LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

JUNE 30 2022

Global Bond Fund

FUND FACTS

OBJECTIVE

Seeks high total investment return through a combination of high current income and capital appreciation

Share class	I
Inception	5/10/1991
Ticker	LSGBX
CUSIP	543495782

Market Conditions

- Financial assets experienced poor performance in the second quarter, with losses across the fixed income and equity markets accompanied by sell-offs in commodities, gold, cryptocurrencies, and other alternative assets.
- The downturn in the markets reflects the extremely challenging market backdrop that has been in place since late 2021. Inflation has risen considerably, led by energy, food, and housing. In the United States, consumer prices reached their highest level in over 40 years. May consumer price inflation rose 8.6% on a year-over-year basis in May, up from 8.3% in April. The ongoing Russia/Ukraine conflict continued to pressure commodity supplies and China's struggle to contain Covid led to renewed lockdowns and continued global supply chain bottlenecks.
- Central banks responded by tightening monetary policy aggressively. The US Federal Reserve (Fed) raised interest rates by 50 basis points (one-half of one percentage point) in May and another 75 basis points in June. The moves, which followed the Fed's quarter-point hike in mid-March, brought the fed funds target to a range of 1.50% to 1.75% - its highest level since before COVID-19. Perhaps more important, futures markets indicated that investors were anticipating further aggressive increases in the second half of the year. Many overseas central banks joined the Fed in tightening policy, highlighted by surprise interest-rate hikes by both the Bank of England and the Swiss National Bank. While central banks typically prepare the markets prior to making a move, the rapidly shifting landscape has led to greater urgency to dampen inflation.
- Rising rates were accompanied by concerns about economic growth. The US economy shrank 1.6% year-over-year in the first quarter, and deteriorating data in June suggested that second-quarter growth may also be negative. Europe's economies also lost momentum, with the conflict in Ukraine contributing to uncertainty and leading to a sharp increase in energy prices across the region. These

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-9.58	-14.98	-16.72	-2.54	-0.27	0.43
BENCHMARK	-8.26	-13.91	-15.25	-3.22	-0.55	0.11

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 0.75% (Class I). Net expense ratio 0.69%. 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 1/31/2023. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class I inception date is 5/10/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of $100,000.

developments prompted major policy institutions, such as the International Monetary Fund and the World Bank, to slash their forecasts for economic growth in 2022 and 2023.

- The US dollar gained ground against its global counterparts, helping the US Dollar Index close at nearly 20-year highs. The currency was helped by expectations that the Fed will need to tighten policy more than other central banks, together with the United States' role as a relative safe haven. Higher US Treasury yields were also a source of demand. On the other end of the spectrum, the Japanese yen fell sharply due in part to the Bank of Japan's decision to print money to fund bond purchases that would keep yields at ultra-low levels. The currency touched a 24-year low in June.
- Bonds suffered unusually weak returns and high volatility in the second quarter, continuing a trend that began in the first three months of the year. Nearly all segments of the market lost ground, with credit-oriented investments generally experiencing the worst performance. One notable result of the sell-off is that the amount of negative-yielding global debt declined considerably from the start of 2022.

Portfolio Review

- The fund underperformed its benchmark, the Bloomberg Global Aggregate Index, primarily due to spread sector allocation, currency allocation and security selection.

Contributors

- The fund's stance with respect to duration and corresponding interest rate sensitivity as well as positioning along the yield curve (which displays the relationship among bond maturities across the maturity spectrum) aided performance relative to the benchmark.
- Local market positioning in the US dollar and Australian dollar-pay markets proved most beneficial. As yields rose in the US dollar-pay market, the portfolio's underweight to the belly of the yield curve proved beneficial.
- The duration underweight in the US aided performance as US Treasury yields surged during the period amid persistently high inflation pressures.
- A currency allocation underweight in the British pound sterling contributed positively to relative performance as the currency weakened against the US dollar during the quarter.

Detractors

- Overweight allocations to the transportation, banking and insurance sectors weighed on results for the period. In particular, European bank holdings underperformed on their proximity risk to the escalating Russia-Ukraine conflict and reliance on oil.
- Overall currency allocation detracted from the fund's performance during the quarter as the dollar strengthened against the majority of G10 currencies during the period. In particular, overweights to the New Zealand dollar and Australian dollar were the main detractors.
- Overall security selection detracted from performance as a result of decisions within the health care, metals & mining and energy sectors, as the Fund's holdings in those sectors underperformed similarly rated peers.

Outlook

• Stubborn inflation has forced central banks to hike rates despite weakening economic data and rising recession risks. Near-term consensus inflation forecasts indicate that the Fed and other central banks will not be able to bring inflation down to their target levels until 2024 and we expect the Fed to continue on its hawkish path. We believe another 75 bps hike is plausible at the next FOMC meeting in July given the resilient US economy, a further drop in unemployment rate, and persistent inflation.

• Consensus expectations for corporate profit growth have held up well but may come under some pressure heading into 2023. While consumer balance sheets remain fairly strong, the sustained strength of the consumer is being monitored. Credit fundamentals remain solid, with corporate earnings and cash flows having rebounded substantially. Household balance sheets remain strong, which should prevent a more material slowdown. Despite the solid fundamental backdrop, we anticipate margin headwinds over the next few quarters as a result of rising input costs. Global consensus earnings estimates have remained steady so far, but they will likely decline as economic activity slows. We remain cautious on future earnings growth given the continued supply chain issues, rising and persistent inflation, high energy, and transportation costs, labor shortages, and wage pressures.

• The USD has continued to strengthen and may continue to rally as the global economy remains under stress and investors seek a perceived “safe haven”. The Euro, Yen and Sterling are all trading at their lows for the year. US Treasury yields are now at the highest nominal levels seen in over a decade and the US yield levels could continue to attract foreign capital. The USD could continue to set new highs until the global data stream, and global risk appetite, improve. We believe the USD will continue to rise to overbought levels followed by a sharp reversal, with little or no predictability in the timing of the change in direction.

• The potential for the Russia-Ukraine conflict to escalate and broaden out remains a risk to markets. Elevated global inflation could be further exacerbated if the conflict is prolonged and supply chains continue to be pressured. We continue to see downward growth forecast revisions in major economies throughout the world and acknowledge risks from China and Europe. China remains an important indicator for both commodity prices and global risk appetite. If lockdowns are more persistent in China, there is a risk of a more material growth slowdown. A stagflationary shock also remains a potential risk. If the Fed is unable to contain inflation and hikes too aggressively into a sharper than expected growth slowdown, it risks the potential for a policy mistake that could push the economy towards a recession.

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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Foreign securities** may involve heightened risk due to currency fluctuations. Additionally, they may be subject to greater political, economic, environmental, credit and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. **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.

Bloomberg Global Aggregate Index *provides a broad-based measure of the global investment grade fixed income markets. The three major components of this Index are the US Aggregate, the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The Index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment grade 144A securities. 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 800-633-3330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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