# Loomis Sayles Core Plus Full Discretion: A Differentiated Approach

Loomis Sayles Full Discretion Team

Second Quarter 2025

# After an extended period of low interest rates, the yield reset in 2022 has investors re-thinking their approach to "core" fixed income strategies, in our view.

Loomis Sayles' Core Plus Full Discretion strategy takes a differentiated approach to traditional, domestic fixed income – focusing on income generation and total return potential, utilizing a broad opportunity set and an investment process which seeks to effectively manage economic, interest rate and credit cycles.

## Our Philosophy

- We believe the market is inefficient at pricing risk.
- Risk factors, including interest rates, credit, currencies, equity and liquidity, exhibit consistent patterns across cycles.
- We believe fundamental research is an effective approach to identifying and harvesting premiums.
- Multisector investing provides diversification benefits and helps to drive long-term returns.
- Risk management is integral, not an add-on.

## Our Process

- Our approach is opportunistic, benchmark-agnostic and focused on total return and risk.
- We believe that fundamental and quantitative research based on a credit cycle framework offers our best approach to identifying attractive investment opportunities.
- The strategy seeks to maximize total return through research-driven security selection while managing downside risk through careful portfolio construction.

## Our Edge

- We believe that a long-term, cycle-based framework and proprietary risk premium methodology is the basis for a repeatable investment process.
- Intrinsic value and our six pillars guide security selection, which is a key driver of performance.
- We lean into risk by seeking positive convexity, maintaining yield advantage and striving for low turnover.
- Integrated quantitative analysis and customized tools that are designed to fit our process.

## About the Team

The Full Discretion team brings decades of expertise and collaboration to create tailored solutions for their clients.

| | |
|---|---|
| 27 | Investment Professionals |
| 23+ | Avg. Years of Industry Experience (Portfolio Management Team) |
| $80.3 | Team Assets Under Management (Billion USD) |

## About the Strategy

| | |
|---|---|
| **Style** | Core Plus Fixed Income |
| **Strategy Assets** | $37.9B |
| **Composite Inception** | January 1989 |
| **Benchmark** | Bloomberg US Aggregate Index |
| **Expected Volatility** | 3% to 6% |
| **Expected Tracking Error** | 2% to 5% |
| **Typical Duration Range** | Benchmark +/- 3 years |
| **Credit Quality** | 15% limit non-investment grade |

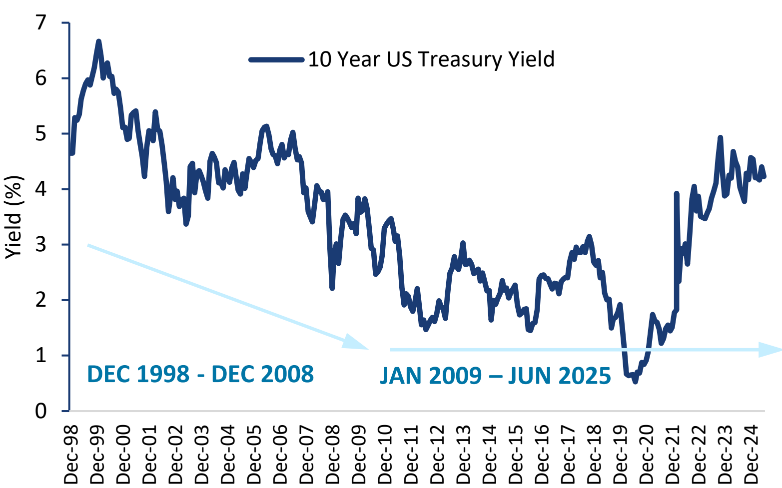
*Source: Loomis Sayles, as of 6/30/2025*
*Average years of expertise reflected at portfolio management level*
*Although the Investment Manager actively seeks to manage risk for a targeted level, there is no guarantee that the portfolio will be able to maintain its targeted risk level.*
*All figures are approximate and apply under normal market conditions. They are based on guidelines that are subject to change.*
*Tracking error is a range and the strategy may not always be able to remain within it.*
***Diversification does not ensure a profit or guarantee against a loss.***
***Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.***
***There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.***
*Please refer to the end of this material for additional important disclosures. For more information, please request a full presentation book for the Loomis Sayles Core Plus Full Discretion Composite.*

# Re-Thinking the Approach to "Core" Fixed Income: High Tracking Error

## A TALE OF TWO INTEREST RATE ENVIRONMENTS

Throughout the late 1990s and 2000s interest rates continued their decline, offering investors attractive fixed income returns as well as a source of diversification within their broader asset allocation.

