



FRANKLIN TEMPLETON  
INVESTMENTS

December 31, 2017

# Annual Management Report of Fund Performance



This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. If you have not received a copy of the annual financial statements with this report, you can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.387.0830, by writing to us at 5000 Yonge Street, Suite 900, Toronto ON M2N 0A7, or by visiting our website at [www.franklintempleton.ca](http://www.franklintempleton.ca) or SEDAR at [www.sedar.com](http://www.sedar.com). Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Co-Lead Manager (Underlying Fund)

**Richard Fortin, CFA**

Franklin Bissett Investment Management, part  
of Franklin Templeton Investments Corp.

Industry Experience: 21 years

Location: Calgary, AB

Co-Lead Manager (Underlying Fund)

**Ralph Lindenblatt, CFA**

Franklin Bissett Investment Management, part  
of Franklin Templeton Investments Corp.

Industry Experience: 21 years

Location: Calgary, AB

**INVESTMENT OBJECTIVE AND STRATEGIES**

Franklin Bissett Small Cap Corporate Class (the “Fund”) aims to grow investors’ capital over the long term by investing substantially all of its assets in units of Franklin Bissett Small Cap Fund (the “Underlying Fund”). The Underlying Fund aims to grow investors’ capital over the long term by investing primarily in a diversified portfolio of small-capitalization Canadian equities. Small-capitalization companies are generally those with a market capitalization of between \$100 million to \$2.5 billion at the time of purchase. The Underlying Fund invests in companies with proven management and a long-term growth plan.

In keeping with its proven “Growth at a Reasonable Price” (“GARP”) investment style, the Underlying Fund’s portfolio advisor (the “portfolio manager”) attempts to buy a stock before its price accelerates beyond the company’s earning capabilities. The Franklin Bissett Equity team applies a “bottom up” research approach to identify companies with a history of sustainable, replicable growth. One of the many selection criteria in this process is that chosen stocks have a modest price/earnings ratio. As every Franklin Bissett equity manager is committed to GARP-style investing, each holding in a Franklin Bissett equity fund will have been identified for growth prospects and have been purchased at what the portfolio manager considered to be a reasonable valuation.

**RISK**

The risks of investing in the Fund remain as stated in the prospectus. The Fund is suitable for investors seeking above-average capital gain potential, who are willing to accept medium investment risk and planning to invest for the medium to long term.

The portfolio manager’s focus on bottom-up security selection means that Fund performance may deviate significantly from its benchmark over any given time period. The Fund’s time horizon for investments is typically three to five years, which, in the portfolio manager’s opinion, represents a reasonable time frame to measure Fund performance. Investors with shorter time horizons may experience unsatisfactory results.

**RESULTS OF OPERATIONS**

As at December 31, 2017, total net asset value of the Fund was \$5.4 million, a decrease of 13.6% from December 31, 2016. This was primarily driven by \$772,000 in net redemptions and a \$79,000 decrease in net assets from operations. The Fund paid out \$4,000 in cash distributions to shareholders.

During the past year, the Fund’s Series A shares generated total returns of -2.1%. Over the same time period, the S&P/TSX SmallCap Total Return Index (the “Index”) returned 2.8%. The performance of the Fund’s other series is substantially similar to that of its Series A shares, except for differences in expense structure. For the return of the Fund’s other series (if applicable), please refer to the “Past Performance” section.

The Fund invests substantially all of its assets in units of Franklin Bissett Small Cap Fund, and accordingly the discussion that follows pertains to this Underlying Fund. Fund returns lagged the Index over the past 12 months. Unfavourable allocations to the Energy, Real Estate and Materials sectors and poor selection and interaction effect within the Industrials sector were the main detractors from relative returns. Strong selection and interaction within the Energy and Information Technology sectors and a favourable allocation to the Consumer Discretionary sector were sources of relative strength during the period.

