



Separately Managed Account

# Western Asset Core Portfolios

1Q 2025

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by one or more of the following Franklin Templeton affiliated subadvisors: Western Asset Management Company, LLC. Management is implemented by FTPPG, the designated subadvisor or, in the case of certain programs, the program sponsor or its designee. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents, or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your financial professional or contact your sponsor firm.

# Gateway to investment specialists



**\$1.5 Trillion**

Assets under management<sup>1</sup>

**75+**

Years of active management experience

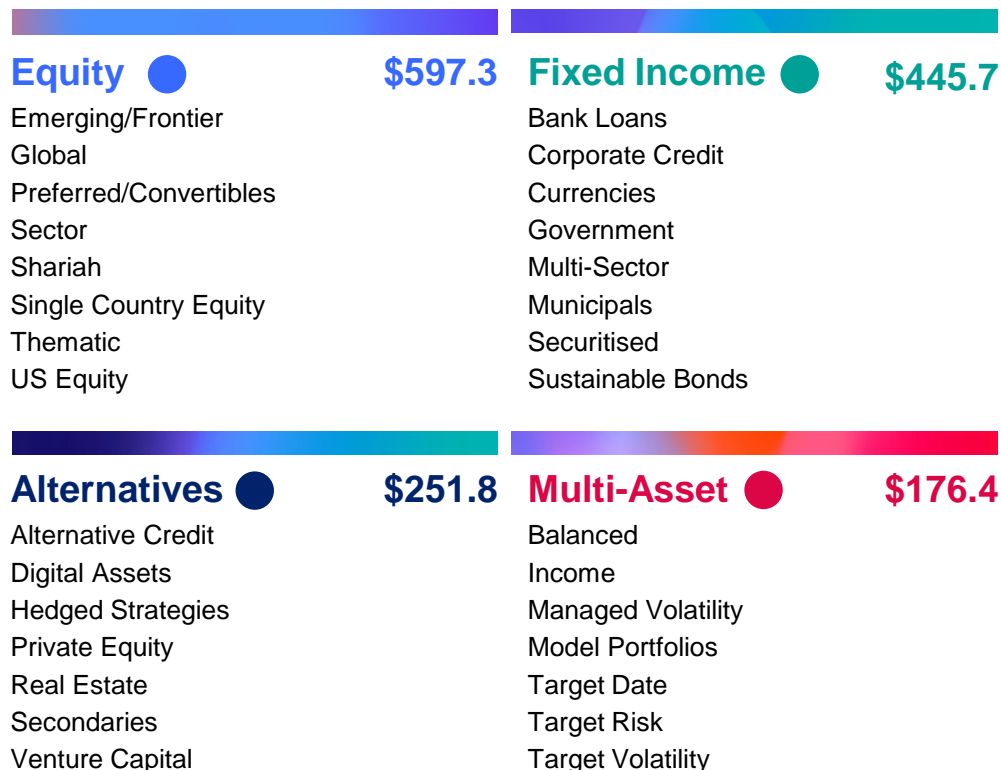
**150+**

Countries with investors

**1,600+**

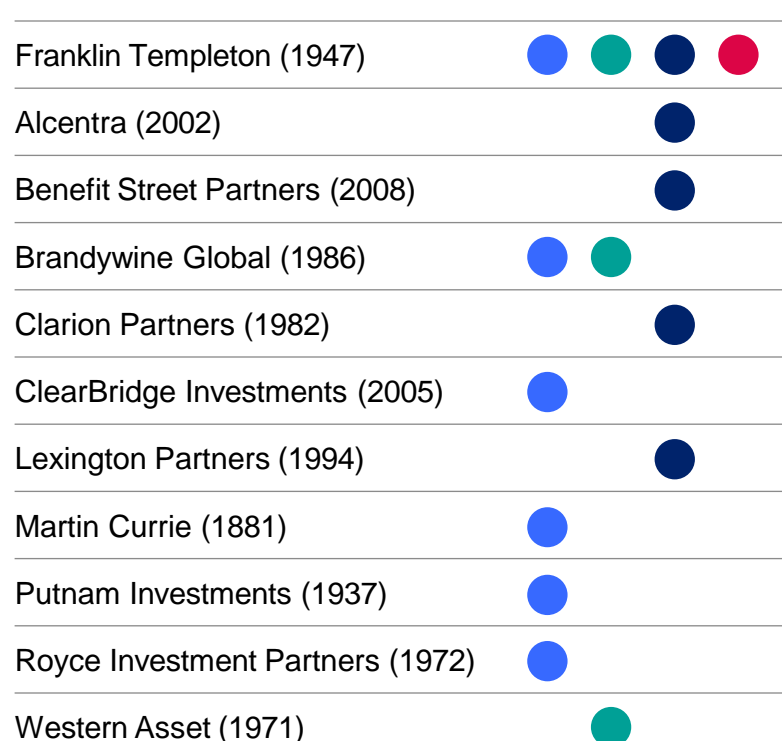
Investment professionals

## Our Investment Capabilities (USD Billion)



**Complemented by innovations in** Sustainable and Impact investing, ETFs, Custom Indexing, Frontier Risk Alternatives, and others

## Our Investment Managers Asset Classes



1. AUM is in USD as of 31 March 2025. Total AUM of \$1.5 Trillion includes \$68.9 Billion in cash management that is not represented here.

