

DEC 2021 | Commentary

BRANDYWINE GLOBAL INCOME OPTIMISER FUND

Investment objective

The Fund's investment objective is to seek to generate a high and consistent level of income in all market conditions over a full market cycle with a secondary objective of capital preservation.

Performance (%)						Fund details	
	1 mth	3 mths	6 mths	1 yr	3 yr pa	Inception date	May 2017
Fund (net)	0.69	-0.44	-0.51	0.90	8.16	ISIN	AU60SSB05156
Calendar year performance (%)						APIR	SSB0515AU
	2020	2019	2018	2017	2016		
Fund (net)	15.12	8.95	-1.33	-	-		

Monthly review

What happened in the market?

The rapidly spreading Omicron variant continued to impact the global financial markets in December and triggered uncertainties regarding future growth. Meanwhile, economic data released were mixed during the month and inflation remained elevated in many parts of the world. In the U.S., the final reading for fourth quarter annualized GDP growth was 2.3%, versus an initial 2.0% print. Third quarter GDP growth in the eurozone was 2.2% quarter-over-quarter and 1.1% in the U.K. In contrast, Japan's economy contracted at a 3.6% annualized pace during the third quarter. This downturn was driven by several factors, including supply chain disruptions that tempered both exports and business spending, while the Omicron variant led to weak consumer consumption.

What happened in the Fund?

The Fund returned 0.69% (net of fees) for the month of December 2021. The key contributor to performance for the month was the exposure to corporate high yield. From a lower quality credit perspective, the overall U.S. high-yield market rallied in December, boosting its strong 2021 return. Losses booked from the sector in the previous two months were more than recouped as better than expected news flow on the Omicron variant was digested by markets.

What is the outlook?

Overall, the Fund positioning is slowly moving towards a more defensive posture. In the credit space, Brandywine views spreads as a battle between micro and macro. In the micro corner, positive fundamentals, elevated profit margins, and a long maturity runway all set up for a low default environment over the short- and medium-term horizon. The macro environment becomes less inviting. Rate hikes, balance sheet contraction, and less support fiscally will weigh on risk assets over the coming year. Which force wins out ultimately results from how aggressive policy makers are and whether corporations can manage through a less accommodating backdrop. Given the uncertainty, the strategy has become highly selective in the companies and sectors it holds and pairs the risk with a combination of developed duration and cash. We see the central banks continuing to become more politicized. Officials from both the left and right side of the political aisle will push for a more aggressive stance against inflation. The political pressure could lead central bank officials to remove accommodation too aggressively rather than allowing economic forces to curb inflation. The team believes removing quantitative easing, along with the expectation of quantitative tightening, over the next year could have a meaningful impact to asset levels given the strong correlation it's had in the past.

Highlights

- Aims to provide an attractive and stable income by investing across diverse sources of income in global fixed income markets
- Seeks the best global income opportunities, with a strong focus on protecting capital
- Seeks to limit downside risk by rotating risk across different sectors of the fixed income market and through tactical hedging of credit and interest rate risk

About us

Franklin Templeton

Franklin Resources, Inc., is a global investment management organisation, operating as Franklin Templeton, which is headquartered in California. Franklin Resources, Inc., provides, through its subsidiaries, deep investment expertise across all asset classes - including equity, fixed income, and multi-asset solutions. Franklin Resources, Inc. is listed on the New York Stock Exchange and has employees in over 34 countries.

Brandywine Global

Acting with conviction and discipline, Brandywine Global looks beyond short-term, conventional thinking to rigorously pursue long-term value. Since 1986, Brandywine Global has provided a range of differentiated fixed income, equity and alternative solutions from its headquarters in Philadelphia, USA and offices around the globe.



Ratings

Quantitative



The Brandywine Global Income Optimiser Fund received an overall rating of 5 stars out of 72 Global Multi-Strategy Income as of 30 September 2021.

Qualitative



Meet the team

The Fund is led by a team of long-tenured investment professionals who provide a broad range of experience across global sovereign bond, currency, emerging market debt, and corporate and structured credit markets. The portfolio management team includes:

Brian L Kloss, JD, CPA

Portfolio Manager

With firm since 2009

Jack P McIntyre, CFA

Portfolio Manager

Anujeet Sareen, CFA

Portfolio Manager

With firm since 2016

Tracy Chen, CFA, CAIA

Portfolio Manager, Structured Credit

For enquiries, please contact Client Services team on 1800 673 776, email auclientadmin@franklintempleton.com or visit franklintempleton.com.au.

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To make an initial investment in the Brandywine Global Income Optimiser Fund in accordance with the TMD, a retail investor must have received appropriate financial advice. Please call our Client Services team at 1800 673 776 to obtain the Application Form. Issued by Franklin Templeton Australia Limited (ABN 76 004 835 849, AFSL 240827). Franklin Templeton Australia Limited as Responsible Entity has appointed Brandywine Global Investment Management LLC as the fund manager of the Brandywine Global Income Optimiser Fund (ARSN 618 213 488). **Lonsec Rating** (assigned as follows: Legg Mason Brandywine Global Income Optimiser Fund - March 2021) presented in this document are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421445. The Ratings are limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial products. 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