LOOMIS | SAYLES

Investment Outlook

Craig Burelle | Global Macro Strategist, Credit

July 2025

Based on fundamentals, we expect the credit cycle's expansion phase to continue despite ongoing geopolitical risk and trade uncertainty.

Mercurial geopolitical tensions in the Middle East could contribute to financial market instability broadly and oil supply more narrowly—all with potentially very negative consequences for global growth. While we recognize the dual challenges of geopolitical risks and tariff uncertainty ahead, fundamentals still support US economic expansion, driven by consumers and corporate profitability. We expect profit growth to broaden across sectors and continue into 2026. With regard to inflation, prices may experience a temporary pop as companies pass through tariff-related cost increases. However, the Federal Reserve will likely look past this "one-time" price hike, rather than respond by tightening policy.

The global growth backdrop is somewhat cloudy. However, the risk of global trade seizing up and causing widespread recession appears greatly diminished. We see the potential for trade deals, temporary truces and tariff pause extensions to emerge this summer. That said, an elevated effective tariff rate—around 15%—seems likely.

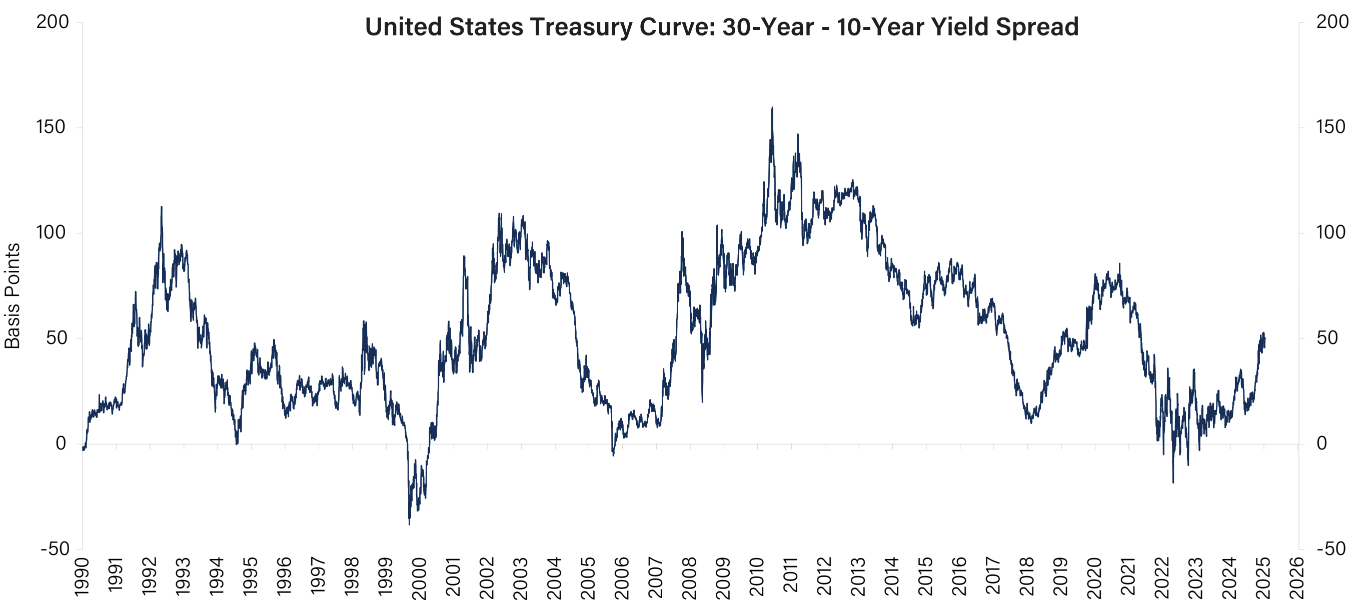
Investment Themes

Macroeconomic Drivers

- Solid bottom-up fundamentals have led to relatively expensive valuations across credit and equity markets.
- Higher-income consumers—who account for the bulk of spending—remain in good shape assisted by the wealth effect. However, those in lower-income brackets are under some financial pressure. Nevertheless, labor market health and on-going job creation should keep consumer spending on firm footing.
- US economic growth may drift below long-term trend levels later this year, but our estimated recession probability has continued to decline and now sits at 20%.
- Given the backdrop of decent growth, we think aggressive central bank easing is unlikely. We anticipate 25-basis-point cuts in October and December.
- While some progress may be made in shrinking the US budget deficit, we are not optimistic that the US administration's target of 3% to 4% of GDP will be achieved over the next three years.
- Despite deteriorating US fiscal health, global investors do not appear to be bailing out of US assets. Treasurys should remain a dependable hedge in risk-off environments.
- In the Middle East, much depends on regional reaction functions principally between Israel, Iran and the US. Each player is operating in the "fog of war" in a situation that demands increasingly speedy reaction times. The failure of all parties to restore mutual deterrence is creating escalatory inertia that makes the risks difficult to overstate.
- With regard to oil, the most significant and enduring threat to global supply is the potential closure of the Strait of Hormuz. Approximately 17 million barrels per day of crude oil and petroleum products—representing about 15% of global demand and roughly 40% of global exports—travel on this waterway.
- As a rule of thumb, a disruption of one million barrels per day of oil exports can result in an estimated 10% rise in oil prices. If ship traffic through the strait is disrupted, global demand (and eventually economic growth) will have to adjust substantially lower.

