



December 31, 2010

# bond fund

## OBJECTIVE

Seeks high total investment return

## BENCHMARK

Barclays Capital US Government/  
Credit Bond Index

## SHARE CLASS

Retail (R shares)

## MANAGEMENT TEAM

Daniel J. Fuss, CFA, CIC  
Kathleen C. Gaffney, CFA  
Matthew Eagan, CFA  
Elaine M. Stokes

## PORTFOLIO CHARACTERISTICS

	Fund	Index
Avg maturity	10.48 yrs	7.49 yrs
Avg duration	6.22 yrs	5.36 yrs
No. of issues	657	5,289

## STRATEGY & HIGHLIGHTS

- Invests primarily in investment grade, fixed income securities
- May invest up to 35% of assets in lower-rated fixed income securities
- May invest up to 20% of assets in preferred stocks
- May invest up to 20% of assets in foreign securities, including emerging markets
- May invest any portion of its assets in securities of Canadian issuers
- The flexible, “go anywhere” style of the portfolio allows the managers to seek out what they believe to be the best values in the fixed income markets
- The Fund has historically held up well in periods of rising interest rates because it relies on non-market related securities rather than interest rate changes

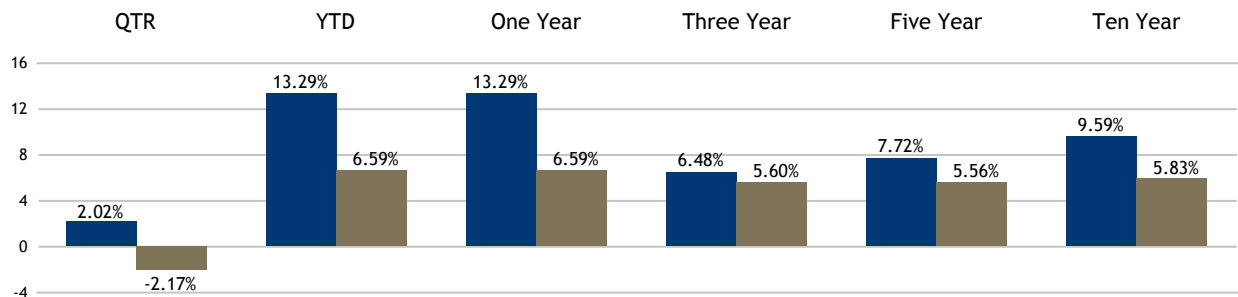
## FUND FACTS

Symbol	LSBRX
CUSIP	543495832
Fund inception	05/16/91
Class Inception	12/31/96
Total net assets	\$19,383.9 mm (all classes)
Net asset value	\$14.22
Gross expense ratio	0.96%
Net expense ratio	0.95%
30-Day SEC yield	4.45%
Turnover	27% (at 09/30/10)

Unlike net expense ratio, gross expense ratio does not reflect any potential reimbursement/waiver of expenses, if any, as stated in the most recent Fund prospectus. Fund expenses and expense reductions are subject to change. Expense reductions are contractual and are set to expire 1/31/2011. Investors should consult the most recent prospectus for more detailed information.

## PERFORMANCE

■ Fund ■ Barclays Capital US Government/Credit Bond Index



Cumulative Total Return

Average Annualized Total Return

	One Year	Three Year	Five Year	Ten Year
Lipper Peer Group Average	10.00%	6.51%	5.57%	6.27%
Lipper Percentile	15	54	12	9
Lipper Rank/# of Funds	23/162	75/140	14/120	6/71
Morningstar Percentile	24%	54%	19%	9%
Morningstar Rank/# of Funds	65/268	107/198	31/162	10/105

**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 visit [www.loomissayles.com](http://www.loomissayles.com). Other share classes are available. Performance may be lower depending upon the expenses of different share classes.

Total return assumes reinvestment of dividends and capital gains distributions, if any. Performance data reflects certain fee waivers and reimbursements, if any. Without such waivers, performance would be lower.

Fund rankings within the **Lipper Corporate Debt Funds BBB-Rated** and **Morningstar Multisector Bond** categories, which may change monthly, are based on total returns calculated by each ranking entity. Rankings do not take into account sales charges, if applicable, but include reinvestment of dividends and capital gains, if any. Lipper and Morningstar total return percentile rankings for the specified periods are relative to all funds that have the same investment categories. The highest (or most favorable) percentile rank is 1, and the lowest (or least favorable) percentile rank is 100.



