FRANKLIN TEMPLETON

BrandywineGLOBAL - Flexible Bond Fund

Class I: LFLIX Class A: LFLAX | **Commentary | as of March 31, 2026**

Key Takeaways

- **Markets:** The global fixed income market generated weak results during the quarter. Early hopes for moderating inflation and central bank monetary accommodation fell as oil prices surged higher after the war in Iran started. Expectations for central bank rate cuts were replaced by "higher for longer" rates and even the possibility of rate hikes. The U.S. Commerce Department's second reading for fourth quarter 2025 annualized gross domestic product (GDP) showed a lackluster 0.7% expansion. Overseas, fourth quarter 2025 GDP in the eurozone, UK, and Japan were 0.2%, 0.1%, and 0.3%, respectively, on a quarter-over-quarter basis. The U.S. Federal Reserve (Fed) kept rates on hold during the quarter, as did the Bank of England, European Central Bank, and Bank of Japan. The 10-year US Treasury yield ended the quarter 12 basis points (bps) higher at 4.30%. For the quarter, the Bloomberg Global Aggregate Bond Index returned -1.07%.
- **Contributors:** High-yield credit and select emerging market sovereigns.
- **Detractors:** Currency positioning, overall detracted from returns.
- **Outlook:** In the manager's view, the current environment continues to favor income, diversification, and careful security selection over broad market beta.

Fund Characteristics	Fund
Distribution Frequency	Quarterly
30-Day SEC Yield (Class I)—With Waiver	7.60%
30-Day SEC Yield (Class I)—Without Waiver	7.60%

Performance Review

- U.S. high-yield corporate credit was the strongest contributor in the first quarter, supported by resilient corporate fundamentals and favorable technical conditions. Although idiosyncratic issues continued to weigh on parts of the portfolio, the market still presented selective opportunities where valuations remained attractive despite generally tight spreads and were additive to performance.
- Select emerging market sovereign debt also contributed to returns, led by exposures in Mexico, Brazil, and Colombia. While investor sentiment turned more risk-averse during the quarter amid geopolitical tensions involving Iran, demand for attractive carry remained supportive. At the same time, improving domestic balance sheets across several issuers helped underpin performance.
- U.S. prime residential mortgage-backed securities (RMBS), including credit risk transfer securities, also performed well, benefiting from continued investor demand for high-quality securitized assets.
- In contrast, currency positioning was the primary detractor over the quarter, particularly exposures to the Chilean peso and Egyptian pound. Renewed demand for the U.S. dollar amid heightened geopolitical uncertainty weighed on both currencies, while the sharp rise in energy prices added further pressure.
- U.S. investment-grade corporates were also a modest detractor. Although the sector remained fundamentally supported, spreads stayed tight, limiting excess return potential.

Outlook

- The second quarter begins against a more challenging global backdrop. What had been a broadening expansion supported by easing trade tensions, firmer industrial activity, and supportive financial conditions has been disrupted by the Iran war and the resulting energy shock. The near-term macro picture is therefore more stagflationary, with higher headline inflation likely to weigh on growth and keep policy paths uneven across regions. That said, the backdrop still differs from 2022: labor markets are less tight, household excess savings have faded, and the risk of a sustained wage-price spiral appears lower. In our view, this should keep developed market rates volatile but broadly contained, while reinforcing the need for selectivity across risk assets.
- The current environment continues to favor income, diversification, and careful security selection over broad market beta. Credit fundamentals remain relatively sound, but tighter starting spreads and rising macro uncertainty argue for a more discriminating approach, with an emphasis on sectors offering resilient carry and stronger downside support. Higher-quality securitized assets remain attractive on a relative value basis, while emerging markets should continue to offer selective opportunities, particularly where real yields are high, policy credibility is improving, and commodity exposure provides a partial cushion against the energy shock. Overall, we believe flexibility across global rates, spread sectors, securitized credit, and emerging markets will remain critical as the macro outlook evolves.

Average annual total returns and fund expenses (%) - as of March 31, 2026

			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 I	52471E449	LFLIX	-0.33	-0.33	6.20	5.70	2.01	—	4.61	-0.33	-0.33	6.20	5.70	2.01	—	4.61	0.75	0.75	—	—	5/31/2016
Class A	52471E456	LFLAX	-0.50	-0.50	5.84	5.45	1.77	—	4.34	-4.23	-4.23	1.87	4.12	0.89	—	3.88	0.96	0.96	3.75	—	5/31/2016
Benchmark	—	—	-0.05	-0.05	4.35	3.63	0.31	—	—	-0.05	-0.05	4.35	3.63	0.31	—	—	—	—	—	—	—

Benchmark(s)

Benchmark =Bloomberg U.S. Aggregate 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. **Equity securities** are subject to price fluctuation and possible loss of principal. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. **Active and frequent trading** may increase a shareholder's tax liability and transaction costs. 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. 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%).

A **Credit Risk Transfer (CRT)** is a channel for government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac to transfer credit risk to private investors and away from taxpayers.

Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

Residential mortgage-backed securities (RMBS) are a type of mortgage-backed debt obligation created from residential debt, such as mortgages, home-equity loans and subprime mortgages.

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

Prior to July 7, 2020, this fund was known as the BrandywineGLOBAL - Global Flexible Income fund. At that time, the investment objective and strategy also changed.

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 **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.

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

Source: Bloomberg Indices.

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.

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