As the 2008 Global Financial Crisis (GFC) unfolded, we entered an extended period of low inflation and easy monetary policies from global central banks. As a result, interest rates have largely remained range-bound over the past 15 years.




*Source: Bloomberg, as of 6/30/2025*

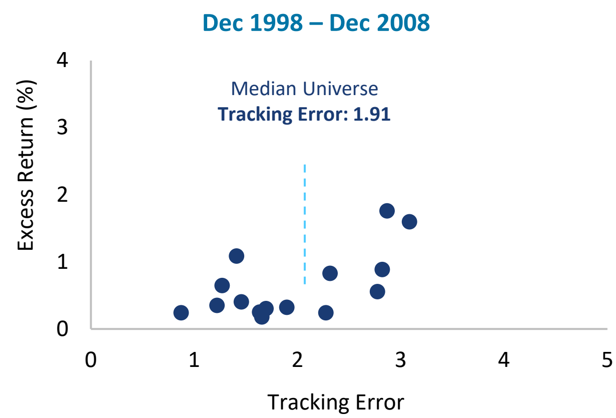
## A DISTINCT TREND EMERGES OVER THE PAST 15 YEARS

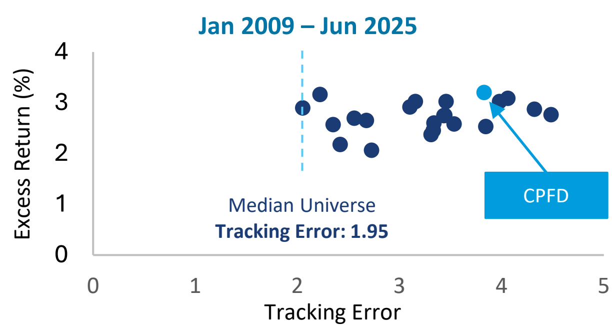
In comparing the performance results of the eVestment US Core Plus Fixed Income universe over the same two periods as above, top quartile managers had materially different tracking error profiles.

Median tracking error for the universe was consistent at approximately 2% in both time periods, however, prior to the GFC approximately 60% of top quartile managers had ex-post tracking error of 2% or less.

In the years following the peak of the GFC, there were no top quartile managers with less than 2% ex-post tracking error.

**EVESTMENT US CORE PLUS UNIVERSE TOP QUARTILE MANAGERS**
**Distribution of excess return & tracking error**




*Source: eVestment as of 6/30/2025*
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## CONCLUSION

Over the past decade, we believe that top quartile managers with higher tracking error demonstrated 1) a willingness to take active risk and 2) employed a repeatable process that sought to take advantage of market volatility.

Today, we see inflationary risks persisting in the near-term that could lead to unstable inflation and believe the deficit is structural in nature, which will lead to a rise in government borrowing. We believe these factors could increase interest rate volatility and put a floor under long-term Treasury yields or potentially push them higher.

As it has been for over 15 years, we expect the fixed income environment going forward to continue to be a tailwind for high tracking error strategies, regardless of the economic outcome.

# Strategy Differentiators

### Focus on Income Generation & Total Return

- Broad opportunity set across sectors, industries, credit qualities and currencies.
- Active credit selection helps drive income generation and by building positive convexity into our portfolios, we seek to maximize total return.

### Benchmark-Agnostic Approach

- An investment process that actively allocates to non-benchmark risk exposures and helps drive excess return potential through security selection decisions.
- The output of the investment process has historically resulted in above average tracking error, as seen in the charts on page 3, which has shown to be beneficial to investors, particularly in range-bound or rising rate environments.

