

# Strategic Alpha Fund

## Fund Facts

### OBJECTIVE

Seeks to provide an attractive absolute total return, complemented by prudent investment management designed to manage risks and protect investor capital. The secondary goal of the fund is to achieve these returns with relatively low volatility

Share class	Y
Inception	12/15/2010
Ticker	LASYX
CUSIP	63872T620
Benchmark	Bloomberg US Aggregate Bond Index

### Bloomberg US Aggregate Bond Index.

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

### ICE BofA 3-month Treasury Bill Index.

The ICE BofA 3-Month Treasury Bill Index tracks the performance of 3-Month Treasury Bills. Indexes 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.
- Investment-grade corporates produced positive returns but finished slightly behind US Treasuries in the fourth quarter. Although income and falling Treasury yields supported performance, a modest increase in yield spreads offset much of the benefit. With spreads already near multi-year lows coming into the quarter, there was little room for further compression. Lower-quality corporates generally outpaced their higher-quality counterparts. Corporates outperformed Treasuries for the full year, reflecting the environment of solid economic growth, robust corporate earnings and healthy investor risk appetites.

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

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	1.62	8.58	8.58	8.26	3.42	4.17
BENCHMARK*	1.10	7.30	7.30	4.66	-0.36	2.01

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.

\*Bloomberg US Aggregate Bond Index.

Gross expense ratio 0.80% (Class Y). Net expense ratio 0.73%. 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 4/30/2026. When an expense limitation has not been exceeded, the fund may have similar expense ratios and/or yields.

The Class Y inception date is 12/15/2010. Class Y shares are sold to eligible investors without a sales charge; other Classes are available for purchase.



- High-yield bonds gained ground and slightly outperformed the investment-grade market in the fourth quarter. Income and falling Treasury yields were the primary drivers of performance, since yield spreads rose slightly. With spreads already near multi-year lows coming into the quarter, there was little room for further compression. B rated bonds were the top performing credit tier, slightly outpacing those rated Ba. Lower-quality Caa issues lagged. High-yield bonds also outperformed investment-grade debt for the full year, reflecting the backdrop of solid economic growth, robust corporate earnings and healthy investor risk appetites.
- 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).
- Developed-market government bonds, while slightly positive in absolute terms, lagged the United States. The European markets generally performed well, but a weak showing for Japan offset much of the gain. The Bank of Japan continued to raise interest rates in an effort to normalize its monetary policy, making it an outlier among its global peers. Emerging-market bonds gained ground in the quarter, closing out a strong year for the asset class. The combination of healthy global growth trends, falling US interest rates, and rising commodity prices boosted investor risk appetites and led to broad-based strength across all regions.

## Portfolio Review

- The fund outperformed its benchmark, the Bloomberg US Aggregate Index, primarily due to investment grade corporate exposure.

## Contributors

- Securitized exposure was positive for the quarter. Holdings within ABS, CMBS and CLO were the best performers within the allocation.
- Investment Grade Corporate exposure was also positive, as assets within the banking sector had the largest positive impact.

## Detractors

- Within our ELN (equity linked note) exposure, a handful of the securities detracted.

## Outlook

- Most segments of the global fixed income market generated positive returns during the fourth quarter, further contributing to an already strong year. At the start of the quarter, the US federal government began the longest shutdown in US history, lasting 43 days until a resolution in mid-November. The prolonged shutdown created market volatility, economic data collection issues and brought more uncertainty to the ensuing Federal Reserve (Fed) policy decision. Despite lingering inflation concerns, the Fed followed its September rate cut with 25 basis point cuts in October and December, an approach aimed to stabilize growth as labor market data weakened. The Treasury curve steepened during the quarter as the front end of the curve declined on the back of Fed cuts while long-term



yields were slightly higher, likely the result of inflation concerns, tariff uncertainty and a growing US debt burden. In 2025, the 10-year US Treasury fell 40 bps, from 4.57% to 4.17%, while demand for investment grade and high yield corporates remained strong, with spreads marginally tighter. Risk assets were supported throughout the year by the 75 basis points of Fed rate cuts, continued strong earnings growth by corporates and a surge in artificial intelligence (AI) investments.

