

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?

The global fixed income market rallied for a fourth consecutive month in February, as developed market yields generally declined. Mixed economic data, the U.S. Supreme Court striking down President Trump's "liberation day" import duties, speculation over future monetary policies, and overall solid investor demand were some of the factors impacting the market.

The New Zealand dollar was dragged down by an accommodative slant by its central bank. The Australian dollar rallied as the market priced in further rate tightening given increased inflation.

The overall emerging market debt asset class rallied in February and the majority of emerging market currencies rose versus the U.S. dollar.

U.S. investment-grade and high-yield spreads widened during the month but generated positive total returns. Falling rates and generally solid demand impacted the credit markets. U.S. mortgage-backed security (MBS) spreads were flat and posted a positive total return in February.

What happened in the Fund?

The Fund was up 0.41% (after fees) over the month of February. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was up 1.31% over the same period. Both duration and currency exposures contributed positively to performance.

From a bond perspective, an overweight to Australian duration was the strongest contributor to performance despite an RBA rate hike early in the month. Yields fell as investors positioned for a potential peak in interest rates.

An underweight to US Treasury duration detracted as yields fell meaningfully over the month. The rally was driven by a flight to quality amid escalating AI-related and geopolitical risks.

The Fund's UK gilt exposure was positive as cooling inflation pressures increased the likelihood of near-term rate cuts.

Within active currency, an underweight to the Euro was the strongest contributor to performance driven by heightened geopolitical uncertainty and potential economic headwinds for the region. An underweight position in the US dollar was also positive as the market appeared to downplay concerns over uncertain economic policy as President Trump raised his section 122 tariffs to 10%, despite threats of increasing them to 15%.

Within FX, we maintain short positions in the US dollar and the Euro. We expect continued U.S. dollar weakness in 2026 as valuation remains stretched, relative growth converges after U.S. exceptionalism and global investors gradually reduce overweight U.S. dollar exposure. We also maintain a short in the Euro, using it as a funding currency for long exposures in growth-sensitive currencies across developed (G-10 commodity currencies) and emerging markets (Latin American FX) as we expect improving global growth momentum.

Within credit, we favour short-dated high yield bonds for their income, low duration, and pull-to-par dynamic, which helps offset spread widening. In a moderate growth slowdown, issuers with solid balance sheets and manageable debt maturity profiles are well-positioned to weather volatility.

What is the outlook?

As 2026 continues, we expect developed market bond yields to remain broadly range-bound, extending 2025's unusually quiet trading conditions, as improving growth impulses are offset by emerging labour-market fragility. Reduced tariff drag, supportive fiscal policy in major economies, and favourable financial conditions could underpin activity, but ongoing weakness in employment growth should limit the scope for a sustained move higher in yields and keep central banks attentive to downside risks. Within this sideways global rates backdrop, we see meaningful cross-country divergence: U.K. gilt yields have further room to fall as the Bank of England responds to deteriorating labour conditions, disinflation, and fiscal drag, while eurozone yields should drift higher on the lagged effects of prior ECB easing and the impulse from Germany's multi-year fiscal stimulus, making U.K., eurozone spread compression a high-conviction view. In currencies, we expect continued U.S. dollar weakness in 2026 as valuation remains stretched, relative growth converges after U.S. exceptionalism, global investors gradually reduce overweight U.S. dollar exposure, and rate differentials move against the dollar as the Fed stays dovish. Emerging market local currency bonds remain supported by elevated real yields, attractive FX valuations, limited imbalances, and low foreign ownership, with additional upside potential in a softer U.S. dollar environment.

Fund performance (%) as at 28 February 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	0.41	1.43	2.68	6.07	3.60
Benchmark	1.31	1.08	2.49	3.62	4.78

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	48.68
Australia	12.25
United Kingdom	7.65
Mexico	7.38
New Zealand	5.22

Sector Allocations (%)

Government Sovereign - DM	39.46	Corporate	8.84
Government Sovereign - EM	16.32	Cash	3.98
Mortgage Backed Securities	19.08	Derivatives	2.09
Government Related	10.23		

Fund statistics

Fund size (\$m) (NZD)	309.95
Average Effective Duration (years)	4.08
Weighted Average Maturity	12.89
Average Credit Quality	A
Current Yield (%)	5.52
Number of issues	91

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.

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