FRANKLIN TEMPLETON

BrandywineGLOBAL - Global Opportunities Bond Fund

Class IS: GOBSX Class A: GOBAX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** The global fixed income market sold off sharply during the third quarter, posting its worst quarterly performance since 2024. Market sentiment was dominated by the escalation of the war in Iran, which pushed oil prices back above $100 per barrel, reviving inflation fears and prompting central banks to tighten monetary policy. Heavy sovereign issuance and growing fiscal concerns added to the pressure on longer-dated bonds. In the U.S., yields moved sharply higher over the quarter, with the 10-year Treasury yield rising 85 basis points to 5.29%, its highest level since 2002. Second quarter 2026 annualized gross domestic product (GDP) in the U.S. was 2.2%, versus a revised 2.5% in the prior quarter. The Federal Reserve met twice, holding rates steady in July before raising the federal funds target range by 25 basis points to 3.75%–4.00% in September—its first increase since 2023—and signaled that another hike might follow before year-end. The Bank of England (BoE) kept rates on hold in July and September, the European Central Bank (ECB) paused in July, before raising rates 25 basis points in September, and the Bank of Japan raised rates 25 basis points to 1.25%—the highest level since 1995. For the quarter, the Bloomberg Global Aggregate Bond Index returned -2.46%, bringing its year-to-date return to -2.67%.
- **Contributors:** The Fund's currency positioning contributed to performance.
- **Detractors:** The Fund's rate positioning detracted from performance.
- **Outlook:** Entering the fourth quarter, we expect resilient global growth, supported by an AI-led investment cycle broadening into infrastructure and defense, to keep interest rates structurally higher for longer.

Performance Review

- Rate positioning detracted while currency positioning contributed to performance over the period. In rates, overweight positions in Mexican and Colombian duration detracted as fiscal and inflation concerns pushed local yields higher, outweighing the benefit of attractive carry. Overweight duration positions in the UK and Australia also detracted. Conversely, an underweight to U.S. Treasury duration was the largest contributor, as persistent inflation and increasingly hawkish Federal Reserve expectations pushed yields higher, particularly at the short to intermediate end of the curve. An underweight to French government bond duration also contributed, as expectations for tighter ECB policy lifted sovereign yields, while France's growing financing needs and fiscal concerns placed additional pressure on the market.
- Within currencies, an overweight position in the South Korean won was the largest contributor, supported by strong export momentum, particularly in semiconductors, and favorable interest rate differentials. Overweight positions in the Mexican and Colombian pesos also contributed, as elevated local yields increased their carry advantage and strengthened investor demand. The Norwegian krone was additive as well, supported by higher energy prices and domestic interest rate increases, which enhanced the currency's carry appeal.

Outlook

- Entering the fourth quarter, we expect resilient global growth, supported by an AI-led investment cycle broadening into infrastructure and defense, to keep interest rates structurally higher for longer. Elevated energy costs add inflationary pressure, but stronger underlying growth, not oil alone, is the more important driver of higher bond yields.
- Regional divergence is increasingly important, particularly in Europe, where French fiscal concerns and wider sovereign risk premiums are tightening financial conditions, weighing on growth and limiting the scope for further ECB hikes.
- Credit spreads remain tight and financing broadly available, sustaining the investment boom, although its debt-funded expansion raises longer-term risks of overinvestment and makes continued access to capital critical to the outlook. Nevertheless, following the sharp repricing, near-term risks for bond yields appear more balanced. Subdued hiring and limited evidence of second-round inflation effects argue against substantially more tightening than markets already anticipate.
- Across currencies, higher real yields, elevated energy costs, and crowded positioning leave growth-sensitive currencies vulnerable to volatility.

Fund Characteristics	Fund
Distribution Frequency	Quarterly
30-Day SEC Yield (Class IS)—With Waiver	6.61%
30-Day SEC Yield (Class IS)—Without Waiver	6.61%

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 IS	524686318	GOBSX	-0.85	0.78	0.99	5.31	-1.33	0.96	3.36	-0.85	0.78	0.99	5.31	-1.33	0.96	3.36	0.55	0.55	—	—	11/1/2006
Class A	524686383	GOBAX	-0.95	0.47	0.68	4.89	-1.74	0.55	2.39	-4.63	-3.33	-3.08	3.58	-2.59	0.11	2.13	0.96	0.96	3.75	—	3/10/2010
Benchmark	—	—	-2.43	-2.80	-2.70	3.15	-2.90	-0.80	—	-2.43	-2.80	-2.70	3.15	-2.90	-0.80	—	—	—	—	—	—

Benchmark(s)

Benchmark =FTSE World Government Bond 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. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 12/31/2027 without Board consent. Actual expenses may be higher and may impact portfolio returns.
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. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets.** The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Important Information

The **FTSE World Government Bond Index** ("WGBI") measures the performance of fixed-rate, local-currency, investment-grade sovereign bonds. The WGBI currently comprises sovereign debt from multiple countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market.

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.

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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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