Following a strong relative performance compared to large-capitalization stocks in 2016, small-capitalization stock returns lagged once again in 2017, reconfirming the well-established trend of large-capitalization outperformance observed over the past five- and 10-year periods. Seven of the 11 Index sectors generated positive returns for the year, with three sectors, namely Information Technology, Real Estate and Industrials, generating annual returns in excess of 20%. Weakness within the Energy and Consumer Staples sectors detracted from overall Index returns. The Fund’s current positioning emphasizes overweighted exposure to the Consumer Discretionary, Energy and Financials sectors, while underweighting the Materials (with no exposure to gold and precious metal equities) and Real Estate sectors.

Fund holdings across several sectors generated strong returns in 2017. Consumer Discretionary holding Transat AT Inc. gained approximately 104%, while Financials holdings AGF Management Ltd. and Equitable Group Inc. returned 37% and 20%, respectively. Information Technology holding Sandvine Corp. advanced 58%, while Materials holding Canam Group Inc. gained 37%. Lastly, Industrials holdings HNZ Group Inc., Richelieu Hardware Ltd. and Transcontinental Inc. returned 39%, 35% and 15%, respectively.

Fund purchases were directed toward five Global Industry Classification Standard (GICS) sectors during the period: Energy, Industrials, Information Technology, Consumer Discretionary and Materials. Noteworthy purchases included Savanna Energy Services Corp., Pieridae Energy Ltd., Total Energy Services Inc., Trican Well Service Ltd., Strad Energy Services Ltd., Exco Technologies Ltd., Bird Construction Inc., Black Diamond Group Ltd., HNZ Group, Horizon North Logistics Inc., Sandvine, Blackline Safety Corp., Celestica Inc., Martinrea International Inc. and Canam Group.

Fund selling activity was mostly distributed across seven GICS sectors, including Materials, Energy, Information Technology, Financials, Consumer Discretionary, Industrials and Real Estate. Notable sales included Canam Group, Wipak Ltd., Capstone Mining Corp., Savanna Energy Services, Canyon Services Group Inc., Trican Well Service, NuVista Energy Ltd., ZCL Composites Inc., Calfrac Well Services Ltd., Advantage Oil and Gas Ltd., Delphi Energy Corp., Craft Oil Ltd., Sandvine, Equitable Group, Home Capital Group Inc., Transat, Leon's Furniture Ltd., Indigo Books & Music Inc., Martinrea, Sears Canada Inc., Transcontinental Inc., Richelieu Hardware and Granite REIT.

Aggregate fund holdings exhibit greater balance sheet strength, lower valuation risk and a comparable full-cycle profitability profile relative to the Index.

Index performance comparison information is provided for reference only. It is important to note that the Fund's return reflects the effect of fees and expenses for professional management, while an index does not have such costs.

Average net assets of the series of the Fund that bear expenses have remained relatively flat for the year ended December 31, 2017, resulting in expenses remaining relatively unchanged during the period. Income received from investments held, excluding net realized and/or unrealized gain (loss) on investments and derivatives, increased due to the results of the Fund's investment activities, including, but not limited to, those previously discussed for the period in review.

## RECENT DEVELOPMENTS

Over the past few years, the Fund has been seeking to systematically reduce its Energy exposure in order to manage overall portfolio risk and to crystalize gains where appropriate. The portfolio manager remains focused on managing overall portfolio risk through sound fundamental research, proper diversification and ensuring that expected return is commensurate with the risk being borne at the security level.

Against a supportive macroeconomic backdrop, including strengthening commodity prices, the portfolio manager's return expectations for Canadian small-capitalization equities generally remain constructive. These expectations are partly supported by a favourable fundamental outlook, particularly for businesses with exposure to cyclical and resource-centric market segments. Nonetheless, given the strong multi-year returns generated by equities within the non-resource sectors of the market, there have been fewer attractive investment opportunities within these segments, given the increased valuation risk.

As always, the portfolio manager holds a high degree of conviction regarding the long-term return potential of the businesses held in the portfolio, given their strong fundamental attributes and attractive valuations.