Globally, rising long-end bond yields appear to be simply restoring term premiums.

Investors demand higher compensation for holding longer-duration bonds.



Source: Bloomberg, as of 16 June 2025.

The chart presented above is shown for illustrative purposes only. Used with permission from Bloomberg. *Some or all of the information on this 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. 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.*

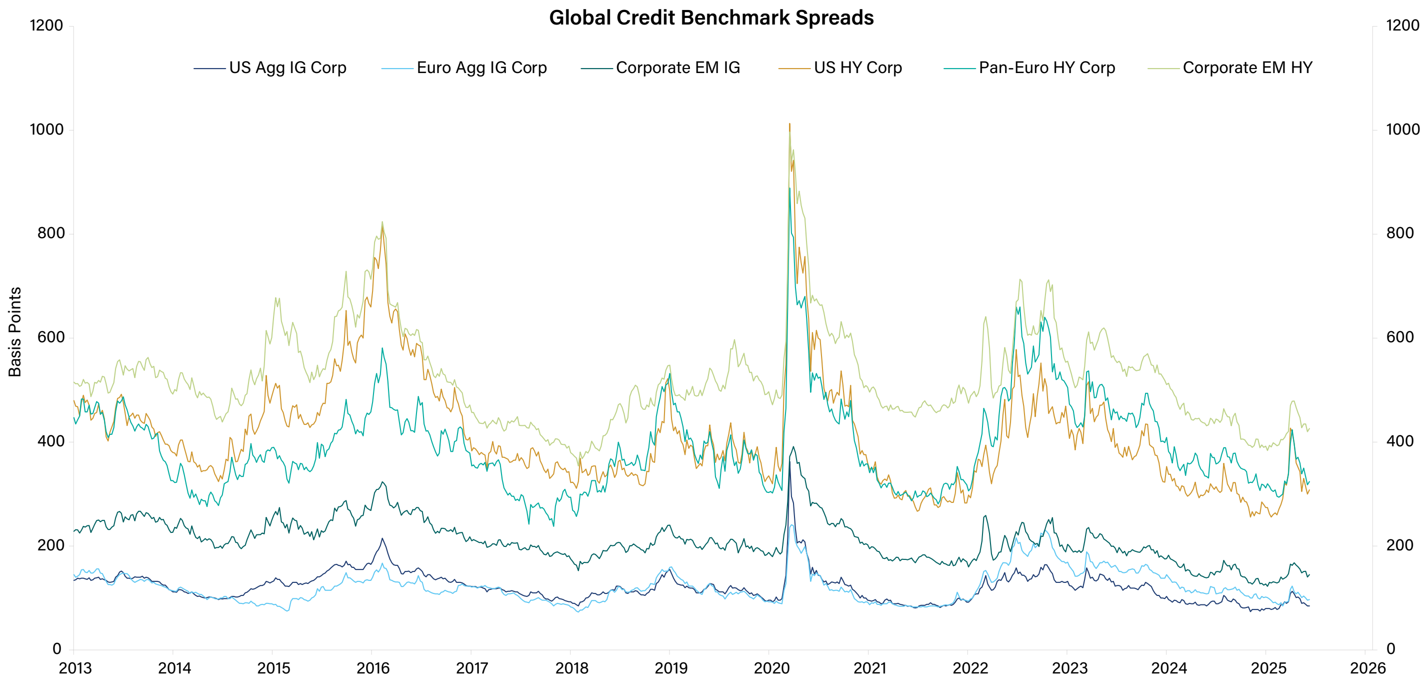
Past performance is no guarantee of future results.

Corporate Credit

Geopolitical, fiscal and monetary policy uncertainties have a tendency to drive wider spreads, but typically not for long.

- Based on bottom-up fundamental analysis, our Credit Research Team suggests 87% of Bloomberg US Aggregate Index industries are in the expansion phase of the credit cycle.
- However, during the past quarter, our Credit Research Analysts grew more cautious regarding the outlook for credit health. As of mid-June, 7% of industries under their covereage had a positive credit outlook compared to 29% last March.
- Concerns about tariff policy and slower domestic economic growth are predominantly responsible for our analysts' wary credit outlooks.
- That said, our risk premium framework suggests corporate health is in a good place. Estimated credit losses due to downgrades within investment grade or defaults in high yield are low and near historical averages for the expansion phase of the credit cycle.

A spread widening event due to corporate profit or economic recession is not in our six-month forecast.
Investor demand for corporate credit has been strong and that should continue.



