

Western Asset Core Bond Fund

Class I: WATFX Class A: WABAX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** Economic uncertainties triggered a flight to quality during the first quarter of 2025, driving U.S. Treasury yields lower and their prices higher. The economy continued to expand, while inflation remained higher than the Federal Reserve's ("Fed") 2% target. Meanwhile, President Trump's plans for new reciprocal tariffs on U.S. imports led to concerns of rising inflation. All told, the overall U.S. bond market, as measured by the Bloomberg U.S. Aggregate Index, returned 2.78% during the first quarter. In contrast, the municipal ("muni") market modestly declined over the quarter.
- **Contributors:** Duration and yield curve positioning were the primary contributors to performance.
- **Detractors:** An allocation to emerging markets modestly detracted from performance.
- **Outlook:** The disinflationary trend may be interrupted as tariffs and retaliatory actions are implemented, but we expect inflation to move lower again over the longer term. Monetary policy remains restrictive. We expect central banks will continue to cut rates modestly in 2025.

Performance Review

- A long duration position contributed to returns as yields moved lower over the quarter.
- Yield curve positioning was beneficial to performance as the curve steepened.
- Structured product positioning was additive to returns.
- Emerging market exposure was a slight headwind for returns.

Outlook

- The disinflationary trend may be interrupted as tariffs and retaliatory actions are implemented, but we expect inflation to move lower again over the longer term. Monetary policy remains restrictive. We expect central banks will continue to cut rates modestly in 2025. The Fed remains well positioned to provide support if the U.S. economy falters. Public debt levels continue to rise and yield curves may steepen given concerns over fiscal policies globally.
- We see pockets of opportunity in developed market rates in Europe, the UK and Australia. While the overall uncertainty in the market environment necessitates caution, we do see some longer-term value opportunities in emerging market local currency debt.
- Spread sector fundamentals remain supportive, but valuations reflect those fundamentals and credit spreads persist at below historical averages. We continue to find opportunities within spread sectors and related securities, while remaining tactical.
- Developed market duration provides useful diversification.

Fund Characteristics

	Fund
Distribution Frequency	Monthly
Effective Duration	6.26 Years
30-Day SEC Yield (Class I)—With Waiver	4.40%
30-Day SEC Yield (Class I)—Without Waiver	4.16%

Sector Allocation (% of Total)

Sector	Fund
Agency Mortgage-Backed Securities	31.60
Investment-Grade Credit	27.60
Treasury	12.70
Commercial Mortgage Backed Securities	8.49
Non-Agency MBS	7.20
Collateralized Loan Obligation	6.08
EM Corporate	3.53
Asset-Backed Securities	3.46
EM Government	2.24
Other	1.23
Cash & Cash Equivalents	-4.14

Credit Quality Allocation (% of Total)

Rating	Fund
AAA	62.96
AA	7.31
A	12.35
BBB	16.33
<BBB	0.89
NR	4.22
Cash & Cash Equivalents	-4.14

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 I	957663305	WATFX	2.87	2.87	4.42	-0.42	-0.45	1.51	5.55	2.87	2.87	4.42	-0.42	-0.45	1.51	5.55	0.53	0.45	—	—	9/4/1990
Class A	957663495	WABAX	2.68	2.68	4.05	-0.81	-0.83	1.13	1.69	-1.13	-1.13	0.16	-2.23	-1.69	0.69	1.34	0.81	0.81	3.75	—	4/30/2012
Benchmark	—	—	2.78	2.78	4.88	0.52	-0.40	1.46	—	2.78	2.78	4.88	0.52	-0.40	1.46	—	—	—	—	—	

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. 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. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **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. Asset-backed, mortgage-backed or mortgage-related securities** are subject to prepayment and extension risks. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **Active and frequent trading** may increase a shareholder's tax liability and transaction costs. These and other risks are discussed in the fund's prospectus.

Glossary

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

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 **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, if two or more of the agencies have assigned differing ratings to a security, the highest rating is used. 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.**

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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.