FRANKLIN TEMPLETON

Brandywine Global Opportunistic Fixed Income Fund PIE Fund

Fund Facts

Benchmark

Bloomberg Global Aggregate Bond Index, Hedged to New Zealand Dollars

Issuer & Manager

FundRock NZ Limited

Delegated Investment Manager

Brandywine Global Investment Management as appointed by Franklin Templeton Australia Limited

Strategy

The Fund invests in an actively managed portfolio of sovereign bonds, investment grade corporate bonds, mortgage securities, currencies and other similar securities. The Fund can also invest in emerging market debt, high yield debt, and below investment grade non-sovereign and corporate debt.

The Fund searches the globe for attractive real yield opportunities. The Fund is an alpha seeking, high conviction strategy with a 'go anywhere', opportunistic style with strict risk limits in place to avoid over-exposure to any one region or issuer. Combining bond and currency strategies, the Fund aims to deliver a truly global opportunity set for New Zealand fixed income investors.

The strategy seeks to capture interest income and additionally generate principal growth through capital appreciation when market conditions permit. The strategy seeks to earn a return (before fees and taxes) in excess of the Benchmark, the Bloomberg Global Aggregate Bond Index, Hedged to New Zealand Dollars, over rolling five-year periods.

What happened in the market?

October was a mixed month for markets, while equities performed well, the global fixed income market modestly declined in October. Geopolitical tensions faded as late-stage US-China negotiations eased trade concerns and moderating inflation data indicated that tariff-related passthrough has been more modest than many feared, however, the credit and securitised segments weighed on global bond markets. In equity markets, growth stocks extended their outperformance versus value stocks, buoyed by renewed enthusiasm for AI, while interest rate-sensitive sectors, such as small caps and listed real estate had a more challenging month.

In the US, US treasuries continued to rally and inflation continued to surprise to the downside as both services and rent inflation remain on a disinflationary path. UK Gilts were the standout performer among developed government bond markets in October. The 10-year yield fell roughly 30bps, supported by a dovish shift from Bank of England Governor Andrew Bailey.

In October, Sanae Takaichi became Japan's first female prime minister and president of the Liberal Democratic Party (LDP). Takaichi aims to pursue expansionary fiscal and monetary policies, which the equity market is viewing as broadly positive. However, expectations of a more fiscally expansive agenda under Takaichi are also raising concerns about increased bond supply, leading to JGB's being the worst performers over the month.

Emerging market debt was the strongest fixed income sector in October, supported by higher real yields. Many EM central banks began tightening well before their developed market peers, creating a meaningful rate differential that remains attractive as inflation moderates

In credit markets, global high yield outperformed investment grade over the month, as higher starting yields were sufficient to offset a modest widening in spreads in both markets.

What happened in the Fund?

The Fund was up 0.45% (after fees) over the month of October. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was up 0.66% over the same period. Duration exposure was a positive contributor while our currency positioning detracted from performance.

Long end UK Gilt exposure was the strongest contributor to performance over the month. Softer inflation data and a more cautious tone on growth prompted investors to increase their expectations for rate cuts next year, with markets now pricing in 60bps of cuts by the end of 2026. US Treasury positioning was accretive as labour market weakness, credit concerns, and softer CPI have all led to lower yields.

Within emerging market debt, an overweight in Uruguayan and Romanian duration was positive as both countries continue to benefit from high real yields and strong rate differentials.

Both investment grade and high yield exposure slightly detracted for the month through a modest widening in spreads in both markets.

An overweight position in the Chilean peso was the strongest contributor to performance, while our overweight position in the JPY and underweight USD detracted. The Yen faced its biggest drop since July as the BoJ kept rates on hold and indicated that it would only proceed with policy normalisation once its economic projections are met. In contrast, the USD rose against most major currencies due the hawkish rhetoric of the Fed, the continuing rally in stock indices and a confident US economy.

What is the outlook?

We believe the "soft-landing" camp have been the clear winners to this point but fading labour momentum and policy cross-currents argue for more caution moving forward. Global growth has proved more resilient to tariff shocks than feared, helped by slower price pass-through, healthy private-sector balance sheets, and an AI-driven capex boom. Yet U.S. job creation has cooled toward zero, leaving an uneasy gap between GDP and employment. Risks as we enter the fourth quarter include a prolonged U.S. government shutdown that would dent activity and delay key data, as well as a Supreme Court ruling on emergency-based tariffs that could reset the trade regime. Against this backdrop, G10 rate valuations look roughly neutral. Near term, European political uncertainty and Japan's leadership outcome, tilting toward fiscal stimulus, could buoy the U.S. dollar and nudge global long-bond yields higher. Medium term, stretched U.S. dollar valuations and deteriorating U.S. fiscal dynamics support our medium-term bearish dollar view. Select emerging market local markets still look attractive with elevated real yields, attractive FX valuations, and limited imbalances. Investment-grade credit still looks vulnerable given current spread levels. Overall, resilience persists, but its durability now hinges on real-income growth and the staying power of AI-related investment.

Fund performance (%) as at 31 October 2025

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	0.45	1.94	2.69	4.99	4.29
Benchmark	0.66	1.75	1.98	4.31	4.93

The performance in this fact sheet is net of fees. Investors should also refer to the quarterly Fund Update, which is available on www.fundrock.com/fundrock-new-zealand and www.business.govt.nz/disclose. Past performance is not indicative of future performance.

Key features of the Fund

High conviction

Brandywine Global's conviction levels drive the composition of the Fund, not a benchmark.

Active management

Allows investors to gain overweight exposure to countries that are likely to outperform and underweight exposure to those who are likely to underperform.

Top down approach

That can capitalise on shifting geographic and macro trends.

Currency as a source of returns aims to take

Advantage of currency opportunities to enhance returns.

Superior risk adjusted returns

Designed to capture market upside but aiming to avoid market downside, and to provide long term performance.

Access to high real yields

With diversification outside of G3 countries.

Country Allocation (%) - Top 5

United States	55.53
United Kingdom	21.59
Mexico	7.19
New Zealand	5.56
Brazil	5.02

Sector Allocations (%)

Government Sovereign - DM	54.65	Cash	3.68
Mortgage Backed Securities	17.90	Government Related	0.45
Government Sovereign - EM	15.27	Derivatives	-2.95
Corporate	11.00		

Fund statistics

Fund size ($m) (NZD)	289.40
Average Effective Duration (years)	5.19
Weighted Average Maturity	13.34
Average Credit Quality	A+
Current Yield (%)	5.45
Number of issues	77

Meet the team

The Fund is led by an experience, long-tenured portfolio management team that includes:

David F. Hoffman, CFA

Managing Director & Portfolio Manager, with firm since 1995

Jack P McIntyre, CFA

Portfolio Manager, with firm since 1998

Anujeet Sareen, CFA

Portfolio Manager, with firm since 2016

Brian L. Kloss, JD, CPA

Portfolio Manager, with firm since 2009

Tracy Chen, CFA, CAIA

Portfolio Manager, with firm since 2008

Investment manager

Brandywine Global Investment Management, LLC ("Brandywine Global"), has built up significant experience across fixed income, equity and global portfolios that invest in international markets. Founded in 1986 by a group of highly experienced portfolio managers, Brandywine Global pursues one investment approach: value investing. Through practical experience, Brandywine has determined that value-style investing — whether in fixed income markets or equity — can provide excellent risk-adjusted returns over full investment cycles, and it is a particularly important strategy in today's global markets.