FULL DISCRETION

Quarterly Credit Update

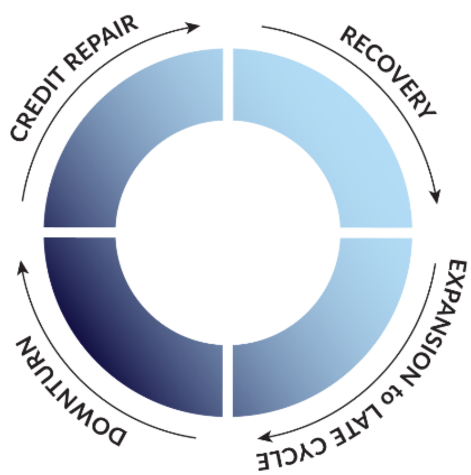
KEY TAKEAWAYS

- In the third quarter of 2024, we witnessed the start of the Federal Reserve's (Fed) interest rate cutting cycle. Risk assets benefitted from rates coming down, with the 10-year US Treasury yield falling 62 basis points (bps) during the quarter, ending at 3.78%. Both high yield and investment grade corporate credit posted strong performance. Defaults and credit losses are aligned with what we would expect in a late cycle environment. Risk premiums are compressed, but the potential for positive excess returns still exists, in our view. A resilient economy and trend/slightly below trend US growth continues to remain as our base case scenario. Even with the recent softening in economic data, the US labor market has held steady. Unemployment continues to remain low from a historical context, which we believe has helped to underpin consumer spending.
- In our view, market technicals are solid and credit fundamentals remain stable. Corporate bond issuance has remained robust. Leverage remains manageable and is supportive of overall corporate health. For high yield corporate credit, new issue supply has primarily come through higher quality, subordinated debt and lower leverage from a historical standpoint has highlighted the overall higher quality bias of the Bloomberg US Corporate High Yield Index. Corporate margins are strong, signaling both the profitability and capacity for companies who are looking to "weather the storm" in terms of market volatility, in our view.
- We have seen an uptick in liability management exercises (LME) in 2024 as defaults in the high yield bond and leverage loan markets have been largely derived from an increase in distressed activity. We have seen the lower-quality cohorts perform well (CCC-rated high yield corporates have returned +12.5% year-to-date proxied by the Bloomberg Caa US Corporate High Yield Index), with most of these returns occurring in this most recent quarter.

CREDIT CYCLES/RISK PREMIUM

Credit Markets Continue to Remain in Late Cycle

In our view, the credit cycle is still firmly in the late cycle stage. While there has been some recent weakness in broader fundamentals, we believe factors such as leverage and interest coverage ratios continue to remain attractive in a historical context.

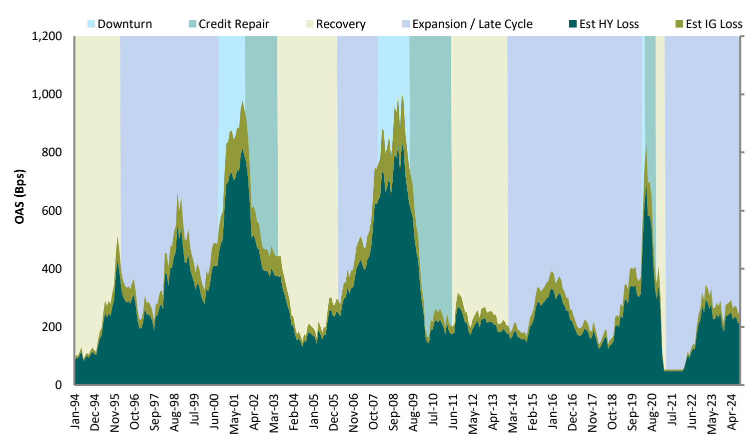


As of 9/30/2024. ***Chart shown for illustrative purposes only.*** *This reflects the current opinions of Loomis Sayles Macro Strategies team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.*

Credit Losses Trending Toward Longer-Term Averages

We believe credit losses have moved toward longer-term averages associated with this stage of the cycle but appear to be holding steady at these levels. We do not anticipate a meaningful uptick in losses from here given the reduced amount of low-quality issuance over the past two years.

Estimated IG and HY Losses †



Source: Bloomberg and Loomis Sayles, as of 9/30/2024. 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.

