LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

SEPTEMBER 30 2019

Global Allocation Fund

FUND FACTS

OBJECTIVE

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

Share class	Y
Inception	5/1/1996
Ticker	LSWWX
CUSIP	543487870

Market Conditions

- Following a volatile quarter, global equity markets ended September largely unchanged from the beginning of the period (as measured by the MSCI All Country World Index). US-China trade issues and growing concern that a 'manufacturing recession' was taking hold as manufacturing data showed weakness across several economies dominated headlines. The utilities and consumer staples sectors posted the largest gains as investors moved into perceived less risky areas of the market. The energy sector posted declines despite a surge in the oil price at the end of the quarter after a drone attack on Saudi Arabia's oil facilities took out about half of the country's oil production, roughly 5% of global supply.
- The Organization for Economic Cooperation and Development (OECD) cut its growth forecasts for the US and a number of developing countries in September. Declining business investment and slowing trade flows are the most obvious signs that trade conflicts are hindering global growth.
- With an already increasingly weak backdrop of disappointing European economic data, global treasury yields plunged in August following President Trump's announcement of his plans to impose tariffs on all remaining Chinese imports. This pledge appeared to exacerbate global growth concerns and increased doubts over the ability of the two sides to strike an agreement on trade. Expectations for further central bank rate cuts also spurred investor flows into government bonds. The yield on the 10-year US Treasury note saw its

CLASS Y PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	0.55	19.00	7.95	10.58	8.10	10.10
PRIMARY BENCHMARK	-0.03	16.20	1.38	9.71	6.65	8.35
SECONDARY BENCHMARK	0.31	12.36	4.19	6.56	4.94	6.10

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 0.91% (Class Y). Net expense ratio 0.91%. 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 1/31/2020. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 5/1/1996. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

TOP TEN EQUITY HOLDINGS (%)

Danaher Corp	3.4
Roper Technologies Inc	3.2
Northrop Grumman Corp	3.1
Sherwin-Williams Co	2.7
Nestle SA	2.5
Alibaba Group Holding Ltd	2.4
Marriott International Inc	2.4
Amazon.com Inc	2.4
UnitedHealth Group Inc	2.3
Alphabet Inc	2.3
Total	26.7

Data is based on total gross assets before any fees are paid; any cash held is included. The portfolio is actively managed and holdings are subject to change. References to specific securities or industries should not be considered a recommendation. Holdings may combine more than one security from the same issuer and related depositary receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit our website.

biggest one month drop since August 2011 while the yield on the 30-year US Treasury bond fell below 2% for the first time in its history.

- The Federal Reserve (Fed) lowered the target for its benchmark fed funds rate by 25 basis points to the 1.75% - 2% range at its meeting on September 18. Inflation pressures remain mild, corporate profit growth is soft and manufacturing activity is down significantly from its peak in mid-2018.
- The US dollar continued to strengthen as the weak global growth outlook, US-China trade conflict and political turmoil in Europe weighed on other major currencies. Investors remain uneasy about prospects in Europe given the uncertain Brexit situation, political instability in Italy and rising fears of a recession in Germany. The low prospective returns on government bonds in Europe and Japan, where yields have turned increasingly negative in recent months, has pushed investors to seek the higher available yields in the US.

Portfolio Review

- The fund outperformed its primary benchmark, the MSCI All Country World Index Net, as well as its secondary blended index (60% MSCI ACWI, 40% Barclays Global Aggregate). Fund performance was driven by its equity and US fixed income allocations. The fund's non-US allocation detracted from absolute return.

Contributors

- Shares of Sherwin-Williams, a global coatings company, outperformed as the company continues to deliver on its business strategy and reported strong second quarter results. The company rates highly across our quality criteria with a strong management team and leading brands. The company has strong pricing power, as its core architectural business is geared more to higher growth professional painters (80%) versus the do-it-yourself market (20%). Professionals are typically less sensitive to price increases as materials are a small percentage of what they charge their customers, and using a premium product can save their customers money on labor costs (90% of a paint project's cost is labor vs. 10% materials).
- Shares of Northrop Grumman, a global aerospace and defense company, performed well over the third quarter, as a strong book-to-bill ratio and healthy backlog are driving optimism. Northrop rates highly across our quality metrics with a leading position in an increasingly attractive industry and a favorable business model with balanced exposure across contract type, customer and product life cycle.
- The share price of London Stock Exchange Group (LSE Group), an exchanges and financial data group, rose after the company announced the proposed acquisition of Refinitiv, a financial data company owned by Thomson Reuters and a Blackstone-led consortium. There was a further lift to shares in September after Hong Kong Exchanges and Clearing made an unsolicited conditional bid for LSE Group. Despite strong share price performance, we continue to view LSE Group as a high quality company with healthy growth opportunities not fully reflected in its current valuation.
- In fixed income, the fund's corporate credit allocation contributed positively to performance during the period. Particularly helpful to performance were allocations to the finance company, consumer cyclical, communications and banking sectors.

