

Securitized Asset Fund

Fund Facts

OBJECTIVE

Seeks a high level of current income consistent with capital preservation

| | |
|-------------|-------------------------------------|
| Share class | I |
| Inception | 3/2/2006 |
| Ticker | LSSAX |
| CUSIP | 543495741 |
| Benchmark | Bloomberg US Securitized Bond Index |

Bloomberg US Securitized Bond Index is an unmanaged index of asset-backed securities, collateralized mortgage-backed securities (ERISA eligible) and fixed rate mortgage-backed securities. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.

Market Conditions

- Agency mortgage-backed securities (AMBS) outperformed Treasurys and over duration-equivalent US Treasurys. Securitized credit broadly outperformed in Treasurys and over duration-equivalent US Treasurys across asset-backed securities (ABS), non-agency residential mortgage-backed securities (NARMBS), commercial mortgage-backed securities (CMBS) and collateralized loan obligations (CLOs).
- The bond market delivered a solid total return with low volatility in the fourth quarter, closing out a generally positive year for the asset class. Fixed-income assets remained supported by a backdrop of slow but positive economic growth, an annualized inflation rate that largely held below 3%, and accommodative US Federal Reserve (Fed) policy. The Fed enacted two-quarter point interest rate cuts and announced the end of its multi-year effort to reduce the size of its balance sheet. Additionally, investors appeared to anticipate that the Fed was likely to continue easing in 2026. These developments, in combination, fueled positive returns across all major segments of the market.
- US Treasurys registered positive returns in the quarter, adding to their gain for the full calendar year. Government debt benefited from the environment of low inflation, accommodative US Federal Reserve policy, and expectations for further interest rate cuts in 2026. Yields on Treasury issues with maturities of five years and below declined, while longer-term yields rose. The yield curve steepened over the course of the quarter as a result. Two-year Treasurys were the quarter's top performing market segment in terms of total return, while 30-year bonds posted a small loss.

Portfolio Review

- The fund modestly underperformed its benchmark, the Bloomberg US Securitized Index, primarily due to an allocation to agency CMO and its underweight to agency pass-through MBS

Class I Performance as of December 31, 2025 (%)

| | CUMULATIVE TOTAL RETURN | | ANNUALIZED TOTAL RETURN | | | |
|-----------|-------------------------|------|-------------------------|--------|--------|---------|
| | 3 MONTH | YTD | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR |
| FUND | 1.52 | 8.67 | 8.67 | 6.52 | 1.41 | 2.74 |
| BENCHMARK | 1.68 | 8.49 | 8.49 | 4.97 | 0.22 | 1.68 |

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 3/2/2006. Class I shares are available to certain institutional investors only.



Contributors

- The allocation to agency CMBS derivatives, such as interest-only tranches of project loans, were contributors of return.
- An allocation to RMBS was beneficial to relative returns for the period.
- An allocation to CLOs elevated returns.

Detractors

- An allocation to agency CMO diminished returns due to an interest only home equity conversion mortgage derivative.
- An underweight to agency pass-thru MBS negatively impacted performance for the quarter.
- An overweight to CMBS hindered performance.