Source: Bloomberg, JP Morgan, as of 13 June 2025.

The chart presented above is shown for illustrative purposes only. Used with permission from Bloomberg. *Some or all of the information on this 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. 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.*
Indices are unmanaged. It is not possible to invest directly in an index.
Past performance is no guarantee of future results.

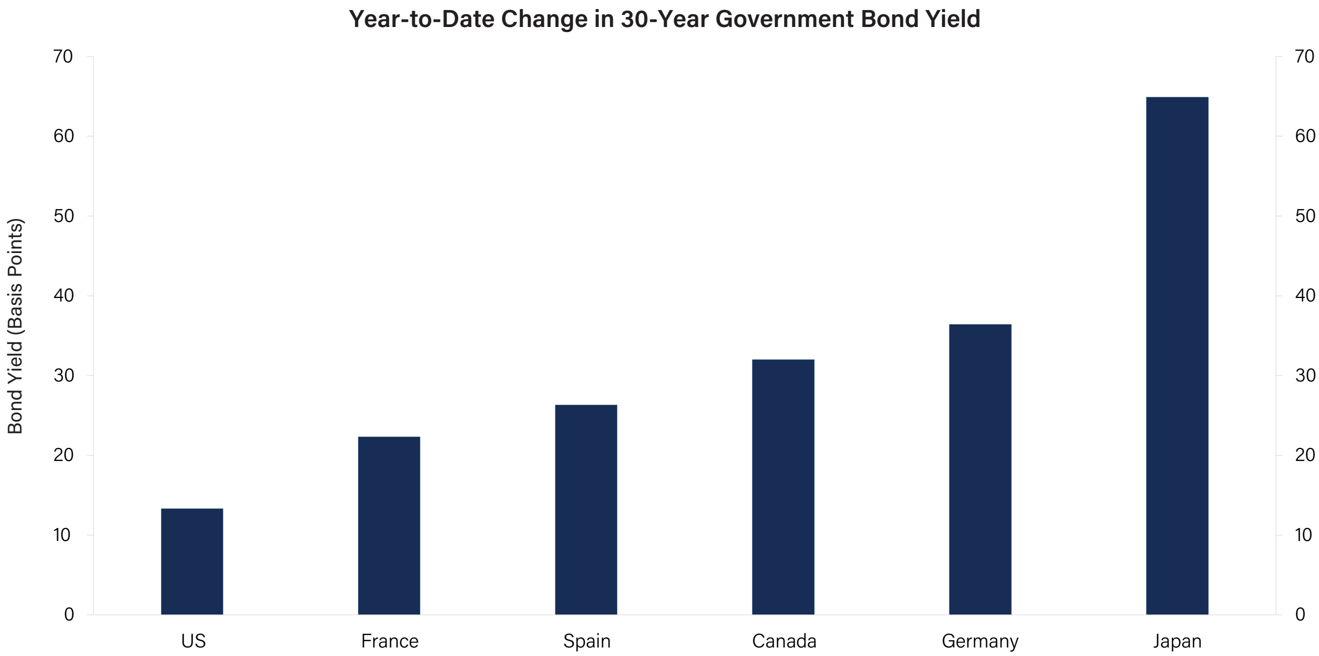
Government Debt & Policy

Central banks are set to move away from restrictive policies, but aggressive rate cuts should not be necessary.

- US budget negotiations are ongoing. The proposed budget raises the debt ceiling and Congress has until mid-August to pass a budget and avoid a technical default for the federal government.
- Uncertainty surrounding the US fiscal position can create anxiety amongst fixed income investors. So far the Treasury market is taking budget negotiations in stride.
- The US labor market is relatively stable. We think the Federal Reserve will maintain monetary policy through the summer unless there is a significant shock to the economy.
- US duration looks attractive even with lower odds of recession. Our interest rate forecast includes a moderate bond rally over the next six months.
- In our view, emerging market local-currency and sovereign bonds remain preferred markets. The yield advantage over US Treasurys is significant in several countries.

US fiscal imbalances are on an unstable path, but we do not believe that factor alone is driving Treasury market performance.

Long-term government bond yields have been on the rise in most countries, not just in the US.



Source: Bloomberg, as of 17 June 2025.

