Emerging Markets Debt Blended Total Return

Strategy Update by the Loomis Sayles Alpha Strategies Team

PERFORMANCE

AS OF JUNE 2025	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION[2]
Composite (gross)	3.19%	5.11%	7.40%	10.15%	7.56%	2.07%	3.98%	2.66%
Composite (net)	3.13%	4.94%	7.06%	9.44%	6.90%	1.51%	3.43%	2.12%
Blended Index[1]	2.20%	4.16%	7.28%	10.56%	8.35%	2.28%	3.17%	2.94%
Excess return (gross)	0.99%	0.95%	0.12%	-0.41%	-0.78%	-0.20%	0.81%	-0.27%
Excess return (net)	0.94%	0.78%	-0.22%	-1.11%	-1.45%	-0.77%	0.26%	-0.82%

Data Source: Loomis Sayles, as of 06/30/2025
Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations.
[1] The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
[2] The Emerging Markets Debt Blended Total Return Composite Inception Date is 03/01/2017.
Past performance is no guarantee of future results

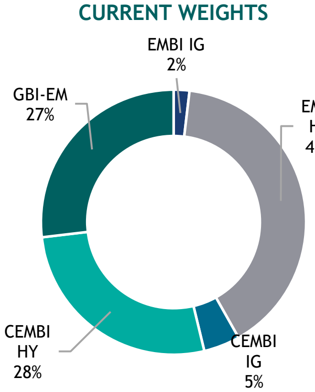
EM CREDIT & FX REGIME IDENTIFICATION

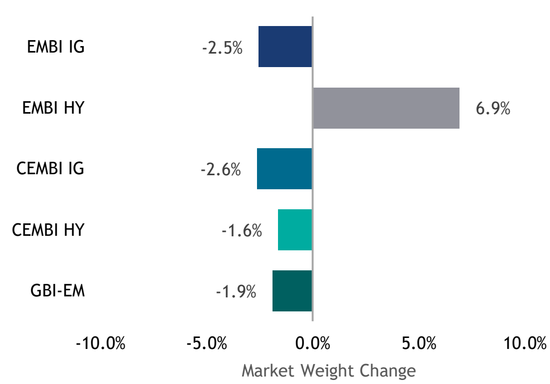
The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanistically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically be captured within the first six months of a signal switching, which is why we include the date at which the respective signal last changed. The additional information relates to what is driving the current regimes (value and momentum signals) and the directional trend.

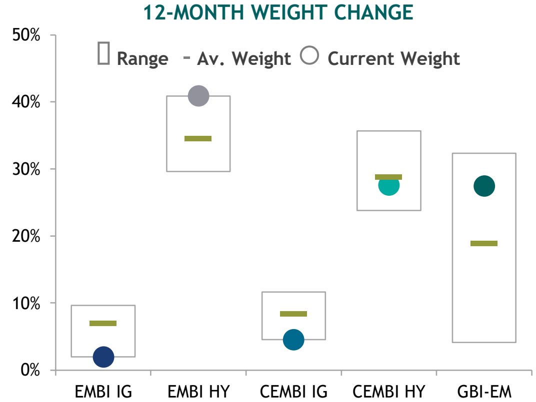
SIGNAL	REGIME[2]	VALUE SIGNAL	SHIFT DATE	TREND	MOMENTUM SIGNAL	SHIFT DATE	TREND
EM CREDIT[1]	RISK-ON	+	05/09/25	IMPROVING	+	05/09/25	DETERIORATING
EM FX	RISK-ON	-	05/02/25	DETERIORATING	+	01/31/25	DETERIORATING

Data Source: Loomis Sayles, as of 06/30/2025
[1] EM Credit (sovereign and corporate) [2] Risk-On = Value OR Momentum (+). Risk-Off = Value AND Momentum (-)
The table presented above is shown for illustrative purposes only. Views and opinions expressed are as of the date indicated and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

ASSET CLASS EXPOSURE







■ Hard Currency Sov. IG (JPM EMBI IG) ■ Hard Currency Sov. HY (JPM EMBI HY) ■ Hard Currency Corp. IG (JPM CEMBI IG) ■ Hard Currency Corp. HY (JPM CEMBI HY) ■ Local Currency Sov. (JPM GBI-EM)

Data Source: Loomis Sayles, as of 06/30/2025. Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%.
Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. The charts presented above are shown for illustrative purposes only.
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Please see important disclosure page, an integral part of this presentation, which follows.

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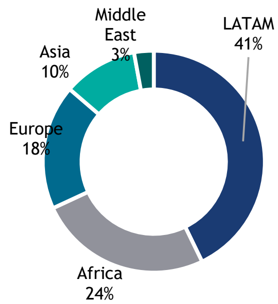
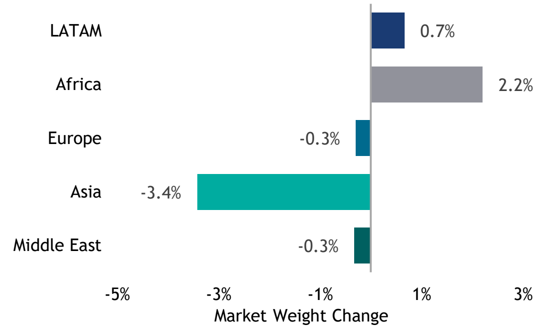
REGIONAL EXPOSURES

