

Objectives

The Euro Aggregate strategy seeks to outperform its benchmark by an average of 75 to 100 bps per year and targets an annualized average tracking error of approximately 150 to 200 bps over the course of a market cycle. However, the Firm provides customized solutions for each of its Euro Aggregate fixed-income clients to ensure the risk and return objectives are tailored to meet the unique objectives of each client.

The return target provided is gross of fees and based on current economic and market conditions and is subject to change based on a change in these conditions. Actual results may be greater or less than the target, and there is no guarantee any target will be achieved.

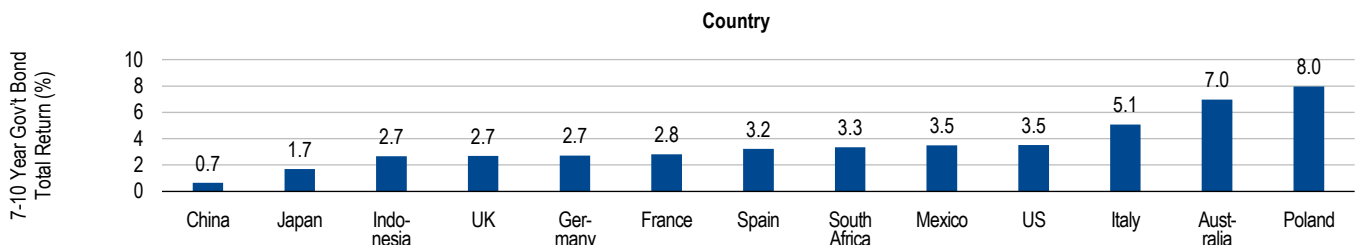
Market Review

During the first quarter of 2023, bond yields fell and risk assets were mixed as investors shifted from a narrative of a “higher for longer” fed funds rate to significantly repricing the Federal Reserve’s (Fed) interest rate trajectory later in the quarter, on the back of banking sector concerns. Credit spreads were mixed while the S&P 500 rose.

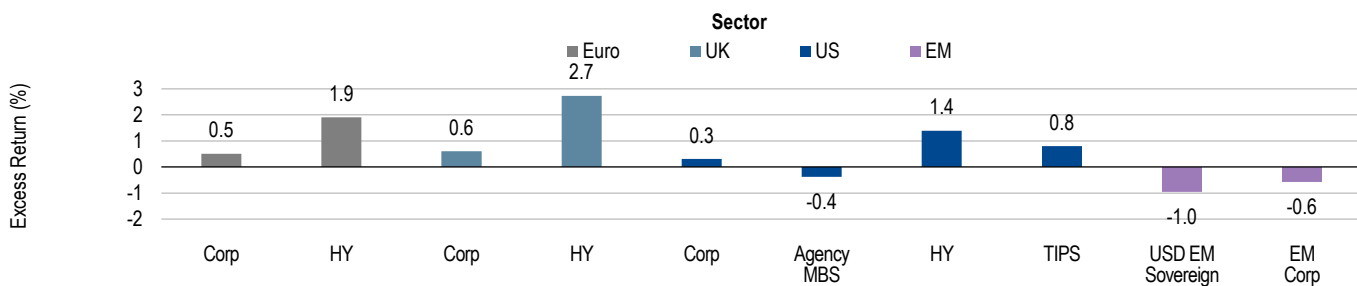
Developments in the banking sector came to the forefront during the latter part of the quarter. Medium-sized regional banks—Silicon Valley Bank and Signature Bank—were shut down and taken over by the Federal Deposit Insurance Corporation (FDIC) after the banks failed to stem deposit outflows. The events triggered bank runs and financial stability concerns at similarly sized regional banks, but contagion risks were mitigated when the FDIC announced that it would guarantee uninsured deposits at the two banks. The Fed and Treasury also

launched the Bank Term Funding Program, a new emergency liquidity provision tool that allowed banks to borrow in exchange for eligible collateral—at par—to fund potential deposit outflows.

