

Global Unconstrained Fixed Income

Strategy Profile

OBJECTIVE

We strive to generate positive absolute returns over a full market cycle regardless of market conditions. The portfolio's goal is to outperform the FTSE 3-Month T-Bill Index on a rolling 36-month basis by 300 bps net of fees annualized.

INVESTMENT PHILOSOPHY

We believe currencies and interest rates serve as economic regulators. As valuations overextend, currencies and interest rates will adjust accordingly, eventually impacting economic behavior and setting economic forces in motion that renormalize valuations in the opposite direction.

INVESTMENT PROCESS SUMMARY

We apply a top-down, macro-driven investment process and invest only where we believe opportunities exist with respect to interest rate levels and currency valuations. Bond markets that provide the highest or lowest real yields are identified as potential longs or shorts, respectively. Currency valuations are also monitored for extreme valuation.

THE LONG-SHORT APPROACH

The long-short approach enables us to take equally substantial positions in markets we believe to be overvalued as in markets we believe to be undervalued as long as the market size and liquidity characteristics are supportive. Furthermore, market forces supporting mean reversion must also be present. We concentrate long positions in 10 to 20 markets with the highest return potential. Short positions are taken in markets we believe are overvalued. Fundamental factors, secular trends, political and monetary conditions, and business cycle risks drive the country-weighting process. Once an investment becomes fully valued, we look to take profits and reallocate into a more undervalued segment of the universe.

CURRENCY

Currency management is focused on real interest rates, currency valuation, and the perceived impact of currency valuations on economic conditions and inflation. Currency valuations tend to stretch but not break, and the inflection point preceding mean reversion is often signaled by a change in economic or political behavior. We look for these signs of behavioral change and supporting economic data that will act as a catalyst for renormalization of valuations. Currency shorts or hedges are used in overvalued markets.

DURATION MANAGEMENT

The strategy is capable of employing a negative or zero portfolio duration in times when we believe yields globally are at a high threat of rising. However, we concentrate bond investments in countries where we believe value is potentially greatest. As a result, long positions tend to have an intermediate- to long-term bias in markets offering attractively high real yields.

SECTOR AND ISSUE SELECTION

For clients who permit corporate debt, we strategically invest when corporate spreads are wide and policy and economic fundamentals suggest significant spread tightening is likely.

OUR COMPETITIVE ADVANTAGE

The strategy is designed to isolate the Global Fixed Income team's best alpha opportunities, targeting positive absolute performance in any market environment. To achieve this goal, the investment team will express market perspectives through both long and short exposures to interest rates, currencies, and credit markets around the globe.



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AT A GLANCE

- We seek to generate absolute returns regardless of market conditions through strategic investment in countries, currencies, sectors, and securities
- Derivative instruments may be used to gain long, short, or hedged exposure to bond or currency markets
- Country, duration, and currency limits allow for long or short positions
- Long investments are typically concentrated in 10 to 20 countries' bonds or currencies that we believe offer the most attractive absolute return potential
- Short positions are only established in interest rates or currencies that we think are extremely overvalued, will fall in value, and can potentially generate absolute return
- The portfolio can hold up to 35% of securities and respective currencies rated below investment-grade quality at the time of purchase

TYPICAL INVESTMENT GUIDELINES

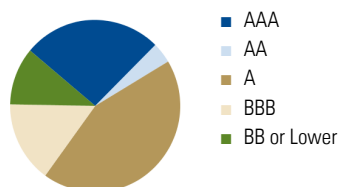
	Absolute Duration Contribution ¹	Absolute Cash Bond Allocation	Absolute Currency Allocation
U.S.	+/- 4 Years	0 to 70%	0% - 150%
Canada	+/- 1 Years	0 to 25%	+/- 25%
Euro	+/- 4 Years	0 to 60%	+/- 40%
Germany/France	+/- 2 Years	0 to 40%	
Italy	+/- 1.5 Years	0 to 30%	
U.K.	+/- 2 Years	0 to 40%	+/- 40%
Japan	+/- 3 Years	0 to 50%	+/- 40%
AA- or Better ²	+/- 1.5 Years	0 to 25%	+/- 25%
A- or Better ²	+/- 1.5 Years	0 to 15%	+/- 15%
BBB- or Better ²	+/- 1.0 Years	0 to 10%	+/- 10%
Below BBB- ²	+/- 0.5 Years	0 to 5%	+/- 5%

