

Global Defensive High Yield Strategy Profile

OBJECTIVE

Seeks to generate a high level of income and capital gains while outperforming the benchmark over a complete economic cycle of several years. The strategy focuses on higher-quality high yield investments, typically rated BB/B by an NRSRO, providing the potential for attractive returns while avoiding the volatility, liquidity, and default risks associated with low-quality, high-risk alternatives.

INVESTMENT PROCESS

Our approach combines macroeconomic, country, and currency perspectives with quantitative screens and fundamental analysis to determine sector allocation and issue selection, and to attempt to more appropriately add alpha over the long run and minimize downside surprises.

Macroeconomic Themes

Top-down macroeconomic themes inform overall sector, duration, and currency positioning, and use of market hedging strategies.

Quantitative Screens

Proprietary quantitative screens identify sectors and issuers that offer greater yield and total return potential with lower risk. Our screens consider many factors, including sector economics and risks, yield and option-adjusted spread analysis, and the probability of credit default or coercive restructuring.

Fundamental Analysis

Fundamental research, critical to constructing a portfolio that meets its objectives, is used to determine a company's long-term ability to support attractive yields and total return.

Market Hedges

Derivatives, such as credit default swaps, interest rate futures, and options, are employed to manage risk, including managing volatility and preserving capital in challenging environments or enhancing credit exposure and broadening income opportunities in favorable conditions.

BUY/SELL DISCIPLINE

A security is reviewed for purchase once quantitative screens and fundamental assessments indicate the security is cheap given the stage of the business cycle while also taking into account its credit quality and sector allocation. A security is typically sold as it approaches our yield target and/or another more compelling investment opportunity arises. Alternatively, an issue may also be sold when the initial thesis supporting the investment is no longer valid.



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AT A GLANCE

- Benchmark: Bloomberg Barclays Global High Yield Ba/B Index and BofA Merrill Lynch BB-B Global High Yield Index
- Universe: Global corporate high yield debt, unrated securities deemed to be of comparable quality, and other instruments, including, but not limited to, bank loans, investment grade corporate bonds, sovereign bonds and other government-related obligations, securitized securities, emerging market debt, currencies, and derivatives, such as forwards, futures, and swaps.
- Focuses on high-quality high yield as an alternative to low-quality, high-risk investments or as a complement to lower-yield core fixed income allocations.
- Attempts to manage risk and enhance returns by purchasing undervalued securities, avoiding those believed to be overvalued, and diversifying across global credit markets.

TYPICAL INVESTMENT GUIDELINES

Factor	Guideline
High Yield Credit	80%-100%
Other Investments	0%-20%
Cash	0%-15%
Position Size	Max. 5% at time of purchase
Industry Weight	0%-25%
Duration	0-7 years
Average Quality ¹	B-/B3 or Higher

CHARACTERISTICS^{2, 3}

	Global Defensive High Yield	BGHYB
Average Quality ¹	BB	BA3/B1
Average Maturity (Years)	7.08	5.46
Average Modified Duration (Years)	3.50	-
Average Coupon (%)	5.28	5.74
Current Yield (%)	5.28	-
Average Yield-to-Worst (%)	5.12	5.25

QUALITY RATINGS (%)^{2, 3}

BBB or Higher	20.0
BB	40.4
B	34.4
CCC	5.1
CC-D	-
NR	-

REGION ALLOCATION (%)^{2, 3}

North & Central America	96.9
Eurozone	-
Europe Ex-Eurozone	2.6
Japan	-
Asia-Pacific Ex-Japan	-
South America	-
Middle East & Africa	-
Emerging Markets	1.1
Supranational	-
Other	- 0.5

ASSETS UNDER MANAGEMENT (M) (Shown in USD)

Brandywine Global, Firmwide	71,813
Fixed Income Product Group	57,062
Global Defensive High Yield	47

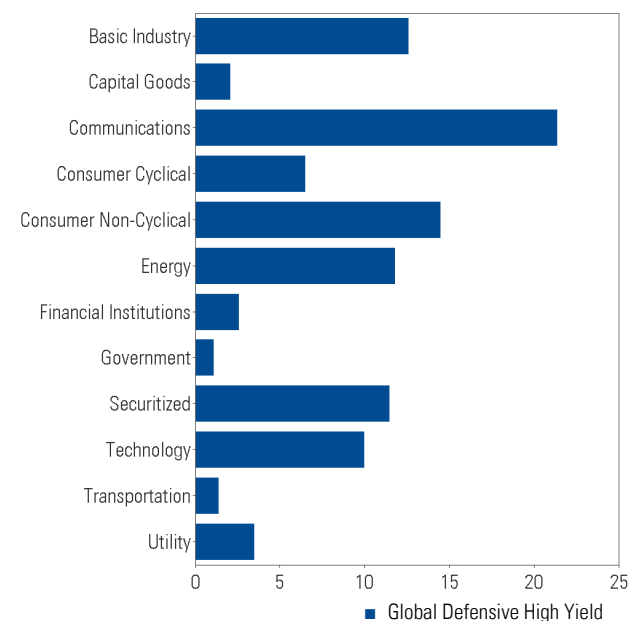
ANNUALIZED RETURNS³ (%) (Results shown in USD)

	Gross	Net	BGHYB	BMGHB
QTD	4.77	4.60	6.14	6.41
YTD	4.77	4.60	6.14	6.41
1 Year	1.79	1.13	2.42	3.34
3 Year	5.92	5.23	6.65	7.17
5 Year	4.02	3.35	3.95	3.91
Since Inception	4.43	3.76	4.34	4.28

Inception Date: 1/1/2014

CALENDAR YEAR RETURNS³ (%) (Results shown in USD)

	Gross	Net	BGHYB	BMGHB
2019	4.77	4.60	6.14	6.41
2018	- 3.91	- 4.53	- 4.03	- 3.20
2017	9.30	8.60	10.85	10.17
2016	13.30	12.57	12.03	12.83
2015	- 0.31	- 0.96	- 2.40	- 3.26
2014	1.04	0.38	1.23	0.57

SECTOR WEIGHTS (%)^{2, 3}

Past performance is no guarantee of future results.

