

# BrandywineGLOBAL - Corporate Credit Fund

Class A: BCAAX Class I: BCGIX

Commentary | as of June 30, 2025

## Key Takeaways

- **Markets:** After initially widening upon the announcement of tariffs in early April, U.S. investment-grade and high-yield credit spreads narrowed to produce positive returns for the quarter and year-to-date. Potential trade deals and overall solid demand for yield supported credit markets, which thawed from their April freeze. The risk-on rally in the second quarter was evident across markets. The ICE BofA US High Yield index returned 3.57%, outpacing investment grade by over 175 basis points (bps). CCC and below was the best performing credit segment.
- **Contributors:** A lower duration position contributed to performance.
- **Detractors:** Security selection detracted from returns.
- **Outlook:** We believe given the uncertainty on monetary, fiscal, geopolitical, and trade policy at elevated levels, the high income and contractual maturity dates offered by high-yield are compelling.

## Performance Review

- The strategy underperformed its benchmark during the second quarter.
- There have been three macro headwinds to our strategy. The first was the outperformance of the top 100 high-yield issues over the broader high yield market. We are typically less exposed to this segment of the market as it is regularly overbid by high-beta managers. Second, BB-rated bond have outperformed the B-rated segment. Despite historically tight starting valuations, BBs held up well and valuations tightened further. The last macro headwind is the pressure on publicly traded, small-cap high yield issuers, evidenced by the underperformance of the Russell 2000 to the S&P 500 since February 19 (565 bps). We skew towards smaller, publicly traded high yield issuers as we prefer the transparency, price discovery, access to capital, and discipline of the public stock market.
- While facing these headwinds, we have been dealing with underwriting mistakes, with certain issuers facing acute pressure. We always try to minimize underwriting mistakes, but we do not expect to eliminate them, as they are an inherent part of credit investing. Negative selection in retail, gaming, and telecom have been the primary detractors. We are working hard with other bondholders, advisors, and corporate management teams to get the best possible outcomes for our investors.
- Our lower duration positioning benefited the strategy, especially relative to longer duration investment-grade credit.

## Outlook

- As risk appetites were challenged before roaring back in the second quarter, high-yield proved its resilience. When the S&P 500 closed near bear market territory after Liberation Day in early April—down 18.75% from its most recent high—the ICE BofA US High Yield index was down only 3.30%. Year-to-date, high-yield has performed well, returning 4.55%. The high-yield market has outperformed the Bloomberg US Aggregate bond index while delivering a similar volatility profile—and much less volatility than equity markets.
- With uncertainty on monetary, fiscal, geopolitical, and trade policy at elevated levels, the high income and contractual maturity dates offered by high-yield are compelling, we believe. With the prevalence of liability management exercises (LMEs), cooperation agreements, and creditor-on-creditor conflicts, bond prices can be more volatile, with extreme weakness heading into and during restructuring, but the opportunity for a much better outcome when the LME is completed.
- Across our portfolio, management teams are trying to do what we believe are the right things for bondholders: reducing leverage and shoring up liquidity. However, these actions take time. While the macro environment has improved, it will still take more time in many cases to restore full confidence.
- We expect strategy performance to improve as macro headwinds abate, management teams focus on bondholder-friendly capital allocation, and liability management exercises are successfully completed.

## Morningstar Rating™

Overall Rating as of June 30, 2025

★★★★ (4-Star) Class A  
★★★★★ (5-Star) Class I

As of 06/30/2025 the fund's Class I shares received a 5 star and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 589, 547 and 429 High Yield Bond funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

## Fund Characteristics

	Fund
Distribution Frequency	Monthly
Effective Duration	2.41 Years
30-Day SEC Yield (Class A)—With Waiver	5.96%
30-Day SEC Yield (Class A)—Without Waiver	5.96%

## Sector Allocation (% of Total)

Sector	Fund
Financial Services	17.39
Leisure	10.49
Energy	7.39
Banking	7.03
Insurance	7.00
Basic Industry	6.73
Health Care	5.74
Services	5.02
Other	22.40
Cash & Other	10.81