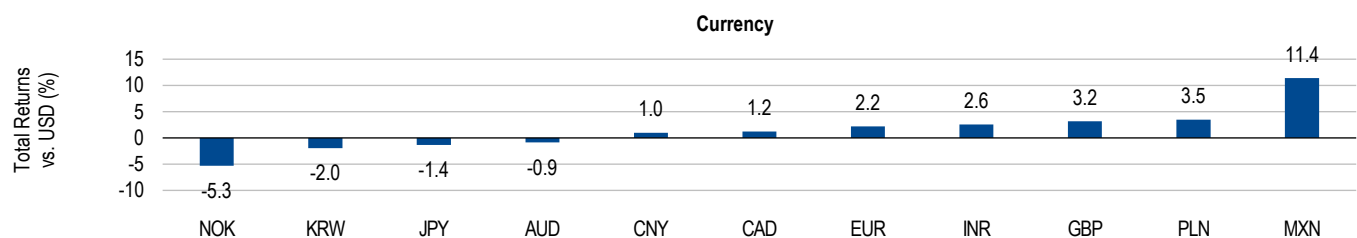
In terms of US economic data, inflation reports during the quarter appeared to add to evidence of a bumpy path for inflation; although inflation moderated during the quarter in year-over-year (YoY) terms, it appeared to show a slower pace of disinflation compared to previous months. Headline Consumer Price Index (CPI) moderated to 6.0% YoY in February, from 6.5% in December. Core CPI—excluding food and energy components—decelerated from 5.7% YoY in December to 5.5% in February. Employment reports were mixed during the quarter. Nonfarm payrolls were strong and exceeded expectations—rising 504,000 and 311,000 in January and February, respectively—despite anecdotal evidence of increased layoffs in certain sectors of the



Source: Bloomberg, J.P. Morgan. As of 31 Mar 23



Source: Bloomberg, ICE BofA. As of 31 Mar 23



Source: Bloomberg. As of 31 Mar 23

economy, including the tech sector. The unemployment rate, however, ticked higher to 3.6% versus the 53-year low of 3.4% at the beginning of the quarter, while the participation rate increased to 62.5%, its highest level since March 2020. Average hourly earnings increased 4.6% YoY in February, down slightly from the 4.8% YoY increase seen at the end of last year. Fed officials pressed on with rate hikes, but at a slower pace compared to recent months. During the quarter, the Federal Open Market Committee (FOMC) hiked the fed funds target rate by a total of 50 basis points (bps)—25 bps each in February and March, versus the 50-bp hike in December—to a target range of 4.75%-5.00%.

The European Central Bank (ECB) delivered two 50-bp rate hikes to raise the deposit facility rate to 3.00%, as expected. However, an initially hawkish message earlier in the quarter was counterbalanced by the

ECB's removal of previous guidance from its policy statement in March, though during her March press conference, ECB President Christine Lagarde reiterated that the ECB was not "waning on our commitment to fight inflation, and we are determined to return inflation back to 2%." In March, the Swiss government, central bank and market regulator orchestrated the state-backed takeover of Credit Suisse by UBS for 3 billion Swiss francs (\$3.3 billion). In an unprecedented move, Swiss officials forced Credit Suisse's AT1 securities to be written down to zero and subordinated to equity.

During the quarter, credit spreads were mixed as high-yield corporate spreads tightened while investment-grade spreads widened. Hard currency emerging market (EM) bond spreads widened, while EM local yields fell.

Performance

Western Asset's Euro Aggregate Composite returned 2.36% gross of fees in 1Q23, outperforming the composite's primary benchmark, which returned 2.16%. For the past 12 months, the composite returned -10.82% gross of fees versus -10.59% for the benchmark.

Benchmark: FTSE EuroBIG Index EUR Unhedged

Returns (%) as of 31 Mar 23	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr	SI*
Composite (gross)	2.36	-10.82	-3.06	-1.43	1.34	2.96
Composite (net)	2.29	-11.09	-3.38	-1.74	1.03	2.64
Benchmark	2.16	-10.59	-4.68	-1.99	0.77	3.07

Returns (%) as of 31 Dec 22	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr	SI*
Composite (gross)	0.15	-17.49	-4.99	-1.73	1.15	2.88
Composite (net)	0.07	-17.74	-5.30	-2.04	0.84	2.56
Benchmark	-1.25	-17.17	-5.74	-2.26	0.60	3.00

Source: Western Asset *Since Inception: 01 Mar 02

Past investment results are not indicative of future investment results. Returns for periods greater than one year are annualized. Gross-of-fees returns are presented before management fees, but after all trading expenses. Net-of-fees results are calculated using a model approach whereby the current highest tier of the appropriate strategy's fee schedule is used. Effective January 1, 2020, for annual periods where the actual account weighted fees are higher than the composite model fee, the actual account weighted fees will be used for the net-of-fee composite return calculations. Net-of-fee composite return calculations using actual account weighted fees may include fund returns that incur higher fees than those applied to separately managed accounts. Please see Performance and Risk Disclosure for more information.

