

SEMI-ANNUAL REPORT AND SHAREHOLDER LETTER

FRANKLIN QUOTENTIAL PROGRAM

June 30, 2020



FRANKLIN
TEMPLETON®

Franklin Quotential Portfolios

The enclosed semi-annual financial statements have not been reviewed by the external auditors of the Funds.

Dear Investor,

The year 2020 has been marked by historic levels of volatility and some wild swings in global equity markets. A strong second quarter meant many of the losses of March's drawdown were recouped, but there remains a great deal of uncertainty regarding COVID-19. Throughout the pandemic, our top priority has been the well-being of our staff and clients.

It is no doubt a challenging time for investors, but it is our belief that these periods emphasize the importance of active management and diversification in your portfolio, as well as the value of professional investment advice.

In good times and bad, a well-diversified portfolio of equity and fixed income holdings is the best way to limit risk and protect your assets. As a result, we continue to enhance our product suite to reflect the changing dynamics of the investment industry. Most recently, we introduced Franklin Global Aggregate Bond Fund to our growing fixed income lineup.

Building on our existing product shelf and adding innovative new solutions with lower fees is a priority for Franklin Templeton going forward.

If you would like to learn more about our full range of investment solutions and how they can benefit your portfolio, please contact either your own advisor, or our Client Services team at 1 (800) 387-0830. I also encourage you to visit our website at www.franklintempleton.ca.

Thank you for investing with us.

Sincerely,



Duane W. Green
President and Chief Executive Officer
Franklin Templeton Canada.

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Franklin Quotential Balanced Growth Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited)

	Units/Shares	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 99.17%			
UNDERLYING FUNDS: 68.16%			
Franklin Bissett Canadian Equity Fund	716,658	\$ 82,869	\$ 103,796
Franklin Bissett Canadian Government Bond Fund.....	16,758,403	165,465	178,338
Franklin Bissett Core Plus Bond Fund	16,144,245	243,248	263,918
Franklin Bissett Short Duration Bond Fund	6,469,794	68,293	68,686
Franklin Canadian Core Equity Fund.....	8,844,863	85,203	77,204
Franklin Emerging Market Core Equity Fund	3,897,616	39,892	39,554
Franklin International Core Equity Fund	9,155,875	89,508	89,362
Franklin U.S. Core Equity Fund	13,896,920	137,821	155,645
Franklin U.S. Opportunities Fund	1,612,400	39,965	92,083
Franklin U.S. Rising Dividends Fund	1,069,033	54,593	94,324
Templeton Emerging Markets Fund.....	1,607,525	35,672	35,068
Templeton Global Bond Fund	4,436,262	54,921	50,540
Total Underlying Funds:		<u>1,097,450</u>	<u>1,248,518</u>
EXCHANGE-TRADED FUNDS: 31.01%			
Franklin FTSE Canada All Cap Index ETF	5,285,515	108,222	106,491
Franklin FTSE Europe Ex U.K. Index ETF.....	1,688,900	35,365	36,227
Franklin FTSE U.S. Index ETF	5,003,850	108,209	118,291
Franklin Liberty Global Aggregate Bond ETF	5,299,255	110,312	114,199
Franklin LibertyQT U.S. Equity Index ETF	2,617,220	57,979	66,556
iShares Core MSCI EAFE ETF	1,106,260	90,214	85,843
iShares Core MSCI Emerging Markets ETF	624,160	41,742	40,333
Total Exchange-Traded Funds:		<u>552,043</u>	<u>567,940</u>
Total Investments:		<u>1,649,493</u>	<u>1,816,458</u>
		Principal Amount in Currency of Issue	
SHORT-TERM SECURITIES: 0.88%			
Royal Bank of Canada, Term Deposit, 0.15%, 7/2/2020.....	16,100,000 CAD	16,100	16,100
Total Short-Term Securities:		<u>16,100</u>	<u>16,100</u>
TOTAL INVESTMENTS: 100.05%		<u>\$ 1,665,593</u>	1,832,558
NET UNREALIZED LOSS ON DERIVATIVES: (0.01%)			(101)
OTHER ASSETS, less liabilities: (0.04%)			(902)
TOTAL NET ASSETS: 100.00%			<u>\$ 1,831,555</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited) (Continued)

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at June 30, 2020)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	September 21, 2020	16,991 USD	\$23,062	22,961 CAD	\$22,961	\$1.35	<u>\$(101)</u>
Total Number of Contracts	1							<u>\$(101)</u>
Net Unrealized Loss on Forward Exchange Contracts								<u>\$(101)</u>
Net Unrealized Loss on Derivatives								<u>\$(101)</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 (Unaudited) and December 31, 2019

	2020	2019		2020	2019
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets					
Current assets					
Non-derivative investments at fair value	\$ 1,832,558	\$ 1,944,557	Series A	69,364,200	76,084,659
Unrealized gain on derivatives	—	989	Series F	2,572,474	2,861,873
Cash			Series FT	141,454	162,419
Canadian	66	37	Series I	10,051,029	10,851,986
Receivables			Series O	68,845,868	73,324,169
Margin and collateral (Note 3(e))	219	—	Series OT	893,203	906,974
Investment securities sold	54	—	Series PA	13,242,417	13,365,104
Subscription of redeemable units	81	147	Series PF	8,381,502	8,451,348
Distributions and dividends	1,390	8,882	Series PFT	752,595	739,370
Other assets (Note 5(f))	30	110	Series PT	988,860	1,005,822
	<u>1,834,398</u>	<u>1,954,722</u>	Series T	7,589,975	7,879,046
			Net assets attributable to holders of redeemable units per unit — CAD		
Liabilities			Series A	\$ 8.16	\$ 8.18
Current liabilities			Series F	9.91	9.88
Unrealized loss on derivatives	101	—	Series FT	6.72	6.99
Payables			Series I	9.16	9.15
Investment securities purchased	36	—	Series O	12.25	12.14
Redemption of redeemable units	505	628	Series OT	7.99	8.25
Management fees	1,492	1,622	Series PA	10.65	10.66
Fixed administration fees	196	213	Series PF	10.76	10.71
Distributions to unitholders	513	573	Series PFT	12.02	12.47
	<u>2,843</u>	<u>3,036</u>	Series PT	14.16	14.78
			Series T	5.62	5.87
Net assets attributable to holders of redeemable units	<u>\$ 1,831,555</u>	<u>\$ 1,951,686</u>	Net assets attributable to holders of redeemable units per unit — USD		
Net assets attributable to holders of redeemable units per series (000s)			Series A	\$ 6.01	\$ 6.30
Series A	\$ 565,880	\$ 622,264	Series F	7.30	7.61
Series F	25,493	28,277	Series I	6.75	7.05
Series FT	951	1,135	Series O	9.02	9.35
Series I	92,105	99,337	Series PA	7.84	8.21
Series O	843,167	889,913	Series PF	7.92	8.25
Series OT	7,135	7,484			
Series PA	140,983	142,423			
Series PF	90,156	90,493			
Series PFT	9,044	9,222			
Series PT	14,004	14,863			
Series T	42,637	46,275			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF COMPREHENSIVE INCOME For the six months ended June 30, 2020 and 2019 (Unaudited)

	2020	2019		2020	2019
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	71,948,602	90,257,460
Distributions received from underlying funds (Note 3(h))	\$ 10,842	\$ 13,123	Series F	2,660,293	3,049,557
Dividends	6,880	6,698	Series FT	154,038	160,560
Interest for distribution purposes (Note 3(h))	70	469	Series I	10,367,567	11,838,609
Net realized and/or unrealized foreign exchange gain (loss)	(115)	(48)	Series O	70,996,191	81,978,435
Net realized gain (loss) on investments and derivatives (Note 3(h))	2,839	51,805	Series OT	907,361	1,083,109
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(6,838)	118,935	Series PA	13,424,760	13,128,693
	<u>13,678</u>	<u>190,982</u>	Series PF	8,462,961	8,150,751
Total income (loss), net			Series PFT	768,110	985,349
			Series PT	1,016,843	728,830
Expenses			Series T	7,706,339	8,916,509
Management fees (Note 5(a))	9,025	10,487	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Fixed administration fees (Note 5(b))	1,183	1,383	Series A	\$ (0.03)	\$ 0.66
Independent review committee fees	1	1	Series F	0.02	0.80
Other expenses (Note 5(e))	1	—	Series FT	(0.08)	0.62
Operating expenses before amounts waived/paid by Manager	10,210	11,871	Series I	(0.01)	0.73
Operating expenses waived/paid by Manager	(203)	(253)	Series O	0.09	1.05
Net operating expenses after amounts waived/paid by Manager	10,007	11,618	Series OT	0.07	0.78
Transaction costs (Note 9)	56	278	Series PA	(0.03)	0.55
Withholding tax expense	214	298	Series PF	0.04	0.87
Total expenses, net	<u>10,277</u>	<u>12,194</u>	Series PFT	0.03	1.19
			Series PT	(0.03)	0.81
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>\$ 3,401</u>	<u>\$ 178,788</u>	Series T	(0.03)	0.51
			• Series PA and PT launched January 25, 2019		
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)					
Series A	\$ (2,464)	\$ 59,881			
Series F	78	2,461			
Series FT	(12)	98			
Series I	(176)	8,694			
Series O	6,324	86,195			
Series OT	65	843			
Series PA	(577)	7,191			
Series PF	348	7,106			
Series PFT	20	1,178			
Series PT	(29)	594			
Series T	(176)	4,547			

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s)

	All Series		Series A		Series F	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$1,951,686	\$2,033,783	\$622,264	\$ 825,510	\$ 28,277	\$ 27,484
Increase (decrease) in net assets attributable to holders of redeemable units from operations	3,401	178,788	(2,464)	59,881	78	2,461
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(3,126)	(3,260)	—	—	—	—
Total distributions to holders of redeemable units	(3,126)	(3,260)	—	—	—	—
Redeemable units transactions						
Subscriptions	57,493	225,884	19,244	28,186	2,639	7,438
Reinvestments	1,285	1,241	—	—	—	—
Redemptions	(179,184)	(372,105)	(73,164)	(241,889)	(5,501)	(8,086)
Net increase (decrease) from redeemable units transactions	(120,406)	(144,980)	(53,920)	(213,703)	(2,862)	(648)
Increase (decrease) in net assets attributable to holders of redeemable units	(120,131)	30,548	(56,384)	(153,822)	(2,784)	1,813
Net assets attributable to holders of redeemable units at end of period	<u>\$1,831,555</u>	<u>\$2,064,331</u>	<u>\$565,880</u>	<u>\$ 671,688</u>	<u>\$ 25,493</u>	<u>\$ 29,297</u>

	Series FT		Series I		Series O	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 1,135	\$ 1,163	\$ 99,337	\$ 100,931	\$889,913	\$913,595
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(12)	98	(176)	8,694	6,324	86,195
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(43)	(42)	—	—	—	—
Total distributions to holders of redeemable units	(43)	(42)	—	—	—	—
Redeemable units transactions						
Subscriptions	74	78	1,667	1,689	11,406	10,777
Reinvestments	11	9	—	—	—	—
Redemptions	(214)	(101)	(8,723)	(7,487)	(64,476)	(63,472)
Net increase (decrease) from redeemable units transactions	(129)	(14)	(7,056)	(5,798)	(53,070)	(52,695)
Increase (decrease) in net assets attributable to holders of redeemable units	(184)	42	(7,232)	2,896	(46,746)	33,500
Net assets attributable to holders of redeemable units at end of period	<u>\$ 951</u>	<u>\$ 1,205</u>	<u>\$ 92,105</u>	<u>\$ 103,827</u>	<u>\$843,167</u>	<u>\$947,095</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s) (Continued)

	Series OT		Series PA		Series PF	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 7,484	\$ 9,687	\$142,423	\$ —	\$ 90,493	\$ 77,611
Increase (decrease) in net assets attributable to holders of redeemable units from operations	65	843	(577)	7,191	348	7,106
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(298)	(337)	—	—	—	—
Total distributions to holders of redeemable units	(298)	(337)	—	—	—	—
Redeemable units transactions						
Subscriptions	80	159	12,651	151,479	6,693	11,913
Reinvestments	194	213	—	—	—	—
Redemptions	(390)	(2,748)	(13,514)	(15,000)	(7,378)	(9,169)
Net increase (decrease) from redeemable units transactions	(116)	(2,376)	(863)	136,479	(685)	2,744
Increase (decrease) in net assets attributable to holders of redeemable units	(349)	(1,870)	(1,440)	143,670	(337)	9,850
Net assets attributable to holders of redeemable units at end of period	\$ 7,135	\$ 7,817	\$140,983	\$ 143,670	\$ 90,156	\$ 87,461
	Series PFT		Series PT		Series T	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 9,222	\$ 13,795	\$ 14,863	\$ —	\$ 46,275	\$ 64,007
Increase (decrease) in net assets attributable to holders of redeemable units from operations	20	1,178	(29)	594	(176)	4,547
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(383)	(445)	(600)	(452)	(1,802)	(1,984)
Total distributions to holders of redeemable units	(383)	(445)	(600)	(452)	(1,802)	(1,984)
Redeemable units transactions						
Subscriptions	864	188	1,198	12,738	977	1,239
Reinvestments	197	241	319	186	564	592
Redemptions	(876)	(5,296)	(1,747)	(680)	(3,201)	(18,177)
Net increase (decrease) from redeemable units transactions	185	(4,867)	(230)	12,244	(1,660)	(16,346)
Increase (decrease) in net assets attributable to holders of redeemable units	(178)	(4,134)	(859)	12,386	(3,638)	(13,783)
Net assets attributable to holders of redeemable units at end of period	\$ 9,044	\$ 9,661	\$ 14,004	\$ 12,386	\$ 42,637	\$ 50,224

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF CASH FLOWS For the six months ended June 30, 2020 and 2019 (Unaudited)

	2020 (000s)	2019 (000s)
Cash flows from operating activities		
Interest received	\$ 70	\$ 469
Dividends received, net of withholding taxes	8,715	8,077
Proceeds from sale and maturity of investments	325,822	1,003,939
Purchases of investments	(199,673)	(848,179)
Receipts on settlement of derivative activities	8,255	14,699
Payments on settlement of derivative activities	(9,548)	(12,169)
Realized foreign exchange gain/(loss)	111	(21,116)
Operating expenses paid	(10,074)	(11,686)
Net cash from/(used in) operating activities	123,678	134,034
Cash flows from financing activities		
Proceeds from issuances of redeemable units	57,558	226,104
Amounts paid on redemption of redeemable units	(179,306)	(371,733)
Distributions paid to holders of redeemable units, net of reinvested distributions	(1,901)	(1,498)
Net cash from/(used in) financing activities	(123,649)	(147,127)
Net increase (decrease) in cash	29	(13,093)
Cash at beginning of period	37	15
Effect of exchange rate changes	—	(207)
Cash /(bank overdraft) at end of period	\$ 66	\$ (13,285)

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited)

