FULL DISCRETION

Quarterly Credit Update

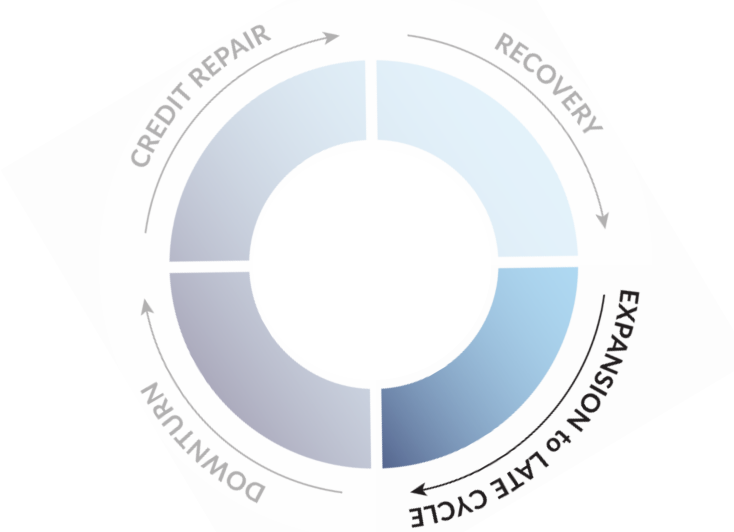
KEY TAKEAWAYS

- Interest rates were, once again, pushed higher in the second quarter of 2024 as inflation data continues to remain sticky and the probability of the Federal Reserve's (Fed's) cutting cycle will be pushed out further. Our view of the credit cycle is unchanged in the 'late cycle' stage. Defaults and credit losses appear to be in line with what we would expect at this stage of the cycle. Risk premiums continue to compress as spreads have tightened, though they still appear moderately attractive, in our view. Our base case calls for a resilient economy and trend US growth in 2024, though more recently we have seen a deceleration in economic data, with Q1 2024 gross domestic product (GDP) reported lower at 1.3% quarter-over-quarter. We will be watching for any impacts on potential defaults and risk premiums.
- Market technicals appear stable and credit fundamentals remain resilient. New issuance in the investment grade and high yield credit markets have been front-loaded to get ahead of potential anticipated volatility generated by the US presidential election in November. However, this influx of new issuance has been well-digested by markets. We have witnessed a continued improvement in ratings migrations, particularly within investment grade credit, which is also helping the fundamental backdrop. We expect this theme to continue throughout 2024 given the strength of the consumer and the economy.
- The duration of the high yield index is approaching all-time lows, which, in turn, has reduced the overall interest rate sensitivity of the asset class. We have also seen spreads tighten to the low end of their historical ranges, which could create an opportunity for investors to get more concentrated in issuers they believe would outperform throughout the credit cycle. Additionally, we believe distressed securities are disproportionality impacting the option adjusted spread (OAS) of the high yield index, which may signal to investors that these bonds could be undervalued.

CREDIT CYCLES/RISK PREMIUM

Credit Markets Appear Unchanged in 'Late Cycle'

Our base case continues to have credit markets in the 'late cycle' stage. Corporate fundamentals remain stable and have been supportive of economic activity.

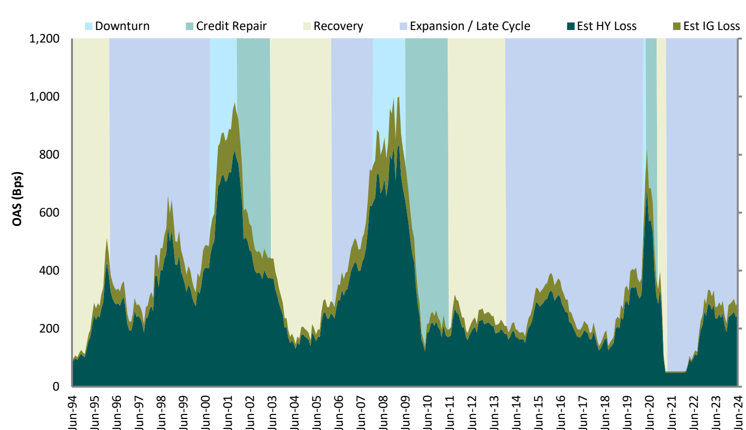


As of 6/30/2024. ***Chart shown for illustrative purposes only.*** *This reflects the current opinions of Loomis Sayles Macro Strategies team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.*

Credit Losses Trending Toward Longer-Term Averages

We believe losses should remain low and on trend with expected levels associated with a 'late-cycle' environment. As is typical in late cycles, we are closely monitoring any indication of increased losses due to economic weakness and deteriorating corporate profitability.