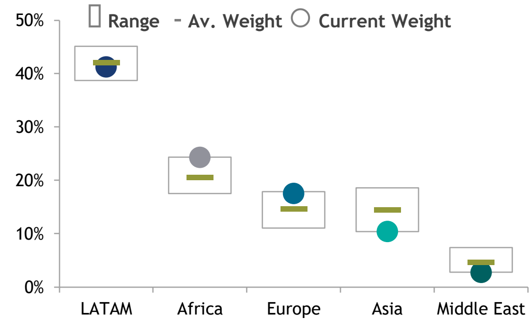
TOP 5 REGION OF RISK (MARKET WEIGHT%)



1-MONTH MARKET WEIGHT CHANGE



12-MONTH PORTFOLIO WEIGHT RANGE



■ Latin America (LATAM) ■ Africa ■ Europe ■ Asia ■ Middle East

Data Source: Loomis Sayles, as of 06/30/2025
Due to active management, characteristics evolve over time. Due to rounding, totals may not equal 100%.
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COMMENTARY

JUNE POSITIONING

- Entering June, EM Credit and FX were in risk-on mode despite outstanding concerns related to the US deficit and lack of clarity on tariff policy, both of which carried implications for Fed policy.
- The US Dollar (DXY) continued to be a focal point for EM investors, testing 1-year lows into June, despite US rates rising throughout the month of May.
- De-dollarization remained a key theme along with the bid to low-quality sovereigns and frontier markets as their yield advantage garnered investor flows.
- We maintained portfolio beta of approximately 1.0 as we expected on-again/off-again trade talks to trigger bouts of volatility, ultimately resulting in a weaker US Dollar.

HOW DID JUNE UNFOLD

- We started the month with a great deal of uncertainty on the horizon as trade tensions escalated and as President Trump and President Xi initiated conversations. Trump had only begun focusing on Europe at this point. The Conflict between Russia/Ukraine and tensions in the Middle East showed little signs of progress, adding concerns around the global growth outlook.
- Despite falling to 1-year lows, the US Dollar remained one of the richest currencies globally on long-term valuation metrics at around 12% rich relative to the historical average real effective exchange rate. We continued to position for the unwind of US exceptionalism and Fed rate cuts in months to come, extending the US Dollar depreciation cycle.
- Local sovereigns, CCC and single-B sovereigns remained a source of alpha across EM fixed income, despite limited clarity on global trade policy from Washington.
- By mid-June, Iran's strike on Isreal rang global investor alarm bells as Israel targeted Iran's nuclear facilities in response.
- Typically, geopolitical flare-ups coupled with sharp oil price spikes (+17% intraday, in this case) produce a safe haven bid for the US Dollar, and EM risk assets take it on the chin. This time around, there was a small period of US Dollar strength, immediately met by demand for low-quality EM high yielders.
- In the days following the subsequent US strike on Iran's nuclear facilities, there was increased investor appetite for global assets and a weaker US Dollar as EM local currency yields collapsed on lower inflation expectations.
- The world's largest bond funds increased exposure to EM Debt, as typically one of the most attractive asset classes in a weak US Dollar environment. This shift in positioning was largely due to expectations that the US Dollar's decline will persist.

Source: Loomis, Sayles & Co; Bloomberg
^ The Blended Index is 1/3 JPM EMBI; 1/3 JPM GBI-EM; 1/3 JPM CEMBI. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
Credit Quality reflects the highest credit rating assigned to individual holdings of the Composite among Moody's S&P or Fitch; ratings are subject to change.
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COMMENTARY (CONT'D)

HOW DID JUNE UNFOLD (CONT'D)

- EM local currency bond funds experienced record inflows into quarter end: eight consecutive weeks of positive inflows according to EPFR data. Local currency bonds, +12% year-to-date, have outperformed the broad fixed income universe by north of 500 basis points, while the first half of 2025 marks the worst start to a year for the US Dollar since 1973.

JULY POSITIONING

- Portfolio beta has increased to approximately 1.1. While local currency bonds continue to melt up, distressed EM sovereigns are the number two fixed income asset class – both keeping up with global equities this year as the 10-year US Dollar bull market comes to an end.
- Corporates are mirroring the positive performance of sovereigns, but with lower returns as spreads have richened to cycle tights (similar to what we are seeing in US investment grade/high yield credit). We believe EM corporates continue to benefit from their developed market yield advantage, improving fundamentals, and lower volatility than sovereigns with a buy-and-hold investor base. EM corporate issuance has been robust into July, helping to keep overall liquidity in a healthier position.
- While we remain firmly in risk-on mode, investors are still cautious towards the asset class due to ongoing geopolitical tensions, tariffs, and global disruptions. Nevertheless, we believe optimism is building that the positive trend in local currency and frontier sovereign debt can be sustained after a record 2020-2022 default cycle.
- As complacency sets in with volatility trending lower, we are back in a zone where data matters more again, and where markets are now more vulnerable to a negative US growth shock. We believe near-term risk depends on the next few months of US labor market and inflation prints along with how views of the Fed path shift in response.
- We believe yields are likely heading lower along with the US Dollar, keeping us in risk-on through Q3.
- We believe some of the key return drivers for the month ahead include: VIX Index, Metals, US TIPS 1-10y, the US Dollar, and Euro investment grade Credit.

Source: Loomis, Sayles & Co; Bloomberg

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EMERGING MARKETS DEBT BLENDED TOTAL RETURN TEAM

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