

210578



## CITY OF GAINESVILLE EMPLOYEES' PENSION PLAN



November 18, 2021

# presented by:



**MATTHEW BUXTON**

Vice President, Senior Relationship Manager

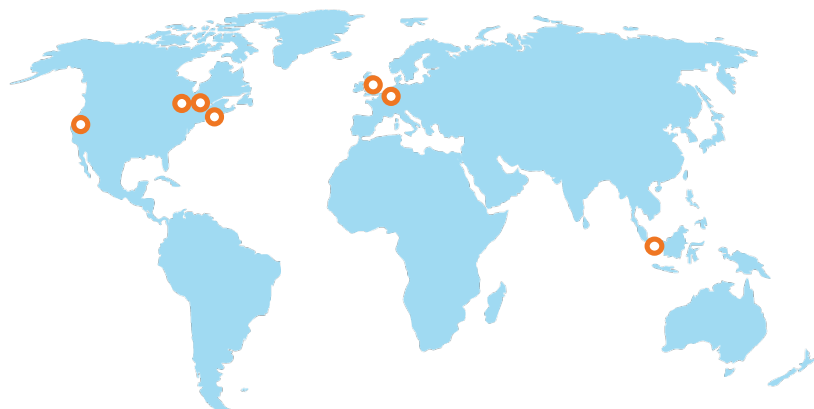


**JONATHAN KIMBRO, CAIA**

Vice President, Investment Director

# loomis sayles at a glance

Serving clients with integrity and a global perspective since **1926**



BOSTON • CHICAGO • DETROIT • SAN FRANCISCO

LONDON • SINGAPORE • UTRECHT

As of 9/30/2021. The Utrecht office opened on November 1, 2020.

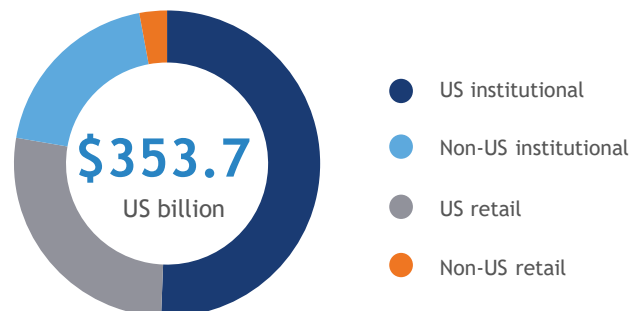
Due to rounding, pie chart total may not equal 100%.

Other includes cash & equivalents and derivatives.

Total AUM includes the assets of both Loomis, Sayles & Co., LP, and Loomis Sayles Trust Company, LLC. (\$38.7 billion for the Loomis Sayles Trust Company).

Loomis Sayles Trust Company is a wholly owned subsidiary of Loomis, Sayles & Company, L.P.

## AUM by client base












## Investment expertise across asset classes

Fixed income: **\$252.3 B**

Equity: **\$101.4 B**



# foundation for alpha

CREDIT RESEARCH	EQUITY	MACRO STRATEGIES	MORTGAGE & STRUCTURED FINANCE	QUANTITATIVE RESEARCH & RISK ANALYSIS
<i>Alpha generation through differentiated insights</i>	<i>Driving alpha through independent thinking</i>	<i>Focused insights for investment team impact</i>	<i>Opportunities outside traditional asset classes</i>	<i>Bringing together the art and science of investing</i>
<p>Providing insight and differentiated perspectives across the credit classes, risk spectrum, and capital structure</p> 	<p>Active long-term strategies built on differentiated non-consensus insight</p> 	<p>Tailor-made research and data driven assessments of global macro investment conditions, opportunities and risks</p> 	<p>Uncovering hidden alpha in complex structured markets</p> 	<p>Generating signals that can identify risk patterns and opportunities</p> 
TRADING	ESG	INVESTMENT RISK OVERSIGHT	TECHNOLOGY	BUSINESS INFRASTRUCTURE
<i>Beyond trade execution</i>	<i>Integrate and engage</i>	<i>Ensuring investment teams are meeting client needs &amp; expectations</i>	<i>Translating data into insight</i>	<i>Allowing investors to remain focused on alpha generation</i>
<p>+50 trading professionals integrated within all investment processes every step of the way</p> 	<p>Training and tools for investment teams to assess material ESG factors</p> 	<p>A common foundation underlying all strategies:</p> <ul style="list-style-type: none"> <li>• Sound philosophy</li> <li>• Rigorous, repeatable process</li> <li>• Proprietary research</li> <li>• Disciplined portfolio construction</li> <li>• Integrated risk management</li> </ul>	<p>Tapping the power of our proprietary In2! technology platform, integrating more than 5 billion data points each day</p> 	<p>Legal, compliance, distribution, marketing, relationship management, &amp; client services</p> 



# alpha engines

## FIXED INCOME

ALPHA STRATEGIES	BANK LOANS	DISCIPLINED ALPHA	EMERGING MARKET DEBT	FULL DISCRETION	GLOBAL	MORTGAGE & STRUCTURED FINANCE	MUNICIPAL	RELATIVE RETURN
Credit Asset	Senior Loans	Core	Corporate	Multisector	Global Bond	Agency MBS	Short	Short Duration
Emerging Market Debt Blended	Senior Floating Rate and Fixed Income	Intermediate	Local Currency	Multisector Credit	Global Credit	Core Securitized	Intermediate	Inter. Duration
World Credit Asset	CLOs	Corporate	Short Duration	Core Plus Full Discretion	Global Debt Unconstrained	IG Securitized Credit (ERISA)	Medium	Core
Multi-Asset Income		Long Corporate	Asia Credit	High Yield Full Discretion	Global Disciplined Alpha**	High Yield Securitized Credit	Crossover†	Core Plus
Inflation Protected (TIPS)		Long Gov't Corp		Global High Yield		Private Debt and Equity		IG Corporate
Systematic Investing Strategies		Long Credit		US High Yield				IG Inter. Corp
		Global Disciplined Alpha**		High Yield Conservative				Long Corporate
				Strategic Alpha				Long Credit
								Long Gov't/Credit
								Custom LDI
\$11.2 B*	\$4.9 B	\$19.4 B	\$3.6 B	\$66.8 B	\$35.2 B	\$15.1 B*	\$8.3 B	\$101.8 B

## EQUITY

GROWTH EQUITY STRATEGIES	GLOBAL EMERGING MARKETS EQUITY	GLOBAL EQUITY OPPORTUNITIES	SPECIALTY GROWTH STRATEGIES	SMALL CAP VALUE
All Cap Growth	Global Emerging Markets Equity	Global Allocation	Small Cap Growth	Small Cap Value
Global Growth	Global Emerging Markets Equity Long/Short	Global Equity Opportunities	Small/Mid Cap Growth	Small/Mid Cap Core
International Growth			Mid Cap Growth	
Large Cap Growth				
Long/Short Growth Equity				
\$80.7 B	\$146.3 M***	\$9.9 B	\$7.6 B	\$3.0 B

As of 9/30/2021.

\*Includes accounts that may also be counted as part of other strategies \*\*Co-managed investment strategy \*\*\*Assets include seed money from our parent company. †Accounts may be co-managed along with other teams as appropriate.



LOOMIS SAYLES®

FO0122  
MALR026606  
1563458931

# investing in our community

## THE FUSS FAMILY MENTAL HEALTH INITIATIVE



Loomis Sayles is honoring their globally renowned fixed income investor and beloved colleague of 45 years, Dan Fuss for his philanthropic commitment to the ongoing mental health of young people.

This initiative celebrates the Fuss Family for their tireless support and their courage in raising awareness of mental health issues, including suicide prevention, in the wake of their son Tommy's death by suicide 15 years ago this November.

The Loomis Sayles campaign is committed to supporting prevention efforts and reducing stigmas around the mental health crisis engulfing young people in the most under-served areas of the cities in which we work and live. It includes:

- Corporate giving strategy over three years
- Double-matching of employee donations
- Employee engagement through volunteering and educational activities

Please visit the About Us page on [LoomisSayles.com](https://www.loomissayles.com) for more information or to contribute to one of our partners focused on the mental health of young people in under-resourced communities (<https://www.loomissayles.com/website/about-us>).