	Units/Shares	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 99.00%			
UNDERLYING FUNDS: 72.66%			
Franklin Bissett Canadian Equity Fund	209,474	\$ 25,040	\$ 30,339
Franklin Bissett Canadian Government Bond Fund.....	11,090,190	109,463	118,018
Franklin Bissett Core Plus Bond Fund	10,668,570	160,778	174,404
Franklin Bissett Short Duration Bond Fund	4,266,843	45,066	45,299
Franklin Canadian Core Equity Fund.....	2,586,903	24,810	22,580
Franklin Emerging Market Core Equity Fund	1,114,592	11,362	11,311
Franklin International Core Equity Fund	2,651,026	25,951	25,874
Franklin U.S. Core Equity Fund	4,024,094	40,061	45,070
Franklin U.S. Opportunities Fund	466,817	12,731	26,660
Franklin U.S. Rising Dividends Fund	309,433	16,820	27,302
Templeton Emerging Markets Fund.....	459,356	10,142	10,021
Templeton Global Bond Fund	2,937,261	36,499	33,463
Total Underlying Funds:		518,723	570,341
EXCHANGE-TRADED FUNDS: 26.34%			
Franklin FTSE Canada All Cap Index ETF	1,543,095	31,439	31,090
Franklin FTSE Europe Ex U.K. Index ETF.....	486,835	10,256	10,442
Franklin FTSE U.S. Index ETF	1,445,885	31,601	34,181
Franklin Liberty Global Aggregate Bond ETF	3,500,785	72,811	75,442
Franklin LibertyQT U.S. Equity Index ETF	757,400	17,168	19,261
iShares Core MSCI EAFE ETF	319,665	26,124	24,805
iShares Core MSCI Emerging Markets ETF	178,420	11,891	11,529
Total Exchange-Traded Funds:		201,290	206,750
Total Investments:		720,013	777,091
	Principal Amount in Currency of Issue		
SHORT-TERM SECURITIES: 0.98%			
Royal Bank of Canada, Term Deposit, 0.15%, 7/2/2020	7,700,000 CAD	7,700	7,700
Total Short-Term Securities:		7,700	7,700
TOTAL INVESTMENTS: 99.98%		\$ 727,713	784,791
NET UNREALIZED LOSS ON DERIVATIVES: (0.01%)			(69)
OTHER ASSETS, less liabilities: 0.03%			255
TOTAL NET ASSETS: 100.00%			\$ 784,977

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited) (Continued)

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at June 30, 2020)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered (000s)</u>	<u>Par Value in Canadian Dollars (000s)</u>	<u>Currency to be Received (000s)</u>	<u>Par Value in Canadian Dollars (000s)</u>	<u>Contract Price</u>	<u>Unrealized Gain (Loss) (000s)</u>
Bank of America, N.A.	A+	September 21, 2020	11,630 USD	\$15,785	15,716 CAD	\$15,716	\$1.35	\$(69)
Total Number of Contracts	1							\$(69)
Net Unrealized Loss on Forward Exchange Contracts								\$(69)
Net Unrealized Loss on Derivatives								\$(69)

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 (Unaudited) and December 31, 2019

	2020	2019		2020	2019
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets					
Current assets					
Non-derivative investments at fair value	\$ 784,791	\$ 817,196	Series A	33,323,064	36,597,226
Unrealized gain on derivatives	—	588	Series F	1,765,909	1,793,955
Cash			Series FT	66,770	86,367
Canadian	37	81	Series I	5,222,971	5,560,986
Receivables			Series O	33,841,308	35,787,261
Margin and collateral (Note 3(e))	151	—	Series OT	173,556	149,966
Subscription of redeemable units	252	11	Series PA	5,421,295	5,563,560
Distributions and dividends	919	4,331	Series PF	4,268,024	4,297,454
Other assets (Note 5(f))	16	62	Series PFT	382,184	392,178
	786,166	822,269	Series PT	461,085	472,406
			Series T	2,947,212	3,174,826
Liabilities					
Current liabilities					
Unrealized loss on derivatives	69	15	Net assets attributable to holders of redeemable units per unit — CAD		
Payables			Series A	\$ 7.18	\$ 7.09
Investment securities purchased	32	—	Series F	8.73	8.57
Redemption of redeemable units	243	178	Series FT	8.30	8.39
Management fees	602	647	Series I	7.96	7.83
Fixed administration fees	74	79	Series O	10.44	10.19
Distributions to unitholders	169	496	Series OT	9.61	9.68
	1,189	1,415	Series PA	10.60	10.45
			Series PF	10.42	10.22
			Series PFT	12.54	12.68
			Series PT	14.55	14.79
			Series T	6.66	6.78
Net assets attributable to holders of redeemable units	\$ 784,977	\$ 820,854	Net assets attributable to holders of redeemable units per unit — USD		
Net assets attributable to holders of redeemable units per series (000s)			Series A	\$ 5.29	\$ 5.46
Series A	\$ 239,333	\$ 259,362	Series F	6.43	6.60
Series F	15,416	15,368	Series I	5.86	6.03
Series FT	553	724	Series O	7.69	7.85
Series I	41,567	43,551	Series PA	7.81	8.05
Series O	353,330	364,832	Series PF	7.68	7.87
Series OT	1,669	1,452			
Series PA	57,486	58,165			
Series PF	44,485	43,916			
Series PFT	4,792	4,972			
Series PT	6,708	6,986			
Series T	19,638	21,526			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF COMPREHENSIVE INCOME For the six months ended June 30, 2020 and 2019 (Unaudited)

	2020	2019		2020	2019
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	34,699,295	42,916,431
Distributions received from underlying funds (Note 3(h))	\$ 5,923	\$ 7,580	Series F	1,748,655	1,913,630
Dividends	2,521	2,210	Series FT	77,098	99,022
Interest for distribution purposes (Note 3(h))	34	230	Series I	5,369,952	6,348,570
Net realized and/or unrealized foreign exchange gain (loss)	(23)	(22)	Series O	34,599,337	41,222,659
Net realized gain (loss) on investments and derivatives (Note 3(h))	1,968	15,877	Series OT	131,333	182,233
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	7,536	46,953	Series PA	5,523,201	5,593,365
	<u>17,959</u>	<u>72,828</u>	Series PF	4,277,281	4,173,141
Total income (loss), net			Series PFT	390,938	489,681
			Series PT	475,219	424,367
Expenses			Series T	3,066,103	3,668,132
Management fees (Note 5(a))	3,647	4,219	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Fixed administration fees (Note 5(b))	448	518	Series A	\$ 0.09	\$ 0.51
Independent review committee fees	1	1	Series F	0.16	0.63
Operating expenses before amounts waived/paid by Manager	4,096	4,738	Series FT	0.13	0.64
Operating expenses waived/paid by Manager	(103)	(107)	Series I	0.12	0.55
Net operating expenses after amounts waived/paid by Manager	3,993	4,631	Series O	0.23	0.79
Transaction costs (Note 9)	18	80	Series OT	0.24	0.77
Withholding tax expense	61	78	Series PA	0.14	0.51
Total expenses, net	<u>4,072</u>	<u>4,789</u>	Series PF	0.19	0.75
			Series PFT	0.23	1.00
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>\$ 13,887</u>	<u>\$ 68,039</u>	Series PT	0.17	0.76
			Series T	0.08	0.52
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			• Series PA and PT launched January 25, 2019		
Series A	\$ 2,936	\$ 21,683			
Series F	286	1,206			
Series FT	9	64			
Series I	648	3,566			
Series O	7,997	32,661			
Series OT	31	140			
Series PA	756	2,870			
Series PF	803	3,149			
Series PFT	91	485			
Series PT	83	326			
Series T	247	1,889			

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s)

	All Series		Series A		Series F	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$820,854	\$ 893,853	\$259,362	\$ 349,637	\$ 15,368	\$ 15,386
Increase (decrease) in net assets attributable to holders of redeemable units from operations	13,887	68,039	2,936	21,683	286	1,206
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(1,038)	(1,153)	—	—	—	—
Total distributions to holders of redeemable units	(1,038)	(1,153)	—	—	—	—
Redeemable units transactions						
Subscriptions	32,440	103,217	8,931	14,971	2,237	3,419
Reinvestments	477	482	—	—	—	—
Redemptions	(81,643)	(175,411)	(31,896)	(104,955)	(2,475)	(4,330)
Net increase (decrease) from redeemable units transactions	(48,726)	(71,712)	(22,965)	(89,984)	(238)	(911)
Increase (decrease) in net assets attributable to holders of redeemable units	(35,877)	(4,826)	(20,029)	(68,301)	48	295
Net assets attributable to holders of redeemable units at end of period	<u>\$784,977</u>	<u>\$ 889,027</u>	<u>\$239,333</u>	<u>\$ 281,336</u>	<u>\$ 15,416</u>	<u>\$ 15,681</u>

	Series FT		Series I		Series O	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 724	\$ 844	\$ 43,551	\$ 49,071	\$364,832	\$398,867
Increase (decrease) in net assets attributable to holders of redeemable units from operations	9	64	648	3,566	7,997	32,661
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(19)	(24)	—	—	—	—
Total distributions to holders of redeemable units	(19)	(24)	—	—	—	—
Redeemable units transactions						
Subscriptions	—	71	1,792	840	9,096	5,893
Reinvestments	7	8	—	—	—	—
Redemptions	(168)	(202)	(4,424)	(7,341)	(28,595)	(30,927)
Net increase (decrease) from redeemable units transactions	(161)	(123)	(2,632)	(6,501)	(19,499)	(25,034)
Increase (decrease) in net assets attributable to holders of redeemable units	(171)	(83)	(1,984)	(2,935)	(11,502)	7,627
Net assets attributable to holders of redeemable units at end of period	<u>\$ 553</u>	<u>\$ 761</u>	<u>\$ 41,567</u>	<u>\$ 46,136</u>	<u>\$353,330</u>	<u>\$406,494</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s) (Continued)

	Series OT		Series PA		Series PF	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 1,452	\$ 1,624	\$ 58,165	\$ —	\$ 43,916	\$ 40,144
Increase (decrease) in net assets attributable to holders of redeemable units from operations	31	140	756	2,870	803	3,149
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(39)	(51)	—	—	—	—
Total distributions to holders of redeemable units	(39)	(51)	—	—	—	—
Redeemable units transactions						
Subscriptions	437	201	5,136	65,485	3,452	3,587
Reinvestments	23	20	—	—	—	—
Redemptions	(235)	(98)	(6,571)	(9,280)	(3,686)	(4,879)
Net increase (decrease) from redeemable units transactions	225	123	(1,435)	56,205	(234)	(1,292)
Increase (decrease) in net assets attributable to holders of redeemable units	217	212	(679)	59,075	569	1,857
Net assets attributable to holders of redeemable units at end of period	\$ 1,669	\$ 1,836	\$ 57,486	\$ 59,075	\$ 44,485	\$ 42,001

	Series PFT		Series PT		Series T	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 4,972	\$ 6,533	\$ 6,986	\$ —	\$ 21,526	\$ 31,747
Increase (decrease) in net assets attributable to holders of redeemable units from operations	91	485	83	326	247	1,889
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(149)	(179)	(212)	(196)	(619)	(703)
Total distributions to holders of redeemable units	(149)	(179)	(212)	(196)	(619)	(703)
Redeemable units transactions						
Subscriptions	44	92	491	7,758	824	900
Reinvestments	79	83	107	86	261	285
Redemptions	(245)	(1,394)	(747)	(1,334)	(2,601)	(10,671)
Net increase (decrease) from redeemable units transactions	(122)	(1,219)	(149)	6,510	(1,516)	(9,486)
Increase (decrease) in net assets attributable to holders of redeemable units	(180)	(913)	(278)	6,640	(1,888)	(8,300)
Net assets attributable to holders of redeemable units at end of period	\$ 4,792	\$ 5,620	\$ 6,708	\$ 6,640	\$ 19,638	\$ 23,447

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF CASH FLOWS For the six months ended June 30, 2020 and 2019 (Unaudited)

	<u>2020</u>	<u>2019</u>
	(000s)	(000s)
Cash flows from operating activities		
Interest received	\$ 34	\$ 230
Dividends received, net of withholding taxes	3,236	2,510
Proceeds from sale and maturity of investments	136,544	344,256
Purchases of investments	(84,906)	(268,491)
Receipts on settlement of derivative activities	4,505	5,168
Payments on settlement of derivative activities	(5,239)	(4,133)
Realized foreign exchange gain/(loss)	46	(5,960)
Operating expenses paid	(3,997)	(4,669)
Net cash from/(used in) operating activities	<u>50,223</u>	<u>68,911</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	32,199	103,165
Amounts paid on redemption of redeemable units	(81,578)	(175,503)
Distributions paid to holders of redeemable units, net of reinvested distributions	(888)	(487)
Net cash from/(used in) financing activities	<u>(50,267)</u>	<u>(72,825)</u>
Net increase (decrease) in cash	(44)	(3,914)
Cash at beginning of period	81	46
Effect of exchange rate changes	—	(57)
Cash/(bank overdraft) at end of period	<u>\$ 37</u>	<u>\$ (3,925)</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited)

	<u>Units/Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
INVESTMENTS: 99.28%			
UNDERLYING FUNDS: 61.31%			
Franklin Canadian Core Equity Fund	426,634	\$ 4,049	\$ 3,724
Franklin Emerging Market Core Equity Fund	1,047,685	10,655	10,632
Franklin Global Growth Fund	429,284	6,256	12,534
Franklin International Core Equity Fund	2,519,945	24,561	24,595
Franklin U.S. Core Equity Fund	3,656,726	36,283	40,955
Franklin U.S. Opportunities Fund	424,357	13,693	24,235
Franklin U.S. Rising Dividends Fund	280,984	17,296	24,792
Templeton Emerging Markets Fund	438,117	<u>9,672</u>	<u>9,557</u>
Total Underlying Funds:		<u>122,465</u>	<u>151,024</u>
EXCHANGE-TRADED FUNDS: 37.97%			
Franklin FTSE Europe Ex U.K. Index ETF	465,090	9,726	9,976
Franklin FTSE U.S. Index ETF	1,317,760	28,087	31,152
Franklin LibertyQT U.S. Equity Index ETF	696,685	15,423	17,717
iShares Core MSCI EAFE ETF	305,500	24,742	23,706
iShares Core MSCI Emerging Markets ETF	169,950	<u>11,256</u>	<u>10,982</u>
Total Exchange-Traded Funds:		<u>89,234</u>	<u>93,533</u>
Total Investments:		<u>211,699</u>	<u>244,557</u>
	<u>Principal Amount in Currency of Issue</u>		
SHORT-TERM SECURITIES: 0.89%			
Royal Bank of Canada, Term Deposit, 0.15%, 7/2/2020	2,200,000 CAD	<u>2,200</u>	<u>2,200</u>
Total Short-Term Securities:		<u>2,200</u>	<u>2,200</u>
TOTAL INVESTMENTS: 100.17%		<u>\$ 213,899</u>	246,757
OTHER ASSETS, less liabilities: (0.17%)			<u>(420)</u>
TOTAL NET ASSETS: 100.00%			<u>\$ 246,337</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 (Unaudited) and December 31, 2019

