LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

JUNE 30 2022

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

- 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, 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 developments prompted major policy institutions,

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	-15.95	-24.84	-20.89	2.05	5.38	7.24
PRIMARY BENCHMARK	-15.66	-20.18	-15.75	6.21	7.00	8.76
SECONDARY BENCHMARK	-12.74	-17.66	-15.41	2.63	4.18	5.41

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 0.87% (Class Y). Net expense ratio 0.87%. 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 1/31/2023. 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 (%)

Alphabet Inc	3.4
Danaher Corp	3.0
S&P Global Inc	2.9
Mastercard Inc	2.9
salesforce.com Inc	2.8
Linde PLC	2.8
ASML Holding NV	2.8
UnitedHealth Group Inc	2.7
Amazon.com Inc	2.7
Accenture PLC	2.7
Total	28.7

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.

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

- Global equity markets declined over 15% (as measured by the MSCI All Country World Index), with all sectors registering declines. The information technology, consumer discretionary and materials sectors posted the largest losses, while the energy, consumer staples and utilities sectors outperformed the index.
- 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 primary benchmark, the MSCI All Country Word Index, primarily due to the fund's equity component. The fund also underperformed its secondary blended benchmark (60% MSCI All Country World Index/40% Bloomberg Global Aggregate).

Contributors

- In equities, the largest contributors to return were AIA Group and UnitedHealth Group.
- AIA is an Asian multinational life insurance company. While sales of new life insurance policies were slow in the first half of the year due to the lockdowns in Shanghai and movement restrictions in other parts of China, the majority of AIA's revenue is recurring revenue from annual premiums. Additionally, rising interest rates are modestly positive for its investment portfolio. 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.
- Shares of UnitedHealth Group, a leading provider of health insurance and healthcare services in the US, outperformed. The company's traditional health insurance business continued to demonstrate strong execution, highlighted by continued positive enrollment trends in both the Medicare Advantage and Commercial segments, as well as better-than-expected medical costs. There has also been progress at OptumCare, its primary care service, as the number of patients under full value-based care agreements rose significantly. We believe that UnitedHealth's comprehensive set of solutions make the company more valuable than the sum of its parts.
- In fixed income, holdings of inflation-linked securities contributed positively to performance over the period due to continued inflationary pressures. In particular, allocations to US TIPS (Treasury Inflation-Protected Securities) and Japanese government inflation-linked bonds added to performance.
- Security selections within the communications, banking and technology sectors were positive contributors to performance. Within the communications sector, holdings of T-Mobile represented a positive contributor, as management instilled confidence regarding a successful Sprint integration. Holdings of Macquarie Group, which had an extremely successful fiscal year ending in March, contributed positively to performance within the banking sector. Holdings of Oracle contributed positively to performance in the information technology sector as the software company continued to successfully develop its cloud services, infrastructure and applications.

Detractors

- In equities, the three largest detractors from return were Airbnb, Amazon and Nvidia.
- Shares of Airbnb, an online platform for short-term stays and vacation rentals, underperformed in concert with the travel industry. Despite short-term weakness, the ability for the Airbnb customer to work remotely supports longer-term stays and recurring reservations. We also believe an increase in hosts, strong innovation pipeline and solid

balance sheet will enable the company to grow its market share.

- Shares of Amazon underperformed as inflation and supply chain challenges pressured margins. The consumers' return to physical stores also impacted productivity and fixed cost leverage. We believe these headwinds are short-term in nature and Amazon will continue to gain market share.
- Shares of Nvidia, a "fabless" semiconductor company (i.e. one that contracts out production), underperformed along with the broader semiconductor group. Despite the challenging environment, our investment thesis for Nvidia remains intact. The company has continued to grow by creating new uses for its hardware and software. Specifically, the recent AI renaissance - increasingly leveraging graphics process units rather than central processing units - has led to new and larger opportunities in the data center and automotive markets. The company has also started to explore its options to monetize its software, which is currently "free" when purchasing its hardware, via licensing and subscription models.
- In fixed income, corporate credit allocation to the communications, consumer non-cyclical and consumer cyclical sectors detracted from performance. Within communications, holdings of Dish Network Corp. weighed on performance as the bonds significantly underperformed the broader investment grade telemedia space, reflecting the secular decline of the company's challenged satellite video business. Holdings of pharmaceuticals in the consumer non-cyclical sector particularly detracted from performance due to limited refinancing needs, largely bolt-on mergers and acquisitions and political headwinds within the industry. Within consumer cyclicals, surging fuel costs and continued uncertainty surrounding the Omicron variant caused cruise industry holdings to underperform.
- Positioning along the yield curve (which depicts the relationship among bond yields across the maturity spectrum) and stance with respect to duration and corresponding interest rate sensitivity detracted from performance. In particular, allocations to the US dollar and Canadian dollar-pay markets were the primary detractors from performance. Allocations in US dollar-pay markets, particularly in the five- and ten-year maturity segments, held back performance. Following the Fed's 75 basis point hike in June, both the Fed and the Bank of Canada are projected to raise rates by 75 basis points in July, with three more Fed rate hikes expected following the July meeting.

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 basis point hike is plausible at the Fed's next Open Market Committee meeting in July given the resilient US economy, a further drop in unemployment 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 sustainability of consumer strength 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 US dollar 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 pound 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 US yield levels could continue to attract foreign capital. The dollar could continue to set new highs until the global data stream and risk appetite improve. We believe the dollar 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

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 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 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.*

*The **Standard & Poor's 500® Index** is a market capitalization weighted index consisting of 500 US industrial, transportation, financial, and utility companies, calculated on a total return basis with dividends reinvested.*

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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