

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?

March was volatile for financial markets, as a major joint US and Israel military operation against Iran (Operation Epic Fury) significantly disrupted oil and gas supply. As a result, global equity and bond markets sold off, with investors focusing on upside inflation risks rather than downside risks to growth. Global equities fell hard in March, with all major indices posting negative returns for the month. Mega-cap tech companies once again came under pressure, struggling to act as a safe haven for investors despite strong balance sheets.

The global fixed income market sold off sharply in March as higher energy prices fuelled inflation concerns. Short-dated bonds were hit particularly hard as markets shifted abruptly from pricing rate cuts from many major central banks this year to rate hikes.

UK Gilts were a laggard in March, the energy shock has left the UK particularly vulnerable to upside inflation risks, given the country's relatively high dependence on natural gas. The BoE struck a decisively hawkish tone at its March meeting and indicated that it "stands ready to act as necessary", strongly implying a hiking bias.

What happened in the Fund?

The Fund was down 2.60% (after fees) over the month of March. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was down 2.00% over the same period. Duration exposure positively contributed while currency exposures detracted.

From a bond perspective, an underweight to US Treasury duration was the strongest contributor to performance for the month as yields rose due to inflation concerns and geopolitical risks in the Middle East.

Our US Corporate exposures contributed positively for the month, with strong security selection limiting the drawdown relative to the benchmark.

Within active currency, an underweight to the US Dollar detracted as safe haven demand picked up amid higher energy prices and geopolitical tension. An underweight to the Euro also detracted as the currency rose on rising rate expectations, despite weaker underlying fundamentals.

In emerging markets, we remain bullish on Latin America, specifically LATAM sovereign bonds, which stand out for their high nominal & real yields. As US growth momentum moderates and capital flows rebalance, these markets are well-positioned to benefit.

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.

What is the outlook?

We continue to monitor the situation in Iran closely and will look to deploy capital opportunistically should attractive opportunities emerge. That said, our broader view remains unchanged, we expect developed market bond yields to remain broadly range-bound, extending upon 2025's quiet trading conditions, as improving growth impulses are offset by emerging labour-market fragility.

We view the UK as the most vulnerable developed market from a growth perspective, given the combination of a relatively hawkish central bank stance and demand destruction stemming from higher energy prices. In Europe, the outlook is even more uncertain and in our view represents the most challenging macro call at the moment. As is the case globally, European growth forecasts are being revised lower while inflation expectations continue to move higher. However, energy prices in Europe remain significantly more concerning than in the rest of the developed world.

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.

Fund performance (%) as at 31 March 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	-2.60	-0.85	-0.83	3.46	1.64
Benchmark	-2.00	-0.58	-0.19	2.02	3.33

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	43.47
Australia	12.39
United Kingdom	7.74
Mexico	7.20
Italy	6.32

Sector Allocations (%)

Government Sovereign - DM	34.77	Corporate	9.50
Mortgage Backed Securities	20.69	Cash	4.06
Government Sovereign - EM	20.47	Derivatives	-3.69
Government Related	14.20		

Fund statistics

Fund size (\$m) (NZD)	298.08
Average Effective Duration (years)	5.00
Weighted Average Maturity	13.63
Average Credit Quality	A
Current Yield (%)	6.17
Number of issues	92

Meet the team

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

Anujeet Sareen, CFA

Managing Director & Portfolio Manager, with firm since 2016

Jack P McIntyre, CFA

Portfolio Manager, with firm since 1998

Brian L. Kloss, JD, CPA

Portfolio Manager, with firm since 2009

Tracy Chen, CFA, CAIA

Portfolio Manager, with firm since 2008

Paul Mielczarski

Portfolio Manager, with firm since 2023

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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