Emerging Markets Debt Blended Total Return

Strategy Update by the Loomis Sayles Alpha Strategies Team

PERFORMANCE

AS OF NOVEMBER 2025	1M	3M	YTD	1Y	3Y	5Y	7Y	INCEPTION[2]
Composite (gross)	0.55%	3.15%	14.01%	12.03%	10.36%	1.61%	4.88%	3.24%
Composite (net)	0.49%	2.98%	13.34%	11.32%	9.66%	1.03%	4.32%	2.68%
Blended Index[1]	0.55%	3.13%	13.04%	11.58%	9.72%	2.11%	3.98%	3.41%
Excess return (gross)	0.00%	0.02%	0.97%	0.45%	0.65%	-0.51%	0.91%	-0.17%
Excess return (net)	-0.05%	-0.14%	0.31%	-0.26%	-0.06%	-1.09%	0.34%	-0.73%

Data Source: Loomis Sayles, as of 11/30/2025
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

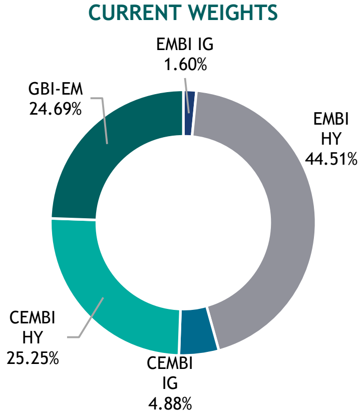
The panel below illustrates the current 'regimes' we are in, either risk-on or risk-off for EM Credit and EM FX, respectively. The regimes strongly influence (but do not mechanistically dictate) top-down asset allocation. Through our research, we have also found that the majority of value-add can typically 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	+	11/28/25	IMPROVING	+	05/09/25	IMPROVING
EM FX	RISK-OFF	-	10/10/25	IMPROVING	-	08/01/25	IMPROVING

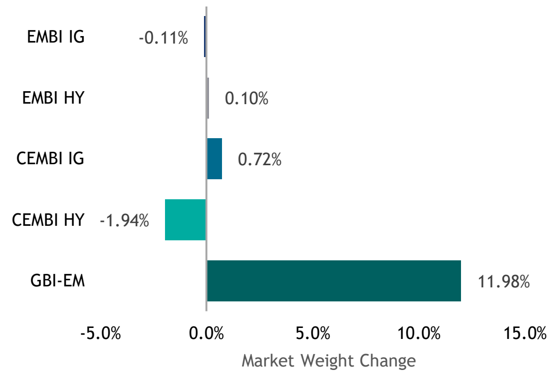
Data Source: Loomis Sayles, as of 11/30/2025
[1] EM Credit (sovereign and corporate) [2] Risk-On = Value OR Momentum (+). Risk-Off = Value AND Momentum (-)
The table presented above is shown for illustrative purposes only. Views and opinions expressed are as of the date indicated and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

