Limited Term Government and Agency Fund

FUND FACTS

OBJECTIVE

Seeks high current return consistent with preservation of capital

Share class	Y
Inception	3/31/1994
Ticker	NELYX
CUSIP	543487326

Market Conditions

- Bonds suffered poor performance and unusually high volatility in the second quarter, continuing a trend that began in the first three months of the year. Inflation accelerated to the fastest pace in over 40 years, prompting the US Federal Reserve (Fed) to raise 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.
- US Treasury yields rose across the board in response to these developments. The yield on the two-year note, which stood at 2.34% on March 31, 2022, climbed as high as 3.43% on June 14. (Prices and yields move in opposite directions.) The yield on the 10-year note began the quarter at 2.34% and peaked at 3.47% in the same time span. At the close of the quarter, concerns about a potential recession began to exceed the worries about inflation. Economic activity indicators in the United States came in below expectations, measures of consumer and business confidence continued to decline, and the markets appeared to grow more concerned that the crisis in Ukraine would cause Europe's growth to fall into negative territory. Treasurys rebounded in response to this news, with the yields on the two- and 10-year notes declining to 2.95% and 3.01%, respectively. Despite this late rally, the Treasury market finished with one of its worst showings in the first half of a calendar year in history.
- Securitized credit, including asset backed securities (ABS), residential mortgage backed securities (RMBS), collateralized loan obligations (CLO), and commercial mortgage backed securities (CMBS) generally produced negative excess returns versus duration equivalent US treasuries. Securitized credit spreads broadly widened in sympathy with broader credit

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-0.92	-3.35	-3.96	-0.07	0.79	0.94
BENCHMARK	-0.85	-4.19	-4.87	-0.04	0.87	0.87

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 0.49% (Class Y). Net expense ratio 0.45%. 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 Y inception date is 3/31/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

markets, but its lower interest rate sensitivity and lack of direct impact from geopolitical instability helped the asset class outperform other similarly rated fixed income asset classes. Agency mortgage backed securities (MBS) produced negative excess returns versus US treasuries as interest rate volatility increased and Quantitative Tightening drove price volatility.

Portfolio Review

- The fund underperformed its benchmark, the Bloomberg US Government 1-5 Year Index, primarily due to security selection.

Contributors

- The fund's below-benchmark stance with respect to duration and corresponding interest rate sensitivity as well as positioning along the yield curve (which depicts the relationship among bond yield across the maturity spectrum) contributed to relative performance as short-term interest rates rose.
- The fund's sector allocation proved slightly beneficial during the period.
- The fund's avoidance of US agency securities was marginally beneficial to performance versus the benchmark during the period.

Detractors

- Issue selection within agency-backed securitized assets detracted from performance during the period, specifically holdings of commercial mortgage-backed securities and collateralized mortgage obligations.
- Security selection within non-agency securitized assets also hindered performance during the period, specifically holdings of asset-backed securities and commercial mortgage-backed securities.
- The fund's underweight allocation to US Treasurys detracted during the quarter.

Outlook

- Agency mortgage-backed security (MBS) spreads (the difference in yield between agency MBS and Treasurys of similar maturity) remain near their longer-term averages. We continue to favor MBS sectors less likely to face refinancing and extension risk, such as low loan balance mortgages and home equity conversion mortgages.
- Within the commercial real estate sector, we have focused on agency commercial mortgage-backed security (CMBS) opportunities.
- Our non-agency securitized exposures remain steady, favoring asset-backed securities (ABS) over CMBS.

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. **US government agency securities** are not insured and may not be guaranteed by the US government. **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. **Securities purchased on a forward commitment, when-issued or delayed delivery basis** are subject to many of the same risks (such as market risk and interest rate risk) as other securities. In addition, when-issued and delayed delivery securities are subject to other risks including loss of value prior to delivery; the security may not be issued; or a counterparty to the transaction may not meet its obligations.

Bloomberg US 1-5 Year Government Bond Index *is an unmanaged, market-weighted index of bonds issued by the US government and its agencies, with maturities between one and five years. 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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