Full Discretion Team

Quarterly Credit Update

Looking ahead through the remainder of 2026, we believe the US credit cycle remains firmly in the late cycle stage. Our outlook is based on positive wealth effects, supportive fiscal policy, robust corporate profits and a significant capital expenditure cycle tied to artificial intelligence (AI).

Manufacturing activity has also remained healthy, order books are strong, and inventories remain relatively lean. Corporate health appears solid, as reflected in healthy earnings, profit margins and balance sheets. Labor market indicators have improved since 2025, with payroll growth, job openings and claims suggesting continued resilience. Our internal framework suggests defaults/losses and downgrades should remain below historical averages for this stage of the cycle. We believe corporate balance sheets remain well positioned to absorb episodic macro volatility related to geopolitics, energy prices and policy uncertainty.

Investment grade corporate fundamentals remain resilient, though the market is becoming increasingly bifurcated: non-AI issuers generally maintain healthy balance sheets and strong profitability, while many AI-related issuers are moving to modestly more aggressive financial policies to fund datacenter buildouts. Rating momentum remains constructive, with net upgrades continuing to outpace downgrades, reinforcing overall credit quality. At the same time, elevated issuance driven by AI-related investment and datacenter spending has increased supply, but strong investor demand has largely absorbed new issuance, keeping technical conditions supportive despite greater selectivity and modestly wider concessions on new deals.

High yield fundamentals remain constructive, supported by resilient earnings, improving leverage metrics, continued access to capital markets that has extended maturity profiles and reduced near-term refinancing risk, and low default activity. Technical conditions are also favorable, as strong investor demand has continued to absorb elevated issuance volumes, helping support spreads despite robust supply and reinforcing the overall backdrop for high yield credit.

About the Team

The Full Discretion team brings decades of expertise and collaboration to create tailored solutions for their clients.

24	Investment Professionals
22+	Avg. Years of Industry Experience (Portfolio Management Team)
$87.3	Team Assets Under Management (Billion USD)

Team Philosophy

We have a legacy of independent thinking and leaning into the market when others may be pulling away. We take a deep-value, equity-like approach to credit selection across global fixed income markets. Our disciplined process helps gives us confidence in seeking to identify macro trends, formulate a clear view on market sectors, and invest throughout the credit cycle.

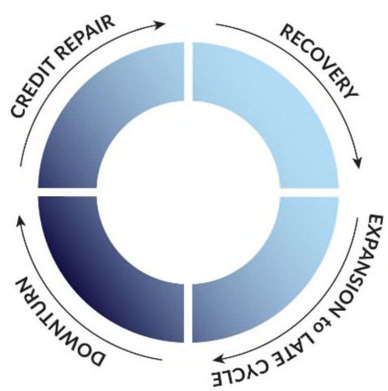
For more than 40 years, we have been applying our distinctive style of bond picking to deliver portfolios designed to provide excess yield potential and have low correlations to traditional benchmark-focused fixed income strategies.

Source: Loomis Sayles, as of 6/30/2026
Average years of expertise reflected at portfolio management level

Credit Cycles/Risk Premium

Credit Cycle Remains in Late Cycle Stage

In our view, the credit cycle remains firmly in the late cycle stage. Our outlook is based on positive wealth effects, supportive fiscal policy, robust corporate profits and a significant capital expenditure cycle tied to artificial intelligence (AI).Manufacturing activity has also remained healthy, order books are strong, and inventories remain relatively lean.



As of 6/30/2026. ***Chart shown for illustrative purposes only.*** *This reflects the current opinions of Loomis Sayles Macro Strategies team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.*

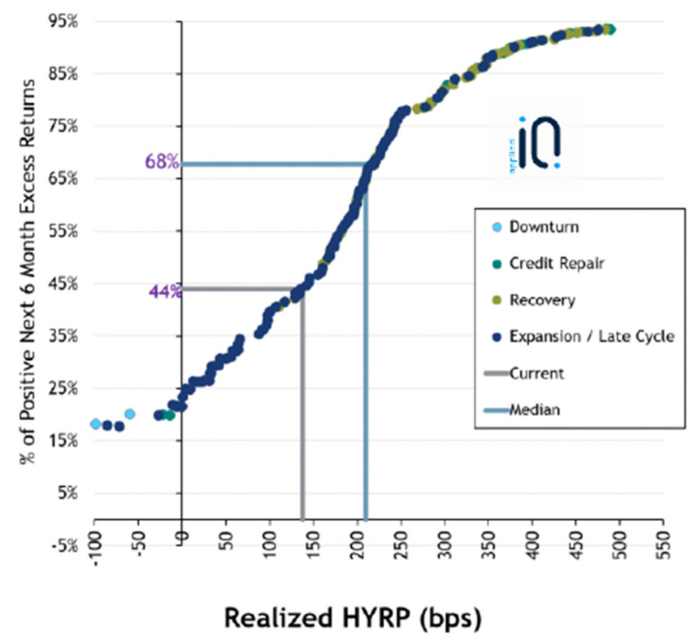
Defaults and Losses Expected to Stay Below Historical Average