# Western Asset Management Approach and Philosophy



Western Asset is a global investment management firm committed to understanding the needs of each client, identifying investment solutions, and delivering superior long-term investment results

## Team-managed approach

- Team unites groups of specialists dedicated to different market sectors
- Each group of sector specialists utilizes its expertise in bottom-up analysis of each portfolio sector

## Investment Philosophy

Long-term, fundamental value discipline

- Bottom-up
- Top-down

## Diversified strategies

- Depth of resources
- Global

## Integrated analytics and risk management

- Relative value analysis
- Transparency and communication

## Objective-Driven Investing

Seeks to:

- Protect from rising rates
- Protect from inflation
- Preserve capital
- Diversify globally
- Hedge liabilities
- Enhance income
- Generate tax-free income
- Generate total return
- Achieve ESG objectives

## Core Fixed Income

- Intermediate
- Core
- Core Full Discretion
- Investment-Grade Credit
- Agency Mortgage-Backed

## Generate Total Return

- Total Return Unconstrained
- Global Total Return
- Global Multi-Sector
- Dynamic Fixed Income
- Credit Opportunities
- MBS Opportunities
- Emerging Market

## Enhance Income

- Short-Duration High Income
- Emerging Markets Debt
- High Yield
- Diversified High Income
- Structured Products/REIT/ CLO

## Increase Alpha

- Global Credit Absolute Return
- Macro Opportunities

## Hedge Liabilities

- Long Duration
- Long Credit
- Liability-Driven Investing
- Tail Risk Management

# Western Asset Core Portfolios



## Overview

The Western Asset Core Portfolios offer investors access to these flagship strategies in a separately managed account. These separately managed accounts consist of investments in individual securities and shares of no-fee mutual funds advised by Western Asset and its affiliates. The no-fee funds are used by Western Asset to achieve appropriate levels of diversification, as well as provide clients with exposure to sectors that are normally difficult to include in a separately managed account with low minimum investment requirements.

## Key differentiators

- Team-managed approach
  - Team unites groups of specialists dedicated to different market sectors.
  - Each group of sector specialists utilizes its expertise in bottom-up analysis of each portfolio sector.
- Unique structure
  - Utilizes an institutional-style hybrid approach for the strategy that combines individual securities and no-fee funds into one account.
  - Provides access within the fixed-income market to a greater number of sectors, with more diversification in each sector than a traditional separately managed account with a similar minimum account size.
  - Increases the diversification within each sector, which may achieve lower volatility and higher returns than a traditional managed account with this minimum account size.
- Leverage Western Asset Management resources
  - Institutional-caliber buying power and trading expertise.
  - Access to proprietary credit research team.
  - Exclusive focus on fixed-income management.

Shares of the no-fee funds may only be purchased by or on behalf of separately managed accounts by Franklin Templeton affiliates, including Western Asset. Managed account clients will pay fees to program sponsors or to their account managers, and such fees will be calculated taking into account assets invested in shares of no-fee funds. Unless reimbursed by the fund's manager or its affiliates, ordinary and extraordinary fund-level operating expenses are borne by shareholders. The manager of the no-fee funds has entered into an expense reimbursement agreement with the funds pursuant to which the manager has agreed to reimburse 100% of each fund's ordinary operating expenses through December 31, 2025. The expense reimbursement agreement does not cover brokerage, taxes and extraordinary expenses.

# Western Asset Core Portfolios



## Philosophy

- Long-term.
  - Seek out the greatest long-term value by thoroughly analyzing a wide range of sectors of the fixed-income market.
  - Value oriented We seek to identify and favor sectors and issuers that are undervalued or out of favor in the market.
- Diversified strategies.
  - Results do not depend on only one or two opportunities; multiple themes are employed in portfolios.
  - Diversification seeks to limit the impact of a single adverse market event.
  - Strive to add incremental value over time and potentially reduce volatility.
- Sector rotation.
  - The Core Portfolios predominantly focus on investment-grade securities across all market sectors and maturities.

## Objectives

The strategy seeks to maximize total return consistent with prudent portfolio management.

## 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. **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**. Investments in **underlying funds** are subject to the same risks as, and indirectly bear the fees and expenses of, the underlying funds.

# Western Asset Core Portfolios

## Investment process



Western Asset portfolios will normally maintain a minimum of 50% of the portfolio in individual securities. Typically, 25-30 individual bonds are held in the account. These securities will consist primarily of bonds in the Treasury, Agency and investment-grade corporate bond sectors. These bonds are an integral part of the overall portfolio construction and are actively managed in concert with the no-fee funds.

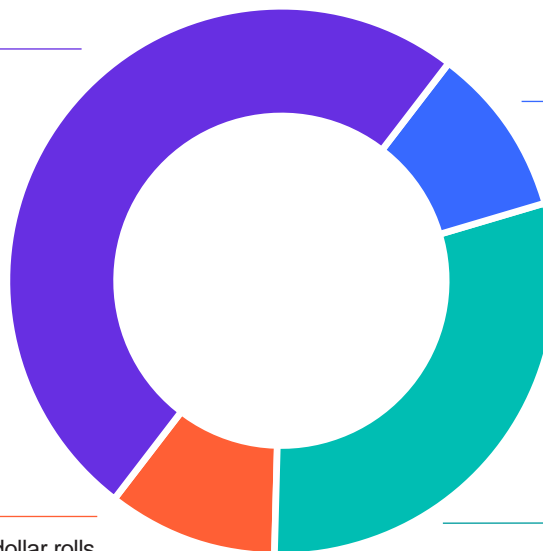
**Portfolio composition**

### Individual securities

- U.S. Treasuries
- Agencies
- Investment-grade corporates
- U.S. Treasury inflation protected securities (TIPS)
- Mortgage-backed securities (MBS)
- Cash and cash equivalents

### No-fee fund (Core Completion)

- U.S. treasuries and agencies
- Investment-grade corporates
- U.S. Treasury inflation protected securities (TIPS)
- Municipals
- Agency and non-agency mortgage-backed securities
- Mortgage pools
- Asset-backed securities
- Commercial mortgage-backed securities (CMBS)
- Mortgage dollar rolls
- Cash and cash equivalents



### No-fee fund

#### (Investment-grade corporates)

- Investment-grade corporates
- Municipals
- U.S. Treasuries
- Cash and cash equivalents

### No-fee fund

#### (Mainly mortgages)

- Agency and non-agency mortgage-backed securities
- Mortgage pools
- Asset-backed securities
- U.S. Treasury and agencies
- Commercial mortgage-backed securities (CMBS)
- Mortgage dollar rolls
- Cash and cash equivalents

For illustrative purposes only.

