FRANKLIN TEMPLETON

Brandywine GLOBAL

BrandywineGLOBAL - Global Opportunities Bond Fund

Class IS: GOBSX Class A: GOBAX | **Commentary | as of March 31, 2025**

Key Takeaways

- **Markets:** The global fixed income market generated a solid gain during the first quarter. Yields in the U.S. declined amid a flight to quality given concerns over a global trade war and the potential for moderating growth. The U.S. Federal Reserve (Fed) kept rates on hold in a range between 4.25% and 4.50%. The Bank of England (BoE) lowered rates 25 basis points (bps) to 4.50% in January and then held rates steady in March, while the European Central Bank (ECB) cut rates 25 bps in January and March. U.S. investment-grade and high yield credit spreads widened but both posted positive total returns. Within high-yield, returns were well dispersed across the credit spectrum and returns improved incrementally as one moved higher up in quality. U.S. mortgage-backed security (MBS) spreads narrowed and generated a positive return over the quarter. The US dollar fell 3.9% in the quarter, its weakest quarterly return since the third quarter of 2024.
- **Contributors:** Currency positioning was additive for returns, as was an allocation to U.S. agency mortgage-backed securities
- **Detractors**: Duration positioning was the largest detractor from returns.
- **Outlook**: We believe gross domestic product (GDP) growth is likely to decelerate, while inflation remains elevated enough to keep the Fed cautious and reactive. Importantly, while the risk of a technical recession is rising, we do not see a deep or prolonged downturn as the base case.

Performance Review

- The Fund's rate and currency positioning were additive over the quarter, benefiting from a global environment increasingly shaped by concerns over U.S. growth. A moderate overweight to Mexican duration was the largest contributor, as Mexican bonds rallied on the back of soft domestic growth and falling inflation, which strengthened the country's macroeconomic fundamentals. Similarly, our overweight to Brazilian duration was accretive, supported by signs of a potential domestic slowdown and more attractive valuations amid declining U.S. Treasury yields.
- U.S. agency mortgage-backed securities also contributed to performance, as demand increased in response to heightened volatility across the broader credit markets.
- An underweight to U.S. Treasury duration was the largest detractor, as yields declined on rising recession fears following President Trump's tariff announcement.
- On the currency side, overweight positions in select emerging market currencies were the strongest performers relative to the benchmark. The Mexican peso, Brazilian real, and Chilean peso all delivered positive returns, benefiting from both a weaker U.S. dollar and improving global risk sentiment.

Outlook

- The first quarter of 2025 marked a clear turning point in market sentiment. Initial optimism around robust U.S. growth and economic exceptionalism has faded, replaced by rising concerns about the implications of the current policy mix. The April 2 tariff escalation may represent a peak in trade policy uncertainty, but its economic effects—combined with aggressive federal spending cuts and tightening immigration policy—are only beginning to filter through. We expect these developments to weigh on growth while simultaneously fueling near-term inflation, creating a challenging stagflationary backdrop.
- Recent declines in business and consumer confidence suggest that hard data may soon reflect the economic slowdown already underway. We believe gross domestic product (GDP) growth is likely to decelerate, while inflation remains elevated enough to keep the Fed cautious and reactive. Importantly, while the risk of a technical recession is rising, we do not see a deep or prolonged downturn as the base case.
- Looking globally, we believe the foundations are being laid for a broader growth convergence between the U.S. and other developed economies, led by slower U.S. growth. As the effects of U.S. fiscal tightening take hold, other countries are beginning to lean more heavily on expansionary fiscal policy. This shift, alongside a historically elevated U.S. dollar, supports a more balanced global growth environment, with economic momentum and policy leadership spreading beyond the US to other developed markets over the coming quarters.

Fund Characteristics

Fund Characteristics	Fund
Distribution Frequency	Quarterly
Effective Duration	5.73 Years
30-Day SEC Yield (Class IS)—With Waiver	7.89%
30-Day SEC Yield (Class IS)—Without Waiver	7.89%

Sector Allocation (% of Total)

Sector	Fund
Government Sovereign	63.64
Mortgage Backed Securities	26.84
Corporate Bond	5.57
Currency Derivatives	1.20
Government Owned - No Guarantee	1.07
Cash	1.66

Credit Quality Allocation (% of Total)

Rating	Fund
AA	58.92
A	7.35
BBB	12.85
BB	12.50
B	6.71
Cash & Cash Equivalents	1.68

Average annual total returns and fund expenses (%)

			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 IS	524686318	GOBSX	4.76	4.76	-0.26	-4.03	0.67	0.38	3.14	4.76	4.76	-0.26	-4.03	0.67	0.38	3.14	0.54	0.54	—	—	11/1/2006
Class A	524686383	GOBAX	4.66	4.66	-0.56	-4.43	0.25	-0.03	2.07	0.73	0.73	-4.34	-5.82	-0.62	-0.46	1.78	0.98	0.98	3.75	—	3/10/2010
Benchmark	—	—	2.57	2.57	2.10	-2.89	-2.97	-0.05	—	2.57	2.57	2.10	-2.89	-2.97	-0.05	—	—	—	—	—	—

Benchmark(s)

Benchmark =FTSE World Government Bond 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 12/31/2025 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. **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.** 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. **Leverage** increases the volatility of investment returns and subjects investments to magnified losses and a decline in value. 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%).

Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

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

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 **FTSE World Government Bond Index** ("WGBI") measures the performance of fixed-rate, local-currency, investment-grade sovereign bonds. The WGBI currently comprises sovereign debt from multiple countries, denominated in a variety of currencies. The WGBI provides a broad benchmark for the global sovereign fixed income market. Source: FTSE.

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.