

LOOMIS SAYLES GLOBAL BOND FUND UPDATE

May 2009

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Economic recovery replaced recession as the key investor theme worldwide, underpinning explosive equity, emerging market, and credit spread rebounds. In China, purchasing manager and industrial production data showed growth was sustained in the second quarter. Commodity data showed that China sharply increased its metals imports, probably to build strategic stockpiles. Chinese commodity purchases in turn helped send commodity prices higher, and subsequently, commodity currencies, including Australia and Brazil, soared. The commodity CRB index was up over 38% since the beginning of the year and the price of oil flirted with \$70/barrel. US economic data remain mixed, with poor labor markets and weak consumption yet signs of faster housing turnover. A new high in the eurozone unemployment rate, 9.2%, was ignored by the markets.

The Loomis Sayles Global Bond Fund returned 7.31% (R shares) in May, versus 3.57% for its Benchmark, the *Barclays Capital Global Aggregate Bond Index*. The overweight to the investment grade sector and off-benchmark high yield positions drove outperformance.

Overall sector allocation and security selection were strong contributors to absolute and relative outperformance. At the Benchmark level, US, UK and European investment grade bonds outperformed Treasuries, as risk appetite increased and investor sentiment remained positive. The Fund's off-Benchmark high yield bonds performed well, outpacing Treasuries as well as investment grade corporates in the US, UK and eurozone. Meanwhile, all major government bond markets, including the US, UK and Canada, posted negative numbers. From a currency perspective, the overweight Norwegian krone, Australian dollar, Uruguayan peso and Brazilian real positions were performance additive although offset by an underweight in the euro and Japanese yen.

Outlook

The US dollar (on a trade weighted basis) has dropped to new lows for the year as the monetary and fiscal expansion policies in the US have encouraged foreign exchange reserve managers to talk about dollar alternatives. This issue has been raised forcefully by countries that do not permit their own currencies and bond markets to trade freely, and which, in some cases, have followed mercantilistic exchange rate policies for decades. Perhaps the welcome rise of emerging markets as a share of world GDP should be accompanied by full convertibility of the BRIC (Brazil, Russia, India, and China) currencies, including the ruble, renminbi and rupee. Even in Brazil, where the real is the most tradable of the BRIC currencies, there is recent talk of putting the IOF tax¹ back on to stem appreciation of the exchange rate.

Nonetheless, we see US government debt expansion as more important than US private debt compression in currency markets now, another sign that global recovery may be taking hold. As a result, we are keeping our credit overweights, are underweight Treasury duration and would add to non-dollar currency exposures on pullbacks.

¹ A foreign currency transaction tax levied by the Brazilian government that was reduced to 0% in October 2008 as a response to the global financial crisis.

May 2009 Loomis Sayles Global Bond Fund Attribution*

Total excess return	3.67%
Country Allocation	0.02%
Yield Curve Position	-0.54%
Sector Allocation	1.70%
Security Selection	2.32%
Currency	-0.09%
Other	0.26%

* Attribution data does not reflect fund share class level fees and expenses

Drivers	Outlook	Portfolio Positioning
Currency/Country	<ul style="list-style-type: none"> Some signs of stabilization emerging in the global economy US econometrics point to encouraging signs while Europe continues to lag USD fell against most currencies as risk appetite returned EM are benefitting from increases in commodity prices 	<ul style="list-style-type: none"> Underweight Japan, underweight Europe, overweight US Modest overweight commodity-related markets such as Norway, Mexico, Australia Continue to assess adding emerging markets and commodity-related currencies/countries
Interest Rates & Duration	<ul style="list-style-type: none"> Prices on government bonds continue to fall amidst fiscal expansion and economic optimism Corporate spreads continued to compress as they did in April, while government bonds posted negative returns 	<ul style="list-style-type: none"> The Fund remains invested in long duration US and European corporate bonds Maintaining an underweight to government bonds versus the Benchmark
Sector Allocation	<ul style="list-style-type: none"> US Investment grade corporate bonds have compressed approximately 300bps from the peak last fall, although remain at historic wide levels when compared to government bonds In the securitized sector, the Fed continued to buy assets. To date, Fed has purchased \$533 billion in MBS securities. Market anticipates an announcement or an increase in actual Fed buying to help support the sector and housing market in general (through TALF, PPIP). 	<ul style="list-style-type: none"> Remaining overweight corporate bonds primarily in the industrial sectors Underweight government bonds and agency MBS pass-through securities CMBS and ABS allocations are close to Benchmark levels
Off-Benchmark	<ul style="list-style-type: none"> High yield bonds performed very well in May. More companies were able to access capital markets, and concerns were a bit alleviated EM performed well as liquidity was strong despite fundamentals not supporting year-to-date performance. Technicals remain compelling while the rise in commodities may abate as Chinese demand could take a pause. 	<ul style="list-style-type: none"> The Fund holds an 11.8% off-Benchmark position in high yield bonds Majority of the high yield allocation remains in the BB space Local currency EM exposure is about 3% and about 10% in hard currency EM debt

