications sectors.
- Allocations to convertible securities slightly added value, supported by select holdings in the energy sectors.

Detractors

- Bank loan security selection detracted, driven by weakness in select technology related issuers.
- Issuer selection within emerging market corporate credit detracted from performance.

Outlook

- Market volatility during the first quarter was increasingly shaped by the emergence of geopolitical risk tied to the escalation of military conflict involving the United States, Israel, and Iran. The intensification of tensions in March marked a clear inflection point for markets, driving a sharp rise in energy prices, lifting inflation expectations, and reinforcing concerns around global supply chains, energy security, and regional stability. These developments compounded existing fiscal uncertainty in Washington, including a brief federal government shutdown from late January into early February and a subsequent, more targeted shutdown affecting the Department of Homeland Security that persisted through much of the quarter. Against this backdrop, U.S. Treasury yields moved higher, with the 10-year yield increasing from approximately 4.17% to 4.32%, reflecting heightened fiscal concerns and the risk that higher energy prices could reignite inflationary pressures. The



market's initial response to the Iran conflict was relatively orderly across credit spreads and equities, suggesting that investors were not immediately pricing in a worst-case geopolitical outcome. However, near-term market dynamics remain highly dependent on whether the conflict evolves into a sustained oil supply shock. Key variables include potential damage to regional energy infrastructure, the duration and severity of any disruption to shipping routes through the Strait of Hormuz, and the degree to which shipping flows are selectively constrained. As a result, uncertainty remains elevated across growth, inflation, and central bank reaction functions, contributing to increased volatility across asset classes.

- Looking ahead through 2026, we believe the U.S. economy will remain in the 'Expansion to Late Cycle' phase of the credit cycle¹, with the likelihood for slowing economic growth in the near-term and potential for re-acceleration later in the year. While geopolitical risks have risen meaningfully following the start of the Middle East conflict and the associated increase in energy prices, our base case calls for below-trend growth for the year rather than a recession. We believe corporate fundamentals remain solid, and consensus earnings growth expectations for 2026 are healthy across most regions. In our view, earnings growth remains the linchpin supporting investor demand across both equity and corporate credit markets.
- In the United States, positive wealth effects and solid consumer spending—particularly among mid-to-upper-income households—continue to support aggregate demand. Although labor market data has cooled modestly, we do not anticipate a widespread wave of layoffs as long as corporate profitability remains intact. Corporate balance sheets generally remain healthy, and profit margins have continued to strengthen despite higher input costs. In addition, substantial capital expenditures tied to artificial intelligence (AI), data centers, and related digital infrastructure are likely to support productivity gains and longer-term economic momentum. While AI adoption could eventually lead to labor displacement, we do not view this as a near-term risk and instead see investment-driven productivity as a constructive force through 2026. Outside the U.S., global economies are generally more exposed to energy price shocks, and we expect the rise in energy costs to lead to a modest slowdown in global growth. However, we are not anticipating a recessionary environment. Entering 2026, global growth appeared more synchronized, supported by interest rate cuts implemented in 2025, and many countries retain fiscal flexibility to support activity should conditions deteriorate. While external risks remain elevated amid heightened geopolitical tension, we believe the global economy is entering this energy shock with greater resilience than during the initial phase of the Russia-Ukraine war.
- Our view on interest rates is grounded in the expectation that U.S. inflation will remain sticky in the near term, continuing to run above the Federal Reserve's 2% target. Structural forces—including persistent fiscal deficits, geopolitical fragmentation, higher defense spending, and ongoing supply-chain reconfiguration—continue to exert upward pressure on inflation. Cyclically, while recent data reflects the lagged easing of shelter inflation, we caution that fiscal stimulus from the One Big Beautiful Bill Act (OBBBA), elevated tax refunds, resilient consumer spending, and higher energy prices could contribute to renewed inflation pressure later in the year as costs pass through to goods prices. Against this backdrop, we now believe there is a very high bar for the Fed to hike versus cut given this could lead to a supply shock over which the Fed has no control. A great deal hinges on the balance between a softening labor market and the risk that energy-driven inflation constrains policy flexibility. New Fed leadership may lean toward a more forward-looking or accommodative bias, but more aggressive easing would likely require clearer evidence of accelerating disinflation and weaker employment data.
- With respect to the U.S. fiscal deficit, we believe the imbalance is increasingly structural rather than cyclical, driven by large and growing nondiscretionary spending—primarily entitlements and defense—alongside rising debt-servicing costs as interest rates and the overall debt stock have increased. Elevated geopolitical risk, including the war in the



Middle East, has reinforced upward pressure on defense spending and contributed to higher energy prices, further complicating the inflation and fiscal outlook. In our view, the current deficit trajectory is unsustainable and risks stimulating inflation, which could push borrowing costs higher across the economy. Absent meaningfully stronger growth, material spending restraint, or the emergence of a durable new revenue source such as tariffs, we do not expect the deficit to stabilize in the near term. As a result, we see continued risk of upward pressure on long-term interest rates. Treasury supply is likely to remain a central market focus and likely places a floor under long-dated yields, particularly as foreign demand becomes more price sensitive. We estimate long-term fair value for the 10-year U.S. Treasury at approximately 4.00%–4.50%, based on a 1.75%–2.00% real rate and 2.25%–2.50% inflation breakeven. However, a combination of persistent fiscal expansion, higher term premia, and policy choices under the Trump administration—including tariffs and defense priorities—could push fair value modestly higher over time, in our view.

- Within this environment of heightened uncertainty and volatility, our cycle-based investment process remains anchored to a long-term horizon. We continuously reassess value through our Risk Premium framework and Credit Health Index (CHIN), which continue to suggest that defaults and losses across both investment grade and high yield credit should remain below historical averages for this stage of the cycle. Bottom-up fundamentals have remained resilient despite modest weakening in leverage and interest-coverage metrics, as profit margins have strengthened and earnings growth expectations remain constructive. During the first quarter, credit spreads and risk premiums widened in response to heightened geopolitical uncertainty following the outbreak of conflict involving Iran. In our view, this repricing improved relative value across credit markets without signaling broad-based credit deterioration. We believe corporate balance sheets remain well positioned to absorb episodic macro volatility related to geopolitics, energy prices, and policy uncertainty.
- In this context, we are preserving liquidity, selectively leaning into credit risk, and remaining prepared to redeploy capital should spreads widen meaningfully. We believe long-term value has returned to fixed income markets through a combination of discount-to-par pricing, positive convexity, and attractive all-in yields. Elevated volatility and evolving macro risks reinforce the importance of flexibility in managing both interest-rate and credit exposure, particularly when weighing the intermediate portion of the curve against the longer-term risks embedded in the long end. We remain selective across investment grade and high yield credit, bank loans, securitized assets and non-US dollar debt, where relative value opportunities continue to emerge. Lastly, convergence between public and private credit markets is accelerating, creating what we believe are additional opportunities for multi-sector investors.



About Risk

Below investment grade (high yield) fixed income securities may be subject to greater risks (including the risk of default) than other fixed income securities. **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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Derivatives** involve risk of loss and may entail additional risks. Because derivatives depend on the performance of an underlying asset, they can be highly volatile and are subject to market and credit risks.

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

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.

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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.

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