### Flexibility for Each Phase of the Credit Cycle

- Bottom-up security selection is the primary driver of excess return. Thematic pillars of security selection – fallen angels, cheap for rating, upgrade candidates, stressed/distressed, avoid losers and new issue premium - are drivers of potential return across the various stages of the credit cycle.
- A top-down credit cycle framework establishes overall risk posture, inclusive of interest rate and spread risk, and the strategy's guidelines offer flexibility to shift portfolio risks in up and down markets.

### Diversified Risk Profile

- By diversifying the portfolio's risk profile, the strategy tends to exhibit lower correlation to traditional, domestic core fixed income strategies while also seeking to maintain diversification relative to risk assets.

### Transparency & Liquidity

- Portfolios are implemented primarily through physical bonds, which seek to offer investors with an adequate liquidity source.
- Limited use of derivatives can typically offer investors a transparent view of portfolio exposures and risks.

# Key Attributes

### Active Credit Selection

We believe bottom-up, value-driven investment analysis combined with a clear macroeconomic and credit cycle perspective is our best approach to identifying attractive opportunities.

### Benchmark-Agnostic, High Tracking Error

We believe a broad opportunity set combined with flexibility to allocate away from benchmark exposures helps to create a more balanced risk profile and can offer diverse sources of potential excess return throughout a cycle.

### Complementary Exposures

We believe the strategy's active management and diverse credit exposures complement traditional passive, core and low tracking error core plus fixed income strategies.

### Competitive Performance

Our team employs a repeatable investment process that has generated strong benchmark-relative returns through various phases of the economic and credit cycle.

*Commodity, interest and derivative trading involves substantial risk of loss.*
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# Income Generation and Total Return Primarily Driven by a Broad Opportunity Set

Our strategy can utilize a diverse opportunity set across sectors, industries, credit qualities and currencies.

Active credit selection within corporate and securitized debt has led to a yield advantage over time and by building positive convexity into our portfolios, we seek to maximize total return potential.

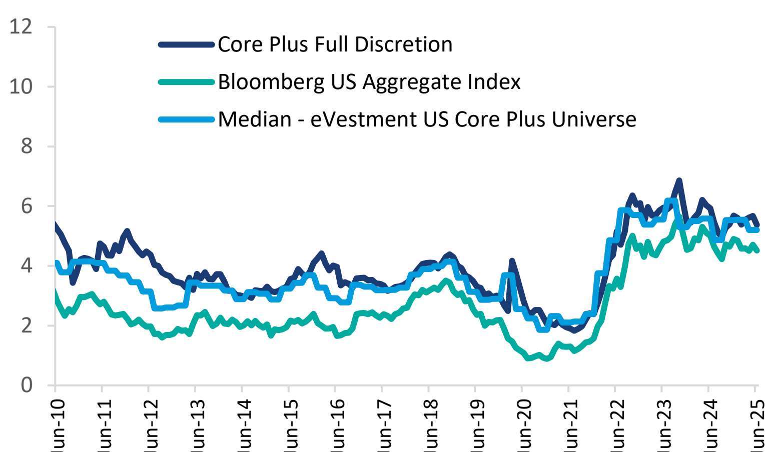
**Investment Grade Corporates**
Actively allocates across industry and quality exposures

**Securitized**
Structural bias to target distinct exposures with favorable yields across asset-backed securities, CLOs, commercial mortgage-backed and non-agency residential mortgages

**Off-Benchmark**
Use of high yield corporates, emerging markets, non-USD, convertibles and preferreds to augment yield and total return potential

**Liquidity**
US Treasurys and cash can be used as a liquidity source to help increase/decrease portfolio risk based on our credit cycle view

