International Fixed Income Investment-Grade

Strategy Profile

OBJECTIVE

We strive 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%, on an average annual basis, over rolling five-year periods.

UNIVERSE

The investible universe focuses on sovereign debt and currencies of countries in the FTSE World Government Bond Ex-US Index (WGBI), non-WGBI markets rated A- or better by a nationally recognized statistical rating organization, and select emerging market debt and currencies that adhere to these quality guidelines. We may also tactically invest in investment grade corporate debt and mortgage-backed securities.

INVESTMENT PROCESS SUMMARY

We apply a top-down, value-driven process when structuring International Fixed Income portfolios. Real (inflation-adjusted) yield is our primary measure of bond value. Currency valuation is also important, as the real yield must be captured in the investor's local currency (dollars for U.S. investors and euros for many of those in Europe, for example). We focus on appreciating, undervalued currencies and we hedge overvalued currencies we believe may decline. Inflation trends, political risks, monetary trends, and business cycle and liquidity measures are also considered. We typically concentrate investments in 10-20 countries that appear to offer the best total return potential.

DURATION MANAGEMENT

We concentrate investments where we believe value is greatest; as a result, portfolios tend to have an intermediate- to long-duration bias when real interest rates remain high. Greater interest rate exposure is assumed in countries with more value and positions are established along the yield curve where we find the best risk/reward profile. Portfolio duration generally ranges from 1 to 10 years.

COUNTRY ROTATION

We believe that concentrating investments in the markets with the greatest value and the highest potential return, and thereby taking above-average country risk, actually reduces overall risk. Real rates are combined with currency analysis to derive value. Secular trends, political and monetary conditions, and business cycle risks are also considered in determining the likelihood of capturing the value seen in real interest rates and contribute to country weighting decisions.

CURRENCY

Currency and country decisions are intertwined. Bonds of countries with high real rates and an appreciating, but attractively valued currency, will be held to take advantage of currency appreciation itself as well as the positive effects of disinflationary pressure as a result of a rising currency. Currency exposure may be hedged in countries with high real rates and an overvalued currency.

ISSUE SELECTION

Within the desired country and currency, security selection is made based on yield-curve analysis, desired duration, and wideness of credit spreads relative to government issues.

OUR COMPETITIVE ADVANTAGE

The strategy employs a top-down, value-based, and benchmark-agnostic approach for managing international 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.

Brandywine GLOBAL

Brandywine Global Investment Management, LLC
1735 Market Street, Suite 1800 / Philadelphia, PA 19103

North America: 215 609 3500 (U.S.)
416 860 0616 (Canada)
Europe: +44 20 7786 6360
Asia: +65 6536 6213

brandywineglobal.com

STRATEGY OVERVIEW

2Q 2019 | As of June 30, 2019

AT A GLANCE

- Primary Benchmark: FTSE World Government Bond Index ex-U.S. (unhedged) or other international bond benchmark, as specified by client direction
- Universe: The sovereign debt and currencies of countries in the FTSE World Government Bond Index ex-U.S., as well as the investment-grade corporate bond and mortgage-backed securities markets in those countries. We may also invest, to a limited degree, in non-index countries rated A- or better by a nationally recognized statistical rating organization
- 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
- We strive for efficient duration management and country rotation (driven primarily by currency considerations) to add incremental value
- Investments typically are concentrated in 10-20 countries that we believe have the best total return potential

TYPICAL INVESTMENT GUIDELINES

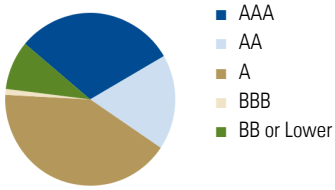
Allocation Ranges for Selected Countries and Currencies*

	Country	Currency
Japan	0%-70%	0%-70%
France	0%-50%	–
Germany	0%-50%	–
Italy	0%-40%	–
United Kingdom	0%-50%	0%-50%
Euro	–	0%-80%
U.S.	–	0%-100%
Non-Index Countries		
AA- or Better (each)**	0%-10%	0%-10%
A- or Better (each)**	0%-5%	0%-5%
A- or Better (aggregate)**	0%-30%	0%-30%

