FULL DISCRETION

Quarterly Credit Update

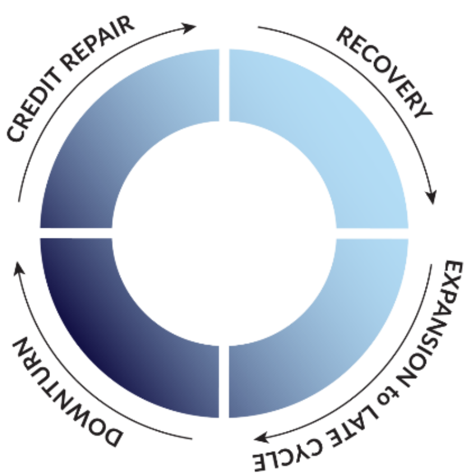
KEY TAKEAWAYS

- The fourth quarter saw a flurry of activity including two interest rate cuts by the Federal Reserve (Fed) and a US presidential election. Volatility ensued and credit market performance was mixed. Defaults and credit losses remain aligned with what we would expect in a late cycle environment. Risk premiums, especially within high yield, continue to be compressed, and we expect carry to be the driver of returns within investment grade corporate credit. While high yield risk premiums currently appear squeezed, we believe an incremental uptick in spreads could quickly elevate risk premiums back to median. Our base case scenario calls for a resilient economy, unstable inflation, trend/above trend US growth and a stable consumer that helps to provide a floor under economic activity.
- In our view, market technicals are solid and credit fundamentals remain stable. Corporate bond issuance was strong in 2024, and we believe this trend is likely to continue into 2025. In our opinion, new issuance in 2025 will be supported by both demand and a promising merger and acquisition (M&A) environment aided by the new administration's policies.
- Dispersion in the high yield market declined in 2024 due to some of the tightest spreads we have witnessed in recent markets. We believe the impact from CCC-rated securities has driven these dispersion levels throughout the year. Underperformance in CCC-rated securities guided dispersion upwards in the first half of 2024, in our view, but outperformance in the second half of the year reversed this trend, which created the lowest levels of dispersion we have seen in some time. We believe recent positive performance has been led by the distressed sectors, specifically idiosyncratic issuers.

CREDIT CYCLES/RISK PREMIUM

Credit Cycle Extends in Late Cycle Stage

In our view, the credit cycle is still firmly in the late cycle stage. We believe this stage may be further prolonged due to positive growth, a stable consumer and steady corporate fundamentals.

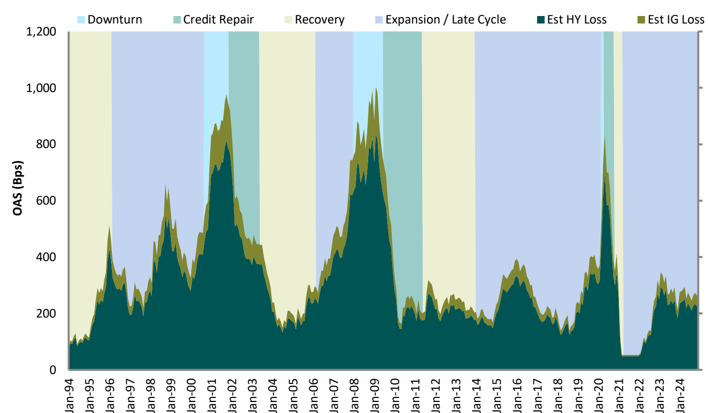


As of 12/31/2024. ***Chart shown for illustrative purposes only.*** *This reflects the current opinions of Loomis Sayles Macro Strategies team, and views are subject to change at any time without notice. Other industry analysts and investment personnel may have different views and opinions.*

Credit Losses Remain Near Longer-Term Averages

We believe credit losses are hovering near median levels for this stage of the credit cycle as we do not anticipate a meaningful change forthcoming. Risk premiums in high yield corporate credit appear stretched but remain anchored by loss levels. For investment grade corporate credit, we believe risk premiums appear fair.

Estimated IG and HY Losses †



Source: Loomis Sayles and Bloomberg, as of 12/31/2024. 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.

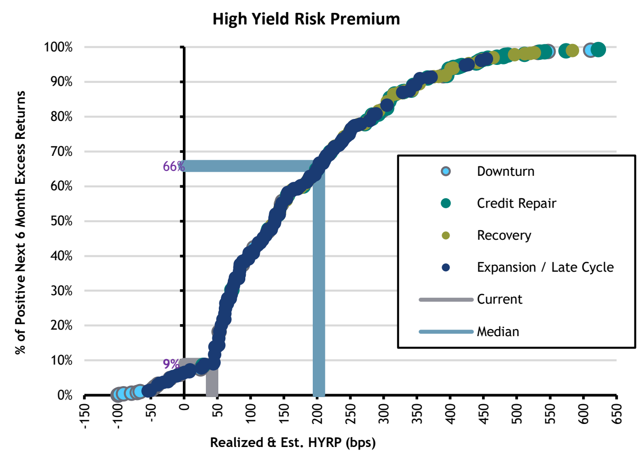
CREDIT CYCLES/RISK PREMIUM (cont.)