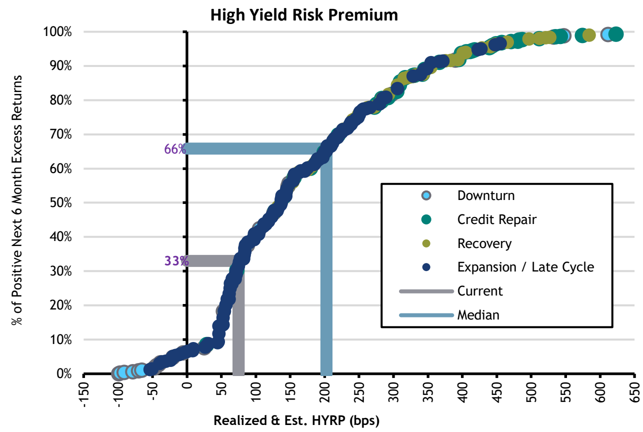
CREDIT CYCLES/RISK PREMIUM (cont.)

High Yield Risk Premiums Remain Positive, but Continue to Feel Pressured

Risk premiums have remained compressed as current levels are below the estimated median for this stage of the credit cycle. That said, we still believe the potential for positive excess returns exists, although we are cautious given the spread compression we have seen year-to-date.

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 †



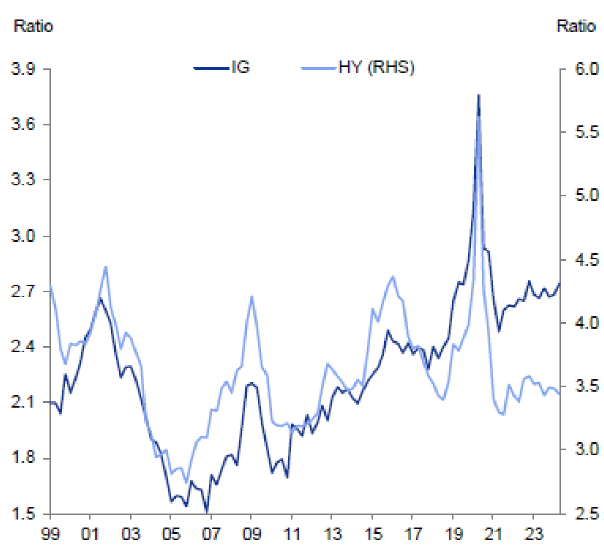
Source: Loomis Sayles, as of 9/30/2024

FUNDAMENTALS/TECHNICALS

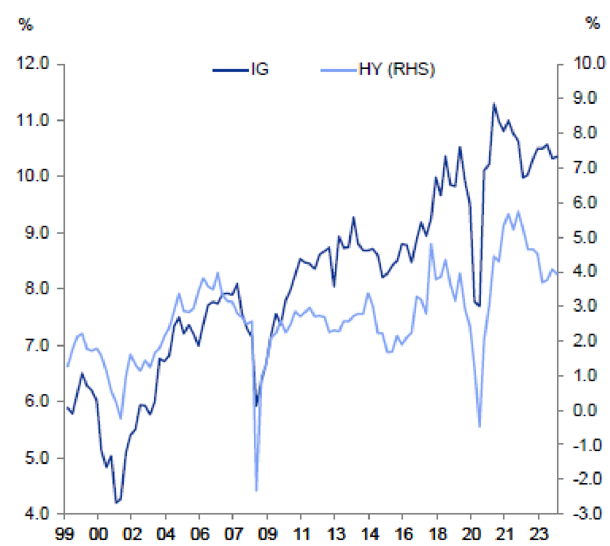
Corporate Health Backed by Manageable Leverage and Strong Margins

Leverage has increased since the cycle lows in 2021 but remains well contained and supportive of overall credit health, in our view. In high yield corporate credit specifically, leverage is significantly below post-global financial crisis (GFC) levels, which we believe reflects the overall higher quality of the Bloomberg US Corporate High Yield Index. Margins, while off COVID highs, remain elevated, which we believe highlights the profitability in the corporate market and the ability of corporations to withstand bouts of volatility.

Net Debt to EBITDA Ratios for the Median US IG- and HY-rated Non-financial Corporations



Net Margins for the Median US IG- and HY-rated Non-financial Corporations



Source: Fact Set and Goldman Sachs Global Investment Research, as of 9/30/2024

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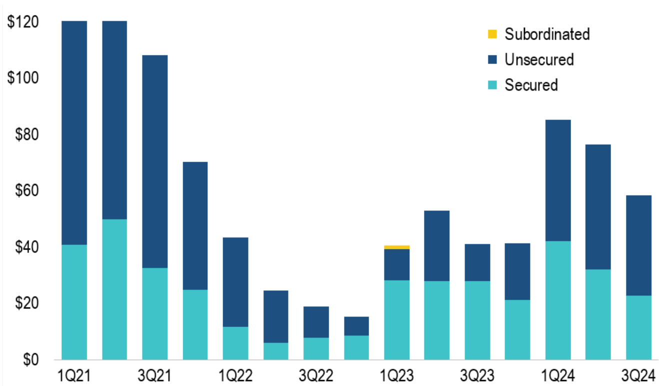
FUNDAMENTALS/TECHNICALS (cont.)