Estimated IG and HY Losses †



Source: Bloomberg and Loomis Sayles, as of 6/30/2024. This chart is provided for informational use only and should not be considered investment advice. Markets may behave very differently than history suggests, it is not possible for any methodology to accurately identify and interpret all relevant market events. ***For more information on the credit cycle periods shown, please see the Additional Notes at the end of this material. Past performance is no guarantee of future results.***

† Please see Risk Premium Disclosure at the end of this document, an integral part of this material.

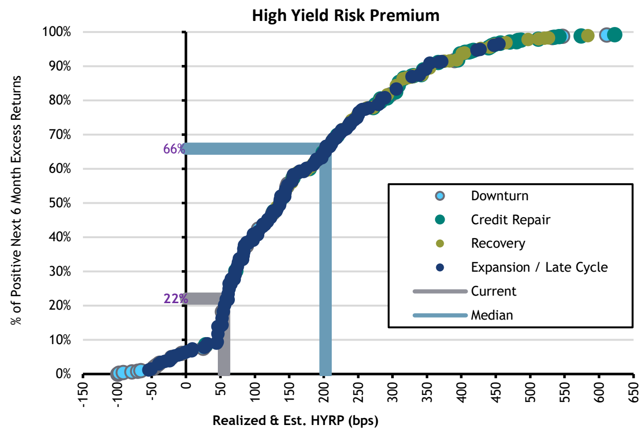
CREDIT CYCLES/RISK PREMIUM (cont.)

High Yield Risk Premiums Look to be Squeezed

Risk premiums have compressed as spreads continued to move tighter throughout the first half of 2024 (HY spreads were at 402 bps at the start of Q4 2023 versus 309 bps to end Q2 2024). Fundamentals look relatively healthy, although we are keeping an eye on the recent deceleration in economic data and the potential impact it could have on an erosion in risk premiums.

Charts are illustrative for presentation purposes only as a sampling of risk management tool output. *Some or all of this information on these charts may be dated, and, therefore, should not be used as a basis to purchase or sell any securities. The information is not intended to represent any actual portfolio managed by Loomis Sayles. The analysis shown is based on historical data and does not predict future results. Markets may behave very differently than history suggests, it is not possible for any methodology to accurately identify and interpret all relevant market events. Therefore, the use of this type of information to make investment decisions has inherent limitations. There is no guarantee that future experience will be similar. The analysis reflected in this presentation is limited to certain periods. We make no representation that the experience of any other periods is comparable.* ***Past performance is no guarantee of future results.***

HY Risk Premium & Probability of Positive Excess Return Potential Over Next 6 Months †



Source: Loomis Sayles, as of 6/30/2024

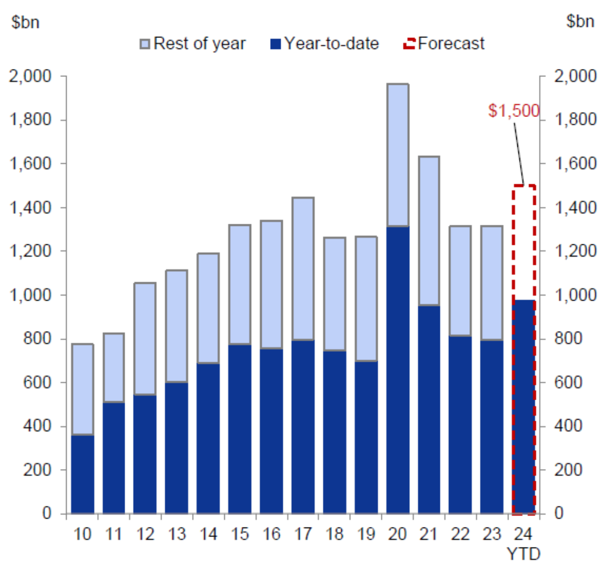
FUNDAMENTALS/TECHNICALS

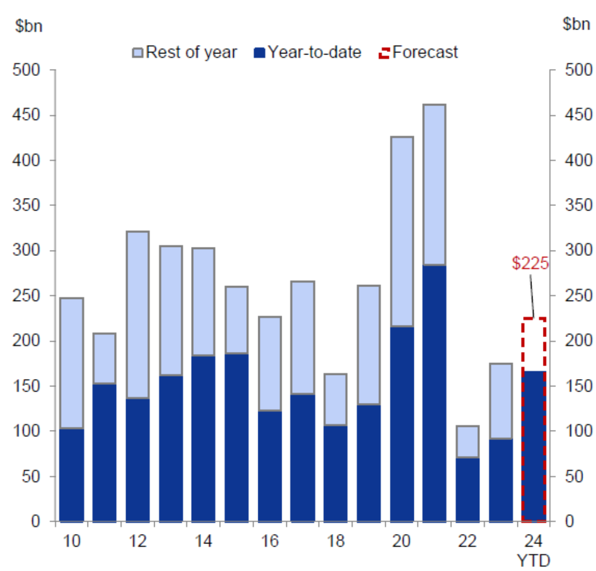
Companies Are Rushing to Issue New Debt Ahead of the US Presidential Election

