Looking into the Future

How Alpha Strategies Multi Asset Credit Team thinks about integrating AI into its Investment Process

The Loomis Sayles Alpha Strategies Team

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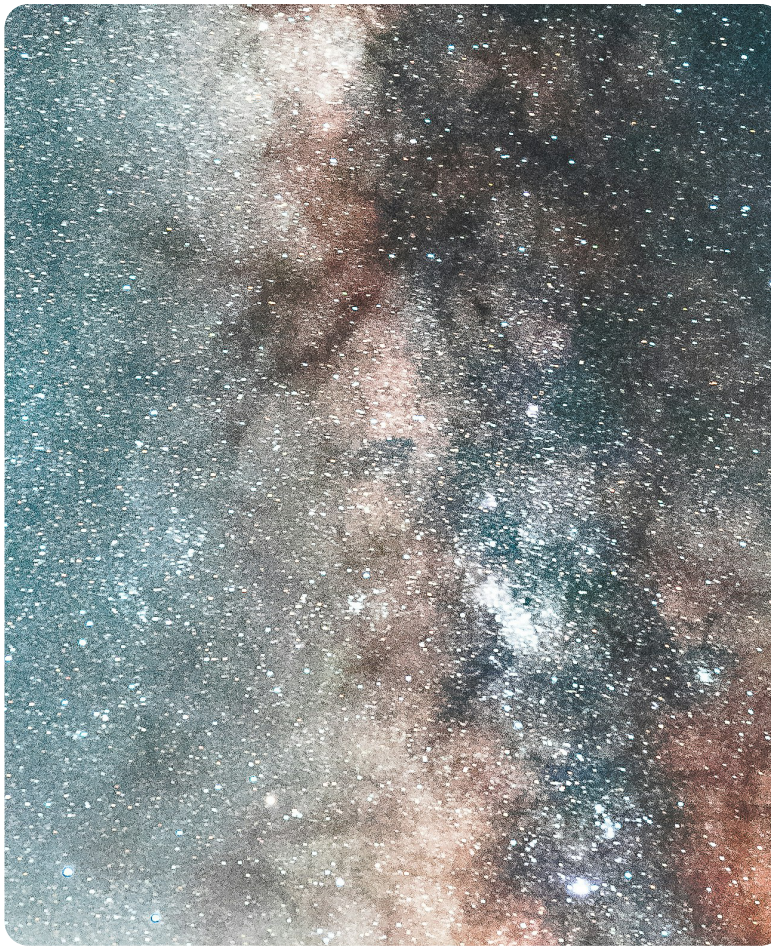
Executive Summary

This piece is intended for institutional clients seeking an asset allocator as well as industry peers who want to understand how AI is shaping our multi-asset credit strategies.



The Alpha Strategies team at Loomis Sayles has been embracing technology for years. For those of you that don't know our work on market regimes, we combine quant signals, market and macro data within our portfolios. Embedded in our team are data scientists, theorists, and practitioners. For as long as we've been investing, technology has often been framed as a contest between people and machines. But in our experience, that narrative misses the mark. **The real story is when we look into the future about how AI can amplify human expertise—not replace it.** At Alpha Strategies, we see specialized AI agents as powerful tools that, when they collaborate with Loomis Sayles' research engine and our team's oversight, can help us achieve new levels of speed, breadth, and analytical depth. We believe AI will help us to respond faster to market dislocations, optimize portfolios more effectively, and strengthen our risk controls. **Ultimately, it's about continuing to enhance our investment process and making it more adaptive.**

Before we explain more, it is important to make clear that we are not changing the way we invest. We still believe blending fundamental and quantitative insights can lead to superior outcomes, and our investment thesis is not changing. We view these tools as leveraging our judgment process, helping to prioritize the focus for quicker reactions, and enhancing our internal debates during our investment process. **We are currently in the prototype/testing stage of developing these tools.** Moving forward means embracing change that can help improve processes and outcomes.

A New Axis of Advantage

When we look at a typical Multi Asset Credit (MAC) portfolio with 300+ positions spanning high yield, bank loans, emerging markets, investment grade, and securitized markets, we rely on a wide range of analytical inputs.

We believe AI will fundamentally transform how this work comes together, bringing broader information sources and cross-asset perspectives into a unified framework, while enabling our analysts to concentrate on the more impactful research and investment decisions. The agent may identify a small subset of issuers where balance sheet metrics are starting to show signs of deteriorating while spreads remain tight. By narrowing attention to the credits where information is most likely to drive an investment decision, our analysts can spend less time sorting and more time conducting deep, high-conviction research where it matters most.

