

Alpha Strategies Team

Emerging Markets Debt Blended Total Return

PERFORMANCE AS OF 10/31/2026	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION[2]
Composite (gross)	0.68%	-1.63%	2.82%	4.62%	11.18%	2.24%	3.32%	3.35%
Composite (net)	0.63%	-1.80%	2.26%	3.95%	10.47%	1.62%	2.74%	2.79%
Blended Index[1]	0.38%	-1.31%	0.48%	2.06%	8.97%	2.49%	2.35%	3.23%
Excess return (gross)	0.30%	-0.32%	2.34%	2.56%	2.21%	-0.25%	0.98%	0.12%
Excess return (net)	0.25%	-0.48%	1.78%	1.89%	1.50%	-0.87%	0.40%	-0.44%

Data Source: Loomis Sayles. Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations.
[1] The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
[2] The Emerging Markets Debt Blended Total Return Composite Inception Date is 03/01/2017.
Past performance is no guarantee of future results

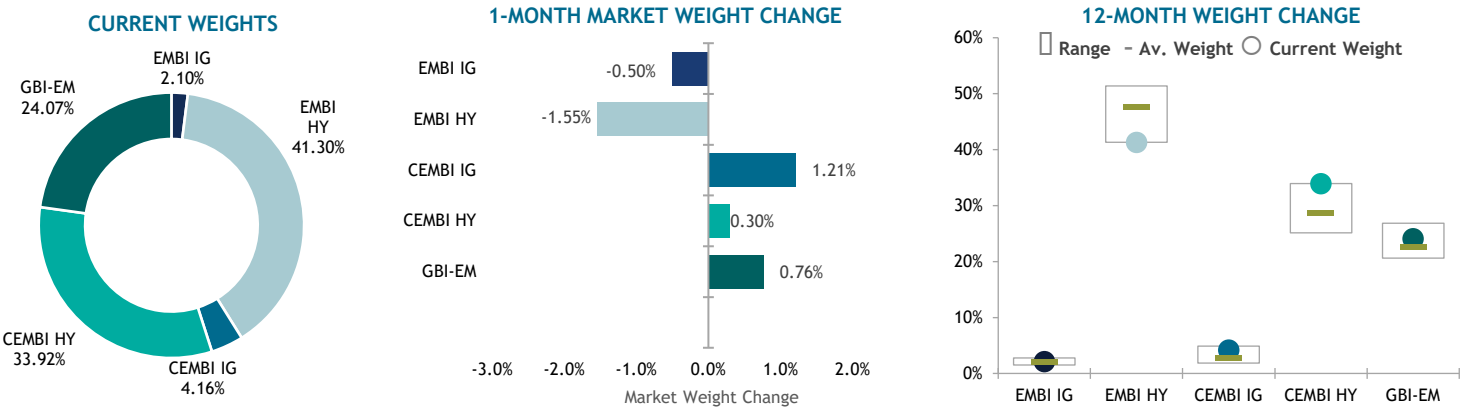
EM Credit & FX Regime Identification

The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanistically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically be captured within the first six months of a signal switching, which is why we include the date at which the respective signal last changed. The additional information relates to what is driving the current regimes (value and momentum signals) and the directional trend.

SIGNAL	REGIME[2]	VALUE SIGNAL	SHIFT DATE	TREND	MOMENTUM SIGNAL	SHIFT DATE	TREND
EM CREDIT[1]	RISK-OFF	-	09/11/26	IMPROVING	-	09/11/26	DETERIORATING
EM FX	RISK-OFF	-	10/30/26	IMPROVING	-	10/02/26	DETERIORATING

Data Source: Loomis Sayles, as of 10/31/2026
[1] EM Credit (sovereign and corporate) [2] Risk-On = Value OR Momentum (+). Risk-Off = Value AND Momentum (-). The table presented above is shown for illustrative purposes only. Views and opinions expressed are as of the date indicated and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