## FORWARD-LOOKING STATEMENTS

Investors should take note that certain statements in this report about a fund, including its strategy and expected future performance, are forward-looking. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions,

or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate" or other similar expressions. Any statement that is made concerning future strategies or performance is also a forward-looking statement. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements.

The forward-looking statements are by their nature based on numerous assumptions, which include, amongst other things, that (i) the Fund can attract and maintain investors and has sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the portfolio manager, and (iii) the markets will react and perform in a manner consistent with the investment strategies. Although the forward-looking statements contained herein are based upon what the portfolio manager believes to be reasonable assumptions, the portfolio manager cannot assure that actual results will be consistent with these forward-looking statements.

Forward-looking statements are not guarantees of future performance. Any number of factors could contribute to differing results, including, among other things, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings and catastrophic events. This list of factors is not exhaustive. Investors should not place undue reliance on forward-looking information and should be aware that the Fund may not update any forward-looking statements, whether as a result of new information, future events or otherwise.

## RELATED PARTY TRANSACTIONS

The Manager is an indirect wholly-owned subsidiary of Franklin Resources, Inc., a global investment management organization known as Franklin Templeton Investments. The Manager is the manager, registrar and transfer agent and a principal distributor of the Fund. The Manager provides or arranges for the provision of these services for day-to-day Fund operations, including the marketing, promotion and distribution of the Fund and portfolio advisory services. In consideration of these management and portfolio advisory services, the Fund pays the Manager a monthly management fee plus applicable taxes, based on the average net asset value of each series of the Fund (except Series O and OT, as applicable), calculated daily, as set out under Management Fees below. During the year ended December 31, 2017, the Fund paid management fees of \$87,000 (2016-\$96,000).

Franklin Templeton Services, LLC (FTS) provides the Manager with fund accounting and portfolio valuation services in connection with the Fund, and provides certain back office administration services to the Manager. The Administration Fee, as discussed below, covers the cost of the services provided by FTS.

The Manager pays the operating expenses of the Fund, other than certain fund costs—which include, but are not limited to, the cost of compliance with new governmental and regulatory requirements, fees

and expenses of the Fund's Independent Review Committee (IRC), borrowing and interest costs and investor meeting costs (as permitted by Canadian securities regulation)—in exchange for the payment by the Fund of an annual fixed-rate administration fee of 0.25% plus applicable taxes, applied against the average daily net assets of the Fund ("Administration Fee"), except for Series O and OT, which have no annual Administration Fee. The Manager will pay all operating expenses of Series O and OT, as applicable, as part of its agreement with each investor. The Manager may, at its discretion, waive a portion of a series' Administration Fee or absorb certain fund costs. During the year ended December 31, 2017, the Fund paid Administration Fees of \$10,000 (2016—\$11,000).

During the year ended December 31, 2017, the Manager waived fund costs of \$2,000 (2016—\$1,000).

#### Portfolio Advisor

Franklin Bissett Investment Management (the "Portfolio Advisor"), part of the Manager, provides investment analysis and recommendations and executes or arranges for brokers to execute portfolio transactions. A portion of the management fee payable by the Fund to the Manager is paid to the Portfolio Advisor with respect to portfolio advisory services.

#### Principal Distributor

As a principal distributor of the Fund, the Manager markets the Fund and arranges for the sale of the Fund through dealers across Canada. The Manager may retain companies to assist in the sale of certain series of shares of the Fund.

The Manager's affiliate, FTC Investor Services Inc. ("FTC ISI"), also acts as a principal distributor for Series F, O, OT, FT, PF and PF (Hedged) shares of the Fund, as applicable.

For acting as a 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 from the Manager with respect to those series of shares.

#### Registrar and Transfer Agent

In addition to management and portfolio advisory services, the Manager acts as the registrar and transfer agent of the Fund. These services are in the normal course of operations and are covered by the Administration Fee paid by the Fund to the Manager.