	2020	2019		2020	2019
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets			Series A	6,873,575	7,385,377
Current assets			Series F	332,795	394,664
Non-derivative investments at fair value	\$ 246,757	\$ 251,114	Series I	1,190,311	1,084,238
Cash			Series O	5,719,291	5,734,312
Canadian	51	73	Series OT	11,955	11,966
Receivables			Series PA	2,183,425	2,137,407
Subscription of redeemable units	26	43	Series PF	973,724	1,010,778
Distributions and dividends	—	433	Series PFT	14,356	14,149
Other assets (Note 5(f))	3	5	Series PT	12,665	9,343
	246,837	251,668	Series PT-USD	2,474	443
			Series T	123,309	145,000
Liabilities			Series T-USD	13,158	7,168
Current liabilities			Net assets attributable to holders of redeemable units per unit — CAD		
Payables			Series A	\$ 11.85	\$ 11.88
Investment securities purchased	153	—	Series F	14.22	14.19
Redemption of redeemable units	69	141	Series I	13.50	13.47
Management fees	229	242	Series O	18.43	18.24
Fixed administration fees	38	41	Series OT	10.74	11.09
Distributions to unitholders	11	14	Series PA	11.39	11.39
	500	438	Series PF	12.56	12.49
			Series PFT	14.06	14.60
Net assets attributable to holders of redeemable units	\$ 246,337	\$ 251,230	Series PT	15.22	15.88
			Series T	7.59	7.94
Net assets attributable to holders of redeemable units per series (000s)			Net assets attributable to holders of redeemable units per unit — USD		
Series A	\$ 81,419	\$ 87,733	Series A	\$ 8.73	\$ 9.15
Series F	4,733	5,599	Series F	10.48	10.92
Series I	16,065	14,600	Series I	9.94	10.37
Series O	105,397	104,603	Series O	13.57	14.05
Series OT	129	133	Series PA	8.39	8.77
Series PA	24,862	24,349	Series PF	9.25	9.62
Series PF	12,225	12,625	Series PT-USD (Note 11(c))	14.74	16.12
Series PFT	202	207	Series T-USD (Note 11(b))	7.14	7.83
Series PT	192	148			
Series PT-USD	50	9			
Series T	935	1,151			
Series T-USD	128	73			

• Series PA, PT and PT-USD launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF COMPREHENSIVE INCOME For the six months ended June 30, 2020 and 2019 (Unaudited)

	2020	2019		2020	2019
	(000s)	(000s)	Weighted average number of units outstanding		
Income					
Distributions received from underlying funds (Note 3(h))	\$ —	\$ 320	Series A	7,024,933	8,713,468
Dividends	1,008	1,435	Series F	352,872	490,410
Interest for distribution purposes (Note 3(h))	9	34	Series I	1,120,867	1,167,159
Net realized and/or unrealized foreign exchange gain (loss)	(40)	(2)	Series O	5,676,587	6,146,764
Net realized gain (loss) on investments and derivatives (Note 3(h))	3,724	7,034	Series OT	11,949	11,988
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(1,706)	21,141	Series PA	2,203,758	1,909,703
Total income (loss), net	<u>2,995</u>	<u>29,962</u>	Series PF	1,013,473	1,112,009
Expenses			Series PFT	14,242	11,377
Management fees (Note 5(a))	1,345	1,465	Series PT	11,539	13,538
Fixed administration fees (Note 5(b))	225	253	Series PT-USD	2,328	439
Independent review committee fees	1	1	Series T	129,227	160,493
Operating expenses before amounts waived/paid by Manager	1,571	1,719	Series T-USD	8,729	7,209
Operating expenses waived/paid by Manager	(22)	(41)	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Net operating expenses after amounts waived/paid by Manager	1,549	1,678	Series A	\$ (0.02)	\$ 1.22
Transaction costs (Note 9)	8	60	Series F	0.10	1.47
Withholding tax expense	59	87	Series I	0.30	1.36
Total expenses, net	<u>1,616</u>	<u>1,825</u>	Series O	0.22	1.98
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>\$ 1,379</u>	<u>\$ 28,137</u>	Series OT	0.09	1.26
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PA	(0.03)	0.75
Series A	\$ (201)	\$ 10,636	Series PF	—**	1.28
Series F	34	725	Series PFT	0.05	1.70
Series I	334	1,594	Series PT	0.05	1.09
Series O	1,270	12,130	Series PT-USD	(0.40)	1.50
Series OT	1	15	Series T	(0.06)	0.85
Series PA	(51)	1,435	Series T-USD	0.37	1.05
Series PF	(4)	1,423			
Series PFT	1	19			
Series PT	—*	15			
Series PT-USD	(1)	1			
Series T	(7)	136			
Series T-USD	3	8			

* Amount rounded to zero in the nearest thousand.

** Amount rounded to zero in nearest dollar

• Series PA, PT and PT-USD launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s)

	All Series		Series A		Series F	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$251,230	\$237,503	\$ 87,733	\$107,383	\$ 5,599	\$ 6,094
Increase (decrease) in net assets attributable to holders of redeemable units from operations	1,379	28,137	(201)	10,636	34	725
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(68)	(66)	—	—	—	—
Total distributions to holders of redeemable units	(68)	(66)	—	—	—	—
Redeemable units transactions						
Subscriptions	16,685	31,403	4,423	3,417	515	960
Reinvestments	25	20	—	—	—	—
Redemptions	(22,914)	(48,662)	(10,536)	(30,650)	(1,415)	(1,668)
Net increase (decrease) from redeemable units transactions	(6,204)	(17,239)	(6,113)	(27,233)	(900)	(708)
Increase (decrease) in net assets attributable to holders of redeemable units	(4,893)	10,832	(6,314)	(16,597)	(866)	17
Net assets attributable to holders of redeemable units at end of period	<u>\$246,337</u>	<u>\$248,335</u>	<u>\$ 81,419</u>	<u>\$ 90,786</u>	<u>\$ 4,733</u>	<u>\$ 6,111</u>

	Series I		Series O		Series OT	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 14,600	\$ 13,767	\$104,603	\$ 96,820	\$ 133	\$ 119
Increase (decrease) in net assets attributable to holders of redeemable units from operations	334	1,594	1,270	12,130	1	15
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	—	—	—	—	(5)	(5)
Total distributions to holders of redeemable units	—	—	—	—	(5)	(5)
Redeemable units transactions						
Subscriptions	2,072	344	5,438	3,577	—	—
Reinvestments	—	—	—	—	1	1
Redemptions	(941)	(1,306)	(5,914)	(11,575)	(1)	(2)
Net increase (decrease) from redeemable units transactions	1,131	(962)	(476)	(7,998)	—	(1)
Increase (decrease) in net assets attributable to holders of redeemable units	1,465	632	794	4,132	(4)	9
Net assets attributable to holders of redeemable units at end of period	<u>\$ 16,065</u>	<u>\$ 14,399</u>	<u>\$105,397</u>	<u>\$100,952</u>	<u>\$ 129</u>	<u>\$ 128</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s) (Continued)

	Series PA		Series PF		Series PFT	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 24,349	\$ —	\$ 12,625	\$ 11,675	\$ 207	\$ 227
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(51)	1,435	(4)	1,423	1	19
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	—	—	—	—	(8)	(5)
Total distributions to holders of redeemable units	—	—	—	—	(8)	(5)
Redeemable units transactions						
Subscriptions	3,188	21,509	772	1,307	3	2
Reinvestments	—	—	—	—	—	—
Redemptions	(2,624)	(1,499)	(1,168)	(1,540)	(1)	(90)
Net increase (decrease) from redeemable units transactions	564	20,010	(396)	(233)	2	(88)
Increase (decrease) in net assets attributable to holders of redeemable units	513	21,445	(400)	1,190	(5)	(74)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 24,862</u>	<u>\$ 21,445</u>	<u>\$ 12,225</u>	<u>\$ 12,865</u>	<u>\$ 202</u>	<u>\$ 153</u>

	Series PT		Series PT-USD		Series T	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 148	\$ —	\$ 9	\$ —	\$ 1,151	\$ 1,351
Increase (decrease) in net assets attributable to holders of redeemable units from operations	—*	15	(1)	1	(7)	136
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(8)	(8)	(2)	—	(41)	(45)
Total distributions to holders of redeemable units	(8)	(8)	(2)	—	(41)	(45)
Redeemable units transactions						
Subscriptions	48	223	52	8	71	56
Reinvestments	6	4	2	—	15	15
Redemptions	(2)	(2)	(10)	—	(254)	(330)
Net increase (decrease) from redeemable units transactions	52	225	44	8	(168)	(259)
Increase (decrease) in net assets attributable to holders of redeemable units	44	232	41	9	(216)	(168)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 192</u>	<u>\$ 232</u>	<u>\$ 50</u>	<u>\$ 9</u>	<u>\$ 935</u>	<u>\$ 1,183</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s) (Continued)

	Series T-USD	
	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 73	\$ 67
Increase (decrease) in net assets attributable to holders of redeemable units from operations	3	8
Distributions to holders of redeemable units		
From net investment income	—	—
From net realized gains on investments	—	—
From return of capital	(4)	(3)
Total distributions to holders of redeemable units	(4)	(3)
Redeemable units transactions		
Subscriptions	103	—
Reinvestments	1	—
Redemptions	(48)	—
Net increase (decrease) from redeemable units transactions	56	—
Increase (decrease) in net assets attributable to holders of redeemable units	55	5
Net assets attributable to holders of redeemable units at end of period	\$ 128	\$ 72

* Amount rounded to zero in the nearest thousand.

• Series PA, PT and PT-USD launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CASH FLOWS For the six months ended June 30, 2020 and 2019 (Unaudited)

	<u>2020</u> <u>(000s)</u>	<u>2019</u> <u>(000s)</u>
Cash flows from operating activities		
Interest received	\$ 9	\$ 34
Dividends received, net of withholding taxes	1,176	1,474
Proceeds from sale and maturity of investments	28,581	217,195
Purchases of investments	(21,898)	(197,635)
Realized foreign exchange gain/(loss)	6	(6,500)
Operating expenses paid	(1,563)	(1,669)
Net cash from/(used in) operating activities	<u>6,311</u>	<u>12,899</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	16,701	31,456
Amounts paid on redemption of redeemable units	(22,988)	(48,628)
Distributions paid to holders of redeemable units, net of reinvested distributions	(46)	(35)
Net cash from/(used in) financing activities	<u>(6,333)</u>	<u>(17,207)</u>
Net increase (decrease) in cash	(22)	(4,308)
Cash at beginning of period	73	63
Effect of exchange rate changes	—	(21)
Cash /(bank overdraft) at end of period	<u>\$ 51</u>	<u>\$ (4,266)</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited)

	Units/Shares	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 99.32%			
UNDERLYING FUNDS: 83.27%			
Franklin Bissett Canadian Equity Fund	124,884	\$ 19,190	\$ 18,087
Franklin Bissett Canadian Government Bond Fund.....	17,888,997	177,044	190,369
Franklin Bissett Core Plus Bond Fund	14,944,708	225,944	244,309
Franklin Bissett Short Duration Bond Fund	6,333,393	67,753	67,238
Franklin Canadian Core Equity Fund.....	1,559,825	14,810	13,615
Franklin Emerging Market Core Equity Fund	2,002,290	20,581	20,320
Franklin International Core Equity Fund	2,042,849	19,848	19,938
Franklin Strategic Income Fund	5,502,895	43,599	39,400
Franklin U.S. Core Equity Fund	3,536,412	35,092	39,608
Franklin U.S. Opportunities Fund	284,168	13,090	16,229
Franklin U.S. Rising Dividends Fund	188,590	11,904	16,640
Templeton Global Bond Fund	3,650,225	44,986	41,585
Total Underlying Funds:		693,841	727,338
EXCHANGE-TRADED FUNDS: 16.05%			
Franklin FTSE Canada All Cap Index ETF	921,075	18,834	18,558
Franklin FTSE U.S. Index ETF	881,110	19,472	20,829
Franklin Liberty Global Aggregate Bond ETF	3,767,790	77,715	81,196
iShares Core MSCI EAFE ETF	252,600	20,618	19,601
Total Exchange-Traded Funds:		136,639	140,184
Total Investments:		830,480	867,522
	Principal Amount in Currency of Issue		
SHORT-TERM SECURITIES: 0.72%			
Royal Bank of Canada, Term Deposit, 0.15%, 7/2/2020	6,300,000 CAD	6,300	6,300
Total Short-Term Securities:		6,300	6,300
TOTAL INVESTMENTS: 100.04%		\$ 836,780	873,822
NET UNREALIZED LOSS ON DERIVATIVES: (0.01%)			(106)
OTHER ASSETS, less liabilities: (0.03%)			(252)
TOTAL NET ASSETS: 100.00%			\$ 873,464

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited) (Continued)

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at June 30, 2020)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	September 21, 2020	17,822 USD	\$24,189	24,083 CAD	\$24,083	\$1.35	\$(106)
Total Number of Contracts	1							<u>\$(106)</u>
Net Unrealized Loss on Forward Exchange Contracts								<u>\$(106)</u>
Net Unrealized Loss on Derivatives								<u>\$(106)</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 (Unaudited) and December 31, 2019

	2020	2019		2020	2019
	(000s)	(000s)			
Assets			Number of redeemable units outstanding (Note 4)		
Current assets			Series A	22,289,088	24,437,440
Non-derivative investments at fair value	\$ 873,822	\$ 896,068	Series F	1,760,160	1,878,925
Unrealized gain on derivatives	—	899	Series FT	786,948	970,636
Cash			Series I	11,032,790	11,765,457
Canadian	53	58	Series O	31,583,125	32,947,200
Receivables			Series OT	519,341	530,058
Margin and collateral (Note 3(e))	232	—	Series PA	4,608,800	4,442,237
Subscription of redeemable units	96	198	Series PF	5,006,524	5,145,447
Distributions and dividends	1,484	5,693	Series PFT	1,773,342	1,822,765
Other assets (Note 5(f))	19	40	Series PT	3,049,888	3,091,452
	<u>875,706</u>	<u>902,956</u>	Series T	36,972,531	40,005,044
Liabilities			Net assets attributable to holders of redeemable units per unit — CAD		
Current liabilities			Series A	\$ 11.10	\$ 10.79
Unrealized loss on derivatives	106	38	Series F	12.38	11.98
Payables			Series FT	3.58	3.55
Investment securities purchased	33	—	Series I	5.88	5.70
Redemption of redeemable units	411	375	Series O	7.91	7.61
Management fees	810	856	Series OT	13.75	13.57
Fixed administration fees	94	99	Series PA	10.47	10.15
Distributions to unitholders	788	1,134	Series PF	10.31	9.97
	<u>2,242</u>	<u>2,502</u>	Series PFT	12.88	12.76
Net assets attributable to holders of redeemable units	<u>\$ 873,464</u>	<u>\$ 900,454</u>	Series PT	14.58	14.51
			Series T	3.05	3.04
Net assets attributable to holders of redeemable units per series (000s)			Net assets attributable to holders of redeemable units per unit — USD		
Series A	\$ 247,349	\$ 263,569	Series A	\$ 8.17	\$ 8.31
Series F	21,798	22,504	Series F	9.12	9.22
Series FT	2,820	3,449	Series I	4.33	4.39
Series I	64,849	67,100	Series O	5.82	5.86
Series O	249,730	250,702	Series PA	7.71	7.82
Series OT	7,141	7,192	Series PF	7.60	7.68
Series PA	48,253	45,110			
Series PF	51,630	51,287			
Series PFT	22,833	23,260			
Series PT	44,461	44,849			
Series T	112,600	121,432			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF COMPREHENSIVE INCOME For the six months ended June 30, 2020 and 2019 (Unaudited)

