

BrandywineGLOBAL - High Yield Fund

Class A: BGHAX Class I: BGHIX

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** The U.S. fixed income market edged higher during the fourth quarter. The market was supported by central bank rate cuts, resilient economic growth, and overall solid investor demand. These factors more than offset tariff policy, uncertainty, concerns about higher unemployment, and a 43-day government shutdown in the US. As expected, the Federal Reserve (Fed) lowered its benchmark interest rate 0.25% (25 basis points) at its meetings in October and December. The 10-year U.S. Treasury yield rose three basis points (bps), ending the quarter at 4.18%. Falling US yields on the front end and continued strong demand were supportive of the credit market and kept spreads in a narrow range despite credit making headlines after Tricolor and First Brands quickly filed for bankruptcy. U.S. investment-grade and high-yield spreads marginally widened over the quarter. Primary market activity in the fourth quarter finished strong, capping the strongest year of issuance for both investment-grade and high-yield markets since the low rate environment of 2020-2021.
- **Contributors:** Issue selection in the basic industry sector.
- **Detractors:** Issue selection overall.
- **Outlook:** Positive economic growth, business-friendly tax policy, and an accommodative Federal Reserve should benefit the corporate world.

Performance Review

- Negative credit selection detracted from returns over the quarter. While the tariff-induced flight to the largest and highest rated issuers, regardless of valuation, has abated, in our view, credit events for Tricolor and First Brands late in the third quarter and subsequent "credit cockroach" comments from JPMorgan Chase CEO Jamie Dimon elicited an initial sell off, and a broader risk-off sentiment among the lower quality cohorts of the market. This led to spread widening for credits rated below BB over the quarter, with credits rated CCC and below posting a negative return.
- Idiosyncratic risks in a handful of our retail exposures were the leading detractors. These select issuers have undergone, or are undergoing, debt restructurings to address their respective challenges, and have been downgraded by rating agencies as a result. Our largest portfolio detractor for the quarter skipped an interest payment due in December, with a potential bankruptcy looming in 2026.
- Selection in basic industry contributed positively, as detractors from the first half of the year continued to improve, boosted by a stronger commodities backdrop.
- A moderate underweight duration position relative to the index slightly detracted over the period.

Outlook

- High-yield has been on a positive run since the end of 2022, supported by the strength of equities on one side and benefiting from lower yields, much like core fixed income, on the other. While spread and yield have compressed over this period, the current environment remains supportive.
- Positive economic growth, business-friendly tax policy, and an accommodative Fed should benefit the corporate world, while starting yields between 6% and 7% are attractive relative to the last decade.
- Since June 2023, high-yield spreads have been in a range of 260 to 460 basis points. Defaults have been less than half the historic average and recoveries have been higher than average, while overall credit quality has improved. Absent a sustained bear market in equities or core fixed income, we expect this spread range to hold.
- However, spreads closer to the middle of the range may be required as new issuance continues to flood the market. The flight to the largest, highest rated issuers has abated somewhat from the peak of the tariff-induced volatility. We expect that to continue moving forward. We have also worked through much of the idiosyncratic risks and reduced exposure to smaller, lower quality credits to mitigate our downside risk.

Morningstar Rating™

Overall Rating as of December 31, 2025

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

As of 12/31/2025 the fund's Class I and Class A shares received a 5 star overall Morningstar rating™, measuring risk-adjusted returns against 584, 548 and 445 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

Distribution Frequency	Fund Monthly
30-Day SEC Yield (Class A)—With Waiver	5.69%
30-Day SEC Yield (Class A)—Without Waiver	5.69%

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
			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	Date
Class A	52472T734	BGHAX	0.48	5.16	5.16	9.71	4.61	7.57	6.84	-3.29	1.23	1.23	8.31	3.88	7.18	6.50	0.90	0.89	3.75	—	12/4/2014
Class I	52472T726	BGHIX	0.54	5.49	5.49	10.01	4.90	7.86	7.13	0.54	5.49	5.49	10.01	4.90	7.86	7.13	0.66	0.65	—	—	12/4/2014
Benchmark	—	—	1.35	8.50	8.50	10.03	4.50	6.45	—	1.35	8.50	8.50	10.03	4.50	6.45	—	—	—	—	—	—

Benchmark(s)

Benchmark =ICE BofA US High Yield Index

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. 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%). **Duration** is a measure of the sensitivity of a bond's price to changes in interest rates.

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 quoted performance for the fund reflects the past performance of Diamond Hill High Yield Fund L.P. (the "High Yield Partnership"), a private fund managed with full investment authority by the fund's Adviser. The fund is managed in all material respects in a manner equivalent to the management of the predecessor unregistered fund. The performance of the High Yield Partnership has been restated to reflect the net expenses and maximum applicable sales charge of the fund for its initial years of investment operations. The High Yield Partnership was not registered under the Investment Company Act of 1940 and therefore was not subject to certain investment restrictions imposed by the 1940 Act. If the High Yield Partnership had been registered under the 1940 Act, its performance may have been adversely affected. Performance is measured from December 4, 2014, the inception of the High Yield Partnership and is not the performance of the fund. The assets of the High Yield Partnership were converted, based on their value on December 31, 2015, into assets of the fund prior to commencement of operations of the fund. The High Yield Partnership's past performance is not necessarily an indication of how the fund will perform in the future either before or after taxes. The performance in the accompanying chart and table is that of the Predecessor. The investment policies, portfolio managers objectives, guidelines and restrictions of the fund are in all material respects equivalent to those of the Predecessor. As a mutual fund registered under the Investment Company Act of 1940, the fund is subject to certain restrictions to which the Predecessor was not subject. The performance information reflects the expenses of the Predecessor adjusted to reflect the fees and expenses of the fund, however, the 30-Day SEC Yield shown reflects the fees and expenses of the Predecessor. The performance is shown net of annual management fees and other expenses which reflects the application of the Class IS expense limitation agreement. If the expense limitation agreement were not applicable, expenses would be higher and performance lower.

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.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

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.

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.

Morningstar Rating™: Source: Morningstar®, 12/31/2025. 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 A shares received a Morningstar Rating of 4, 4 and 5 and fund's Class I shares received a Morningstar Rating of 4, 4 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Class I shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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