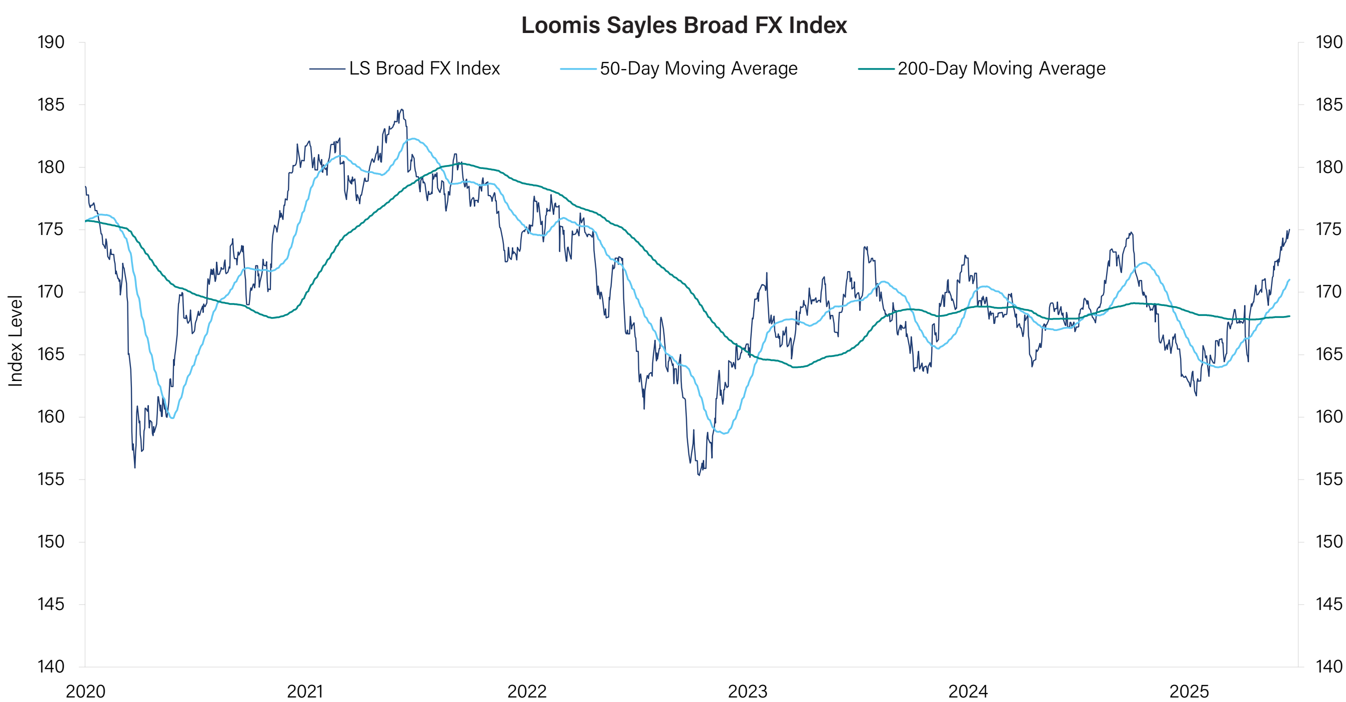
Currencies

US exceptionalism appears on pause for now. In a global risk-on environment, we think diversifying portfolios and holding non-dollar exposure makes sense.

- With the probability of recession decreased globally, a flight-to-safety bid is no longer buoying the US dollar.
- The US administration's willingness to negotiate trade deals is driving our favorable view of non-US-dollar assets.
- In Europe—particularly in Germany—the shift toward more expansionary fiscal policy should raise long-term-trend growth rates for those economies.
- Improved global growth prospects in developed and emerging markets have been attracting capital, a trend that could last for several quarters or longer.
- Geopolitics introduce volatility, which presents a risk to our positive non-US-dollar view.
- While we remain cautious on China, a substantial trade deal could present an upside surprise.

The Loomis Sayles Broad FX Index could break out of a nearly three-year range, possibly heading toward 2021 highs.

The Loomis Sayles Broad FX Index is an equally-weighted basket of 23 currencies measured relative to the US dollar.



Source: Bloomberg, as of 16 June 2025.

The chart presented above is shown for illustrative purposes only. Used with permission from Bloomberg. *Some or all of the information on this 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. 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.*

Indices are unmanaged. It is not possible to invest directly in an index.

Past performance is no guarantee of future results.

