FRANKLIN TEMPLETON

BrandywineGLOBAL - Global Opportunities Bond Fund

Class IS: GOBSX Class A: GOBAX — **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** The global fixed income market edged higher during the fourth quarter, supported by central bank rate cuts, resilient economic growth, and overall solid investor demand. These factors more than offset sticky inflation, chaotic tariff policies, and a 43-day government shutdown in the U.S. The U.S. Federal Reserve (Fed) lowered its benchmark interest rate 0.25% (25 basis points) at its meetings in September, October, and December. The Bank of England (BoE) cut rates 25 basis points (bps) in December, while the European Central Bank kept rates steady. The Bank of Japan (BoJ) raised rates 25 bps in December to 1.75%, the highest level in 30 years. The 10-year US Treasury yield rose, ending the quarter three basis points higher at 4.18%. U.S. investment-grade and high-yield credit both posted positive total returns, as did U.S. mortgage-backed securities. The emerging market debt asset class rallied in the fourth quarter, while emerging market currencies were mixed versus the U.S. dollar. For the quarter, the Bloomberg Global Aggregate Bond Index gained 0.24%, raising its 2026 return to 8.17%.
- **Contributors:** The Fund's rates positioning added to performance over the quarter.
- **Detractors**: An overweight to the Japanese yen detracted from returns.
- **Outlook**: We expect developed market bond yields to remain broadly range-bound, extending 2025's unusually quiet trading conditions.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Quarterly
30-Day SEC Yield (Class IS)—With Waiver	6.24%
30-Day SEC Yield (Class IS)—Without Waiver	6.24%

Performance Review

- Rate positioning was additive over the period while currencies detracted from performance.
- In rates, an overweight to UK gilts was the largest contributor as the BoE began cutting interest rates in December; falling services inflation and softer wage growth helped push yields lower.
- U.S. agency mortgage-backed securities (MBS) contributed, supported by strong technical demand and attractive carry versus Treasuries.
- Conversely, an overweight to local-currency Colombian bonds detracted as inflation rose over the quarter, lifting yields and market expectations for additional tightening. Underweights to Chinese, Italian, and French government bonds also detracted relative to the benchmark.
- In currencies, the underperformance largely came from an overweight to the Japanese yen, which remained under pressure even after the BoJ raised its policy rate to the highest level in 30 years, as wide interest rate differentials persisted. An overweight to the South Korean won also detracted amid ongoing structural outflows.
- An overweight to the Chilean peso was beneficial as the central bank remained cautious on further easing after core inflation surprised to the upside.

Outlook

- Heading into 2026, we expect developed market bond yields to remain broadly range-bound, extending 2025's unusually quiet trading conditions, as improving growth impulses are offset by emerging labor market fragility. Reduced tariff drag, supportive fiscal policy in major economies, and favorable financial conditions could underpin activity, but ongoing weakness in employment growth should limit the scope for a sustained move higher in yields and keep central banks attentive to downside risks. Within this sideways global rates backdrop, we see meaningful cross-country divergence.
- U.K. gilt yields have further room to fall in our view as the BoE responds to deteriorating labor conditions, disinflation, and fiscal drag, while eurozone yields should drift higher on the lagged effects of prior ECB easing and the impulse from Germany's multi-year fiscal stimulus, making U.K.–eurozone spread compression a high-conviction view.
- In currencies, we expect continued U.S. dollar weakness in 2026 as valuation remains stretched, relative growth converges after U.S. exceptionalism, global investors gradually reduce overweight U.S. dollar exposure, and rate differentials move against the dollar as the Fed stays dovish.
- Emerging market local currency bonds remain supported by elevated real yields, attractive foreign exchange valuations, limited imbalances, and low foreign ownership, with additional upside potential in a softer U.S. dollar environment.

Average annual total returns and fund expenses (%) - as of December 31, 2025

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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 IS	524686318	GOBSX	0.21	13.60	13.60	3.41	-2.45	2.05	3.45	0.21	13.60	13.60	3.41	-2.45	2.05	3.45	0.55	0.55	—	—	11/1/2006
Class A	524686383	GOBAX	0.21	13.17	13.17	2.98	-2.86	1.62	2.48	-3.54	8.91	8.91	1.68	-3.70	1.18	2.20	0.97	0.97	3.75	—	3/10/2010
Benchmark	—	—	0.11	7.55	7.55	3.19	-3.53	0.54	—	0.11	7.55	7.55	3.19	-3.53	0.54	—	—	—	—	—	—

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

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

Gilts are bonds that are issued by the British government, and they are generally considered low-risk investments.

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.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Source: FTSE.

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.

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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.