- Looking ahead in 2026, we believe the US economy will remain in the ‘Expansion to Late Cycle’ phase of the credit cycle<sup>1</sup>, supported by easing Fed monetary policy, fiscal stimulus from the One Big Beautiful Bill Act (OBBBA) and stable corporate fundamentals. We expect growth in the US to remain resilient in 2026 and we are not anticipating a recession at this time, rather, our base case calls for trend-like growth. Positive wealth effects and solid aggregate consumer consumption, especially among mid-to-upper-tier households, have been supporting demand. While employment data has cooled, we don’t anticipate widespread layoffs as long as earnings and profitability remain strong. Productivity gains from artificial intelligence (AI) implementation could lead to layoffs, but we do not see that as a near-term risk. Many companies have invested significant capital expenditures in AI and data centers, and we expect this spending to contribute to productivity gains and overall economic momentum globally. Outside the US, The US administration’s willingness to negotiate trade deals with its largest trading partners is a welcome development. In Europe, the lack of US security assurances has pushed Eurozone leaders, particularly in Germany, to recommit to more expansionary fiscal policy and massive borrowing for security infrastructure, thus reviving European output including manufacturing. In China, economic data still shows a continued slowdown across all core metrics, driven by a confluence of weak consumer confidence, real estate drag, and lackluster investment. We expect Chinese growth to muddle along at current levels, however, we still have questions about the quality and sustainability of growth moving forward. The tariff reprieve has been welcomed, but a more durable long-term resolution may be more challenging.
- Our view on interest rates is predicated on the basis that US inflation will remain sticky, continuing to print above the Fed’s 2% target, and structural factors are weighing on the US fiscal deficit. Inflation is increasingly entrenched in behavior supported by structural factors such as budget deficits, geopolitical fragmentation, increased defense spending and the reconfiguration of supply chains. On a cyclical basis, despite recent inflation readings that show lagged effects of shelter inflation easing, we caution that the combination of stimulus from OBBBA, mortgaged-backed securities (MBS) purchases and other factors could lead to an uptick in inflation later in the year. From a labor market perspective, although recent labor market data has cooled, we are not expecting a massive wave in layoffs and view corporate health as the lynchpin behind the labor market. In this context, the Fed may be comfortable with inflation hovering above their 2% target, while easing monetary policy to help mitigate the labor market from softening further.
- With regards to the US fiscal deficit, large nondiscretionary spending – mostly related to entitlements and defense – has led to a deficit that is structural rather than counter-cyclical. Debt servicing costs have also risen significantly, as interest rates have increased and the overall debt burden has expanded. Currently, the fiscal deficit is unsustainable and has the potential to stimulate inflation, which in turn could raise borrowing costs across the economy, in our view. Unless there is significantly higher growth (which we believe is unlikely), expenditures are reduced or another large source of revenue materializes (tariffs),



we do not see a stabilization or contraction in the deficit occurring in the near term. As a result, we believe there is a risk to a move higher in long-term interest rates. We believe Treasury supply will continue to be a topic of heavy discussion, which could increase interest rate volatility and put a floor under long-term Treasury yields. We believe long-term fair value for the 10-year US Treasury is approximately 4.00-4.50%, based on a 1.75-2.00% real rate and 2.25-2.50% breakeven rate; however, Trump's policies could push the fair value target slightly higher.

