

BrandywineGLOBAL - High Yield Fund

Class A: BGHAX Class I: BGHIX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** The U.S. fixed income market generated a solid return during the first quarter. Treasury yields declined amid slowing growth, increased policy uncertainty, and mounting concerns over a global trade war. Returns were well dispersed across the credit spectrum and increased incrementally as one moved higher up in quality. BBB-rated credits benefited from duration and minimal spread widening, returning 2.29%. On the other hand, CCC & below credits were the only rating segment to post a negative return as slower growth and policy uncertainty led to more significant spread widening.
- **Contributors:** Security selection in financials, energy, and leisure—our three largest absolute sector positions—contributed to performance.
- **Detractors:** Duration positioning was the primary detractor from performance.
- **Outlook:** With uncertainty around economic policy feeding into financial markets, we believe that high-yield credit is the safest risk asset class due to its seniority in the capital structure, low duration, high income, and contractual maturity date.

Performance Review

- Our relative underweight duration position, albeit modest, was the primary detractor in a period where 10-year yields fell 35 basis points amidst uncertainty.
- Dispersion across sectors was relatively tight and credit selection had a minimal effect on returns.
- Positive security selection in financials, energy, and leisure—our three largest absolute sector positions—contributed to performance. This was offset by negative selection in basic industry, health care, and technology, where any fundamental hiccups by smaller publicly traded issuers were met with intense selling pressure on both the bonds and stocks.
- At the ratings level, dispersion was higher and orderly, in favor of higher quality. An underweight exposure to lower quality credits and an allocation to investment-grade credit benefited the portfolio. However, an overweight to B-rated credits in lieu of BB-rated credits detracted from performance as BBs were the strongest performing segment of high-yield.

Outlook

- With uncertainty around economic policy feeding into financial markets, we believe that high-yield credit is the safest risk asset class due to its seniority in the capital structure, low duration, high income, and contractual maturity date.
- In significant stock market declines, high-yield typically draws down less and recovers faster—this quarter was no different. When the S&P 500 closed at correction levels in mid-March—more than 10% off recent highs—the ICE BofA US High Yield index was down less than 1% over the same period.
- Fundamental credit metrics in high-yield, namely leverage and interest coverage, support high-yield's sustained resilience. Systematic, momentum, and passive players have pressured the smaller, publicly traded issuers to which we are over-indexed. We are cognizant of this risk but also expect these credits to recover on an absolute and relative basis. Amidst the volatility, our focus is on risk mitigation and opportunity identification.

Morningstar Rating™

Overall Rating as of March 31, 2025

★★★★★ (5-Star) Class A

★★★★★ (5-Star) Class I

As of 03/31/2025 the fund's Class A and Class I shares received a 5 star overall Morningstar rating™, measuring risk-adjusted returns against 586, 537 and - 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	2.88 Years
30-Day SEC Yield (Class A)—With Waiver	6.59%
30-Day SEC Yield (Class A)—Without Waiver	6.59%

Sector Allocation (% of Total)

Sector	Fund
Financial Services	17.94
Energy	12.12
Leisure	11.01
Basic Industry	9.82
Retail	6.05
Telecommunications	5.83
Health Care	4.83
Insurance	4.55
Other	21.79
Cash & Other	6.06

Credit Quality Allocation (% of Total)

Rating	Fund
AA	0.10
A	0.15
BBB	7.73
BB	35.21
B	43.70
CCC	5.88
CC	0.90
NR	0.35
Cash & Cash Equivalents	5.97

Average annual total returns and fund expenses (%)

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	52472T734	BGHAX	0.32	0.32	7.16	5.91	8.81	6.72	6.87	-3.43	-3.43	3.10	4.66	8.04	6.34	6.50	0.93	0.92	3.75	—	12/4/2014
Class I	52472T726	BGHIX	0.47	0.47	7.40	6.15	9.11	7.02	7.17	0.47	0.47	7.40	6.15	9.11	7.02	7.17	0.67	0.66	—	—	12/4/2014
Benchmark	—	—	0.95	0.95	7.60	4.84	7.21	4.92	—	0.95	0.95	7.60	4.84	7.21	4.92	—	—	—	—	—	—

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 12/31/2025 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%).

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.

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

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®, 03/31/2025. 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 5, 5 and - and fund's Class I shares received a Morningstar Rating of 5, 5 and - 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.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

Brandywine Global Investment Management, LLC and Franklin Distributors, LLC, are Franklin Templeton companies.

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