In anticipation of potential market volatility in the final stages of the US presidential election, year-to-date US dollar issuance in investment grade and high yield credit markets has been elevated. Based on the charts below, new issuance in the investment grade credit market is up on a year-over-year basis by approximately $973B. Increased issuance has been supported by robust demand given attractive yields and resilient fundamentals highlighted by stable corporate profits.

Primary Market Dashboard: USD Gross Issuance

Historical Issuance: Same Period Year-to-Date vs. Rest of the Year in Investment Grade (left panel) and High Yield (right panel)





Source: Dealogic and Goldman Sachs Global Investment Research, as of 7/12/2024

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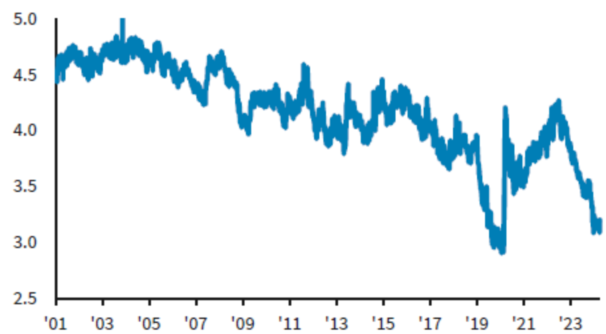
FUNDAMENTALS/TECHNICALS (cont.)

High Yield Currently Experiencing Lower Duration, Less Interest Rate Sensitivity

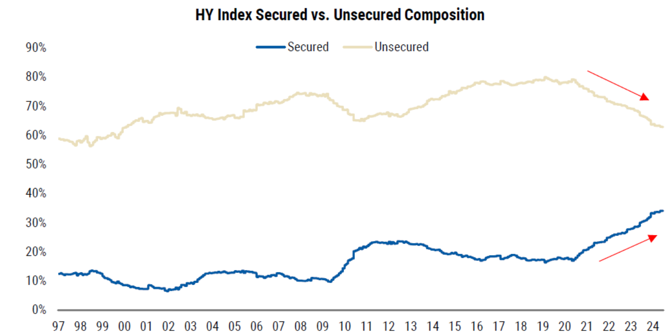
The duration of the Bloomberg US Corporate High Yield Index continues to hover near all-time lows as corporate issuers continue to remain reluctant to borrow further out the credit curve, highlighting the market's expectation for lower interest rates. As a result, high yield credit as an asset class now has less interest rate sensitivity than we have previously seen. Additionally, secured issuance continues to be robust as we have seen both an increase in issuance that previously would have gone to the syndicated bank loan market, which tends to be a secured market, as well as issuer preference for secured paper in an effort to save on interest costs.

Index Duration is at Post-COVID Lows



Source: Bloomberg and Barclays Research, as of 4/12/2024

Today's Index is More Skewed Toward Secure Bonds Than Previously Seen



Source: Intercontinental Exchange Inc. (ICE) and Morgan Stanley Research, as of 7/9/2024

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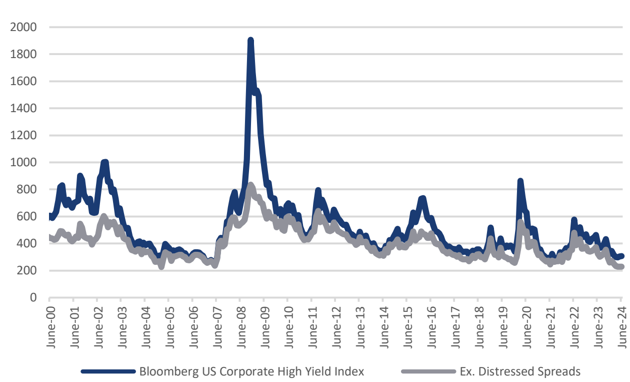
SECURITY SELECTION