# investment summary

## STRATEGY HIGHLIGHTS

### Style:

- Security selection based alpha
- Fundamental research based security selection
- Benchmark driven
- Historically below average tracking error

### Characteristics:

- Diversified portfolio
- Highly integrated risk management
- Primarily benchmark-like securities
- Seek little duration or curve risk

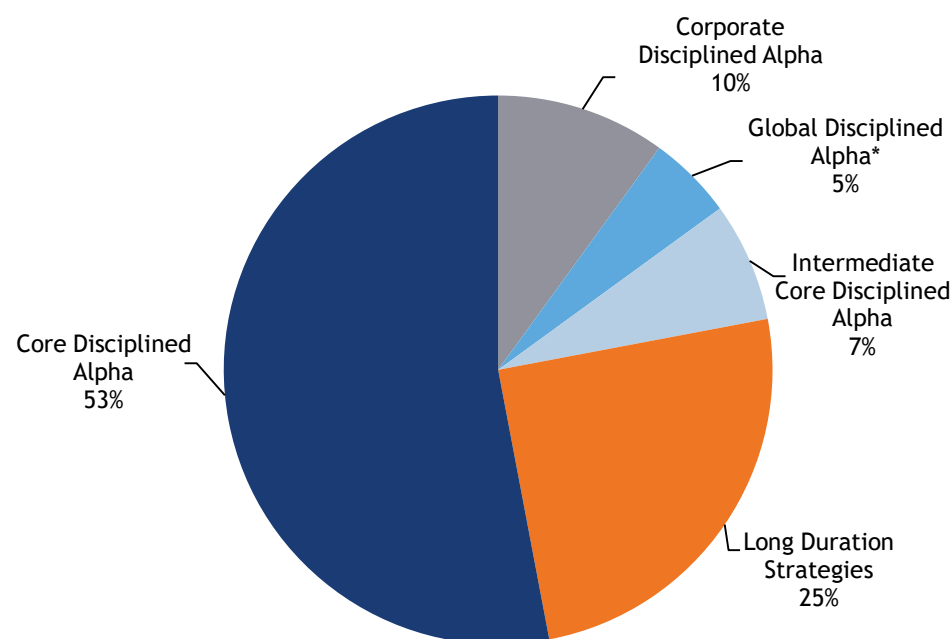
*There is no guarantee that the investment objective will be realized or that the strategy will generate excess return.  
Diversification does not ensure a profit or guarantee against loss.  
Past performance is no guarantee of future results.*

# disciplined alpha platform

## TEAM ASSETS UNDER MANAGEMENT

\$19.4 billion as of September 30, 2021

	Strategy Inception Date	Assets (\$ billions)
Core Disciplined Alpha	7/28/2010	10.2
Corporate Disciplined Alpha	5/31/2013	2.0
Global Disciplined Alpha*	10/31/2013	1.0
Intermediate Core Disciplined Alpha	1/10/2019	1.4
Long Duration Strategies		4.9
Long Corporate Disciplined Alpha	6/30/2013	2.7
Long Credit Disciplined Alpha	5/15/2017	1.4
Long Government Corporate Disciplined Alpha	2/16/2018	0.7
Total AUM		19.4



As of 9/30/2021. Due to rounding, pie chart total may not equal 100%.

\*Managed by Global Disciplined Alpha team, with Co-Heads Lynne Royer, Lynda Schweitzer, Scott Service and Seth Timen. The DA Team has day-to-day responsibility for the USD-denominated assets in the GDA strategy and Lynda Schweitzer and Scott Service and their team have day-to-day responsibility for the Non-USD assets in the GDA strategy. The split between USD and non-USD assets is determined by market weight in the benchmark and the team rebalances each month.



# investment philosophy

## INTENSE FOCUS ON RELATIVE VALUE INVESTING

- Aims to gain an edge through better research and use of market information
- Seeks to add value for clients through security selection
- Seeks to harvest value through continuous rotation to the best opportunities\*

## RISK MANAGEMENT IS FUNDAMENTAL TO THE PROCESS

- Security selection decisions are made using the team's risk-adjusted framework concept of portfolio impact\*\* (PI)
- Limited sector positioning helps reduce relative return noise
- Disciplined duration and curve positioning focuses investment process

*\*Opportunities in the strategy's investment universe available to the team.*

*\*\*Portfolio Impact (PI) is a proprietary risk-adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.*

***There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.***

# investment team

## HIGHLY EXPERIENCED, SEASONED TEAM OF INVESTMENT PROFESSIONALS

### DISCIPLINED ALPHA TEAM / PORTFOLIO MANAGEMENT TEAM

Lynne Royer			Seth Timen		
Co-Head of Disciplined Alpha			Co-Head of Disciplined Alpha		
Andrew Henwood	Brad Stevens	Sudhir Bhat	Monica Mehra	Oren Cheyette	
Credit Portfolio Manager	Credit Portfolio Manager	Mortgage Portfolio Manager	Securitized Products Portfolio Manager	Quantitative Strategist	
Marc Frank	Brian Gibbs	Mirsada Durakovic	Timi Ajibola	Matthew Boynton	Bruce Saldinger
Senior Credit Trader	Credit Trader	Senior Credit Analyst	Senior Mortgage Trader	Senior Trader	Quantitative Analyst
Pat Scardino	Gabriela Servin-Cendejas	Jonathan Kimbro	Darlene Lie	Camden Wang	
Trading Assistant	Investment Associate	Investment Director	Trading Assistant	Quantitative Associate	

### SECTOR TEAMS

- US Yield Curve
- Global Asset Allocation
- Developed Non-US Markets
- Mortgage & Structured Finance
- Investment Grade / Global Credit
- US Government
- High Yield/Bank Loans
- Emerging Markets
- Convertibles

### FIRM RESOURCES

Macro Strategies	Credit Research	Mortgage & Structured Finance	Fixed Income Trading	Quant. Research & Risk Analysis	Equity Research
<ul style="list-style-type: none"> <li>• 2 Directors</li> <li>• Associate Director</li> <li>• Chief US Economist</li> <li>• 5 Senior Sovereign Analysts</li> <li>• 2 Sovereign Analysts</li> <li>• Senior Commodities Analyst</li> <li>• Senior Research Analyst</li> <li>• Research Analyst</li> <li>• 2 Senior Research Associates</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• 2 Associate Directors</li> <li>• Head of Municipal Research</li> <li>• Head of Convertibles Research</li> <li>• 38 Senior Analysts</li> <li>• 11 Analysts</li> <li>• 11 Research Senior Associates</li> <li>• 5 Research Associates</li> </ul>	<ul style="list-style-type: none"> <li>• Head</li> <li>• 3 Portfolio Managers</li> <li>• 3 Strategists</li> <li>• 3 Senior Analysts</li> <li>• Research Analyst</li> <li>• 2 Senior Research Associates</li> <li>• Director, MSF Trading</li> <li>• 4 MSF Traders/Tas</li> </ul>	<ul style="list-style-type: none"> <li>• 26 Traders/TAs</li> <li>• Director,</li> <li>• Portfolio Implementation</li> <li>• 17 Portfolio Specialists</li> <li>• Director, Operational Trading Risk Mgt.</li> <li>• Risk Analyst</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• 2 Associate Directors</li> <li>• 8 Quantitative Analysts</li> </ul>	<ul style="list-style-type: none"> <li>• 12 Senior Analysts</li> <li>• 11 Analysts</li> <li>• 3 Research Associates</li> </ul>
				ESG	Investment Strategy and Risk Management
				<ul style="list-style-type: none"> <li>• Senior Analyst</li> <li>• Marketing Manager</li> <li>• Project Associate</li> </ul>	<ul style="list-style-type: none"> <li>• Chief Inv. Risk Officer</li> <li>• Deputy Chief Inv. Risk Officer/Model Risk Officer</li> <li>• 2 Senior Inv. Risk Analysts</li> <li>• 5 Inv. Risk Analysts</li> <li>• Inv. Risk Associate</li> </ul>

As of 9/30/2021.

