High Yield

Brandywine GLOBAL

Objective

Our investment objective is to generate high current income with the opportunity for capital appreciation. We expect to achieve our objective by investing in high yield corporate bonds when we believe the market price discounts a greater risk of default or a greater loss upon default than is warranted. Our return objective is to outperform the ICE BofAML U.S. High Yield Index by 100 basis points annualized, net of fees, over a complete market cycle.

Investible Universe

The High Yield strategy invests primarily in below-investment-grade corporate bonds. Our primary focus is valuing the underlying business and evaluating the associated credit risk, rather than interest rate risk.

Investment Process Summary

Research Process Focused on Fundamental Credit Analysis

Our company analysis focuses on the fundamental economic drivers of the business and assesses whether there is adequate financial strength and flexibility to meet ongoing commitments. Avoiding deteriorating situations is critical to delivering consistent results. We evaluate not only the business prospects of the issuer but also whether the current price is attractive relative to risk.

In analyzing the underlying risk/return relationship, we look at the individual bond characteristics such as coupon, tenor, covenants, call schedule, bond rating, and size, which all factor into the price we are willing to pay. We take a position in a security when we have sufficient downside protection and it is priced attractively. We seek to invest in businesses with improving return on invested capital, stable or improving competitive advantages, manageable balance sheets, and outstanding managers and employees.

We also evaluate management's treatment of bondholders and stockholders. We believe management teams that understand the competitive dynamics of their business and employ prudent capital allocation often produce value for bondholders and stockholders.

Security Selection on Strong Theses

After the credit research is complete, the portfolio managers determine whether a security is attractive relative to asset and interest coverage and relative to other securities with comparable risk. We will only own the bonds of a company that we can analyze and value.

Portfolio Construction

Portfolio construction is a bottom-up process with highest weights assigned to companies where the team has the highest conviction. Familiarity with a company, degree of downside protection, the attractiveness of the price, and analyst conviction shape portfolio construction. The liquidity and expected volatility of a corporate bond are also important factors in portfolio construction. Given our long-term time horizon, we may invest in less liquid or more volatile securities when we receive adequate compensation.

Opportunities may arise out of company-specific dislocations, industry dislocations, or market-wide dislocations. The important point is that we have conviction in our analysis, and we are willing to take advantage of dislocations that result in mispriced bonds.

Our Competitive Advantage

If we don't know a bond well or don't find its price attractive, we will not own it. This common-sense approach is surprisingly uncommon. Our process is disciplined but adaptable:

- Manage independent of benchmark weights
- Liquidity provider rather than a liquidity taker
- Nimble in the secondary market, selective in the new issue market
- High-conviction portfolios
- Long-term investment temperament

At a Glance

- Benchmark: ICE BofAML U.S. High Yield II Index
- The investment objective for the High Yield strategy is to generate high current income with the opportunity for capital appreciation by investing in primarily in below-investment-grade corporate bonds.
- Return objective is to outperform the ICE BofAML U.S. High Yield Index by 100 basis points annualized, net of fees, over a complete market cycle.
- Long-term oriented, benchmark-agnostic investment approach allows the strategy to take positions in those issues that, based on our fundamental research, provide attractive yield and total return potential relative to asset and interest coverage and relative to other securities with comparable risk.

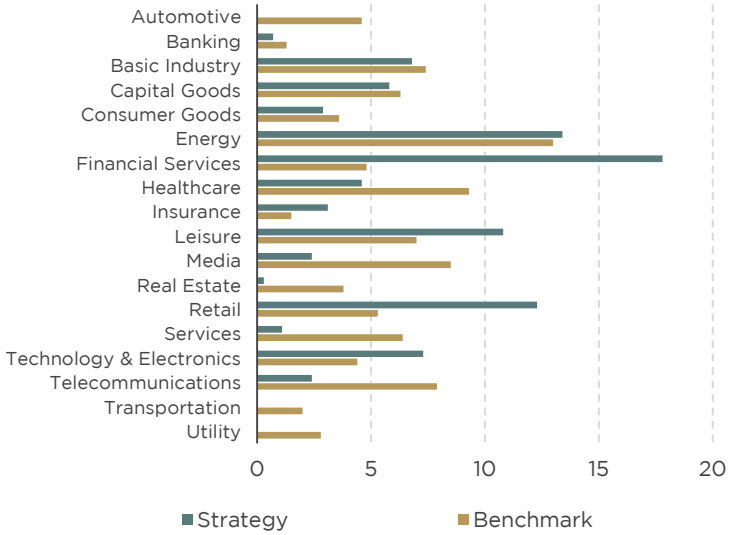
Characteristics[1,2]

Number of Issues	113
Avg. Maturity (Yrs.)	6.04
Avg. Eff. Duration (Yrs.)	4.06
Avg. Yield-to-Maturity (%)	8.91
Current Yield (%)	6.38
Avg. Yield-to-Worst (%)	8.90

Quality Ratings[1,2] (%)

BBB or Higher	8.9
BB	32.7
B	50.5
CCC	6.6
N/R	1.2

Sector Weights[2,3] (%)



Assets Under Management (M) (Shown in USD)

