

Western Asset Total Return Unconstrained Fund

Class I: WAARX Class A: WAUAX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** The fixed income market experienced periods of volatility, but posted a modest gain during the second quarter. Investor sentiment was impacted by several factors, including persistent trade uncertainty, signs of global economic strains, questions over future Federal Reserve's monetary policy, mounting fiscal concerns, and hostilities between Israel and Iran.
- **Contributors:** The portfolio's emerging market exposure was the largest contributor to performance.
- **Detractors:** The portfolio's duration positioning was a headwind for returns.
- **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

- The portfolio's emerging market exposure was the largest contributor to performance.
- An allocation to agency mortgage-backed securities was additive for returns.
- Structured product exposure was beneficial, led by non-agency mortgage-backed securities (NARMBS), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS).
- The portfolio's high-yield and investment-grade corporate bond exposures contributed to returns.
- The portfolio's non-U.S. dollar allocation was rewarded, as the U.S. dollar declined over the quarter.
- Duration positioning was a headwind for performance.
- There were no other 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	Daily
Effective Duration	2.97 Years
30-Day SEC Yield (Class I)—With Waiver	4.87%
30-Day SEC Yield (Class I)—Without Waiver	4.72%

Sector Allocation (% of Total)

Sector	Fund
Agency Mortgage-Backed Securities	35.96
Treasury	18.90
Investment-Grade Credit	8.32
Commercial Mortgage Backed Securities	7.94
Collateralized Loan Obligation	7.43
EM Local Currency	7.36
High-Yield Credit	4.56
Non-Agency MBS	4.12
Asset-Backed Securities	3.73
Other	3.90
Cash & Cash Equivalents	-2.21

Credit Quality Allocation (% of Total)

Rating	Fund
AAA	4.83
AA	57.99
A	3.70
BBB	16.12
BB	9.54
B	1.51
CCC	1.79
CC	0.01
C	0.21
NR	6.50
Cash & Cash Equivalents	-2.21

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 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	2.03	4.98	8.47	4.19	0.93	2.07	3.40	2.03	4.98	8.47	4.19	0.93	2.07	3.40	0.77	0.76	—	—	7/6/2006
Class A	957663230	WUAUX	1.96	4.85	8.19	3.89	0.63	1.74	1.96	-1.89	0.89	4.11	2.38	-0.23	1.31	1.62	1.11	1.08	3.75	—	4/30/2012
Benchmark 1	—	—	1.04	2.07	4.68	4.56	2.76	1.98	—	1.04	2.07	4.68	4.56	2.76	1.98	—	—	—	—	—	—
Benchmark 2	—	—	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 3	—	—	1.08	2.16	4.92	4.66	2.83	2.16	—	1.08	2.16	4.92	4.66	2.83	2.16	—	—	—	—	—	—

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 12/31/2025 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.

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 3-Month U.S. 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. 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. 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. 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.**

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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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