BrandywineGLOBAL - Flexible Bond Fund

Class I: LFLIX Class A: LFLAX — **Commentary | as of June 30, 2025**

Key Takeaways

- **Markets:** The global fixed income market overcame a May setback and rallied during the second quarter. Developed market yields largely declined amid further progress on the inflation front, interest rate cuts by some central banks, signs of economic fragility, and the conflict between Israel and Iran. The U.S. Federal Reserve (Fed) met in May and June and kept rates on hold. The European Central Bank (ECB) lowered rates 25 basis points (bps) in both April and June, while the Bank of England (BoE) lowered rates in May and then was on hold in June. The 10-year US Treasury yield ended the quarter one bp higher at 4.24%. The Bloomberg Global Aggregate Bond Index gained 4.52%, boosting its year-to-date return to 7.27%. U.S. investment grade and high yield credit spreads narrowed as potential trade deals and overall solid demand supported the credit market. U.S. mortgage-backed security (MBS) spreads slightly widened but also generated a positive total return.
- **Contributors:** Emerging market sovereigns were the top contributors to performance.
- **Detractors:** U.S. high-yield credit.
- **Outlook:** We expect the investment environment to remain defined by stagflationary crosscurrents, where slowing growth coincides with inflation pressures.

Performance Review

- Emerging market sovereign bonds were the top contributors for the quarter, particularly in Mexico, Egypt, Brazil, and Panama. These markets were supported by strong domestic demand, attractive real yields, and improving fiscal trajectories, while their currencies strengthened alongside broad U.S. dollar weakness.
- Currency exposures continued to add to returns as the U.S. dollar declined. Notably, the Canadian dollar and the euro appreciated on the back of constructive data surprises and increasingly supportive monetary policy expectations.
- U.S. prime residential MBS also contributed, supported by resilient household balance sheets and steady prepayment behavior.
- U.S. Treasury duration contributed as weaker consumer sentiment and softer inflation prints led to a more dovish Fed outlook. These dynamics pushed yields lower across the curve as investors reassessed the growth and policy trajectory.
- High-yield corporate credit outside the U.S. contributed to performance, particularly in the communications and basic materials sectors. Investment grade corporate credit also added to performance, supported by declining global interest rates and stable credit fundamentals.
- U.S. high-yield corporate credit detracted, as modest spread widening and idiosyncratic weaknesses in select names weighed on results.

Outlook

- We expect the investment environment to remain defined by stagflationary crosscurrents, where slowing growth coincides with inflation pressures. We favor short-dated high-yield bonds for their income potential, low duration, and pull-to-par dynamics, which help cushion against potential spread widening. In a moderate growth slowdown, issuers with solid balance sheets and manageable refinancing needs are well positioned to weather volatility.
- Mortgage-backed securities also offer attractive yields with defensive characteristics. Select emerging markets also remain appealing, particularly where real and nominal yields remain elevated. As U.S. growth momentum moderates and capital flows rebalance, we believe these markets are well-positioned to benefit.
- The macroeconomic landscape remains fraught with uncertainty. We expect meaningful convergence in global growth rates. While the U.S. economy is gradually slowing, policy clarity remains uncertain amid conflicting signals from trade, labor, and regulatory channels. Elevated tariffs continue to act as a drag on growth and a potential source of inflation. Against this backdrop, we believe the Fed is likely to proceed cautiously with any policy easing, balancing inflation pressures against the growing signs of economic deceleration.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Quarterly
Effective Duration	5.01 Years
30-Day SEC Yield (Class I)—With Waiver	7.21%
30-Day SEC Yield (Class I)—Without Waiver	7.21%

Sector Allocation (% of Total)

Sector	Fund
Corporate Bond	43.49
Government Sovereign	18.31
Mortgage Backed Securities	16.07
Government Owned - No Guarantee	7.14
Asset-Backed Securities	2.69
Collateralized Loan Obligation	2.15
Bank Loan	1.40
Bond Futures	0.38
Other	-0.12
Cash	8.48

Credit Quality Allocation (% of Total)

Rating	Fund
AA	10.04
A	4.28
BBB	29.23
BB	24.10
B	19.19
CCC	4.66
Cash & Cash Equivalents	8.48

Average annual total returns and fund expenses (%) - as of June 30, 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 I	52471E449	LFLIX	2.67	4.85	7.03	5.17	2.99	—	4.61	2.67	4.85	7.03	5.17	2.99	—	4.61	0.75	0.75	—	—	5/31/2016
Class A	52471E456	LFLAX	2.51	4.64	6.72	4.93	2.71	—	4.34	-1.33	0.72	2.72	3.42	1.82	—	3.84	0.96	0.96	3.75	—	5/31/2016
Benchmark	—	—	1.21	4.02	6.08	2.55	-0.73	—	—	1.21	4.02	6.08	2.55	-0.73	—	—	—	—	—	—	—

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%).

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.

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. Source: Bloomberg Indices.

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.**

Brandywine Global Investment Management, LLC and Franklin Distributors, LLC, are Franklin Templeton companies.

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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