Brandywine Global, Firmwide	57,963
Fixed Income Product Group	46,245
High Yield	1,013

Calendar Year Returns[2] (%) (Results shown in USD)

	Gross	Net	BAUHY2
2022	-12.94	-13.21	-14.04
2021	5.84	5.27	5.36
2020	14.39	13.82	6.17
2019	16.21	15.64	14.41
2018	1.84	1.33	-2.28
2017	11.11	10.56	7.48
2016	15.42	14.86	17.49
2015	1.00	1.00	-4.64
2014	-	-	-
2013	-	-	-
2012	-	-	-

Risk Characteristics[2] (Composite Gross of Fees) (Since Inception)

Sharpe Ratio	0.78
Sortino Ratio	0.70
Information Ratio	1.54

Portfolio Managers

John McClain, CFA
Portfolio Manager
14 Years of Experience

Bill Zox, CFA
Portfolio Manager
28 Years of Experience

Data as of June 30, 2022
Past performance is no guarantee of future results.

Annualized Returns (%) (Results shown in USD)

	Gross	Net	BAUHY2
QTD	-9.41	-9.55	-9.97
YTD	-12.94	-13.21	-14.04
1 Year	-11.69	-12.22	-12.66
3 Year	3.39	2.85	-0.04
5 Year	5.28	4.73	1.95
7 Year	6.36	5.86	3.39
Since Inception	6.61	6.13	3.50

Inception Date: 1/1/2015

GIPS Information (%, unless otherwise noted) (Results shown in USD)

Year or YTD	Gross	Net	BAUHY2	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	BAUHY2 Rolling 3Y SD
2022	-12.94	-13.21	-14.04	1	838	57,986	-	10.10	10.07
2021	5.84	5.27	5.36	1	1,089	67,356	-	9.17	9.14
2020	14.39	13.82	6.17	1	724	63,872	-	9.29	9.39
2019	16.21	15.64	14.41	1	135	74,024	-	3.17	4.13
2018	1.84	1.33	-2.28	1	54	70,070	-	4.41	4.64
2017	11.11	10.56	7.48	1	31	74,382	-	5.15	5.60
2016	15.42	14.86	17.49	1	32	65,498	-	-	-
2015	1.00	1.00	-4.64	1	10	68,819	-	-	-

Data as of June 30, 2022

BAUHY2 = ICE BofAML U.S. High Yield II

Organization: Brandywine Global Investment Management, LLC (the "Firm") is a wholly owned, independently operated, subsidiary of Franklin Resources, Inc. Brandywine Global Investment Management, LLC claims compliance with the Global investment Performance Standards (GIPSÃ?Â®) 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, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Policies for valuing investments, calculating performance, and preparing GIPS Reports 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. GIPSÂ® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. ?1 Composite Description: The High Yield Composite (the "Composite") Inception date: December 31, 2014. Creation date: January 1, 2016. The Composite is comprised of discretionary non-fee and fee paying non-wrap accounts with a market value over $10M managed according to the firmâ??s High Yield fixed income strategy. The strategyâ??s investment objective is to generate high current income with the opportunity for capital appreciation over a five-year time horizon. They strategy generally invests in corporate debt securities that are rated below investment grade or are unrated. The High Yield Composite was previously managed by the High Yield team at Diamond Hill Capital Management. On August 1st, 2021, Diamond Hill Capital Management sold the line of business that included the High Yield team to Brandywine Global Investment Management. Composite activity prior to August 1st, 2021 is from the prior firm. ?1 Primary Benchmark Description: The ICE BofAML US High Yield Index tracks the performance of USD denominated below investment grade corporate debt publicly issued in the major domestic 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, calculated using gross-of-fee returns, measures the variability of the composite and the benchmark returns over the preceding 36-month period. Gross-of-fees returns are used to calculate the presented risk measures. A complete list of composites, and limited distribution pooled funds descriptions as well as a list of broad distribution pooled funds is available upon request. ?1 Fee Schedule: Institutional Client Separate Account Management Fee Schedule: 0.60% on the first $50 million; 0.50% on any portion of assets in excess of $50 million. Please note, the fee prior to 12/31/2015 was zero. Additional information on the Firm's fee schedule can be found in Form ADV Part 2A which is available upon request. ?1

Past performance is no guarantee of future results.

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Disclosures

BAUHY2 = ICE BofAML U.S. High Yield II

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 Information to the attached High Yield GIPS composite presentation.

3 The "Average Quality" is determined by assigning numerical scores to each credit rating and calculating a weighted average for the securities held in the portfolio. The numeric score calculated for the entire portfolio is then converted back into the corresponding credit rating. Individual security ratings are 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. Cash is included and receives the highest rating.

Source: Bloomberg (© 2022, Bloomberg Finance LP), which Brandywine Global believes to be accurate and reliable. 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. 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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. The ICE BofAML U.S. High Yield II Index tracks the performance of U.S. dollar denominated below investment-grade rated corporate debt publically issued in the U.S. domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment-grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long-term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of $100 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the eurobond and U.S. domestic bond markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index. 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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Around THE Curve

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