High Yield Risk Premiums Appear Squeezed, but Investment Grade Risk Premiums Appear Attractive

High yield risk premiums have contracted during the quarter. However, we believe a slight uptick in high yields spreads could help drive high yield risk premiums back to median levels. Investment grade risk premiums still offer value, in our view, given loss expectations and spread levels.

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 12/31/2024

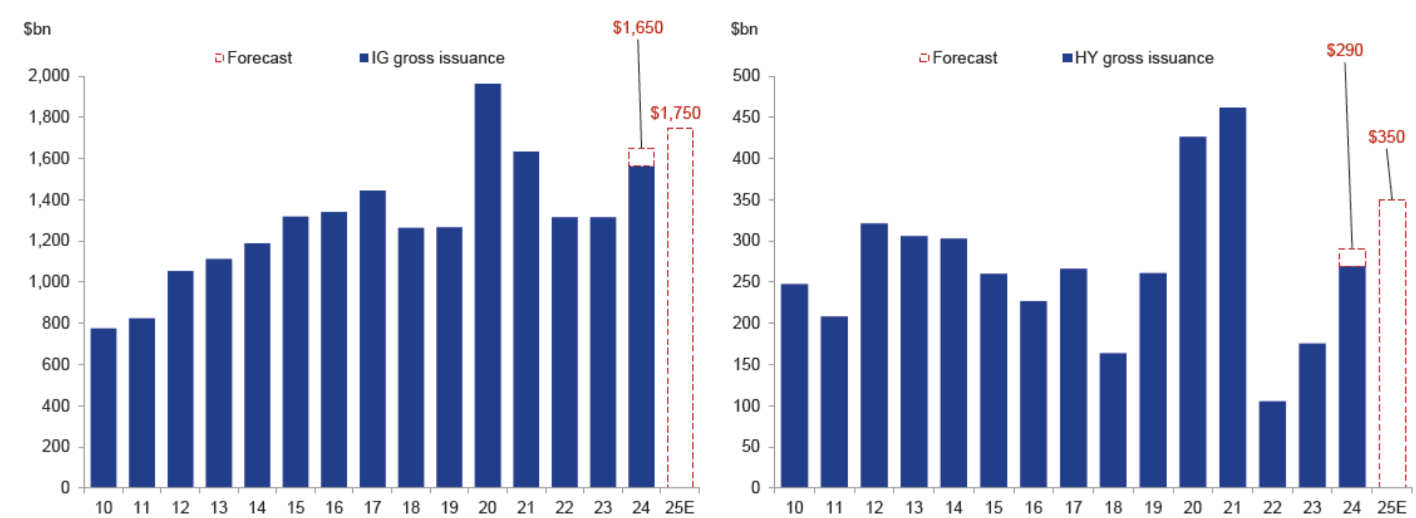
FUNDAMENTALS/TECHNICALS

Strong New Issuance in 2024 Expected to Continue in 2025

New issuance appeared to be front-loaded in the first three quarters of 2024 in anticipation of expected market volatility from the US presidential election. However, issuance has not slowed in the fourth quarter, and we expect new issuance to remain strong in 2025. We believe demand for issuance has been supported by stable corporate fundamentals, positive technicals and robust earnings growth. We anticipate that the same factors could fuel investor appetite in 2025.

Expected US Investment Grade and High Yield Gross Issuance in 2025

Investment Grade (left panel) and High Yield (right panel)



