Quarterly Credit Update

Full Discretion Team Views – 4th Quarter 2023

KEY TAKEAWAYS

- Further cooling of inflation and the Federal Reserve (Fed) signaling it was likely done raising rates brought renewed investor optimism in the fourth quarter of 2023. Interest rates fell, the 10-year US Treasury dropped 69 basis points (bps) to finish the year at 3.88%, and broad fixed income markets posted positive returns. Our credit cycle positioning continues to be firmly in 'late cycle.' Defaults and credit losses have ticked up but will stay around levels we consider average for this stage of the cycle. Risk premiums have become more compressed as spreads have tightened. However, we believe there is room for further compression as risk premiums still suggest the potential for positive returns. We believe inflation will remain unstable and above the Fed's 2% target as a result of certain structural drivers, though it has continued to decrease since the start of 2023.
- Market technicals remain strong and credit fundamentals appear to be stabilizing and, in some cases, turning positive. We have seen a shift in sentiment from high yield issuers who previously were reluctant to issue in a higher interest rate environment. Now, although inflation may stay 'unstable,' we anticipate steady issuance as high yield remains well bid and issuers look to address upcoming maturities. Additionally, investment grade yields look attractive as compared to equity earnings yields and should be supportive of continued demand from US investors, in our view.
- In our opinion, the lower quality segments of the credit market appear cheap on a relative basis. This is particularly true for CCC-rated securities. For security selection, dispersion in the high yield market presents investment opportunities as we would expect to see further spread compression if the market continues to move through 'late cycle.'

CREDIT CYCLES/RISK PREMIUM

Credit Markets Appear to Remain in 'Late Cycle'

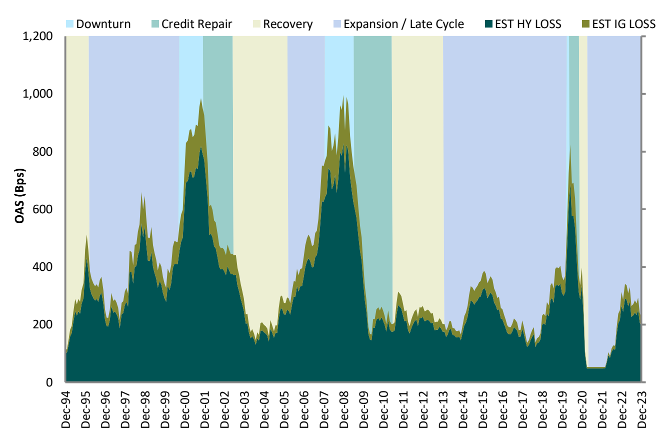
We believe credit markets remain in the 'late cycle' as the overall health of the US economy appears to stay resilient to the effects of higher interest rates. We are increasingly convinced that credit markets priced in 'downturn' in the back half of 2022 as recessionary concerns seem to have peaked in the third and fourth quarters.

*As of 12/31/2023. **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.*

Defaults Continue to Move Toward Longer-Term Averages

We believe losses will continue trending towards 'late cycle' averages over the coming 6-12 months and corporate fundamentals should remain stable.

Estimated IG and HY Losses †



*Source: Bloomberg and Loomis Sayles, as of 12/31/2023. 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.

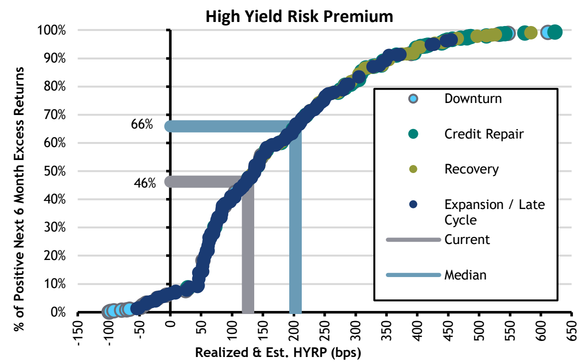
CREDIT CYCLES/RISK PREMIUM (cont.)

High Yield Risk Premiums Have Compressed But Could Still Offer Value

Risk premiums compressed during the fourth quarter rally to below historical median values. However, we know that in 'late cycle' there exists the potential for risk premiums to compress further. We believe risk premiums will continue to decline, but should remain off historical lows.