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## COUNTRY DISTRIBUTION

	Fund	Index
United States	70.45%	90.73%
Canada	13.08%	1.87%
Norway	3.56%	0.15%
Australia	2.38%	0.32%
Ireland	2.10%	-
Mexico	1.80%	0.66%
New Zealand	1.13%	-
United Kingdom	1.07%	1.10%
Indonesia	0.86%	-
Other	3.58%	5.18%

## CURRENCY DISTRIBUTION

	Fund	Index
US Dollars	67.58%	100.00%
Canadian Dollar	12.12%	-
Developing Countries	6.72%	-
Australia & New Zealand	6.31%	-
Non-Euro	3.92%	-
Euro Countries	2.96%	-
British Pound Sterling	0.38%	-

## SECTOR DISTRIBUTION

	Fund	Index
High Yield Credit	23.63%	-
Inv. Grade Credit	23.60%	36.32%
Non-US Dollar (ex CAD)	20.26%	-
Canadian Dollar	12.12%	-
Convertibles	10.98%	-
Preferred/Equity	3.52%	-
US Treasury	2.51%	52.18%
Bank Loans	0.39%	-
MUNI	0.38%	-
MBS	0.20%	-
Emerging Markets Debt	0.12%	-
ABS	0.06%	-
Other	0.05%	11.50%
Cash & Equivalents	2.19%	-

## CREDIT QUALITY

	Fund	Index
Govt/Agency	2.51%	65.56%
Aaa	19.00%	1.42%
Aa	4.97%	6.52%
A	13.68%	14.40%
Baa	24.08%	12.09%
Ba	11.57%	-
B	12.95%	-
Caa & Lower	4.43%	0.01%
Not Rated/Other	4.62%	-
Cash & Equivalents	2.18%	-

## DURATION DISTRIBUTION

	Fund	Index
Less than 1 Yr.	4.56%	2.49%
1 to 3 Yrs.	24.18%	33.47%
3 to 5 Yrs.	13.20%	21.25%
5 to 7 Yrs.	21.48%	17.33%
7 to 10 Yrs.	12.19%	11.40%
10 Yrs. or more	22.12%	14.06%
Other	0.09%	-
Cash & Equivalents	2.19%	-

## MATURITY DISTRIBUTION

	Fund	Index
Less than 1 Yr.	4.27%	0.79%
1 to 3 Yrs.	21.93%	32.46%
3 to 5 Yrs.	12.46%	20.34%
5 to 7 Yrs.	13.19%	14.03%
7 to 10 Yrs.	13.56%	15.32%
10 Yrs. or more	32.30%	17.06%
Other	0.09%	-
Cash & Equivalents	2.19%	-

## 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, which can be significant in emerging markets. The Fund is subject to currency risk, the risk of fluctuations in exchange rates between the US dollar and foreign currencies, which 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. 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. The secondary market for these securities may lack liquidity which may adversely affect the value of these securities and that of the Fund. 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.

Statistics are calculated on a trade-date basis. This portfolio is actively managed and characteristics are subject to change.

**Credit Quality** reflects the highest credit rating assigned to individual holdings of the fund among Moody's, S&P or Fitch; ratings are subject to change. The Fund's shares are not rated by any rating agency and no credit rating for Fund shares is implied.

**Cash & Equivalents** reflects unsettled trades, fees and derivatives. In the **Sector, Duration** and **Maturity** distributions, the calculations are based on the specific traits of each security related to that distribution, which can result in variations of the Cash & equivalents weightings.

Due to rounding, quality, maturity, sector, currency, country and duration totals may not equal 100.00%. The **Barclays Capital US Government/Credit Bond Index** includes Treasuries (public obligations of the US Treasury that have remaining maturities of more than one year) and agencies (publicly issued debt of US government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US government) as well as other publicly issued investment grade corporate and foreign debentures that meet specified maturity, liquidity, and quality requirements. Indexes are unmanaged, do not incur fees and it is not possible to invest directly in an index.