#### Standing Instructions from the Independent Review Committee

The Manager relied on standing instructions from the IRC with respect to the allocation of any operating expenses not covered by the Administration Fee. The Manager relied, or may rely, on standing instructions from the IRC in respect of securities trades amongst mutual funds, investment funds or managed accounts managed by the Manager or an affiliate of the Manager. In both cases, the standing instructions require the Manager to comply with the policies and procedures presented to the IRC with respect to the above matters and to provide periodic reports to the IRC in accordance with NI 81-107.

#### MANAGEMENT FEES

A portion of the management fee paid by the Fund to the Manager is for trail fees and sales commissions the Manager pays to dealers ("Dealer Compensation"). The trail fees are a percentage of the daily average net asset value of each series of the Fund, which is held by the dealer's clients. The remaining portion of the management fee is used to pay for portfolio advisory and administrative services related to the provision of portfolio advisory services. The table below outlines the Fund's annual management fee, as well as the portion of the management fee used to pay for Dealer Compensation and for portfolio advisory services as an approximate percentage of the management fee for each series:

Series	Management Fee (%)	Dealer Compensation (%)*	Investment management, investment management expenses, and other (%)
A	2.35	45.67	54.33
F	1.35	—	100.00

\*Dealer compensation may include other fees related to distribution, which are not payable directly to dealers.

The management and administration fees for Series O are paid for by the shareholder directly to the Manager as follows:

- First C\$200,000 to under \$2.5 million—1.40%
- Next C\$2.5 million to under \$5 million—1.30%
- C\$5 million and over—1.25%

Certain institutional investors may negotiate the management and administration fees by written agreement with Franklin Templeton Investments.

**MANAGEMENT REPORT OF FUND PERFORMANCE**

Summary of Investment Portfolio (AS AT DECEMBER 31, 2017)

**REGIONAL WEIGHTING (%)\***

North America

95.68

**SECTOR WEIGHTINGS (%)\***

Energy

30.97

Consumer Discretionary

24.02

Industrials

17.01

Financials

12.90

Materials

6.84

Consumer Staples

2.81

Information Technology

1.06

**ASSET CLASS WEIGHTINGS (%)**

Common Stocks

95.61

Bonds

0.07

Short-term securities and all other assets, net

4.32

**TOP 25 HOLDINGS (%)**

Indigo Books &amp; Music Inc.

7.44

Equitable Group Inc.

5.79

Trican Well Service Ltd.

5.62

Leon's Furniture Ltd.

5.26

Transat A.T. Inc.

4.88

Transcontinental Inc., A

4.73

Total Energy Services Inc.

4.53

Cash and cash equivalents\*\*

4.18

AGF Management Ltd.

3.79

Richelieu Hardware Ltd.

3.57

The Westaim Corp.

3.32

Xtreme Drilling Corp.

2.91

HNZ Group Inc.

2.87

Major Drilling Group International Inc.

2.84

Reitmans (Canada) Ltd., A

2.55

Horizon North Logistics Inc.

2.35

Winpak Ltd.

2.21

Advantage Oil &amp; Gas Ltd.

1.95

Nuvista Energy Ltd.

1.90

Trinidad Drilling Ltd.

1.82

Delphi Energy Corp.

1.77

AKITA Drilling Ltd., A

1.67

Pieridae Energy Ltd.

1.58

BlackPearl Resources Inc.

1.56

Corby Spirit and Wine Ltd., A

1.46

**TOTAL NET ASSET VALUE: \$5,437,000**

\*Excluding short-term securities and all other assets, net.

\*\*Cash and cash equivalents may include bonds that have a remaining term to maturity of 365 days or less that are issued by certain governments, supranational agencies or financial institutions and have a "designated rating" (as defined in Canadian securities law).

