

Global High Yield

Strategy Profile

OBJECTIVE

We strive to provide an attractive total return by seeking to generate a high level of global income and modest capital gains, while attempting to protect against inflation. Over a complete economic cycle of several years, we seek to outperform the global high yield benchmark, on an average annual basis, by more than one percentage point net of fees.

UNIVERSE

Global high yield corporate debt issuers generally rated below BBB- or Baa3 by at least one rating agency. On occasion, the strategy will invest in unrated securities deemed to be of comparable quality. We may also invest, to limited degrees and dependent on client guidelines, in investment-grade corporate bonds, emerging market debt, preferred stock, and convertible securities.

INVESTMENT PROCESS SUMMARY

Summary

We apply our top-down global fixed income process when structuring global high yield portfolios. The top-down process establishes the cyclical quality bias of the portfolio. This macroeconomic and currency perspective is combined and incorporated with our quantitative screens and fundamental analysis when constructing global high yield portfolios. The cheapness of individual sectors and issuers is determined using these quantitative and qualitative credit tools. The subsequent portfolio will generally consist of 50 to 100 global high yield corporate bonds that we believe to be undervalued by the credit markets.

Quantitative Screens

Based on our proprietary quantitative deselection screen, we aim to identify those sectors and issuers that offer greater yield and return than the index with lower comparable risk. Our quantitative deselection screen identifies those sectors and issuers based on a number of factors including (i) sector economics and risks; (ii) yield and option-adjusted spread analysis; and (iii) the probability of credit default or coercive restructuring.

Fundamental Analysis

We believe that fundamental research is critical to constructing a portfolio that will outperform its representative index. We focus on identifying those issuers based on their future ability to provide a better than index yield and total return. We analyze the (i) quality of a company's earnings in relation to management's goals and risk tolerance, (ii) specific issuer bond covenants, (iii) position of an issue within the capital structure, and (iv) value and range of a firm's assets across the respective capital structure.

SELL DISCIPLINE

We follow a disciplined approach to sell decisions, with issues sold for two primary reasons—valuation and fundamental deterioration. An issue 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, and we believe significant downside is likely.

OUR COMPETITIVE ADVANTAGE

The strategy seeks the best high yield opportunities around the globe while applying a disciplined macro-driven approach to risk management. Fundamental research and quantitative screens are an integral part of the bottom-up security selection process while top-down decisions establish the portfolio's quality, sector, country, and currency biases.



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AT A GLANCE

- Primary Benchmark: Bloomberg Barclays Global High Yield Index or other high yield benchmark, as specified by client direction
- Portfolio construction combines the Global Fixed Income team macroeconomic and currency strategy with the quantitative and fundamental sector and security selection analysis of the High Yield team
- Yield, option-adjusted spread, and expected total return adjusted for default probability are our primary measures of value
- Investments typically are concentrated in sectors and individual issuers that we believe offer the best total return potential
- Portfolios normally consist of 50 to 100 corporate domestic and foreign issuers with position sizes limited to 5% at purchase, excluding issues of the U.S. Government

TYPICAL INVESTMENT GUIDELINES

Allocation Ranges for Selected Countries and Currencies*

	Country	Currency
U.S.	0%-100%	0%-100%
Non-U.S.	0%-100%	0%-100%

- Corporate bonds issuers rated below investment grade
- Position sizes limited to 5% at purchase, excluding issues of the U.S. Government
- No more than 25% of portfolio in any one sector
- Maximum cash position of 15%

CHARACTERISTICS^{1, 2}

	Global High Yield	BGHY
Average Quality ³	BB	N/R
Average Maturity (Years)	8.34	6.58
Average Modified Duration (Years)	3.51	4.13
Average Coupon (%)	5.32	6.09
Current Yield (%)	5.06	6.17
Average Yield-to-Worst (%)	4.83	6.34

QUALITY RATINGS (%)^{1, 2}

BBB or Higher	16.5
BB	49.3
B	28.2
CCC	6.1
CC-D	-
NR	-

REGION ALLOCATION (%)^{1, 2}

North & Central America	89.7
Eurozone	0.8
Europe Ex-Eurozone	3.0
Japan	-
Asia-Pacific Ex-Japan	-
South America	-
Middle East & Africa	-
Emerging Markets	2.6
Supranational	-
Other	3.9

