SOLUTIONS

NATIXIS INVESTMENT MANAGERS

Natixis/Loomis Sayles Core Total Return Strategy (with Funds)

LOOMIS | SAYLES®

QUARTERLY PORTFOLIO COMMENTARY

Q1 | March 31, 2025

US fixed income markets experienced a stable quarter, as yields fell modestly across the curve prior to the tariff sell-off, while credit spreads began to widen from historically tight levels. The Federal Reserve paused rate cuts, as the new administration laid out policy objectives. Although inflation expectations rose, annual US inflation continued to moderate, with a reading of 2.8% in February while the unemployment rate came in at 4.2% in March. United States GDP rose by an annualized rate of 2.4% in the fourth quarter of 2024, down slightly from 2.8% in the third quarter. The Atlanta Fed's GDPNow model estimates a 2.8% contraction in first quarter GDP, based on data available through the end of March.

The US Treasury yield curve continued to steepen during the first quarter, particularly at the long end of the curve. The 10-year rate fell 37 basis points (bps) vs. the 30-year falling 21bps during the quarter. The Bloomberg U.S. Aggregate Index rose 2.8% during the quarter, as yields fell prior to the tariff sell-off. The 10+ year segment returned 3.4%, compared to a 1.6% increase for the 1–3 year segment. Investment Grade Credit performed slightly worse than governments during the quarter, with US Treasuries returning 2.9%. Higher-quality credit tended to outperform, with AA up 2.9% compared to a 2.3% return for BBB. Overall, securitized assets rose by 3.0%, with US MBS up 3.1% while ABS posted a more muted performance of 1.6%.

The Natixis/Loomis Sayles Core Total Return strategy rose in value and outperformed the Bloomberg US Aggregate Bond Index gross of fees (lagged net of fees). Security selection drove relative outperformance. Investments selected in Investment Grade Credit and ABS/RMBS were the largest contributors, while selections in High Yield Credit detracted marginally from results. Sector allocation was detractive, with an underweight to Treasuries weighing on relative returns. No sectors contributed from an allocation perspective.

Global markets faced increased volatility in the first quarter, as tariff-driven economic and geopolitical concerns have risen to the forefront. Resulting recession risks, unemployment uncertainty, weakening consumer sentiment, and sticky inflation may spur further volatility. The resulting market environment has increasingly proven challenging to navigate. We continue to believe that active fundamental research combined with investment discipline provides an attractive way to navigate market uncertainty.

Investment risks: All securities are subject to risk, including possible loss of principal. Please read the risks associated with each investment prior to investing. Detailed discussions of each investment's risks are included in Part 2A of each firm's respective Form ADV. The investments highlighted in this presentation may be subject to certain additional risks.

The views and opinions expressed may change based on market and other conditions. This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.

Bloomberg US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar–denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. Bloomberg US Aggregate Bond Index rolls up into other Bloomberg flagship indices, such as the multi-currency Global Aggregate Index and the US Universal Index, which includes high yield and emerging markets debt. Bloomberg US Aggregate Bond Index was created in 1986, with index history backfilled to January 1, 1976. Indexes are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites or the accounts managed by Natixis Advisors. Indexes are unmanaged and not available for direct investment.

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