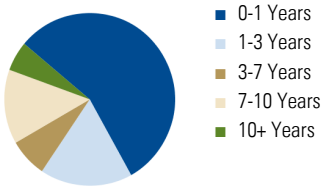
CHARACTERISTICS [1, 2]

	International Fixed Income Investment-Grade	FWGBIX
Average Quality [3]	A+	N/R
Average Maturity (Years)	5.52	10.43
Average Modified Duration (Years)	2.66	9.34
Average Coupon (%)	4.10	2.29
Current Yield (%)	4.01	-
Average Yield-to-Maturity (%)	3.52	0.48
Number of Issues	43	789

QUALITY RATINGS (%) [1, 2]



DURATION ALLOCATION (%) [1, 2]



ASSETS UNDER MANAGEMENT (M) (Shown in USD)

Brandywine Global, Firmwide	74,896
Fixed Income Product Group	60,043
International Fixed Income Investment-Grade	227

ANNUALIZED RETURNS [2] (%) (Results shown in USD)

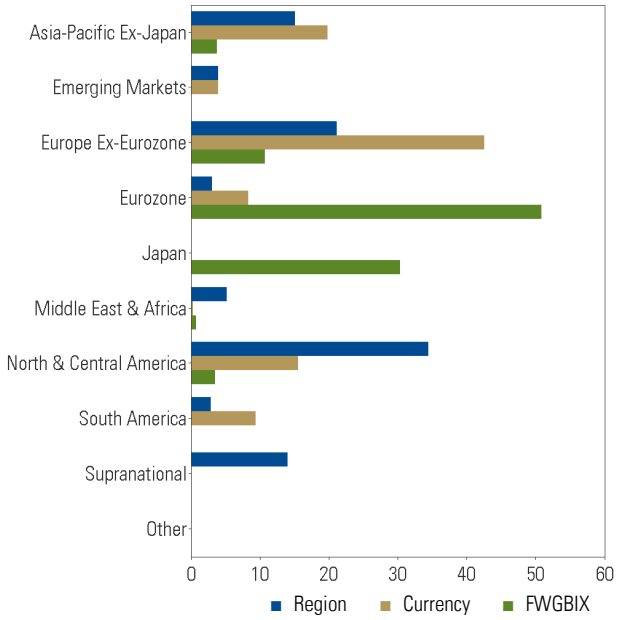
	Gross	Net	FWGBIX	BGAX
QTD	2.06	1.94	3.93	3.42
YTD	4.00	3.77	5.50	4.99
1 Year	1.79	1.33	4.54	4.10
3 Year	1.89	1.44	0.83	0.97
5 Year	0.03	- 0.42	0.19	- 0.12
7 Year	1.92	1.46	0.51	0.71
10 Year	3.79	3.33	1.87	2.10
Since Inception	6.11	5.59	4.09	3.96

Inception Date: 10/1/1997

CALENDAR YEAR RETURNS [2] (%) (Results shown in USD)

	Gross	Net	FWGBIX	BGAX
2019	4.00	3.77	5.50	4.99
2018	- 4.02	- 4.45	- 1.82	- 2.15
2017	12.62	12.12	10.33	10.51
2016	2.24	1.78	1.81	1.49
2015	- 9.17	- 9.58	- 5.54	- 6.02
2014	2.98	2.52	- 2.68	- 3.08
2013	- 1.57	- 2.01	- 4.56	- 3.08
2012	13.85	13.35	1.51	4.09
2011	5.42	4.95	5.17	4.36
2010	7.04	6.57	5.21	4.94
2009	9.69	9.21	4.39	7.52

REGION & CURRENCY ALLOCATIONS (%) [1, 2]



Past performance is no guarantee of future results.