ASSET CLASS EXPOSURE

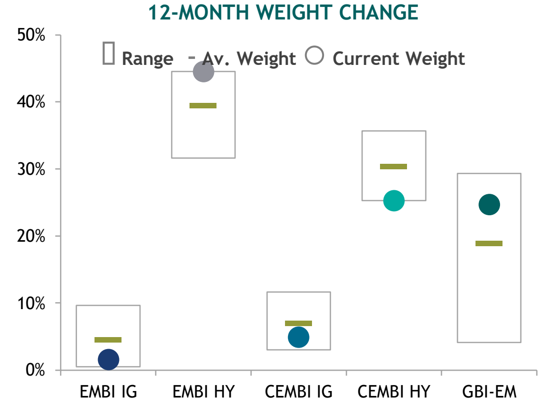
CURRENT WEIGHTS



1-MONTH MARKET WEIGHT CHANGE



12-MONTH WEIGHT CHANGE



■ 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 11/30/2025. 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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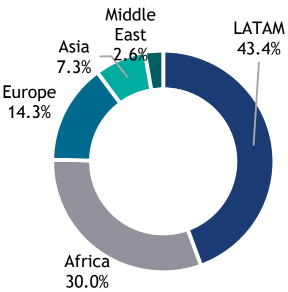
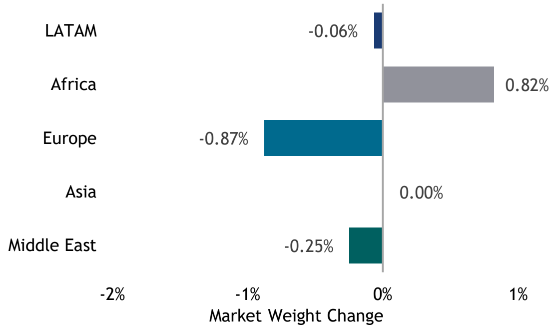
REGIONAL EXPOSURES

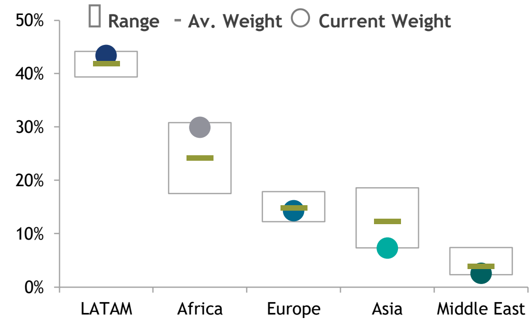
TOP 5 REGION OF RISK (MARKET WEIGHT%)



1-MONTH MARKET WEIGHT CHANGE



12-MONTH PORTFOLIO WEIGHT RANGE



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

Data Source: Loomis Sayles, as of 11/30/2025

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COMMENTARY

NOVEMBER POSITIONING

- Entering November, Emerging Market (EM) Credit remained in risk-on mode, while Foreign Exchange (FX) was in risk-off with improving value and momentum signals. The VIX (Volatility Index) and metals were the main variables explaining returns in EM FX, both important for the global artificial intelligence (AI) trade, which began to negatively impact stocks and commodity markets at the beginning of November.
- Despite the longest US government shutdown in history still underway, low-quality EM credit remained supported. We maintained a more cautious position in anticipation of a sustained rise in global macro volatility.
- Portfolio beta was reduced to approximately 0.8, with our positioning bias skewed toward high yield credits in Central and Eastern Europe, Middle East, and Africa (CEEMEA) and Latin America, with half of our non-US Dollar exposure hedged.

HOW DID NOVEMBER UNFOLD

- Overall, the backdrop remained favorable for Emerging Markets. The path for US rates and the US Dollar trended lower at the start of the month on the back of softer labor markets, limited upside catalysts, and further rate cuts. Meanwhile, EM fundamentals continued on a stable-to-improving trajectory with spreads converging toward Developed Markets (DM).
- Heading into the fourth quarter, several risks remained on the horizon: the extent of US Dollar depreciation after an approximately 10% decline (the biggest year-to-date move since 1974), excessive Federal Reserve (Fed) cuts priced into the market, the record-length US government shutdown, the LatAm political election cycle, and ongoing negotiations between the US, Russia, and China.
- Political events – namely the US shutdown, the surprise from Japan's Liberal Democratic Party (LDP), and the French Prime Minister's resignation – muddies the waters. Despite this uncertainty, we observed six consecutive monthly inflows to EM bond funds with a strong bias toward high yield frontier sovereigns.
- Argentina rallied approximately 20 points off the Buenos Aires provincial election lows through the mid-terms on October 26th. The combination of local support for President Milei, International Monetary Fund (IMF) Chief Georgieva's comments surrounding an approved aid package, and backing from the US Treasury via a $20 billion currency swap line kept bonds supported throughout November.
- EM local rates remained at the year's lows with 4-5% real yields, anchored by EM-DM convergence and priced-in Fed cuts. Fed easing provided additional policy space for EM central banks, with 17 of 21 expected to cut rates further by mid-2026. This dynamic was one reason unhedged local sovereigns remained a top-performing asset class.