Performance Scorecard

We thought that ...	Therefore, we ...	And the results ...	
Supply chains would slowly normalize, and global central bank tightening and negative real incomes would dampen consumption, which would see growth and inflation moderate. This in turn should see yields edge lower over time. We still believed that duration could serve as a valuable diversification strategy and risk-off hedge.	Began the quarter with an overweight to overall portfolio duration. During the quarter, as yields fell, reduced exposure to US, core European and UK duration. Maintained an underweight in Japanese duration during the quarter.	Duration positioning had a positive impact on performance as yields fell over the quarter.	+
Longer-dated US Treasuries (USTs) would continue to provide useful diversifying properties to other risk positions in the portfolio. An underweight to the intermediate part of the yield curve would provide some protection if yields continued to rise.	Held an overweight exposure at the longer end of the US yield curve and an underweight in intermediate maturities.	Yield-curve positioning detracted modestly.	-
There were additional signs that global headline inflation rates were on a downward trajectory. Core inflation remained sticky; however, energy prices had moderated significantly and should feed indirectly into lower core inflation. Long-term inflation expectations in the US had declined sharply versus their German counterparts, a trend we expected to reverse.	Closed a short position in 5-year UK inflation swaps. Initiated an allocation to be long US inflation swaps versus short German inflation swaps on the anticipation that inflation expectations in the US would rise relative to Germany, reversing the recent moves.	The short position in UK inflation-linked swaps added to returns as inflation expectations declined in January. Long-term inflation expectations in the US increased relative to those in Germany, adding to returns.	+
Italian spreads could widen as the ECB tapered asset purchases. Over time, EM rates and flows should benefit from the attractive real rate differential versus DM countries.	Held a modest overweight to Spanish government bonds. Maintained a modest overweight to Poland. Closed allocation to Norway.	Country exposure added to returns.	+
Investment-grade corporate bond spreads had narrowed from the highs in October 2022 and warranted caution given the macroeconomic uncertainty. Certain subsectors and issuers still had further upside.	Within credit, favoured European financials and an allocation to USD-denominated industrials with a focus on select reopening industries such as energy and airlines.	An overweight to investment-grade corporates detracted as spreads widened sharply following the events in the banking sector in March.	-
Select high-yield corporate bonds offered attractive income and potential for credit ratings upgrades into investment-grade in select names.	Where permitted, held a limited exposure to high-yield bonds, primarily rising-star candidates.	High-yield corporate bonds added to returns.	+
Global political and economic conditions would slowly improve. The recent rebound in Chinese growth would bolster growth prospects across the wider EM space and even the global economy. The Norwegian krone and Swedish krona would recover.	Held modest exposure to the Norwegian krone and Swedish krona.	Currency exposure detracted as the Norwegian krone continued to weaken.	-

Investment Outlook

In line with our expectations, global growth appears to be downshifting and inflation is trending lower. Declining new order activity, rising inventories and improving supply chains worldwide have resulted in lower manufacturing inflation. Signs of moderating price pressures are also evident across service sectors, globally. These trends, combined with the major central banks continuing to advocate for tight monetary policy, should further temper growth and inflation. In the US, ongoing rate hikes and the Fed's intent to maintain a restrictive policy stance are weighing on inflation expectations, wage growth and housing activity. That stated, our view is that the Fed is in a position to pause and that the US will avoid a recession. In Europe, the outlook is mixed as demand has improved and the labor market remains buoyant, albeit with forward-looking growth indicators pointing to additional softening. Meanwhile, macro conditions in the UK continue to deteriorate—deeply

negative real wage growth and higher costs of living (e.g., energy and food prices) have crimped discretionary spending and pushed consumer confidence to all-time lows. The one bright spot in the global picture is China, where we see broad policy accommodation (to support the reopening of its economy following the end of its zero-Covid strategy) acting as a positive growth catalyst for Asia and EM as a whole. As global growth and inflation continue to moderate, and recent concern over the stability of the US and EU banking systems abates, we expect developed market (DM) government bond yields to trend lower. In such an environment, we anticipate that the US dollar will weaken modestly and that EM—where central banks are at the end of their tightening cycle—will outperform. Credit markets currently offer attractive value but we acknowledge that they remain vulnerable to unanticipated shifts in macro-related sentiment, geopolitical developments and the risk of central bank overtightening.