The Fund invests substantially all of its assets in units of Franklin Bissett Small Cap Fund. Above is an outline of the investments held in Franklin Bissett Small Cap Fund as a percentage of its net assets. Due to ongoing portfolio transactions, the investments and percentages may have changed by the time you purchase shares of the Fund. The top 25 holdings are made available quarterly, 60 days after the quarter-end. To obtain a copy, please contact a member of our client services team at 1.800.387.0830 or visit [www.franklintempleton.ca](http://www.franklintempleton.ca). The simplified prospectus and other information about the Underlying Fund are available at [www.franklintempleton.ca](http://www.franklintempleton.ca) or at [www.sedar.com](http://www.sedar.com).

FRANKLIN BISSETT SMALL CAP CORPORATE CLASS  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series A** (AS AT DECEMBER 31, 2017)

**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

<b>Net assets per share (1)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Net assets – beginning of period</b>	<b>\$10.60</b>	<b>\$8.65</b>	<b>\$11.28</b>	<b>\$12.37</b>	<b>\$10.05<sup>†</sup></b>
<b>Increase (decrease) from operations:</b>					
Total revenue <sup>§</sup>	0.70	0.12	0.20	0.54	1.15
Total expenses	(0.29)	(0.27)	(0.29)	(0.35)	(0.31)
Realized gains (losses) for the period	0.13	0.01	0.20	1.13	0.80
Unrealized gains (losses) for the period	(0.84)	2.42	(2.03)	(1.78)	1.53
<b>Total increase (decrease) from operations (2)</b>	<b>(0.30)</b>	<b>2.28</b>	<b>(1.92)</b>	<b>(0.46)</b>	<b>3.17</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.13)	(0.20)	(0.22)	(0.49)	(0.78)
From capital gains	–	(0.17)	(0.26)	–	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(0.13)</b>	<b>(0.37)</b>	<b>(0.48)</b>	<b>(0.49)</b>	<b>(0.78)</b>
<b>Net assets – end of period</b>	<b>\$10.25</b>	<b>\$10.60</b>	<b>\$8.65</b>	<b>\$11.28</b>	<b>\$12.37</b>
<b>Ratios and supplemental data:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value ('000's) (1)	\$2,743	\$3,468	\$3,119	\$6,322	\$7,978
Number of shares outstanding	267,469	327,239	360,604	560,305	644,894
Management expense ratio (2)	2.93%	2.93%	2.90%	2.88%	2.91%
Management expense ratio before waivers or absorptions	2.93%	2.93%	2.90%	2.88%	3.85%
Trading expense ratio (3)	0.07%	0.06%	0.12%	0.10%	0.06%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$10.25	\$10.60	\$8.65	\$11.28	\$12.37

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

<sup>§</sup> Total revenue includes total investment income net of any provision for or recoverable from income taxes.

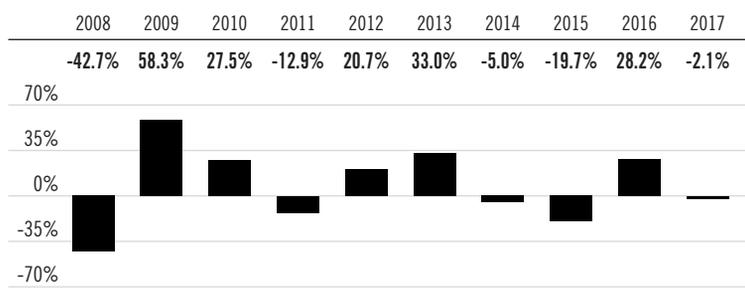
<sup>†</sup> The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**PAST PERFORMANCE**

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

**Year-by-Year Returns**

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



**Annual Compound Returns**

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.<sup>‡</sup>

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Series A Shares</b>	<b>-2.1%</b>	<b>0.3%</b>	<b>5.0%</b>	<b>4.5%</b>	<b>7.0%</b>
S&P/TSX SmallCap TR Index	2.8%	7.2%	5.3%	2.4%	4.5%

<sup>‡</sup> For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

FRANKLIN BISSETT SMALL CAP CORPORATE CLASS  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series F** (AS AT DECEMBER 31, 2017)