# distributed decision-making

## DRAWING ON FIRM-WIDE RESOURCES THROUGHOUT THE INVESTMENT PROCESS

Team Breakdown	<div>Co-Head of Disciplined Alpha</div> <div>Lynne Royer</div> <div>Seth Timen</div>	<div>Corporate Investment Team</div> <div>Mirsada Durakovic</div> <div>Marc Frank</div> <div>Brian Gibbs</div> <div>Andrew Henwood</div> <div>Patrick Scardino</div> <div>Bradley Stevens</div>	<div>Securitized Investment Team</div> <div>Timi Ajibola</div> <div>Sudhir Bhat</div> <div>Matthew Boynton</div> <div>Darlene Lie</div> <div>Monica Mehra</div>	<div>Risk Management &amp; Portfolio Support</div> <div>Matthew Boynton</div> <div>Oren Cheyette</div> <div>Bruce Saldinger</div> <div>Gabriela Servin-Cendejas</div> <div>Camden Wang</div>
Responsibilities	<ul style="list-style-type: none"><li>• Set target exposure with senior sector specialists*</li><li>• Vet investment process and new strategies</li><li>• Coach and guide investment team</li><li>• Ultimate veto authority</li></ul>	<ul style="list-style-type: none"><li>• Know bonds in investment universe</li><li>• Collaborate with firm wide research</li><li>• Fundamental analysis of credit and durations</li><li>• Assess relative value</li><li>• Identify buy/sell</li></ul>		<ul style="list-style-type: none"><li>• Product and process development</li><li>• Proprietary attribution</li><li>• Risk monitoring</li><li>• Create tools (DART)</li></ul>
Firm-wide Resources	<ul style="list-style-type: none"><li>• Macro Strategies</li><li>• Sovereign Research</li><li>• QRRR</li><li>• Sector Teams</li></ul>	<ul style="list-style-type: none"><li>• Credit Research</li><li>• Sovereign Research</li><li>• Fixed Income Trading</li><li>• Sector Teams</li></ul>	<ul style="list-style-type: none"><li>• Mortgage &amp; Structured Finance Team</li><li>• Fixed Income Trading</li><li>• Sector Teams</li></ul>	<ul style="list-style-type: none"><li>• CRD</li><li>• QRRR</li><li>• Compliance</li><li>• Accounting</li></ul>

As of 9/1/2021

\*Senior sector specialists responsible for setting target exposures include Sudhir Bhat, Andrew Henwood, Monica Mehra and Brad Stevens

# sector responsibility

## DRAWING ON THE RESOURCES OF FIRM-WIDE LOOMIS SAYLES RESEARCH TEAMS

Disciplined Alpha

Sector Specialist	Seth Timen	Andrew Henwood	Brad Stevens	Mirsada Durakovic	Marc Frank	Brian Gibbs
	Co-Head*	Credit Portfolio Manager	Credit Portfolio Manager	Senior Credit Analyst	Senior Credit Trader	Credit Trader
<b>Industry Responsibility</b>	Energy Banking & Finance Emerging Market Credit Owned-No-Guarantee Sovereigns Utilities	Autos, Auto Parts Chemicals, Paper Consumer Products Defense, Industrials Energy Homebuilders Metals & Mining REITs, Retail Technology Transportation	Banking & Finance Healthcare, Health Insurance Media, Entertainment P&C, Life Insurance Pharmaceuticals Telecom, Cable	Industrial – Other Utilities Taxable Municipals Sovereigns Owned-No-Guarantee Emerging Market Credit	Autos, Auto Parts Chemicals, Paper Consumer Products Industrial – Other Media, Entertainment Metals & Mining Taxable Municipals Technology Telecom, Cable	Defense, Industrials Healthcare, Health Insurance Homebuilders P&C, Life Insurance Pharmaceuticals REITs, Retail Transportation

Sector Specialist	Sudhir Bhat	Timi Ajibola	Monica Mehra
	Mortgage Portfolio Manager	Senior Mortgage Trader	Securitized Products Portfolio Manager
<b>Sector Responsibility</b>	Agency MBS Non-Agency MBS	Agency MBS Non-Agency MBS	ABS CMBS

### SUPPORTED BY LOOMIS SAYLES PROPRIETARY RESEARCH WORLDWIDE

MACRO  
STRATEGIES

CREDIT  
RESEARCH

MUNICIPAL  
RESEARCH

MORTGAGE AND  
STRUCTURED FINANCE

*As of September 30, 2021*

*\*In addition to his responsibilities as co-head, Seth Timen also has trading responsibilities for several industries.*



LOOMIS SAYLES®

DA0822  
MALR027728  
1566574472

# security selection process

## WE SOURCE IDEAS BY SEEKING THE BEST RELATIVE VALUE EVERY DAY

We focus primarily on liquid securities where we believe we have an analytic or informational advantage

- Fundamental research underpins all decisions
- Changing spreads and new information help create continuous opportunities

All opportunities evaluated in a Portfolio Impact (PI) framework

FUNDAMENTAL RESEARCH	CHANGING SPREADS
<b>Loomis firm-wide resources</b> <ul style="list-style-type: none"><li>• Change in Loomis research views</li><li>• Relative value recommendation (LRR)<sup>†</sup></li><li>• Industry analysis and research reports</li><li>• ESG-related risks and opportunities</li><li>• Rising stars/fallen angels</li></ul> <b>External research</b> <ul style="list-style-type: none"><li>• Rating Agency</li><li>• Wall Street</li></ul>	<b>Trading desk</b> <ul style="list-style-type: none"><li>• Street relationships</li><li>• Market technicals</li><li>• Trends</li><li>• New Issues</li></ul> <b>Quantitative models</b> <ul style="list-style-type: none"><li>• URV (Unified Relative Value)</li><li>• DART</li></ul>

<sup>†</sup>Loomis Research Recommendation; Relative to the analyst's industry coverage in market segment (e.g., investment grade or high yield).

Portfolio Impact (PI) is a proprietary risk-adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.

# risk management

## HOW WE MEASURE RISKS IN THE PORTFOLIO

We believe our risk management measure can help lead to better security selection decisions and better portfolio construction

### Portfolio Impact (PI)

- Risk decisions are evaluated based on their Portfolio Impact (PI)
- PI is based on the size, duration, and expected price volatility of each position
- PI is intuitive: a 10 PI position impacts portfolio returns by 10 basis points in a 100 basis point move
- Attribution is based on PI
- Position sizing guided by PI
- Sector risk measured by PI

*PI is a proprietary risk adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.*

# risk management

## PI: OUR RISK LANGUAGE

PI incorporates the size of the position, duration, and sensitivity to changes in sector spreads

	WEIGHT (%)	OAD	BETA	PI	RATING	OAS
TECH COMPANY A	0.50	6.62	0.51	1.7	Aaa/AAA/AA+	60
TECH COMPANY B	0.50	5.52	1.50	4.1	Baa3/BBB-/BBB	245

Same industry and portfolio weight, but different risk profile

- Tech Company B has a higher beta (bonds trade wide to the credit index)
- Fully risk-adjusted, we view Tech Company B as having 2.5x the amount of portfolio risk

*PI is a proprietary risk adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.*

*Examples above are provided to illustrate the investment process for the strategy used by Loomis Sayles and should not be considered recommendations for action by investors. They may not be representative of the strategy's current or future investments and they have not been selected based on performance. Loomis Sayles makes no representation that they have had a positive or negative return during the holding period.*

# risk management process

## WE BELIEVE OUR RISK MANAGEMENT PROCESS HELPS ENABLE BETTER SECURITY SELECTION DECISIONS

### How our risk process works:

- Risk targets set by co-heads and senior sector specialists
- Risk measured relative to the benchmark
- Weekly formal meeting to review risk targets
- DART: Real-time, PI-based risk management for continuous monitoring
- Quantitative Research Risk Analysis provides additional analytic perspective





# disciplined alpha risk tool (DART)

## PROPRIETARY TOOL FULLY INTEGRATES RISK MANAGEMENT

- Entire team sees real-time risk exposures
- Boosts efficiency of the trading process
- Ability to precisely target and manage portfolio exposures
- Reporting functionality highly customized to aid in portfolio construction

