Senior Floating Rate and Fixed Income Fund

Fund Facts

OBJECTIVE

Seeks to provide a high level of current income

Share class	Y
Inception	9/30/2011
Ticker	LSFYX
CUSIP	63872T554
Benchmark	Morningstar LSTA US Leveraged Loan Index

Morningstar LSTA US Leveraged Loan Index *is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

Market Conditions

- The US leveraged loan market remained bifurcated throughout the second quarter as geopolitical tensions, persistent inflation concerns, and growing AI-related disruption fears weighed on sentiment. Despite these challenges, primary market activity proved resilient, with corporate borrowers offsetting a sharp slowdown in sponsor-backed issuance. Leveraged loan activity totaled approximately $224 billion, down 7% from Q1 but remaining above historical averages.
- Issuance dynamics shifted meaningfully during the quarter. Private equity deal activity fell 38%, driving a 33% decline in sponsored loan issuance as sponsors focused on refinancing existing obligations and extending maturities rather than pursuing new transactions. Amend-and-extend activity reached record levels as borrowers sought to address the sizable 2028 maturity wall. Meanwhile, corporate borrowers increased their presence in the market, highlighted by several large transactions including the $13 billion Warner Bros. Discovery term loan.
- Secondary market conditions stabilized following the volatility experienced in late Q1, though performance remained highly uneven across sectors and credit quality. Software credits continued to underperform amid concerns surrounding AI-driven disruption, while healthcare surpassed software as the largest source of new leveraged loan issuance for the first time in more than a decade. Larger and higher-rated borrowers generally maintained stronger market access than lower-rated issuers.
- Investor demand weakened during the quarter as measurable loan demand fell to approximately $34.5 billion, the lowest level since late 2023. Much of the decline was driven by slower CLO issuance, which fell to roughly $33 billion from $47 billion in Q1. Although loan fund flows turned modestly positive after several quarters of outflows, overall demand remained subdued relative to recent years.
- Credit dispersion widened further as lenders became increasingly selective. While spreads for many BB and B-rated borrowers retraced much of their early-quarter widening, lower-rated B-minus issuers continued to face materially higher financing costs. The gap between stronger and weaker credits expanded as investors demanded greater compensation for

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	1.90	1.51	4.05	7.10	4.79	5.02
BENCHMARK	1.88	1.31	4.36	7.55	6.01	5.29

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 0.82% (Class Y). Net expense ratio 0.74%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 3/31/2027. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

Class Y shares are sold to eligible investors without a sales charge.

perceived sector-specific and fundamental risks.

- Overall, Q2 reinforced the transition toward a more selective lending environment. Refinancing and extension activity provided borrowers with additional flexibility, but market access increasingly favored higher-quality issuers and non-software sectors. Persistent inflation, geopolitical uncertainty, and ongoing AI-related concerns continue to shape credit market conditions heading into the second half of 2026.

Portfolio Review

- The fund outperformed its benchmark for the period, driven by results both within the loan allocation and across non-loan investments.
- Within bank loans, the portfolio outperformed the benchmark across the overall loan cohort. While single-B's slightly underperformed, this was more than offset by performance within the BB- and BBB- cohorts. CCC-rated loans within the media entertainment and consumer cyclical services sectors also contributed to positive performance.
- Outside of bank loans, the fund generated additional positive performance through exposure to CLOs, corporate bonds, and an ETF.
- The fund experienced no defaults during the period and maintained a steady level of dividend income as interest rates remained relatively high.

Portfolio Highlights

- The fund seeks to maintain a yield advantage relative to the benchmark across most market environments. This objective is supported through disciplined participation in primary market opportunities, opportunistic credit rotation, and active risk-adjusted positioning. As of quarter-end, the portfolio was positioned with approximately 80% bank loans, 6% in CLOs , 6% high yield bonds, 5% ETF, and 3% held in cash on a trade-date basis.
- In evaluating relative value across asset classes, we continue to assess high-yield bonds versus bank loans through a risk-adjusted return framework. Current positioning reflects a preference for bank loans, where higher carry and floating-rate structures offer more attractive compensation relative to tight high-yield spreads. Select non-loan exposures are utilized opportunistically to enhance diversification, income, and total return while maintaining an appropriate liquidity profile. The fund maintains a small position in an ETF to enhance yield beyond the short-term rates offered by the fund's custodian which enables us to boost fund liquidity while earning a return.

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.

Source: Morningstar Pitchbook LCD as of June 30, 2026

About Risk

Floating-rate loans are often lower-quality debt instruments and may involve greater risk of price changes and greater risk of default on interest and principal payments. The market for floating-rate loans is largely unregulated and these assets usually do not trade on an organized exchange. As a result, floating-rate loans can be relatively illiquid and hard to value. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Leverage** can increase market exposure and magnify investment risk. **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. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market.

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

Trade date positions may add up to more than 100% due to difference in timing between trading and settlement and quarterly interest and amortization cash flows.

Credit quality reflects the credit rating assigned to individual holdings of the fund by S&P; ratings are subject to change. The fund's shares are not rated by any rating agency and no credit rating for fund shares is implied. Instrument credit ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

***Morningstar LSTA US Leveraged Loan Index** is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

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.

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.

Natixis Distribution, LLC (fund distributor, member FINRA|SIPC) and Loomis, Sayles & Company L.P. are affiliated.

LS Loomis | Sayles is a trademark of Loomis, Sayles & Company, L.P. registered in the US Patent and Trademark Office.

NIM-01192026-xfxs3u0c
8878917.1.2
LSSFR03-0626