This commentary is being provided for informational purposes only and should not be construed as investment advice. Any economic projections or forecasts contained herein reflect subjective judgments and assumptions and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. This report reflects the opinions of the authors on the date made and is subject to change at any time without notice.

This portfolio is actively managed and holdings are subject change. There is no guarantee the fund continues to invest in the securities referenced. Reference to specific securities or holdings should not be considered recommendations for action by investors.

Please note this material is dated as indicated. The opinions expressed are those of the manager and are subject to change. The occurrence of forecasted events and predictions is not certain.

	Cumulative Total Return As of 5/31/09	Average Annual Total Returns As of 3/31/09		
	Year-to-Date	1 Year	5 Year	10 Year
Loomis Sayles Global Bond Fund (R shares)	8.36%	-14.81%	1.18%	5.04%
Loomis Sayles Global Bond Fund (I shares)	8.50%	-14.52%	1.48%	5.32%
Barclays Capital Global Aggregate Bond Index	1.10%	-4.93%	3.90%	5.22%

Past performance is no guarantee of future results. Investment return and principal value may fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance data quoted represents past performance and current returns may be higher or lower. For performance current to the most recent month-end, please call 1-800-633-3330 or visit www.loomissayles.com

Gross Expense Ratio

Loomis Sayles Global Bond Fund R: 1.00%
Loomis Sayles Global Bond Fund I: 0.64%

The gross expense ratio does not reflect any potential reimbursement/waiver of expenses as stated in the most recent fund prospectus. The net expense ratio reflects the reimbursement/waiver of expenses, if any, as stated in the most recent fund prospectus. Please Note: Fund expenses and expense reductions are subject to change. Expense reductions are contractual and are set to expire 1/31/10. Investors should consult the most recent fund prospectus for more detailed information.

About Risk

Because the Fund can invest a significant percentage of assets in foreign securities the value of the Fund shares can be adversely affected by changes in currency exchange rates, political, and economic developments. In emerging markets, these risks can be significant. The Fund is subject to currency risk, which is the risk that fluctuations in exchange rates between the US dollar and foreign currencies may cause the value of a Fund's investments to decline. Funds that invest in securities denominated in, or receive revenues in, foreign currency are subject to currency risk. Accordingly, the purchase of Fund shares should be viewed as a long-term investment.

Because the Fund can invest a significant percentage of assets in debt securities that are rated below investment grade the value of fund shares can be adversely affected by changes in economic conditions or other circumstances. These events could reduce or eliminate the capacity of issuers of these securities to make principal and interest payments. Lower rated debt securities have speculative characteristics because of the credit risk of their issuers and may be subject to greater price volatility than higher rated investments. In addition, the secondary market for these securities may lack liquidity, which, in turn, may adversely affect the value of these securities and that of the Fund. Accordingly, the purchase of Fund shares should be viewed as a long-term investment.

Mutual funds that invest in bonds can lose their value as interest rates rise and an investor can lose principal.

Barclays Capital Global Aggregate Bond Index covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit and collateralized securities. The liquidity constraint for all securities in the index is \$300 million. Indexes are unmanaged, do not incur fees and it is not possible to invest directly in an index.

For more complete information about the Loomis Sayles Global Bond Fund, or any other Loomis Sayles fund, including charges and expenses, please write or call Natixis Distributors, L.P. at 1-800-633-3330 for a free prospectus. Investors should consider a fund's objective, risks and expenses carefully before investing. This and other information can be found in the Fund's prospectus. Please read the prospectus carefully before you invest or send money. Funds distributed by Natixis Distributors, L.P. Natixis Distributors, L.P. and Loomis, Sayles & Company L.P. are affiliated. Natixis Distributors, L.P., 399 Boylston Street, Boston, MA 02116

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