**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

<b>Net assets per share (1)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Net assets – beginning of period</b>	<b>\$12.40</b>	<b>\$10.01</b>	<b>\$12.92</b>	<b>\$14.01</b>	<b>\$11.27†</b>
<b>Increase (decrease) from operations:</b>					
Total revenue‡	0.83	0.13	0.27	0.81	1.28
Total expenses	(0.22)	(0.20)	(0.21)	(0.25)	(0.22)
Realized gains (losses) for the period	0.18	–	0.21	1.30	0.90
Unrealized gains (losses) for the period	(0.92)	2.82	(2.52)	(2.47)	1.73
<b>Total increase (decrease) from operations (2)</b>	<b>(0.13)</b>	<b>2.75</b>	<b>(2.25)</b>	<b>(0.61)</b>	<b>3.69</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.16)	(0.23)	(0.25)	(0.55)	(0.88)
From capital gains	–	(0.20)	(0.30)	–	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(0.16)</b>	<b>(0.43)</b>	<b>(0.55)</b>	<b>(0.55)</b>	<b>(0.88)</b>
<b>Net assets – end of period</b>	<b>\$12.13</b>	<b>\$12.40</b>	<b>\$10.01</b>	<b>\$12.92</b>	<b>\$14.01</b>
<b>Ratios and supplemental data:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value ('000's) (1)	\$680	\$837	\$795	\$1,179	\$900
Number of shares outstanding	56,115	67,534	79,428	91,285	64,237
Management expense ratio (2)	1.84%	1.83%	1.81%	1.80%	1.83%
Management expense ratio before waivers or absorptions	1.84%	1.83%	1.81%	1.80%	2.64%
Trading expense ratio (3)	0.07%	0.06%	0.12%	0.10%	0.06%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$12.13	\$12.40	\$10.01	\$12.92	\$14.01

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

‡ Total revenue includes total investment income net of any provision for or recoverable from income taxes.

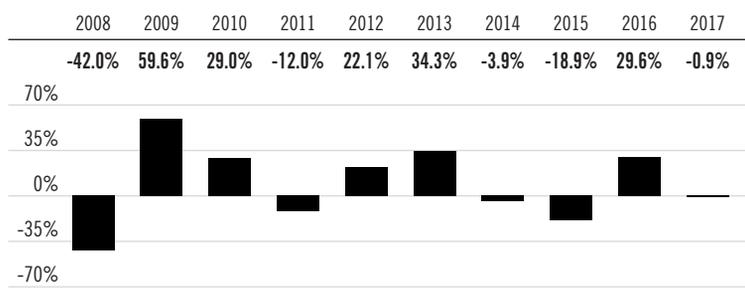
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**PAST PERFORMANCE**

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

**Year-by-Year Returns**

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



**Annual Compound Returns**

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Series F Shares</b>	<b>-0.9%</b>	<b>1.4%</b>	<b>6.1%</b>	<b>5.6%</b>	<b>8.1%</b>
S&P/TSX SmallCap TR Index	2.8%	7.2%	5.3%	2.4%	4.5%

‡ For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

FRANKLIN BISSETT SMALL CAP CORPORATE CLASS  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series 0** (AS AT DECEMBER 31, 2017)

