



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

**Garey J. Aitken, CFA, MBA**

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

Industry Experience: 24 years

Location: Calgary, AB

Co-Lead Fixed Income Manager

**Thomas O’Gorman, CFA, MBA**

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

Industry Experience: 28 years

Location: Calgary, AB

## INVESTMENT OBJECTIVE AND STRATEGIES

Franklin Bissett Canadian Balanced Fund (the “Fund”) seeks a balance of current income and long-term capital appreciation by investing primarily in a portfolio of Franklin Bissett funds to achieve a balance of fixed income and equity investments.

Under normal market conditions, the Fund holds an optimal asset mix of 30%–50% Canadian equities, 30%–50% Canadian fixed income and 15%–40% global/international/US equities. The Fund’s portfolio advisor (the “portfolio manager”) may review and adjust the optimal asset mix, in its sole discretion, depending on economic conditions and the relative value of fixed income and equity securities.

The Fund invests in mutual funds managed by Franklin Templeton Investments Corp. The portfolio manager may, in its sole discretion, change the percentage holdings of any fund and remove or add any fund.

## RISK

The risks of investing in the Fund remain as stated in the prospectus. The Fund is suitable for conservative investors with a medium-term investment time frame and low risk tolerance, who are seeking interest income and some capital gains.

## RESULTS OF OPERATIONS

As at December 31, 2017, total net asset value of the Fund was \$1.0 billion, a decrease of 2.4% from December 31, 2016. This was primarily driven by \$86.3 million in net redemptions and partially offset by an increase of \$62.5 million in net assets from operations. The Fund paid out \$356,000 in cash distributions to unitholders.

During the past year, the Fund’s Series A units generated a total return of 4.6%. Over the same period, the S&P/TSX Composite Total Return Index returned 9.1%. As the Fund invests in a portfolio of fixed income and equity funds, it employs a blended benchmark, the Custom Franklin Bissett Canadian Balanced Index (the “Benchmark”), which returned 8.5% for the period in review. The performance of the Fund’s other series is similar to its Series A units, 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’s overweighted position in Canadian equities negatively impacted performance during the period. However, strong performance from the Fund’s positions in fixed income and non-Canadian equities aided gains.

During 2017, financial market volatility remained near record-low levels and financial markets continued to benefit from synchronized global economic growth, accommodative global central bank policies, and passage of US tax reform legislation. Markets benefitted from this environment despite continued monetary policy tightening by the US Federal Reserve (Fed) and uncertainty on many fronts, including investigation into Russian election meddling, North American Free Trade Agreement negotiations, leadership changes at the Fed, the US budget stalemate and increased tension on the Korean peninsula.

Equity markets continued to establish new highs with regular frequency, while benchmark government bond yields moved higher. The Organization of the Petroleum Exporting Countries extended its production cuts to the end of 2018, driving oil prices higher; West Texas Intermediate crude oil rose 12% to finish the year near US\$61/barrel. The Canadian dollar strengthened over the period, gaining 7.8% to US\$0.80.

Gross domestic product (GDP) in the United States grew in excess of 3% quarter-over-quarter during the third quarter; this was the second consecutive quarter in which growth exceeded 3%. Despite the recent strength, year-over-year GDP growth accelerated slightly to 2.3%, highlighting the weakness seen in earlier quarters. In Canada, economic growth has slowed materially from the strong bounce-back seen in early 2017, with third-quarter quarter-over-quarter GDP growth of 1.7%, compared to 4.3% in the second quarter.

Beginning in the fourth quarter, the portfolio manager expects that Canadian growth will revert to the post-crisis sub-2% trend, as both consumer debt and housing market imbalances weigh on growth. The portfolio manager believes that these, in combination with low inflation and trade policy uncertainty, suggest that the Bank of Canada can afford to be patient in 2018 and will lag the Fed on future rate hikes.