ASSETS UNDER MANAGEMENT (M) (Shown in USD)

Brandywine Global, Firmwide	74,214
Fixed Income Product Group	57,879
Global High Yield	743

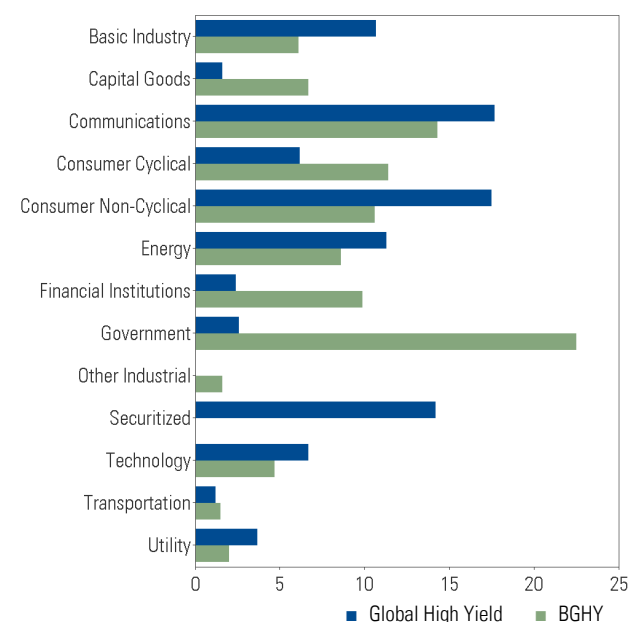
ANNUALIZED RETURNS² (%) (Results shown in USD)

	Gross	Net	BGHY	BAGHY
QTD	1.72	1.56	1.98	2.03
YTD	- 0.69	- 1.17	- 0.59	0.48
1 Year	0.18	- 0.47	0.27	1.25
3 Year	7.49	6.80	7.53	7.86
5 Year	4.86	4.19	4.85	4.78
7 Year	7.26	6.57	7.43	7.42
Since Inception	8.04	7.35	7.32	7.16

Inception Date: 1/1/2010

CALENDAR YEAR RETURNS² (%) (Results shown in USD)

	Gross	Net	BGHY	BAGHY
2018	- 0.69	- 1.17	- 0.59	0.48
2017	10.19	9.48	10.43	10.20
2016	14.43	13.70	14.27	14.77
2015	- 3.63	- 4.25	- 2.72	- 4.17
2014	1.02	0.37	0.01	- 0.09
2013	7.48	6.79	7.33	7.96
2012	18.02	17.26	19.60	19.30
2011	7.20	6.51	3.12	2.63
2010	18.73	17.98	14.83	13.89

SECTOR WEIGHTS (%)^{1, 2}

Past performance is no guarantee of future results.

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

	Gross	Net	BGHY	BAGHY	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	BGHY Rolling 3Y SD	BAGHY Rolling 3Y SD
2018	- 0.69	- 1.17	- 0.59	0.48	5	497	74,214	-	4.79	5.29	5.25
2017	10.19	9.48	10.43	10.20	5	498	74,382	-	5.53	5.65	5.90
2016	14.43	13.70	14.27	14.77	5	507	65,498	-	6.04	6.24	6.43
2015	- 3.63	- 4.25	- 2.72	- 4.17	6	418	68,819	0.23	5.55	5.68	5.74
2014	1.02	0.37	0.01	- 0.09	6	495	63,375	-	5.53	5.90	5.63
2013	7.48	6.79	7.33	7.96	5	189	50,050	-	6.58	7.90	7.87
2012	18.02	17.26	19.60	19.30	4	128	42,894	-	7.00	8.97	9.05
2011	7.20	6.51	3.12	2.63	2	39	33,122	-	-	-	-
2010	18.73	17.98	14.83	13.89	1	18	31,996	-	-	-	-

BGHY = Bloomberg Barclays Global High Yield BAGHY = ICE BofAML Global High Yield Index

Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Legg Mason, Inc. The Firm has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS). For the periods July 1, 2000 through June 30, 2017, the Firm has been verified by Kreisler Miller. A verification includes assessing whether the Firm (1) complied with the composite construction requirements of the GIPS standards on a firm-wide basis, and (2) designed its processes and procedures to calculate and present performance results in compliance with the GIPS standards. A copy of the verification report is 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 High Yield Composite (the "Composite") Inception date: January 1, 2010. Creation date: January 1, 2010. The Composite includes all fully discretionary, fee-paying, actively managed Global High Yield Non-Constrained accounts with no composite minimums. The holdings consist of high yielding instruments issued globally that Brandywine believes are going to produce a high level of current income and capital appreciation. The strategy may employ the use of forward contracts, futures, and swaps which may increase the overall risk of the strategy. The portfolios are typically invested in 50-100 securities. Effective 11/30/12, the secondary benchmark was changed to the ICE BofAML Global High Yield, which is more reflective of the strategy. ?1 Benchmark: The Bloomberg Barclays 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. The ICE BofAML Global High Yield Index tracks the performance of USD, CAD, GBP, and EUR denominated below investment grade corporate debt publicly issued in the major domestic or eurobond markets. ?1 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. Institutional Client Commingled Account Management Global Investment Trust Fee Schedule (minimum initial investment: \$1 million): 0.650% on the first \$25 million; 0.600% on the next \$75 million, and 0.550% 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. ?1

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FOOTNOTES & DISCLOSURES

BGHY = Bloomberg Barclays Global High Yield Index BAGHY = ICE BofAML Global High Yield Index

* Limits for allocation ranges for selected countries and currencies are based on market values.

1. 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.
2. Supplemental to attached Global High Yield Composite GIPS presentation
3. 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.

Source: Bloomberg. Investing involves certain risks, including possible loss of principal. You should understand and carefully consider a strategy's objectives, risks, fees, expenses and other information before investing. In rendering portfolio management services, Brandywine Global Investment Management, LLC may use the portfolio management services, research and other resources of its affiliates. The views expressed in this document are not intended to be a recommendation or investment advice and do not take into account the individual financial circumstances or objectives of the investor who receives it. The securities described herein may not be suitable for all investors. There is no guarantee that Brandywine Global will meet any of its investment objectives. Characteristics, region and currency weightings are subject to change and should not be considered as investment recommendations. It should not be assumed that investment in the regions or currencies listed and account quality ratings or duration ranges were or will prove profitable, or that investment decisions we make in the future will be profitable. Region and currency weights, account quality ratings or duration ranges with regard to any particular client account may vary based on any investment restrictions applicable to the account. There may be additional risks associated with international investments. International securities and ADRs may be subject to risks including, but not limited to: market/currency fluctuations, investment risks, and other risks involving foreign economic, political, monetary, taxation, auditing and/or legal factors. These risks may be magnified in emerging markets. International investing may not be suitable for everyone. High-yield, lower-rated, fixed income securities generally entail greater market, credit/default and liquidity risk and may be more volatile than investment-grade securities. High yield bonds possess greater price, volatility, illiquidity, and possibility of default. Ratings by S&P or another Nationally Recognized Statistical Rating Organization (NRSRO). Brandywine Global Investment Management, LLC believes that transactions in any option, future, commodity, or other derivative product are not suitable for all persons, and that accordingly, clients should be aware of the risks involved in trading such instruments. There may be significant risks which should be considered prior to investing. Derivatives transactions may increase liquidity risk and introduce other significant risk factors of a complex character. All securities trading, whether in stocks, options or other investment vehicles, is speculative in nature and involves substantial risk of loss. All indices are unmanaged and are not available for direct investment. Indices do not incur costs including the payment of transaction costs, fees and other expenses. This information should not be considered a solicitation or an offer to provide any Brandywine Global Investment Management, LLC service in any jurisdiction where it would be unlawful to do so under the laws of that jurisdiction. Stated assets under management may include some portfolios that are not contained in the strategy's composite. Some portfolios may fall into multiple strategies as the portfolio(s) meet the definition of multiple composites. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by the investment advisory fee and other expenses incurred in the management of the account. Net of fee performance was calculated using the highest management fee as described in Brandywine Global's Form ADV Part 2A, which is available upon request. Please refer to our GIPS® presentations, which include performance footnotes, fee schedules, detailed index descriptions, and disclosures.

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