Our Credit Health Index (CHIN) framework suggests defaults/losses and downgrades should remain below historical averages for this stage of the cycle, supported by strong profitability, healthy margins, and resilient balance sheets.

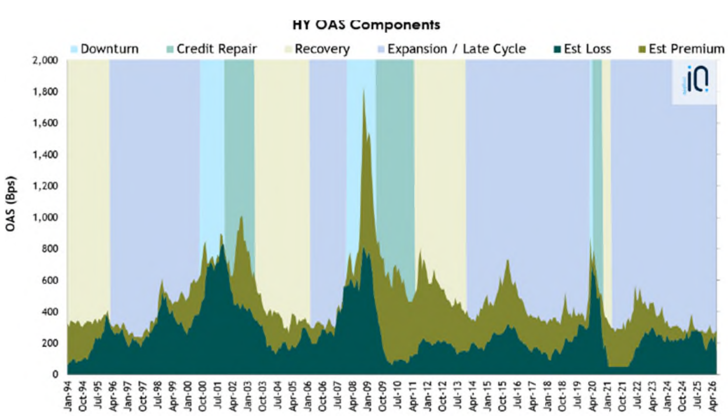
Tight Spreads, Supported by Resilient Fundamentals

Credit spreads remain relatively tight by historical standards, but corporate fundamentals continue to justify a constructive stance.

Median High Yield Risk Premium & Probability of Positive Excess Return



Estimated High Yield Risk Premium Components Over Time



Source: Loomis Sayles, Bloomberg and Moody's, as of 6/30/2026. OAS is based on the Bloomberg US Corporate High Yield Index.

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.

The charts presented are shown for illustrative purposes only. *Some, or all, of the information on these charts may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio managed by Loomis Sayles. This analysis is based on historical data and does not predict future results. Therefore, the use of this type of information to make investment decisions has inherent limitations. Markets may behave very differently than history suggests, it is not possible for any methodology to accurately identify and interpret all relevant market events.* ***Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal. Please see the Risk Premium Disclosure Statement for additional important information.***

Past performance is no guarantee of future results.

IG Outlook

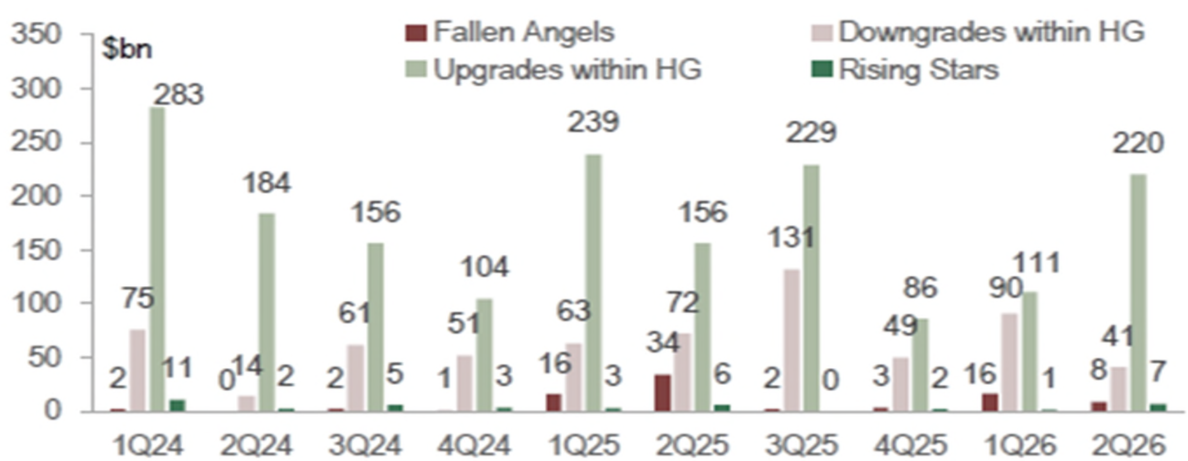
Healthy Balance Sheets and Positive Rating Momentum Support Credit Markets

Investment grade corporate fundamentals remain resilient, though the market is becoming increasingly bifurcated. Non-AI issuers generally continue to exhibit healthy balance sheets and strong profitability, while many AI-related firms are transitioning from conservative financial policies to modestly more aggressive positioning as they fund AI and datacenter buildouts. At the same time, rating momentum remains constructive, with net upgrades within investment grade more than doubling from 1Q26, supporting the overall strength of the asset class despite emerging sector-specific pressures.