Source: Dealogic and Goldman Sachs Global Investment Research, as of 11/19/2024
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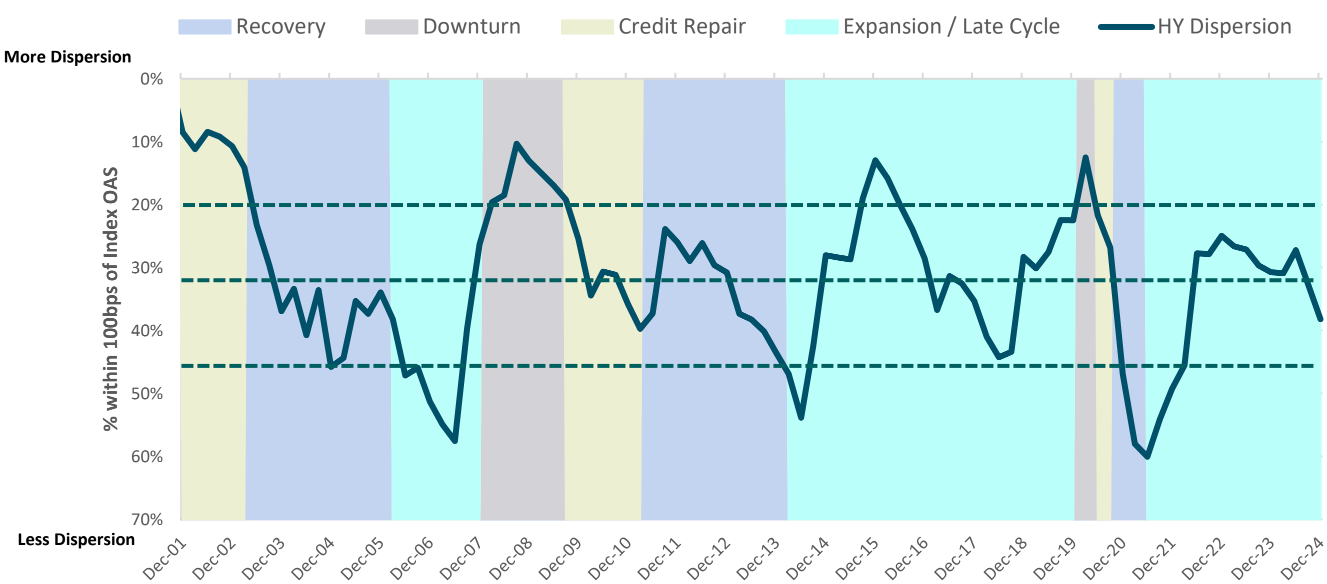
SECURITY SELECTION

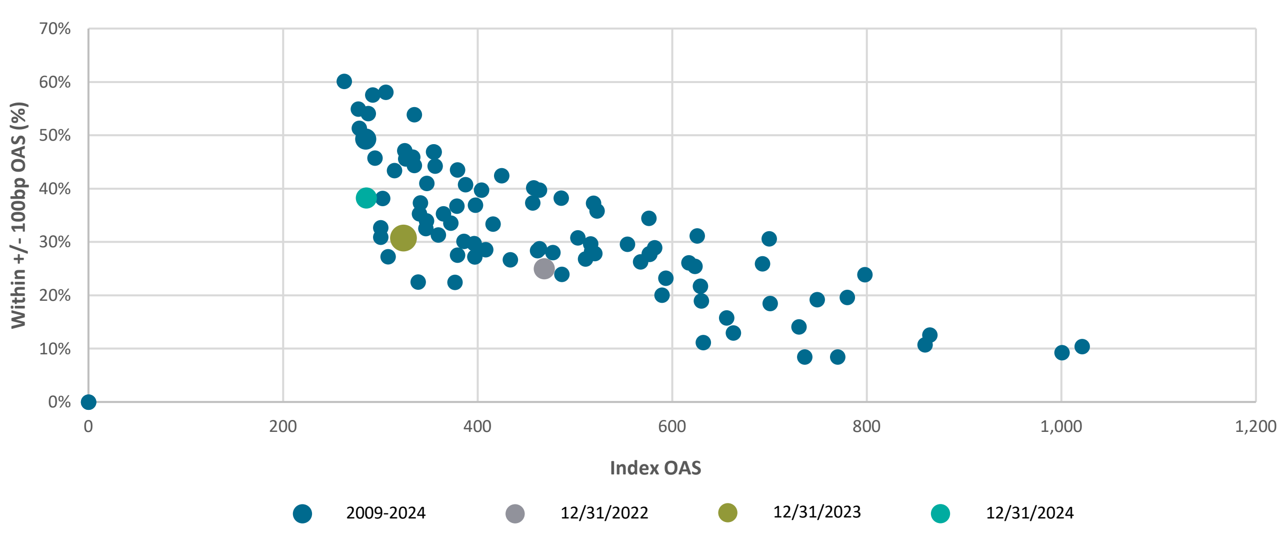
High Yield Dispersion Trending Downward

Dispersion was elevated in the first half of 2024, mostly due to the underperformance of CCC-rated securities, in our view. However, dispersion steadily moved lower in the second half of the year as CCC-rated securities started to outperform the Bloomberg US Corporate High Yield Index and we saw broad-based spread tightening. Looking deeper at the composition of the dispersion, CCC-rated securities continued to have an outsized influence as they accounted for nearly 25% of the overall index option-adjusted spread (OAS). Within CCC-rated securities, we believe the positive performance seen during the fourth quarter of 2024 came largely from distressed sectors as idiosyncratic issuers boosted performance.

High Yield OAS Dispersion



An Elevated Share of the Market Trades Close to the Spread of the Index



Source: Loomis Sayles and Bloomberg, as of 12/31/2024

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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 - 12/31/2024 (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 12/31/2024

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.

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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 12/31/2024

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.

Market conditions are extremely fluid and change frequently.

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

Past market experience is no guarantee of future results.