

BrandywineGLOBAL - Global Income Opportunities Fund Inc.

BWG
Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** The global fixed income market edged higher during the fourth quarter, wrapping up a strong return in 2025. The market was supported during the year by central bank rate cuts, resilient economic growth, and overall solid investor demand. These factors more than offset sticky inflation in many countries, chaotic tariff policies, and a 43-day government shutdown in the U.S. that ended in November.
- **Contributors:** Sovereign duration positioning was the largest contributor, specifically within emerging markets. U.S. agency mortgage-backed securities were also additive over the period.
- **Detractors:** Foreign currency positions detracted from returns, largely due to weakness in the Japanese yen, as well as the South Korean won.
- **Outlook:** Heading into the first quarter of 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.

Performance Review

- Emerging market sovereign exposure in Argentina, Egypt, Mexico, and Uruguay was the primary contributor to performance. Emerging market debt benefited from high real yields and improving fiscal dynamics in select markets. Additionally, continuous weakness in the U.S. dollar provided additional support for emerging market assets.
- U.S. mortgage-backed securities (MBS) was also a main contributor to returns, supported by strong technical demand and attractive carry versus Treasuries. Additionally, housing fundamentals were strong over 2025, and low refinancing rates were supportive of the asset class.
- Foreign currency positions detracted from performance, largely due to weakness in the Japanese yen, as well as the South Korean won. The yen remained under pressure even after the Bank of Japan raised its policy rate to the highest level in 30 years, as wide interest-rate differentials and future rate uncertainty persisted. An overweight to the South Korean won also detracted amid ongoing structural outflows.
- U.S. high-yield exposure also detracted over the quarter, primarily within idiosyncratic issues, specifically within Saks and Grubhub. Grubhub had gone through a limited management exercise over the period, which presented initial uncertainty and put pressure on the bonds. Saks has gone through liquidity and refinancing issues as investors braced for a bankruptcy announcement.

Outlook

- Heading into the first quarter of 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 as the Bank of England 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 FX valuations, limited imbalances, and low foreign ownership, with additional upside potential in a softer U.S. dollar environment.

Fund Characteristics

Distribution Frequency

Fund

Monthly

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

Product	Ticker	Listed Exchange	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Inception Date
Market Price Return	BWG	NYSE - XNYS	-0.79	6.55	17.20	17.20	13.35	2.84	6.35	3.19	3/28/2012
NAV Returns	—	—	-0.30	4.45	13.15	13.15	10.67	0.21	4.28	3.02	3/28/2012
Benchmark	—	—	0.24	0.84	8.17	8.17	3.98	-2.15	1.26	0.80	—

*Cumulative total returns

Benchmark(s)

Benchmark =Bloomberg Global Aggregate

Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so shares, when sold, may be worth more or less than the original cost. Returns based on Market Price or NAV, and assume the reinvestment of all distributions at the Dividend Reinvestment Plan Price or NAV, respectively. All returns include the deduction of management fees, operating expenses and all other fund expenses, and do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares. When applicable, performance would have been lower if fees had not been waived in various periods. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expense or sales charges. Returns for periods of less than one year are not annualized. Please visit franklintempleton.com for the most recent month-end performance.

Gross expenses are the fund's total annual operating expenses as of the fund's annual report available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect voluntary fee waivers, expense caps and/or reimbursements. Voluntary waivers may be modified or discontinued at any time without notice.

The difference between total assets and net assets, if any, is due primarily to the fund's use of borrowings and other liabilities; net assets do not include borrowings. The fund may employ leverage in the form of loans, preferred stock, reverse repurchase agreements and/or other instruments. When the fund engages in transactions that have a leveraging effect on the fund's portfolio, the value of the fund will be more volatile and all other risks will tend to be compounded.

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**.

Asset-backed, mortgage-backed or mortgage-related securities are subject to prepayment and extension risks. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. 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.

Glossary

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

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.

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The **Bloomberg Global Aggregate Index** is a global investment-grade debt index including treasury, government-related, corporate and securitized fixed-rate bonds.

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

Source: Bloomberg Indices.

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