Outlook

- In Agency MBS, a barbelled portfolio of high and low coupon looks attractive, with high coupon MBS offering a strong carry profile and low coupon MBS providing discount dollar prices and a natural pull to par. Zero volatility spreads have come off the wides and are now fair to pre-COVID 2019 levels. Investors are also anticipating that the GSEs may begin adding MBS to their retained portfolios, where they currently have over \$200 billion in combined capacity relative to the caps set by FHFA under the Preferred Stock Purchase Agreements (PSpas). A potential regulatory shift under Basel III could also stimulate bank purchases of higher risk-weighted MBS; however, uncertainties persist regarding regulatory changes under the Trump administration.
- Consumer ABS fundamentals are weaker versus the prior quarter primarily due to labor market weakening in lower income cohorts that continues to affect specific segments of consumer ABS. We expect the recent rate cut to be marginally supportive though the flow through to loan pricing for lower income and nonprime consumers may be muddied by originators needing to increase pricing in response to collateral performance. Spreads retraced most of the widening we saw in the fall of 2025, which was triggered by the failure of Tricolor. What has remained, however, is a slightly steeper credit curve and more tiering across issuers. There are still opportunities for attractive relative value trades but overall spreads are less attractive now. Primary market issuance in 2025 will end slightly higher than 2024, with particularly heavy supply over the past few months. Fixed income inflows have been strong though and we continue to see consistent demand across investor types. Technicals remain good and liquidity is normal at the moment.
- Commercial ABS fundamentals have stabilized for rental car sponsors since Q3, particularly for Hertz, supported by improving fleet depreciation trends and consistently high utilization driven by strong demand. Aviation: Global air travel demand continues to hold up well with aircraft supply still low but improving. Solar: Two large issuers in this space, Sunnova and Mosaic, filed for bankruptcy earlier this summer, which may cause their ABS collateral to experience some volatility due to their servicing transitions. With a smaller pool of originators, regulatory headwinds (including phased-out solar tax credits), and slowing consumer demand, we expect residential solar origination volumes to decline significantly year-over-year. Data Center: The data center market is experiencing unprecedented growth, driven by accelerating adoption of artificial intelligence (AI), cloud computing, and hyperscale demand. While we remain positive on the sector's long-term fundamentals, emerging risks warrant attention—particularly regarding the financial health of certain tenants amid significant planned Capex and shifting supply-demand dynamics among data centers. We still see value in certain digital infrastructure issuers as well as seasoned aircraft transactions. However, like other markets we have seen spreads tighten materially across the Commercial ABS space. Some distressed credit opportunities are starting to arise in Solar ABS.



- CLO spreads are recovering toward YTD tights, supported by strong demand despite elevated supply from issuance and resets. A flatter credit curve favors rotating from AA/A tranches into AAA. In primary, we remain selective, prioritizing high-quality portfolios with attractive relative value. Technicals: Supportive technicals are starting to fade. ETF flows have slowed as the Fed resumes cutting, and retail flows may soften further with declining policy rates. Lower long-end Treasury yields could dampen fixed annuity sales, moderating insurance demand. Still, this deceleration comes off a high base, and insurance demand should remain elevated as IG CLO tranches—especially senior—offer attractive carry. Overall, flows are normalizing from a strong position, keeping near-term technicals healthy.
- CMBS: We anticipate a slow and uneven recovery in the commercial real estate market through 2027. While conditions showed meaningful improvement in late 2024, momentum has tapered off in 2025 amid rising macroeconomic uncertainty. Although valuations appear to have stabilized, challenges persist for operating income across most property types. Sectors such as apartments, industrial, and data centers—despite their high growth trajectories—are now facing revenue pressure from elevated construction volumes and rapidly evolving demand dynamics. A pronounced disconnect remains between lease rates and values for newer, high-amenity assets versus legacy properties. Meanwhile, elevated benchmark interest rates and subdued net operating income (NOI) growth continue to keep cap rates elevated. CMBS spreads have since tracked broader market trends and recently approached the tighter end of their year-to-date range. In the current environment of elevated macro uncertainty, we believe a highly selective approach is essential. Our focus remains on senior bonds from high-quality conduit and single-asset/single-borrower (SASB) transactions, which offer compelling risk-adjusted returns and tend to exhibit resilience during periods of volatility. Additionally, we continue to evaluate select seasoned subordinate Conduit bonds and distressed SASB tranches that may present attractive entry points for higher-risk profiles. However, thoughtful security selection remains paramount in identifying true value within these segments.
- In RMBS, over the long term, we believe favorable demographics and persistent supply limitations will support sustained national home price and rent growth. Homebuyer sentiment is likely to remain subdued as modest declines in mortgage rates and rising inventory create a more balanced market, while elevated prices and job insecurity keep many buyers on the sidelines. Loan performance may continue to deteriorate in pockets of the RMBS market where underwriting has weakened; however, distressed sales are unlikely given strong borrower equity, GSE forbearance programs, and high-quality credit profiles. We remain confident in the structural protections embedded in deals to prevent losses from impacting held positions. Broadly, spreads appear compensatory for risks associated with softening home prices, though we are more cautious on the riskiest securities concentrated in markets with significant post-COVID home price appreciation. New-issue RMBS supply is expected to be strong in 2026, driven by Non-QM, Closed-End Seconds, HELOCs, and Residential Transition Loans, provided bond spread levels remain conducive to issuance and loan origination economics work for sponsors.



About Risk

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. **US government agency securities** are not insured, and may not be guaranteed by the US government. **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. **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.

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.

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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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