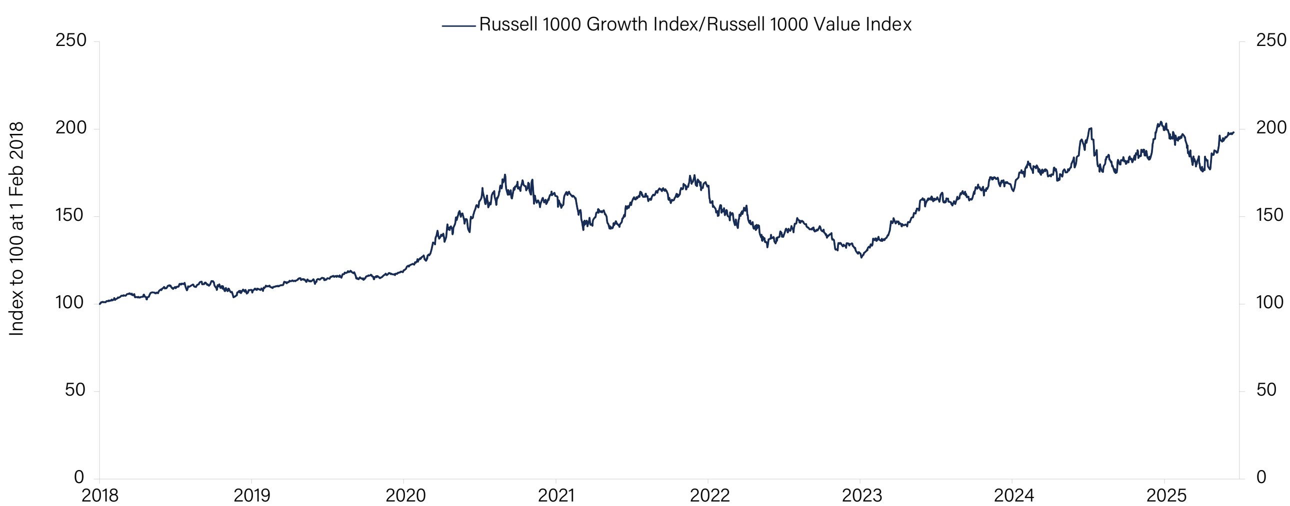
Global Equities

The macro backdrop may be fraught with headline risk, but history suggests earnings growth can propel equities higher.

- Equity markets could consolidate in early summer after such strong spring performance. Nevertheless, we anticipate strong uptrends to continue in the US, Europe and emerging markets.
- US equities demand a premium valuation given relatively better profit margins and greater exposure to high-growth companies. However, the S&P 500 Index does appear expensive relative to global peers.
- We are optimistic about global equity markets heading into the second half of 2025. Earnings estimates for next year indicate nearly double-digit growth rates for the US, Europe, Japan and emerging markets.

Relative to value stocks, superior underlying fundamentals should drive growth stock outperformance long term. Value sectors, such as financials and industrials, should trade well, but we believe technology and communication services can do better.

Relative Performance Trend: US Large Cap Growth/Large Cap Value



Source: Bloomberg, MSCI, as of 16 June 2025. Rising line indicates Growth Index outperformance.

Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The chart presented above is shown for illustrative purposes only. Used with permission from Bloomberg. *Some or all of the information on this 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. 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.*

Indices are unmanaged. It is not possible to invest directly in an index.

Past performance is no guarantee of future results.

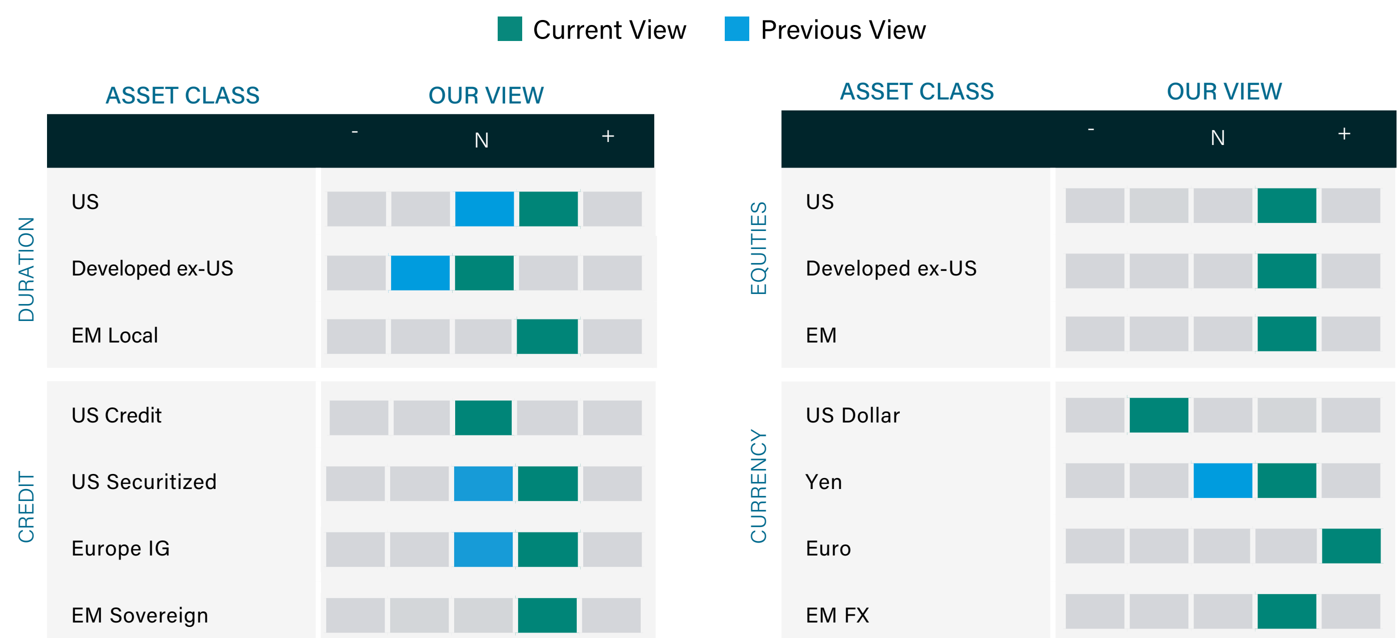
Potential Risks

Geopolitical turmoil in the Middle East, on its own, should not disrupt fundamentals of most companies.

