

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 started the year on a positive note in January. Generally solid investor risk appetite, questions regarding future monetary policies, and reactions to several Trump administration proposals were some of the factors impacting the market.

The New Zealand dollar moved higher as commodity prices surged higher and inflation that exceeded expectations. The Australian dollar also benefited from higher commodity prices and increased speculation for a central bank rate hike in February.

The overall emerging market debt asset class rallied in January and most emerging market currencies rose versus the U.S. dollar.

U.S. investment-grade and high-yield spreads modestly narrowed during the month and generated positive total returns. Generally solid demand supported the credit markets. U.S. mortgage-backed security (MBS) spreads also narrowed and posted a positive total return in January.

What happened in the Fund?

The Fund was up 1.39% (after fees) over the month of January. In comparison the benchmark as measured by the Bloomberg Global Aggregate Bond Index (NZD) was up 0.14% over the same period. Both duration and currency exposures contributed positively to performance.

From a bond perspective the Fund's emerging market debt exposure was the strongest contributor over the month, mainly driven by our local currency exposures across Latin America (Mexico, Colombia & Brazil). The cyclical backdrop remains favourable emerging markets and the sector should continue to benefit as global investors reduce their U.S. asset concentration.

The Fund's US Treasury exposure contributed positively over the month. Although the front end of the curve sold off, our longer-dated positioning was comparatively resilient, supported by the higher yields and embedded term premium available at the long end.

Within credit markets, our U.S. agency MBS exposure was accretive as solid demand led to spreads narrowing within the sector.

Within active currency, an underweight position in the U.S. dollar was the strongest contributor to performance as the U.S. dollar hit a four-year low. President Trump's view that he is comfortable with a weaker greenback, concerns over the Fed's independence, the "sell America" trade, and ongoing trade risks undermined confidence in the world's reserve currency.

What is the outlook?

As 2026 begins, 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 European Central Bank 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 31 January 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	1.39	0.96	2.92	6.83	2.31
Benchmark	0.14	-0.13	1.62	3.49	3.73

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	48.44
Australia	11.92
United Kingdom	7.76
Mexico	7.27
Brazil	4.93

Sector Allocations (%)

Government Sovereign - DM	37.65	Government Related	6.57
Government Sovereign - EM	17.50	Cash	6.26
Mortgage Backed Securities	18.95	Derivatives	3.87
Corporate	9.19		

Fund statistics

Fund size (\$m) (NZD)	306.91
Average Effective Duration (years)	3.59
Weighted Average Maturity	12.27
Average Credit Quality	A+
Current Yield (%)	5.22
Number of issues	88

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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