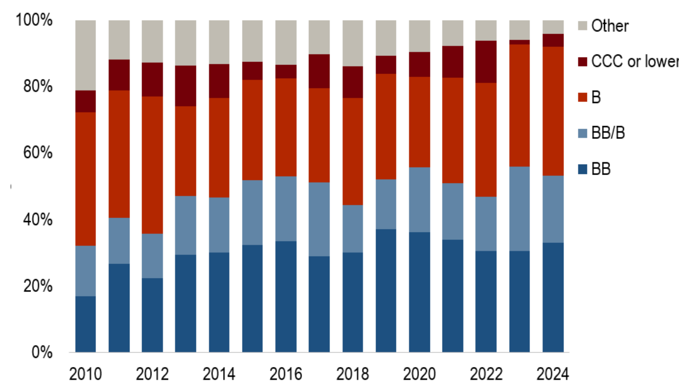
High Yield Supply Strong, Index Quality Supportive

Supply for high yield bonds has been strong year-to-date. We have recently seen secured issuance dominate annual supply figures, but that trend has appeared to reverse in 2024. In terms of ratings, supply has been skewed towards higher quality. We believe these technical tailwinds should support lower losses due to potential downgrades and defaults in coming years.

US High Yield Bond Volume ($B)



US High Yield Rating Distribution (by volume)



Source: Pitchbook LCD, as of 9/17/2024

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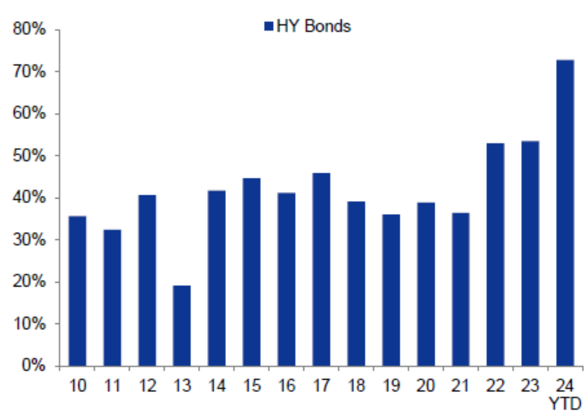
SECURITY SELECTION

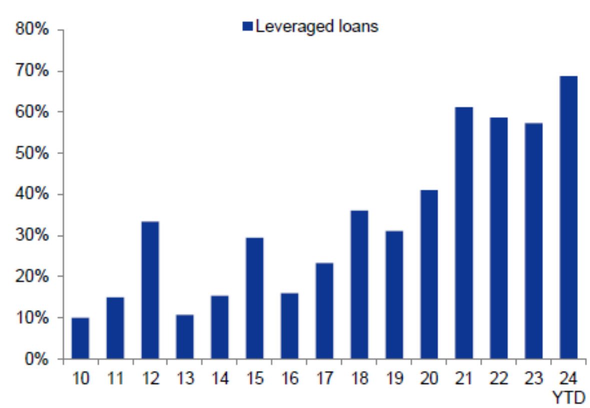
LME Momentum Continues to Build in High Yield and Loan Markets

This year, we have seen a material increase in LME activity. LMEs allow bondholders the opportunity to negotiate potentially more favorable terms with creditors while working through a restructuring. As illustrated in the charts below, distressed exchanges continue to represent a considerable portion of overall defaults in the US high yield bond and leverage loan markets in 2024. During the third quarter, we have witnessed the positive impact of LMEs. For example, CCC-rated US high yield corporate bonds returned +10.2% for the quarter proxied by the Bloomberg Caa US Corporate High Yield Index, with much of this outperformance stemming from distressed securities engaged in LME activity.

Distressed Exchanges are Accounting for a Record Share of US Defaults this Year

Distressed Exchange Share of Annual Defaults in the US HY Bond (left panel) and Leveraged Loan Markets (right panel)





Source: Moody's and Goldman Sachs Global Investment Research, as of 9/30/2024

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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 - 9/30/2024 (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 9/30/2024

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 9/30/2024.

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.