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

Market Conditions

- The loan market faced strong headwinds during the second quarter, with outflows from retail funds and macroeconomic concerns generally driving prices lower. While the Federal Reserve raised interest rates during the period, which is a strong benefit to the asset category, fears of inflation and recession dominated performance.
- Primary issuance was muted for most of the quarter as borrowing costs increased and loans available on the secondary market were cheaper. Issuance totaled only $56 billion, and the S&P/LSTA Leveraged Loan Index ended its 15-month growth streak by declining modestly to $1.41 trillion.
- Issuance of collateralized loan obligations (CLOs) accelerated in the second quarter despite less favorable arbitrage; however, issuance is below last year's record-setting pace. Formation for the full quarter totaled a robust $38.3 billion.
- Expectations of rising interest rates drove retail demand as markets temporarily calmed in April, but then retail outflows returned for the rest of the quarter as investors hunted for bargains in other asset classes. Outflows totaled $3.8 billion in the second quarter.

Portfolio Review

- The fund underperformed its benchmark, the S&P/LTSA Leveraged Loan Index, in the second quarter.
- The underperformance of the fund's bank loans and high yield bonds relative to the loan benchmark were the largest detractors from relative return. This was driven by market volatility associated with concerns about economic strength over the next year.
- Underperformance of loan holdings rated in the B and BB ratings categories detracted from the second quarter's return as the market favored lower perceived risk at each level. Outperformance of CCC-rated loans held relative to that ratings group reflected the same

CLASS Y PERFORMANCE AS OF JUNE 30, 2022 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	-5.70	-6.17	-4.61	0.32	1.64	4.19
BENCHMARK	-4.46	-4.55	-2.78	2.09	2.91	4.18

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative 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 1.00% (Class Y). Net expense ratio 0.81%. 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 3/31/2023. 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.

relative quality bias.

- Loans held in business equipment and services, building and development, and retailers (other than food/drug) were the largest constraint on performance.
- The fund benefited from relative outperformance of its cash position, as we would expect in periods of market volatility.
- The fund increased its cash position and increased its high yield corporate bond exposure during the quarter based on relative valuation for specific bonds versus loans and volatility for both loans and high yield corporates.

Portfolio Highlights

- The fund is currently positioned with about 86.19% bank loans, 5.53% bonds, and 4.14% held in cash on a trade-date basis.[1]
- We target a yield advantage for the fund versus the benchmark in most market conditions which generally supports strong relative performance in periods of positive risk sentiment. The fund's unsubsidized SEC yield as of June 30, 2022 was 4.93%.[2] A yield advantage can be enhanced through primary market new issue discounts and by swapping into loans or bonds with more appealing risk/return characteristics as those opportunities arise. Maintaining an appropriate liquidity policy is of paramount concern.
- We examine the relative attractiveness of the high yield corporate bond market in relation to bank loans based on potential risk-adjusted return and how well we are compensated for additional volatility.

Outlook

- We believe the environment for loan credit quality remains relatively positive despite the pressure from inflation and market uncertainty.
- Demand for loans has been declining as investors seek discounts in other asset classes, but loans should become more attractive as markets broadly expect more increases in the fed funds rate this year.
- We agree with the market's expectation that default rates are poised for another very low year due to both company-specific circumstances (ample liquidity, few loan maturities, successful cost-savings programs, and revenue retention) and capital structures that can withstand current macroeconomic headwinds.
- Inflationary cost pressures have, thus far, been well-absorbed by most companies whose loans we hold as a result of permanent cost cuts initiated early in the pandemic and the ability to pass through price increases to their customers. With base rates generally having crossed floors on existing loans, we expect these companies will handle increased borrowing costs associated with rate increases well. We note that most borrowers have hedged a significant portion of their rate risk.
- Our macro base case is for a late-cycle scenario characterized by high inflation. We think inflation is in the process of reaching a peak. Our outlook is for the Federal Reserve to increase short-term interest rates by 50 basis points at each of the next two meetings. The size of rate hikes at the two final meetings of the year will likely depend on whether a peak in inflation has been confirmed.
- Our goal, as before the pandemic, is to construct a portfolio that can withstand many pressures without suffering significant credit losses.

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]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.

*[2]**The 30-day SEC yield** is a standardized calculation, calculated by dividing the net investment income per share for the 30-day period by the maximum offering price per share at the end of the period and annualizing the result. Treasury Inflation-Protected Securities (TIPS) are designed to provide protection against inflation through monthly adjustments to the principal value of TIPS, which increases with inflation and decreases with deflation as measured by the Consumer Price Index. Monthly principal adjustments for inflation (increases and decreases) are excluded from the 30-day SEC yield calculation. Such adjustments can vary substantially from one month to the next, and if they were included, may materially impact the 30-day SEC yield either higher or lower. A subsidized 30-day SEC yield reflects the effect of fee waivers and expense reimbursements. The SEC yield is not based upon distributions of the fund and actual income distributions may be higher or lower than the 30-day SEC yield amounts. During periods of unusual market conditions and/or activity in the sales or redemptions of fund shares, the fund's 30-day SEC yield amounts may be materially higher or lower than its actual income distributions. **Unsubsidized 30-day SEC yield** is calculated using the gross expenses of the fund. Gross expenses do not include any fee waivers or reimbursement.*

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).

***S&P/LSTA 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, if available, containing this and other information. Read it carefully.

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