FRANKLIN TEMPLETON

Brandywine Global Opportunistic Fixed Income Fund

PIE Fund

Fund Facts

Benchmark

Bloomberg Global Aggregate Bond Index, Hedged to New Zealand Dollars

Issuer & Manager

FundRock NZ Limited

Delegated Investment Manager

Brandywine Global Investment Management as appointed by Franklin Templeton Australia Limited

Strategy

The Fund invests in an actively managed portfolio of sovereign bonds, investment grade corporate bonds, mortgage securities, currencies and other similar securities. The Fund can also invest in emerging market debt, high yield debt, and below investment grade non-sovereign and corporate debt.

The Fund searches the globe for attractive real yield opportunities. The Fund is an alpha seeking, high conviction strategy with a 'go anywhere', opportunistic style with strict risk limits in place to avoid over-exposure to any one region or issuer. Combining bond and currency strategies, the Fund aims to deliver a truly global opportunity set for New Zealand fixed income investors.

The strategy seeks to capture interest income and additionally generate principal growth through capital appreciation when market conditions permit. The strategy seeks to earn a return (before fees and taxes) in excess of the Benchmark, the Bloomberg Global Aggregate Bond Index, Hedged to New Zealand Dollars, over rolling five-year periods.

What happened in the market?

The global fixed income market rallied for a third consecutive month in March. Developed market yields generally moved higher amid signs of an escalating global trade war and its potential impact of the global economy.

On the economic front, the U.S. Commerce Department reported that fourth quarter 2024 annualised gross domestic product (GDP) growth was 2.4%, versus 3.1% the previous quarter. The U.S. economy's expansion was driven by increases in consumer spending and government spending, which were partly offset by a decrease in investment.

The U.S. dollar fell for a third straight month in March. The U.S. dollar fell amid escalating concerns over the economic repercussions from a trade war. The euro gained, while the pound rose%. The Japanese yen was up as the BoJ remained hawkish and investors viewed the yen as a safe haven currency. Elsewhere, the Norwegian krone, New Zealand dollar, Australian dollar, Canadian dollar and Swiss franc largely rallied versus the U.S. dollar. The Norwegian krone benefited from a cautious central bank that was more hawkish than its G10 peers. The Australian dollar moved higher as commodity prices were resilient. The Swiss franc gained given its safe haven status. The South Korean won was negatively impacted by external trade pressures.

What happened in the Fund?

The Fund was down 0.15% (after fees) over the month of March. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was down 0.46% over the same period. The largest single contributor was an overweight allocation to U.S. Agency Mortgage-Backed Securities (MBS). These securities benefited from widening credit spreads, which drove increased demand due to their more defensive characteristics compared to corporate credit. Additionally, an underweight position in European duration contributed to performance. This was supported by an improved European growth outlook, bolstered by Germany's significant fiscal stimulus announcement and heightened trade tensions with the EU under President Trump's trade policy. Conversely, an overweight to UK Gilts detracted from performance. This was due to persistently high inflation and a cautious policy stance from the Bank of England amid ongoing global uncertainties. Nevertheless, we continue to see value in UK Gilt duration, as yields have reached levels not seen since the 1990s. Lastly, the portfolio's positioning in U.S. corporate credit detracted, as credit spreads widened in response to rising recession concerns driven by escalating tariff risks.

Currency positioning also contributed positively to relative performance in March, as the U.S. dollar remained weaker, providing broad support for global currencies. The most significant contributor was an overweight position in the euro. The currency was buoyed by improving European growth prospects and expectations of a higher equilibrium policy rate from the European Central Bank. The Mexican peso also contributed, supported by easing tariff concerns as Mexico appeared committed to striking a deal to address U.S. demands and avoid further escalation. The Japanese yen was also a contributor, benefiting from increased demand for safe-haven assets amid rising global uncertainty. Additional positive contributions came from overweights in several other currencies, including the New Zealand dollar, Brazilian real, Canadian dollar, British pound sterling, and South African rand, all of which benefited from the broader trend of U.S. dollar weakness.

What is the 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 fuelling 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. GDP growth is likely to decelerate, while inflation remains elevated enough to keep the Federal Reserve 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 U.S. to other developed markets over the coming quarters.

Fund performance (%) as at 31 March 2025

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	-0.15	2.18	-3.43	0.17	-2.14
Benchmark	-0.46	1.09	-0.12	4.17	0.98

The performance in this fact sheet is net of fees. Investors should also refer to the quarterly Fund Update, which is available on www.fundrock.com/fundrock-new-zealand and www.business.govt.nz/disclose. Past performance is not

Key features of the Fund

High conviction

Brandywine Global's conviction levels drive the composition of the Fund, not a benchmark.

Active management

Allows investors to gain overweight exposure to countries that are likely to outperform and underweight exposure to those who are likely to underperform.

Top down approach

That can capitalise on shifting geographic and macro trends.

Currency as a source of returns aims to take

Advantage of currency opportunities to enhance returns.

Superior risk adjusted returns

Designed to capture market upside but aiming to avoid market downside, and to provide long term performance.

Access to high real yields

With diversification outside of G3 countries.

Country Allocation (%) - Top 5

United States	52.64
United Kingdom	14.18
Mexico	12.70
Poland	5.74
Brazil	4.98

Sector Allocations (%)

Government Sovereign	44.02	Cash	3.56
Mortgage Backed Securities	33.06	Derivatives	1.35
Corporate Bonds	18.01		

Fund statistics

Fund size ($m) (NZD)	245.38
Average Effective Duration (years)	5.51
Weighted Average Maturity	21.08
Average Credit Quality	A
Current Yield (%)	6.38
Number of issues	88

Meet the team

The Fund is led by an experience, long-tenured portfolio management team that includes:

David F. Hoffman, CFA

Managing Director & Portfolio Manager, with firm since 1995

Jack P McIntyre, CFA

Portfolio Manager, with firm since 1998

Anujeet Sareen, CFA

Portfolio Manager, with firm since 2016

Brian L. Kloss, JD, CPA

Portfolio Manager, with firm since 2009

Tracy Chen, CFA, CAIA

Portfolio Manager, with firm since 2008

Investment manager

Brandywine Global Investment Management, LLC ("Brandywine Global"), has built up significant experience across fixed income, equity and global portfolios that invest in international markets. Founded in 1986 by a group of highly experienced portfolio managers, Brandywine Global pursues one investment approach: value investing. Through practical experience, Brandywine has determined that value-style investing — whether in fixed income markets or equity — can provide excellent risk-adjusted returns over full investment cycles, and it is a particularly important strategy in today's global markets.