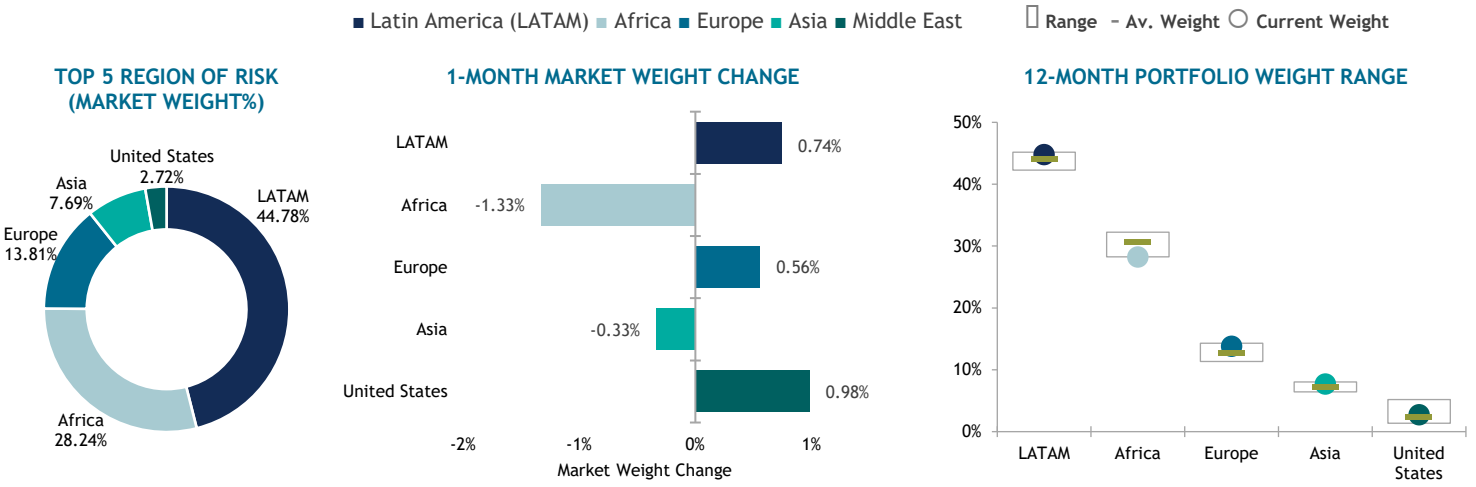
Asset Class Exposure



■ Hard Currency Sov. IG (JPM EMBI IG) ■ Hard Currency Sov. HY (JPM EMBI HY) ■ Hard Currency Corp. IG (JPM CEMBI IG) ■ Hard Currency Corp. HY (JPM CEMBI HY) ■ Local Currency Sov. (JPM GBI-EM)

Data Source: Loomis Sayles, as of 10/31/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%.
Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The charts presented above are shown for illustrative purposes only.
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Regional Exposures



Data Source: Loomis Sayles, as of 10/31/2026. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%. The charts presented above are shown for illustrative purposes only.

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Commentary

OCTOBER POSITIONING

- We entered October with beta near 1.3 (gross), below the approximately 1.5 (gross) level held at the start of September. Exposure was shifted primarily from CCC/B to BB/BBB credits. This risk reduction reflected a shift to a more challenging Federal Reserve (Fed) hiking and US dollar-strengthening regime.
- The strategy retained a deliberate high yield orientation across sovereign and corporate credit. Elevated all-in yields remained attractive, but tight index spreads meant the thesis increasingly rested on carry, refinancing discipline, and country selection rather than broad spread compression.
- Local currency sovereigns remained a second core source of alpha. Exposure was concentrated in high real yield markets, particularly Latin America, where policy credibility, external balances, and attractive entry levels could offset volatility in global rates and the US dollar.
- Corporate credit remained an important defensive sleeve. The portfolio management team emphasized shorter spread duration, stable free cash flow, and limited refinancing dependency, while limiting exposure to lower-quality issuers that could be challenged by higher-for-longer base rates.
- Overall, October positioning balanced high yield carry and idiosyncratic alpha with lower strategy beta and greater liquidity. The principal risk-off guardrails were higher US real yields and a US dollar breakout. Spread levels also argued against indiscriminate beta: the J.P. Morgan Emerging Markets Bond Index (EMBI) and J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) remained tight enough that future excess returns were more likely to come from carry and selection than broad spread compression.