**YIELD-TO-WORST (%)**




*Source: Loomis Sayles, Bloomberg, eVestment, as of 6/30/2025*
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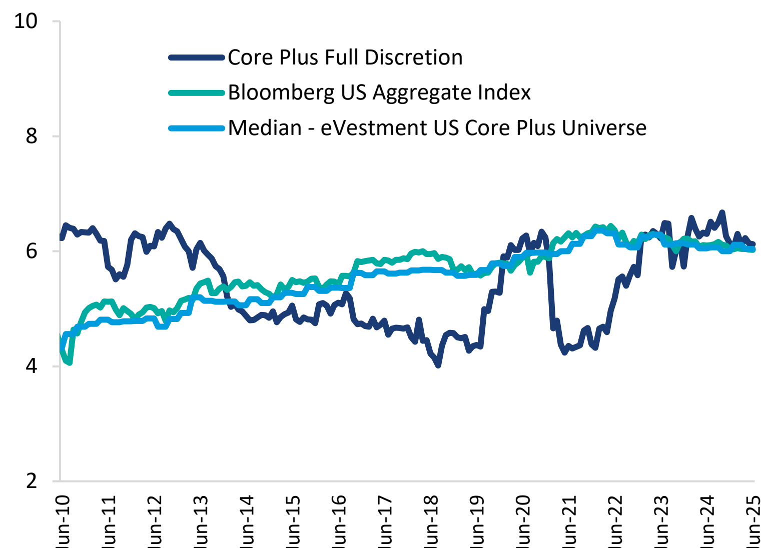
# Duration Flexibility May Offer an Additional Source of Excess Return Potential

Strategy duration typically falls within +/- 3 years of the Bloomberg US Aggregate (vs. +0.5 to -0.8 years for the eVestment US Core Plus Fixed Income Universe median).

With duration flexibility, interest rate risk can be managed to dampen portfolio volatility or help drive excess return potential, particularly in rising rate environments.

**DURATION (years)**

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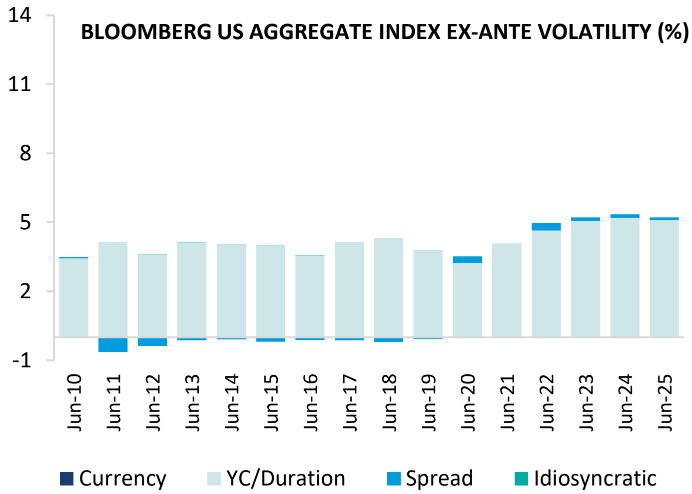
# Active Credit Selection Helps to Create a More Balanced Risk Profile

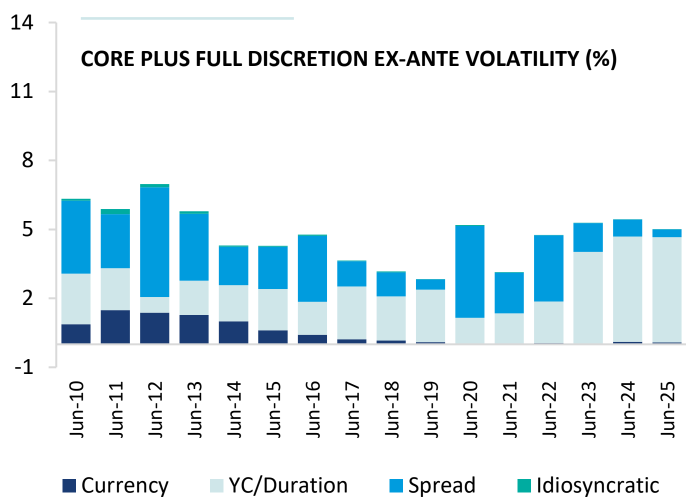
The Bloomberg US Aggregate Index ex-ante volatility profile is dominated by yield curve and duration risk and, as a result, the performance of traditional passive, core or low tracking error core plus strategies is largely driven by changes in interest rates.

By taking a more balanced approach to interest rate and spread risk, we believe the Core Plus Full Discretion strategy can provide a differentiated volatility profile.