ANNUALIZED RETURNS (%) (Results shown in USD)

	Gross	Net	FWGBIX	BGAX
QTD	2.06	1.94	3.93	3.42
YTD	4.00	3.77	5.50	4.99
1 Year	1.79	1.33	4.54	4.10
3 Year	1.89	1.44	0.83	0.97
5 Year	0.03	- 0.42	0.19	- 0.12
7 Year	1.92	1.46	0.51	0.71
10 Year	3.79	3.33	1.87	2.10
Since Inception	6.11	5.59	4.09	3.96

Inception Date: 10/1/1997

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

	Gross	Net	FWGBIX	BGAX	# of Accounts	Market Value (M)	Total Firm Assets (M)	Composite Dispersion	Composite Rolling 3Y SD	FWGBIX Rolling 3Y SD	BGAX Rolling 3Y SD
2019	4.00	3.77	5.50	4.99	3	227	74,896	-	7.35	6.77	6.32
2018	- 4.02	- 4.45	- 1.82	- 2.15	3	224	70,070	-	8.37	7.66	7.20
2017	12.62	12.12	10.33	10.51	3	236	74,382	-	7.38	7.64	7.30
2016	2.24	1.78	1.81	1.49	3	244	65,498	-	7.31	7.78	7.41
2015	- 9.17	- 9.58	- 5.54	- 6.02	3	315	68,819	-	5.76	5.81	5.70
2014	2.98	2.52	- 2.68	- 3.08	3	366	63,375	-	6.27	5.45	5.47
2013	- 1.57	- 2.01	- 4.56	- 3.08	4	357	50,050	-	6.58	5.83	6.22
2012	13.85	13.35	1.51	4.09	4	397	42,894	-	7.26	7.36	7.75
2011	5.42	4.95	5.17	4.36	11	855	33,122	0.53	8.65	9.47	9.84
2010	7.04	6.57	5.21	4.94	13	1,157	31,996	0.54	9.63	11.06	11.22
2009	9.69	9.21	4.39	7.52	14	1,022	29,199	0.61	8.80	10.09	10.12

FWGBIX = FTSE WGBI Ex-US BGAX = Bloomberg Barclays Global Agg Ex-USD

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 International Fixed Income Investment-Grade Composite has been examined for the periods July 1, 2007 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: International Fixed Income Investment Grade Composite (the "Composite") Inception date: October 1, 1997. Creation date: March 2006. The Composite includes all fully discretionary, fee-paying, actively managed International Fixed Income accounts invested in foreign investment grade bonds. The Composite utilizes forward exchange rate contracts to manage its currency exposure. These contracts are valued daily using closing forward exchange rates, matched to the settlement day of the contract. These instruments involve credit risk from the possible inability of counterparties to meet the terms of their contracts. Investment will result in portfolios typically invested in securities from 8 to 12 different countries. Brandywine uses WM/Reuters daily FX rates taken at 4 p.m. London time, which may vary from Benchmark indices' exchange rates periodically. Benchmark: The FTSE WGBI Ex-US measures the developed countries' fixed income markets, invested in debt issues of non-U.S. governmental entities and supra-nationals. The FTSE WGBI Ex-U.S. base includes 21 countries.The Bloomberg Barclays Global Aggregate ex-U.S. Index provides a broad-based measure of the global, excluding the U.S., investment-grade fixed income markets, by including agencies, corporates and asset backed issues. 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. Prior to July 1, 2007, portfolios were included in the Composite beginning with the first full quarter of performance through the last full quarter of performance. After July 1, 2007, portfolios are included in the Composite beginning with the first full month of performance through the last full month of performance. Composite returns are reported on quarterly 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: $75 million): 0.450% on the first $75 million and 0.350% on portion of assets in excess of $75 million. Institutional Client Commingled Account Management Investment Trust Fee Schedule (minimum initial investment: $1 million): 0.450% on the first $50 million; 0.400% on the next $50 million, and 0.350% on portion of the 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.

Past performance is no guarantee of future results.

©2019, Brandywine Global Investment Management, LLC. All rights reserved.

FOOTNOTES & DISCLOSURES

FWGBIX = FTSE World Government Bond Index (Ex-U.S.) BGAX = Bloomberg Barclays Global Aggregate Bond Index (Ex-U.S.)

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

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 International Fixed Income Investment-Grade 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. 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.

Past performance is no guarantee of future results.

©2019, Brandywine Global Investment Management, LLC. All rights reserved.