Allocations are subject to change.

Important Information: The Core Portfolios are available as separately managed accounts that utilize both individual securities and no-fee mutual funds. These mutual funds were created specifically for, and are made available exclusively through, these separately managed accounts. Investments in these separately managed accounts present special considerations. The mix of investments may vary depending on market conditions, the manager's views as to relative attractiveness of available sectors, cash flows into and out of the account, and other factors.

# Western Asset Core Portfolios

## Investment process



### STEP 1

#### Interest Rate Exposure/ Duration Weighting

Western's investment team comprehensively analyzes a variety of domestic and international macroeconomic factors to establish a duration target.

### STEP 2

#### Term Structure Weighting

The Firm carefully employs strategies in an attempt to take advantage of changes in the yield curve's shape and shifts in the relationship between short-, intermediate-, and long-maturity securities.

### STEP 3

#### Sector Allocation

Western Asset believes that the value can be added to a portfolio by actively rotating among, and within, different sectors of the bond market. The investment team studies the fundamental factors that influence sector spread relationships.

### STEP 4

#### Issue Selection

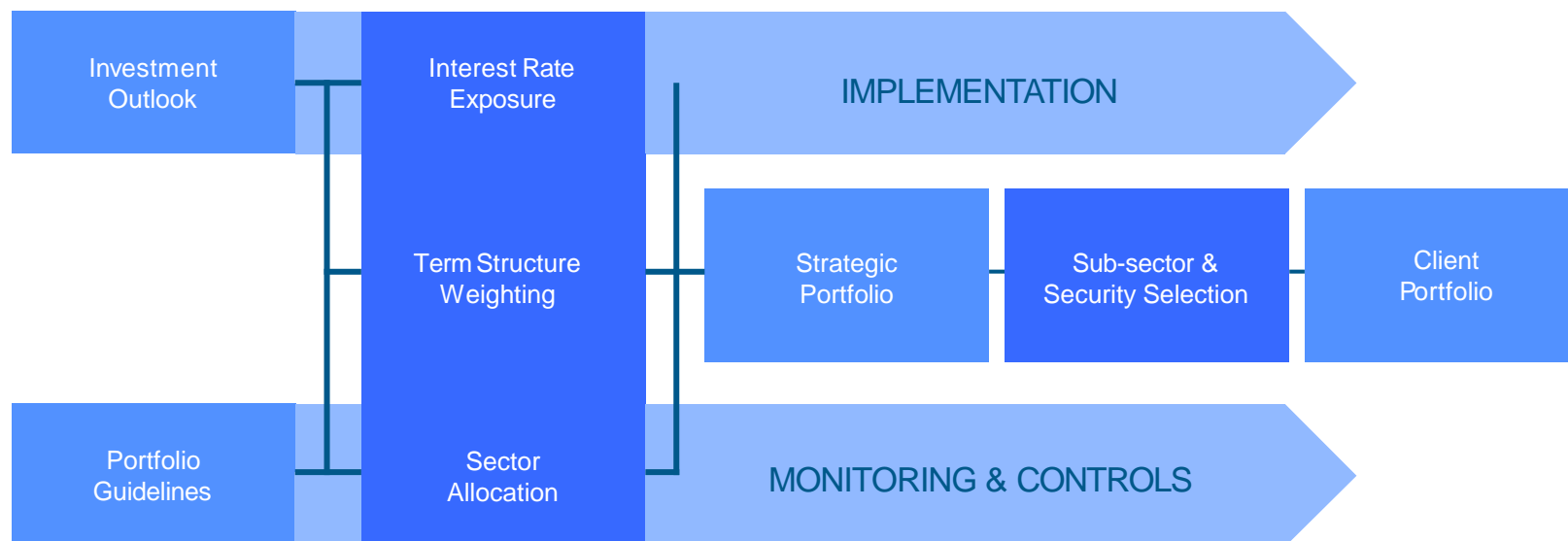
Using a bottom-up process, the Firm seeks to identify companies with changing credit characteristics and securities that are undervalued and out of favor due to unusual circumstances.

# Western Asset Core Portfolios

## Investment process



By implementing the process illustrated, Western seeks to provide investors with diversified, value-oriented, tightly controlled portfolios that exceed benchmark returns while approximating the benchmark's risk. Of course, there is no guarantee that investment objectives will be achieved.



The investment process may change over time. The characteristics set forth are intended as a general illustration of some of the criteria the strategy team considers in selecting securities for client portfolios. There is no guarantee investment objectives will be achieved.