	2020	2019		2020	2019
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	23,110,639	27,854,633
Distributions received from underlying funds (Note 3(h))	\$ 7,756	\$ 10,856	Series F	1,779,309	2,013,281
Dividends	1,763	1,188	Series FT	859,865	991,057
Interest for distribution purposes (Note 3(h))	45	311	Series I	11,252,575	13,230,256
Net realized and/or unrealized foreign exchange gain (loss)	(56)	(74)	Series O	32,133,104	40,097,337
Net realized gain (loss) on investments and derivatives (Note 3(h))	4,604	31,974	Series OT	541,325	588,500
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	19,075	30,287	Series PA	4,654,450	4,326,100
Total income (loss), net	<u>33,187</u>	<u>74,542</u>	Series PF	5,081,275	4,960,714
Expenses			Series PFT	1,787,370	1,363,458
Management fees (Note 5(a))	4,888	5,648	Series PT	3,078,409	2,964,963
Fixed administration fees (Note 5(b))	565	644	Series T	38,197,219	46,366,335
Independent review committee fees	1	1	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Operating expenses before amounts waived/paid by Manager	5,454	6,293	Series A	\$ 0.31	\$ 0.70
Operating expenses waived/paid by Manager	(110)	(126)	Series F	0.40	0.82
Net operating expenses after amounts waived/paid by Manager	5,344	6,167	Series FT	0.11	0.26
Transaction costs (Note 9)	18	47	Series I	0.17	0.37
Withholding tax expense	36	6	Series O	0.29	0.56
Total expenses, net	<u>5,398</u>	<u>6,220</u>	Series OT	0.50	1.03
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>\$ 27,789</u>	<u>\$ 68,322</u>	Series PA	0.29	0.51
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PF	0.34	0.70
Series A	\$ 6,993	\$ 19,700	Series PFT	0.43	0.89
Series F	709	1,633	Series PT	0.43	0.75
Series FT	97	248	Series T	0.09	0.21
Series I	1,916	4,969			
Series O	9,393	22,307			
Series OT	267	608			
Series PA	1,404	2,217			
Series PF	1,704	3,424			
Series PFT	755	1,214			
Series PT	1,333	2,241			
Series T	3,218	9,761			

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s)

	All Series		Series A		Series F	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 900,454	\$1,018,801	\$263,569	\$349,103	\$ 22,504	\$ 23,819
Increase (decrease) in net assets attributable to holders of redeemable units from operations	27,789	68,322	6,993	19,700	709	1,633
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(4,821)	(5,259)	—	—	—	—
Total distributions to holders of redeemable units	(4,821)	(5,259)	—	—	—	—
Redeemable units transactions						
Subscriptions	50,084	146,005	14,851	16,276	3,773	6,191
Reinvestments	2,792	3,106	—	—	—	—
Redemptions	(102,834)	(237,113)	(38,064)	(98,632)	(5,188)	(7,609)
Net increase (decrease) from redeemable units transactions	(49,958)	(88,002)	(23,213)	(82,356)	(1,415)	(1,418)
Increase (decrease) in net assets attributable to holders of redeemable units	(26,990)	(24,939)	(16,220)	(62,656)	(706)	215
Net assets attributable to holders of redeemable units at end of period	\$ 873,464	\$ 993,862	\$247,349	\$286,447	\$ 21,798	\$ 24,034

	Series FT		Series I		Series O	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 3,449	\$ 3,502	\$ 67,100	\$ 76,147	\$250,702	\$303,816
Increase (decrease) in net assets attributable to holders of redeemable units from operations	97	248	1,916	4,969	9,393	22,307
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(75)	(89)	—	—	—	—
Total distributions to holders of redeemable units	(75)	(89)	—	—	—	—
Redeemable units transactions						
Subscriptions	177	911	1,478	1,432	8,499	4,347
Reinvestments	31	37	—	—	—	—
Redemptions	(859)	(772)	(5,645)	(8,503)	(18,864)	(29,834)
Net increase (decrease) from redeemable units transactions	(651)	176	(4,167)	(7,071)	(10,365)	(25,487)
Increase (decrease) in net assets attributable to holders of redeemable units	(629)	335	(2,251)	(2,102)	(972)	(3,180)
Net assets attributable to holders of redeemable units at end of period	\$ 2,820	\$ 3,837	\$ 64,849	\$ 74,045	\$249,730	\$300,636

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s) (Continued)

	Series OT		Series PA		Series PF	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 7,192	\$ 8,457	\$ 45,110	\$ —	\$ 51,287	\$ 48,157
Increase (decrease) in net assets attributable to holders of redeemable units from operations	267	608	1,404	2,217	1,704	3,424
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(183)	(197)	—	—	—	—
Total distributions to holders of redeemable units	(183)	(197)	—	—	—	—
Redeemable units transactions						
Subscriptions	790	205	8,272	50,824	5,907	7,666
Reinvestments	136	132	—	—	—	—
Redemptions	(1,061)	(1,524)	(6,533)	(7,679)	(7,268)	(9,517)
Net increase (decrease) from redeemable units transactions	(135)	(1,187)	1,739	43,145	(1,361)	(1,851)
Increase (decrease) in net assets attributable to holders of redeemable units	(51)	(776)	3,143	45,362	343	1,573
Net assets attributable to holders of redeemable units at end of period	\$ 7,141	\$ 7,681	\$ 48,253	\$ 45,362	\$ 51,630	\$ 49,730

	Series PFT		Series PT		Series T	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 23,260	\$ 15,755	\$ 44,849	\$ —	\$121,432	\$190,045
Increase (decrease) in net assets attributable to holders of redeemable units from operations	755	1,214	1,333	2,241	3,218	9,761
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(568)	(441)	(1,114)	(1,142)	(2,881)	(3,390)
Total distributions to holders of redeemable units	(568)	(441)	(1,114)	(1,142)	(2,881)	(3,390)
Redeemable units transactions						
Subscriptions	1,986	6,243	2,161	48,423	2,190	3,487
Reinvestments	184	156	689	707	1,752	2,074
Redemptions	(2,784)	(1,489)	(3,457)	(3,524)	(13,111)	(68,030)
Net increase (decrease) from redeemable units transactions	(614)	4,910	(607)	45,606	(9,169)	(62,469)
Increase (decrease) in net assets attributable to holders of redeemable units	(427)	5,683	(388)	46,705	(8,832)	(56,098)
Net assets attributable to holders of redeemable units at end of period	\$ 22,833	\$ 21,438	\$ 44,461	\$ 46,705	\$112,600	\$133,947

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF CASH FLOWS For the six months ended June 30, 2020 and 2019 (Unaudited)

	<u>2020</u>	<u>2019</u>
	(000s)	(000s)
Cash flows from operating activities		
Interest received	\$ 45	\$ 311
Dividends received, net of withholding taxes	2,292	1,439
Proceeds from sale and maturity of investments	168,130	407,024
Purchases of investments	(109,176)	(311,879)
Receipts on settlement of derivative activities	7,472	13,422
Payments on settlement of derivative activities	(8,524)	(11,208)
Realized foreign exchange gain/(loss)	118	230
Operating expenses paid	<u>(5,375)</u>	<u>(6,242)</u>
Net cash from/(used in) operating activities	<u>54,982</u>	<u>93,097</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	50,187	145,193
Amounts paid on redemption of redeemable units	(102,799)	(236,927)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(2,375)</u>	<u>(1,294)</u>
Net cash from/(used in) financing activities	<u>(54,987)</u>	<u>(93,028)</u>
Net increase (decrease) in cash	(5)	69
Cash at beginning of period	58	35
Effect of exchange rate changes	—	(11)
Cash at end of period	<u>\$ 53</u>	<u>\$ 93</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited)

	Units/Shares	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 98.84%			
UNDERLYING FUNDS: 63.30%			
Franklin Bissett Canadian Equity Fund	222,698	\$ 28,438	\$ 32,254
Franklin Bissett Canadian Government Bond Fund.....	1,786,337	17,680	19,010
Franklin Bissett Core Plus Bond Fund	1,722,267	26,454	28,155
Franklin Bissett Short Duration Bond Fund	695,767	7,333	7,387
Franklin Canadian Core Equity Fund.....	2,745,043	26,386	23,961
Franklin Emerging Market Core Equity Fund	1,225,816	12,510	12,440
Franklin International Core Equity Fund	2,854,223	27,858	27,857
Franklin U.S. Core Equity Fund	4,331,524	42,975	48,513
Franklin U.S. Opportunities Fund	504,323	13,793	28,801
Franklin U.S. Rising Dividends Fund	332,847	18,101	29,368
Templeton Emerging Markets Fund.....	506,590	11,212	11,051
Templeton Global Bond Fund	476,208	5,926	5,425
Total Underlying Funds:		<u>238,666</u>	<u>274,222</u>
EXCHANGE-TRADED FUNDS: 35.54%			
Franklin FTSE Canada All Cap Index ETF	1,641,070	33,597	33,064
Franklin FTSE Europe Ex U.K. Index ETF.....	527,810	11,021	11,322
Franklin FTSE U.S. Index ETF	1,562,025	33,593	36,926
Franklin Liberty Global Aggregate Bond ETF	568,930	11,868	12,260
Franklin LibertyQT U.S. Equity Index ETF	817,040	18,186	20,777
iShares Core MSCI EAFE ETF	346,570	28,112	26,893
iShares Core MSCI Emerging Markets ETF	196,605	13,075	12,705
Total Exchange-Traded Funds:		<u>149,452</u>	<u>153,947</u>
Total Investments:		<u>388,118</u>	<u>428,169</u>
		Principal Amount in Currency of Issue	
SHORT-TERM SECURITIES: 1.27%			
Royal Bank of Canada, Term Deposit, 0.15%, 7/2/2020	5,500,000 CAD	5,500	5,500
Total Short-Term Securities:		<u>5,500</u>	<u>5,500</u>
TOTAL INVESTMENTS: 100.11%		<u>\$ 393,618</u>	433,669
NET UNREALIZED LOSS ON DERIVATIVES: 0.00%			(10)
OTHER ASSETS, less liabilities: (0.11)%			<u>(456)</u>
TOTAL NET ASSETS: 100.00%			<u>\$ 433,203</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

SCHEDULE OF INVESTMENTS As at June 30, 2020 (Unaudited) (Continued)

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at June 30, 2020)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	September 21, 2020	1,608 USD	\$2,183	2,173 CAD	\$2,173	\$1.35	\$(10)
Total Number of Contracts								\$(10)
Net Unrealized Loss on Forward Exchange Contracts								\$(10)
Net Unrealized Loss on Derivatives								\$(10)

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 (Unaudited) and December 31, 2019

	2020	2019		2020	2019
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets					
Current assets					
Non-derivative investments at fair value	\$ 433,669	\$ 442,811	Series A	15,591,973	16,940,496
Unrealized gain on derivatives	—	107	Series F	421,952	452,605
Cash			Series I	2,495,168	2,577,972
Canadian	81	24	Series O	19,387,764	18,957,283
Receivables			Series OT	93,545	81,768
Investment securities sold	15	—	Series PA	2,934,850	3,007,891
Subscription of redeemable units	43	155	Series PF	1,839,443	1,713,047
Distributions and dividends	148	1,693	Series PFT	35,761	21,865
Other assets (Note 5(f))	5	15	Series PT	80,239	76,985
	433,961	444,805	Series T	218,748	194,612
			Net assets attributable to holders of redeemable units per unit — CAD		
Liabilities			Series A	\$ 7.72	\$ 7.87
Current liabilities			Series F	9.37	9.50
Unrealized loss on derivatives	10	—	Series I	9.22	9.36
Payables			Series O	11.93	12.01
Investment securities purchased	12	—	Series OT	7.89	8.28
Redemption of redeemable units	353	226	Series PA	10.54	10.72
Management fees	317	345	Series PF	10.89	11.02
Fixed administration fees	41	45	Series PFT	12.18	12.86
Distributions to unitholders	25	214	Series PT	14.02	14.87
	758	830	Series T	5.93	6.31
			Net assets attributable to holders of redeemable units per unit — USD		
Net assets attributable to holders of redeemable units	\$ 433,203	\$ 443,975	Series A	\$ 5.69	\$ 6.06
Net assets attributable to holders of redeemable units per series (000s)			Series F	6.90	7.32
Series A	\$ 120,404	\$ 133,348	Series I	6.79	7.21
Series F	3,955	4,301	Series O	8.79	9.25
Series I	23,004	24,125	Series PA	7.76	8.26
Series O	231,295	227,748	Series PF	8.02	8.49
Series OT	738	677			
Series PA	30,920	32,244			
Series PF	20,029	18,878			
Series PFT	436	281			
Series PT	1,125	1,145			
Series T	1,297	1,228			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020 and 2019 (Unaudited)

	2020	2019		2020	2019
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	16,041,534	19,598,063
Distributions received from underlying funds (Note 3(h))	\$ 1,784	\$ 1,875	Series F	435,292	510,487
Dividends	1,825	1,775	Series I	2,522,669	2,783,796
Interest for distribution purposes (Note 3(h))	19	98	Series O	19,032,814	19,639,910
Net realized and/or unrealized foreign exchange gain (loss)	(43)	3	Series OT	86,768	27,022
Net realized gain (loss) on investments and derivatives (Note 3(h))	(1,157)	15,062	Series PA	3,088,022	2,705,005
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(4,577)	27,066	Series PF	1,758,738	1,650,023
Total income (loss), net	<u>(2,149)</u>	<u>45,879</u>	Series PFT	27,051	27,099
Expenses			Series PT	78,435	2,997
Management fees (Note 5(a))	1,911	2,160	Series T	203,829	188,727
Fixed administration fees (Note 5(b))	248	283	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Independent review committee fees	1	1	Series A	\$ (0.14)	\$ 0.72
Operating expenses before amounts waived/paid by Manager	2,160	2,444	Series F	(0.16)	0.88
Operating expenses waived/paid by Manager	(35)	(50)	Series I	(0.15)	0.86
Net operating expenses after amounts waived/paid by Manager	2,125	2,394	Series O	(0.03)	1.15
Transaction costs (Note 9)	16	78	Series OT	0.09	0.84
Withholding tax expense	67	89	Series PA	(0.23)	0.61
Total expenses, net	<u>2,208</u>	<u>2,561</u>	Series PF	(0.09)	0.99
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>\$ (4,357)</u>	<u>\$ 43,318</u>	Series PFT	0.12	1.58
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PT	(0.23)	0.54
Series A	\$ (2,326)	\$ 14,211	Series T	(0.09)	0.58
Series F	(72)	447			
Series I	(377)	2,395			
Series O	(666)	22,826			
Series OT	8	22			
Series PA	(725)	1,623			
Series PF	(167)	1,637			
Series PFT	3	43			
Series PT	(18)	2			
Series T	(17)	112			

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the six months ended June 30, 2020 and 2019 (Unaudited) (000s)

	All Series		Series A		Series F	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$443,975	\$426,176	\$133,348	\$168,265	\$4,301	\$ 4,427
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(4,357)	43,318	(2,326)	14,211	(72)	447
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	(141)	(71)	—	—	—	—
Total distributions to holders of redeemable units	(141)	(71)	—	—	—	—
Redeemable units transactions						
Subscriptions	30,434	48,920	5,224	6,882	484	1,194
Reinvestments	77	32	—	—	—	—
Redemptions	(36,785)	(71,844)	(15,842)	(47,564)	(758)	(1,231)
Net increase (decrease) from redeemable units transactions	(6,274)	(22,892)	(10,618)	(40,682)	(274)	(37)
Increase (decrease) in net assets attributable to holders of redeemable units	(10,772)	20,355	(12,944)	(26,471)	(346)	410
Net assets attributable to holders of redeemable units at end of period	<u>\$433,203</u>	<u>\$446,531</u>	<u>\$120,404</u>	<u>\$141,794</u>	<u>\$3,955</u>	<u>\$ 4,837</u>