- Payroll growth in the US has been easing and initial jobless claims are up slightly too. We believe this economic expansion hinges on a strong labor market and consumer spending.
- Risk premiums are slim across US credit and equity markets, which leaves them vulnerable to exogenous shocks or earnings disappointments.
- While often discussed in mainstream media, the so-called bond vigilantes have not appeared.

Asset Class Outlook

Our outlook for most markets is positive, but we acknowledge that valuations are not inexpensive.



Second Quarter Review

INDEX RETURNS BY SECTOR
as of 30 June 2025

INDEX				
US BROAD MARKET	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US AGGREGATE BOND	1.54	1.21	4.02	6.08
BBG US GOVERNMENT/CREDIT	1.47	1.22	3.95	5.89

Despite the incredibly volatile news cycle of the second quarter, the broad US fixed income market continued to provide positive returns. The Bloomberg US Aggregate Bond Index return stream was volatile, but flat through April and May. It finally broke to the upside in June as volatility fell.

US GOVERNMENTS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US TREASURYS	1.25	0.85	3.79	5.30
3-MONTH T-BILLS	0.33	1.05	2.10	4.73
2-YEAR TREASURY	0.58	1.12	2.73	5.47
5-YEAR TREASURY	1.09	1.72	4.77	6.47
10-YEAR TREASURY	1.63	1.04	5.08	5.40
30-YEAR TREASURY	2.44	-2.08	2.11	0.05
BBG US TIPS	0.95	0.48	4.67	5.84
BBG US AGENCY	0.89	1.30	3.44	5.82

Yield changes were quite mixed this quarter, two- to five-year tenors experienced falling yields, while yields on one-year-and-shorter debt and longer-term yields (seven plus years) increased. While generally rising yields led to a loss in price, interest returns were able to more than compensate across the curve leading to positive total returns. The exception was the 30-year bond, which experienced a 2% loss.

US MUNICIPALS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US MUNICIPALS	0.62	-0.12	-0.35	1.11

The municipal bond market lagged Treasurys this quarter. "Liberation Day" news caused significant losses relative to Treasurys, and while valuations gradually became richer, they could not fully make up the lost ground.

US SECURITIZED	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG MBS	1.78	1.14	4.23	6.52
BBG ABS	0.87	1.38	2.93	6.33
BBG CMBS	1.22	1.88	4.49	7.74

All securitized markets listed above produced positive returns. MBS and CMBS have durations that happened to be in the sweet spot of the US Treasury curve where yields fell this quarter. A boost from falling US rates and risk appetites ending on a high note this quarter contributed to positive returns.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

INDEX RETURNS BY SECTOR
as of 30 June 2025

INDEX				
CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US INVESTMENT GRADE	1.87	1.82	4.17	6.91
AAA	1.87	0.84	3.55	4.22
AA	1.75	1.33	3.79	5.75
A	1.85	1.80	4.22	6.68
BBB	1.90	1.95	4.21	7.36
BBG EUROPEAN INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	0.26	1.81	1.80	6.05
AAA	0.19	2.00	0.25	4.19
AA	0.03	1.49	1.39	5.09
A	0.23	1.86	1.73	5.74
BBB	0.32	1.81	1.94	6.47
BBG STERLING INVESTMENT GRADE *-LOCAL CURRENCY RETURNS*	1.88	3.13	3.47	5.60
AAA	2.66	3.35	3.45	4.27
AA	1.72	2.91	2.80	4.19
A	1.80	2.93	3.18	4.87
BBB	1.96	3.34	3.83	6.54

US and Euro corporate bonds posted positive returns that were essentially the same at the headline level. However, in the US, lower quality bonds outperformed due to both increased risk appetites, and the fact that longer duration high-rated bonds would be set back by the rise in long-end rates. Sterling corporates outperformed the US and Euro-Aggregate.

CORPORATES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
BBG US HIGH YIELD	1.84	3.53	4.57	10.29
BB	1.75	3.44	4.98	8.91
B	1.93	3.62	4.38	9.46
CCC	2.31	4.01	3.55	16.69
BBG PAN-EURO HIGH YIELD *-LOCAL CURRENCY RETURNS*	0.20	1.74	2.30	8.15
BB	0.44	2.11	2.46	7.70
B	0.42	2.26	2.94	9.58
CCC	-2.99	-4.16	-1.27	8.07

High yield bonds outperformed their investment grade counterparts. Lower quality bonds were well-bid as risk appetites remained strong. Pan-European high yield bonds underperformed US high yield.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

INDEX RETURNS BY SECTOR
as of 30 June 2025

INDEX				
BANK LOANS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
S&P/LSTA LEVERAGED LOAN	0.80	2.32	2.81	7.29
BB	0.72	2.13	3.08	7.36
B	0.87	2.46	2.82	7.72
CCC	1.11	2.31	1.73	4.02

Bank loans also did well in the period, however, not as well as the high yield bond market. This was likely due to bank loans' much lower durations, as they generally have floating rather than fixed coupons. Since the very short-end of the yield curve rose, bank loan prices were likely negatively impacted relative to high yield bonds.