**BLOOMBERG US AGGREGATE INDEX EX-ANTE VOLATILITY (%)**




**CORE PLUS FULL DISCRETION EX-ANTE VOLATILITY (%)**




*Source: Loomis Sayles and Bloomberg, as of 6/30/2025*
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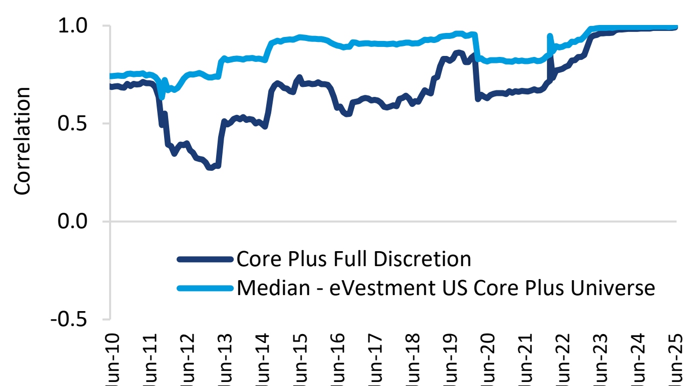
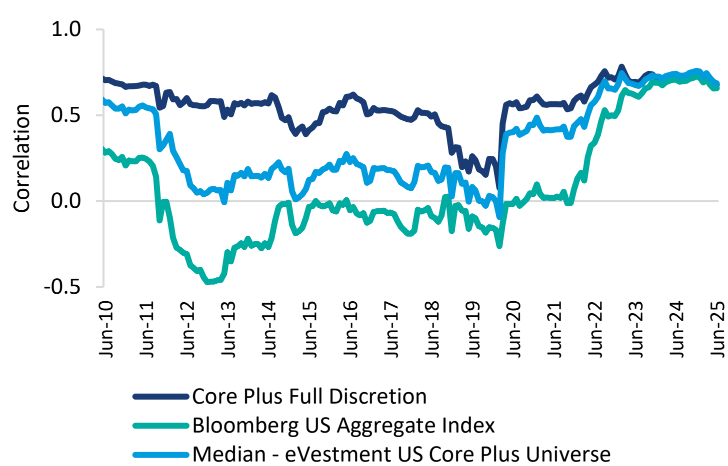
# Potential Diversification Benefits Against Both Domestic Fixed Income and Equities

By embracing a more balanced risk profile, we believe the strategy exhibits favorable diversification benefits to domestic fixed income indices, and while correlations to risk assets increase marginally, they continue to remain attractive, in our view, in the context of a broader asset allocation.

**ROLLING 3 YEAR CORRELATION TO BLOOMBERG US AGGREGATE INDEX**




**ROLLING 3 YEAR CORRELATION TO S&P 500 INDEX**

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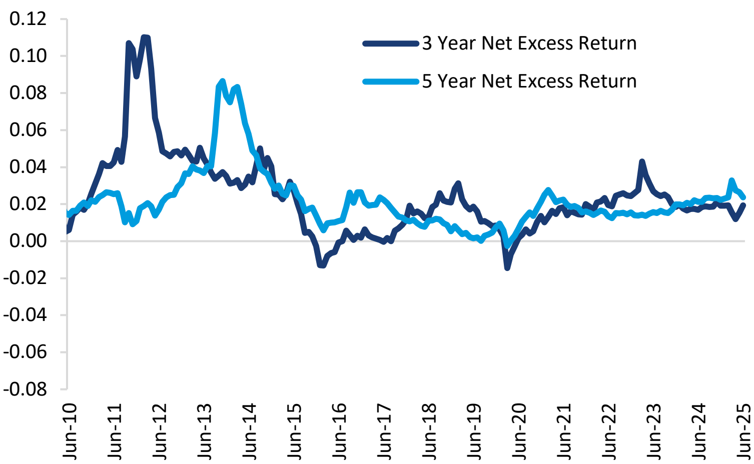
# Consistent Performance Throughout a Full Market Cycle

Our value-driven investment approach seeks to capitalize on the distinct opportunities of varying sets of market conditions.

We believe intensive bottom-up investment analysis combined with a clear macroeconomic and credit cycle perspective is our best way to deliver consistent performance over a full market cycle.