	Series I		Series O		Series OT	
	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units at beginning of period	\$ 24,125	\$ 24,359	\$227,748	\$211,762	\$ 677	\$ 177
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(377)	2,395	(666)	22,826	8	22
Distributions to holders of redeemable units						
From net investment income	—	—	—	—	—	—
From net realized gains on investments	—	—	—	—	—	—
From return of capital	—	—	—	—	(29)	(10)
Total distributions to holders of redeemable units	—	—	—	—	(29)	(10)
Redeemable units transactions						
Subscriptions	295	622	17,219	5,778	100	400
Reinvestments	—	—	—	—	5	4
Redemptions	(1,039)	(3,835)	(13,006)	(13,690)	(23)	(19)
Net increase (decrease) from redeemable units transactions	(744)	(3,213)	4,213	(7,912)	82	385
Increase (decrease) in net assets attributable to holders of redeemable units	(1,121)	(818)	3,547	14,914	61	397
Net assets attributable to holders of redeemable units at end of period	<u>\$ 23,004</u>	<u>\$ 23,541</u>	<u>\$231,295</u>	<u>\$226,676</u>	<u>\$ 738</u>	<u>\$ 574</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF CASH FLOWS For the six months ended June 30, 2020 and 2019 (Unaudited)

	<u>2020</u> <u>(000s)</u>	<u>2019</u> <u>(000s)</u>
Cash flows from operating activities		
Interest received	\$ 19	\$ 98
Dividends received, net of withholding taxes	2,266	1,890
Proceeds from sale and maturity of investments	67,349	284,487
Purchases of investments	(60,978)	(259,183)
Receipts on settlement of derivative activities	764	1,354
Payments on settlement of derivative activities	(877)	(951)
Realized foreign exchange gain/(loss)	25	(6,500)
Operating expenses paid	<u>(2,147)</u>	<u>(2,395)</u>
Net cash from/(used in) operating activities	<u>6,421</u>	<u>18,800</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	30,548	49,090
Amounts paid on redemption of redeemable units	(36,659)	(71,858)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(253)</u>	<u>(25)</u>
Net cash from/(used in) financing activities	<u>(6,364)</u>	<u>(22,793)</u>
Net increase (decrease) in cash	57	(3,993)
Cash at beginning of period	24	29
Effect of exchange rate changes	<u>—</u>	<u>(24)</u>
Cash /(bank overdraft) at end of period	<u>\$ 81</u>	<u>\$ (3,988)</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019

1. Organization

Inception and Financial Reporting Dates

The Franklin Quotential Portfolios (the “Funds”) are open-ended mutual fund trusts governed by the laws of Ontario pursuant to a Master Declaration of Trust. Franklin Templeton Investments Corp., a corporation duly incorporated under the laws of the Province of Ontario (hereinafter called the “Manager”), having an office at 200 King Street West, Suite 1500, Toronto, Ontario, M5H 3T4 and an indirectly wholly owned subsidiary of Franklin Resources Inc. (“FRI”), a United States Securities and Exchange Commission (“SEC”) registered company listed on the New York Stock Exchange is the trustee, transfer agent and manager of the Funds. The inception date of each Fund is as follows:

Franklin Quotential Balanced Growth Portfolio	May 31, 2002
Franklin Quotential Balanced Income Portfolio	May 31, 2002
Franklin Quotential Diversified Equity Portfolio	May 28, 2003
Franklin Quotential Diversified Income Portfolio	February 7, 2003
Franklin Quotential Growth Portfolio	May 31, 2002

Each of the Funds may offer one or more series of units designated as Series A, F, FT, I, O, OT, PA, PF, PFT, PT, PT-USD, T and T-USD. Each Series differs by its initial sales load, deferred sales charges, management fees and initial minimum investment amount.

The Funds invest primarily in mutual funds and exchange-traded funds (“ETF”) managed by the Manager or an affiliate of the Manager (“Underlying Funds”). Each of the Funds may invest up to 20% of its respective net assets in unaffiliated ETFs and may invest up to 10% of its net assets in separate classes of shares of Franklin Templeton Investment Funds (each a “FTIF Sub-Fund”), an open-end investment company organized under the laws of Luxembourg as a société d’investissement à capital variable. The FTIF Sub-Funds each qualify as a UCITS, an undertaking for collective investment in transferable securities. Each of the investment managers, principal distributor and the administrative agent of the FTIF Sub-Funds is an affiliate of the Manager.

The financial statements of each Fund include the Schedule of Investments as at June 30, 2020, and the Statements of Financial Position as at June 30, 2020 and December 31, 2019. The Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows for each Fund are for the periods ended June 30, 2020 and 2019, except for Funds established during either period, in which case the period is from commencement of operations (inception date) to June 30.

These financial statements have been authorized for issue by the Board of Directors of the Manager on August 20, 2020.

(a) Fund Events

Effective November 15, 2019, following regulatory and unitholder approvals, Franklin Quotential Fixed Income Portfolio (the “Terminated Fund”), a Fund managed by the Manager was merged with Franklin Bissett Core Plus Bond Fund (the “Continuing Fund”). For details of the merger refer Note 12(b).

Effective January 25, 2019, the following Funds commenced the offering of Series PA, PT, PT-USD.

	<u>Series</u>		
Franklin Quotential Balanced Growth Portfolio	PA	PT	—
Franklin Quotential Balanced Income Portfolio	PA	PT	—
Franklin Quotential Diversified Equity Portfolio	PA	PT	PT-USD
Franklin Quotential Diversified Income Portfolio	PA	PT	—
Franklin Quotential Growth Portfolio	PA	PT	—

2. Basis of Presentation of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through profit and loss.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

3. Summary of Significant Accounting Policies

The significant accounting policies are as follows:

(a) **Classification of financial assets and liabilities** — The Funds' financial assets and financial liabilities including derivatives, under IFRS 9 are classified and measured at fair value through profit and loss ("FVTPL"), as those financial assets and financial liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. All financial assets and financial liabilities are shown on the respective Fund's Statements of Financial Position and are measured as FVTPL with the associated unrealized gain/loss included in the Statements of Comprehensive Income in net change in unrealized appreciation (depreciation) in value of investments and derivatives.

The Funds' obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are carried at amortized cost which approximates fair value due to their short-term nature.

The net asset value ("NAV") is the value of the total assets of a Fund less the value of its total liabilities determined, on each valuation day, in accordance with Part 14 of National Instrument (NI) 81-106 *Investment Fund Continuous Disclosure* for the purpose of processing unitholder transactions (herein called the "Trading NAV"). Net assets are determined in accordance with IFRS (herein called the "IFRS NAV") and may differ to the Fund's Trading NAV. Where a Fund's Trading NAV is not equal to its IFRS NAV, a reconciliation is shown in Note 11(a).

(b) **Classification of redeemable units** — The Funds' outstanding redeemable units' entitlements include a contractual obligation to distribute any net income and net realized capital gains annually in cash and therefore the ongoing redemption feature is not the units' only contractual obligation. In addition, certain Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 "*Financial Instruments: Presentation*".

(c) **Valuation of series** — A separate NAV per unit is calculated for each series of units in each Fund. The Funds calculate the NAV per unit at the close of trading on the Toronto Stock Exchange ("TSX") each business day (usually 4p.m. EST). The net assets of a series is computed by calculating the series' proportionate share of the assets and liabilities of the Fund common to all series, adjusted for the assets and liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses, investment income, realized and unrealized capital and foreign exchange gains and losses are allocated proportionately to each series based upon the relative net assets of each series, except for items that can be specifically attributed to one or more series.

(d) **Valuation of investments** — The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value of equity securities, ETFs and derivative financial instruments ("derivatives") traded in active markets is measured at quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will review and apply a price that is most representative of fair value based on the specific facts and circumstances. Over the counter ("OTC") securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market (that is, the principal market). Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in Underlying Funds are made in Series O units of the Underlying Fund and valued at the Underlying Fund's net asset value on valuation day.

All security valuation techniques are periodically reviewed by the Valuation Committee of the Manager and are approved by the Manager. The Valuation Committee provides administration and oversight of the Funds' valuation policies and procedures. These procedures allow the Valuation Committee to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

(e) **Derivative financial instruments** — Certain Funds may invest in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives may also be used for trading purposes where the Portfolio Manager believes this would be more effective than investing directly in the underlying financial instruments. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial investment that is smaller than would normally be required to have similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

3. Summary of Significant Accounting Policies (Continued)

potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements, which expose the applicable Funds to gains and losses in excess of the amounts shown on the Statements of Financial Position. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statements of Comprehensive Income.

(i) **Foreign/Forward exchange contracts** — When a Fund purchases or sells foreign securities, it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date.

A Fund may also enter into forward exchange contracts to hedge against fluctuations in foreign exchange rates. These contracts are valued as the difference between the contractual forward foreign exchange rates and the mid forward rate for currency held or sold short at the reporting date. The unrealized gains or losses on the contracts are included in the Statements of Financial Position, as unrealized gain/loss on derivatives. Realized gains and losses and changes in unrealized gains and losses are included in the Statements of Comprehensive Income, as net realized gain/loss on investments and derivatives and net change in unrealized appreciation (depreciation) in value of investments and derivatives.

For OTC derivatives traded under an International Swaps and Derivatives Association (“ISDA”) master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds a certain minimum transfer amount and can vary depending on the counterparty and the type of agreement. Generally, collateral is determined at the close of business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged may be in the form of cash and/or securities. Cash pledged as collateral or initial margin requirement is presented in the Statements of Financial Position as margin and collateral receivable/payable and securities pledged as collateral are identified in the Fund’s Schedule of Investments, if applicable. Should the Fund fail to meet any of these provisions, the derivative counterparty has the right to terminate the derivative contract and require immediate payment by the Fund for those OTC derivatives with that particular counterparty that are in a net liability position.

(f) **Offsetting of derivative financial instruments** — Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. Each applicable Fund attempts to reduce its exposure to counterparty risk on OTC derivatives, whenever possible, by entering into an ISDA master agreement with certain counterparties. These agreements contain various provisions, including but not limited to enforceable master netting arrangements, collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or, limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded to one net amount, payable by one counterparty to the other, however, absent an event of default or early termination, OTC derivatives assets and liabilities are settled on a gross basis, presented gross, and not offset in the Statements of Financial Position. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under an ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives.

See Note 12(a) for details of derivative assets and liabilities presented gross, amounts available for offset and collateral amounts pledged or held in trust for the applicable Funds.

(g) **Transaction costs** — Transaction costs incurred on the purchase and sale of equity securities and ETFs generally include brokerage commissions, trade execution costs, stamp duty and exchange fees and are charged as an expense for the period and shown as transaction costs on the Statements of Comprehensive Income. Transaction costs associated with the purchase and sale of fixed income securities are generally traded on a net basis, which includes an embedded transaction cost.

Funds which invest in Underlying Funds do not incur transaction costs on those transactions.

(h) **Security transactions, investment income, expenses and distributions** — Security transactions are recorded on the trade date. Estimated expenses are accrued daily. Dividend income, distributions received from or made to Underlying Funds are recorded on the ex-dividend date.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

3. Summary of Significant Accounting Policies (Continued)

Interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Realized and unrealized gains or losses on security transactions are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

- (i) **Taxes** — The Funds qualify as mutual fund trusts within the meaning of the Income Tax Act (Canada) (the “Act”). Accordingly, the Funds are entitled to a capital gains refund and, as a result, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Fund are redeemed. In addition, the Funds are not subject to alternative minimum tax or taxes on prescribed investments and certain designated income as defined under Part X.2 and Part XII.2, respectively of the Act.

Each year, each Fund distributes sufficient net taxable income and net realized capital gains for the taxation year so that the Fund does not pay tax under Part 1 of the Act. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which they invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a foreign capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

- (j) **Functional and presentation currency** — The Funds’ functional currency is the Canadian Dollar (“CAD”) which is the currency of the primary economic environment in which they operate. The Funds are distributed within Canada with subscriptions and redemptions primarily denominated in CAD. Accordingly, the Manager has determined that the functional currency of the Funds is CAD. The Funds’ presentation currency is also CAD.

- (k) **Foreign currency translation** — Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into the functional currency based on the mid exchange rate on the valuation date. Purchases and sales of securities and income items denominated in foreign currencies are translated into the functional currency at the exchange rate in effect on the transaction date. When an exchange rate is unavailable or unreliable, it will be determined using procedures established and accepted by the Board of Directors and the Manager.

Realized foreign exchange gains or losses arise from sales of foreign currencies, changes between the trade date and settlement date values on foreign securities and foreign capital transactions, and the difference between the recorded amounts of foreign currency denominated dividends, interest, withholding taxes, and U.S. short-term holdings, and the functional currency equivalent of the amounts actually received or paid. These gains or losses are reported on the Statements of Comprehensive Income as net realized and/or unrealized foreign exchange gain (loss).

- (l) **Unconsolidated structured entities** — The Funds may invest in Underlying Funds determined to be unconsolidated structured entities, as decision making in the Underlying Fund is not governed by the voting right or other similar right held by the Fund. The investments in Underlying Funds are subject to the terms and conditions of the respective Underlying Fund’s offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Underlying Funds. The Underlying Funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of its documented investment strategies. The Underlying Funds apply various investment strategies to accomplish their respective investment objectives.

The Underlying Funds finance their operations by issuing redeemable units which are puttable at the holder’s option, and entitle the holder to a proportional stake in the respective Fund’s net assets.

The Funds may invest in ETFs, which are also considered to be unconsolidated structured entities, as decision making in the ETF is not governed by the voting right or other similar right held by the Fund.

The Funds do not consolidate their investments in Underlying Funds and ETFs but accounts for these investments at fair value, as the Manager has determined that the Funds are investment entities in accordance with IFRS 10 “Consolidated Financial Statements”, since the Funds meet the following criteria:

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

3. Summary of Significant Accounting Policies (Continued)

(i) The Funds obtain funds from one or more investors for the purpose of providing those investors with investment management services.

(ii) The Funds commit to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both and

(iii) The Funds measure and evaluate the performance of substantially all of its investments on a fair value basis.

Therefore the fair value of the investments in the Underlying Funds and ETFs is included in the Schedule of Investments and included in non-derivative investments at fair value in the Funds' Statements of Financial Position. The change in fair value of the investment held in the Underlying Fund and ETFs is included in the net change in unrealized appreciation (depreciation) in value of investments in the Statements of Comprehensive Income.

(m) Increase (decrease) in net assets from operations per unit— This calculation is based on the increase (decrease) in net assets from operations attributable to each series divided by the weighted average number of units of that series outstanding during the period.

(n) Accounting judgements, estimates and assumptions— The preparation of financial statements in accordance with IFRS may require the Manager to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense reported during the periods. Actual results may differ from those estimates.

The key areas where judgement is applied is in the determination of the functional currency of the Funds, as discussed in Note 3(j), the determination of whether the Fund meets the definition of an investment entity and whether the Fund's investments are made in structured entities as discussed in Note 3(l). Assumptions and estimates are made in the determination of fair values of financial instruments not traded on an active market as discussed in Note 3(d).

