FRANKLIN TEMPLETON

# BrandywineGLOBAL - High Yield Fund

**Class A: BGHAX Class I: BGHIX** | **Commentary | as of September 30, 2026**

## Key Takeaways

- **Markets:** The U.S. fixed income market was sharply negative over the quarter, as investors faced the potential of escalating conflict in the Middle East, robust economic data, and a more hawkish U.S. Federal Reserve (Fed). The Fed voted unanimously to hike rates in September—the first rate hike since July 2023. The Bloomberg U.S. Aggregate Bond Index returned -3.51%, bringing its year-to-date return to -2.91%. U.S. investment-grade and high-yield spreads widened, with high-yield spreads widening more notably toward the end of the quarter as rate volatility picked up. The ICE BofA US High Yield index returned -1.8% over the quarter and was marginally positive year-to-date, continuing to outperform core fixed income due to its lower duration profile. Although no high-yield sectors posted positive returns for the quarter, energy and healthcare were the best performers and maintained positive year-to-date returns. Quality-level returns were bifurcated. B-rated credits continued their run of outperformance relative to the broader high-yield market, outperforming BB-rated credits by over 100 basis points year-to-date due to lower duration and higher starting yield. CCC-rated credits, on the other hand, continued to lag, down 3.4% year-to-date. Primary markets were healthy, especially in September, when two of the largest high-yield deals on record priced.
- **Contributors**: Our conservative positioning was beneficial for performance during a period marked by volatility.
- **Detractors**: Credit selection in telecommunications.
- **Outlook**: We expect spreads to continue to move more toward the middle of their 260- to 460-basis-point range over time but anticipate spreads remaining rangebound with some bouts of volatility, barring a sustained bear market in equities or core bonds.

## Performance Review

- Our conservative positioning drove much of the outperformance during a period marked by volatility. A moderate underweight duration position relative to the index was accretive as Treasury yields moved higher and credit spreads widened.
- Our preference for higher quality and a subsequent underweight allocation to CCC credit was also beneficial.
- Credit selection in media and insurance, which were among the weakest performing high-yield sectors over the period, was positive. We largely avoided the larger, lower-quality high-yield issuers that were maligned by negative headlines, elevated leverage, and idiosyncratic developments.
- Financials, our largest relative overweight position, contributed positively as our focus on front-dated, high-quality bonds served as ballast.
- Credit selection in telecommunications, the weakest performing high-yield sector over the period, was the largest detractor. Despite maintaining a relative underweight to telecommunications, our exposure to cable continued to face pressure due to worsening metrics amid competition from fixed wireless, fiber overbuilders, and satellite.

## Outlook

- The combination of higher rates and wider spreads translated to the worst quarter of performance for high-yield since the second quarter of 2022, bringing year-to-date total return to near zero. Elevated rate volatility, a supply deluge, and prospects for further rate hikes led to yields rising above 8% and credit spreads widening beyond 300 basis points for the first time since mid-April.
- We expect spreads to continue to move more toward the middle of their 260- to 460-basis-point range over time but anticipate spreads remaining rangebound with some bouts of volatility, barring a sustained bear market in equities or core bonds. More importantly, recent market events have pushed yields back above 8% for the first time since tariff-induced volatility in April 2025. BB-rated yields finished the quarter at the highest level since November 2023. This represents a very attractive entry point for investors over one- and three-year periods, using historical data.
- While stressed and distressed segments of the high-yield market continue to falter, these represent a small cohort of the overall market and default rates have moved back below 2%, well below their historical long-term average.
- We believe there are ample opportunities to invest in fundamentally stable high-yield bonds with reasonable duration and spread and historically attractive starting yield. This is where we are investing incremental dollars. Exposure to stressed risk has been reduced meaningfully since the start of last year. These changes are designed to support strong downside protection in choppy markets, as we saw this quarter, and reasonable upside capture when markets are strong.

## Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★ **(4-Star)** Class A

★★★★ **(4-Star)** Class I

As of 09/30/2026 the fund's Class I and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 574, 540 and 444 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 |
|---|---|
| Distribution Frequency | Monthly |
| 30-Day SEC Yield (Class A)—With Waiver | 5.74% |
| 30-Day SEC Yield (Class A)—Without Waiver | 5.74% |



Not FDIC Insured | No Bank Guarantee | May Lose Value

## Average annual total returns and fund expenses (%) - as of September 30, 2026

| | | | Without Sales Charge | | | | | | | With Maximum Sales Charge | | | | | | | Expenses | | Sales Charges | | Inception |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Class | CUSIP | Ticker | 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 | -1.61 | -0.85 | -0.37 | 6.86 | 3.53 | 6.17 | 6.32 | -5.33 | -4.52 | -4.11 | 5.53 | 2.80 | 5.79 | 6.00 | 0.88 | 0.87 | 3.75 | — | 12/4/2014 |
| Class I | 52472T726 | BGHIX | -1.55 | -0.68 | -0.15 | 7.10 | 3.79 | 6.45 | 6.61 | -1.55 | -0.68 | -0.15 | 7.10 | 3.79 | 6.45 | 6.61 | 0.67 | 0.66 | — | — | 12/4/2014 |
| Benchmark | — | — | -1.82 | 0.02 | 1.37 | 7.93 | 3.55 | 4.94 | — | -1.82 | 0.02 | 1.37 | 7.93 | 3.55 | 4.94 | — | — | — | — | — | — |

## 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 12/31/2027 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.

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.

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

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®, 09/30/2026. 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 A shares received a Morningstar Rating of 2, 3 and 5 and fund's Class I shares received a Morningstar Rating of 3, 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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***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.***



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