

Western Asset Total Return Unconstrained Fund

Class I: WAARX Class A: WAUAX

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:** The portfolio's spread product positioning contributed to performance.
- **Detractors:** The portfolio's duration and yield-curve positioning was a headwind for returns.
- **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.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Daily
30-Day SEC Yield (Class I)—With Waiver	4.68%
30-Day SEC Yield (Class I)—Without Waiver	4.16%

Performance Review

- Duration positioning had a significant negative impact on performance as US Treasury (UST) yields rose.
- The portfolio's yield-curve positioning had a negative impact on performance as the UST yield curve bear-flattened, with short- to intermediate-term yields rising more than long-term yields.
- Structured product positioning in aggregate contributed significantly to performance, driven by exposure to non-agency residential and commercial mortgage-backed securities (MBS).
- Agency MBS positioning also contributed significantly to performance as the sector generated positive excess returns.
- The portfolio's Treasury inflation-protected securities (TIPS) positioning contributed positively to performance as 5-year breakeven inflation rates rose.
- The portfolio's high-yield positioning had a positive impact on performance as positive issue selection offset spread widening.
- The portfolio's investment-grade corporate exposure also benefited performance slightly as positive issue selection offset spread widening.
- The portfolio's emerging markets (EM) positioning added slightly to performance as the contribution from rates exposures was mostly offset by the negative impact of EM foreign exchange (FX).

Outlook

- In the U.S., 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, M&A and refinancing needs.

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	957663719	WAARX	-0.55	-0.55	3.54	5.08	0.38	2.35	3.34	-0.55	-0.55	3.54	5.08	0.38	2.35	3.34	0.92	0.77	—	—	7/6/2006
Class A	957663230	WAUAX	-0.62	-0.62	3.27	4.83	0.09	2.02	1.95	-4.37	-4.37	-0.64	3.52	-0.78	1.57	1.63	1.18	1.09	3.75	—	4/30/2012
Benchmark 1	—	—	0.85	0.85	4.00	4.74	3.34	2.26	—	0.85	0.85	4.00	4.74	3.34	2.26	—	—	—	—	—	—
Benchmark 2	—	—	-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 3	—	—	0.91	0.91	4.25	4.93	3.43	2.45	—	0.91	0.91	4.25	4.93	3.43	2.45	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=ICE BofA 3-Month U.S. Treasury Bill

Benchmark 2=Bloomberg U.S. Aggregate Index

Benchmark 3=ICE BofA US Dollar 3-Month Deposit Offered Rate Constant Maturity

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. **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. **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**. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. These and other risks are discussed in the fund's prospectus.

Glossary

Commercial mortgage-backed securities (CMBS) are a type of mortgage-backed security backed by commercial mortgages rather than residential real estate. CMBS tend to be more complex and volatile than residential mortgage-backed securities due to the unique nature of the underlying property assets.

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

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 **ICE BofA U.S. 3-Month Treasury Bill Index** is an unmanaged index that comprises a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month. 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. The **ICE BofA US Dollar 3-Month Deposit Offered Rate Constant Maturity Index** tracks the performance of a synthetic asset paying Libor to a stated maturity. The index is based on the assumed purchase at par of a synthetic instrument having exactly its stated maturity and with a coupon equal to that day's fixing rate. That issue is assumed to be sold the following business day (priced at a yield equal to the current day fixing rate) and rolled into a new instrument.

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. 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.