Total Currency	Total Portfolio Duration Range	Max Duration Position
Long 100-170% / Short 0-70%	-5 to +5 years	Long 5 years / Short -5 years

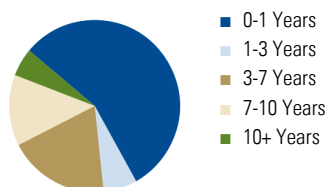
CHARACTERISTICS^{3, 4}

	Global Unconstrained Fixed Income	F3MTB
Average Quality ⁵	A	N/R
Average Maturity (Years)	6.89	0.25
Average Modified Duration (Years)	- 0.95	0.25
Average Coupon (%)	4.63	-
Current Yield (%)	4.45	-
Average Yield-to-Maturity (%)	4.15	2.48
Number of Issues	48	-

QUALITY RATINGS (%)^{3, 4}



DURATION ALLOCATION (%)^{3, 4}



ASSETS UNDER MANAGEMENT (M) (Shown in USD)

Brandywine Global, Firmwide	74,896
Fixed Income Product Group	60,043
Global Unconstrained Fixed Income	4,845

ANNUALIZED RETURNS⁴ (%) (Results shown in USD)

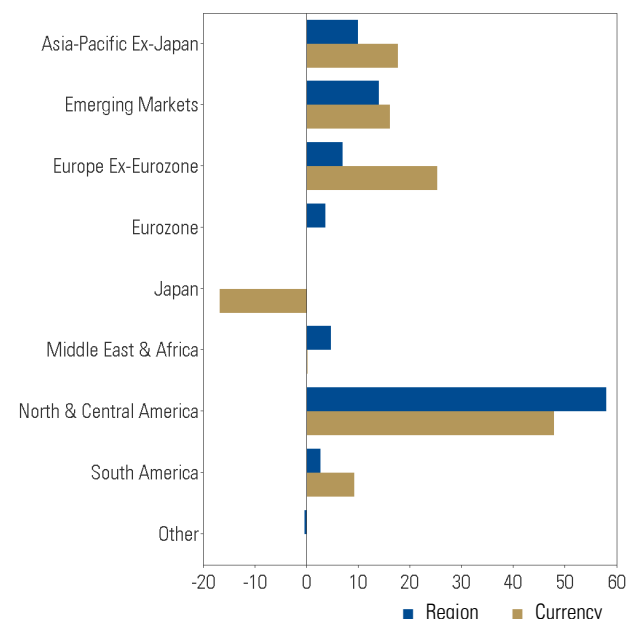
	Gross	Net	F3MTB	USL3M
QTD	1.63	1.45	0.61	0.62
YTD	3.24	2.88	1.21	1.27
1 Year	2.26	1.55	2.30	2.53
3 Year	3.25	2.53	1.36	1.76
5 Year	2.34	1.60	0.84	1.20
7 Year	3.40	2.63	0.62	0.94
10 Year	4.16	3.23	0.46	0.77
Since Inception	4.27	3.30	0.50	0.89

Inception Date: 6/1/2008

CALENDAR YEAR RETURNS⁴ (%) (Results shown in USD)

	Gross	Net	F3MTB	USL3M
2019	3.24	2.88	1.21	1.27
2018	- 2.51	- 3.19	1.86	2.31
2017	7.67	6.92	0.84	1.26
2016	5.31	4.53	0.27	0.74
2015	- 4.57	- 5.29	0.03	0.31
2014	5.87	5.08	0.03	0.23
2013	2.32	1.56	0.05	0.27
2012	13.36	12.11	0.07	0.44
2011	1.20	- 0.05	0.08	0.34
2010	5.06	3.77	0.13	0.35
2009	15.22	13.82	0.16	0.71

REGION & CURRENCY ALLOCATIONS (%)^{3, 4}



Past performance is no guarantee of future results.