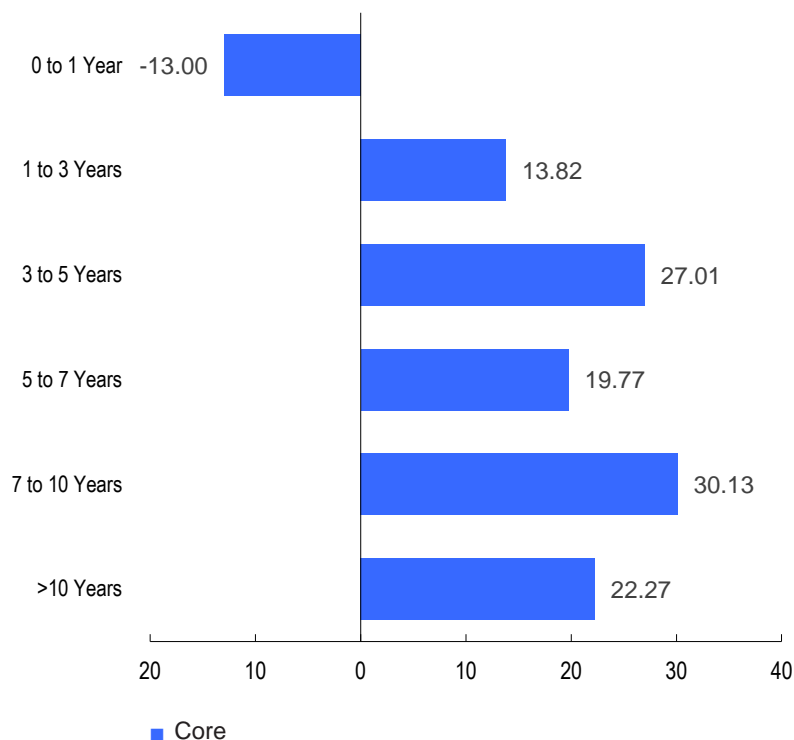


# Fixed Income portfolio characteristics

## As of 3/31/2025



### Average Life (%)



### Sector weightings (%)

	Core
Agency Mortgage-Backed Securities	34.24
Investment-Grade Credit	33.13
Treasury	21.35
Commercial Mortgage Backed Securities	7.09
Collateralized Loan Obligation	5.14
Non-Agency MBS	4.90
EM Government	3.23
Asset-Backed Securities	2.59
EM Corporate	1.87
Inflation-Linked	1.24
Cash & Cash Equivalents	-14.78

Source: Western Asset. Average Life and weightings listed are based on representative accounts and assumes no withdrawals, contributions, or client-imposed restrictions. Average Life and weightings of individual client accounts may differ from those of the representative accounts as a result of account size, client-imposed restrictions, the timing of client investments, market conditions, contributions, withdrawals and other factors. **Please see appendix for term definitions.**

# Fixed income portfolio characteristics

## As of 3/31/2025



Quality Breakdown (%)	Core
AAA	72.99
AA	8.22
A	17.86
BBB	12.42
<BBB	0.89
NR	2.38
Cash & Cash Equivalents	-14.78

Characteristics (%)	Core
Effective Duration	6.63 Years
Yield to Worst	5.27%
Weighted Average Life	11.49 Years
Cash Flow	5.05%

Source: Franklin Resources, Inc. Portfolio characteristics and sector weightings are based on a representative account within the composite. Portfolio characteristics and sector weightings of individual client portfolios in the program may differ, sometimes significantly, from those shown above. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the sectors listed and should not be used as a sole basis to make any investment decisions.

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 the following Nationally Recognized Statistical Rating Organizations ("NRSRO"): Standard and Poor's ("S&P"), Moody's Investors Service ("Moody's"), Fitch Ratings, Ltd. In the event a portfolio security is rated by more than one NRSRO, the higher rating is shown. In the case where a security is not rated by an NRSRO, these are listed as "Non Rated". The credit quality of the investments in the Portfolio does not apply to the stability or safety of the Portfolio. These ratings may change over time. The Portfolio itself has not been rated by an NRSRO.

# Performance



## Annualized rates of return – pure gross and net of fees (%) as of March 31, 2025 – PRELIMINARY

	1 Mth	3 Mths	YTD	1 Year	3 Year	5 Year	7 Yrs	10 Year	15 Yrs	20 Year	25 Yrs
Core –Pure Gross of Fees—(USD)	-0.10	3.05	3.05	4.77	-0.01	-0.56	1.18	1.45	2.77	3.67	4.56
Core –Net of Fees—(USD)	-0.23	2.67	2.67	3.23	-1.49	-2.03	-0.32	-0.05	1.25	2.14	3.02
Bloomberg Aggregate Index—(USD)	0.04	2.78	2.78	4.88	0.52	-0.40	1.58	1.46	2.44	3.18	3.96

## Calendar-year total returns – pure gross and net of fees (%) ending December 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Core –Pure Gross of Fees—(USD)	0.93	6.29	-16.89	-1.89	8.22	10.05	-0.57	4.96	3.75	1.41
Core –Net of Fees—(USD)	-0.56	4.73	-18.14	-3.34	6.63	8.43	-2.04	3.41	2.22	-0.08
Bloomberg Aggregate Index—(USD)	1.25	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55

**The strategy returns shown are preliminary composite returns, subject to future revision (downward or upward). Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please visit [www.franklintempleton.com](http://www.franklintempleton.com) for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.**

For periods from January 1, 2007 to the present, Western Asset (WA) Core performance is for a composite of one or more retail WA Core separately managed accounts (SMAs). Performance for periods prior to 1/1/07 is for a composite of institutional WA Core managed accounts. WA follows substantially the same investment philosophy, strategies and processes in managing the SMA accounts as it does in managing the institutional accounts. WA invests portions of the SMA accounts in certain fixed-income sectors by investing in shares of one or more no-fee mutual funds managed by WA while investing the institutional accounts solely in individual fixed-income securities.

