Limited Term Government & Agency Fund

Fund Facts

OBJECTIVE

Seeks high current return consistent with preservation of capital

Share class	Y
Inception	3/31/1994
Ticker	NELYX
CUSIP	543487326
Benchmark	Bloomberg US 1-5 Year Government Bond Index

Bloomberg US 1-5 Year Government Bond Index *is an unmanaged, market-weighted index of bonds issued by the US government and its agencies, with maturities between one and five years. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Market Conditions

- Bonds produced a modest gain in the second quarter, with income accounting for the bulk of the total return. Expectations that the lingering effects of the conflict in Iran would cause inflation to reaccelerate prompted investors to price in tighter central bank policy. While in the autumn of 2025 the markets were anticipating that the US Federal Reserve (Fed) would enact as many as five quarter-point interest rate cuts over the coming year, by the end of June expectations had shifted toward the possibility of at least one rate hike in the second half of 2026.
- Kevin Warsh replaced Jerome Powell as Fed Chairman in May. While investors speculated that Warsh would have a bias toward lower rates when his name was first floated as a potential Powell replacement in 2025, the new chair's initial comments pointed to a more hawkish tone. Most notably, Warsh indicated a desire to reinstate the Fed's 2% inflation target – a level not reached since before the COVID-19 supply shock in early 2021.
- US Treasurys produced tepid total returns in the quarter, reflecting investors' expectation that the US Federal Reserve may be compelled to begin raising interest rates in the second half of the year to head off rising inflation. The changing outlook for Fed policy led to underperformance for the belly of the yield curve, as the five-year bellwether maturity bucket produced the worst returns across the maturity spectrum. The yield on the two-year Treasury note climbed from 3.79% to 4.14% (as its price fell). Still, the two-year finished with a positive total return for the quarter due to the contribution from income. Longer-dated debt, which is less sensitive to Fed policy, held up better. The yield on the 10-year note rose less dramatically, moving from 4.30% to 4.44%. Interest return was more than enough to offset the negative price return, allowing the longer end of the curve record

Class Y Performance as of June 30, 2026 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	0.33	0.75	2.90	4.52	2.03	1.82
BENCHMARK	0.22	0.38	2.69	4.30	1.46	1.62

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.

Gross expense ratio 0.53% (Class Y). Net expense ratio 0.45%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense limitation of the fund has been exceeded. This arrangement is set to expire on 1/31/2027. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 3/31/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

positive total returns. The yield curve flattened as a result of these moves.

- While securitized credit generated positive returns during the quarter, the category lagged corporate bonds. Agency mortgage-backed securities (MBS) posted gains. The category was supported by favorable technicals, with limited net supply and steady demand from government-sponsored enterprises and other market participants. In securitized credit, collateralized loan obligations (CLOs), 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.

Portfolio Review

- The Fund outperformed its benchmark, the Bloomberg US Government 1-5 Year Index, due to positive security selection.

Contributors

- Duration continued to be managed near our target of 2 years and the Fund's short duration posture contributed to results during the quarter as the front end of the yield curve increased.
- Overall security selection within the Fund was positive.
- Exposure to securitized agency was beneficial to performance over the period by way of positive security selection.

Detractors

- US Treasury positions were a minor detractor from performance over the period.
- The cash position within the Fund was a marginal constraint on performance during the quarter.
- The Fund's lack of US Agency exposure was a nominal drag on excess return.

Outlook

- Fixed income markets delivered positive total returns for the second quarter as rates reversed from the mid-May peak, despite a backdrop of a strong US economy and record quarterly equity market returns. US corporate earnings continued to impress (driven in large part by continued robust AI spend) and jobs growth exceeded expectations. Under this stronger economic backdrop, a sharp drop in Middle East tensions helped moderate rates and fueled risk markets. By end of quarter, global oil prices had fallen back to pre-war levels, as the US and Iran implemented a 60-day cease-fire. Credit spreads also narrowed and remain near historic tights, with demand for new issues remaining robust. As anticipated, the Federal Reserve (Fed) stayed on hold in Kevin Warsh's first meeting as new Fed Chair, but with a more hawkish press conference post FOMC (Federal Open Market Committee) and Statement of Economic Projections. The lack of forward guidance was also in focus, fulfilling one of Warsh's pre-nomination promises. Treasury yields initially rose across the board immediately following the Fed statement, before moderating in the following weeks as markets digested the Fed's new more hawkish stance. Fed Fund Futures markets are currently pricing in around 35 bps of rate hikes by year-end, a reversal of what was priced just three months prior, when investors had anticipated as many as one or more cuts by year-end 2026.

- Corporate fundamentals remain at a healthy level by historical standards, buoyed by the boom in AI-related capex. However, corporations may eventually seek to pass through higher input prices or shed labor to preserve margins. Consumer demand in aggregate has remained resilient, despite higher inflation, supported by stable job markets and wealth effects. The "K"-shaped economy continues to be the narrative, with higher income earners maintaining strong spending, but lower income earners feeling the pinch from higher food, energy and housing/rental costs.
- We continue to believe that we are in the late expansion phase of the credit cycle, and anticipate an eventual return to more trend-like growth and importantly, moderating inflation -- as the effects of tariffs and disruptions to the supply of oil dissipate. Aggregate demand could continue to be resilient with recession risks remaining low, but remain a concern - especially in light of current risk market valuations. Key risks include a stock market correction and diminished wealth effect, a resumption in the conflict in Iran, continued tight oil supplies through summer and the fall, an increase to the fiscal burden, and potentially overly reactive monetary policy.
- Agency mortgage-backed securities (MBS) spreads (the difference in yield between agency MBS and US Treasurys of similar maturity) are currently trending near their longer-term averages. We continue to favor MBS securities that are less likely to face refinancing and extension risk, such as low loan balance mortgages and home equity conversion mortgages.
- Within the commercial real estate sector, we remain focused on agency commercial mortgage-backed securities issued by Fannie Mae and Freddie Mac.
- Our non-agency securitized exposures remain in the middle of the range, but trended a little lower during the period. In aggregate, non-agency securitized exposure uses asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) similarly and is at the middle part of the allowed range.

About Risk

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. **US government agency securities** are not insured and may not be guaranteed by the US government. **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. **Securities purchased on a forward commitment, when-issued or delayed delivery basis** are subject to many of the same risks (such as market risk and interest rate risk) as other securities. In addition, when-issued and delayed delivery securities are subject to other risks including loss of value prior to delivery; the security may not be issued; or a counterparty to the transaction may not meet its obligations.

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.

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 Investment recommendations may be inconsistent with these opinions. 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.

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 800-225-5478 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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