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 †



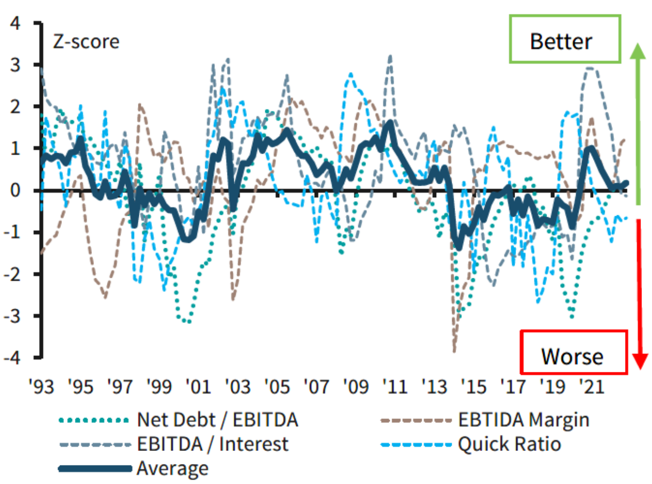
Source: Loomis Sayles, as of 12/31/2023

FUNDAMENTALS/TECHNICALS

Credit Fundamentals Look to be Turning Positive and Credit Technicals Appear to Remain Strong

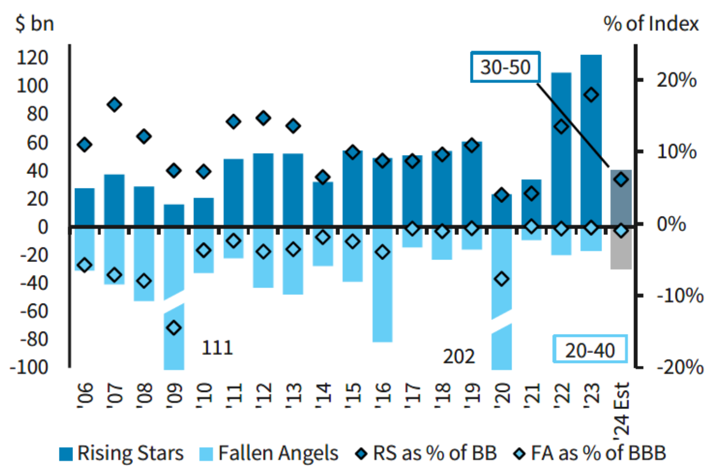
As it pertains to profitability, investment grade credit fundamentals look to be inflecting after deteriorating in recent quarters. Rising stars outstripped fallen angels in 2022 and 2023. While this trend is expected to continue, we believe it will be more balanced going forward.

Fundamentals Appear to Have Stabilized After Declining Meaningfully in 2022



Source: Compustat, Factset, Bloomberg, Barclays Research as of 12/1/2023

Rising Star and Fallen Angel Forecast



Source: Bloomberg, Barclays Research, as of 12/1/2023

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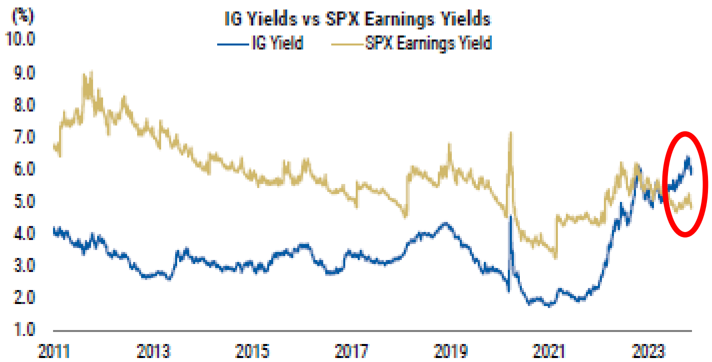
FUNDAMENTALS/TECHNICALS (cont.)