Account Overview

**DART**  
Disciplined Alpha Risk Tool

Strategy	Duration	Convexity	Curve						PI				
			6M	2Y	5Y	10Y	20Y	30Y	ABS	AGY	CMBS	CREDIT	MBS
Core	0.00	0.00	0	0	0	0	-30	30	15	-5	10	0	10

Account Overview - Live

PI	\$Dur/Weight	Dur/KRD	Currency	Sector	All
Core					

Strategy	Account	Market Value	Sector PI	Sector KRD 6M	Sector KRD 2Y	Sector KRD 5Y	Sector KRD 10Y	Sector KRD 20Y	Sector KRD 30Y	Sector Weight	Sector DoLDur	Sector Convexity
Core		8,154,920,164	4.6	-0.1	0.4	-2.0	-0.6	-19.2	3.8	-0.57	-17.66	-0.03

Account Details

Maturity	Abs PI	Moody	Notional	Beta	Eff Dur	OAS	Price	USD Market Value	Abs Weight	Abs \$Dur	6MO	2Y	5Y	10Y	20Y	30Y	Industry	Capital Structure	LRR	MSCI
06/01/2033	2.5	BAA3	14,960,000	1.66	7.78	272.4	105.03	15,850,693	0.19	1.51	0.0	0.2	1.5	5.0	1.0	0.0	LOCAL_AUTHORITIES	SENIOR	2	A
07/17/2049	0.8	BAA2	2,349,000	1.68	15.87	262.3	100.58	2,368,714	0.03	0.46	0.0	0.1	0.5	1.5	2.5	11.3	OWNED_NO_GUARANTEE	SRNOTES	2	B
11/07/2048	0.9	BAA2	2,241,000	1.70	14.63	268.5	125.30	2,844,052	0.03	0.51	0.0	0.1	0.6	1.7	3.5	8.7	OWNED_NO_GUARANTEE	SRNOTES	3	B
08/15/2031	0.4	BA1	1,826,000	1.70	8.26	279.1	125.12	2,347,960	0.03	0.24	0.0	0.2	0.7	6.0	1.3	0.0	INDEPENDENT	NOTES	1	AA
03/15/2033	2.0	BA1	8,100,000	1.70	9.10	279.7	125.31	10,376,096	0.13	1.16	0.0	0.2	0.7	5.6	2.6	0.0	INDEPENDENT	NOTES	1	AA

Charts are illustrative for presentation purposes only as a sampling of risk management tool output. Some or all of this information on these charts 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.

Past market performance is no guarantee of future results.

# product overview

## INVESTMENT UNIVERSE

Benchmark: Bloomberg U.S. Aggregate Index

### Investment universe

- Agencies
- Asset-backed securities
- Commercial mortgage-backed securities
- Investment grade credit
- Mortgage-backed securities
- US Treasurys
- US dollar-denominated bonds only
- Other investments up to 5% in aggregate

*Any investment that has the possibility for profits also has the possibility of losses.*



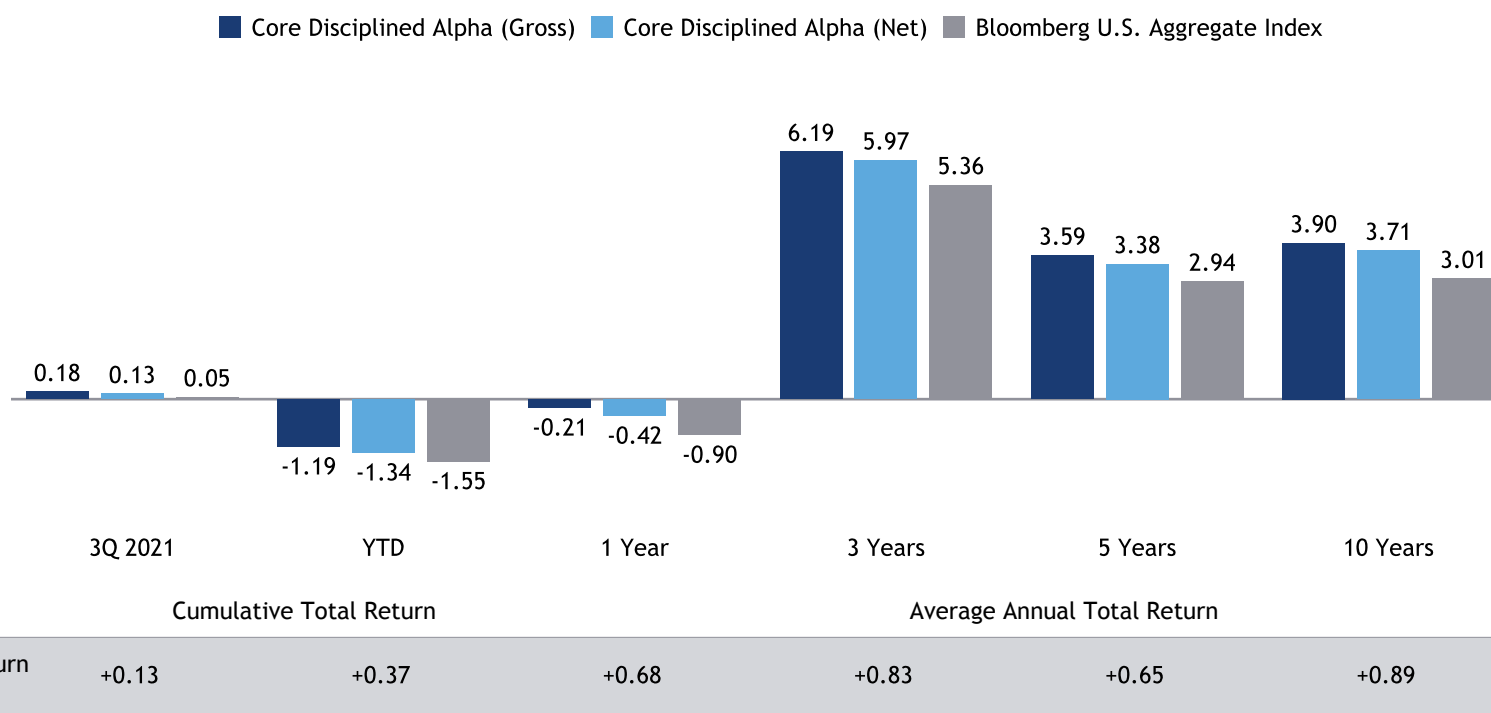
LOOMIS | SAYLES®

CDA0822  
MALR027730  
0000000714

# portfolio review

## COMPOSITE PERFORMANCE AS OF 9/30/2021 (%)

### Trailing Returns



Data Source: Loomis Sayles and Bloomberg.

Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns for multi-year periods are annualized.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. Returns may increase or decrease as a result of currency fluctuations.

**Please see GIPS Report at the end of this presentation for a complete description of the Loomis Sayles Core Disciplined Alpha Composite.**