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 NOVEMBER UNFOLD (CONT'D)

- While positioning posed a potential threat to the EM carry trade – as volatility picked up from post "Liberation Day" lows with increased uncertainty around the magnitude of Fed cuts – we favored credit over FX beta around mid-month.
- The resilience of credit markets was tested due to renewed escalation in US tariff headlines, which jolted spreads from recent tights when President Trump raised the possibility of a "massive increase" in tariffs on China.
- Despite volatility linked to US credit events and trade issues, EM local rates remained anchored, in contrast to prior stress periods. This stability was thanks in part to improved fundamentals and a relatively weaker US Dollar.
- This outperformance reflected the diversification benefits of regional EM exposure, with weakness in China offset by strength in LatAm and Africa. We increased portfolio beta in late November based on regime signal improvements.
- Looking ahead, constructive macro tailwinds – such as resilient EM economic growth, potential non-recessionary Fed rate cuts, and strong institutional demand – supported an improving outlook. Portfolio beta increased to approximately 1.1, positioning for a full risk-on regime shift in Credit and FX (we removed credit hedges and maintained unhedged local currency bonds).

DECEMBER POSITIONING

- Portfolio beta is held at approximately 1.1 as top-down regime signals improved out of the late November sell-off. Our risk-on Emerging Market Debt (EMD) stance for December is supported by a resilient macro backdrop, attractive expected returns versus DM credit, and improving EM fundamentals, even after strong year-to-date performance. Ratings upgrades outpaced downgrades across agencies in the most recent round of revisions.
- Global conditions heading into year-end are turning seasonally bullish with a "goldilocks" mix of moderating US growth, decelerating inflation, and ongoing DM policy rate cuts.
- This lower core yields environment is driving EM spread compression. Coupled with a stable-to-weaker US Dollar, top-down regimes favor EM high yield hard-currency and local-currency debt.
- It has been a great ride for EM investors so far in 2025, and we see the bull market continuing into 2026 with tighter spreads led by high yield credit and stronger EM currencies.
- EM economies are expected to grow faster than developed markets in 2026. Aggregate EM Gross Domestic Product (GDP) growth estimates are around 4% with inflation near 4 to 4.5%, underpinning stable-to-improving credit metrics in the post-2022 default cycle. Sovereign defaults are now tracking below 1% versus approximately 5% in 2022 and roughly 10% in 2020.
- IMF-backed sovereigns with strong governance are succeeding with reform and fiscal consolidation efforts. Ecuador is the latest example, gaining 10 points in November on the Fitch upgrade from CCC+ to B-, now trading at $85 with a 9.8% yield. Other leading performers heading into December include Venezuela, Bolivia, Honduras, Ukraine, and most of Sub-Saharan Africa, despite lower oil prices (their main export). Yields of 8-10% are offered in this space excluding Venezuela, which is breaking out to six-year highs at $33 with an 88% yield on 2027 bonds.
- Beyond high yield credit, local-currency EM remains a favored sector given elevated real policy rates, scope for additional cuts, and relatively well-anchored inflation.
- Many EM central banks began easing earlier than the Fed. Further EM rate cuts in 2026 can support local bonds without triggering major currency stress if global financial conditions remain accommodative.
- Even after a strong, double-digit return year, we believe EM debt still offers higher yields and spread risk premia than comparable DM credit on a rating-adjusted basis, particularly in high yield sovereigns and select corporates.
- From a cross-asset perspective, as DM Investment Grade (IG) spreads grind to multi-decade tights, EM debt's incremental income and diversification benefits stand out as one of the few remaining sources of high structural carry in fixed income, in our opinion.
- We believe some of the key return drivers for the month ahead include US investment grade credit, US rate volatility, industrial metals, the VIX, and the US Dollar.

Source: Loomis, Sayles & Co; Bloomberg

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EMERGING MARKETS DEBT BLENDED TOTAL RETURN TEAM

Andrea DiCenso
Portfolio Manager

Peter Yanulis
Portfolio Manager

Alex Thompson
Investment Director

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Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal .

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