Elevated Supply Continues to Drive Market Technicals.

Technical conditions continue to be driven by elevated supply, as ongoing AI-related investment and datacenter buildouts fuel robust issuance across the investment grade market. As a result, the market remains on pace for a record year of investment grade supply in 2026. While demand has largely kept pace with the increased issuance, investors have become more selective, leading to modestly wider new issue concessions and greater differentiation based on deal quality, issuer fundamentals, and order book strength. Overall, the market has thus far demonstrated the capacity to absorb higher supply volumes, though investor discipline has become increasingly evident.

Upgrades and Downgrades



Source: J.P. Morgan, as of 6/30/2026

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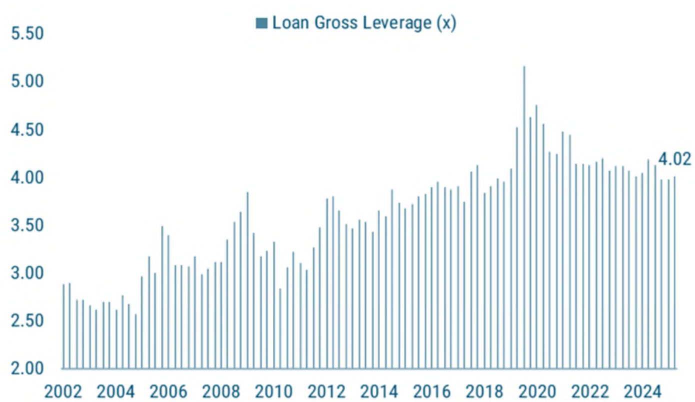
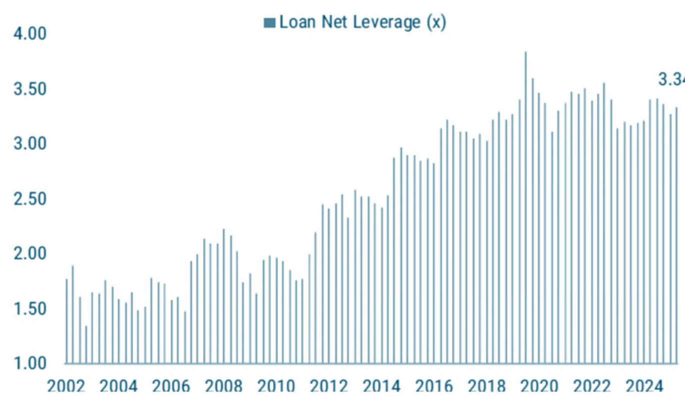
HY Outlook

Constructive Fundamentals Continue to Support High Yield Credit.

High yield fundamentals remain positive and broadly constructive. Capital markets remained widely accessible during the second quarter, enabling issuers to continue extending maturity profiles and reducing near-term refinancing risk. Management teams have generally maintained balance sheet discipline, helping to limit concerns around a potential maturity wall despite a higher-for-longer rate environment. At the same time, leverage metrics continue to improve, earnings have remained resilient, and default activity has stayed below long-term stress levels, supporting a favorable backdrop for high yield credit.

Historical HY Gross Leverage and Interest Coverage



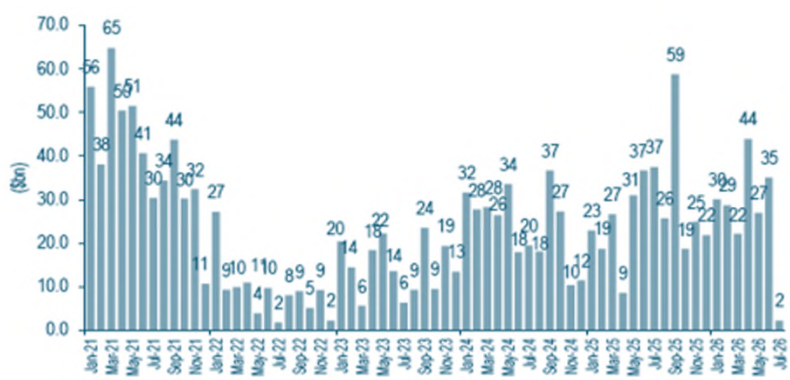


Source: Morgan Stanley Research, as of 6/30/2026.
The chart presented above is shown for illustrative purposes only.

