High Income Fund

FUND FACTS

OBJECTIVE

Seeks high current income plus the opportunity for capital appreciation to produce a high total return

Share class	Y
Inception	2/29/2008
Ticker	NEHYX
CUSIP	543488803

Market Conditions

- After a tumultuous fourth quarter of 2018, market conditions calmed in the first three months of the year. The end of the government shutdown and hopes for a resolution to the US-China trade dispute helped restore stability to the markets, as did a series of economic reports showing that growth – while slowing – appeared likely to stay in positive territory. The US Federal Reserve (Fed) also contributed to the favorable tone through its statements that it was unlikely to raise interest rates again in 2019. These developments bolstered investor sentiment, leading to lower volatility and a recovery in the various higher-risk asset categories that had underperformed in late 2018.
- Both US and global investment grade corporates outperformed Treasurys. The asset class benefited from the combination of declining US Treasury yields and the renewed demand for yield that accompanied the revival in investors' appetite for risk.
- High yield bonds delivered strong returns and outpaced the investment-grade market. The category had lagged considerably in late 2018, creating latitude for a strong rebound once investors grew more comfortable with the outlook for economic growth and Fed policy.
- US headline inflation ticked lower in the first quarter, continuing a trend that was in place for the final two months of 2018, while core inflation showed more stability. Market based measures of future inflation, like the 5 year breakeven yield, shifted higher as recession risk faded. This rise likely reflects the growing belief that the Fed may be willing to let inflation run above target for a period of time.

CLASS Y PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	7.21	7.21	4.27	7.98	4.06	9.70
BENCHMARK	7.26	7.26	5.93	8.56	4.68	11.26

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 0.80%. 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 4/30/2020. When an expense cap has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 2/29/2008. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.

Prior to inception of Class Y shares (2/29/2008), performance is that of Class A shares and reflects the higher net expenses of that share class.

Portfolio Review

- The fund underperformed its benchmark, the Bloomberg Barclays US Corporate High Yield Index, primarily due to security selection and sector allocation.

Winners

- Positioning within the fund's core allocation to high yield corporate credit contributed positively to relative performance. Capital goods, consumer non-cyclical and finance company names added the most to relative return.

Laggards

- An allocation to securitized credit was a laggard of relative performance for the period as this sector did not keep pace with high yield corporates.
- Convertible securities had a negative impact on relative return, with consumer non-cyclical and capital goods names weighing on performance.

Outlook

- The Federal Reserve's most recent pivot acknowledges slowing growth both in the US and globally. Late cycle indicators have been repeatedly apparent in market and economic conditions. However, we intend to continue to position portfolios with the view that a US recession is not likely in the foreseeable future.
- We believe oil prices have stabilized and may trend higher as inventories fall and demand expectations grow. Headline and core inflation trends remain moderate to slightly weaker, which lends further support to the Federal Reserve's decision to put future rate hikes on hold at this time. While the pause may be warranted given the slowing global growth environment, we do not believe the rate hiking cycle has reached its end.
- Valuations in both investment grade and high yield corporate bonds have risen substantially following the sell-off in the fourth quarter of 2018. Trends remain favorable overall and we see potential for additional upside with good security selection. Our strategy remains focused on higher quality issues given the age of the current credit cycle.[1] We are maintaining select energy and commodity related holdings based on our oil price outlook.
- We believe there still can be value in convertible debt. Our allocation is diversified across industries including energy, technology, financials and healthcare. Our focus is on security-specific opportunities where we have strong conviction.
- We believe our strategies are well-positioned with an appropriate balance of risk, yield, liquidity and diversification designed to achieve our goal of generating attractive returns through income and capital appreciation. We view risks as more balanced currently between economic re-acceleration and further deterioration in conditions. As a result, we will continue to use the flexibility of our multisector strategies to help manage the changing market landscape while remaining patient and selective in establishing new positions.

About Risk

Below investment grade fixed income securities may be subject to greater risks (including the risk of default) than other fixed income securities. **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.

Bloomberg Barclays US Corporate High Yield Index *covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. 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.

[1] *A credit cycle is a cyclical pattern that follows credit availability and corporate health.*

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