AI can give us real-time, coordinated, in-depth insights across all markets.

Key Performance Metrics: Traditional vs. AI-Augmented

We often compare how we've done things in the past with what's possible now. The difference across key performance metrics is striking. **AI can condense weeks of data gathering into minutes,** freeing our team from bottlenecks, and letting us focus on strategy, relative value, and oversight. **It's not just about speed. AI should enable us to leverage market dislocations and make better decisions.**

PROCESS AREA	RESEARCH	PORTFOLIO MANAGEMENT	AI COLLABORATION	STRATEGIC IMPACT FROM AI
Issuer Coverage	Deep assessment of issuer fundamentals, management, and capital structure research	Position sizing, conviction, Cross-issuer comparisons	Continuous issuer monitoring, Automated peer benchmarking	Targets broader and wider opportunities to increase alpha potential
Cycle Research	Interpret macro-credit cycles; conduct sector sensitivity analysis	Set portfolio tilts, manage risk exposure	Detect cycle inflections; run various macro scenarios	Proactive adjustments by investment team in response to new data from various sources
Data Integration	Validate data relevance, Synthesize qualitative insights	Translate signals to trades, Balance signals with judgment	Integrate structured data; process unstructured information	Enhanced relative value analysis
Risk Detection	Identify issuer risk drivers, Stress downside scenarios	Manage portfolio risk, decide hedges, exits	Real-time anomaly detection; predict emerging risk patterns	Early detection of micro transitions

How We Are Visualizing the New Workflow

One of the biggest shifts we've seen is moving from a linear process to a continuous, integrated feedback loop. AI processes will help us to be more adaptive, complementing our fundamental judgement by detecting regime shifts and micro transitions early so the investment team can proactively adjust exposures. We will be able to analyze thousands of issuers simultaneously, leveraging our fundamental research with high-quality, real-time insights. By integrating diverse data streams including financials, transcripts, filings, podcasts, video, news, we can enhance our relative value analysis and build resilience through independent agent verification and automated risk controls. The following illustration provides a schematic of the process we envision.

Investment Team Sets Strategy, Guidelines & Risk

Research Team

- Macro Strategists
- Fundamental Research
- Quantitative Research

Investment Team

- Portfolio Managers
- Portfolio Construction
- Risk Decision-Makers

Traders

- Liquidity
- Market Intel

AI Agents Embedded Across the Process

Macro Intelligence | Research Insights | Data Integration | Risk Detection

- Integrated Issuer Analysis
- Cycle & Market Perspectives
- Unified Data Sets
- Early Risk Signals
- Efficient Execution Feedback

Architecture of an Augmented Team

At the heart of our system is the investment team, Alpha Strategies. We define strategy, set guidelines, and provide oversight. Now, with the assistance of AI- we intend to direct a network of interconnected AI agents:

1 **MACRO & REGIME AGENTS:** Assist our fundamental research effort by helping analyze top-down conditions, supporting asset allocation decisions around central bank policy, market liquidity, currency regimes, and default cycles.

- **Example:** Our Regime Monitoring Agent complements the team's macro research by continuously synthesizing central bank communication, liquidity indicators, and cross-market pricing. For example, following a series of weaker inflation prints and a shift in funding market conditions, the agent flagged a rising probability of an easing liquidity regime. This information was incorporated alongside our macro team's assessment and used to reassess portfolio duration and credit beta exposure across high yield and emerging markets.

2 **RESEARCH INTELLIGENCE AGENTS:** Provide specialized research, from bond recovery values to capital structure relative value and governance to allow our bottom-up research analysts to focus on deep dives.

- **Example:** Our Issuer Research Agent augments credit analyst workflows by monitoring financials, earnings transcripts, covenant terms, and market pricing in real time. In one instance, the agent identified worsening free cash flow trends and covenant headroom for a leveraged issuer while spreads remained unchanged. The summary analysis and updated recovery estimates were provided to our analyst and portfolio team, prompting a review of position sizing and relative value versus peers.

3 **PORTFOLIO CONSTRUCTION AGENTS:** Balance expected return, volatility, and exposures, continuously recomputing allocations using real-time pricing, which will allow the investment team to have more productive investment debates.

- **Example:** Our Portfolio Construction Agent supports our portfolio managers by continuously evaluating expected return, volatility, and factor exposures across hundreds of positions. For example, during a period of rising dispersion across credit sectors, the agent highlighted a concentration to lower-quality cyclicals and proposed alternative allocations that preserved yield while improving drawdown resilience. These outputs informed more focused portfolio debates and trade prioritization.

