

Western Asset Core Plus Portfolios

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** The first quarter of 2026 was characterized by elevated geopolitical risk and accelerating AI-driven disruption across the software sector and its incumbent business models. The period was shaped by a series of international developments, including the capture and indictment of Nicolás Maduro, escalating diplomatic tensions between the US and European NATO allies over Greenland, and a US-Israeli military operation against Iran.
- **Contributors:** TIPS positioning along with positive issue selection within agency Mortgage Backed Security (MBS) and structured products contributed to performance.
- **Detractors:** Yield curve positioning was a detractor as the curve bear-flattened.
- **Outlook:** Geopolitical tensions remain a defining feature of the outlook, with the Middle East conflict introducing ongoing uncertainty and contributing to oil price volatility as supply routes face occasional disruption. Even with these pressures, the global economic backdrop is gradually improving as fiscal support, easier financial conditions and moderating inflation help strengthen the 2026 outlook.

Performance Review

- Treasury inflation-protected securities (TIPS) positioning was beneficial to performance as breakeven inflation rates rose.
- Rates positioning detracted from performance as the yield curve bear-flattened.
- Investment-grade positioning was a detractor from performance as spreads widened.
- Positive issue selection within agency mortgage-backed securities (MBS) and structured products contributed to performance.

Outlook

- In the US, policy tailwinds and deregulation continue to support activity despite signs of softer labor conditions.
- Europe and the United Kingdom face trade and labor-market challenges but easing inflation and selective fiscal measures offer stabilization.
- China's recovery remains policy-driven amid structural constraints, while Japan's persistent inflation supports further policy normalization.
- Credit markets remain supported by strong fundamentals and healthy demand, with issuance elevated by AI-related capex, M&A and refinancing needs.

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

Composite	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	15-Yr	20-Yr	25-Yr	Inception	Inception Date
Net of Fees	-0.67	0.36	-0.67	3.95	2.05	-2.01	0.35	1.37	2.49	3.12	4.09	1/31/1993
Pure Gross of Fees	-0.30	1.11	-0.30	5.50	3.58	-0.53	1.86	2.89	4.03	4.66	5.64	1/31/1993
Benchmark	-0.05	1.05	-0.05	4.35	3.63	0.31	1.70	2.39	3.28	3.65	4.48	—

*Cumulative total returns

Benchmark(s)

Benchmark = Bloomberg U.S. Aggregate Index

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Glossary

Agency mortgage backed security (MBS) are mortgage backed securities issued by government-sponsored enterprises such as Ginnie Mae, Fannie Mae or Freddie Mac.

The **yield curve** shows the relationship between yields and maturity dates for a similar class of bonds.

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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.

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