Strong Investor Demand Absorbs Elevated Supply

High yield technicals remain favorable, with strong investo demand serving as a key driver of spread tightening during the second quarter. Primary issuance activity was robust, including more than $33 billion of supply in June alone, the second-highest monthly issuance total on record, as tight spreads encouraged issuers to access the market. Importantly, the market was able to readily absorb the elevated supply, as issuance remained predominantly refinancing-oriented and did not materially increase overal leverage, reinforcing the supportive technical backdrop.

Monthly High Yield New Issue Volume



Source: J.P.Morgan, as of 6/30/2026.
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Meet the Team

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Associate Investment Director

MATTHEW GREEN
Associate Investment Director

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Important Disclosures

CREDIT CYCLE REGIME PERIODS

EXPANSION/LATE CYCLE:
4/1/1997- 8/31/2000; 3/1/2006-12/31/2007; 1/1/2014- 2/28/2020; 4/1/2021 - 6/30/2026 (PRESENT)
DOWNTURN:
9/1/2000 - 11/30/2001; 1/1/2008 - 6/30/2009; 3/1/2020 - 4/30/2020
CREDIT REPAIR:
12/1/2001 - 5/30/2003; 7/1/2009 - 5/31/2011; 5/1/2020-10/31/2020
RECOVERY:
6/1/2003 - 2/28/2006; 6/1/2011-12/31/2013; 11/1/2020 - 3/31/2021

As of 6/30/2026

Regime periods are determined by Loomis Sayles Macro Strategies team based on a variety of subjective and objective factors, including past economic and asset performance metrics. Views and opinions expressed reflect the current opinions of the team, and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

RISK PREMIUM DISCLOSURE

This material is provided for informational purposes only and it should not be construed as an investment advice. Investment decisions should consider the individual circumstances of the particular investor. Any opinions or forecasts contained herein reflect subjective judgments and assumptions of the author and do not necessarily reflect the views of Loomis, Sayles & Company, L. P. Investment recommendations may be inconsistent with these opinions. There can be no assurance that developments will transpire as forecasted. Proposed solutions and related analysis does not represent the actual or expected future performance of any Loomis products. We do not intend to imply that we managed actual portfolios with these characteristics during the periods shown or that we could construct actual portfolios with these characteristics and return experience. Accuracy of data is not guaranteed but represents our best judgment and can be derived from a variety of sources. Opinions are subject to change at any time without notice.

While the analysis provided may be shared with one or more investment team, it is not the only input into the investment process for any strategy and therefore should not be viewed as a primary source of investment decisions, which are a function of many variables.

The analysis is based on historical data and does not predict future results. Markets may behave very differently than history suggests, it is not possible for any methodology to accurately identify and interpret all relevant market events. Therefore, the use of this type of information to make investment decisions has inherent limitations. There is no guarantee that future experience will be similar. The analysis reflected in this presentation is limited to certain periods. We make no representation that the experience of any other periods is comparable.

Unless otherwise specified, all analysis covers the period from 6/30/1996 to 6/30/2026

ADDITIONAL IMPORTANT DISCLOSURE

Principal Investment Risks: *Investments in bonds can lose their value. When interest rates rise, bond prices usually fall and vice versa. High yield securities are subject to a high degree of market and credit risk, including risk of default. In addition, the secondary market for these securities may lack liquidity which, in turn, may adversely affect the value of these securities and that of the portfolio. Foreign investments involve special risks including greater economic, political and currency fluctuation risks, which may be even greater in emerging markets. Currency exchange rates between the US dollar and foreign currencies may cause the value of the investments to decline. Commodity-related investments, including derivatives, may be affected by a number of factors including commodity prices, world events, import controls and economic conditions and therefore may involve substantial risk of loss. Equity securities are volatile and can decline significantly in response to broad market and economic conditions.*

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Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

This is not an offer of, or a solicitation of an offer for, any investment strategy or product.

Market conditions are extremely fluid and change frequently.

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

Past market experience is no guarantee of future results.

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