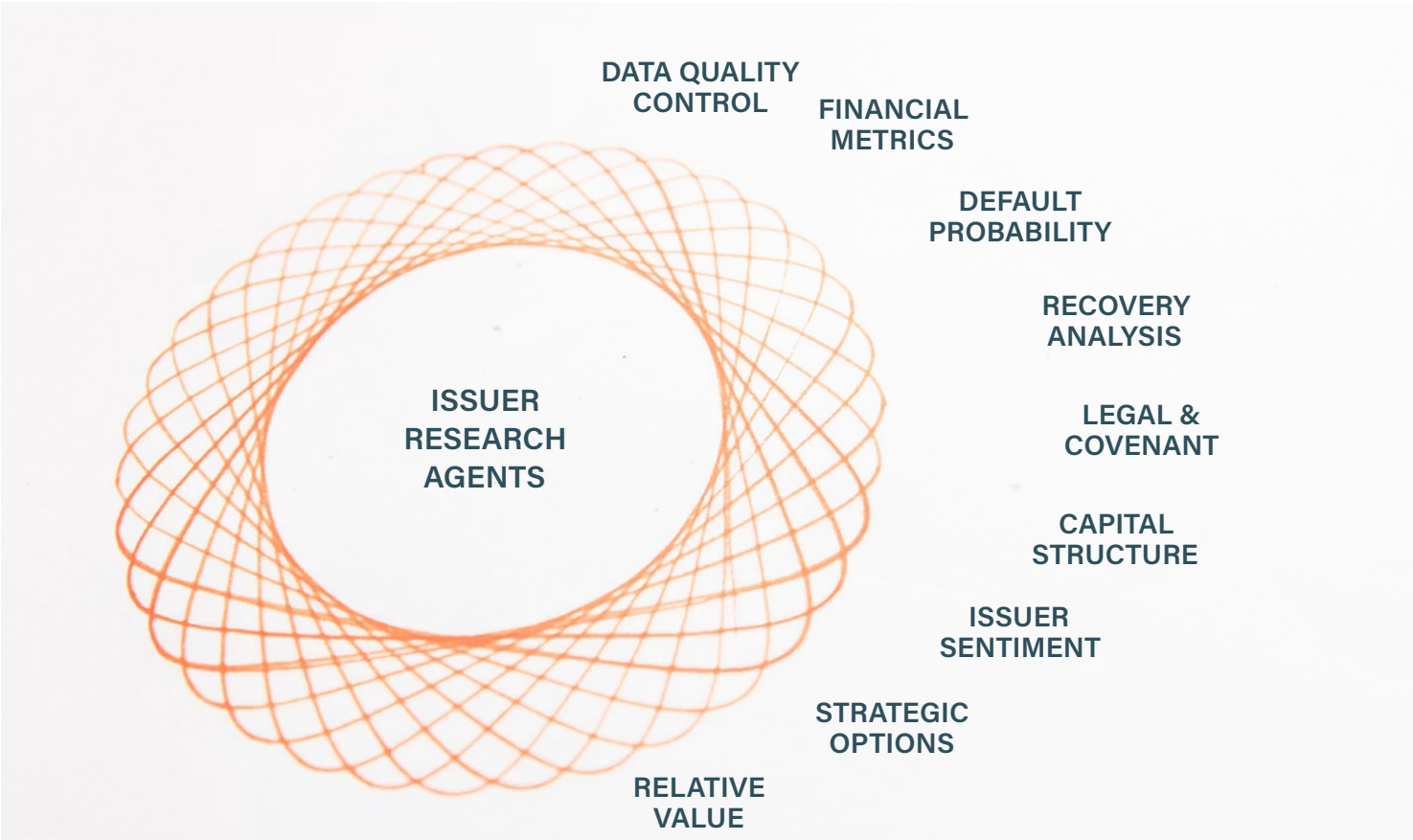
Architecture of an Augmented Team (contd.)

4 **RISK MANAGEMENT, QUALITY CONTROL, AND COORDINATING AGENTS:** These agents will stress test positions, monitor correlations, ensure data accuracy, and audit our guidelines and workflows.

- **Example:** Our Risk Management Agent enhances downside protection by monitoring correlations, liquidity conditions, and issuer-specific anomalies across the portfolio. In a recent stress simulation, the agent detected a clustering of exposure to a single refinancing window across multiple credits. This insight prompted the portfolio managers to implement a targeted reduction in exposure before spread volatility increased, strengthening liquidity and risk controls without altering core investment views.

Next, an Example of How We Think About an Issuer Research Agent.

