Inflation Protected Securities Fund

FUND FACTS

OBJECTIVE

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

Share class	I
Inception	5/20/1991
Ticker	LSGSX
CUSIP	543495766

Market Conditions

- Investors' appetite for risk surged in the fourth quarter, which contributed to a broad range of nearly all positive returns across credit asset classes. In early November, investors were treated to the long-awaited news that coronavirus vaccines were effective and would soon become available to the public. The prospect of a gradual return to normal economic conditions in 2021 allowed market participants to look beyond recent adverse headlines, including the emergence of a new strain of the virus, ongoing Brexit negotiations, and a slowdown in the economic recovery. Investors instead were focused on and encouraged by the US Federal Reserve (Fed) statements indicating its intention to keep short-term interest rates near zero for a multiyear period. Not least, the resolution to the US election removed a factor that had weighed on sentiment in early autumn.
- The developments mentioned above acted as a headwind for the Treasury market. While short-term yields were largely unchanged due to the steady outlook for Fed policy, longer-term yields rose (as prices fell). With Treasurys already having rallied significantly in the first nine months of the year, there was little room for further improvement – particularly in light of rising estimates for both economic growth and inflation in 2021. In addition, demand for "safe haven" assets was muted due to generally positive headlines.

CLASS I PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	2.14	13.97	13.97	6.57	5.54	3.82
BENCHMARK	1.62	10.99	10.99	5.92	5.08	3.81

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 0.96% (Class I). Net expense ratio 0.40%. 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 1/31/2021. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class I inception date is 5/20/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of $100,000.

The fund revised its investment strategies on 12/15/2004; performance may have been different had the current investment strategies been in place for all periods shown.

- With the Fed and other central banks providing aggressive support to their respective economies, inflation expectations began to increase over the final two months of the year. In late December, the breakeven rate—the difference between the yields on the 10-year Treasury note and 10-year Treasury Inflation Protected Securities—approached 2%, its highest level since December 2018. This trend translated to outperformance for TIPS relative to Treasurys.
- High yield corporate issues performed very well and finished as the best performing major segment of the bond market for the quarter. Yield spreads—the difference between yields on below investment-grade debt and Treasurys of similar maturities—declined to a level close to where they stood in February prior to the sell-off associated with COVID-19.

Portfolio Review

- The fund outperformed its benchmark, the Barclays US Treasury Inflation Protected Securities (TIPS) Index, primarily due to security selection.

Contributors

- Security selection within the fund's core TIPS allocation boosted performance relative to the benchmark over the quarter.
- The fund's small allocations to government-related securities contributed modestly to relative return over the period.
- An allocation to investment grade corporate credit positively impacted performance during the quarter, aided by security selection within the sector. Exposure to high yield corporate issues also boosted excess return over the quarter.

Detractors

- The fund's positioning along the yield curve (which depicts the relationship among bond yields across the maturity spectrum) weighed on relative return for the quarter.
- An underweight stance with respect to duration (and corresponding interest rate sensitivity) with the TIPS allocation constrained relative performance over the quarter, although this was offset by excess duration from the corporate bond allocation.

Outlook

- While the recent rise in coronavirus cases has led to renewed containment measures across the US, the prospect of one or more vaccines has been priced into markets along with expectations for a fiscal package to arrive in the first quarter of 2021. These measures have boosted confidence that the economic recovery could continue to show steady, if uneven, progress. GDP growth has rebounded from the steep declines earlier in 2020 and we expect this trend to continue into the new year.

- We anticipate limited changes in monetary policy, with the Fed likely maintaining its zero interest rate policy until at least 2023. The Fed has also indicated that full employment and longer-term inflation averages are additional factors in considering any future rate hikes. This accommodative stance should continue to boost investor confidence and demand for yield in a low global rate environment. In addition, we believe the overall health of the consumer, strong housing market and expected inventory rebuilding provide support to our outlook.
- Market conditions in the past year have highlighted the notion that investors tend to overreact. The speed and severity of the recession and subsequent sharp rebound were unexpected, but also presented some favorable investment opportunities. These developments have served to reinforce our view that markets are highly inefficient in the short-term. We believe we were able to capitalize on these developments in 2020 and that we are well-positioned to benefit from the expected economic growth and recovery in the new year.

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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Inflation protected securities** move with the rate of inflation and carry the risk that in deflationary conditions (when inflation is negative) the value of the bond may decrease. **Derivatives** involve risk of loss and may entail additional risks. Because derivatives depend on the performance of an underlying asset, they can be highly volatile and are subject to market and credit risks. **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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Commodity-related** investments, including derivatives, may be affected by a number of factors including commodity prices, world events, import controls and economic conditions, and therefore may involve substantial risk of loss.

Bloomberg Barclays US Treasury Inflation Protected Securities Index *covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit and collateralized securities. The liquidity constraint for all securities in the index is $300 million. 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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