

# BrandywineGLOBAL - Corporate Credit Fund

Class A: BCAAX Class I: BCGIX

Commentary | as of March 31, 2025

## Key Takeaways

- **Markets:** The U.S. fixed income market generated a solid return during the first quarter. Treasury yields declined amid slowing growth, increased policy uncertainty, and mounting concerns over a global trade war. Returns were well dispersed across the credit spectrum and increased incrementally as one moved higher up in quality. BBB-rated credits benefited from duration and minimal spread widening, returning 2.29%. On the other hand, CCC & below credits were the only rating segment to post a negative return as slower growth and policy uncertainty led to more significant spread widening.
- **Contributors:** Security selection in leisure, service and energy contributed to performance.
- **Detractors:** Duration positioning was the primary detractor from performance.
- **Outlook:** With uncertainty around economic policy feeding into financial markets, we believe that high-yield credit is the safest risk asset class due to its seniority in the capital structure, low duration, high income, and contractual maturity date.

## Performance Review

- Our relative underweight duration position was the primary detractor in a period where 10-year yields fell 35 basis points amidst uncertainty.
- Dispersion across sectors was relatively tight and credit selection had a minimal effect.
- Positive selection in leisure, services, and energy contributed to performance. This was offset by negative selection in health care, basic industry, and retail, where any fundamental hiccups by smaller publicly traded issuers were met with intense selling pressure on both the bonds and stocks.
- A moderate allocation to cash provided further ballast to the portfolio.
- At the ratings level, dispersion was higher and orderly in favor of higher quality. An allocation to investment-grade credit benefited the portfolio. However, market-neutral exposure to B-rated credits and an underweight to BB-rated credits detracted from performance, as BBs were the strongest performing segment of high yield.

## Outlook

- With uncertainty around economic policy feeding into financial markets, we believe that high-yield credit is the safest risk asset class due to its seniority in the capital structure, low duration, high income, and contractual maturity date.
- In significant stock market declines, high-yield typically draws down less and recovers faster—this quarter was no different. When the S&P 500 closed at correction levels in mid-March—more than 10% off recent highs—the ICE BofA US High Yield index was down less than 1% over the same period.
- Fundamental credit metrics in high-yield, namely leverage and interest coverage, support high-yield's sustained resilience. Systematic, momentum, and passive players have pressured the smaller, publicly traded issuers to which we are over-indexed. We are cognizant of this risk but also expect these credits to recover on an absolute and relative basis. Amidst the volatility, our focus is on risk mitigation and opportunity identification.

## Morningstar Rating™

Overall Rating as of March 31, 2025

★★★★★ (5-Star) Class A

★★★★★ (5-Star) Class I

As of 03/31/2025 the fund's Class I and Class A shares received a 5 star overall Morningstar rating™, measuring risk-adjusted returns against 586, 537 and 423 High Yield 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.

## Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Monthly
Effective Duration	2.52 Years
30-Day SEC Yield (Class A)—With Waiver	6.09%
30-Day SEC Yield (Class A)—Without Waiver	6.09%

## Sector Allocation (% of Total)

Sector	Fund
Financial Services	17.06
Energy	10.07
Leisure	9.72
Insurance	7.44
Basic Industry	6.83
Banking	5.45
Services	5.22
Telecommunications	4.57
Other	23.01
Cash & Other	10.64

## Credit Quality Allocation (% of Total)

Rating	Fund
AAA	0.01
AA	0.40
A	0.43
BBB	11.55
BB	36.66
B	35.56
CCC	3.91
CC	0.85
NR	0.06
Cash & Cash Equivalents	10.56

## Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Class A	52472T783	BCAAX	0.54	0.54	6.71	5.52	7.67	5.60	6.45	-3.19	-3.19	2.72	4.26	6.89	5.23	6.29	0.87	0.86	3.75	—	9/30/2002
Class I	52472T775	BCGIX	0.59	0.59	6.94	5.78	7.94	5.89	6.74	0.59	0.59	6.94	5.78	7.94	5.89	6.74	0.61	0.60	—	—	9/30/2002
Benchmark 1	—	—	2.17	2.17	5.58	1.94	2.57	2.91	—	2.17	2.17	5.58	1.94	2.57	2.91	—	—	—	—	—	—
Benchmark 2	—	—	2.08	2.08	5.46	6.71	7.50	6.16	—	2.08	2.08	5.46	6.71	7.50	6.16	—	—	—	—	—	—

## Benchmark(s)

Benchmark 1=ICE BofA US Corporate & High Yield Index

Benchmark 2=Consumer Price Index- All Urban Consumers from the Bureau of Labor Statistics +3% annual risk premium

**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](http://franklintempleton.com).

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 12/31/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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. **Changes in the credit rating** of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **Active management** does not ensure gains or protect against market declines. 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%).

The **ICE BofA US High Yield Index** is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as "junk") corporate debt publicly issued in the U.S. domestic market. 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.

## Important Information

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 performance in the accompanying chart and table is that of the Predecessor. The fund acquired the assets and liabilities of Diamond Hill Corporate Credit Fund, a series of the Diamond Hill Funds (the "Predecessor Fund") on July 30, 2021. The investment policies, portfolio managers objectives, guidelines and restrictions of the fund are in all material respects equivalent to those of the Predecessor. The performance information reflects the expenses of the Predecessor adjusted to reflect the fees and expenses of the new fund, however, the 30-Day SEC Yields shown reflect the fees and expenses of the Predecessor. The performance is shown net of annual management fees and other expenses. Historical performance for Class C and IS shares prior to their inception is based on the performance of Class A shares (which is, in turn, based on the performance of Investor shares of the Predecessor Fund), adjusted to reflect differences in sales charges.

The **ICE BofA US Corporate & High Yield Index** is comprised of U.S. dollar denominated investment grade and below investment grade corporate debt publicly issued in the U.S. domestic market. 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. The **Consumer Price Index for All Urban Consumers (CPI-U)** is a monthly measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services. Source: Bureau of Labor Statistics.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://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.**

**Morningstar Rating™.** Source: Morningstar®, 03/31/2025. 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

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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 A shares received a Morningstar Rating of 4, 4 and 5 and fund's Class I shares received a Morningstar Rating of 5, 4 and 5 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Class I shares only. Other share classes may have different Morningstar ratings.

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