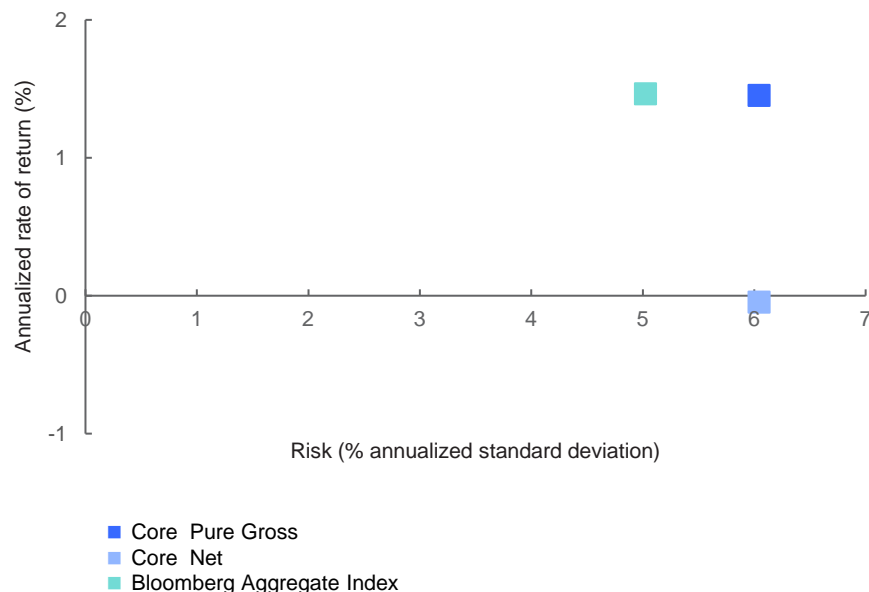
Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns are reduced by a model "wrap fee" (1.5% is the maximum anticipated wrap fee for fixed income portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs. Past performance is not a guarantee of future results. Please see appendix for GIPS® Report and term definitions.

# Risk/return profile



**Pure gross and net of fees** (based on 10-year period ending March 31, 2025)



**Modern portfolio statistics** as of March 31, 2025

	Core Pure Gross	Core Net	Bloomberg Aggregate Index
Annualized Return (%)	1.45	-0.05	1.46
Annualized Standard Deviation (%)	6.04	6.04	5.02
Sharpe Ratio	-0.04	-0.29	-0.06
Beta	1.18	1.18	N/A
Alpha (%)	0.10	-1.38	N/A
R-Squared	0.96	0.96	N/A

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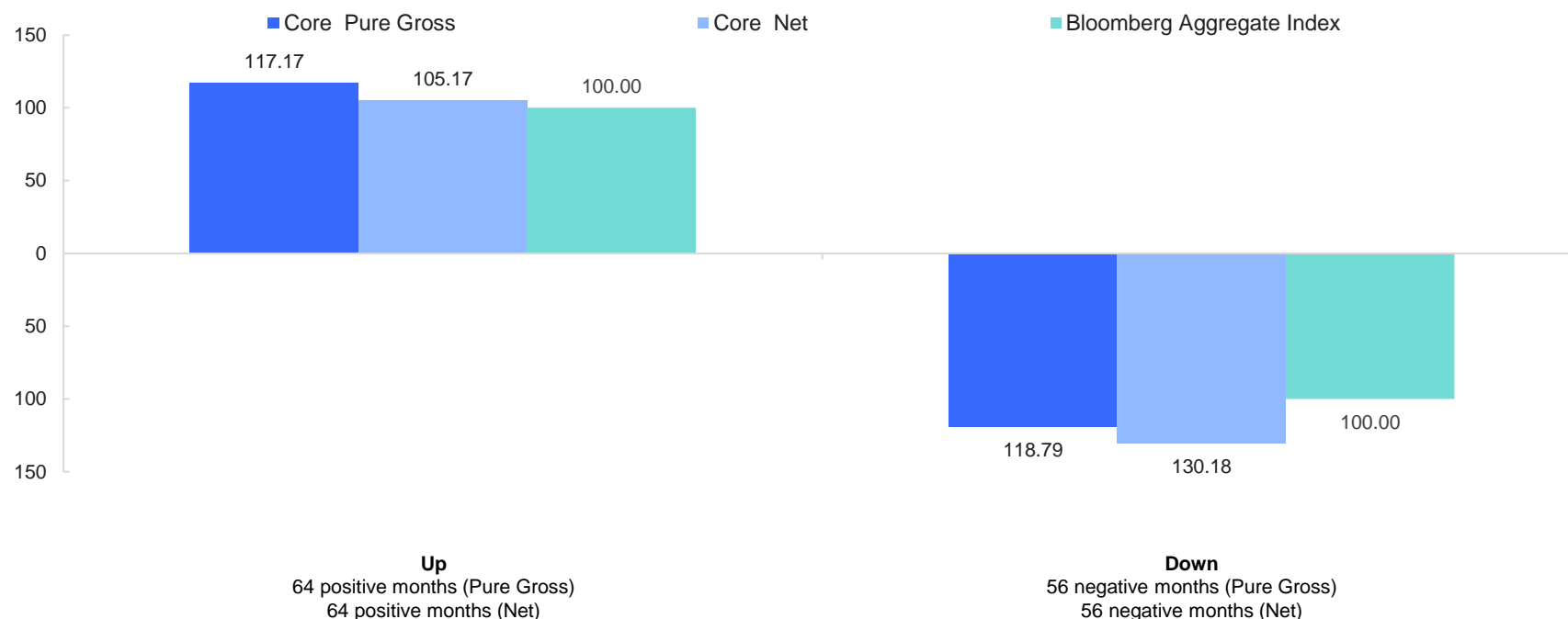
Alpha, Beta, Sharpe Ratio, and R-Squared are shown versus the Index. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns are reduced by a model "wrap fee" (1.5% is the maximum anticipated wrap fee for fixed income portfolios) which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