**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

<b>Net assets per share (1)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Net assets – beginning of period</b>	<b>\$16.10</b>	<b>\$12.76</b>	<b>\$16.17</b>	<b>\$17.23</b>	<b>\$13.60†</b>
<b>Increase (decrease) from operations:</b>					
Total revenue§	1.10	0.21	0.33	0.76	1.08
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	0.30	–	0.26	1.65	0.94
Unrealized gains (losses) for the period	(1.25)	3.77	(3.06)	(2.39)	2.50
<b>Total increase (decrease) from operations (2)</b>	<b>0.15</b>	<b>3.98</b>	<b>(2.47)</b>	<b>0.02</b>	<b>4.52</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.20)	(0.29)	(0.32)	(0.68)	(1.06)
From capital gains	–	(0.25)	(0.37)	–	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(0.20)</b>	<b>(0.54)</b>	<b>(0.69)</b>	<b>(0.68)</b>	<b>(1.06)</b>
<b>Net assets – end of period</b>	<b>\$16.05</b>	<b>\$16.10</b>	<b>\$12.76</b>	<b>\$16.17</b>	<b>\$17.23</b>
<b>Ratios and supplemental data:</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value ('000's) (1)	\$2,014	\$1,987	\$1,732	\$2,928	\$3,664
Number of shares outstanding	125,513	123,401	135,711	181,044	212,656
Management expense ratio (2)	–	–	–	–	–
Management expense ratio before waivers or absorptions	0.09%	0.07%	0.05%	0.02%	0.49%
Trading expense ratio (3)	0.07%	0.06%	0.12%	0.10%	0.06%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$16.05	\$16.10	\$12.76	\$16.17	\$17.23

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

§ Total revenue includes total investment income net of any provision for or recoverable from income taxes.

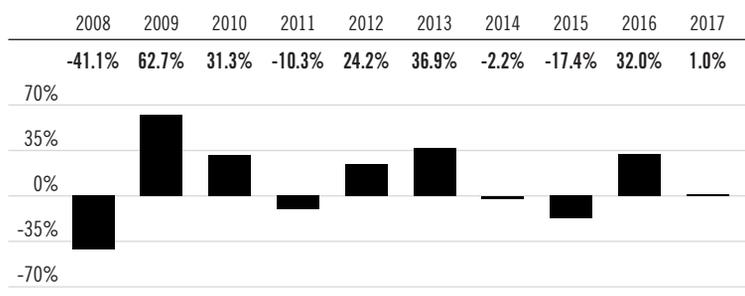
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**PAST PERFORMANCE**

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

**Year-by-Year Returns**

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



**Annual Compound Returns**

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>Series 0 Shares</b>	<b>1.0%</b>	<b>3.3%</b>	<b>8.1%</b>	<b>7.5%</b>	<b>9.9%</b>
S&P/TSX SmallCap TR Index	2.8%	7.2%	5.3%	2.4%	4.5%

‡ For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

## NOTES TO FINANCIAL HIGHLIGHTS

### Net Assets per Share:

- (1) This information is derived from the Fund's audited annual financial statements. In the period a fund or series is established, the financial information is provided from the date of inception to the end of the period. In cases where the net assets per share presented in the financial statements differ from the net asset value calculated for Fund pricing purposes, an explanation of these differences can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of shares outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per share.
- (3) Dividends were paid in cash or reinvested in additional shares of the Fund or both, and exclude distributions of management fee reductions to shareholders.

### Ratios and Supplemental Data:

- (1) This information is provided as at the period-end of the year shown.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period. For funds that invest in multiple Underlying Funds, the trading expense ratio represents the Fund's proportionate share of total commissions and other portfolio costs of the Underlying Fund as an annualized percentage of its daily average net assets during the period. For funds that invest substantially all of its assets in an Underlying Fund, the trading expense ratio shown is that of the Underlying Fund.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling each security in its portfolio once in the course of the relevant period. The higher the portfolio turnover rate in the period, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Where a fund has invested substantially all its assets in an Underlying Fund for the entire period, the portfolio turnover rate is zero.

## OTHER FUND INFORMATION

Reported year-by-year returns for past years may be revised, based on the results of recalculations, audits and/or other historical review processes. Such revisions are considered immaterial to performance disclosure unless otherwise stated.

Series I and V, as applicable, are presently capped (closed to new investors). Investors who currently own shares of Series I and Series V may continue to purchase additional shares in those series. These series may become available for purchase by new investors at the discretion of the Manager.

## BENCHMARK(S) INFORMATION

**S&P/TSX SmallCap Total Return Index** is an investable index for the Canadian small-cap market, consisting of 256 securities in companies with a market capitalization greater than or equal to \$100 million and less than or equal to \$1.5 billion.