The S&P/TSX Composite Total Return Index (TRI) advanced for the year, marking the second consecutive annual increase for Canadian equities, which have posted positive total returns in seven of the past nine years. Given the strength, the S&P/TSX Composite TRI set a new all-time high on December 28, 2017. From a longer-term perspective, since the bear-market low on March 9, 2009, the S&P/TSX Composite TRI has posted a cumulative return of 177.4% (12.3% annualized). As such, the Canadian equity market remains well entrenched in the current bull market, which is approximately 8.75 years in duration. For purposes of comparison, the S&P 500 Index rose by 21.8% over the year, in US-dollar terms.

The Canadian yield curve flattened meaningfully over the year, as short maturity Canadian bond yields rose 60–90 basis points (bps), longer yields rose more modestly and long yields fell. For example, Canadian 10-year yields rose 32 bps and 30-year yields fell five bps.

The FTSE TMX Canada Universe Bond Index returned 2.5% during 2017, while its US counterpart, the Barclays Capital US Aggregate Bond Index, returned 3.5%. The short-term segment of the Canadian bond index lagged longer-dated maturities, returning just 0.1%, while the mid-term segment returned 1.0% and the long bucket returned 7.0%. The broad Canadian government index returned 2.2% and the broad corporate index returned 3.4%. Provincial returns were strong, up 4.3%, reflecting their longer duration.

The Fund's return was driven by strong performance within non-Canadian equities, particularly international equities. Canadian equities, and both Canadian and global fixed income also contributed to a lesser extent. International equities gained 15.2% on a weighting of 10.9%, while US equities gained 12.5% on a weighting of 11%. Canadian larger-capitalization equities returned 6.3% on a weighting of 31.8%, while Canadian smaller-capitalization equities returned 5% on a weighting of 10.8%. Canadian fixed income was up 4.4% on a weighting of 31.0%.

The S&P/TSX Composite Total Return Index gained 9.1% and the S&P/TSX SmallCap Total Return Index returned 2.8%. The Fund's overall weighting to Canadian equities remains higher than the Canadian equity weighting in the Benchmark; the portfolio was underweighted in funds with larger-capitalization equities and overweighted in funds with smaller-capitalization equities. This positioning led to a negative relative return effect over the period. This was partially offset by strong relative returns from fixed income.

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

The asset mix at period end was approximately 61% in equity funds, and 39% in fixed income funds and cash. Despite some modest asset mix changes over the course of the year, the allocation ended 2017 roughly where it began. The Fund's neutral asset mix is 60% for equities, and 40% for fixed income and cash. The portfolio manager remains mindful of the Canadian Investment Funds Standards Committee's Canadian Neutral Balanced category's longer-term requirement of limiting equity exposure to 60%.

The portfolio manager continues to believe there is greater longer-term return potential for equities relative to fixed income. However, this view has been tempered by the meaningful outperformance of equities compared to fixed income over the last several years. Regarding the Fund's equity allocation, the portfolio manager continues to observe

greater risk-adjusted return potential for smaller-capitalization equities. The Fund remains meaningfully overweighted in this asset class relative to the small-capitalization portion of the Benchmark.

The portfolio manager continues to position the fixed income allocation with a slightly defensive stance with regard to duration. The portfolio manager believes valuations are becoming stretched and, while it remains prudent to allocate fixed income portfolios with an emphasis on credit where there is more yield, less duration and more cushion against volatility, the portfolio manager maintains a slight preference for higher-quality rather than lower-quality assets.

## 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 \$6.7 million (2016—\$7.1 million), after management fee waivers of \$30,000 (2016—\$65,000).

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 0.19% plus applicable taxes, applied against the average daily net assets of the Fund (“Administration Fee”), except for Series PF and PFT, which have an annual Administration Fee of 0.15%, and 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 \$796,000 (2016—\$853,000).

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

#### 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 units 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) units 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 units.

