High Income Fund

Fund Facts

OBJECTIVE

Seeks high current income plus the opportunity for capital appreciation to produce a high total return

Share class	Y
Inception	2/29/2008
Ticker	NEHYX
CUSIP	543488803
Benchmark	Bloomberg US Corporate High Yield Index

Bloomberg US Corporate High Yield Index *covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. Indexes 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 positive total returns. The yield curve flattened as a result of these moves.
- Investment-grade corporates produced a healthy total return in the second quarter. Yield

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	2.54	2.36	7.01	9.20	3.01	4.93
BENCHMARK	2.47	1.96	5.91	8.86	4.17	5.81

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 1.26% (Class Y). Net expense ratio 0.70%. 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 4/30/2026. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 2/29/2008. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

Prior to inception of Class Y shares (2/29/2008), performance is that of Class A shares and reflects the higher net expenses of that share class.

spreads experienced a meaningful decline as hopes for an end to the conflict in Iran led to a resurgence in investors' appetite for risk. According to the Federal Reserve Bank of St. Louis, the option-adjusted spread on the ICE BofA US Corporate Index fell from 90 basis points (0.90 percentage points) on March 31 to 76 basis points on June 30. This trend, in combination with the contribution from income, helped corporates outpace Treasurys by a comfortable margin.

- High-yield bonds registered robust total returns in the second quarter. Yield spreads declined considerably as movement toward a resolution of the war in Iran fueled a recovery in investors' appetite for risk. According to the Federal Reserve Bank of St. Louis, the option-adjusted spread on the ICE BofA US High Yield Index fell from 328 basis points (3.28 percentage points) at the start of the period to 275 basis points on June 30. This trend, together with the contribution from income, contributed to outperformance for high-yield bonds relative to US Treasurys and the investment-grade market more broadly.
- 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.
- The foreign developed markets produced a modest gain, but returns were dampened by weakness in non-US currencies against the dollar. Eight of the G-10 currencies lost ground in the quarter, while the Australian dollar and British pound moved modestly higher. Emerging-market bonds registered solid returns, with dollar-denominated debt strongly outperforming the domestic US market. Much of the gain occurred in the first half of April, when higher-risk assets rallied on hopes for a resolution to the conflict in Iran.

Portfolio Review

- The fund outperformed its benchmark, the Bloomberg High Yield Index, primarily due to security selection.

Contributors

- Issuer selection within convertibles contributed positively, led by select positions in the technology sectors.
- Returns this quarter benefited from our selection to emerging market credit.

Detractors

- Security selection in high yield credit detracted from quarterly performance, led by names in the communications sector.
- Defensive, reserve-like allocations modestly weighed on performance as investor appetite for risk increased during the quarter.
- Bank loan security selection weighed on returns, driven by select technology and insurance related issuers.

Outlook

- Market volatility remained elevated during the second quarter, though fears of a severe economic downturn eased as the conflict involving the U.S., Israel, and Iran proved less disruptive to global energy markets than initially feared. While higher oil prices and geopolitical uncertainty continued to weigh on sentiment, the broader economic backdrop

remained resilient. The initial energy shock lifted inflation expectations and contributed to higher interest rates, with the 10-year Treasury yield rising from approximately 4.32% to 4.47% during the quarter. At the same time, credit markets largely absorbed the volatility and investment grade and high yield corporate spreads tightened as investors looked through near-term geopolitical risks and remained focused on resilient economic growth.

- Looking ahead through the remainder of 2026, we believe the U.S. will remain firmly in the 'Expansion to Late Cycle' phase of the credit cycle[1]. 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 corporate balance sheets. After softening in 2025, labor market indicators have improved, with payroll growth, job openings, and unemployment claims also suggesting continued resilience. Globally, growth entered 2026 on more synchronized footing, supported by monetary easing in 2025, improving manufacturing activity, and increasingly supportive fiscal policy. Despite the energy shock and geopolitical tensions that remain, the global economy appears more resilient than it was during the initial energy shock following Russia's invasion of Ukraine.
- Inflation across the globe remains a key challenge. The disinflationary progress many investors expected at the start of the year has yet to materialize. While higher energy prices have contributed to inflation pressures, underlying inflation measures have remained stubbornly firm. More importantly, we believe inflation is increasingly being supported by structural factors, including persistent fiscal deficits, demographic pressures, supply-chain reconfiguration, rising defense spending, and substantial investment in AI, energy infrastructure, and industrial capacity. In our view, global central bankers no longer have an easing bias; however, we are not concerned about cycles of aggressive rate hikes either.
- The evolving inflation backdrop has led to an important shift in the market's policy debate. Within the U.S., earlier in the year, investors focused primarily on the timing of additional Federal Reserve interest rate cuts. The discussion has now shifted toward whether persistent inflation could ultimately require a more restrictive stance. The policy framework itself is also evolving as newly appointed Chair Kevin Warsh has made it clear that reforming aspects of Federal Reserve communication and decision-making are priorities. Most notably, forward guidance appears likely to play a much smaller role, while policymakers reassess the balance sheet, economic projections, and the potential effects of AI-driven productivity gains. While these reforms may ultimately strengthen credibility, the transition introduces some potential uncertainty and interest rate volatility as investors seek to understand the framework that will guide monetary policy decisions in coming years.
- We continue to view the U.S. fiscal deficit as a longer-term concern. Large structural expenditures, particularly related to entitlements and defense, combined with elevated debt-servicing costs, suggest deficits are likely to remain sizable. Persistent fiscal expansion contributes to inflationary pressures and places upward pressure on Treasury supply and long-term interest rates. We continue to estimate fair value for the 10-year U.S. Treasury at approximately 4.25%-4.75%, though rising term premia and the prospect of structurally higher neutral rates could push yields modestly higher over time, in our view.
- Within this environment, our cycle-based investment process remains anchored to a long-term horizon and focused on balancing valuation, fundamentals and risk. Credit spreads remain relatively tight by historical standards, but corporate fundamentals continue to justify a constructive stance. 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. We believe corporate balance sheets remain well positioned to absorb episodic macro volatility related to geopolitics, energy prices and policy uncertainty.
- Given our expectation for a relatively benign loss environment, we believe investors should

consider selectively leaning into credit risk to capture incremental carry, while maintaining broad diversification across fixed income sectors. Elevated volatility and evolving macro risks reinforce the importance of flexibility in managing both interest-rate and credit exposure. We remain selective across investment grade and high yield credit, bank loans, and securitized assets, where relative value opportunities continue to emerge. Convergence between public and private credit markets is accelerating, creating additional opportunities for multi-sector investors. Finally, we believe diversification across non-U.S. dollar exposures remains compelling, as the current macro backdrop suggests a sustained flight-to-safety bid for the U.S. dollar is unlikely, allowing investors to seek higher yields and potential currency appreciation outside the U.S. While uncertainty surrounding growth, inflation, and central bank policy is likely to persist, we believe strong corporate profitability, healthy consumers, AI-driven investment, and resilient credit fundamentals should continue to support risk assets through the remainder of 2026.

[1]*A credit cycle is a cyclical pattern that follows credit availability and corporate health.*

About Risk

Below investment grade fixed income securities may be subject to greater risks (including the risk of default) than other fixed income securities. **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. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets.

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.

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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