**ROLLING ANNUALIZED NET EXCESS RETURN VS. BLOOMBERG US AGGREGATE INDEX (%)**




| % of Monthly Observations with Positive 3 Yr Rolling Net Excess Return | | % of Monthly Observations with Positive 5 Yr Rolling Net Excess Return |
|---|---|---|
| 100% | Last 3 Years | 100% |
| 100% | Last 5 Years | 100% |
| 90% | Last 10 Years | 99% |
| 93% | Last 15 Years | 99% |

*Source: Loomis Sayles and Bloomberg, as of 6/30/2025*
*Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.*
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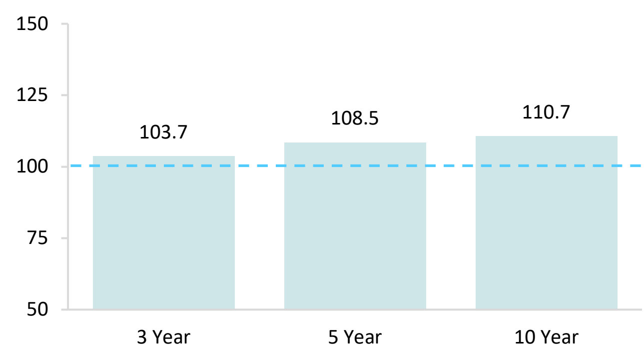
# Participation in Up Markets, Mitigation in Down Markets

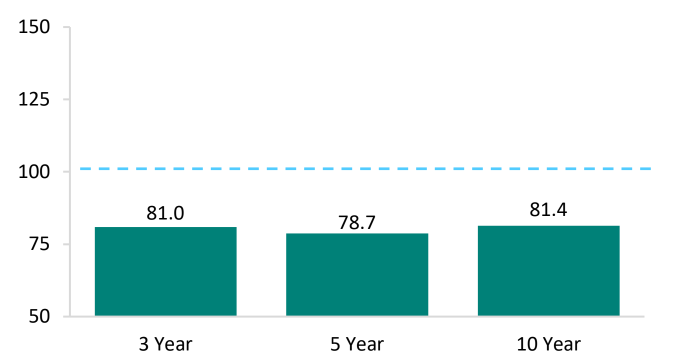
Our investment process, which we believe effectively manages market cycles, can provide a basis for dynamic risk allocation throughout various market environments. The strategy has historically outperformed in up markets, characterized by tighter or stable credit spreads, through its broad tilt into credit exposures, yield advantage and security selection.

Underperformance may occur during down markets when prices are declining due to deteriorating credit fundamentals, illiquidity or event-driven market technicals. In this environment, the market may not adequately reflect the long-term value supporting the issues from our security selection.