#### 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	1.85	51.36	48.64
F**	0.85	—	100.00
I**	1.35	55.52	44.48
PF	0.65	—	100.00
PFT	0.65	—	100.00
T	1.85	55.69	44.31

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

\*\* Management Fee waiver is applied to the following series at the specified rates—Series F—0.06%; Series I—0.02%;

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

- First C\$200,000 to under \$2.5 million—0.80%
- Next C\$2.5 million to under \$5 million—0.75%
- C\$5 million and over—0.65%

FRANKLIN BISSETT CANADIAN BALANCED FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**

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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 WEIGHTINGS (%)\***

North America	81.63
Europe	9.70
Asia	2.58
Latin America & Caribbean	1.39
Australia & New Zealand	0.34
Middle East & Africa	0.23
Supranational	0.09

**ASSET CLASS WEIGHTINGS (%)**

Equity (Exposure from Underlying Funds)	62.97
Fixed Income (Exposure from Underlying Funds)	32.99
Other assets (of Underlying Funds)	3.19
Short-term securities and all other assets, net	0.85

**TOP 25 HOLDINGS (%)**

Franklin Bissett Corporate Bond Fund, Series O	14.63
Franklin Bissett Core Plus Bond Fund, Series O	14.20
Franklin Bissett Canadian Equity Fund, Series O	13.59
Franklin Bissett Monthly Income and Growth Fund, Series O	6.86
Franklin ActiveQuant U.S. Fund, Series O	6.39
Franklin Bissett Microcap Fund, Series O	6.35
Franklin ActiveQuant Canadian Fund, Series O	6.31
Franklin Mutual European Fund, Series O	5.42
Templeton EAFE Developed Markets Fund, Series O	5.35
Franklin Bissett Small Cap Fund, Series O	5.26
Franklin U.S. Rising Dividends Fund, Series O	4.76
Franklin Bissett Canadian Dividend Fund, Series O	4.17
Templeton Global Bond Fund, Series O	3.99
Franklin Bissett Canadian Government Bond Fund, Series O	1.87
Cash and cash equivalents**	0.93

**TOTAL NET ASSET VALUE: \$1,013,077,000**

As at December 31, 2017, there were only 15 holdings in the portfolio.

\*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 other investment funds. Above is an outline of the investments held in the 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 units 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 funds are available at [www.franklintempleton.ca](http://www.franklintempleton.ca) or at [www.sedar.com](http://www.sedar.com).



FRANKLIN BISSETT CANADIAN BALANCED FUND  
**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 unit (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>\$31.43</b>	<b>\$29.08</b>	<b>\$31.12</b>	<b>\$30.34</b>	<b>\$26.48</b> <sup>†</sup>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.99	0.75	0.85	1.14	0.89
Total expenses	(0.72)	(0.68)	(0.70)	(0.71)	(0.71)
Realized gains (losses) for the period	1.11	0.74	1.39	0.50	0.59
Unrealized gains (losses) for the period	0.06	2.40	(2.63)	0.67	3.50
<b>Total increase (decrease) from operations (2)</b>	<b>1.44</b>	<b>3.21</b>	<b>(1.09)</b>	<b>1.60</b>	<b>4.27</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.01)	(0.03)	(0.05)	(0.01)	–
From dividends	(0.57)	(0.52)	(0.50)	(0.54)	(0.41)
From capital gains	(0.37)	(0.40)	(0.42)	(0.24)	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(0.95)</b>	<b>(0.95)</b>	<b>(0.97)</b>	<b>(0.79)</b>	<b>(0.41)</b>
<b>Net assets – end of period</b>	<b>\$31.94</b>	<b>\$31.43</b>	<b>\$29.08</b>	<b>\$31.12</b>	<b>\$30.34</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 (\$ millions) (1)	\$259.63	\$290.12	\$307.87	\$331.85	\$334.38
Number of units outstanding	8,127,647	9,229,735	10,586,938	10,665,094	11,020,078
Management expense ratio (2)	2.25%	2.25%	2.25%	2.25%	2.48%
Management expense ratio before waivers or absorptions	2.25%	2.25%	2.25%	2.25%	2.50%
Trading expense ratio (3)	0.03%	0.03%	0.04%	0.05%	0.05%
Portfolio turnover rate (4)	7.23%	24.16%	16.46%	11.42%	9.93%
Net asset value per unit	\$31.94	\$31.43	\$29.08	\$31.12	\$30.34