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# Up down market capture ratios (%)



Pure Gross and net of fees (based on 10-year period ending March 31, 2025)



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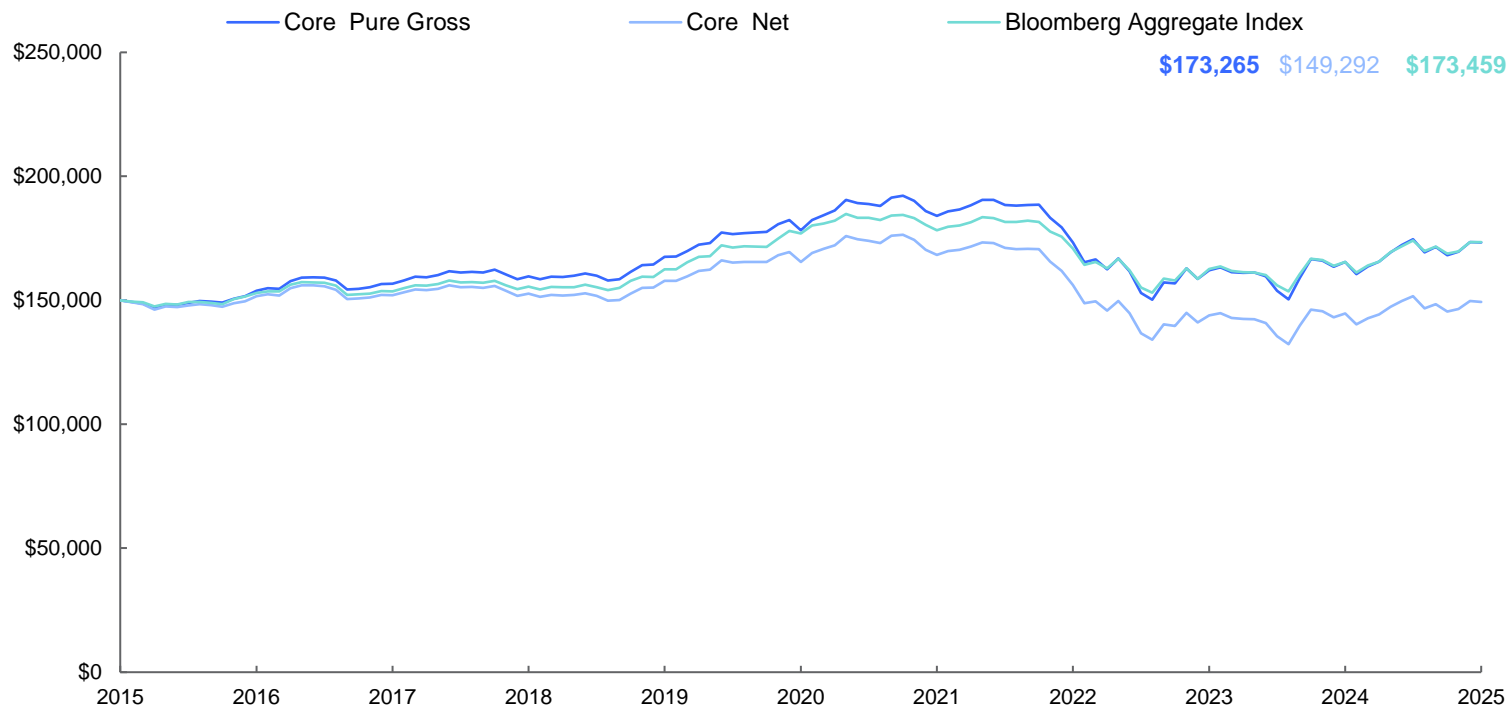
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# Growth of \$150,000



Pure gross and net of fees (based on 10-year period ended March 31, 2025)



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For illustrative purposes only. Assumes no withdrawals or contributions. These statistics are based on gross and net-of-fees monthly composite returns, were calculated assuming reinvestment of dividends and income, and take into account both realized and unrealized capital gains and losses.

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## Investment management team



Western Asset, one of the world's leading fixed income managers, was founded in 1971. With a focus on long-term fundamental value investing that employs a top-down, bottom-up approach, the firm has nine offices around the globe and deep experience across the range of fixed income sectors. Western Asset has been recognized for its emphasis on team management and intensive proprietary research, supported by robust risk management.

## WESTERN ASSET CORE

Strategy Inception Date: January 1989

Reporting Currency: USD

Composite Creation Date: January 2007

Period	Total Return (Net)	Total Return (*Pure Gross)	Benchmark Return	Number of Portfolios	% of Wrap Fee Portfolios in the Composite	Composite Dispersion	Composite 3 Yr. St. Dev.	Benchmark 3 Yr. St. Dev.	Total Composite Assets at End of Period (USD million)	Percentage of Firm Assets	Total Firm Assets at End of Period (USD million)
2023	4.73%	6.29%	5.53%	472	100	0.06%	8.99%	7.24%	385.8	0.10%	385,964.0
2022	-18.14%	-16.89%	-13.01%	516	100	0.20%	7.35%	5.85%	411.8	0.11%	391,755.8
2021	-3.34%	-1.89%	-1.54%	653	100	0.06%	4.02%	3.40%	583.6	0.12%	488,490.0
2020	6.63%	8.22%	7.51%	684	100	0.16%	3.90%	3.40%	587.5	0.12%	479,809.9
2019	8.43%	10.05%	8.72%	529	100	0.32%	2.97%	2.91%	456.1	0.10%	455,275.9
2018	-2.04%	-0.57%	0.01%	459	100	0.37%	3.07%	2.88%	354.9	0.08%	424,136.1
2017	3.41%	4.96%	3.54%	417	100	0.31%	2.94%	2.81%	330.9	0.08%	436,309.0
2016	2.22%	3.75%	2.65%	333	100	0.31%	3.15%	3.02%	257.9	0.06%	419,206.9
2015	-0.08%	1.41%	0.55%	207	100	0.19%	3.20%	2.92%	163.2	0.04%	433,747.1
2014	5.79%	7.37%	5.97%	101	100	0.14%	2.97%	2.67%	82.8	0.02%	466,035.9