Investment Grade Credit Appears Attractive and Expect Greater Issuance in Leveraged Finance

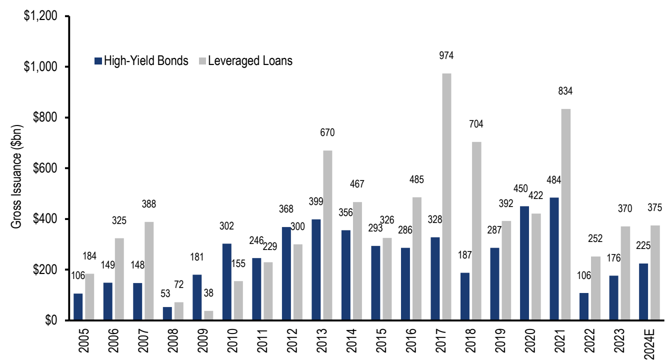
Investment grade bond yields remain elevated and look attractive as these continue to exceed equity earnings yields. For leveraged credit, our expectation is 2024 will bring increased gross issuance as rate volatility has started to abate on the back of the expectation for inflation continuing to decline.

Investment Grade Bonds vs. Equity Earnings



Source: Bloomberg, Morgan Stanley Research, as of 11/17/2023

Gross New Issuance of Overall Leveraged Credit Market



Source: JPMorgan, as of 12/31/2023

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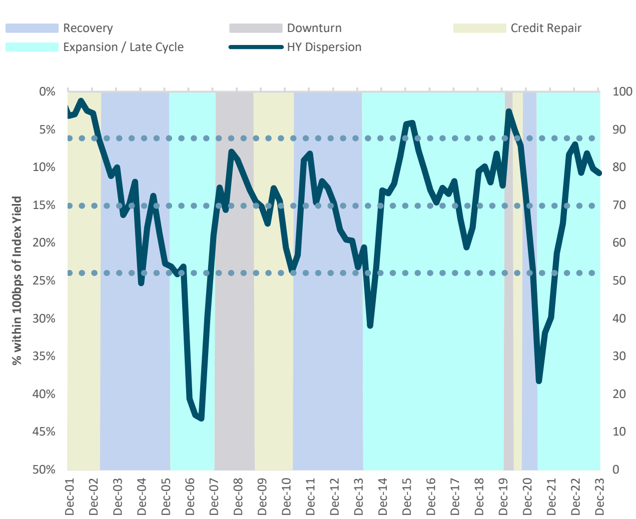
SECURITY SELECTION

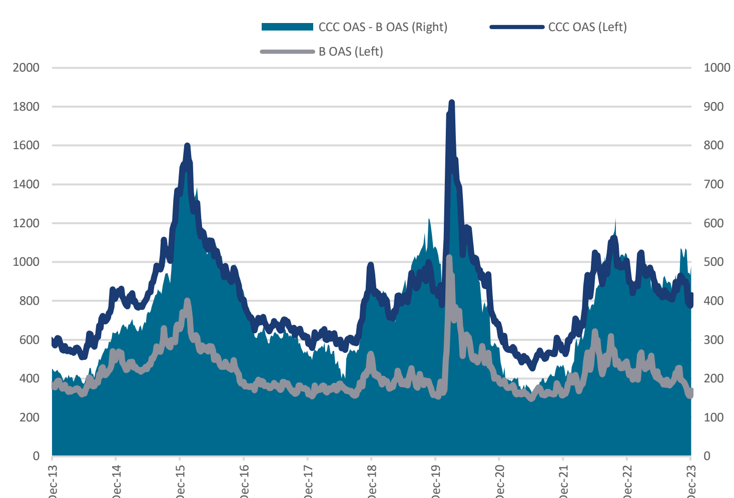
CCC-Rated Securities Appear Cheap, Offering Opportunities for Security Selection

Opportunities remain within the lower quality segments of the credit market. As illustrated in the charts below, dispersion within the CCC-rated and lower segments remains elevated and above the average. Also, when we look at valuations, these continue to look cheap as compared to B-rated securities.

HY OAS* Dispersion (CCC & Lower)



OAS* Difference (CCC - B Rated Securities)



Source: Loomis Sayles and Bloomberg, as of 12/31/2023

OAS is option adjusted spread.* ***The charts presented above are shown for illustrative purposes only.* *Some or all of the information on these chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio managed by Loomis Sayles. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization.*
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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 - 12/31/2023 (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 12/31/2023

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.

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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 12/31/2023

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.