FRANKLIN TEMPLETON

BrandywineGLOBAL - Flexible Bond Fund

Class I: LFLIX Class A: LFLAX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** The global fixed income market sold off sharply during the third quarter, posting its worst quarterly performance since 2024. In the U.S., yields moved sharply higher, with the 10-year Treasury yield rising 85 basis points to 5.29%, its highest level since 2002. Second-quarter 2026 annualized gross domestic product (GDP) in the U.S. was 2.2%, versus a revised 2.5% in the prior quarter. The Federal Reserve met twice, holding rates steady in July before raising the federal funds target range by 25 basis points to 3.75%–4.00% in September—its first increase since 2023—and signaled that another hike might follow before year-end. The Bank of England kept rates on hold in July and September, the European Central Bank (ECB) paused in July before raising rates another 25 basis points in September, and the Bank of Japan raised rates 25 basis points to 1.25%—the highest level since 1995. U.S. investment-grade spreads widened modestly and generated negative total returns as yields rose. High-yield spreads widened materially in September, although high-yield outperformed investment grade given its shorter duration and higher coupons. Risk-on/risk-off periods impacted the credit markets.
- **Contributors:** Exposures to Brazil and Colombia contributed to performance.
- **Detractors:** U.S. Treasury futures were the largest detractor over the quarter.
- **Outlook:** We expect resilient global growth, supported by an AI-led investment cycle broadening into infrastructure and defense, to keep interest rates structurally higher for longer.

Performance Review

- U.S. Treasury futures were the largest detractor over the quarter, as persistent inflation and increasingly hawkish Federal Reserve expectations pushed yields higher across the curve. Resilient economic data and concerns that policy rates would remain elevated for longer further weighed on the position.
- U.S. high-yield exposure detracted as spreads widened. Although credit fundamentals remained broadly resilient, the higher-rate environment pressured bond prices and contributed to negative returns across the asset class.
- Emerging market fixed income remained relatively resilient during the third quarter, despite higher U.S. Treasury yields, tighter global financial conditions, and renewed inflation concerns stemming from elevated energy and transportation costs. Exposures to Brazil and Colombia contributed to performance, as attractive local yields and strong carry provided a meaningful cushion against broader rate volatility. Conversely, Argentine duration detracted as concerns surrounding the government's near-term financing requirements and ability to refinance sizable peso-denominated maturities contributed to renewed market volatility.
- U.S. mortgage-backed securities contributed to performance, led by exposure to credit risk transfer securities. Resilient housing-market fundamentals and solid underlying mortgage credit performance provided additional support, allowing the sector's attractive carry and improving credit quality to contribute to returns.
- Currency positioning detracted from performance, primarily due to overweight exposures to the Chilean peso and Egyptian pound. The Chilean peso weakened amid slowing domestic activity, declining copper production, and broader risk aversion. The Egyptian pound also came under pressure amid elevated inflation and sensitivity to higher global energy costs.

Outlook

- Entering the fourth quarter, we expect resilient global growth, supported by an AI-led investment cycle broadening into infrastructure and defense, to keep interest rates structurally higher for longer. Elevated energy costs add inflationary pressure, but stronger underlying growth, not oil alone, is the more important driver of higher yields.
- Still, after the sharp third-quarter repricing, near-term rate risks appear more balanced. Subdued hiring and limited second-round inflation effects argue against substantially more tightening than markets anticipate, and income is again doing more of the work.
- We are holding duration near the lower end of our range, favoring intermediate maturities over the long end, where heavy sovereign and hyperscaler issuance pressures term premiums. Regional divergence matters more, particularly in Europe, where French fiscal concerns are tightening financial conditions and limiting further ECB hikes.
- Across spread sectors, credit spreads remain tight and financing broadly available, sustaining the investment boom, though its debt-funded expansion raises longer-term overinvestment risks. In investment grade, we favor higher-quality, shorter-dated carry over adding beta. High-yield's shorter duration cushioned returns last quarter, but September's spread widening warrants selectivity; we prefer BB-rated and secured paper while avoiding the most cyclical credits.
- Agency mortgage-backed securities underperformed as volatility rose, but valuations are looking attractive again. Higher-quality asset-backed securities and commercial mortgage-backed securities continue to offer compelling income with limited duration.
- In emerging markets, select local currency debt remains attractive, though crowded positioning leaves growth-sensitive currencies vulnerable.

Morningstar Rating™

Overall Rating as of September 30, 2026

★★★★ **(4-Star)** Class I

★★★ **(3-Star)** Class A

As of 09/30/2026 the fund's Class I shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 339, 310 and 228 Multisector Bond funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Fund Characteristics	Fund
Distribution Frequency	Quarterly
30-Day SEC Yield (Class I)—With Waiver	7.69%
30-Day SEC Yield (Class I)—Without Waiver	7.69%

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 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	-2.23	0.77	2.17	6.85	1.89	4.12	4.49	-2.23	0.77	2.17	6.85	1.89	4.12	4.49	0.72	0.72	—	—	5/31/2016
Class A	52471E456	LFLAX	-2.29	0.59	1.92	6.63	1.65	3.87	4.24	-5.96	-3.19	-1.90	5.28	0.78	3.42	3.80	0.96	0.96	3.75	—	5/31/2016
Benchmark	—	—	-3.51	-2.91	-1.84	4.06	-0.64	1.14	—	-3.51	-2.91	-1.84	4.06	-0.64	1.14	—	—	—	—	—	—

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 12/31/2027 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%).

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.

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.

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

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

Investment grade is a rating that indicates that a municipal or corporate bond has a relatively low risk of default. BBB is medium credit quality rating.

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.

Source: Bloomberg Indices.

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

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.

Morningstar Rating™: Source: Morningstar®, 09/30/2026. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class I shares received a Morningstar Rating of 3, 3 and 4 and fund's Class A shares received a Morningstar Rating of 3, 2 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class I and Class A shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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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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