The ECB has raised rates sharply, including by 50 bps in March despite concerns over financial stability following events in the banking sector, and balance sheet reduction is underway. Headline inflation has begun to fall, though core inflation remains elevated, which is behind the expectation of further monetary policy tightening, especially as financial stability worries subside. The ECB should be pleased, however, to see the recent fall inflation expectations, which further lowers the risk of de-

anchoring. The recent turmoil in the banking sector should further tighten credit lending conditions. For these reasons, along with a view that we will observe sharper falls in inflation in coming months, we believe that the market will not return to expecting the ECB to lift its Deposit Rate above 4%, as it did in 1Q23. This should provide support for European bond markets and yields are anticipated to decline modestly.

Portfolio Exposure

Sector Exposure	Portfolio (MV%)	Benchmark (MV%)
Governments	43.97	55.34
Inflation-linked	1.42	0.00
Supranationals	3.76	13.12
Agencies	1.01	1.87
ABS	0.00	1.34
Covered Bonds	0.00	4.98
Senior Financials	19.97	8.12
Subordinated Financials	2.95	1.19
Industrials	10.95	9.80
Utilities	0.33	2.24
High Yield	2.34	0.00
Local Emerging Markets	1.34	0.00
Emerging Market Corporates	1.15	0.30
EUR Emerging Markets	2.03	1.69
USD Emerging Markets	2.97	0.00
Other	0.00	0.01
Cash/Cash Equivalents	5.79	0.00
Total	100.0	100.0

Source: Western Asset. As of 31 Mar 23

Quality Exposure*	Portfolio (MV%)	Benchmark (MV%)
AAA	20.11	29.83
AA	25.74	27.88
A	20.86	18.37
BBB	23.29	21.27
<BBB	4.20	0.00
Not Rated	0.00	2.65
Cash & Cash Equivalents	5.79	0.00
Total	100.0	100.0

Source: Western Asset. As of 31 Mar 23 *Higher Of

Note: Sector allocation includes look-through to any underlying commingled vehicles if held. All weightings are a percentage of total market value. A negative cash position may be reported, which is primarily due to the portfolio's unsettled trade activity.

Definition of Terms

Adjusted Spread Duration is spread duration scaled by the level of each security's spread to account for different spread volatilities.

Duration is the option-adjusted price sensitivity to a parallel shift in interest rates.

Option Adjusted Spread (OAS) is a measure of expected excess return over the risk-free rates that considered embedded options and possible pre-payments.

Spread Duration is the option-adjusted price sensitivity to the change in option adjusted spread.

Yield-to-Worst (YTW) is the lesser of yield-to-maturity or yield-to-call across all known call dates.

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Rolling 1-Year Performance Returns Period Ending:	31 Mar 23	31 Mar 22	31 Mar 21	31 Mar 20	31 Mar 19
Euro Aggregate Composite (gross of fees)	-10.82%	-5.52%	8.12%	1.15%	1.01%
Euro Aggregate Composite (net of fees)	-11.09%	-5.86%	7.77%	0.85%	0.70%
FTSE EuroBIG EUR Unhedged Index	-10.59%	-6.30%	3.38%	2.19%	2.16%

Base Currency: EUR

*Date of Inception: March 1, 2002

Past investment results are not indicative of future investment results. Source for performance figures is Western Asset. Please refer to the Performance Disclosure for more information. Currency exchange rate fluctuations will impact the value of your investment.

The value of investments and the income from them may go down as well as up and you may not get back the amount you originally invested.

Investment Risks:

The strategy does not offer any capital guarantee or protection and you may not get back the amount invested. The strategy is subject to the following risks which are materially relevant but may not be adequately captured by the indicator:

Currency: Changes in exchange rates between the currencies of investments held by the strategy and the strategy's base currency may negatively affect the value of an investment and any income received from it.

Low-rated Bonds: The strategy may invest in lower rated or unrated bonds of similar quality, which carry a higher degree of risk than higher rated bonds.

Interest Rates: Changes in interest rates may negatively affect the value of the strategy. Typically as interest rates rise, bond values fall.

Counterparties: The strategy may suffer losses if the parties that it trades with cannot meet their financial obligations.

Bonds: There is a risk that issuers of bonds held by the strategy may not be able to repay the investment or pay the interest due on it, leading to losses for the strategy. Bond values are affected by the market's view of the above risk, and by changes in interest rates and inflation.