\*Pure gross of fee returns do not reflect the deduction of any expenses, including transaction costs, and are presented as supplemental to the net of fee returns.

### Compliance Statement:

Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

### Firm Information:

Founded in 1971, Western Asset Management Company is a global fixed-income investment manager with offices in Pasadena, New York, London, Singapore, Tokyo, Melbourne, São Paulo, Hong Kong, and Zürich. Western Asset is a wholly owned subsidiary of Franklin Resources, Inc. but operates autonomously. Western Asset is comprised of six legal entities across the globe, each with distinct regional registrations: Western Asset Management Company, LLC, a registered Investment Adviser with the Securities and Exchange Commission; Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários Limitada is authorized and regulated by Comissão de Valores Mobiliários and Brazilian Central Bank; Western Asset Management Company Pty Ltd ABN 41 117 767 923 is the holder of the Australian Financial Services License 303160; Western Asset Management Company Pte. Ltd. Co. Reg. No. 200007692R is a holder of a Capital Markets Services License for fund management and regulated by the Monetary Authority of Singapore; Western Asset Management Company Ltd, a registered Financial Instruments Business Operator and regulated by the Financial Services Agency of Japan; and Western Asset Management Company Limited is authorised and regulated by the Financial Conduct Authority ("FCA") (FRN 145930). This communication is intended for distribution to Professional Clients only if deemed to be a financial promotion in the UK as defined by the FCA. This communication may also be intended for certain EEA countries where Western Asset has been granted permission to do so. For the current list of the approved EEA countries please contact Western Asset at +44 (0)20 7422 3000.

### Composite Information:

Western Asset - Core portfolios are discretionary fixed-income portfolios that offer - to individual and taxable institutional investors - tailored bond management which seeks to maximize total return and has the flexibility to invest across a range of fixed-income sectors, including the U.S. government, federal agency, domestic corporate, mortgage and money market/cash equivalent sectors. Exposure to certain fixed income sectors represented in the strategy are achieved by investing in shares of one or more mutual funds managed by Western Asset. The composite is comprised of accounts that are separately managed accounts (SMAs), managed in accordance with the strategy with an account minimum of US \$150,000. The composite employs a 10% significant cash flow policy. Beginning January 1, 2007, the composite includes only SMA portfolios that are managed in accordance with the Western Asset Core strategy. Prior performance results are based upon Western Asset's US Core Composite which was comprised of institutional accounts with a minimum of US \$25 million that invested solely in individual fixed income securities. Western Asset follows substantially the same investment philosophy, strategies and processes in managing SMA Core portfolios that it does in managing institutional US Core portfolios. The performance of Western's SMA Core Composite may vary from the performance of the institutional US Core Composite, especially over shorter time periods and during periods of extraordinary market conditions, due to differences in cash flows and specific securities used by Western Asset to implement its investment strategy for SMA Core portfolios relative to those used for institutional US Core portfolios.

### Input and Calculation Data:

The current fee schedule is 1.50% on all assets. Net returns are calculated by deducting the anticipated maximum annual wrap fee applied on a monthly basis from the "pure" gross monthly return. The wrap fee includes all charges for trading costs, portfolio management, custody, and other administrative fees. Wrap fees may vary across different financial firms and across different accounts based upon account size and other factors. Dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year (equal-weighted prior to 2014). Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Past investment results are not indicative of future investment results. Information contained herein is believed to be accurate, but cannot be guaranteed. Employees and/or clients of Western Asset may have a position in the securities mentioned. A list of composite and limited distribution pooled fund descriptions and a list of broad distribution pooled funds is available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Please contact Michael Van Raaphorst at 212-601-6211 or Michael.VanRaaphorst@westernasset.com. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

### Benchmark Information:

For comparison purposes, composite returns are shown against returns of the Bloomberg® U.S. Aggregate Bond Index.



# Definitions



## Index Definitions

The **Citi 3-Month T-Bill Index** is an unmanaged index of three-month Treasury bills. The index consists of an average of the last three-month U.S. Treasury bill issues.

The **Bloomberg Government Bond 1-3 Year Index** is an index that measures the performance of all public U.S. government obligations with remaining maturities of approximately 1-3 years. Source: Bloomberg Indices.

The **Bloomberg 1-15 Year Blend (1-17) Municipal Bond Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities from 1 to 17 years. Source: Bloomberg Indices.

The **Bloomberg Intermediate U.S. Government/Credit Index** is an unmanaged index that measures the performance of intermediate (one to ten years) government and corporate fixed-rate debt issues. Source: Bloomberg Indices.

The **Bloomberg Municipal 1 Year Index** is an unmanaged Index of municipal bonds with a remaining maturity of one to two years. Source: Bloomberg Indices.

The **Bloomberg Municipal 5 Year Index** is an unmanaged index that tracks USD-denominated long-term, tax-exempt bond market with maturities of 4-6 years, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Source: Bloomberg Indices.