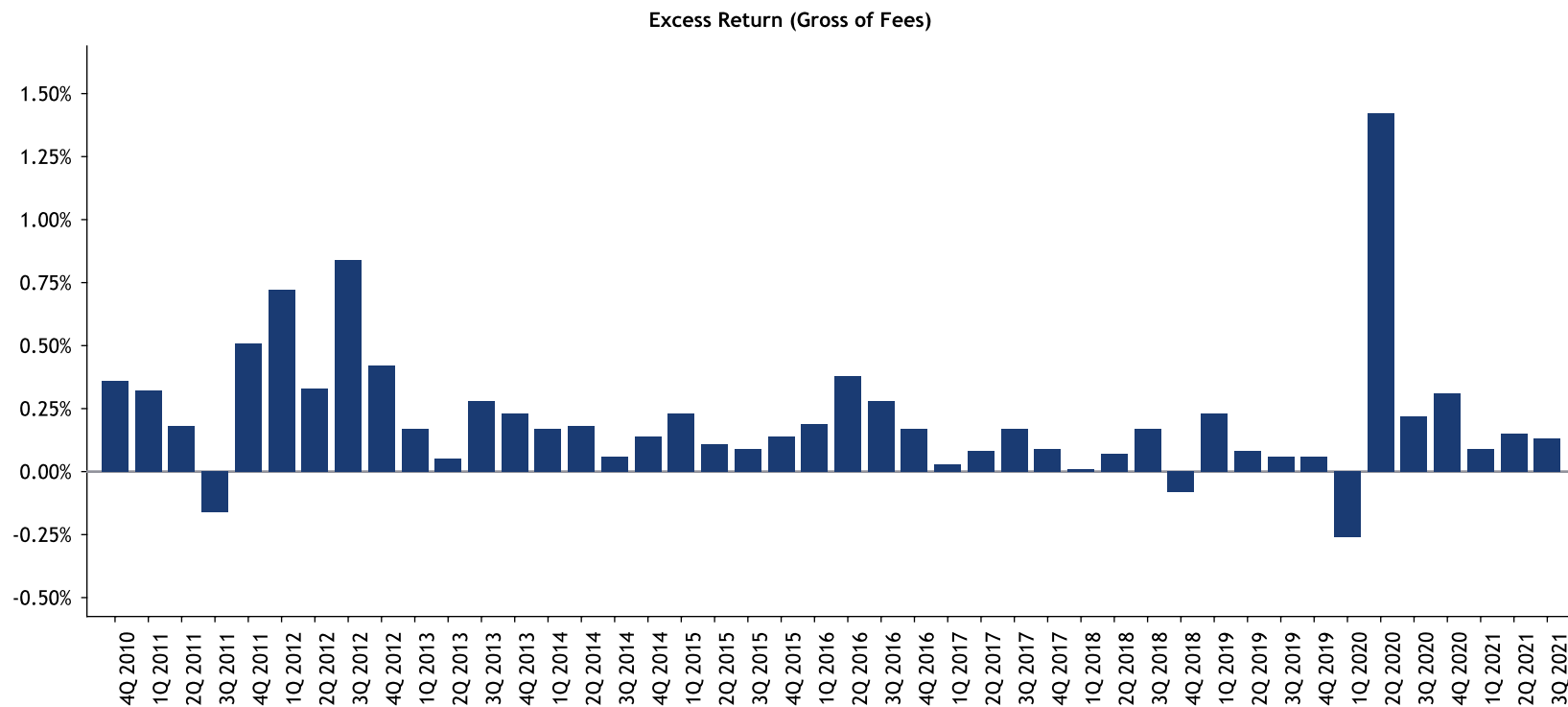
**Past performance is no guarantee of future results.**

# portfolio review

## QUARTERLY EXCESS RETURN HISTORY

### Core Disciplined Alpha Composite

Core Disciplined Alpha



Data Source: Loomis Sayles and Bloomberg.

Composite inception: 9/1/2010. Excess return is relative to the Bloomberg U.S. Aggregate Index. Gross returns are net of trading costs but do not include management fees.

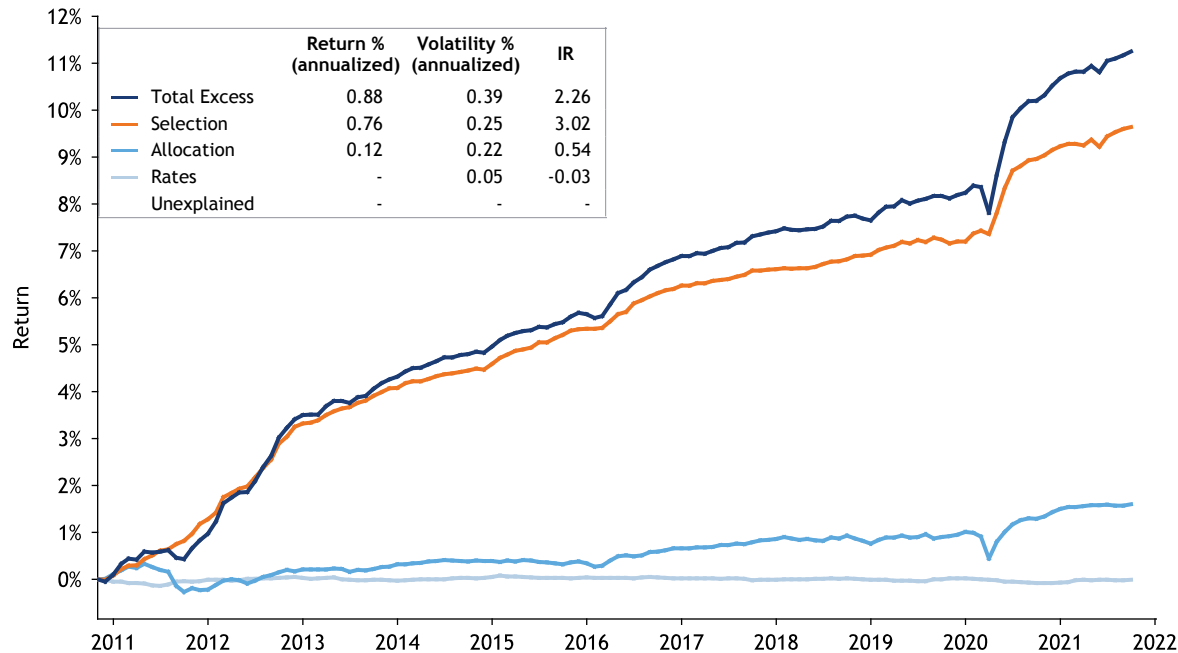
**Please see GIPS Report at the end of this presentation for a complete description of the Loomis Sayles Core Disciplined Alpha Composite.**

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

# portfolio review

## SECURITY SELECTION DRIVES ALPHA

Core Disciplined Alpha Representative Account (gross)  
11/1/2010 through 9/30/2021



Data Source: Loomis Sayles and Bloomberg.

Representative account inception: 11/1/2010. Excess return is relative to the Bloomberg U.S. Aggregate Index. Gross returns are net of trading costs but do not include management fees.

Characteristics are shown for a representative account as supplemental information. Due to system limitations, it is difficult to analyze this data on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Core Disciplined Alpha investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Core Disciplined Alpha investment style.

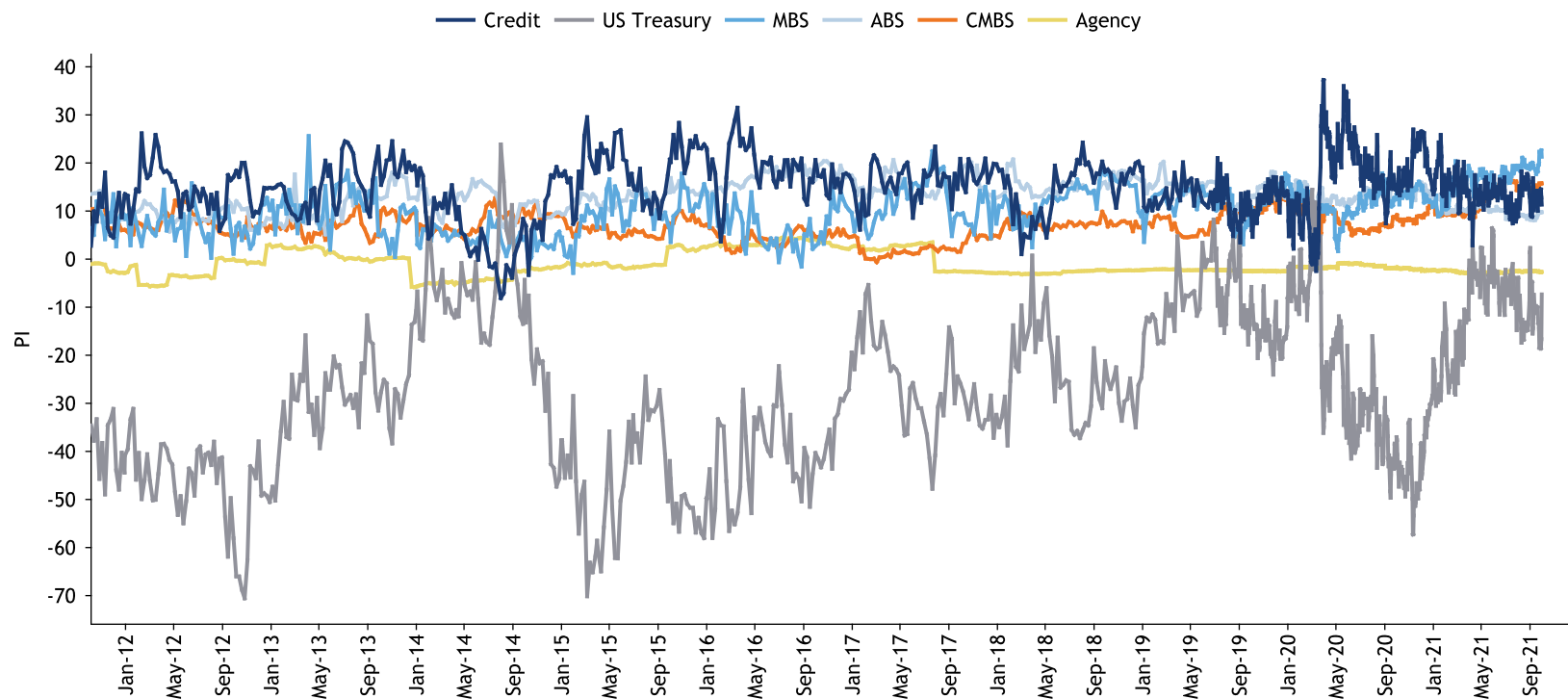
**The GIPS Report at the end of this presentation displays performance, including dispersion, for the Loomis Sayles Core Disciplined Alpha Composite.**