4. Capital Risk Management

The capital of each Fund is comprised of its net assets attributable to holders of redeemable units. Each Fund's capital is managed in accordance with its respective investment objectives and policies, and there are no externally imposed restrictions in relation to each Fund's units. Changes in capital during the period are reflected in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units for each Fund. The Funds have no specific restrictions or capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Funds endeavor to manage capital by maintaining a strong capital base to support the investment activities of each of the Funds while maintaining sufficient liquidity to meet redemptions. Unitholders are entitled to distributions, which are then reinvested in additional units of the Fund or, at the option of the unitholder, paid in cash. Units of the Funds are redeemable at the option of the unitholders in accordance with the provisions in the Declarations of Trust.

Changes in issued units are summarized as follows:

Franklin Quotential Balanced Growth Portfolio

	Series A		Series F		Series FT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	76,084,659	110,297,396	2,861,873	3,073,738	162,419	170,459
Subscriptions	2,377,229	5,543,319	269,415	1,353,659	11,265	21,613
Reinvestments	—	1,385,850	—	46,008	1,599	6,273
Redemptions	(9,097,688)	(41,141,906)	(558,814)	(1,611,532)	(33,829)	(35,926)
Outstanding units — ending	69,364,200	76,084,659	2,572,474	2,861,873	141,454	162,419

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

4. Capital Risk Management (Continued)

	Series I		Series O		Series OT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	10,851,986	12,135,820	73,324,169	84,183,394	906,974	1,216,936
Subscriptions	186,092	276,944	969,764	1,579,956	9,654	56,316
Reinvestments	—	199,750	—	1,348,439	24,673	71,726
Redemptions	(987,049)	(1,760,528)	(5,448,065)	(13,787,620)	(48,098)	(438,004)
Outstanding units — ending	10,051,029	10,851,986	68,845,868	73,324,169	893,203	906,974
	Series PA		Series PF		Series PFT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	13,365,104	—	8,451,348	8,035,044	739,370	1,136,458
Subscriptions	1,185,553	16,068,497	632,431	1,995,383	69,877	98,035
Reinvestments	—	243,867	—	145,535	16,605	52,870
Redemptions	(1,308,240)	(2,947,260)	(702,277)	(1,724,614)	(73,257)	(547,993)
Outstanding units — ending	13,242,417	13,365,104	8,381,502	8,451,348	752,595	739,370
	Series PT		Series T			
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019		
Outstanding units — beginning	1,005,822	—	7,879,046	11,029,459		
Subscriptions	83,804	1,089,401	175,978	296,311		
Reinvestments	22,832	55,286	101,665	376,178		
Redemptions	(123,598)	(138,865)	(566,714)	(3,822,902)		
Outstanding units — ending	988,860	1,005,822	7,589,975	7,879,046		

Franklin Quotential Balanced Income Portfolio

	Series A		Series F		Series FT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	36,597,226	52,623,475	1,793,955	1,936,952	86,367	102,433
Subscriptions	1,260,619	3,667,797	260,832	732,354	—	21,791
Reinvestments	—	774,136	—	27,039	776	4,169
Redemptions	(4,534,781)	(20,468,182)	(288,878)	(902,390)	(20,373)	(42,026)
Outstanding units — ending	33,323,064	36,597,226	1,765,909	1,793,955	66,770	86,367
	Series I		Series O		Series OT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	5,560,986	6,719,908	35,787,261	42,620,708	149,966	172,659
Subscriptions	229,969	202,904	886,200	1,095,899	45,377	29,252
Reinvestments	—	119,590	—	763,280	2,468	8,343
Redemptions	(567,984)	(1,481,416)	(2,832,153)	(8,692,626)	(24,255)	(60,288)
Outstanding units — ending	5,222,971	5,560,986	33,841,308	35,787,261	173,556	149,966
	Series PA		Series PF		Series PFT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	5,563,560	—	4,297,454	4,244,082	392,178	525,676
Subscriptions	488,419	6,875,783	335,988	775,656	3,443	41,055
Reinvestments	—	118,430	—	82,977	6,427	23,091
Redemptions	(630,684)	(1,430,653)	(365,418)	(805,261)	(19,864)	(197,644)
Outstanding units — ending	5,421,295	5,563,560	4,268,024	4,297,454	382,184	392,178

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

4. Capital Risk Management (Continued)

	Series PT		Series T	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	472,406	—	3,174,826	4,714,390
Subscriptions	32,857	585,009	123,785	251,871
Reinvestments	7,449	24,836	39,856	162,524
Redemptions	(51,627)	(137,439)	(391,255)	(1,953,959)
Outstanding units — ending	461,085	472,406	2,947,212	3,174,826

Franklin Quotential Diversified Equity Portfolio

	Series A		Series F		Series I	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	7,385,377	10,620,289	394,664	510,339	1,084,238	1,211,431
Subscriptions	394,025	609,450	37,692	98,278	173,942	34,361
Reinvestments	—	24,981	—	1,221	—	3,596
Redemptions	(905,827)	(3,869,343)	(99,561)	(215,174)	(67,869)	(165,150)
Outstanding units — ending	6,873,575	7,385,377	332,795	394,664	1,190,311	1,084,238

	Series O		Series OT		Series PA	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	5,734,312	6,400,842	11,966	12,052	2,137,407	—
Subscriptions	316,395	385,791	—	—	281,230	2,424,161
Reinvestments	—	19,323	100	239	—	7,223
Redemptions	(331,416)	(1,071,644)	(111)	(325)	(235,212)	(293,977)
Outstanding units — ending	5,719,291	5,734,312	11,955	11,966	2,183,425	2,137,407

	Series PF		Series PFT		Series PT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	1,010,778	1,116,037	14,149	17,268	9,343	—
Subscriptions	61,065	138,812	234	11,645	3,059	14,749
Reinvestments	—	3,241	—	57	395	628
Redemptions	(98,119)	(247,312)	(27)	(14,821)	(132)	(6,034)
Outstanding units — ending	973,724	1,010,778	14,356	14,149	12,665	9,343

	Series PT-USD		Series T		Series T-USD	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	443	—	145,000	185,512	7,168	7,179
Subscriptions	2,383	434	8,978	23,277	10,529	14
Reinvestments	91	9	2,030	5,147	98	125
Redemptions	(443)	—	(32,699)	(68,936)	(4,637)	(150)
Outstanding units — ending	2,474	443	123,309	145,000	13,158	7,168

Franklin Quotential Diversified Income Portfolio

	Series A		Series F		Series FT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	24,437,440	33,316,339	1,878,925	2,065,953	970,636	975,966
Subscriptions	1,368,380	2,908,360	312,161	817,346	49,989	408,201
Reinvestments	—	963,552	—	67,225	8,719	63,019
Redemptions	(3,516,732)	(12,750,811)	(430,926)	(1,071,599)	(242,396)	(476,550)
Outstanding units — ending	22,289,088	24,437,440	1,760,160	1,878,925	786,948	970,636

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

4. Capital Risk Management (Continued)

	Series I		Series O		Series OT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	11,765,457	13,786,921	32,947,200	41,915,854	530,058	623,729
Subscriptions	256,332	560,585	1,103,329	1,354,736	57,540	14,664
Reinvestments	—	461,810	—	1,335,992	10,103	42,926
Redemptions	(988,999)	(3,043,859)	(2,467,404)	(11,659,382)	(78,360)	(151,261)
Outstanding units — ending	11,032,790	11,765,457	31,583,125	32,947,200	519,341	530,058

	Series PA		Series PF		Series PFT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	4,442,237	—	5,145,447	5,029,783	1,822,765	1,225,125
Subscriptions	806,812	5,624,649	585,548	1,320,042	156,276	734,956
Reinvestments	—	175,687	—	177,562	14,564	105,249
Redemptions	(640,249)	(1,358,099)	(724,471)	(1,381,940)	(220,263)	(242,565)
Outstanding units — ending	4,608,800	4,442,237	5,006,524	5,145,447	1,773,342	1,822,765

	Series PT		Series T	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	3,091,452	—	40,005,044	61,400,676
Subscriptions	147,660	3,356,327	716,780	1,991,751
Reinvestments	48,049	236,512	584,357	3,106,728
Redemptions	(237,273)	(501,387)	(4,333,650)	(26,494,111)
Outstanding units — ending	3,049,888	3,091,452	36,972,531	40,005,044

Franklin Quotential Growth Portfolio

	Series A		Series F		Series I	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	16,940,496	23,643,423	452,605	521,102	2,577,972	2,903,755
Subscriptions	706,519	1,332,147	53,536	209,274	31,935	174,466
Reinvestments	—	476,477	—	10,016	—	72,328
Redemptions	(2,055,042)	(8,511,551)	(84,189)	(287,787)	(114,739)	(572,577)
Outstanding units — ending	15,591,973	16,940,496	421,952	452,605	2,495,168	2,577,972

	Series O		Series OT		Series PA	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	18,957,283	19,977,513	81,768	22,455	3,007,891	—
Subscriptions	1,548,263	789,405	13,922	59,493	435,563	3,387,215
Reinvestments	—	533,066	671	3,701	—	82,300
Redemptions	(1,117,782)	(2,342,701)	(2,816)	(3,881)	(508,604)	(461,624)
Outstanding units — ending	19,387,764	18,957,283	93,545	81,768	2,934,850	3,007,891

	Series PF		Series PFT		Series PT	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Outstanding units — beginning	1,713,047	1,559,369	21,865	45,875	76,985	—
Subscriptions	193,832	437,990	15,094	2,816	6,294	76,392
Reinvestments	—	46,129	257	950	2,782	3,944
Redemptions	(67,436)	(330,441)	(1,455)	(27,776)	(5,822)	(3,351)
Outstanding units — ending	1,839,443	1,713,047	35,761	21,865	80,239	76,985

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

4. Capital Risk Management (Continued)

	Series T	
	June 30, 2020	December 31, 2019
Outstanding units — beginning	194,612	212,697
Subscriptions	30,527	54,820
Reinvestments	5,279	14,915
Redemptions	(11,670)	(87,820)
Outstanding units — ending	218,748	194,612

5. Related Party Transactions

The Manager is the trustee, principal distributor, registrar and transfer agent of the Funds. The Manager and or its affiliates provides or arranges for the provision of all management and administrative services for day-to-day Fund operations, including marketing, promotion and distribution of the Funds, portfolio advisory services and the provision of key management personnel to the Funds. The Manager has engaged affiliates of the Manager as portfolio advisors or sub-advisors (the “Portfolio Advisor” or “Sub-Advisor”) for certain Funds to provide investment analysis and recommendations to the Manager and execute or arrange for brokers to execute portfolio transactions in respect of the Funds. A portion of the management fee payable by the Fund, as discussed in Note 5(a), is paid to a Portfolio Advisor or Sub-Advisor in respect of portfolio advisory and sub-advisory services, where applicable.

As a principal distributor of the Funds, the Manager markets the Funds and arranges for the sale of certain series of units of the Funds through dealers across Canada. The Manager may retain certain companies to assist in the sale of certain series of units of the Funds. The Manager’s affiliate, FTC Investor Services (“FTC ISI”) also acts as a principal distributor for Series F, F-Hedged, PF, PF-Hedged, O, OT, FT and PFT units of the Funds, as applicable. For acting as principal distributor of the applicable series, FTC ISI receives an inter-company service fee of 0.20% of the assets under management of the applicable series paid by the Manager with respect to those series of units.

In addition to management services, the Manager acts as registrar and transfer agent of the Funds. These services provided by the Manager are in the normal course of operations and are covered by an administration fee, as discussed in Note 5(b), paid by the Funds to the Manager.

Franklin Templeton Services, LLC (“FTS”) provides the Manager with fund accounting and portfolio valuation services in connection with the Funds, and provides certain back office administration services to the Manager. These services are in the normal course of operations and are covered by an administration fee, as discussed in Note 5(b), paid by the Fund to the Manager.

(a) Management and investment advisory fees (“management fees”)

The Funds pay an aggregate monthly fee for management and investment advisory services (“management fees”) to the Manager. A portion of the management fees, paid to the Manager, may be payable to a Sub-Advisor in respect of sub-advisory services, where applicable. Management fees payable at the period ends are shown in the Statements of Financial Position of each Fund. The monthly fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series, plus applicable taxes. The annual rates are set out below.

	Series A	Series F	Series FT	Series I	Series PA*	Series PF	Series PFT	Series T†
Franklin Quotential Balanced Growth Portfolio	1.90%	0.90%	0.90%	1.20%	1.70%	0.70%	0.70%	1.90%
Franklin Quotential Balanced Income Portfolio	1.75%	0.75%	0.75%	1.20%	1.65%	0.65%	0.65%	1.75%
Franklin Quotential Diversified Equity Portfolio	2.05%	1.05%	—	1.25%	1.80%	0.80%	0.80%	2.05%
Franklin Quotential Diversified Income Portfolio	1.65%	0.90%	0.90%	1.375%	1.40%	0.65%	0.65%	1.65%
Franklin Quotential Growth Portfolio	2.00%	1.00%	—	1.25%	1.75%	0.75%	0.75%	2.00%

* Where a Fund offers Series PT and/or Series PT-USD, the management fee is the same as that of Series PA.

† Where a Fund offers Series T-USD, the management fee is the same as that of Series T.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

5. Related Party Transactions (Continued)

Series O and OT management fees for the Funds are negotiated with and paid by the individual unitholder directly to the Manager. Consequently, those Funds only offering Series O and OT units have not been included in the table above.

To avoid duplication of fees charged to Funds which invest in Underlying Funds managed by the Manager, the fees of those Funds that would otherwise be payable will be reduced to reflect the management fees paid indirectly through investments by the Funds in such Underlying Funds.

The Manager has agreed to waive a portion of the management fee on certain series of units (the "Management Fee Waiver"). The applicable Funds pay a management fee to the Manager, net of the Management Fee Waiver. This Management Fee Waiver is applied to the following Series at the specified rate:

	Series F	Series FT	Series I	Series T-USD
Franklin Quotential Diversified Equity Portfolio	—	—	0.03%	0.03%
Franklin Quotential Diversified Income Portfolio	0.11%	0.11%	0.06%	—
Franklin Quotential Growth Portfolio	—	—	0.07%	—

Fiduciary Trust Company of Canada ("FTCC"), a wholly owned subsidiary of the Manager, is the portfolio advisor ("Portfolio Advisor") to the Funds. A portion of the management fee is payable to FTCC by the Manager in respect of portfolio advisory services.

(b) Fixed administration fee

The Manager pays the operating expenses of the Funds, other than certain Fund costs ("Fund Costs"), such as borrowing and interest costs, investor meeting costs (as permitted by Canadian securities regulation), the fees and expenses of the Independent Review Committee, directors' fee and expenses, any costs and expenses associated with litigation for the benefit of the Funds or brought to pursue rights on behalf of the Funds and the cost of compliance with any new government and regulatory requirements, in exchange for a payment by the Funds of an annual fixed rate administration fee, plus applicable taxes, except for series O and OT. The operating expenses payable by the Manager include, but are not limited to, transfer agent fees, custodian fees, legal fees and audit fees. As such, the Funds did not directly pay these costs; hence line items for these amounts are not shown on the Statements of Comprehensive Income.

The Manager may, in some years and in certain cases, waive a portion of a series' Administration Fee or absorb certain Fund Costs. The decision to waive the Administration Fee or absorb certain Fund Costs, or a portion thereof, is determined at the discretion of the Manager. In addition, the Manager pays all operating expenses of Series O and OT, hence a fixed administration fee is not borne by these Series.

