

Global Multi-Sector Income

Strategy Profile

OBJECTIVE

Global Multi-Sector Income seeks to generate a high and consistent level of income in all market conditions over a full market cycle with a secondary objective of capital preservation. The strategy aims to meet its objective by tactically investing in income-generating opportunities across sectors and countries that offer attractive risk-adjusted return and provide meaningful diversification.

UNIVERSE

The investible universe includes a broad mix of global securities, including but not limited to: sovereign debt, emerging markets debt, global high yield or investment-grade credit, structured credit, convertible securities, preferred or common stock, and currencies. Derivatives are employed to enhance credit risk, broaden income opportunities, or limit market risk in challenging market environments.

INVESTMENT PROCESS

Macroeconomic, Top-Down Focus

We incorporate our Global Fixed Income team's top-down macroeconomic investment themes when structuring the Global Multi-Sector Income strategy. The top-down process establishes the cyclical quality bias and beta-hedging themes. The Global Fixed Income team's macroeconomic, country, and currency perspective are combined and incorporated with the Global Credit team's quantitative screens and fundamental analysis in determining sector allocation and issue selection.

Quantitative Screens

Based on our proprietary quantitative screens, we aim to identify sectors and issuers that offer greater yield and total return potential with lower risk. Our screens consider a range of factors, including sector economics and risks, yield and option-adjusted spread analysis, and the probability of credit default or coercive restructuring.

Fundamental Analysis

We believe fundamental research is critical to constructing a portfolio that will meet its objectives. To determine a company's long-term ability to support attractive yields and total return, we analyze the quality of a company's earnings in relation to management's goals and risk tolerance. We also examine specific issuer bond covenants, position of an issue within the capital structure, and value and range of a firm's assets across the respective capital structure.

Derivatives

Derivatives such as credit default swaps, interest rate futures, and options are employed to manage risk in the portfolio. This risk management process can be used to manage volatility and preserve capital in challenging environments or to enhance credit exposure and broaden 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.

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

- The investment objective for the strategy is to generate a high and consistent level of income in all market conditions over a full market cycle with a secondary objective of capital preservation
- Portfolio construction combines the Global Fixed Income team's macroeconomic, country, and currency themes with the quantitative and fundamental sector and security selection analysis of the Global Credit team
- Derivatives may be used to enhance credit exposure in advantageous market conditions or, more commonly, as a hedging mechanism to protect principal during market drawdowns, manage portfolio volatility, and dampen idiosyncratic market risks
- Investments typically are concentrated in sectors and individual issuers that we believe offer the best combination of yield and total return potential while minimizing potential loss
- Portfolios normally consist of 50 to 125 corporate, sovereign, or securitized issues from domestic and foreign issuers

TYPICAL INVESTMENT GUIDELINES

	Allocation Range
Sovereign, Treasuries, and Agencies	0%-100%
U.S. High Yield Credit	0%-75%
Non-U.S. High Yield Credit	0%-75%
Emerging Market Debt	0%-50%
Investment Grade Debt	0%-100%
Structured Credit	0%-25%
Convertible Securities	0%-25%
Preferred Stock	0%-25%
Common Stock	0%-25%
Derivatives	+/-200%
Currency Hedging	+/-100%

- No more than 5% of the portfolio shall be invested in any one non-sovereign issue at time of purchase. No more than 35% of portfolio in any one industry.

CHARACTERISTICS^{1,2}

	Global Multi-Sector Income	USL3M
Average Quality ³	A-	N/R
Average Maturity (Years)	15.54	-
Average Modified Duration (Years)	8.33	0.25
Average Coupon (%)	3.56	-
Current Yield (%)	3.55	-
Average Yield-to-Maturity (%)	3.84	2.81
Number of Issues	60	-

QUALITY RATINGS (%)^{1,2}

BBB or Higher	71.9
BB	20.0
B	8.1
CCC	-
CC-D	-
NR	-

DURATION ALLOCATION (%)^{1,2}

0-1 Years	9.9
1-3 Years	24.3
3-7 Years	36.2
7-10 Years	-
10+ Years	29.6

ASSETS UNDER MANAGEMENT (M) (Shown in USD)

Brandywine Global, Firmwide	70,070
Fixed Income Product Group	56,373
Global Multi-Sector	2,488
Global Multi-Sector Income	938