HOW DID OCTOBER UNFOLD

- October began with emerging market (EM) assets still absorbing September's global rates and US dollar shock. Early in the month, local debt benefited as the US dollar weakened and high real yields regained support, while longer-duration hard currency sovereigns remained more exposed to elevated US Treasury yields.
- Lower US yields and a weaker US dollar subsequently improved the market backdrop. This combination eased global financial conditions and supported EM carry, indicating that September weakness had been driven primarily by rates and currency conditions rather than a broad deterioration in EM credit fundamentals.
- Inflation remained sticky, but incoming data did not force a clear acceleration in the Federal Reserve (Fed) hiking path. Markets increasingly distinguished between the ultimate level of policy rates and the pace of tightening, allowing EM carry to recover even as rate volatility remained elevated.

Source: Loomis, Sayles & Co; Bloomberg

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

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Commentary (cont'd)

HOW DID OCTOBER UNFOLD (CONT'D)

- Performance became increasingly differentiated beneath the benchmark. US dollar sensitivity, local policy credibility, and commodity exposure mattered more than broad EM beta.
- Brazil experienced the month's sharpest reversal. The J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) sold off late in October as election-related fiscal uncertainty pressured local rates and BRL. The weakness remained concentrated in local markets and did not produce a generalized credit event, consistent with contained EM cross-asset correlation and resilient hard currency spreads.
- Hard currency sovereigns finished October as the clearest relative winner. The J.P. Morgan Emerging Markets Bond Index (EMBI) generated positive monthly performance, supported by approximately 7% all-in yields. However, spread levels remained close to post-GFC tights (EMBI ~208bp, EMBI IG ~113bp and EMBI HY ~318bp), limiting the valuation cushion against a renewed US dollar or volatility shock.
- Corporate credit delivered the most defensive return profile. The J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) spreads ended ~204bp, while US IG and US HY spreads were ~90bp and ~340bp. EM corporate carry remained attractive, but the cross-market comparison reinforced the preference for shorter spread duration and issuer selection, as US and European credit continued to offer competing yield opportunities.
- By month-end, the central message was selective resilience rather than a full risk-on regime. US dollar direction explained the relative performance of local debt, while stable sovereign and corporate spreads showed that credit fundamentals remained intact.

NOVEMBER EXPECTED POSITIONING[1]

- The strategy enters November selectively risk-on with beta ~1.4 (gross), and more emphasis on diversification. In our view, US dollar and spread signals argue for a barbell approach: preserving high yield carry and local market optionality while pairing those exposures with liquid, higher-quality positions and credits whose catalysts can dominate the global backdrop, such as rising stars in this multi-year EM upgrade cycle.
- From end-September to end-October, J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) exposure increased, while J.P. Morgan Emerging Markets Bond Index (EMBI) exposure declined and J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) exposure remained broadly stable. The shift increased the defensive contribution from shorter-duration corporate carry.
- The rating mix has shifted modestly upward from single-B toward BB, reducing reliance on the most volatile high yield beta without abandoning the carry advantage of below-investment-grade credit.
- Frontier exposure remains the largest allocation, although it has declined, with continued focus on commodity and local rate themes.
- Local market exposure remains selective. The US dollar is the primary swing factor because foreign exchange (FX) directly affects unhedged GBI-EM returns. As dispersion between low-beta Asia and high-beta LatAm/CEEMEA increases, we believe currency diversification is more important than concentrated EM FX overweights.
- Equity exposure has been heavily reduced over the September-October period, which could support a technical rebound. However, elevated equity, Treasury, and global macro volatility leave the market vulnerable to nonlinear deleveraging. The strategy therefore retains upside participation while keeping beta below early-September levels.
- Key return drivers for the month ahead are EM FX volatility, the US dollar, industrial metals, equity volatility, and the Swiss franc.

[1] *As of 11/17/2026*
Source: Loomis, Sayles & Co; Bloomberg

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Important Disclosure

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Key Risks:
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Meet the Team



ANDREA DICENSO
Portfolio Manager



PETER YANULIS
Portfolio Manager



ALEX THOMPSON
Investment Director