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

# portfolio review

## HISTORICAL COMPOSITE SECTOR POSITIONING

### Relative PI



Data Source: Loomis Sayles. As of 9/30/2021 based on daily calculations.

PI is a proprietary risk adjusted duration measure shown relative to the Bloomberg U.S. Aggregate Index. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.

Due to active management, characteristics will evolve over time.

Please see GIPS Report at the end of this presentation for a complete description of the Loomis Sayles Core Disciplined Alpha Composite.

# summary

## WHY THE DISCIPLINED ALPHA TEAM?

### Deep Resources

- The Disciplined Alpha team consists of 18 investment professionals dedicated to fundamental research-based security selection and integrated risk management
- Loomis Sayles' depth of resources across our fundamental and quantitative research platforms are an integral part of the Disciplined Alpha investment process

### Distinct and Repeatable Investment Process

- The Disciplined Alpha team aims to produce consistent alpha by understanding where we believe bonds should trade at any given time and adjusting portfolio positioning within a structured process every day
- Portfolio managers, analysts and traders continually discuss investment ideas, risks and trading levels in their efforts to outperform their benchmarks while maintaining targeted risk levels across portfolios

### Dedicated to Investment Excellence

- The Disciplined Alpha team's investment process has been in place for over 20 years\*
- We believe our investment philosophy supports a process that can result in strong risk-adjusted outperformance for our clients

*As of 9/30/2021.*

*\*The Disciplined Alpha team joined Loomis Sayles in 2009. Experience prior to that date was at their prior firm.*

# guideline summary

## BENCHMARK

- Bloomberg Aggregate Index

## GUIDELINES & LIMITATIONS

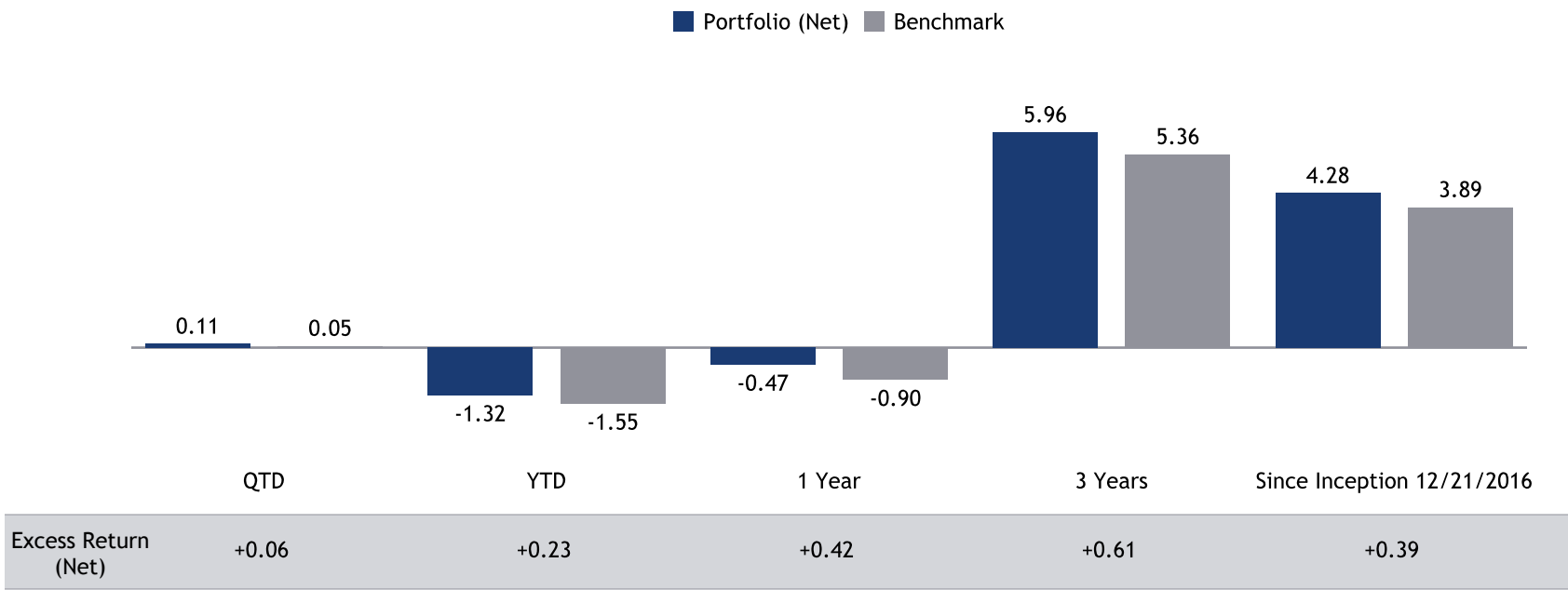
- Credit Quality: 95% minimum in securities rated equal to or above Baa3/BBB-/BBB-, at the time of purchase.
- Non Rated Securities: Loomis rating applies if not rated.
- Issue: 5% maximum, excluding US Government, US Government Agencies and U.S. Governments Sponsored Entities, at the time of purchase.
- Currency: May not hold non-US dollar denominated securities.
- Duration: The Portfolio shall be managed to have an effective duration of +/-10% of the Bloomberg Barclays Aggregate Index.
- Industry: 25% maximum, excluding US Government, US Government Agencies and U.S. Governments Sponsored Entities, at the time of purchase.
- 144A Securities: 20% maximum, at the time of purchase.
- Municipals: 5% maximum in taxable municipal securities, at the time of purchase.
- Convertible Preferred and Preferred Stocks: 10% maximum, at the time of purchase.
- Non-Agency RMBS: 20% maximum, at the time of purchase.
- Agency MBS: 80% maximum, including TBA's, at the time of purchase.
- ABS: 20% maximum, at the time of purchase.
- CMBS: 20% maximum, at the time of purchase.

*Guideline summary is not a complete restatement of guidelines. The slide is intended to be a summary to aid in the review process.*



# investment performance

## TRAILING RETURNS AS OF 9/30/2021 (%)



Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.  
 Benchmarks: BBG Aggregate (12/21/2016 - 9/30/2021).

