

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?

After April's euphoria, markets remained constructive in May as investors continued to price in geopolitical de-escalation. Both equity and fixed income markets posted gains for the month.

The global fixed income market delivered modest gains following significant intra-month volatility. Uncertainty over the growth impact of the Middle East conflict weighed on markets and CPI data confirmed rising inflationary pressures in the global economy.

After falling in April, the U.S. dollar rallied in May, supported by safe-haven demand, firmer Treasury yields and expectations that persistent energy-driven inflation could keep the Fed more cautious.

In the UK, gilts outperformed the global government bond market as UK inflation came in lower than expected and a deteriorating labour market drove yields lower at the end of the month.

Credit markets were supported by solid corporate fundamentals, which pushed energy-crisis risks into the background. U.S. investment-grade spreads and high-yield spreads narrowed during the month and generated positive total return.

What happened in the Fund?

The Fund was up 0.94% (after fees) over the month of May. In comparison the benchmark as measured by the (Bloomberg Global Aggregate Bond Index (NZD)) was up 0.52% over the same period.

Duration positively contributed to performance while currency exposure modestly detracted.

From a bond perspective, our overweight to UK gilts was the strongest contributor, gilts outperformed as UK inflation came in lower than expected and a deteriorating labour market drove yields lower at the end of the month.

An overweight to the Chilean peso was the strongest contributor. The peso benefited from strong copper prices, with Cochilco raising its 2026 average copper-price forecast and spot copper remaining elevated in May. The central bank's cautious tone around energy-driven inflation uncertainty also helped limit expectations for aggressive near-term monetary easing.

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, the US, and Italy.

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 continues, 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 labor-market fragility. Policy support and broadly resilient financial conditions should continue to cushion activity, but the backdrop has become less clearly benign.

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 May 2026

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.
Fund (net)	0.94	0.03	1.45	4.24	2.61
Benchmark	0.52	-1.30	-0.23	2.27	3.54

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	34.37
United Kingdom	14.27
Australia	12.35
Mexico	9.84
Italy	6.11

Sector Allocations (%)

Government Sovereign - DM	26.87	Corporate	9.13
Government Sovereign - EM	22.20	Cash	5.69
Mortgage Backed Securities	18.46	Derivatives	0.65
Government Related	17.00		

Fund statistics

Fund size (\$m) (NZD)	316.71
Average Effective Duration (years)	5.61
Weighted Average Maturity	13.85
Average Credit Quality	A
Current Yield (%)	6.02
Number of issues	89

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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