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**Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [loomissayles.com](http://loomissayles.com) or call us at 800-633-3330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.**

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

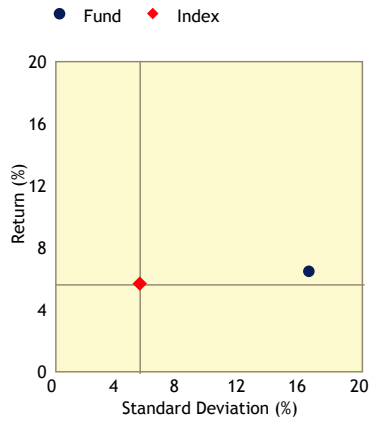


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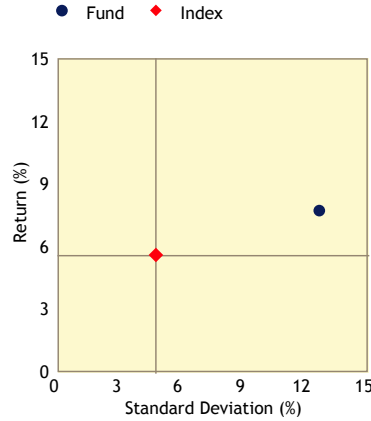
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## ANNUALIZED RISK/RETURN ANALYSIS THREE-YEAR



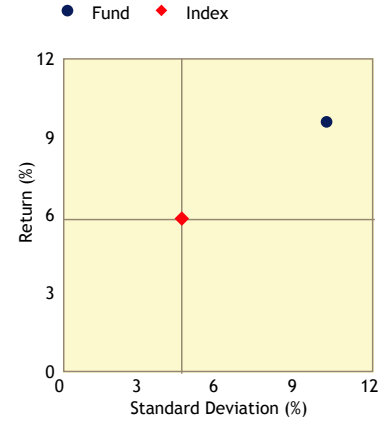
Up Capture	115.05%
Down Capture	110.76%
Alpha	4.51%
Beta	0.49
Information Ratio	0.05
R-Squared	2.70%
Batting Average	66.67%
Sharpe Ratio	0.35

## FIVE-YEAR



Up Capture	113.56%
Down Capture	34.29%
Alpha	4.52%
Beta	0.47
Information Ratio	0.17
R-Squared	3.20%
Batting Average	75.00%
Sharpe Ratio	0.43

## TEN-YEAR



Up Capture	124.54%
Down Capture	-29.60%
Alpha	5.81%
Beta	0.51
Information Ratio	0.36
R-Squared	5.23%
Batting Average	65.00%
Sharpe Ratio	0.72

## ANNUAL & QUARTERLY CUMULATIVE TOTAL RETURN

		ANNUAL	1Q	2Q	3Q	4Q
2010	Fund	13.29%	4.94%	-1.02%	6.91%	2.02%
	Index	6.59	1.55	3.88	3.28	-2.17
2009	Fund	36.83	-0.05	17.07	12.22	4.20
	Index	4.52	-1.28	1.85	4.16	-0.21
2008	Fund	-22.12	-1.85	0.37	-13.11	-9.02
	Index	5.70	2.53	-1.51	-1.64	6.42
2007	Fund	8.25	1.94	1.79	3.17	1.12
	Index	7.23	1.47	-0.49	3.01	3.10
2006	Fund	10.98	2.52	0.48	4.92	2.68
	Index	3.78	-1.01	-0.14	3.91	1.04
2005	Fund	4.01	-1.01	2.32	2.04	0.65
	Index	2.37	-0.67	3.45	-0.96	0.60
2004	Fund	11.00	2.24	-3.59	6.59	5.65
	Index	4.19	3.08	-3.17	3.56	0.80
2003	Fund	28.82	6.68	11.04	1.87	6.74
	Index	4.67	1.64	3.52	-0.50	-0.03
2002	Fund	13.17	1.31	3.19	0.06	8.19
	Index	11.04	-0.47	3.75	5.70	1.73
2001	Fund	2.29	0.36	-0.59	0.00	2.53
	Index	8.50	3.20	0.30	4.76	0.06

**Standard deviation** is a statistical measure of the historical volatility of the Fund. **Up/down capture ratios** are based on historical returns and illustrate the sensitivity of portfolio returns to benchmark returns during up and down markets, respectively. **Alpha** is the excess return above or below the return predicted by the portfolio's beta. **Beta** is a measure of co-movement of portfolio returns to changes in the market return. It conveys risk relative to a benchmark. **Information ratio** is also known as "manager skill", and is the quotient of a portfolio's excess return and the volatility of the excess returns. **R-squared** is the percentage of a portfolio's return that can be explained by the performance of a given benchmark. **Batting average** is a percentage of quarters that the portfolio outperformed the benchmark. **Sharpe ratio** is a measure of risk-adjusted return. It is the quotient of the portfolio's return over the absolute risk.