DEVELOPED COUNTRIES	1 MONTH	3 MONTH	6 MONTH	1 YEAR
CITIGROUP WGBI -LOCAL CURRENCY RETURNS	0.70	1.09	1.74	4.03
CITIGROUP NON-USD WGBI	0.32	1.29	0.26	3.05
UNITED STATES	1.26	0.83	3.75	5.29
CANADA	-0.10	-1.08	1.18	4.86
JAPAN	0.85	-0.89	-3.92	-3.76
AUSTRALIA	0.87	2.82	4.16	6.24
UNITED KINGDOM	1.57	1.99	2.35	1.14
EUROPEAN GBI	-0.23	1.85	0.51	4.41
FRANCE	-0.42	1.63	0.73	3.61
GERMANY	-0.41	1.26	-0.73	2.04
IRELAND	-0.65	1.17	-1.27	3.38
ITALY	0.31	2.91	2.16	8.06
SPAIN	-0.18	1.84	0.72	5.11

US Treasurys were not the only government bonds that performed well in the second quarter. The entire World Government Bond Index performed well as a whole. All but two countries' government bonds produced positive returns, Canada and Japan were the exceptions.

EMERGING MARKET BONDS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
JP MORGAN EMBIG -SOVEREIGN/QUASI-SOVEREIGN, USD	2.28	3.06	5.48	9.51
JP MORGAN CEMBI BROAD DIVERSIFIED -CORPORATES, USD	1.39	1.57	4.03	7.82
JP MORGAN GBI-EM GLOBAL DIVERSIFIED -GOVERNMENTS, LOCAL CURRENCY	0.94	3.21	5.43	9.34

Emerging Markets (EM) bonds performed well in the second quarter. Local currency bonds were the best performing, closely followed by US-dollar-denominated government bonds. EM corporates lagged.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

INDEX RETURNS BY SECTOR
as of 30 June 2025

INDEX				
CURRENCY MARKETS	1 MONTH	3 MONTH	6 MONTH	1 YEAR
DOLLAR BLOC				
CANADIAN DOLLAR	0.96	5.72	5.70	0.52
AUSTRALIAN DOLLAR	2.33	5.35	6.35	-1.33
NEW ZEALAND DOLLAR	2.23	7.36	8.97	0.07
WESTERN EUROPE				
EURO	3.88	8.98	13.84	10.03
NORWEGIAN KRONE	1.39	4.34	13.04	6.02
SWEDISH KRONA	1.47	6.14	17.05	12.04
SWISS FRANC	3.69	11.50	14.41	13.33
BRITISH POUND	2.03	6.30	9.72	8.60
EMERGING EUROPE & AFRICA				
CZECH KORUNA	4.73	9.96	16.03	11.35
HUNGARIAN FORINT	5.03	9.89	17.29	8.84
POLISH ZLOTY	3.97	7.54	14.68	11.74
RUSSIAN RUBLE	-1.04	6.18	44.95	9.51
SOUTH AFRICAN RAND	1.64	3.45	6.39	2.72
TURKISH NEW LIRA	-1.55	-4.69	-11.20	-17.71
ASIA				
JAPANESE YEN	-0.01	4.12	9.14	11.70
CHINESE RENMINBI	0.49	1.30	1.89	1.44
INDONESIAN RUPIAH	0.32	1.98	-0.84	0.84
MALAYSIAN RINGGIT	1.11	5.42	6.22	12.05
PHILIPPINE PESO	-0.98	1.61	2.70	4.06
SINGAPORE DOLLAR	1.53	5.59	7.40	6.64
SOUTH KOREAN WON	2.13	8.80	8.73	1.68
LATIN AMERICA				
ARGENTINE PESO	-1.18	-10.84	-14.34	-24.27
BRAZILIAN REAL	5.36	5.04	13.73	2.99
CHILEAN PESO	1.51	2.09	6.79	0.92
COLOMBIAN PESO	1.48	2.03	7.47	1.31
MEXICAN PESO	3.68	9.19	11.09	-2.29
PERUVIAN NEW SOL	2.16	3.80	5.58	8.47

The US dollar had one of its worst starts to the year in 2025, and it continued into the second quarter. As a result, most currencies produced positive returns against the US dollar.

Data Sources: Bloomberg indices from Bloomberg Live; currency returns, JPMorgan and Citigroup indices from Bloomberg; bank loans from S&P Global Market Intelligence.

All returns in US dollars, unless noted.

Past performance is no guarantee of future results.

