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?

October was a reminder of the benefits of diversification both within and across asset classes. Weakness among some of the largest technology companies was offset by strength in high-quality government bonds, which demonstrated their potential to provide protection when equity risk appetite deteriorates.

Government bonds rallied across developed markets in October as yields retreated from September's highs. The move coincided with a rotation towards higher-quality assets as equity market volatility increased.

In the U.S., economic data painted a mixed picture, with resilient growth and business activity offset by softer hiring and renewed inflation pressures. The Federal Reserve (Fed) left its benchmark policy rate unchanged at 3.75%-4.00%, as widely expected.

Across the Eurozone, France was a notable exception from the October bond rally as fiscal and political uncertainty pushed yields and spreads higher.

In the UK, attention was focused on the government's 2026 Autumn Budget. Despite a reduction in fiscal headroom, the Chancellor reiterated the government's commitment to its fiscal rules. With few major surprises in the announcement the market reaction was relatively muted.

Credit markets remained resilient in October, although spreads widened from recent lows as investors became more selective. Falling government bond yields provided a tailwind to longer-duration investment grade credit, while investors also favoured higher-quality corporate bonds amid pockets of stress elsewhere in markets.

What happened in the Fund?

The Fund returned 1.51% (after fees) over the month of October In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) which returned 1.63% over the same period.

An overweight position in Mexican government bonds contributed, supported by continued demand for attractive carry and a favourable macroeconomic backdrop.

An overweight position in German Bunds benefited from safe haven demand during the French bond market sell-off, while nominal growth boost from defence and infrastructure spending supported its credit quality outlook.

An overweight position in Brazilian local currency bonds detracted as an election surprise led to one of the biggest one-day moves in Brazilian assets in 25 years. Importantly, we don't believe it breaks the Brazilian local-debt thesis as real rates are the highest in the world, the external balance is improving with rising trade surplus, oil production pushing 4.5 million barrels per day and the central bank maintains historically elevated real policy rates.

Within active currency, an underweight position in the Euro was the strongest contributor amid French fiscal and political uncertainty. An overweight to the Colombian peso also contributed despite broader weakness across Latin American EM currencies, supported by central bank commentary indicating that interest rates would need to remain higher for longer.

What is the outlook?

We continue to expect resilient global growth, supported by an AI-led investment cycle broadening into infrastructure and defense spending, to keep interest rates structurally higher for longer. Elevated energy costs add inflationary pressure, but stronger underlying growth, not oil alone, remains the more important driver of higher bond yields, with inflation still running above target even as the Fed, ECB and Bank of Japan held rates in October. Regional divergence remains important, particularly in Europe, where renewed French fiscal stress and wider sovereign risk premiums are tightening financial conditions, weighing on growth and limiting the scope for further ECB hikes.

Credit spreads remain tight and financing broadly available, sustaining the investment boom, although October's AI-led equity selloff highlights the risks of debt-funded overinvestment and makes continued access to capital critical to the outlook. Following the sharp repricing that took yields to multi-decade highs before October's rebound, near-term risks for bond yields appear more balanced, as subdued hiring and limited evidence of second-round inflation effects argue against substantially more tightening than markets already anticipate. Across currencies, higher real yields, elevated energy costs and crowded positioning leave growth-sensitive currencies vulnerable to volatility.

Fund performance (%) as at 31 October 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	1.44	-0.26	1.64	2.10	5.30
Benchmark	1.63	-0.20	-0.50	-1.15	4.09

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.

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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	41.43
Mexico	13.71
United Kingdom	11.82
Australia	6.59
Colombia	5.00

Sector Allocations (%)

Government Sovereign - DM	31.67	Corporate	8.61
Securitised	23.68	Cash	4.50
Government Sovereign - EM	20.92	Derivatives	(0.48)
Government Related	11.11		

Fund statistics

Fund size ($m) (NZD)	337.46
Effective Duration (years)	5.71
Weighted Average Maturity	14.25
Average Credit Quality	A
Current Yield (%)	6.32
Number of issues	101

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

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

Michael Arno, CFA

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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