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fixed income investment process

## PHILOSOPHY

We believe in an investment process combining bottom-up investment analysis with a clear macroeconomic and market perspective. Our performance-driven portfolios are constructed by small, focused teams supported by extensive economic, market, sector, issuer, security, trading and quantitative analysis.

## ECONOMIC OUTLOOK

Our macro investment perspective is developed through a thorough evaluation of global economic and market factors. Fixed income portfolio managers, research analysts and traders meet weekly to consider and debate alternative market scenarios.

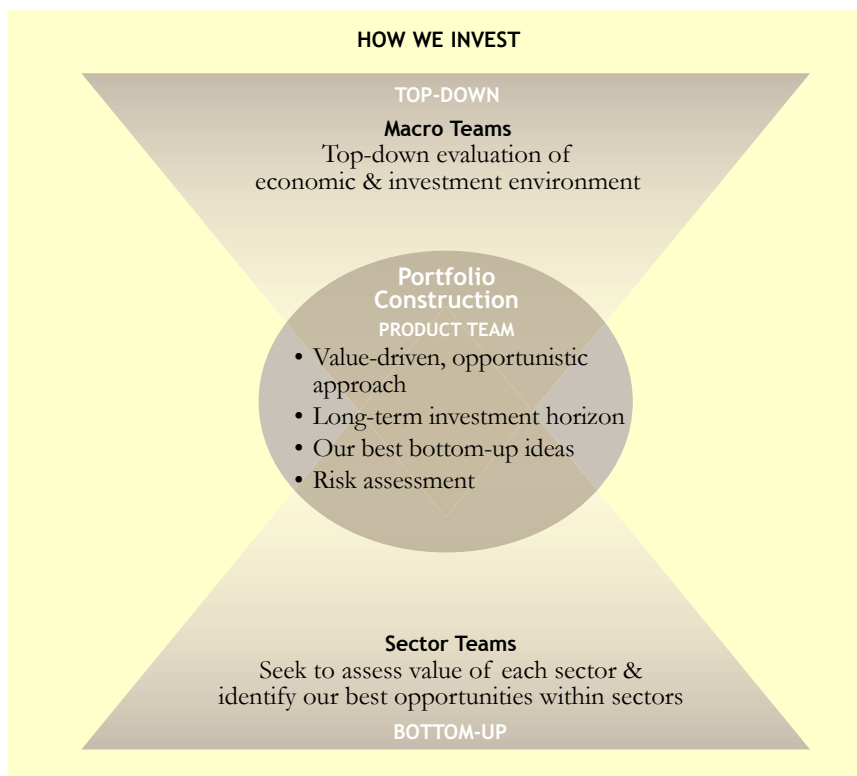
Our economics, yield curve, research and global teams provide critical data and input into this process. The resulting perspectives form the foundation for many of our key investment themes.

## SECTOR TEAMS

Sector teams bring together professionals from each of the key investment disciplines – research, portfolio management and trading. Sector teams assess their respective sectors seeking to determine risk /return value and performance potential of preferred securities within that market segment. Expected horizon returns and outcome dispersions are important contributions made by these teams.

## PRODUCT TEAMS

Product teams are small groups of portfolio managers focused on strategy development and implementation for similar portfolios. Key investment themes are developed reflective of the fixed income macro perspective and sector teams' assessments. Quantitative Research and Risk Analysis tools assist portfolio managers in constructing portfolios. Portfolio construction seeks to maximize risk-aware performance for our clients.



- SECTOR EXPERTISE**
- High Yield
  - Securitized Assets
  - Emerging Markets
  - Bank Loans
  - Municipals
  - Convertibles
  - Developed Markets & Non-US Sovereigns
  - US Yield Curve
  - US Government
  - Global Credit
  - Global Asset Allocation
  - Investment Grade Corporates

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit [loomissayles.com](http://loomissayles.com) or call us at 800-633-3330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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