- The fund's allocation to high yield corporate credit also proved additive, with contributions led by select holdings within U.S. cable and wireless issuers.
- The fund's stance with respect to duration (and corresponding sensitivity to interest rates) and US yield curve positioning were primary drivers of positive return. Overweight exposure to Eurozone government bonds also contributed to performance as expectations of further central bank easing buoyed the market and led yields lower.

Detractors

- In equities, the largest three detractors from performance were AIA Group, Marriott International and UnitedHealth Group.
- AIA is an Asian multi-national life insurance company, with two-thirds of its new business coming from Hong Kong and mainland China. Shares fell in the third quarter after rising over the first half of 2019. First half results released in August were strong, showing growth in key measures including the value of new business and operating profit after tax. However, pro-democracy demonstrations in Hong Kong are having a dampening effect on new business sales to mainland tourists in Hong Kong, a key client segment for AIA. We remain confident in the medium-term outlook for AIA's growth, driven by expansion of the middle class across Asia and increasing penetration of life and health insurance in the region from currently low levels.
- Shares of Marriott International, a global hotelier, also underperformed. A weaker macro environment, lower incentive management fees, delays in new hotel openings and an increase in loyalty redemptions all weighed on the stock. Despite these short-term headwinds, we continue to have a favorable view of Marriott and our investment thesis remains unchanged.
- UnitedHealth Group, the largest managed care operator in the US, was the largest individual detractor for the period. Uncertainty around the Democratic Party's potential health care platform as we approach the 2020 presidential election has weighed on shares, along with the broader managed care sector. We continue to view UnitedHealth Group shares favorably as it evolves from a health insurance pure play into an integrated service provider.
- In fixed income, bonds denominated in the euro detracted from performance as the currency depreciated 5% versus the dollar during the period. The decision of the European Central Bank (ECB) to cut its deposit rate and relaunch bond purchases under quantitative easing along with risk-off sentiment towards the end of September contributed to the euro weakness
- Exposure to select emerging market currencies weighed on performance, particularly bonds denominated in the Brazilian real and Colombian peso.
- Individual issuer held in the energy sector, in particular among select US independent companies, failed to keep pace with broader corporate bond market performance. Global demand has been very weak given slowing oil demand in major growth regions such as India and China along with stagnant US demand.

Outlook

- Global economic data may continue to indicate weakness near term. However, we expect the manufacturing-driven slowdown to reverse course later in the fourth quarter without a recession.
- The Fed will likely cut its key policy rate in October and December of 2019. Elsewhere, the ECB and Bank of Japan have signaled continued easing until growth and inflation approach mandated targets.
- Global growth consensus forecasts have stabilized across developed and emerging market economies. Absolute levels of real GDP still look reasonably strong for this year and next.
- The outlook for corporate earnings and global growth remain critical factors helping to drive equity market performance. Downside risks to market sentiment include any uncontrolled escalation of the trade war between the US and China and a slower-than-anticipated uptick in economic activity.
- US trade policy remains a source of uncertainty for corporate decision-makers and investors. Clarity on trade negotiations with China and some sort of deal, even if small, would increase the potential upside for global equity markets.
- Short-term volatility often provides us with entry points to build long-term positions in high-quality companies and opportunities to trim or sell positions at what we consider attractive levels. Rather than try to predict macro events, we focus on companies with sustainable business models and attractive valuations.
- The fund continues to be positioned with a majority equity allocation and a tilt toward non-US markets within fixed income, as we are finding opportunities within these asset classes.

About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline.

The fund's primary benchmark is the ***MSCI All Country World Index (Net)****. The fund's secondary benchmark is a blended benchmark of* ***60% MSCI All Country World Index (Net)/ 40% Bloomberg Barclays Global Aggregate Bond Index****. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

The ***MSCI All Country World Index (Net)*** *is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.*

The ***Bloomberg Barclays Global Aggregate Bond 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.*

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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