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GIPS INFORMATION (% , Unless Otherwise Noted) (Results shown in USD)

	Gross	Net	BGHYB	BMGHB	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	BGHYB Rolling 3Y SD	BMGHB Rolling 3Y SD
2019	4.77	4.60	6.14	6.41	2	47	71,813	-	4.29	4.50	4.25
2018	-3.91	-4.53	-4.03	-3.20	2	46	70,070	-	4.41	4.68	4.58
2017	9.30	8.60	10.85	10.17	3	125	74,382	-	5.41	5.23	5.48
2016	13.30	12.57	12.03	12.83	2	99	65,498	-	6.09	5.80	6.03
2015	-0.31	-0.96	-2.40	-3.26	1	56	68,819	-	-	-	-
2014	1.04	0.38	1.23	0.57	1	57	63,375	-	-	-	-

BGHYB = Bloomberg Barclays Global High Yield Ba/B Index BMGHB = ICE BofAML Global High Yield Ba/B Index

Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Legg Mason, Inc. Brandywine Global Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brandywine Global Investment Management, LLC has been independently verified for the periods January 1, 1993 through June 30, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Global Defensive High Yield Composite has been examined for the periods January 1, 2014 through June 30, 2018. The verification and performance examination reports are available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Disclosed total firm assets represent the total market value of all discretionary and nondiscretionary, fee-paying and non-fee-paying assets under the Firm's management. Composite Description: The Global Defensive High Yield Composite (the "Composite") Inception date: January 1, 2014. Creation date: January 1, 2014. The Composite includes all fully discretionary, fee-paying, actively managed Global Defensive High Yield limited accounts with no composite minimums. The holdings consist of high yielding instruments issued globally which Brandywine believes are going to produce a high level of current income and capital appreciation. The portfolios are typically invested in 50-100 securities. Effective March 31, 2017, the composite was changed from "Global High Yield Ba/B" to more accurately reflect the strategy's investable universe. Benchmark: The Bloomberg Barclays Capital Global High-Yield Index provides a broad-based measure of the global high-yield fixed income markets. The Global High-Yield Index represents that union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High-Yield, CMBS High-Yield, and Pan-European Emerging Markets High-Yield Indices with a Ba/B Quality rating. Performance Calculation: Preliminary data, if so noted, reflects unreconciled data for the most recent reporting period. Portfolios are valued daily on a trade date basis and include dividends and interest as well as all realized and unrealized capital gains and losses. Return calculations at the portfolio level are time-weighted to account for periodic contributions and withdrawals. Performance results are calculated on a before tax, total return basis. The Composite returns consist of size-weighted portfolio returns using beginning of period values to weight the portfolio returns. Monthly linking of interim performance results is used to calculate quarterly and annual returns. Composite's valuations and returns are computed in U.S. Dollars ("USD"). The results are presented in USD or in other currencies (to accommodate overseas investors), the latter by converting monthly USD returns into other currency returns using the appropriate currency exchange rate returns. Gross returns reflect the deduction of trading expenses. Net of fee returns reflect the deduction of trading expenses and the highest investment management fees charged within the composite membership as stated in the fee schedule below. Composite dispersion is calculated using the asset-weighted standard deviation method for all portfolios that were in the Composite for the entire year. Composite dispersion is not presented for periods with five or fewer portfolios. The number of accounts and market values are as of the end of the period. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. Past performance is no guarantee of future results. A complete list describing the Firm's composites as well as any additional information regarding the Firm's policies for calculating and reporting performance results is available upon request. Fee Schedule: Institutional Client Separate Account Management Fee Schedule (minimum initial investment: \$25 million): 0.500% on the first \$25 million; 0.450% on the next \$75 million, and 0.400% on portion of assets in excess of \$100 million. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request.

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FOOTNOTES & DISCLOSURES

BGHYB = Bloomberg Barclays Global High Yield Ba/B Index BMGHB = ICE BofAML Global High Yield Ba/B Index

1. The "Average Quality" is determined by using the middle rating from the three major NRSROs (S & P, Moody's, and Fitch) assigned to each security. In the event that ratings are provided by only two agencies, the lowest rating will be assigned. If only one agency assigns a rating, that rating will be applied. If the security is not rated by one of the three major agencies, U.S. treasuries and certain U.S. agencies are given the U.S. issuer rating. Sovereign treasuries are given the sovereign issuer rating. All other unrated securities are given a rating equivalent to a defaulted bond. The equivalent numerical rating is assigned to each security based on the Security Level scale. A Portfolio Level scale is applied on the weighted average calculation to round for fractional numerical ratings and then converted to an alpha weighted average rating. Cash is included and received the highest rating.
2. The data represent the aggregate characteristics of all securities held in the respective Representative Portfolio, an actual commission account not subject to taxation, and are included for informational purposes only. The Portfolio Characteristics of any particular account may vary based on any investment restrictions applicable to that account.
3. Supplemental to attached Global Defensive High Yield Composite GIPS presentation

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