The **Bloomberg Municipal Bond Index** is a broad measure of the municipal bond market with maturities of at least one year. Source: Bloomberg Indices.

The **Bloomberg Municipal Managed Money Short Intermediate Index** measures the performance of the publicly traded municipal bonds that cover the USD-denominated short/intermediate term tax-exempt bond market, including state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Source: Bloomberg Indices.

The **Bloomberg U.S. 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.

The **Bloomberg U.S. Government 1-5 Year Index** measures the performance of US dollar denominated, fixed-rate, nominal U.S. Treasuries and U.S. agency debentures with maturities greater or equal than 1 year but less than 5 years. Source: Bloomberg Indices.

The **Bloomberg U.S. Government/Credit Bond Index** is an index that tracks the performance of U.S. government and corporate bonds rated investment grade or better, with maturities of at least one year. Source: Bloomberg Indices.

The **Bloomberg U.S. Intermediate Corporate Index** measures the performance of investment grade, fixed-rate, US dollar-denominated taxable corporate securities with maturities of 1-10 years. Source: Bloomberg Indices.

The **Bloomberg U.S. Intermediate Treasury Index** measures the performance of the U.S. Treasury debentures with maturities of 1-10 years. Source: Bloomberg Indices.

The **ICE BofA 1-3 Year Treasury Index** is a market-capitalization-weighted index including all U.S. Treasury notes and bonds with maturities greater than or equal to one year and less than three years. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

# Definitions



## Market terms

**Asset-Backed Security (ABS)** - A financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. For investors, asset-backed securities are an alternative to investing in corporate debt.

**Commercial Mortgage-Backed Securities (CMBS)** - are a type of mortgage-backed security that is secured by the loan on a commercial property. A CMBS can provide liquidity to real estate investors and to commercial lenders.

**Collateralized Mortgage Obligations (CMO)** - are securities backed by a pool of pass-through securities, which consists of several classes of bondholders with varying maturities. The principal payments from the underlying pool of pass-through securities are used to retire the bonds on a priority basis as specified in the prospectus.

**Mortgage-Backed Securities (MBS)** - A type of asset-backed security that is secured by a mortgage, or a collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by an accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments. Furthermore, the mortgage must have originated from a regulated and authorized financial institution.

**Mortgage Pool** - Group of related financial instruments, such as mortgages, combined for resale to investors on a secondary market.

**Mortgage Dollar Roll** - A special type of repurchase agreement in which the security, transferred to the investor as collateral, is a mortgage-backed security. The investor who sells the security gives up the cash flows during the roll period but has use of the proceeds.

**Treasury Inflation Protected Securities (TIPS)** - A special type of Treasury note or bond that offers protection from inflation. Like other Treasuries, an inflation-indexed security pays interest every six months and pays the principal when the security matures. The difference is that the coupon payments and underlying principal are automatically increased to compensate for inflation as measured by the consumer price index (CPI). Also referred to as "Treasury inflation-indexed securities."

# Definitions



## Term definitions

**Maturity** is the date at which a debt instrument is due and payable. A bond due to mature on January 1, 2025, will return the bondholder's principal and final interest payment when it reaches maturity on that date. Bond yields are frequently calculated on a yield-to-maturity basis.

**Duration (Modified Duration)** is the measure of the price sensitivity of a fixed income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.

**Yield to Worst (YTW)** is based on a portfolio's current holdings on one specific day, is gross of all portfolio expenses, and is calculated based on assumptions that prepayment occurs if the bond has called or put provisions, and the issuer can offer a lower coupon rate based on current market rates. If market rates are higher than the current yield of a bond, the YTW calculation will assume no prepayments are made, and YTW will equal the yield to maturity. The YTW will be the lowest of yield to maturity or yield to call (if the bond has prepayment provisions). The YTW of a bond portfolio is the market-weighted average of the YTWs of all the bonds in the portfolio.

**Insured** municipal bonds are ones where scheduled interest and principal payments are guaranteed by AAA-rated municipal bond insurers.

**General Obligation** municipal bonds are backed by the credit and taxing power of the issuing jurisdiction rather than the revenue of a given project.

**Revenue** bonds are municipal bonds supported by the revenue from a specific project.

**Pre-refunded** bonds are municipal bonds that are generally backed or secured by U.S. Treasury bonds.

**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.

**Average Maturity** is the average length of maturity for all fixed-rate debt instruments held in a portfolio.

**Average Coupon** based on the portfolio's underlying holdings, which may differ and are subject to change. Coupon rate is the annual coupon payments paid by the issuer relative to a bond's face or par value.

**Yield to Maturity** - The rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity.

**Weighted Average Life** - An estimate of the number of years to maturity, taking the possibility of early payments into account, for the underlying holdings.

The **Sharpe Ratio** is a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical adjusted performance.

**Alpha** is a measure of the difference between actual returns and expected performance, given the level of risk as measured by **Beta**, where Beta measures sensitivity to benchmark movements.

**R-Squared** measures the strength of the linear relationship between the portfolio and its benchmark. R-squared at 1.0 implies perfect linear relationship and zero implies no relationship exists.

**Standard Deviation** is a measure of the variability of returns; the higher the standard deviation, the greater the range of performance (i.e., volatility).

The **Capture Ratios** measure a manager's composite performance relative to the benchmark, considering only those months that are either positive (Up) or negative (Down) for the benchmark.

An **Up-Market Capture Ratio** greater than 1.0 indicates a manager who has outperformed the benchmark in the benchmark's positive months.

A **Down-Market Capture Ratio** of less than 1.0 indicates a manager who has outperformed the relative benchmark in the benchmark's negative months.

## Notes



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