# investment performance

AS OF 9/30/2021

## Alpha Approximate Attribution (in basis points)

3Q 2021	Portfolio
Duration	0
Curve	0
Allocation	1
Selection	14
Unexplained	0
<b>Total</b>	<b>14</b>

### Top 5 Contributors

SOUTHERN CAL EDISON  
APPLE INC  
CONTINENTAL RESOURCES INC/OK  
GENERAL ELECTRIC CO  
INDIANAPOLIS PWR & LIGHT

### Top 5 Detractors

DTE ENERGY CO  
ANGLO AMERICAN PLC  
IDAHO ENERGY RESOURCES AUTH TRANSMISSIO  
UNITED MEXICAN STATES  
LEXINGTON REALTY TRUST

YTD	Portfolio
Duration	0
Curve	4
Allocation	6
Selection	27
Unexplained	0
<b>Total</b>	<b>38</b>

### Top 5 Contributors

NEW YORK ST DORM AUTH ST PERSONAL INCOM  
DELL TECHNOLOGIES INC  
NEW JERSEY ST TRANSN TR FD  
ENERGY TRANSFER LP  
GOVT OF COLOMBIA

### Top 5 Detractors

BRITISH AMERICAN TOBACCO PLC  
SOUTHERN CAL EDISON  
ANHEUSER-BUSCH INBEV SA/NV  
BP PLC  
NISOURCE INC

*Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.  
Attribution is risk-adjusted and estimated with some margin of error. Totals may not add due to rounding.  
Gross performance is gross of fees and expenses and net of trading costs.*

# characteristics

AS OF 9/30/2021

	Portfolio	Benchmark
Average Yield (%)	1.67	1.55
Average Maturity (years)	8.39	8.48
Average Duration (years)*	6.51	6.43
Average Coupon (%)	2.18	2.50
Average Quality	AA3	AA2

Maturity Distribution (%)	Portfolio	Benchmark
Cash & Equivalents	-3.7	1.0
<1	5.1	1.1
1-3	16.2	19.1
3-5	34.2	21.9
5-10	29.7	37.9
10-15	1.7	1.5
15-20	5.3	4.6
20-25	1.2	4.8
25-30	8.9	7.3
30+	1.3	0.9

Quality Distribution (%)	Portfolio	Benchmark
US Treasurys	31.3	38.2
AAA	42.2	32.8
AA	5.1	5.1
A	8.7	11.4
BAA	13.3	11.5
BA & Lower	0.9	-
NR	2.1	-
Cash & Equivalents	-3.7	1.0

Coupon Distribution (%)	Portfolio	Benchmark
Cash & Equivalents	-3.7	1.0
<1	23.7	14.5
1-3	48.2	46.2
3-5	28.0	32.4
5-7	3.3	5.1
7-9	0.3	0.8
9-11	-	0.1
11+	-	-

Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.

\* Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties. Yield is Yield to Effective Maturity.

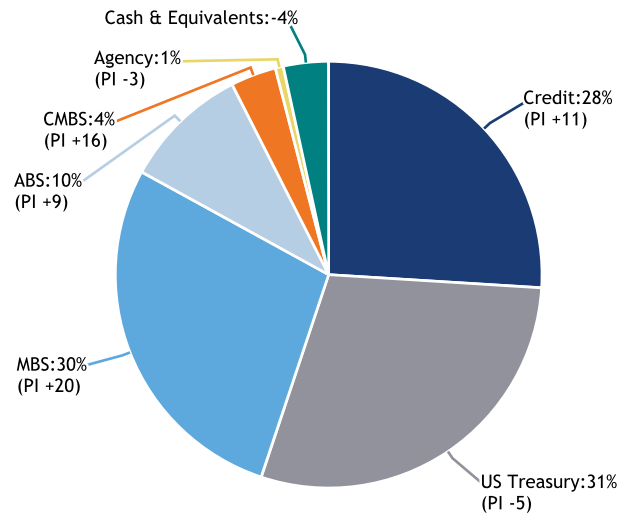
The account's split rating treatment is based on client guidelines. For split rated securities in the quality distribution, the highest of Moody, S&P, and Fitch is used. Unrated securities are rated by Loomis Sayles Research. The benchmark's split rating treatment follows the vendor's methodology.

# characteristics

AS OF 9/30/2021

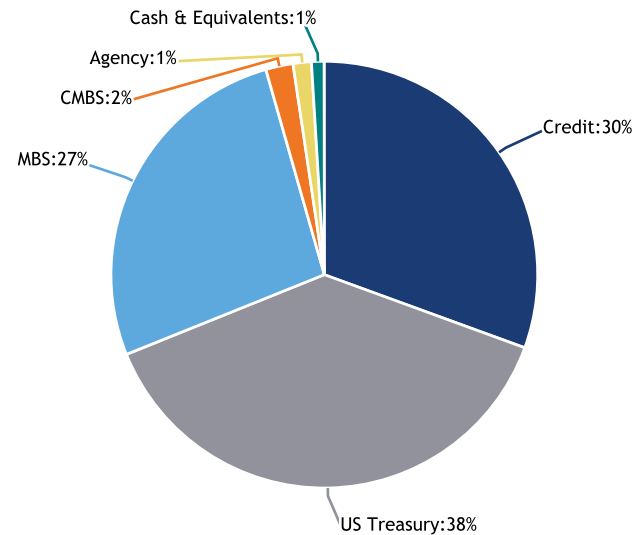
Sector Allocation (%)	Portfolio	Benchmark
Credit	27.9	30.5
US Treasury	31.3	38.2
MBS	29.9	26.6
ABS	10.2	0.3
CMBS	3.7	2.1
Agency	0.6	1.4
Cash & Equivalents	-3.7	1.0

PORTFOLIO



Sector PI Distribution	Portfolio PI	Benchmark PI	Relative PI
Credit	265.8	255.3	10.6
US Treasury	261.9	267.1	-5.2
MBS	147.2	127.3	19.9
ABS	10.1	0.7	9.5
CMBS	26.3	10.5	15.8
Agency	2.2	5.3	-3.1
Cash & Equivalents	-	-	-

BENCHMARK



Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.

PI is a proprietary risk adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.

Sector totals that do not round up to 1% are not shown in pie chart. Due to rounding, pie chart totals may not equal 100%.

# portfolio review

## CREDIT INDUSTRY DISTRIBUTION AS OF 9/30/2021

	% Portfolio	% Benchmark	Relative PI *		% Portfolio	% Benchmark	Relative PI *
Electric	4.4	1.9	11.4	Local Authorities	0.7	1.0	-0.9
Owned No Guarantee	1.3	0.3	10.4	Oil Field Services	0.0	0.1	-1.1
Banking	6.8	5.5	6.3	Finance Companies	0.0	0.2	-1.2
Independent	0.6	0.3	5.8	Paper	0.0	0.1	-1.2
Technology	2.1	2.5	5.7	Consumer Cyclical Services	0.0	0.2	-1.4
Automotive	0.9	0.4	5.6	Natural Gas	0.0	0.2	-1.4
Cable Satellite	0.8	0.6	2.6	Restaurants	0.0	0.2	-1.5
Integrated	0.5	0.7	2.2	Railroads	0.2	0.4	-1.5
Aerospace/Defense	0.6	0.6	2.1	Transportation Services	0.0	0.2	-1.6
P&C	0.5	0.5	2.0	Brokerage AssetManagers	0.0	0.3	-2.2
Midstream	0.8	0.9	1.7	Media Entertainment	0.1	0.4	-2.3
REITS	0.7	0.7	1.7	TELECOM	1.5	1.4	-2.3
Life	0.5	0.3	1.5	Pharmaceuticals	1.3	1.5	-3.5
Industrial Other	0.2	0.1	1.5	Sovereign	0.5	1.0	-3.9
Metals and Mining	0.4	0.2	1.1	Tobacco	0.0	0.3	-4.4
Refining	0.7	0.1	0.7	Healthcare	0.3	1.1	-6.9
Health Insurance	0.4	0.3	0.6	Food and Beverage	0.2	1.0	-7.1
Consumer Products	0.1	0.2	0.6	<b>Total</b>	<b>27.9</b>	<b>30.5</b>	<b>10.6</b>
Financial Other	0.0	0.0	-0.1				
Packaging	0.0	0.0	-0.2				
Home Construction	0.0	0.1	-0.3				
Lodging	0.0	0.1	-0.4				
Government Guarantee	0.0	0.6	-0.4				
Diversified Manufacturing	0.4	0.6	-0.4				
Environmental	0.0	0.1	-0.4				
Airlines	0.0	0.1	-0.6				
Supermarkets	0.0	0.0	-0.6				
Utility Other	0.0	0.1	-0.6				
Chemicals	0.1	0.4	-0.6				
Gaming	0.0	0.1	-0.6				
Construction Machinery	0.0	0.2	-0.7				
Supranational	0.0	1.4	-0.7				
Building Materials	0.0	0.1	-0.9				
Retailers	0.4	0.9	-0.9				

Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.