## Credit Quality Allocation (% of Total)

Rating	Fund
AA	0.40
A	0.31
BBB	14.70
BB	37.35
B	32.57
CCC	3.74
D	0.14
Cash & Cash Equivalents	10.77

Average annual total returns and fund expenses (%) - as of June 30, 2025

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Class A	52472T783	BCAAX	1.71	2.26	7.34	9.35	5.78	5.69	6.46	-2.10	-1.54	3.30	8.04	5.03	5.32	6.29	0.84	0.83	3.75	—	9/30/2002
Class I	52472T775	BCGIX	1.77	2.36	7.58	9.63	6.06	5.98	6.75	1.77	2.36	7.58	9.63	6.06	5.98	6.75	0.61	0.60	—	—	9/30/2002
Benchmark 1	—	—	2.03	4.25	7.46	5.20	1.17	3.34	—	2.03	4.25	7.46	5.20	1.17	3.34	—	—	—	—	—	—
Benchmark 2	—	—	1.61	3.72	5.74	5.95	7.71	6.14	—	1.61	3.72	5.74	5.95	7.71	6.14	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=ICE BofA US Corporate & High Yield Index

Benchmark 2=Consumer Price Index- All Urban Consumers from the Bureau of Labor Statistics +3% annual risk premium

**Performance data quoted represents past performance, which does not guarantee future results.** Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit [franklintempleton.com](http://franklintempleton.com). Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 12/31/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice. Maximum sales charges have been updated as of August 15, 2022, please refer the Fund's prospectus for more information.

What are the Risks?

**All investments involve risks, including possible loss of principal.** Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Changes in the credit rating** of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **Active management** does not ensure gains or protect against market declines. These and other risks are discussed in the fund's prospectus.

Glossary

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

The **ICE BofA US High Yield Index** is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as "junk") corporate debt publicly issued in the U.S. domestic market. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

**Investment grade** is a rating that indicates that a municipal or corporate bond has a relatively low risk of default. BBB is medium credit quality rating.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

The performance in the accompanying chart and table is that of the Predecessor. The fund acquired the assets and liabilities of Diamond Hill Corporate Credit Fund, a series of the Diamond Hill Funds (the "Predecessor Fund") on July 30, 2021. The investment policies, portfolio managers objectives, guidelines and restrictions of the fund are in all material respects equivalent to those of the Predecessor. The performance information reflects the expenses of the Predecessor adjusted to reflect the fees and expenses of the new fund, however, the 30-Day SEC Yields shown reflect the fees and expenses of the Predecessor. The performance is shown net of annual management fees and other expenses. Historical performance for Class C and IS shares prior to their inception is based on the performance of Class A shares (which is, in turn, based on the performance of Investor shares of the Predecessor Fund), adjusted to reflect differences in sales charges.

The **Consumer Price Index for All Urban Consumers (CPI-U)** is a monthly measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services. Source: Bureau of Labor Statistics. The **ICE BofA US Corporate & High Yield Index** is comprised of U.S. dollar denominated investment grade and below investment grade corporate debt publicly issued in the U.S. domestic market. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

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**Effective Duration** is a duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes. The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

**Credit Quality** is a measure of a bond issuer's ability to repay interest and principal in a timely manner. The credit ratings shown are based on each portfolio security's rating as provided by Standard and Poor's, Moody's Investors Service and/or Fitch Ratings, Ltd. and typically range from AAA (highest) to D (lowest), or an equivalent and/or similar rating. For this purpose, the manager assigns each security the middle rating from these three agencies. When only two agencies provide ratings, the lower of the two ratings will be assigned. When only one agency assigns a rating, that rating will be used. Foreign government bonds without a specific rating are assigned a country rating, if available. Securities that are unrated by all three agencies are reflected as such. The credit quality of the investments in the Fund's portfolio does not apply to the stability or safety of the Fund. These ratings are updated monthly and may change over time. **Please note, the Fund itself has not been rated by an independent rating agency.**

**Morningstar Rating™.** Source: Morningstar®, 06/30/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class I shares received a Morningstar Rating of 4, 4 and 5 and fund's Class A shares received a Morningstar Rating of 3, 3 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class I and Class A shares only. Other share classes may have different Morningstar ratings.

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