

# Limited Term Government & Agency Fund

## Fund Facts

### OBJECTIVE

Seeks high current return consistent with preservation of capital

Share class	Y
Inception	3/31/1994
Ticker	NELYX
CUSIP	543487326
Benchmark	Bloomberg US 1-5 Year Government Bond Index

*Bloomberg US 1-5 Year Government Bond Index is an unmanaged, market-weighted index of bonds issued by the US government and its agencies, with maturities between one and five years. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.*

## Market Conditions

- The bond market delivered a solid total return with low volatility in the fourth quarter, closing out a generally positive year for the asset class. Fixed-income assets remained supported by a backdrop of slow but positive economic growth, an annualized inflation rate that largely held below 3%, and accommodative US Federal Reserve (Fed) policy. The Fed enacted two-quarter point interest rate cuts and announced the end of its multi-year effort to reduce the size of its balance sheet. Additionally, investors appeared to anticipate that the Fed was likely to continue easing in 2026. These developments, in combination, fueled positive returns across all major segments of the market.
- US Treasuries registered positive returns in the quarter, adding to their gain for the full calendar year. Government debt benefited from the environment of low inflation, accommodative US Federal Reserve policy, and expectations for further interest rate cuts in 2026. Yields on Treasury issues with maturities of five years and below declined, while longer-term yields rose. The yield curve steepened over the course of the quarter as a result. Two-year Treasuries were the quarter’s top performing market segment in terms of total return, while 30-year bonds posted a small loss.
- Agency mortgage-backed securities (AMBS) outperformed Treasuries and over duration-equivalent US Treasuries. Securitized credit broadly outperformed in Treasuries and over duration-equivalent US Treasuries across asset-backed securities (ABS), non-agency residential mortgage-backed securities (NARMBS), commercial mortgage-backed securities (CMBS) and collateralized loan obligations (CLOs).

### Class Y Performance as of December 31, 2025 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>FUND</b>	1.02	5.62	5.62	4.93	1.80	1.93
<b>BENCHMARK</b>	1.15	5.83	5.83	4.51	1.29	1.82

**Performance data shown represents past performance and is no guarantee of future results. Investment return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit [www.loomissayles.com](http://www.loomissayles.com).**

*Additional share classes may be available for eligible investors. Performance will vary based on the share class. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. You may not invest directly in an index.*

*Gross expense ratio 0.52% (Class Y). Net expense ratio 0.45%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense limitation of the fund has been exceeded. This arrangement is set to expire on 1/31/2026. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.*

*The Class Y inception date is 3/31/1994. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.*



## Portfolio Review

- The fund returned 1.02% during the quarter, underperforming its benchmark, the Bloomberg Barclays US Government 1-5 Year Index which returned 1.15%.

## Contributors

- Security selection was the main driver of underperformance.
- Agency backed mortgage exposure continues to be the dominant asset class in the fund and was the largest asset class contributor to performance.
- Non-government exposure (ABS and CMBS) contributed to performance during the period. CMBS exposure was the dominant driver of performance as compared to ABS..

## Detractors

- Duration continues to be managed near our target of 2 years and the Fund's short duration posture marginally detracted from results during the quarter as the front end of the yield curve declined as monetary policy eased.
- Selection in US Treasurys was the largest detractor from performance relative to the benchmark for the quarter.
- The fund's cash position had a marginal constraint on performance during the quarter.

## Outlook

- Fixed income markets delivered a solid positive total return as rates declined while the curve steepened on the back of two 25 bps Federal Reserve (Fed) cuts during the fourth quarter. Risk premiums, or credit spreads, drifted slightly higher but remained near historic tight. The Federal Reserve continues to grapple with their dual mandate as inflation remains elevated while labor market conditions have deteriorated. The lack of official data due to the extended government shutdown made policy decisions more challenging for the Federal Reserve and there was an increase in voting member dissents over the last two meetings. The Fed Funds Rate target now stands at 3.75%. Markets are currently pricing in only a 50% probability of another cut in the first quarter of 2026, although just over 2 more cuts are priced by year end, 2026. Spread sectors (primarily corporate bonds, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities) remained well supported with new supply easily absorbed.
- Corporate fundamentals remain at a healthy level by historical standards. Growth in the first quarter of 2026 may receive a boost through higher tax refunds and a reversal of the negative impacts from the shutdown. However, weak corporate pricing power and rising debt service costs suggest margin compression going forward. On the consumer front, we believe that moderating demand for labor, the continued decline in excess savings, and increasing impatience with higher prices are potential catalysts for weaker spending, which may be further exacerbated by higher prices for goods.



- We continue to believe that we are in the late expansion phase of the credit cycle, with growth slowing to below trend, while inflation - which is still above target, should moderate as the effects of tariffs dissipate. While we do not anticipate that the US will enter a recession, we continue to see elevated risk of a downturn scenario. We are concerned that slowing rates of hiring and reduced affordability may weigh more heavily on incomes and consumption. Additionally, the risk of additional Federal Government stimulus leading up to mid-term elections may also add to the growing fiscal burden. This concern has been evident in the still elevated level of term premium in the longer end of the yield curve. Market volatility may remain elevated due to ongoing geopolitical tensions and interventionism.
- Agency mortgage-backed securities (MBS) spreads (the difference in yield between agency MBS and US Treasuries of similar maturity) are currently trending near their longer-term averages. We continue to favor MBS securities that are less likely to face refinancing and extension risk, such as low loan balance mortgages and home equity conversion mortgages.
- Within the commercial real estate sector, we remain focused on agency commercial mortgage-backed securities issued by Fannie Mae and Freddie Mac.
- Our non-agency securitized exposures remain steady, utilizing asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) similarly. In aggregate, non-agency securitized exposure is currently in the upper zone of our allowed range.



## About Risk

**Fixed income securities** may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity. **US government agency securities** are not insured and may not be guaranteed by the US government. **Mortgage-related and asset-backed securities** are subject to the risks of the mortgages and assets underlying the securities. Other related risks include prepayment risk, which is the risk that the securities may be prepaid, potentially resulting in the reinvestment of the prepaid amounts into securities with lower yields. **Securities purchased on a forward commitment, when-issued or delayed delivery basis** are subject to many of the same risks (such as market risk and interest rate risk) as other securities. In addition, when-issued and delayed delivery securities are subject to other risks including loss of value prior to delivery; the security may not be issued; or a counterparty to the transaction may not meet its obligations.

## Important Disclosure

*Outlook as presented in this material reflects subjective judgments and assumptions of the portfolio team and does not necessarily reflect the views of Loomis, Sayles & Company, L.P. There is no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold. These perspectives are as of the date indicated and may change based on market and other conditions. Actual results may vary. Please refer to the Fund prospectus for a comprehensive discussion of risks.*

*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. Investment recommendations may be inconsistent with these opinions. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.*

***Market conditions are extremely fluid and change frequently.***

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

***Commodity, interest and derivative trading involves substantial risk of 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 Fund will generate positive or excess return.***

***Past performance is no guarantee of future results.***

***Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [www.loomissayles.com](http://www.loomissayles.com) or call 800-225-5478 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.***

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