The monthly fixed administration fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series, plus applicable taxes, except for Series O and OT. Fixed administration fees payable at the period ends are shown in the Statements of Financial Position of each Fund. The annual rates are set out below.

	Series A, F, I, FT, T, T-USD	Series PA, PF, PFT, PT, PT-USD
Franklin Quotential Balanced Growth Portfolio	0.24 %	0.15 %
Franklin Quotential Balanced Income Portfolio	0.20 %	0.15 %
Franklin Quotential Diversified Equity Portfolio	0.35 %	0.15 %
Franklin Quotential Diversified Income Portfolio	0.17 %	0.15 %
Franklin Quotential Growth Portfolio	0.25 %	0.15 %

(c) Manager Holdings and Funds Managed by the Manager

The Manager held the following number of units in the specified Funds as at June 30, 2020 and December 31, 2019.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

5. Related Party Transactions (Continued)

Franklin Quotential Diversified Equity Portfolio

	June 30, 2020	December 31, 2019
Series OT	349	349
Series PFT	346	346
Series PT-USD	—	443

Franklin Quotential Diversified Income Portfolio

	June 30, 2020	December 31, 2019
Series OT	—	366
Series PA	—	500
Series PF	—	500
Series PFT	—	372
Series PT	—	352

Franklin Quotential Growth Portfolio

	June 30, 2020	December 31, 2019
Series OT	439	439
Series PFT	368	368
Series PT	—	350

The Manager's holdings represent less than 1% of the net assets of each of the respective Funds as at June 30, 2020 and December 31, 2019.

(d) Other services

In addition to its management and portfolio advisory services, the Manager acts as trustee, registrar and transfer agent for each of the Funds. These services are provided by the Manager in the normal course of operations and are part of the services provided by the Manager in exchange for the Administration Fee paid by the Fund to the Manager as discussed in Note 5(b).

(e) Other Expenses

The principal amount in *other expenses* include Fund Costs as discussed in Note 5(b).

(f) Other Assets

The principal amounts in *other assets* are recoverable expenses from the Manager as discussed in Note 5(d).

(g) Other Liabilities

The principal amounts in *other liabilities* are amounts owed to the Manager relating to expenses paid for and incurred on behalf of the Fund as discussed in Note 5(b).

6. Sales Charges

The sales charge incurred by unitholders of Series A and PA (collectively "Series A"), Series I units and Series T, PT, T-USD and PT-USD (collectively "Series T") units is dependent on the purchase option selected at the time of purchase.

Under the front-load sales option, a negotiable fee of up to 6% of the purchase price is payable by the Series A and Series T investors to their dealers. Series I unitholders negotiate a fee of up to 2% with their dealers. Under the low-load option, the Series A and Series T investors will pay a redemption fee to the Manager if they redeem their units within three years of purchasing them. This redemption fee is based on a declining percentage of the original cost of the investor's units and how long the investor has held them, ranging from 3% to 0%. Up to 10% of an investor's investment in Series A and T units may be redeemed in each calendar year without a redemption charge. Under the deferred sales charge option, the Series A and Series T investors will pay a redemption fee to the Manager if they redeem their units within six years of purchasing them. This redemption fee is based on a declining percentage, ranging from 6% to 0%, of the original cost of the investor's units and how long the investor has held them. Up to 10% of an investor's investment in Series A and Series T units may be redeemed in each calendar year without a redemption charge.

No sales charges are paid in respect of the sale of Series F, FT, O, OT, PF and PFT units of a Fund.

7. Interests in Other Entities

As discussed in 3(l), Underlying Funds, Unit Trusts and ETFs are unconsolidated structured entities and are measured at fair value through profit and loss.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

7. Interests in Other Entities (Continued)

The tables below show those Funds' interest in unconsolidated structured entities in dollar and percentage terms where the investment amount exceeds 10% of the total net asset value as at June 30, 2020 and December 31, 2019. Where a holding exceeds 10% in one year only, the comparative amount shown may be less than 10%.

	As at June 30, 2020			As at December 31, 2019		
	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF
	(000s)	(000s)	%	(000s)	(000s)	%
Franklin Quotential Balanced Growth Portfolio						
Franklin Bissett Canadian Government Bond Fund.....	\$ 823,057	\$178,338	21.67%	\$1,150,543	\$258,812	22.49%
Franklin Bissett Core Plus Bond Fund	2,173,684	263,918	12.14%	1,986,900	255,364	12.85%
Franklin Bissett Short Duration Bond Fund ^(b)	430,199	68,686	15.97%	413,819	67,978	16.43%
Franklin Canadian Core Equity Fund.....	297,196	77,204	25.98%	314,636	85,202	27.08%
Franklin Emerging Markets Core Equity Fund.....	122,716	39,554	32.23%	125,456	36,941	29.45%
Franklin International Core Equity Fund	504,352	89,362	17.72%	436,708	85,280	19.53%
Franklin U.S. Core Equity Fund	609,787	155,645	25.52%	525,638	146,759	27.92%
Franklin U.S. Opportunities Fund	388,232	92,083	23.72%	310,964	78,662	25.30%
Franklin FTSE Canada All Cap Index ETF	284,090	106,491	37.48%	265,310	97,195	36.63%
Franklin FTSE Europe Ex U.K. Index ETF	96,110	36,227	37.69%	122,160	45,536	37.28%
Franklin FTSE U.S. Index ETF	356,100	118,291	33.22%	341,540	113,609	33.26%
Franklin Liberty Global Aggregate Bond ETF	620,030	114,199	18.42%	610,300	128,332	21.03%
Franklin LibertyQT U.S. Equity Index ETF	226,540	66,556	29.38%	233,270	69,103	29.62%
Franklin Quotential Balanced Income Portfolio						
Franklin Bissett Canadian Government Bond Fund.....	823,057	118,018	14.34%	1,150,543	163,173	14.18%
Franklin Bissett Short Duration Bond Fund ^(b)	430,199	45,299	10.53%	413,819	42,802	10.34%
Franklin FTSE Canada All Cap Index ETF	284,090	31,090	10.94%	265,310	30,212	11.39%
Franklin FTSE Europe Ex U.K. Index ETF	96,110	10,442	10.86%	122,160	12,143	9.94%
Franklin Liberty Global Aggregate Bond ETF	620,030	75,442	12.17%	610,300	80,879	13.25%
Franklin Quotential Diversified Equity Portfolio						
Franklin FTSE Europe Ex U.K. Index ETF	96,110	9,976	10.38%	122,160	13,092	10.72%
Franklin Quotential Diversified Income Portfolio						
Franklin Bissett Canadian Government Bond Fund.....	823,057	190,369	23.13%	1,150,543	256,775	22.32%
Franklin Bissett Core Plus Bond Fund	2,173,684	244,309	11.24%	1,986,900	216,050	10.87%
Franklin Bissett Short Duration Bond Fund ^(b)	430,199	67,238	15.63%	413,819	62,443	15.09%
Franklin Emerging Markets Core Equity Fund.....	122,716	20,320	16.56%	125,456	17,493	13.94%
Franklin Strategic Income Fund	90,169	39,400	43.70%	83,413	34,862	41.79%
Franklin Liberty Global Aggregate Bond ETF	620,030	81,196	13.10%	610,300	87,925	14.41%
Franklin Quotential Growth Portfolio						
Franklin Emerging Markets Core Equity Fund.....	122,716	12,440	10.14%	125,456	11,459	9.13%
Franklin FTSE Canada All Cap Index ETF	284,090	33,064	11.64%	265,310	27,762	10.46%
Franklin FTSE Europe Ex U.K. Index ETF	96,110	11,322	11.78%	122,160	14,054	11.50%
Franklin FTSE U.S. Index ETF	356,100	36,926	10.37%	341,540	34,555	10.12%

^(a)Represents fair value of financial assets included in investments at fair value through profit and loss in the Statements of Financial Position.

^(b)Effective June 10, 2019, Franklin Bissett Canadian Short Term Bond Fund was renamed Franklin Bissett Short Duration Bond Fund.

8. Financial Risk Management

Risks arising from holding financial instruments are inherent in the Funds' activities and are managed through a process of ongoing measurement and monitoring. These financial risks may include, among others, market risk (including currency risk, interest rate risk and other price risk), liquidity risk, credit risk and concentration risk. All investments result in a risk of loss of capital. These risks are

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

moderated through careful selection of securities and other financial instruments within the Funds' investment guidelines by the respective portfolio advisors. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Funds from reasonably possible changes in the relevant risk variables.

As noted in Note 1, the Funds invest primarily in Underlying Funds and ETFs managed by the Manager or an affiliate of the Manager. Each Fund is indirectly exposed to each financial risk of the respective Underlying Fund and ETF proportionately to its investments in such Underlying Fund and ETF. Each Fund's interest in an Underlying Fund and ETF is disclosed in Note 7.

During 2020, there has been a global outbreak of a corona virus disease (COVID-19), which the World Health Organization has declared a pandemic. Unexpected events like COVID-19 can cause adverse effects on many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The effects of this pandemic may materially and adversely impact the value and performance of the Funds, the Funds' ability to buy and sell investments at appropriate valuations and the Funds' ability to achieve their investment objectives.

(a) Currency risk

Certain Funds hold assets and liabilities denominated in currencies other than their functional currency, and are therefore exposed to currency risk as the values of such assets and liabilities will fluctuate due to changes in exchange rates.

The portfolio advisors monitor the Funds' currency risk position, and may enter into forward exchange contracts to manage foreign exchange exposure as described in Note 3(e) and disclosed in the respective Fund's Schedule of Investment Portfolio, as applicable.

The tables below summarize the Funds' exposure to currency risk, where applicable. Amounts shown are based on the carrying value of monetary and non-monetary assets, less liabilities. For those Funds where individual currencies held are less than 5% of net assets, that currency has been included in "currencies less than 5% of net assets". The tables also illustrate, for each respective Fund, the expected decrease or increase in net assets had the functional currency strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant. Actual results may differ from this sensitivity analysis and the difference could be material.

Franklin Quotential Balanced Growth Portfolio

	June 30, 2020		December 31, 2019	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
USD	\$103,114	5.63%	\$74,980	3.84%
	\$103,114	5.63%	\$74,980	3.84%
Impact on net assets from 5% currency movement	\$ 5,156	0.28%	\$ 3,749	0.19%

Franklin Quotential Balanced Income Portfolio

	June 30, 2020		December 31, 2019	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
Currencies less than 5% of net assets	\$20,549	2.62%	\$8,196	1.00%
	\$20,549	2.62%	\$8,196	1.00%
Impact on net assets from 5% currency movement	\$ 1,027	0.13%	\$ 410	0.05%

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Diversified Equity Portfolio

	June 30, 2020		December 31, 2019	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
USD	\$34,687	14.08%	\$33,509	13.34%
	<u>\$34,687</u>	<u>14.08%</u>	<u>\$33,509</u>	<u>13.34%</u>
Impact on net assets from 5% currency movement	\$ 1,734	0.70%	\$ 1,675	0.67%

Franklin Quotential Diversified Income Portfolio

	June 30, 2020		December 31, 2019	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
Currencies less than 5% of net assets	\$(4,588)	(0.53)%	\$(33,608)	(3.73)%
	<u>\$(4,588)</u>	<u>(0.53)%</u>	<u>\$(33,608)</u>	<u>(3.73)%</u>
Impact on net assets from 5% currency movement	\$ (229)	(0.03)%	\$ (1,680)	(0.19)%

Franklin Quotential Growth Portfolio

	June 30, 2020		December 31, 2019	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
USD	\$37,415	8.64%	\$30,900	6.96%
	<u>\$37,415</u>	<u>8.64%</u>	<u>\$30,900</u>	<u>6.96%</u>
Impact on net assets from 5% currency movement	\$ 1,871	0.43%	\$ 1,545	0.35%

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments. The portfolio advisors monitor overall interest rate sensitivity on a periodic basis.

The Funds are not directly exposed to interest rate risk as no significant interest bearing securities (excluding overnight term deposits) were held by the Funds as at June 30, 2020 and December 31, 2019.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). Those changes may be caused by factors specific to the individual financial instrument or its issuer, or factors affecting a market or market segment. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other price risk.

The table below illustrates the expected increase or decrease in net assets if the value of the Funds' investments had increased or decreased by 5%, with all other variables held constant. Actual results may differ from this sensitivity analysis and the difference could be material.

	June 30, 2020		December 31, 2019	
	Sensitivity on Net Assets	% Impact on Net Assets	Sensitivity on Net Assets	% Impact on Net Assets
	(000s)	(%)	(000s)	(%)
Franklin Quotential Balanced Growth Portfolio	\$90,823	4.96%	\$96,413	4.94%
Franklin Quotential Balanced Income Portfolio	38,855	4.95%	40,400	4.92%

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

	June 30, 2020		December 31, 2019	
	Sensitivity on Net Assets	% Impact on Net Assets	Sensitivity on Net Assets	% Impact on Net Assets
Franklin Quotential Diversified Equity Portfolio	\$12,228	4.96%	\$12,441	4.95%
Franklin Quotential Diversified Income Portfolio	43,376	4.97%	43,953	4.88%
Franklin Quotential Growth Portfolio	21,408	4.94%	21,956	4.95%

(d) Liquidity risk

Liquidity risk is the risk that a Fund, an Underlying Fund, an ETF or an FTIF Sub-Fund, will not be able to meet its liabilities as they fall due. As the Funds are exposed to daily cash redemption of units, the assets of the Funds are invested mainly in securities which are traded in active markets and can be readily disposed of. In addition, sufficient cash and cash equivalents are maintained to meet normal operating requirements. Each Fund and each Underlying Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. The Funds and the Underlying Funds have a non-committed redemption line of credit agreement with a Schedule 1 bank in Canada from which these amounts can be borrowed, if necessary. The loans are issued at prime rate and are payable on demand. There were no loans issued or outstanding as at June 30, 2020 and December 31, 2019.

The Funds' financial liabilities which include redemptions payable, distributions payable, accrued liabilities and derivative liabilities due within 3 months or less. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

In accordance with the Funds' investment objective, the Manager monitors the Funds' liquidity position on an ongoing basis.

(e) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund or the FTIF Sub-Fund or Underlying Fund in which it invests. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit a Fund is exposed to. Credit risk is generally lower if the issuer has a high credit rating from an independent credit rating agency, while the risk is generally higher if the issuer has a low credit rating or no credit rating.

The Manager monitors counterparty credit risk in order to determine the best estimate of an expected credit loss in the event of a default by a counterparty. Factors considered include, the credit ratings of the counterparty, historical and future looking information and overall exposure to a counterparty. As at June 30, 2020 and December 31, 2019, all cash and trading transactions are carried out by banks rated A or higher by Standard & Poor's. No loss allowance has been recognized based on the Manager's ongoing counterparty credit risk management process.