These specialized bottom-up agents let us scale and augment critical research, helping us protect capital and spot relative value dislocations. They provide technical and data processing power to deliver summary analysis that enhances the scope and opportunity set for the team to consider:

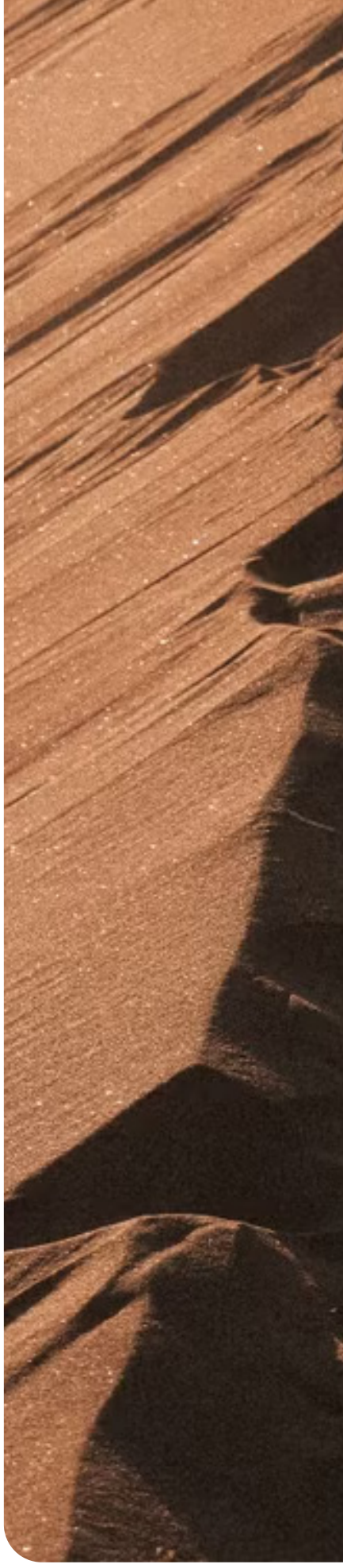


It's Not All Roses: the Challenges in Front of Us.

As we begin integrating AI into our research and investment processes, we are acutely aware that these technologies introduce new risks alongside their benefits, and we believe effective risk management is as essential for AI as it is for portfolio construction. Our investment process has always relied on integrating diverse data streams, financial statements, earnings transcripts, regulatory filings, news, and alternative data and ensuring data quality and consistency remains a constant challenge. To address this, we employ rigorous data validation protocols and cross-source verification to minimize the risk of acting on erroneous or stale information. We are also mindful of the risk of AI "hallucination," where outputs may appear credible but be factually incorrect, and therefore apply multiple layers of human verification, cross-checking agent outputs against primary sources and independent data feeds.

Human Oversight is Non-Negotiable.

Independent risk management and governance through our AI Steering and Risk Committees are embedded throughout the investment process, supported by an independent model validation function that approved new models and oversees enhancements to existing models to ensure the integrity and robustness of all AI-enabled capabilities. Beyond data and hallucination risks, we actively monitor for model drift and bias, with a governance framework that includes periodic retraining, fairness assessments, compliance reviews, and comprehensive audit trails to ensure transparency, accountability, and alignment with regulatory standards.



Summary

AI does not remove humans from Loomis Sayles' multi-asset investing; it helps to magnify our impact. The future portfolio manager is an overseer of an ecosystem of intelligent specialists. Human intuition, strategic vision, and our personal oversight remain essential to shape the system's operation. This ensures that everything we do is subject to human accountability, performance oversight, and alignment with our clients' goals.

The goals of active management haven't changed; the tools are simply becoming more powerful. By combining regime intelligence, AI-augmented issuer and relative value research, portfolio optimization, and continuous risk control, we believe AI will help us enhance our research functions and investment process to generate more alpha potential. Alpha Strategies is just beginning this journey of integrating agents into our investment process; however, we are excited to be on this journey.

If you would like to learn more about how Alpha Strategies is integrating AI responsibly into its investment process, or to discuss how these innovations can potentially benefit your portfolio, please contact our team or subscribe to our insights.

Important Disclosure

While our research and investment process incorporate AI and/or machine learning models, the investment decisions are made by the Alpha Strategies team. As AI models make predictions based on defined datasets and assumptions, their results carry a risk of being skewed due to error and bias. The use of AI automation does not equate to accuracy or objectivity.

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. Any opinions or forecasts contained herein, reflect the subjective judgments and assumptions of the authors only, and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted and actual results will be different. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

This piece was prepared for an institutional investor. It is not intended for a retail audience.

Contact the Alpha Strategies Team

ROGER ACKERMAN
Investment Director,
Alpha Strategies

ALEX THOMPSON
Investment Director,
Alpha Strategies