Derivatives: The strategy makes significant use of derivatives. The use of derivatives can result in greater fluctuations of the portfolio's value.

Concentrated: The strategy's investment approach may result in the strategy being focused in one, or a small number of, countries, sectors or asset classes compared to other investment strategies. This means that the strategy may be more sensitive to economic, market, political or regulatory events than other strategies that invests across a broader range of countries, sectors and asset classes.

Asset-Backed Securities: The timing and size of the cash-flow from asset-backed securities is not fully assured and could result in loss for the strategy. These types of investments may also be difficult for the strategy to sell quickly.

Emerging Markets: The strategy may invest in the markets of countries which are smaller, less developed and regulated, and more volatile than the markets of more developed countries.

This strategy is managed by Western Asset. This information is only for use by professional clients, eligible counterparties or qualified investors. It is not aimed at, or for use by, retail clients.

Euro Aggregate Composite

Composite Inception Date: 03/1/2002 | Composite Creation Date: 03/1/2002

	No. of Accts	Gross Total Return	Net Total Return	Benchmark Total Return	Gross Total 3-Yr St Dev	Benchmark Total 3-Yr St Dev	Internal Dispersion	Mkt. Value EUR Mil	Percentage of Firm Assets	Firm Assets EUR Mil
2013	3	1.55%	1.24%	2.12%	3.76%	3.69%	-na-	232	0.07%	327,756
2014	3	12.21%	11.87%	11.16%	3.40%	2.78%	-na-	244	0.06%	385,138
2015	3	1.28%	0.97%	1.06%	4.36%	3.45%	-na-	307	0.08%	399,288
2016	3	4.41%	4.10%	3.26%	4.32%	3.51%	-na-	302	0.08%	397,447
2017	3	1.49%	1.19%	0.53%	4.35%	3.52%	-na-	359	0.10%	363,349
2018	3	-0.58%	-0.88%	0.45%	3.19%	2.77%	-na-	344	0.09%	371,024
2019	2	7.50%	7.18%	5.99%	3.03%	2.86%	-na-	189	0.05%	405,591
2020	2	6.10%	5.79%	4.09%	4.61%	3.61%	-na-	176	0.04%	392,146
2021	1	-2.03%	-2.40%	-2.86%	4.69%	4.01%	-na-	139	0.03%	429,555
2022	1	-17.49%	-17.74%	-17.17%	7.75%	6.56%	-na-	133	0.04%	367,070

Description: The Western Asset Euro Aggregate strategy aims to maximize total return and add value through duration and curve positioning, sector, country and currency allocation, and security selection, while approximating benchmark risk. The strategy invests in a diversified portfolio using all major fixed-income sectors with a bias toward euro-denominated securities. The strategy allows for opportunistic investments in high-yield and non-euro securities provided the currency exposure is primarily hedged to euros.

Benchmark Description: The current benchmark is the FTSE EuroBIG Index EUR Unhedged.

Base Currency: EUR | **Composite Minimum:** No minimum asset size requirement as of 1/1/2021 (previously EUR25 million).

Current Fee Schedule: .30 of 1% on the first EUR75 million, .15 of 1% on amounts over EUR75 million.

Effective 1 January 2021, the Euro Aggregate Composite has been redefined to broaden the inclusion of accounts by removing quality constraints.

Western Asset claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Western Asset has been independently verified for the periods from January 1, 1993 to December 31, 2021.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Euro Aggregate Composite has been examined for the period of March 1, 2002 to December 31, 2021. The verification and performance examination reports are available upon request.

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Composite returns are measured against a benchmark, when applicable. The benchmark is unmanaged and provided to represent the investment environment in existence during the time periods shown. For comparison purposes, its performance has been linked in the same manner as the Composite. The benchmark presented was obtained from third party sources deemed reliable but not guaranteed for accuracy or completeness. Benchmark returns and benchmark three-year annualized ex-post standard deviation are not covered by the report of independent verifiers.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the Composite for the entire year. Periods with five or fewer accounts are not statistically representative and are not presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period.

Past investment results are not indicative of future investment results. Information contained herein is believed to be accurate, but cannot be guaranteed. Employees and/or clients of Western Asset may have a position in the securities mentioned.

Western Asset's list of composite descriptions, limited distribution pooled fund descriptions, and broad distribution pooled funds are available upon request. Please contact Derek Fan at 626-844-9465 or derek.fan@westernasset.com. All returns for strategies with inception prior to January 1, 2013 are available upon request.

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