

Western Asset Core Bond Fund

Class I: WATFX Class A: WABAX
Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Fixed-income market volatility persisted in the fourth quarter of 2025 as investors and policymakers navigated mixed economic signals. The longest US government shutdown, which restricted data availability, ended in November after 43 days. The US Treasury (UST) yield curve steepened, with short and intermediate UST yields finishing the quarter lower, while long-term yields increased. Equities performed well, with the S&P 500 Index reaching new highs, while credit spreads were mixed.
- **Contributors:** The portfolio's yield-curve positioning was among the largest contributors to performance.
- **Detractors:** The portfolio's duration positioning was a headwind for returns.
- **Outlook:** Western Asset's outlook remains constructive, though we recognize that growth momentum is tempered by uncertainty in areas such as geopolitics and fiscal sustainability. U.S. financial conditions are largely supportive, which, alongside proposed fiscal loosening and solid household balance sheets, points toward a positive foundation for growth in 2026. Headwinds remain, including doubts over the state of the U.S. labor market, core inflation lingering above target and the potential lagged impact of tariffs.

Performance Review

- Duration positioning had a negative impact on performance as yields rose.
- Yield-curve positioning had a positive impact on performance as the yield curve bear-steepened.
- Investment-grade corporate securities and USD-denominated emerging markets (EM) had a positive impact on performance as spreads tightened.
- Overweight mortgage-backed securities (MBS) positioning had a negative impact on performance due to negative issue selection even though spreads tightened.

Outlook

- Western Asset's outlook remains constructive, though we recognize that growth momentum is tempered by uncertainty in areas such as inflation, central bank policy, geopolitics and fiscal sustainability.
- Having cut rates at three successive meetings since September, the Federal Reserve may now moderate its pace of easing and await further signals from the post-shutdown data releases. Fiscal vulnerabilities and persistent inflation may see the yield curve steepen further.
- We continue to focus on disciplined, fundamental, relative value investing, seeking pockets of opportunity in fixed income while remaining mindful of technical and macroeconomic risks.

Fund Characteristics

Fund	Characteristics
Monthly	Distribution Frequency
4.07%	30-Day SEC Yield (Class I)—With Waiver
4.07%	30-Day SEC Yield (Class I)—Without Waiver

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 I	957663305	WATFX	1.20	8.00	8.00	4.80	-1.26	2.10	5.58	1.20	8.00	8.00	4.80	-1.26	2.10	5.58	0.56	0.45	—	—	9/4/1990
Class A	957663495	WABAX	1.07	7.57	7.57	4.41	-1.63	1.72	1.94	-2.73	3.58	3.58	3.10	-2.48	1.28	1.61	0.82	0.82	3.75	—	4/30/2012
Benchmark	—	—	1.10	7.30	7.30	4.66	-0.36	2.01	—	1.10	7.30	7.30	4.66	-0.36	2.01	—	—	—	—	—	—

Benchmark(s)

Benchmark =Bloomberg U.S. Aggregate 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 franklintonleton.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. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **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**. **Asset-backed, mortgage-backed or mortgage-related securities** are subject to prepayment and extension risks. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **Active and frequent trading** may increase a shareholder's tax liability and transaction costs. These and other risks are discussed in the fund's prospectus.

Glossary

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

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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 **Bloomberg US Aggregate Index** is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity.

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

Source: Bloomberg Indices.

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.franklintonleton.com. Please read it carefully.