

Western Asset Core Bond Fund

Class I: WATFX Class A: WABAX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** The first quarter of 2026 was characterized by elevated geopolitical risk and accelerating AI-driven disruption across the software sector and its incumbent business models. The period was shaped by a series of international developments, including the capture and indictment of Nicolás Maduro, escalating diplomatic tensions between the US and European NATO allies over Greenland, and a US-Israeli military operation against Iran.
- **Contributors:** TIPS positioning along with positive issue selection within agency MBS and structured products contributed to performance.
- **Detractors:** Yield curve positioning was a detractor as the curve bear-flattened.
- **Outlook:** Geopolitical tensions remain a defining feature of the outlook, with the Middle East conflict introducing ongoing uncertainty and contributing to oil price volatility as supply routes face occasional disruption. Even with these pressures, the global economic backdrop is gradually improving as fiscal support, easier financial conditions and moderating inflation help strengthen the 2026 outlook.

Performance Review

- Treasury inflation-protected securities (TIPS) positioning was beneficial to performance as breakeven inflation rates rose.
- Rates positioning detracted from performance as the yield curve bear-flattened.
- Investment-grade positioning was a detractor from performance as spreads widened.
- Positive issue selection within agency mortgage-backed securities (MBS) and structured products contributed to performance.

Outlook

- In the US, policy tailwinds and deregulation continue to support activity despite signs of softer labor conditions.
- Europe and the United Kingdom face trade and labor-market challenges but easing inflation and selective fiscal measures offer stabilization.
- China's recovery remains policy-driven amid structural constraints, while Japan's persistent inflation supports further policy normalization.
- Credit markets remain supported by strong fundamentals and healthy demand, with issuance elevated by AI-related capex, Mergers & Acquisitions (M&A) and refinancing needs.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Class I)—With Waiver	4.38%
30-Day SEC Yield (Class I)—Without Waiver	4.23%

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	CDSC	
Class I	957663305	WATFX	-0.23	-0.23	4.74	3.52	-0.51	1.78	5.53	-0.23	-0.23	4.74	3.52	-0.51	1.78	5.53	0.56	0.45	—	—	9/4/1990
Class A	957663495	WABAX	-0.32	-0.32	4.43	3.14	-0.87	1.40	1.88	-4.07	-4.07	0.53	1.84	-1.73	0.96	1.56	0.82	0.82	3.75	—	4/30/2012
Benchmark	—	—	-0.05	-0.05	4.35	3.63	0.31	1.70	—	-0.05	-0.05	4.35	3.63	0.31	1.70	—	—	—	—	—	

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 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. **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

M&A stands for Mergers and Acquisitions, referring to transactions where companies combine or one company purchases another to achieve strategic, operational, or financial goals.

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.

Source: Bloomberg Indices.

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.

© Franklin Distributors, LLC. Member FINRA/SIPC.

Western Asset Management Company, LLC, and Franklin Distributors, LLC, are Franklin Templeton companies.

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.