

BrandywineGLOBAL - High Yield Fund

Class A: BGHAX Class I: BGHIX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** The U.S. fixed income market was relatively flat during the first quarter but not without volatility. Hopes for moderating inflation and central bank monetary accommodation fell by the wayside as energy prices surged higher amid heightened tensions in the Middle East. Expectations for two central bank rate cuts this year were dashed and even the possibility of rate hikes emerged. The Federal Reserve kept rates on hold in its first two meetings of the year. The 10-year US Treasury yield ended the quarter 12 basis points higher at 4.30% but went as low as 3.97% and as high as 4.44% over the period. U.S. investment-grade and high-yield spreads widened during the quarter and generated negative total returns, but returns were insulated relative to equities. Returns in energy were notably positive as many issuers in the sector are set to benefit from higher prices for oil and natural gas. U.S. mortgage-backed security spreads were flat and posted a positive total return over the quarter. After a strong start to the year, primary markets sputtered later in the quarter as they faced headwinds from artificial intelligence (AI) obsolescence, private credit pressures, and geopolitical conflict, yet still showed year-over-year growth.
- **Contributors:** Issue selection in the financial services and leisure sectors.
- **Detractors:** Issue selection overall.
- **Outlook:** Absent a sustained bear market in equities or core bonds, we expect spreads to remain within their approximate three-year range of 260–460 basis points.

Performance Review

- Credit selection in the first two months of the year was responsible for the relative underperformance. Relative performance was strong in March, however, when the market turned negative.
- Half of the underperformance over the quarter was attributable to a bankruptcy filing early in the year for one of the portfolio names in the retail sector. In addition, although the strategy maintained underweight exposure to the technology and services sectors, fears of AI disruption emerged in February and impacted select portfolio issuers in these sectors.
- Credit selection in telecommunications also detracted from performance as a core holding reported fourth quarter earnings that were below expectations.
- Selection in financial services and leisure, two notable overweights for the strategy, contributed to performance. Financial services was one of the worst-performing sectors in the high-yield market over the quarter. The strategy's focus on higher-quality names in the sector boosted relative outperformance. Improving fundamentals and market sentiment in the leisure sector, particularly in gaming and recreation/travel names, also contributed. An ongoing underweight duration position relative to the index contributed as interest rate volatility spiked later in the quarter.

Outlook

- After 13 consecutive quarters of positive returns, high-yield posted a slight negative quarter, modestly underperforming core fixed income, while materially outperforming large-cap equity.
- Absent a sustained bear market in equities or core bonds, we expect spreads to remain within their approximate three-year range of 260–460 basis points. While spreads widened over the quarter due to conflict in the Middle East and other factors, we expect spreads to move toward the middle of their three-year range. However, the fundamental and technical support for high-yield is largely intact. After some volatility, yields ended the quarter close to 7.5%— what we believe to be a very attractive entry point for today's market that offers ample carry.
- Defaults have been below 2% for almost two years, while overall quality continues to improve. BB-rated credit represents close to 60% of the overall market, while over one-third of the market consists of secured bonds, the highest proportion on record.
- The headwinds that the strategy faced last year, where the largest issuers and higher-quality credits notably outperformed, have faded. We expect that dynamic to continue, which may be favorable for the strategy. Idiosyncratic risk stemming from exposure to B-rated and below credits has been reduced over time as we have enhanced the overall quality of the portfolio. Our downside risk mitigation during March's negative market environment reinforced that we have made the appropriate changes.

Morningstar Rating™

Overall Rating as of March 31, 2026



(4-Star) Class A



(5-Star) Class I

As of 03/31/2026 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 581, 538 and 437 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. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Class A)—With Waiver	6.07%
30-Day SEC Yield (Class A)—Without Waiver	6.07%

Average annual total returns and fund expenses (%) - as of March 31, 2026

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	CDCS	
Class A	52472T734	BGHAX	-1.11	-1.11	3.66	8.22	4.06	7.17	6.58	-4.78	-4.78	-0.27	6.86	3.33	6.79	6.25	0.90	0.89	3.75	—	12/4/2014
Class I	52472T726	BGHIX	-1.06	-1.06	3.89	8.48	4.32	7.46	6.87	-1.06	-1.06	3.89	8.48	4.32	7.46	6.87	0.66	0.65	—	—	12/4/2014
Benchmark	—	—	-0.55	-0.55	6.90	8.50	4.19	6.05	—	-0.55	-0.55	6.90	8.50	4.19	6.05	—	—	—	—	—	

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®, 03/31/2026. 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. 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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