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

Inception Date

27/03/2018

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?

Sovereign bond markets were influenced by expectations that monetary policy would remain restrictive, supported by resilient economic conditions, persistent inflation, and central bank guidance. Market participants continued to assess the outlook for interest rates across both developed and emerging markets. Emerging market debt generally performed well, supported by tighter sovereign credit spreads.

Foreign exchange markets saw varied performance across developed and emerging market currencies. The U.S. dollar weakened modestly overall, while currency movements reflected differing economic conditions, policy expectations, and investor sentiment across regions. Select developed and emerging market currencies continued to benefit from supportive fundamentals and attractive carry opportunities.

Credit markets remained resilient despite a challenging macroeconomic backdrop. Investment grade and high yield corporate bonds were supported by stable fundamentals and continued investor demand for income. Within securitized markets, mortgage-backed securities and selected structured credit sectors benefited from supportive market conditions and stable credit fundamentals, although investors remained selective in light of ongoing uncertainty around inflation, central bank policy, and economic growth.

What happened in the Fund?

The Fund was up 0.08% (after fees) over the month of August. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was up 0.02% over the same period.

Duration positioning detracted while currency positioning positively contributed to performance. From a bond perspective, an overweight U.S. non-agency mortgages was positive as select non-agency sectors continued to benefit from attractive carry and stable credit fundamentals. The Fund's positioning U.S. corporate bonds was positive as investment grade and high yield corporates continued to be supported by generally stable fundamentals and investor demand for income. Within active currency, an underweight to the U.S. Dollar was positive, the greenback depreciated against most developed market currencies. We continue to view the dollar as broadly overvalued and expect medium-term depreciation as global asset allocation shifts toward non-dollar assets. An overweight position in the South Korean Won also contributed due to a booming semiconductor-driven export surplus, interest rate hikes by the central bank and a weaker U.S. dollar. Conversely, an overweight to select EM currencies detracted from performance, particularly Brazil and Colombia.

The Fund's duration exposure is opportunistically allocated across both developed and emerging markets. We expect developed market yields to remain broadly range bound in 2026 but see selective opportunities in the UK, Australia and the U.S. 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 over the medium to long term as valuation remains stretched but have been actively managing this exposure over recent periods, particularly given the prospect of a more hawkish Federal Reserve and a clear commitment to returning inflation to its 2% target. While we continue to see value in the underlying bond markets, recent valuations and FX performance have led us to hedge select currency exposures associated with these positions, including the Mexican peso (MXN), Brazilian real (BRL) and Colombian peso (COP). 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?

The global macro backdrop remains volatile but broadly resilient, with the IMF leaving its July global growth outlook largely unchanged despite rising geopolitical and energy-related risks. Growth is becoming increasingly uneven, as economies tied to global technology supply chains, particularly in Asia, benefit from AI-driven demand and investment, while energy importers face greater inflation and activity pressures. These divergences reinforce the importance of a country-by-country approach, with energy exposure, policy responses, fiscal capacity and supply-chain positioning likely to drive outcomes. For bond markets, renewed energy pressures, resilient activity and cautious central banks may keep inflation risks elevated and limit the scope for a sustained rally, particularly in longer-dated developed-market bonds where fiscal concerns remain significant. In currency markets, the recent pullback in the U.S. dollar supports a constructive but selective view on non-dollar assets, while attractive real yields and shifting capital flows continue to create opportunities across Asia-Pacific, Latin America and select emerging and frontier markets as global trade and investment patterns continue to evolve.

Fund performance (%) as at 31 August 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	0.08	1.04	1.04	3.77	3.28
Benchmark	0.02	-0.80	-2.09	0.35	3.31

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	41.54
United Kingdom	13.97
Mexico	12.88
Australia	12.44
Colombia	4.80

Sector Allocations (%)

Government Sovereign - DM	25.64	Corporate	8.43
Mortgage Backed Securities	23.72	Cash	3.73
Government Sovereign - EM	19.99	Derivatives	1.55
Government Related	16.94		

Fund statistics

Fund size ($m) (NZD)	334.10
Average Effective Duration (years)	5.42
Weighted Average Maturity	15.04
Average Credit Quality	A+
Current Yield (%)	6.25
Number of issues	96

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.