

BrandywineGLOBAL - Global Opportunities Bond Fund

Class IS: GOBSX Class A: GOBAX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** The global fixed income market overcame a setback in May and rallied during the second quarter, adding to its year-to-date gain. Developed market yields largely declined amid further progress on the inflation front, rate cuts by some central banks, signs of economic fragility, and the conflict between Israel and Iran.
- **Contributors:** Among the largest contributors to performance was the Fund's rate and currency positioning.
- **Detractors:** An underweight to European duration detracted from performance.
- **Outlook:** As global investors recalibrate, non-U.S. dollar assets could benefit from both cyclical and structural tailwinds in the months ahead.

Performance Review

- The strategy's rate and currency positioning both contributed positively over the quarter.
- On the rates side, the largest contributor was our overweight to local currency Brazilian duration. Weaker-than-expected PMI and industrial output data signaled a slowdown in growth, while improvements in Brazil's fiscal outlook provided a supportive backdrop for the position.
- Our allocation to U.S. agency mortgage-backed securities was accretive, as strong investor demand for safer assets helped support performance.
- An underweight to European duration detracted, as second quarter growth estimates moderated less than expected following robust expansion in the first quarter.

Outlook

- The global macroeconomic environment remains turbulent as the third quarter begins, with no clear resolution to persistent structural and geopolitical challenges. We anticipate a convergence in relative global growth rates, marking the end of prolonged U.S. economic outperformance. While the U.S. dollar remains heavily overweight in global portfolios, further downside may require concrete signs of U.S. economic deterioration. U.S. bond markets face competing forces: slowing domestic growth is exerting downward pressure on yields, yet expanding fiscal deficits are pushing them upward.
- The Federal Reserve is expected to tread cautiously in reducing policy rates amid rising stagflation risks, especially as trade tensions persist and tariff rates are projected to remain well above pre-2017 levels. These tariffs act as a tax on growth and contribute to inflationary pressures, complicating the policy path. Despite diminished near-term recession risk, U.S. growth is forecast to decelerate in the second half of the year due to trade policy uncertainty, slowing investment, and potential headwinds from reduced federal employment, lower immigration, and weaker tourism. A decisive Fed pivot would require more significant signs of economic strain. Outside the U.S., the eurozone may emerge as a relative outperformer, supported by aggressive monetary easing over the past year and a large-scale German fiscal expansion.
- As global investors recalibrate, non-U.S. dollar assets could benefit from both cyclical and structural tailwinds in the months ahead.

Fund Characteristics

	Fund
Distribution Frequency	Quarterly
Effective Duration	6.67 Years
30-Day SEC Yield (Class IS)—With Waiver	6.30%
30-Day SEC Yield (Class IS)—Without Waiver	6.30%

Sector Allocation (% of Total)

Sector	Fund
Government Sovereign	66.76
Mortgage Backed Securities	23.52
Corporate Bond	5.37
Currency Derivatives	0.55
Government Owned - No Guarantee	0.46
Bond Futures	0.28
Cash	3.08

Credit Quality Allocation (% of Total)

Rating	Fund
AA	65.52
A	6.75
BBB	12.46
BB	7.39
B	4.79
Cash & Cash Equivalents	3.08

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 IS	524686318	GOBSX	7.97	13.11	10.47	2.48	0.18	1.49	3.52	7.97	13.11	10.47	2.48	0.18	1.49	3.52	0.55	0.55	—	—	11/1/2006
Class A	524686383	GOBAX	7.75	12.78	9.91	2.02	-0.29	1.07	2.54	3.70	8.54	5.81	0.55	-1.14	0.64	2.25	0.97	0.97	3.75	—	3/10/2010
Benchmark	—	—	4.58	7.27	8.49	1.68	-2.49	0.56	—	4.58	7.27	8.49	1.68	-2.49	0.56	—	—	—	—	—	—

Benchmark(s)

Benchmark =FTSE World Government Bond 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 12/31/2026 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. **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**. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

Stagflation is a seemingly contradictory condition described by slow economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation).

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 **FTSE World Government Bond Index** ("WGBI") measures the performance of fixed-rate, local-currency, investment-grade sovereign bonds. The WGBI currently comprises sovereign debt from multiple countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market. Source: FTSE.

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, the manager assigns each security the middle rating from these three agencies. When only two agencies provide ratings, the lower of the two ratings will be assigned. When only one agency assigns a rating, that rating will be used. Foreign government bonds without a specific rating are assigned a country rating, if available. 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.