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

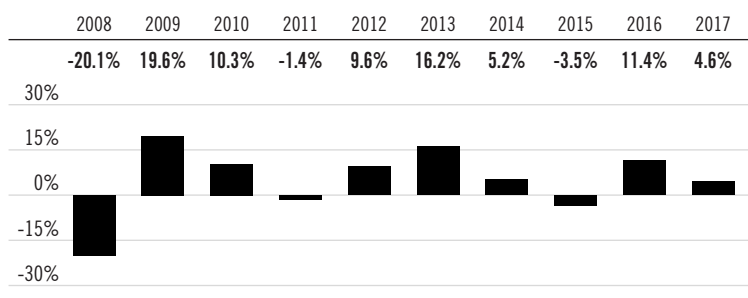
<sup>†</sup> The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**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 Units</b>	<b>4.6%</b>	<b>4.0%</b>	<b>6.6%</b>	<b>4.6%</b>	<b>4.7%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	7.0%	8.7%	5.9%	5.7%
S&P/TSX Composite TR Index	9.1%	6.6%	8.6%	4.6%	6.1%

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

FRANKLIN BISSETT CANADIAN BALANCED FUND  
**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 unit (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>\$38.50</b>	<b>\$35.20</b>	<b>\$37.23</b>	<b>\$35.88</b>	<b>\$30.87</b> †
<b>Increase (decrease) from operations:</b>					
Total revenue	1.23	0.69	1.05	1.38	1.04
Total expenses	(0.42)	(0.39)	(0.40)	(0.40)	(0.35)
Realized gains (losses) for the period	1.37	0.95	1.68	0.60	0.69
Unrealized gains (losses) for the period	0.08	3.03	(3.23)	0.74	4.11
<b>Total increase (decrease) from operations (2)</b>	<b>2.26</b>	<b>4.28</b>	<b>(0.90)</b>	<b>2.32</b>	<b>5.49</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.01)	(0.04)	(0.06)	(0.02)	–
From dividends	(0.70)	(0.63)	(0.60)	(0.64)	(0.49)
From capital gains	(0.46)	(0.49)	(0.51)	(0.29)	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(1.17)</b>	<b>(1.16)</b>	<b>(1.17)</b>	<b>(0.95)</b>	<b>(0.49)</b>
<b>Net assets – end of period</b>	<b>\$39.59</b>	<b>\$38.50</b>	<b>\$35.20</b>	<b>\$37.23</b>	<b>\$35.88</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 (\$ millions) (1)	\$42.45	\$45.42	\$101.07	\$101.80	\$97.90
Number of units outstanding	1,072,375	1,179,750	2,870,844	2,734,514	2,728,959
Management expense ratio (2)	1.07%	1.07%	1.07%	1.07%	1.06%
Management expense ratio before waivers or absorptions	1.07%	1.07%	1.07%	1.07%	1.06%
Trading expense ratio (3)	0.03%	0.03%	0.04%	0.05%	0.05%
Portfolio turnover rate (4)	7.23%	24.16%	16.46%	11.42%	9.93%
Net asset value per unit	\$39.59	\$38.50	\$35.20	\$37.23	\$35.88

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

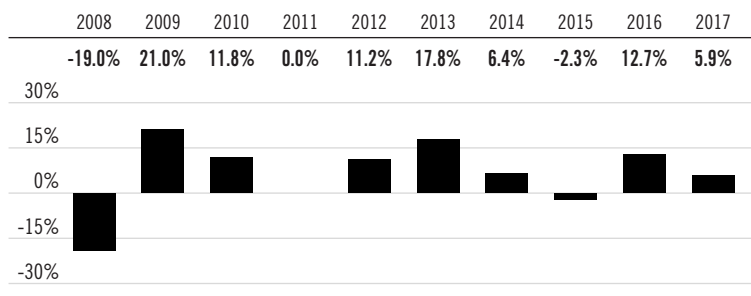
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**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 Units</b>	<b>5.9%</b>	<b>5.2%</b>	<b>7.9%</b>	<b>5.9%</b>	<b>8.1%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	7.0%	8.7%	5.9%	8.1%
S&P/TSX Composite TR Index	9.1%	6.6%	8.6%	4.6%	8.6%