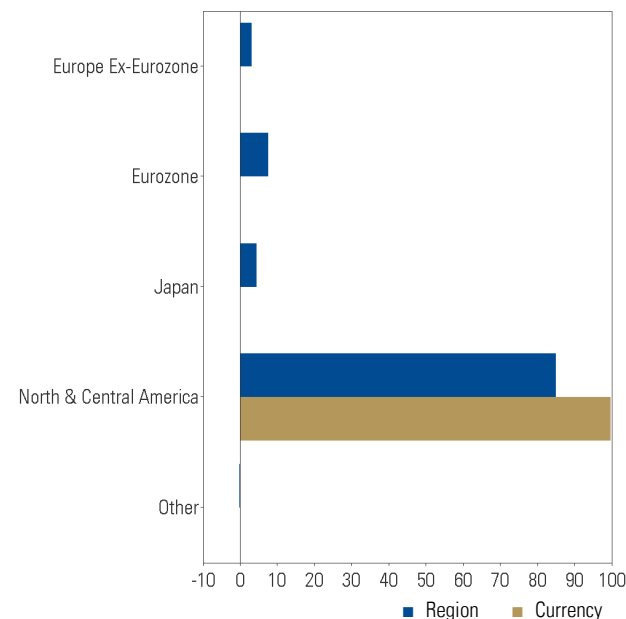
ANNUALIZED RETURNS² (%) (Results shown in USD)

	Gross	Net	USL3M
QTD	- 0.69	- 0.83	0.67
YTD	- 1.03	- 1.57	2.31
1 Year	- 1.03	- 1.57	2.31
3 Year	5.98	5.36	1.44
5 Year	3.95	3.21	0.97
Since Inception	4.15	3.39	0.88

Inception Date: 4/1/2013

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

	Gross	Net	USL3M
2018	- 1.03	- 1.57	2.31
2017	6.36	5.78	1.26
2016	13.10	12.35	0.74
2015	- 1.69	- 2.57	0.31
2014	3.68	2.75	0.23
2013	4.13	3.43	0.20

REGION & CURRENCY ALLOCATIONS (%)^{1,2}

Past performance is no guarantee of future results.

ANNUALIZED RETURNS (%) (Results shown in USD)

	Gross	Net	USL3M	BGHY
QTD	- 0.69	- 0.83	0.67	- 3.49
YTD	- 1.03	- 1.57	2.31	- 4.06
1 Year	- 1.03	- 1.57	2.31	- 4.06
3 Year	5.98	5.36	1.44	6.58
5 Year	3.95	3.21	0.97	3.33
Since Inception	4.15	3.39	0.88	3.91

Inception Date: 4/1/2013

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

	Gross	Net	USL3M	BGHY	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	USL3M Rolling 3Y SD	BGHY Rolling 3Y SD
2018	- 1.03	- 1.57	2.31	- 4.06	4	350	70,070	-	3.51	0.20	5.02
2017	6.36	5.78	1.26	10.43	2	149	74,382	-	4.05	0.12	5.65
2016	13.10	12.35	0.74	14.27	2	83	65,498	-	4.43	0.07	6.24
2015	- 1.69	- 2.57	0.31	- 2.72	2	86	68,819	-	-	-	-
2014	3.68	2.75	0.23	0.01	2	79	63,375	-	-	-	-
2013	4.13	3.43	0.20	5.86	2	12	50,050	-	-	-	-

USL3M = US 3 month LIBOR BGHY = Bloomberg Barclays Global High Yield

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 July 1, 2000 through June 30, 2017. The verification report(s) is/are available upon request. 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 Multi-Sector Income Composite has been examined for the periods April 1, 2013 through June 30, 2017. 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. ?1 Composite Description: Global Multi-Sector Income Composite (the "Composite") Inception date: April 1, 2013. Creation date: April 1, 2013. The Composite includes all fully discretionary, actively managed accounts with no minimum market value requirement and no investment restrictions within the Global Multi-Sector Income strategy. The Composite seeks to generate consistent alpha utilizing the investment team's best emerging market, credit, sovereign and currency ideas in the form of cash or derivative instruments. The use of these derivatives may increase the risk of the strategy. The Composite utilizes over-the-counter forward exchange rate contracts to manage its currency exposure. These contracts are valued daily using closing forward exchange rates. Brandywine uses WM/Reuters daily FX rates taken at 4 p.m. London time. Effective 5/31/16, the composite model fee was changed from 90bps to 55bps per year. Benchmark: The U.S. 3-Month LIBOR Index represents the performance of the 3 Month London Interbank Offered Rate (LIBOR) Fixing for U.S. Dollar. The rate is an average derived from the quotations provided by the banks determined by the Intercontinental Exchange (ICE) Benchmark Administration. USD LIBOR is calculated on an ACT/360 basis. 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. 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): 0.550% on the first \$25 million; 0.500% on the next \$75 million, and 0.450% 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

USL3M = US 3M LIBOR BGHY = Bloomberg Barclays Global High Yield Index

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 Multi-Sector Income 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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