

Global Sovereign Credit

Strategy Profile

OBJECTIVE

We strive to capture interest income and generate principal growth through capital appreciation when market conditions permit. Our goal is to outperform the Bloomberg Barclays Global Sovereign Credit Index by at least 2.5% per annum over rolling three-year periods while controlling volatility relative to the benchmark. We seek to maintain a tracking error of less than 6% per annum measured over rolling three-year periods on an ex-post basis.

UNIVERSE

The sovereign debt and currencies of countries in the Bloomberg Barclays Global Sovereign Credit Index. We may invest to a limited extent in non-index countries rated BB- or better by a nationally recognized statistical rating organization. The portfolio must maintain an overall portfolio quality of at least A- at all times.

INVESTMENT PHILOSOPHY

Global asset prices that move far enough away from their intrinsic value set in motion a series of economic, policy, or political changes that ultimately lead to prices reverting back toward their intrinsic level. We utilize the over- and undervaluations of interest rates and currencies resulting from these imbalances to generate return and protect principal. This mean-reversion process is integral to our investment approach.

DURATION MANAGEMENT

We focus investments where we believe value is greatest; as a result, our portfolios tend to have an intermediate- to long-duration bias when real interest rates are high. Greater interest rate exposure is assumed in countries with more value and supportive fundamentals and positions are established along the yield curve where we find the best risk/reward profile. Portfolio duration can range from +/- 36 months to the index.

COUNTRY ROTATION

We patiently rotate among countries and concentrate investments in markets that we believe have the highest potential returns. Secular trends, political and monetary conditions, and business cycle risks are considered in our analysis. Each factor contributes to our country weighting decisions.

CURRENCY

We actively manage currency exposures in an attempt to protect principal and enhance returns. Portfolio currency and country decisions are intertwined. We seek to invest in bonds with high real yields that are denominated in appreciating currencies. We hedge our currency exposure in countries we find to have high real rates but overvalued currencies.

OUR COMPETITIVE ADVANTAGE

The strategy employs a top-down, value-based, and benchmark-agnostic approach for managing global fixed income assets. Backed by a rigorous macroeconomic research process designed to anticipate risk and uncover value, the strategy targets sovereigns with an attractive combination of high real yields and durable fundamentals.



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AT A GLANCE

- Primary Benchmark: Bloomberg Barclays Global Sovereign Credit Index (60% Emerging / 40% Developed)
- Real yield is our primary measure of value, followed closely by currency valuation. Inflation, monetary trends, political risks, the business cycle, and liquidity measures are also considered
- Efficient duration management and country rotation add incremental value
- Investments are typically concentrated in 10-20 countries deemed to have the best total return potential

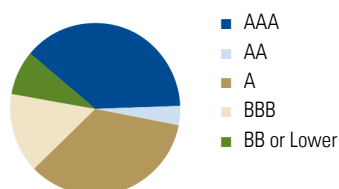
TYPICAL INVESTMENT GUIDELINES

Rating by an NRSRO	Individual Issuers
AAA	-20% to +40%
AA-, AA, AA+	-20% to +30%
A-, A, A+	-5% to +25%
BBB-, BBB, BBB+	-5% to +15%
BB-, BB, BB+	-5% to +5%
Overall Portfolio Limits	Limit
Duration Relative to Benchmark	±3 Years
Minimum Overall Portfolio Quality	A-
Minimum Individual Security Quality	BB-
Short Term Obligation Quality	A1
Permitted Currency Exposure	Relative Currency Allocation Range
Primary Currencies	±10%
Secondary Currencies	±5%
U.S. Dollar	-20% to +40%
Euro	-20% to +40%
Japanese Yen	±20%

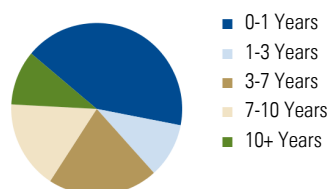
CHARACTERISTICS^{1, 2}

	Global Sovereign Credit	B6040
Average Quality ³	A+	A1/A2
Average Maturity (Years)	8.17	8.99
Average Modified Duration (Years)	4.15	6.85
Average Coupon (%)	4.67	3.90
Current Yield (%)	4.63	3.77
Average Yield-to-Maturity (%)	4.49	3.28
Number of Issues	33	1,519

QUALITY RATINGS (%)^{1, 2}



DURATION ALLOCATION (%)^{1, 2}



Past performance is no guarantee of future results.