- Our investment process lends itself to constantly reassessing value through our risk premium framework. Our Credit Health Index (CHIN) within investment grade and high yield corporate credit suggest defaults/losses will be below historical averages for this part of the cycle. Bottom-up fundamentals have stayed robust despite slight weakening in leverage and interest coverage, while profit margins have continued to strengthen and the outlook for earnings growth remains positive. A combination of solid credit fundamentals and supportive technical backdrop have helped push spreads and risk premiums to tight levels, however, it is difficult to see any real signs of credit deterioration. In our opinion, corporate balance sheets can weather potential volatility in the macroeconomic backdrop.
- We are mindful of the risks going forward, such as sticky inflation and a growing US deficit, either of which could force the market to reprice Fed expectations and potentially push rates back up. In addition, we continue to monitor the risk that AI investments do not deliver on optimistic revenue projections or large-scale productivity gains, the potential for further escalation in geopolitical risk and security concerns, as well as the impact of long-term structural trends such as deglobalization, decarbonization and aging demographics. Each of these risks could further elevate market volatility and create additional buying opportunities in credit, interest rates and currencies, for which we would consider redeploying reserves faster.
- We believe that long-term value has returned to fixed income markets with a combination of discount-to-par (positive convexity) and favorable yields. As investors sit on record levels of cash, we expect strong demand will likely support bond markets. Given our expectation for a relatively benign loss environment, we believe investors should consider moderately leaning into credit risk for any potential extra carry pick-up. Compressed credit spreads have led us to remain diversified in our credit exposure across the fixed income markets. In today's environment, we believe bond investors should maintain flexibility with regards to interest rate and credit risk, considering the risk/reward of the intermediate part of the curve against the long-term risks associated with long-end curve exposures while being selective in potential opportunities in investment grade credit, high yield credit, bank loans and securitized credit, in our opinion. Convergence between public and private credit markets is accelerating, creating opportunities for multi-sector investors. In addition, we believe diversifying portfolios across non-US-dollar exposure is a worthwhile strategy as the current macroeconomic backdrop suggests a flight-to-safety bid is unlikely to buoy the US dollar, in our view, and investors can seek higher yields and potential for currency appreciation outside the US.
- During periods in which the US dollar appreciates relative to foreign currencies, funds that hold non-US-dollar-denominated bonds, foreign currency or foreign currency-based derivative securities ("Foreign Currency Exposures") may realize currency losses



in connection with the maturity or sale of certain Foreign Currency Exposures. These losses impact a fund's ordinary income distributions (to the extent that losses are not offset by realized currency gains within the fund's fiscal year). A recognized currency loss, in accordance with federal tax rules, decreases the amount of ordinary income a fund has available to distribute, even though non-US-dollar-denominated bonds continue to generate coupon income.

- Fund officers have analyzed the fund's current portfolio of investments, realized currency gains and losses, schedule of maturities, and the corresponding amounts of unrealized currency losses that may become realized during the current fiscal year. This analysis is performed regularly to determine how realized currency losses have and will impact periodic ordinary income distributions for the fund. Based on the most recent quarterly analysis (as of December 31, 2025), realized currency losses could continue to have an impact on the distributions in the 2025 fiscal year. This analysis is based on certain assumptions including, but not limited to, the amount of Foreign Currency Exposures held by the funds, the level of foreign currency exchange rates, security prices, interest rates, the fund advisers' ability to manage realized currency losses, and the net asset level of the fund. Changes to these assumptions could materially impact the analysis and the amounts of future fund distributions. Fund officers will continue to monitor these amounts on a regular basis and take the necessary actions required to manage the fund's distributions to address realized currency losses while seeking to avoid a return of capital distribution.

## 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. **Below investment grade fixed income securities** may be subject to greater risks (including the risk of default) than other fixed income securities. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Derivatives** involve risk of loss and may entail additional risks. Because derivatives depend on the performance of an underlying asset, they can be highly volatile and are subject to market and credit risks. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. **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. **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. **Non-diversified funds** invest a greater portion of assets in fewer securities and therefore may be more vulnerable to adverse changes in the market. **Short exposures** using derivatives may present various risks. If the value of the asset, asset class or index on which the Fund holds short investment exposure increases, the Fund will incur a loss. The potential risk of loss from a short exposure is theoretically unlimited, and there can be no assurance that securities necessary to cover a short position will be available for purchase.



## 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, if available, containing this and other information. Read it carefully.***

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