

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?

April was a strong month for markets, with investors looking past geopolitical uncertainty. Equities rose sharply, led by a renewed rally in AI-related stocks, with growth significantly outperforming value as appetite for AI exposure remained strong.

Fixed income returns were more mixed. Government bond yields were volatile amid higher oil prices, persistent inflation concerns and fiscal worries, while improving risk sentiment and solid earnings pushed credit spreads tighter. Emerging market debt outperformed, supported by attractive carry and a stable US dollar.

Regionally, inflation and policy expectations drove performance. In the US, rising oil prices and inflation fears raised concerns that policy easing could be delayed. UK gilts weakened as sticky inflation kept the Bank of England cautious, while Japanese government bonds underperformed after a more hawkish Bank of Japan signalled earlier rate hikes.

What happened in the Fund?

The Fund was up 1.75% (after fees) over the month of April. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was up 0.19% over the same period.

Both duration and currency exposure positively contributed to performance. 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 Australia, the US, Japan and the UK.

From a bond perspective, our overweight to local currency Hungarian bonds was the strongest contributor, the bonds rallied sharply on expectations that a more EU-friendly government could unlock frozen EU funds, with still-high local rates reinforcing the rally.

The Fund's U.S. corporate high yield exposure was positive as spreads narrowed over the month. After a selloff to begin the year, high yield has rallied alongside the broader risk-on sentiment driven by optimism around peace talks. Spreads are now sitting just above multi-decade tights, with fundamentals remaining solid and Q1 earnings coming in ahead of expectations.

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?

As 2026 progresses, we expect developed market bond yields to remain largely range-bound. Supportive fiscal policy, easing trade pressures and favourable financial conditions should underpin growth, but weakening labour momentum is likely to cap yield upside and keep central banks focused on downside risks.

Within this environment, cross-country divergence should persist. UK gilt yields have scope to fall as the Bank of England responds to softer labour conditions, easing inflation and fiscal drag, while eurozone yields may edge higher on the lagged effects of ECB easing and Germany's fiscal stimulus—supporting continued UK—eurozone spread compression.

In currencies, we expect further US dollar weakness through 2026. Stretched valuations, fading US growth exceptionalism, reduced global USD exposure and narrowing rate differentials as the Fed remains dovish should all weigh on the dollar.

Emerging market local currency bonds remain attractive, supported by high real yields, favourable FX valuations, limited macro imbalances and low foreign ownership, with a softer US dollar providing additional upside.

Fund performance (%) as at 30 April 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	1.75	-0.50	0.46	3.17	2.18
Benchmark	0.19	-0.52	-0.65	1.32	3.22

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	39.53
Australia	12.20
United Kingdom	7.39
Mexico	7.02
Italy	6.09

Sector Allocations (%)

Government Sovereign - DM	28.97	Corporate	9.60
Government Sovereign - EM	20.78	Cash	5.59
Mortgage Backed Securities	18.89	Derivatives	-0.98
Government Related	17.07		

Fund statistics

Fund size (\$m) (NZD)	307.31
Average Effective Duration (years)	4.87
Weighted Average Maturity	13.54
Average Credit Quality	A
Current Yield (%)	5.89
Number of issues	90

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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