

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

- 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.
- 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 (Fed) 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.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg US Securitized Index, primarily due to an allocation to agency mortgage derivatives.

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	0.55	0.55	5.78	5.58	1.50	2.59
BENCHMARK	0.40	0.40	5.75	4.26	0.54	1.51

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

- An allocation to agency CMO elevated returns due to an interest only home equity conversion mortgage derivative.
- An overweight to CMBS boosted performance.
- An overweight to Commercial ABS aided by senior infrastructure was beneficial to relative returns for the period.

Detractors

- An underweight to agency pass-thru MBS negatively impacted performance for the quarter.
- Solar ABS was a modest detractor within Commercial ABS.

Outlook

- In Agency MBS, prepayment speeds for the MBS Index are unlikely to accelerate materially in the near term, as the average homeowner remains roughly 200bps out-of-the-money on a refinance basis. Moreover, the ongoing conflict in Iran is likely to keep Treasury yields elevated via higher inflation expectations, which should, in turn, anchor mortgage rates at higher levels. A barbelled portfolio of high- and low-coupon Agency MBS appears attractive, with high-coupon MBS offering a compelling carry profile and low-coupon MBS providing discounted dollar prices and a natural pull-to-par. President Trump's directive for the GSEs to purchase \$200 billion of Agency MBS is expected to provide meaningful technical support for the sector, effectively offsetting the Federal Reserve's ongoing MBS portfolio runoff. These purchases are likely to bring GSE retained portfolios close to their \$450 billion caps set by the FHFA under the Preferred Stock Purchase Agreements (PSPAs), though the caps could be increased if the FHFA and Treasury amend the PSPAs.
- Consumer ABS credit performance of in-school student loans remains lackluster as it is exposed to the concentrated labor market weakness affecting young workers. Debt consolidation and point-of-sale loan performance have stabilized in recent vintages at healthy levels while brick & mortar lenders and home improvement lenders show strong performance on recent vintages (though slightly worse than expectations). Non-prime credit card performance has improved as old/weaker originations burn out and newer originations become more of the outstanding balance. Spread widening in Consumer ABS sectors has been modest relative to IG Corporates since the onset of the Iran conflict, with spreads only 5-10bps wider depending on the sector. YTD primary market issuance in 2026 has been higher than 2025, due mainly to increased auto issuance. Liquidity is showing signs of strain with dealers widening bid/offer spreads as geopolitical uncertainty remains high.
- Commercial ABS fundamentals continue to weaken as rental car companies adjust to more normalized used vehicle values by increasing fleet depreciation. Airlines may face margin pressure from higher fuel costs—fuel typically represents approximately 30% of operating expenses—alongside potentially weaker travel demand, particularly in the Middle East region. Middle Eastern airlines, which represent roughly 5–10% of lessees, are the most directly exposed. That said, government support, continued demand for newer, fuel-efficient aircraft, delivery delays, and strong lease and residual value fundamentals help stabilize collateral performance. Containers: Container leasing stands to benefit Middle East situation as it leads to shipping reroutes that increase transit times, freight rates, and demand of container. While long term fundamentals remained positive, emerging risks warrant monitoring—particularly valuation of collateral as well as tenant credit quality amid significant planned capex and evolving supply demand dynamics across markets. We still see value in seasoned aircraft ABS, though spread widening in has generally been modest relative to IG Corporates since the onset of the Iran conflict. Fiber ABS has been a notable outperformer.
- In CLO, software loans are likely to generate lower recoveries than historical average loan



defaults given the typically asset light nature of their businesses. In addition, the growing use of liability management exercises across leveraged finance more broadly could further depress recovery rates, even outside of the software sector, increasing downside risk at the margin. During the Q1 software- and AI led sell off, CLO valuations repriced across the capital stack. AAA spreads widened modestly by roughly 10–15bps, while BBB tranches widened more materially, by approximately 80–100bps, with dispersion across deals increasing meaningfully further down the stack. At current levels, we see selective value in higher quality BBB tranches from relatively new platforms with cleaner portfolios and would look to add incrementally should valuations become more compelling, particularly if spread widening overshoots underlying fundamental risk. Despite elevated market volatility, technicals remain supportive at the top of the CLO capital stack. AAA CLO ETFs have been resilient, with inflows concentrated in a small number of ETFs. In contrast, mezzanine CLO ETFs have experienced meaningful outflows as investors have grown more cautious around rising tail risks. At the same time, increased inflation concerns stemming from the Iran conflict have pushed out expectations for Fed interest rate cuts, which continues to support floating rate assets. Insurance demand should remain strong, as IG CLO tranches—especially senior bonds—offer attractive carry relative to alternatives.

- **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. While CMBS valuations have remained marginally attractive relative to similarly rated corporate bonds, the market has yet to adequately differentiate spreads based on deal structure and underlying asset quality. CMBS spreads have tracked broader market trends and recently approached their wider 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, For-sale inventory has increased, but sales growth remains muted due to persistently low housing affordability. This dynamic is likely to create price pressure across many markets during the spring 2026 selling season, particularly in regions that experienced outsized post-COVID appreciation. By contrast, other markets continue to exhibit tight supply conditions and benefit from strong underwriting standards, helping to support price stability. Over the longer term, we believe favorable demographic trends and structural supply constraints will underpin sustained national home price and rent growth. While U.S. residential real estate is not directly exposed to the Iran conflict, it could be indirectly affected through broader financial market transmission. A deterioration in the macroeconomic backdrop would weigh on household balance sheets and negatively impact RMBS credit performance. In addition, rate market volatility can influence prepayment behavior, altering the expected tenor and cash flow profiles of RMBS bonds. 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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