

Western Asset Core Bond Fund

Class I: WATFX Class A: WABAX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** During the second quarter, increased volatility was marked by geopolitical shocks and macro crosscurrents. The market saw bouts of risk-off sentiment, most notably following the “Liberation Day” tariff announcement on April 2 and the brief U.S., Iran and Israel conflict. Markets subsequently rebounded as most tariffs were delayed, and Iran and Israel agreed to a tentative ceasefire. The front end of the U.S. Treasury (UST) yield curve declined, while long-end yields rose on concerns of rising deficits and potential inflation reacceleration. Throughout the quarter, credit spreads tightened and emerging market (EM) local yields fell. The S&P 500 Index returned 10.57%, and the U.S. dollar weakened versus most EM and developed market (DM) currencies.
- **Contributors:** Yield curve positioning and an allocation to investment-grade corporate bonds were among the largest contributors to performance.
- **Detractors:** There were no meaningful detractors from relative performance over the quarter.
- **Outlook:** Global growth is expected to slow given heightened unpredictability, but should remain positive. Overall monetary policy remains restrictive and we believe that central banks will continue to cut rates. The Fed remains well positioned to provide support if the U.S. economy falters. While fundamentals remain positive, spreads are at the tight end of historical ranges in some sectors and warrant caution.

Performance Review

- Yield curve positioning contributed to performance as the curve steepened.
- An allocation to investment-grade corporate bonds was rewarded.
- Structured product exposure was largely beneficial, led by non-agency mortgage-backed securities (NARMBS) and asset-backed securities (ABS).
- There were no meaningful detractors from relative performance over the quarter.

Outlook

- U.S. government policy has caused severe volatility in fixed-income markets over the last several months. Global growth is expected to slow given heightened unpredictability, but should remain positive. U.S. growth is downshifting due to a myriad of factors, including tariff uncertainty, waning benefits from immigration, and reduced government spending in recent years. A significant fiscal boost from European defense and German infrastructure spending should support eurozone growth and provide relief from tariff-related uncertainty. Deflationary pressures in China persist and confidence is weak amid property market concerns, but sentiment is improving with fiscal stimulus and policy easing.
- Overall monetary policy remains restrictive and we believe that central banks will continue to cut rates. The Fed remains well positioned to provide support if the U.S. economy falters. Public debt levels continue to rise and yield curves may steepen further given concerns over fiscal policies.
- While fundamentals remain positive, spreads are at the tight end of historical ranges in some sectors and warrant caution. We will continue to look for further periods of volatility to add to spread products.

Fund Characteristics

| | Fund |
|---|------------|
| Distribution Frequency | Monthly |
| Effective Duration | 6.06 Years |
| 30-Day SEC Yield (Class I)—With Waiver | 4.41% |
| 30-Day SEC Yield (Class I)—Without Waiver | 4.20% |

Sector Allocation (% of Total)

| Sector | Fund |
|---------------------------------------|-------|
| Agency Mortgage-Backed Securities | 34.81 |
| Investment-Grade Credit | 29.38 |
| Treasury | 9.83 |
| Commercial Mortgage Backed Securities | 8.76 |
| Non-Agency MBS | 6.53 |
| Collateralized Loan Obligation | 6.36 |
| EM Corporate | 3.42 |
| Asset-Backed Securities | 3.15 |
| EM Government | 1.91 |
| Other | 1.90 |
| Cash & Cash Equivalents | -6.06 |

Credit Quality Allocation (% of Total)

| Rating | Fund |
|-------------------------|-------|
| AAA | 15.56 |
| AA | 56.01 |
| A | 14.11 |
| BBB | 15.38 |
| <BBB | 1.02 |
| NR | 3.99 |
| Cash & Cash Equivalents | -6.06 |

Average annual total returns and fund expenses (%) - as of June 30, 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 | 1.52 | 4.43 | 6.11 | 2.34 | -1.24 | 1.84 | 5.56 | 1.52 | 4.43 | 6.11 | 2.34 | -1.24 | 1.84 | 5.56 | 0.56 | 0.45 | — | — | 9/4/1990 |
| Class A | 957663495 | WABAX | 1.52 | 4.24 | 5.73 | 1.97 | -1.60 | 1.46 | 1.77 | -2.28 | 0.37 | 1.74 | 0.49 | -2.45 | 1.02 | 1.43 | 0.82 | 0.82 | 3.75 | — | 4/30/2012 |
| Benchmark | — | — | 1.21 | 4.02 | 6.08 | 2.55 | -0.73 | 1.76 | — | 1.21 | 4.02 | 6.08 | 2.55 | -0.73 | 1.76 | — | — | — | — | — | — |

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. 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

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. Source: Bloomberg Indices.

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, if two or more of the agencies have assigned differing ratings to a security, the highest rating is used. 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.**

© 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.



FRANKLIN
TEMPLETON