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

	Gross	Net	F3MTB	USL3M	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	F3MTB Rolling 3Y SD	USL3M Rolling 3Y SD
2019	3.24	2.88	1.21	1.27	8	4,597	74,896	0.44	5.76	0.22	0.20
2018	-2.51	-3.19	1.86	2.31	7	4,941	70,070	0.31	5.81	0.20	0.20
2017	7.67	6.92	0.84	1.26	9	5,476	74,382	0.27	4.72	0.11	0.12
2016	5.31	4.53	0.27	0.74	7	4,013	65,498	0.25	4.75	0.03	0.07
2015	-4.57	-5.29	0.03	0.31	9	4,635	68,819	0.21	4.53	0.01	0.02
2014	5.87	5.08	0.03	0.23	7	3,681	63,375	-	4.26	0.01	0.03
2013	2.32	1.56	0.05	0.27	6	2,996	50,050	-	3.86	0.01	0.03
2012	13.36	12.11	0.07	0.44	3	300	42,894	-	3.76	0.01	0.03
2011	1.20	-0.05	0.08	0.34	2	58	33,122	-	4.53	0.02	0.09
2010	5.06	3.77	0.13	0.35	2	278	31,996	-	-	-	-
2009	15.22	13.82	0.16	0.71	1	172	29,199	-	-	-	-

F3MTB = FTSE 3 Month T-Bill USL3M = US 3 month LIBOR

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 Unconstrained Fixed Income Composite has been examined for the periods July 1, 2011 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 Unconstrained Fixed Income Composite (the "Composite") Inception date: June 1, 2008. Creation date: June 1, 2012. The Composite includes all fully discretionary, fee-paying, actively managed Global Unconstrained Fixed Income accounts with limited client mandated restrictions. Portfolios are constructed by synthetically reproducing the alpha (independent of the beta) generated by the Firm's Global Opportunistic Fixed Income Strategy. The use of derivatives (currency forwards and futures) will increase risk in the strategy. Alpha can be synthetically reproduced based on securities held in the portfolio, or as an overlay on securities held by clients outside of the portfolio (Unfunded Notional Value). The Unfunded Notional Value (in millions) was \$210.4 at Dec 31, 2010; \$229.5 at Dec 31, 2009; and \$350.9 at Dec 31, 2008. This Unfunded Notional value is used in the asset-weighted composite return, but is not included in the Composite Market Value. No Commercial Paper will be employed to implement the Composite's 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 Global 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. Effective March 31, 2016, the composite was changed from "Global Opportunistic Absolute Return" to more accurately reflect the strategy's investable universe. Benchmark: The FTSE 3-Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. Each month the index is rebalanced and the issue selected is the outstanding Treasury Bill that matures closest to, but not beyond 3 months from the rebalancing date. 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. 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. The net of fee return does not include a performance incentive fee; it's comprised solely of the base management fee. 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: The Institutional Client Separate Account Management Fee Schedule (minimum initial investment: \$75 million): 0.700% on the first \$75 million; 0.650% on any portion of assets in excess of \$75 million or a base fee of 0.15% plus 15.00% of performance in excess of the 3 month Treasury Bill (FTSE Index). Institutional Client Commingled Account Management Fee Schedule (minimum initial investment: \$1 million): 0.700% Flat fee on all assets or a base fee of 0.15% plus 15.00% of performance in excess of the 3 month Treasury Bill (FTSE Index) 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

F3MTB = FTSE 3 Month T-Bill Index USL3M = US 3M LIBOR

1. Contribution to duration by market is determined by the bond's currency denomination.
2. Rating by an NRSRO. NRSRO means one of the following Nationally Recognized Statistical Rating Organizations: Standard & Poor's Ratings Services, Moody's Investor Service, Inc., and Fitch, Inc. In the case of split ratings, the highest rating will apply. Ratings for country and currency are determined by the local currency long-term debt ratings assigned by NRSROs.
3. 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.
4. Supplemental to attached Global Unconstrained Fixed Income Composite GIPS presentation
5. 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. The notional value of non-deliverable or cash settlement interest rate and bond futures may be higher than cash value of the portfolio but the overall exposure will be governed by duration guidelines. 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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