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Below is a summary of each Fund's concentration risk which is derived from each Underlying Fund in which the Funds invest a substantial portion of their respective assets.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Balanced Growth Portfolio

Region Mix	June 30, 2020 (%)	December 31, 2019 (%)	Asset Class Weightings	June 30, 2020 (%)	December 31, 2019 (%)
North America	85.81	86.13	Equity (Exchange Traded Funds and exposure from Underlying Funds)	61.37	57.76
Asia	5.45	4.94	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	35.82	39.23
Europe	4.10	3.89	Other assets (of Underlying Funds)	1.98	1.81
Latin America & Caribbean	0.95	1.13	Short-term securities and all other assets, net	0.83	1.20
Australia & New Zealand	0.54	0.56			
Middle East & Africa	0.33	0.33			
Supranational	0.01	0.01			

Franklin Quotential Balanced Income Portfolio

Region Mix	June 30, 2020 (%)	December 31, 2019 (%)	Asset Class Weightings	June 30, 2020 (%)	December 31, 2019 (%)
North America	87.11	86.88	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	55.02	56.59
Asia	4.33	4.30	Equity (Exchange Traded Funds and exposure from Underlying Funds)	41.71	39.74
Europe	3.30	2.92	Other assets (of Underlying Funds)	2.27	2.10
Latin America & Caribbean	1.20	1.38	Short-term securities and all other assets, net	1.00	1.57
Australia & New Zealand	0.51	0.57			
Middle East & Africa	0.27	0.27			
Supranational	0.01	0.01			

Franklin Quotential Diversified Equity Portfolio

Region Mix	June 30, 2020 (%)	December 31, 2019 (%)	Asset Class Weightings	June 30, 2020 (%)	December 31, 2019 (%)
North America	78.38	78.50	Equity (Exchange Traded Funds and exposure from Underlying Funds)	97.65	97.32
Asia	9.73	8.36	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	0.53	0.45
Europe	7.75	8.41	Other assets (of Underlying Funds)	1.10	1.27
Australia & New Zealand	1.04	0.98	Short-term securities and all other assets, net	0.72	0.96
Latin America & Caribbean	0.72	0.95			
Middle East & Africa	0.56	0.57			

Franklin Quotential Diversified Income Portfolio

Region Mix	June 30, 2020 (%)	December 31, 2019 (%)	Asset Class Weightings	June 30, 2020 (%)	December 31, 2019 (%)
North America	87.01	83.77	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	73.55	75.22
Asia	4.22	4.85	Equity (Exchange Traded Funds and exposure from Underlying Funds)	23.20	20.12
Europe	3.00	3.79	Other assets (of Underlying Funds)	2.57	2.28
Latin America & Caribbean	1.51	1.66	Short-term securities and all other assets, net	0.68	2.38
Australia & New Zealand	0.56	0.80			
Middle East & Africa	0.40	0.44			
Supranational	0.05	0.03			

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Growth Portfolio

Region Mix	June 30, 2020 (%)	December 31, 2019 (%)	Asset Class Weightings	June 30, 2020 (%)	December 31, 2019 (%)
North America	84.08	84.86	Equity (Exchange Traded Funds and exposure from Underlying Funds)	80.74	77.43
Asia	6.54	5.71			
Europe	4.88	4.96	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	16.42	19.94
Latin America & Caribbean	0.71	0.89			
Australia & New Zealand	0.56	0.56			
Middle East & Africa	0.39	0.39	Other assets (of Underlying Funds)	1.68	1.54
			Short-term securities and all other assets, net	1.16	1.09

(g) Fair value estimation

The Funds classify fair value measurements of investments held using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3—inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The determination of what constitutes “observable” requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. These may include private equity and corporate debt securities. As observable prices are not available for these securities, the Manager has used valuation techniques to derive the fair value.

The Funds’ investments are generally classified as follows:

- Investments in mutual funds/unit trusts and exchange traded funds — The Funds’ positions in the mutual funds / unit trusts and exchange traded funds are typically in positions that are actively traded and a reliable price is observable and as such is classified as Level 1. Where the determination of fair value requires significant unobservable data the measurement is classified as Level 3.
- Other derivative assets and liabilities — Derivative assets and liabilities consist of foreign currency forward contracts, interest rate swaps and credit default swaps which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

The carrying values of cash, capital units sold receivable, dividends and interest receivable, payable for investments sold or purchased, capital units redeemed payable, distributions payable, accrued liabilities and the Fund’s obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature.

The following tables show the classification of the Funds’ financial assets and liabilities measured at fair value as at June 30, 2020 and December 31, 2019.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Balanced Growth Portfolio

	June 30, 2020				December 31, 2019			
	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Mutual Funds/Unit Trusts/ETFs	\$ 1,816,458	\$ —	\$ —	\$ 1,816,458	\$ 1,928,257	\$ —	\$ —	\$ 1,928,257
Short-term securities	—	16,100	—	16,100	—	16,300	—	16,300
Total Investments	<u>\$ 1,816,458</u>	<u>\$ 16,100</u>	<u>\$ —</u>	<u>\$ 1,832,558</u>	<u>\$ 1,928,257</u>	<u>\$ 16,300</u>	<u>\$ —</u>	<u>\$ 1,944,557</u>
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 989	\$ —	\$ 989
Derivative liabilities	—	(101)	—	(101)	—	—	—	—

Franklin Quotential Balanced Income Portfolio

	June 30, 2020				December 31, 2019			
	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Mutual Funds/Unit Trusts/ETFs	\$ 777,091	\$ —	\$ —	\$ 777,091	\$ 807,996	\$ —	\$ —	\$ 807,996
Short-term securities	—	7,700	—	7,700	—	9,200	—	9,200
Total Investments	<u>\$ 777,091</u>	<u>\$ 7,700</u>	<u>\$ —</u>	<u>\$ 784,791</u>	<u>\$ 807,996</u>	<u>\$ 9,200</u>	<u>\$ —</u>	<u>\$ 817,196</u>
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 588	\$ —	\$ 588
Derivative liabilities	—	(69)	—	(69)	—	(15)	—	(15)

Franklin Quotential Diversified Equity Portfolio

	June 30, 2020				December 31, 2019			
	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Mutual Funds/Unit Trusts/ETFs	\$ 244,557	\$ —	\$ —	\$ 244,557	\$ 248,814	\$ —	\$ —	\$ 248,814
Short-term securities	—	2,200	—	2,200	—	2,300	—	2,300
Total Investments	<u>\$ 244,557</u>	<u>\$ 2,200</u>	<u>\$ —</u>	<u>\$ 246,757</u>	<u>\$ 248,814</u>	<u>\$ 2,300</u>	<u>\$ —</u>	<u>\$ 251,114</u>

Franklin Quotential Diversified Income Portfolio

	June 30, 2020				December 31, 2019			
	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Mutual Funds/Unit Trusts/ETFs	\$ 867,522	\$ —	\$ —	\$ 867,522	\$ 879,068	\$ —	\$ —	\$ 879,068
Short-term securities	—	6,300	—	6,300	—	17,000	—	17,000
Total Investments	<u>\$ 867,522</u>	<u>\$ 6,300</u>	<u>\$ —</u>	<u>\$ 873,822</u>	<u>\$ 879,068</u>	<u>\$ 17,000</u>	<u>\$ —</u>	<u>\$ 896,068</u>
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 899	\$ —	\$ 899
Derivative liabilities	—	(106)	—	(106)	—	(38)	—	(38)

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Growth Portfolio

	June 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Mutual Funds/Unit Trusts/ETFs	\$ 428,169	\$ —	\$ —	\$ 428,169	\$ 439,111	\$ —	\$ —	\$ 439,111
Short-term securities	—	5,500	—	5,500	—	3,700	—	3,700
Total Investments	<u>\$ 428,169</u>	<u>\$ 5,500</u>	<u>\$ —</u>	<u>\$ 433,669</u>	<u>\$ 439,111</u>	<u>\$ 3,700</u>	<u>\$ —</u>	<u>\$ 442,811</u>
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 107	\$ —	\$ 107
Derivative liabilities	—	(10)	—	(10)	—	—	—	—

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of the instruments fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. If an instrument previously transferred out of Level 1, becomes actively traded, it is subsequently transferred out of Level 3 to Level 2 or Level 1, as applicable. The Funds' policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

In accordance with the Funds' valuation policy, the Funds may apply fair value adjustment factors when quoted market prices are deemed to have been affected by significant market events or market movements which exceed pre-determined thresholds. In such cases, investments are classified as Level 2 and subsequently reclassified as Level 1, when the fair value adjustment factors were no longer required.

As at June 30, 2020 and December 31, 2019, there were no significant market events or market movements which caused the pre-determined tolerances to be breached; hence there were no transfers between Level 1 and Level 2.

9. Broker Commissions

Commissions paid to brokers for portfolio transactions during the periods ended June 30, 2020 and 2019 are shown below.

A portion of commissions paid may include payment for goods and services that are used to assist with investment or trading decisions such as investment research, analysis and reports ("research services"). Where ascertainable, the value of the research services included in the commissions paid is listed in the table below.

	June 30, 2020		June 30, 2019	
	Commissions	Research Costs	Commissions	Research Costs
	(000s)	(000s)	(000s)	(000s)
Franklin Quotential Balanced Growth Portfolio.....	\$56	\$18	\$278	\$118
Franklin Quotential Balanced Income Portfolio	18	6	80	29
Franklin Quotential Diversified Equity Portfolio.....	8	3	60	26
Franklin Quotential Diversified Income Portfolio	18	7	47	19
Franklin Quotential Growth Portfolio	16	6	78	29

10. Taxes

As at December 31, 2019, Funds had no unused capital losses or non-capital losses for income tax purposes.

11. Net Asset Value

(a) Trading net asset value

As discussed in Note 3(a), the Trading NAV per unit may differ from the IFRS NAV per unit as shown in the Statements of Financial Position. As at June 30, 2020 and December 31, 2019 the Fund's Trading NAV per unit did not differ from the IFRS NAV per unit.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

11. Net Asset Value (Continued)

(b) Series T-USD

Series T-USD units are only offered in USD. Below is the CAD equivalent of the Series T-USD net assets per unit for the Funds, where applicable, as at June 30, 2020 and December 31, 2019.

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Franklin Quotential Diversified Equity Portfolio.....	\$9.70	\$10.17

(c) Series PT-USD

Series PT-USD units are only offered in USD. Below is the CAD equivalent of the Series PT-USD net assets per unit for the Funds, where applicable, as at June 30, 2020 and December 31, 2019.

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Franklin Quotential Diversified Equity Portfolio.....	\$20.01	\$20.94

12. Other Information

(a) Offsetting of derivative financial instruments

As discussed in Note 3(e), the Funds held derivatives that are subject to enforceable master netting arrangements, in the form of ISDA agreements, with certain counterparties.

Absent an agreement, or an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statements of Financial Position.

The following tables present the gross derivatives assets and liabilities, not offset as at June 30, 2020 and December 31, 2019. The 'Net Amount' represents the impact to the Fund if all set-off rights were exercised.

Franklin Quotential Balanced Growth Portfolio

June 30, 2020

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(101)	\$—	\$(101)	\$—
Total	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(101)</u>	<u>\$—</u>	<u>\$(101)</u>	<u>\$—</u>

December 31, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$989	\$—	\$708	\$281	\$—	\$—	\$—	\$—
Total	<u>\$989</u>	<u>\$—</u>	<u>\$708</u>	<u>\$281</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

Franklin Quotential Balanced Income Portfolio

June 30, 2020

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(69)	\$—	\$(69)	\$—
Total	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(69)</u>	<u>\$—</u>	<u>\$(69)</u>	<u>\$—</u>

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

12. Other Information (Continued)

December 31, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$588	\$15	\$459	\$114	\$(15)	\$(15)	\$—	\$—
Total	<u>\$588</u>	<u>\$15</u>	<u>\$459</u>	<u>\$114</u>	<u>\$(15)</u>	<u>\$(15)</u>	<u>\$—</u>	<u>\$—</u>

Franklin Quotential Diversified Income Portfolio

June 30, 2020

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(106)	\$—	\$(106)	\$—
Total	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(106)</u>	<u>\$—</u>	<u>\$(106)</u>	<u>\$—</u>

December 31, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$899	\$38	\$618	\$243	\$(38)	\$(38)	\$—	\$—
Total	<u>\$899</u>	<u>\$38</u>	<u>\$618</u>	<u>\$243</u>	<u>\$(38)</u>	<u>\$(38)</u>	<u>\$—</u>	<u>\$—</u>

Franklin Quotential Growth Portfolio

June 30, 2020

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(10)	\$—	\$—	\$(10)
Total	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(10)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(10)</u>

December 31, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$107	\$—	\$—	\$107	\$—	\$—	\$—	\$—
Total	<u>\$107</u>	<u>\$—</u>	<u>\$—</u>	<u>\$107</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

^(a) In some instances, the collateral amount disclosed in the tables above may be adjusted due to the requirement to limit the collateral amounts to avoid the effect of over collateralization. Actual collateral held in trust and/or pledged may be more than the amounts disclosed therein. Collateral held in trust represents amounts held by a counterparty or custodian on behalf of the Fund and accordingly is not presented in the Statements of Financial Position. Cash pledged as collateral represents amounts held by the Fund's custodian/counterparty on behalf of the counterparty and can be in the form of cash and or securities. Cash pledged as collateral is included in margin and collateral in the Statements of Financial Position, while securities pledged as collateral is identified on the respective Fund's Schedule of Investments.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended June 30, 2020 (Unaudited) and December 31, 2019 (Continued)

12. Other Information (Continued)

(b) Fund Mergers

The Manager has adopted the acquisition method of accounting for any mergers of its Funds. Under this method, a Fund in each merger is identified as the acquiring Fund and is known as the "Continuing Fund", and any other Fund involved in the merger is known as the "Terminating Fund".

As of the close of business on November 15, 2019, following regulatory and unitholder approval, Franklin Quotential Fixed Income Portfolio ("Terminated Fund") was merged with Franklin Bissett Core Plus Bond Fund ("Continuing Fund"). As a result, the unitholders of the Terminated Fund exchanged each outstanding unit for units of an equivalent series of the Continuing Fund. The Terminated Fund was wound up subsequent to the unitholder exchange. Comparative information disclosed throughout the financial statements is that of the Continuing Fund only. The financial statements of the Continuing Fund does not include the operating results of the Terminated Fund prior to the date of the merger.

The following table provides details of the assets of the Terminated Fund acquired by the Continuing Fund and the number of units of the Continuing Fund issued in exchange for the assets in the Terminated Fund:

<u>Terminated Fund</u>	<u>Series</u>	<u>Continuing Fund</u>	<u>Series</u>	<u>Net Assets Acquired by Continuing Fund from Terminated Fund (000s)</u>	<u>Units of Terminating Fund Redeemed</u>	<u>Units of Continuing Fund Issued</u>
Franklin Quotential Fixed Income Portfolio.....	A	Franklin Bissett Core Plus Bond Fund	A	\$1,210	127,724	101,875
	F		F	305	31,660	22,551
	O		O	493	49,791	31,379
	PA		A	306	30,574	25,730
	PF		F	1,187	122,700	87,769

13. Financial Statement Presentation

The amounts shown on the Statements of Financial Position, the Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows are rounded to the nearest thousand. As a result, balances reported may include amounts rounded to zero and as a result, certain line items on the respective statements may not be shown. Per unit amounts and number of units outstanding shown are actual amounts.

14. Currency Legend

Below is a list of currency abbreviations that may be used throughout the financial statements.

CAD	Canadian Dollar
USD	United States Dollar

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Franklin Templeton Funds' prospectus before investing. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the money market funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the fund(s) will be returned to you. Mutual funds are not guaranteed, unit/share values change frequently and past performance may not be repeated. Fiduciary Trust Company of Canada is a wholly owned subsidiary of Franklin Templeton Investments Corp. Franklin Bissett Investment Management is a part of Franklin Templeton Investments Corp.



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