ASSETS UNDER MANAGEMENT (M) (Shown in USD)

Brandywine Global, Firmwide	74,214
Fixed Income Product Group	57,879
Global Sovereign Credit	4,328

ANNUALIZED RETURNS² (%) (Results shown in USD)

	Gross	Net	B6040	BUSA
QTD	- 1.01	- 1.17	- 0.29	0.02
YTD	- 4.20	- 4.69	- 2.79	- 1.60
1 Year	- 3.75	- 4.41	- 1.27	- 1.22
3 Year	4.96	4.23	3.59	1.31
5 Year	2.16	1.45	- 0.27	2.16
Since Inception	3.10	2.39	- 0.17	1.81

Inception Date: 5/1/2012

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

	Gross	Net	B6040	BUSA
2018	- 4.20	- 4.69	- 2.79	- 1.60
2017	15.15	14.36	11.89	3.54
2016	4.49	3.77	2.28	2.65
2015	- 11.98	- 12.61	- 9.07	0.55
2014	10.93	10.17	- 1.64	5.95
2013	- 4.30	- 4.97	- 5.03	- 2.02
2012	12.96	12.44	4.69	2.77

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

	Gross	Net	B6040	BUSA	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	B6040 Rolling 3Y SD	BUSA Rolling 3Y SD
2018	- 4.20	- 4.69	- 2.79	- 1.60	4	3,424	74,214	-	9.27	7.24	2.62
2017	15.15	14.36	11.89	3.54	3	3,273	74,382	-	9.12	7.48	2.78
2016	4.49	3.77	2.28	2.65	7	3,435	65,498	-	9.66	7.87	2.98
2015	- 11.98	- 12.61	- 9.07	0.55	5	2,835	68,819	-	8.63	6.77	2.88
2014	10.93	10.17	- 1.64	5.95	3	2,661	63,375	-	-	-	-
2013	- 4.30	- 4.97	- 5.03	- 2.02	3	1,453	50,050	-	-	-	-
2012	12.96	12.44	4.69	2.77	3	945	42,894	-	-	-	-

B6040 = Bloomberg Barclays 60/40 Sovereign Credit (USD) BUSA = Bloomberg Barclays U.S. Aggregate

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 Sovereign Credit Composite (the "Composite") Inception date: May 1, 2012. Creation date: May 1, 2012. The Composite includes all fully discretionary, fee-paying, actively managed accounts within the Global Sovereign Credit strategy that are unhedged. The strategy strives to capture interest income and additionally generate principal growth through capital appreciation when market conditions permit. Our goal is to outperform the investment benchmark by at least 2.5% per annum over rolling three-year periods while minimizing volatility of return relative to the composite index. 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. Benchmark indices' exchange rates may vary from Brandywine's exchange rates periodically. Benchmark: The Bloomberg Barclays 60/40 Sovereign Credit Index; an unhedged, customized blend of the Bloomberg Barclays Global Treasury Index and the Bloomberg Barclays Local Emerging Market index. The weighting between developed (DM) and emerging markets (EM) is fixed at 40%/60% respectively, and the maximum weight per country is 10%. Non-investment grade countries are excluded. If a country is included in both the Bloomberg Barclays EM and DM indices, it is deemed to be EM and therefore fall into the 60% bucket. The Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. 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: \$75million): 0.650% on the first \$75 million and 0.600% on portion of assets in excess of \$75 million. Institutional Client Commingled Account Management Fee Schedule (minimum investment \$1 million): 0.650% on the first \$75 million and 0.600% on portion of assets in excess of \$75 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

B6040 = Bloomberg Barclays 60/40 Sovereign Credit Index BUSA = Bloomberg Barclays U.S. Aggregate 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 Sovereign Credit Composite (USD) 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. 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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