**UP MARKET CAPTURE VS. BLOOMBERG US AGGREGATE INDEX**




**DOWN MARKET CAPTURE VS. BLOOMBERG US AGGREGATE INDEX**

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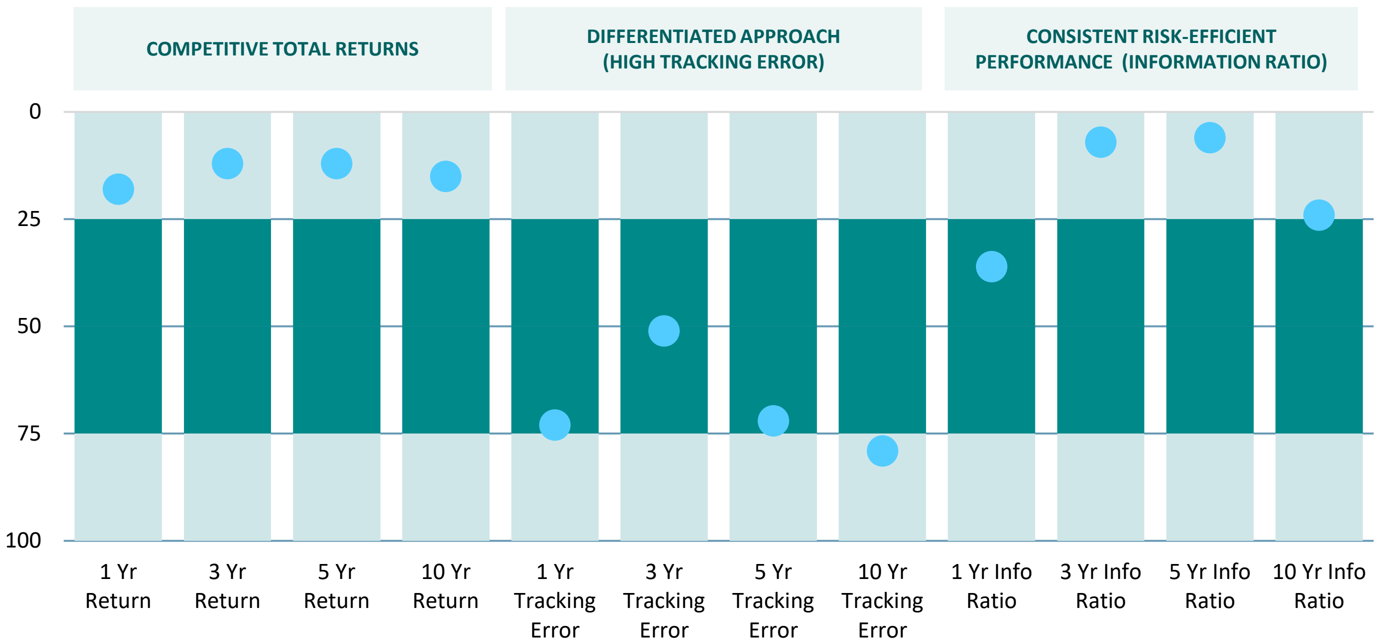
# Strategy Performance

Our team is experienced, disciplined and well-resourced with a repeatable investment process that takes a differentiated approach to an investors' "core" fixed income allocation. In applying this investment process, we have consistently delivered competitive risk-efficient performance over a full market-cycle.

**STRATEGY PERCENTILE RANK**




**eVESTMENT US CORE PLUS FIXED INCOME UNIVERSE AS OF JUNE 30, 2025**

| | Annualized Trailing Returns (%) | | | | Tracking Error (%) (vs. Bloomberg US Aggregate Index) | | | | Information Ratio (vs. Bloomberg US Aggregate Index) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Yr | 3 Yr | 5 Yr | 10 Yr | 1 Yr | 3 Yr | 5 Yr | 10 Yr | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
| **Core Plus Full Discretion Composite (gross)** | **7.46** | **4.87** | **1.96** | **3.61** | **1.02** | **1.01** | **1.43** | **2.59** | **1.35** | **2.30** | **1.88** | **0.71** |
| **Core Plus Full Discretion Composite (net)** | **7.04** | **4.49** | **1.65** | **3.30** | **1.02** | **1.01** | **1.44** | **2.59** | **0.94** | **1.91** | **1.65** | **0.60** |
| 25th Percentile | 7.27 | 4.47 | 1.38 | 3.16 | 0.53 | 0.78 | 0.96 | 1.38 | 1.68 | 1.74 | 1.50 | 0.71 |
| Median | 6.88 | 3.96 | 0.65 | 2.80 | 0.68 | 0.99 | 1.22 | 1.81 | 1.05 | 1.35 | 1.18 | 0.58 |
| 75th Percentile | 6.55 | 3.52 | 0.32 | 2.52 | 1.05 | 1.32 | 1.52 | 2.51 | 0.60 | 0.95 | 0.87 | 0.44 |

*Source: Loomis Sayles and eASE Analytics System; eVestment Alliance is the ranking agency. Universe: eA US Core Plus Fixed Income. Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations. Annualized performance is calculated as the geometric mean of the strategy's returns with respect to one year. Median is the middle value for the observations as of the end of each period shown. Although we believe it is reliable, we cannot guarantee the accuracy of data from a third party source. This information cannot be copied or redistributed in any form.*
*Graphs are for illustrative purposes only. Shades of color are used to distinguish 1st, 2nd, 3rd, and 4th quartiles.*
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# Important Disclosure

*This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. 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. 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.*



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*Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time.*

*Market conditions are extremely fluid and change frequently.*

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***For more information on the Loomis Sayles Core Plus Full Discretion Composite, please request a full presentation book.***

# Meet the Team

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Investment Director

KRISTEN DOYLE
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