\*PI is a proprietary risk adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.

# portfolio review

## SECURITIZED INDUSTRY DISTRIBUTION AS OF 9/30/2021

	% Portfolio	% Benchmark	Relative PI *
<b>ABS</b>	<b>10.2</b>	<b>0.3</b>	<b>9.5</b>
Auto	8.8	0.2	8.1
Senior Floorplan	0.2	0.0	0.6
Senior Prime Loan	5.8	0.1	5.7
Senior Subprime Loan	1.7	0.0	0.8
Subordinated Prime Loan	0.0	0.0	0.0
Subordinated Subprime	0.9	0.0	1.1
Other	0.2	0.1	-0.1
Credit Card	0.8	0.1	1.1
Senior Bank	0.8	0.1	1.1
Senior Retail	0.0	0.0	0.0
Subordinate	0.0	0.0	0.0
Other	0.7	0.0	0.3
Senior Consumer Loan	0.0	0.0	0.0
Senior Device Payment	0.4	0.0	0.1
<b>CMBS</b>	<b>3.7</b>	<b>2.1</b>	<b>15.8</b>
Agency CMBS	0.6	0.9	-1.0
Conduit	3.1	1.2	16.3
2013 AAA LCF	0.1	0.1	0.1
2014 AAA LCF	0.1	0.1	0.0
2015 AAA LCF	0.4	0.1	0.9
2016 AAA LCF	0.3	0.1	1.0
2017 AAA LCF	0.0	0.1	-0.6
2018 AAA LCF	0.1	0.1	0.1
2019 AAA LCF	0.2	0.1	0.9
2020 AAA LCF	0.8	0.0	6.8
2021 AAA LCF	1.0	0.0	10.5
AAA Non-LCF	0.0	0.2	-1.4
Mezzanine	0.0	0.1	-1.7

	% Portfolio	% Benchmark	Relative PI *
<b>MBS</b>	<b>29.9</b>	<b>26.6</b>	<b>19.9</b>
Conventional 30 Year	19.9	16.7	10.6
1.5	0.0	0.8	-5.2
2.0	5.4	5.0	2.4
2.5	4.6	3.4	5.1
3.0	4.4	2.7	7.3
3.5	3.1	2.1	2.4
4.0	1.5	1.5	-0.1
4.5	0.8	0.7	0.4
5.0 and Above	0.0	0.4	-1.8
GNMA 30 Year	5.1	5.8	-3.0
1.5	0.0	0.0	-0.1
2.0	0.9	1.2	-1.4
2.5	1.4	1.3	0.1
3.0	1.3	1.3	0.0
3.5	1.1	1.1	-0.1
4.0	0.6	0.5	0.1
4.5	0.0	0.3	-1.0
5.0 and Above	0.0	0.1	-0.4
Conventional 15 Year	2.4	3.1	-2.3
1.0	0.0	0.0	-0.1
1.5	0.0	0.6	-2.5
2.0	1.3	1.1	0.6
2.5	0.7	0.8	0.3
3.0	0.4	0.5	-0.3
3.5 and Above	0.0	0.2	-0.4
Conventional 20 Year	0.0	1.0	-4.3
GNMA 15 Year	0.0	0.0	-0.1
Agency CMO	0.1	0.0	0.3
Non-Agency CMO	2.3	0.0	18.7
CRT	0.1	0.0	0.0
Legacy	0.0	0.0	0.0
NPL	2.0	0.0	17.5
RPL	0.2	0.0	1.1

Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.

\*PI is a proprietary risk adjusted duration measure. Durations are calculated by the Disciplined Alpha team using their own internal methodologies and may result in different calculations than are used by other investment teams at Loomis Sayles and by third parties.

# macroeconomic environment and outlook

YEAR-END FORECAST	US DOMESTIC		GLOBAL		WESTERN EUROPE		ASIA PACIFIC		LATIN AMERICA	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Real GDP Growth	5.4%	4.0%	5.9%	4.5%	5.2%	4.4%	6.2%	5.1%	6.6%	2.6%
Headline CPI Inflation	4.5%	3.8%	3.5%	3.3%	2.1%	1.8%	1.3%	2.3%	12.5%	11.3%
Current Account Balance (% GDP)	-3.2%	-2.8%	-	-	-	-	-	-	-	-
Interest Rates (10-year); End Of Year	1.5%	-	-	-	-	-	-	-	-	-

## ABOVE TREND US GROWTH EXPECTED IN 2021 AND 2022

- US forecasts have been revised down, but the expansion still looks robust with around 4.0% real GDP expected in 2022 and 3.0% real GDP expected in 2023. We expect growth to remain above trend for the next couple years at least.
- Q3 GDP tracking looks weaker than originally expected, likely due to impacts from the Delta variant and supply chain issues. Growth could rebound in Q4 and into 2022 if Covid impacts fade.
- Nonfarm Payroll data has disappointed recently. We still see over 5 million lost jobs yet to be recovered, which could signal that the Fed has a long way before reaching its employment goals. Unemployment expected below 4% by end of 2022.
- Inflation prints have been elevated, which is not overly surprising given re-opening, supply chain distortions and base effects. We still expect inflation to be largely transitory, but note that inflationary pressures have been somewhat sticky so far.

## GLOBAL GROWTH HAS BEEN BUMPY

- Global growth is likely past peak. We have been seeing disparity in growth between areas of DM and EM. Global PMIs point to strong (but slowing) momentum in major DM countries, while much of EM has been lagging behind. Vaccination rates and Covid are still having a significant impact.
- The China slowdown seems evident, but we expect policymakers to step-in to avoid a “hard landing” scenario.
- Supply chain disruptions have been longer lasting than originally expected. We see risks of these issues eating into growth if they persist.

## PROFITS STRONG, LOW DEFAULT OUTLOOK

- We are likely past peak earnings growth, but still expect strong S&P 500 earnings in the plus 10% range to be delivered in 2022.
- Supply-chain issues have been top of mind recently. Elevated input costs could eat into margins unless firms are able to pass higher prices on to consumers.
- Very low default rates (low single digits) expected over the next year given the strong economic outlook and improving fundamentals, which helps support spreads at low levels.

## MONETARY POLICY AND INTEREST RATES

- Interest rate momentum has been trending upward since early August, though rates remain below 2021 peaks. We anticipate rates to continue to move upward given our economic outlook and our expectations for Fed policy.
- The Fed will likely begin tapering asset purchases in November 2021 and could continue until June 2022. This development was telegraphed by the Fed and market reaction should be minimal.
- The market appears to be pricing for a Fed hiking cycle to begin in late 2022. While this seems reasonable, largely due to elevated inflation pressure recently, we see scope for easier Fed policy given the Fed’s employment mandate.

*Data as of 11/4/2021. Loomis Sayles Macro Strategies Group. This material is provided for informational purposes only and should not be construed as investment advice. The forecasted views and opinions expressed reflect those of the authors and do not necessarily reflect the views of Loomis, Sayles & Company L.P. All statements are made as of the date of the presentation and are subject to change at any time without notice.*

# contacts

## RELATIONSHIP MANAGEMENT

Matthew Buxton  
Vice President, Senior Relationship Manager  
617-960-2054  
[mbuxton@loomissayles.com](mailto:mbuxton@loomissayles.com)

Michael Mulrey  
Client Portfolio Analyst  
617-603-7259  
[mmulrey@loomissayles.com](mailto:mmulrey@loomissayles.com)

Mushal Johnson  
Administrative Assistant  
617-603-7311  
[mjohnson@loomissayles.com](mailto:mjohnson@loomissayles.com)

John Meyer, CFA, CAIA, FRM  
Vice President  
617-346-9753  
[john.meyer@loomissayles.com](mailto:john.meyer@loomissayles.com)