GLOBAL EQUITY MARKETS
as of 30 June 2025

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
S&P 500®	10.94	15.10	19.65	16.58
MSCI ALL COUNTRY WORLD	11.69	16.62	17.86	14.13
MSCI EUROPE	11.80	19.05	17.90	13.04
MSCI JAPAN	11.39	14.24	15.42	9.12
MSCI EMERGING MARKETS	12.20	15.90	10.20	7.24

Equities across the board produced double-digit returns this quarter. There was very little return dispersion across geographies, indicating that the rise in risk appetites was a global phenomenon.

US EQUITY MARKETS
as of 30 June 2025

INDEX TOTAL RETURNS (%)				
INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
RUSSELL 1000®	11.11	15.60	19.53	16.25
GROWTH	17.84	17.15	25.68	18.09
VALUE	3.79	13.65	12.73	13.89
RUSSELL MIDCAP®	8.53	15.14	14.29	13.07
GROWTH	18.20	26.38	21.40	12.61
VALUE	5.35	11.49	11.31	13.67
RUSSELL 2000®	8.50	7.65	9.97	10.00
GROWTH	11.97	9.69	12.35	7.40
VALUE	4.97	5.51	7.43	12.43

Within the US, large cap stocks (Russell 1000) outperformed small cap stocks (Russell 2000). Growth stocks vastly outperformed value stocks, also an effect of rising risk appetites.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

Past performance is no guarantee of future results.

S&P 500 SECTORS

as of 30 June 2025

SECTOR PERFORMANCE ATTRIBUTION (%)

INDEX	3 MONTH	1 YEAR	3 YEAR	5 YEAR
INFORMATION TECHNOLOGY	23.70	15.10	32.23	23.28
COMMUNICATION SERVICES	18.49	23.02	27.86	17.08
INDUSTRIALS	12.95	22.90	21.17	18.42
CONSUMER DISCRETIONARY	11.52	18.43	18.69	11.68
FINANCIALS	5.52	29.45	21.65	20.53
UTILITIES	4.26	23.40	8.62	11.14
MATERIALS	3.13	1.87	8.42	11.50
CONSUMER STAPLES	1.11	12.16	8.83	11.13
REAL ESTATE	-0.07	11.55	4.15	7.16
HEALTHCARE	-7.18	-5.90	3.46	7.93
ENERGY	-8.56	-3.96	9.73	22.54

Dispersion among sectors was quite large, and again, rising risk appetites led to riskier sectors outperforming. Information Technology and Communication Services were the top performers. Only three sectors produced negative returns: Energy, Healthcare and Real Estate.

Data Source: FactSet. All returns quoted in US dollars. Performance for one and multi-year periods is annualized. Sorted by index quarterly returns. Due to rounding, sector totals may not equal 100%.

Past performance is no guarantee of future results.

AUTHORS

CRAIG BURELLE
Global Macro Strategist, Credit

MATTHEW NOVAK, CFA
Sovereign Analyst

Disclosure

All data and views are as of 30 June 2025, unless otherwise noted.

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Any opinions or forecasts contained herein reflect the subjective judgments and assumptions of the authors only and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted and actual results will be different. Data and analysis do not represent the actual or expected future performance of any investment product. Information, including that obtained from outside sources, is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This information is subject to change at any time without notice. ***Intended for institutional investors and investment professional use only.***

Past performance is no guarantee of future results.

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

Diversification does not ensure a profit or guarantee against a loss.

Market conditions are extremely fluid and change frequently.

Commodity, interest and derivative trading involves substantial risk of loss.

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

Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

LS Loomis | Sayles is a trademark of Loomis, Sayles & Company, L.P. registered in the US Patent and Trademark Office.

Index Definitions

Bloomberg US Aggregate Bond Index *represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the US investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.*

Bloomberg US Government/Credit Index *includes securities in the government and credit indices. The government index includes treasuries -i.e., public obligations of the US Treasury that have remaining maturities of more than one year and agencies -i.e., publicly issued debt of US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the*

US Government. The credit index includes publicly issued US corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg US Treasury Index *includes public obligations of the US Treasury with at least one year until final maturity, excluding certain special issues such as state and local government series bonds -SLGs, US Treasury TIPS and STRIPS.*

Bloomberg US Treasury Inflation Protected Securities Index *consists of inflation-protection securities issued by the US Treasury that have at least one year to maturity and at least $250 million par amount outstanding.*

Bloomberg US Agency Index *includes agency securities that are publicly issued by US Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US Government -such as USAID securities.*

Bloomberg US Municipal Index *is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds -including all insured bonds with a Aaa/AAA rating, and prerefunded bonds.*

Bloomberg Mortgage-Backed Securities -MBS Index *is a component of the Bloomberg Aggregate Index covering mortgage-backed pass-through securities of Ginnie Mae -GNMA, Fannie Mae -FNMA and Freddie Mac -FHLMC. The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.*

8145758.1.1