Tight High Yield Spreads Appear to be Creating Opportunities

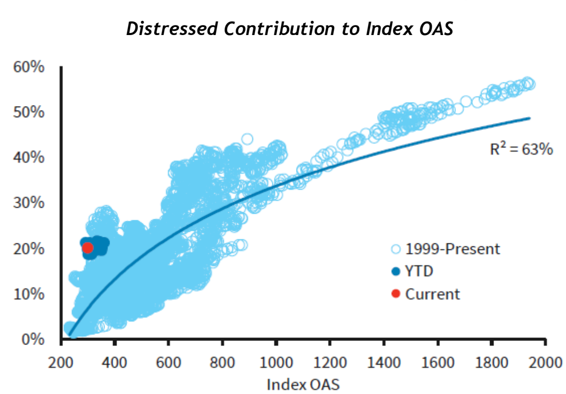
High yield spreads excluding distressed are approaching all-time tights. This appears to be creating an opportunity for investors to get concentrated in issuers they believe will perform throughout the credit cycle, and do so at a minimal cost as investors have indiscriminately bid spreads tighter across quality cohorts, in our view. On the other hand, the cohort of names trading at distressed levels appear to be having an outsized impact on the OAS of the Bloomberg US Corporate High Yield Index. We believe this suggests these distressed bonds are trading below "normal" dollar prices for a distressed security and that this also provides an opportunity for investors to find potentially undervalued bonds.

Bloomberg US Corporate High Yield Index vs. Index Excluding Distressed Spreads



Source: Bloomberg, as of 5/31/2024

The Contribution of Distress to Overall Index Spread Remains High Relative to the Outright Spread Level



Source: Bloomberg and Barclays Research, as of 4/5/2024

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ADDITIONAL NOTES

CREDIT CYCLE REGIME PERIODS

EXPANSION/LATE CYCLE:
4/1/1997- 8/31/2000; 3/1/2006-12/31/2007; 1/1/2014- 2/28/2020; 4/1/2021 - 6/30/2024 (PRESENT)
DOWNTURN:
9/1/2000 - 11/30/2001; 1/1/2008 - 6/30/2009; 3/1/2020 - 4/30/2020
CREDIT REPAIR:
12/1/2001 - 5/30/2003; 7/1/2009 - 5/31/2011; 5/1/2020-10/31/2020
RECOVERY:
6/1/2003 - 2/28/2006; 6/1/2011-12/31/2013; 11/1/2020 - 3/31/2021

As of 6/30/2024

Regime periods are determined by Loomis Sayles Macro Strategies team based on a variety of subjective and objective factors, including past economic and asset performance metrics. Views and opinions expressed reflect the current opinions of the team, and are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.

RISK PREMIUM DISCLOSURE

This material is provided for informational purposes only and it should not be construed as an investment advice. Investment decisions should consider the individual circumstances of the particular investor. Any opinions or forecasts contained herein reflect subjective judgments and assumptions of the author and do not necessarily reflect the views of Loomis, Sayles & Company, L. P. Investment recommendations may be inconsistent with these opinions. There can be no assurance that developments will transpire as forecasted. Proposed solutions and related analysis does not represent the actual or expected future performance of any Loomis products. We do not intend to imply that we managed actual portfolios with these characteristics during the periods shown or that we could construct actual portfolios with these characteristics and return experience. Accuracy of data is not guaranteed but represents our best judgment and can be derived from a variety of sources. Opinions are subject to change at any time without notice.

While the analysis provided may be shared with one or more investment team, it is not the only input into the investment process for any strategy and therefore should not be viewed as a primary source of investment decisions, which are a function of many variables.

The analysis is based on historical data and does not predict future results. Markets may behave very differently than history suggests, it is not possible for any methodology to accurately identify and interpret all relevant market events. Therefore, the use of this type of information to make investment decisions has inherent limitations. There is no guarantee that future experience will be similar. The analysis reflected in this presentation is limited to certain periods. We make no representation that the experience of any other periods is comparable.

Unless otherwise specified, all analysis covers the period from 6/30/1996 to 6/30/2024.

ADDITIONAL IMPORTANT DISCLOSURE

Principal Investment Risks: *Investments in bonds can lose their value. When interest rates rise, bond prices usually fall and vice versa. High yield securities are subject to a high degree of market and credit risk, including risk of default. In addition, the secondary market for these securities may lack liquidity which, in turn, may adversely affect the value of these securities and that of the portfolio. Foreign investments involve special risks including greater economic, political and currency fluctuation risks, which may be even greater in emerging markets. Currency exchange rates between the US dollar and foreign currencies may cause the value of the 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. Equity securities are volatile and can decline significantly in response to broad market and economic conditions.*

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Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

This is not an offer of, or a solicitation of an offer for, any investment strategy or product.

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

Market conditions are extremely fluid and change frequently.

Past market experience is no guarantee of future results.