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



FRANKLIN BISSETT CANADIAN BALANCED FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
 Series I (AS AT DECEMBER 31, 2017)

**FINANCIAL HIGHLIGHTS**

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<b>Net assets per unit (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>\$33.72</b>	<b>\$31.02</b>	<b>\$33.01</b>	<b>\$32.00</b>	<b>\$27.72†</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	1.05	0.84	0.98	1.78	1.77
Total expenses	(0.58)	(0.55)	(0.56)	(0.57)	(0.54)
Realized gains (losses) for the period	1.17	0.90	1.52	0.60	0.79
Unrealized gains (losses) for the period	0.09	2.56	(3.11)	(0.81)	3.35
<b>Total increase (decrease) from operations (2)</b>	<b>1.73</b>	<b>3.75</b>	<b>(1.17)</b>	<b>1.00</b>	<b>5.37</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.01)	(0.03)	(0.06)	(0.02)	–
From dividends	(0.61)	(0.56)	(0.53)	(0.56)	(0.44)
From capital gains	(0.40)	(0.43)	(0.45)	(0.26)	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(1.02)</b>	<b>(1.02)</b>	<b>(1.04)</b>	<b>(0.84)</b>	<b>(0.44)</b>
<b>Net assets – end of period</b>	<b>\$34.46</b>	<b>\$33.72</b>	<b>\$31.02</b>	<b>\$33.01</b>	<b>\$32.00</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 (\$ millions) (1)	\$7.66	\$9.19	\$7.31	\$6.06	\$1.50
Number of units outstanding	222,323	272,462	235,764	183,572	46,720
Management expense ratio (2)	1.69%	1.70%	1.69%	1.68%	1.74%
Management expense ratio before waivers or absorptions	1.69%	1.70%	1.69%	1.68%	1.74%
Trading expense ratio (3)	0.03%	0.03%	0.04%	0.05%	0.05%
Portfolio turnover rate (4)	7.23%	24.16%	16.46%	11.42%	9.93%
Net asset value per unit	\$34.46	\$33.72	\$31.02	\$33.01	\$32.00

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

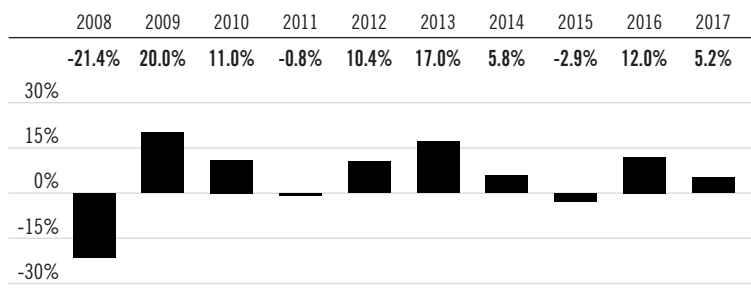
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**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 I Units</b>	<b>5.2%</b>	<b>4.6%</b>	<b>7.2%</b>	<b>5.0%</b>	<b>5.2%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	7.0%	8.7%	5.9%	5.7%
S&P/TSX Composite TR Index	9.1%	6.6%	8.6%	4.6%	6.1%

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

FRANKLIN BISSETT CANADIAN BALANCED FUND  
**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 unit (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>\$45.59</b>	<b>\$41.24</b>	<b>\$43.14</b>	<b>\$41.14</b>	<b>\$35.02</b> †
<b>Increase (decrease) from operations:</b>					
Total revenue	1.48	1.11	1.20	1.71	1.30
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	1.64	1.12	1.93	0.70	0.80
Unrealized gains (losses) for the period	0.06	3.42	(3.60)	0.47	4.66
<b>Total increase (decrease) from operations (2)</b>	<b>3.18</b>	<b>5.65</b>	<b>(0.47)</b>	<b>2.88</b>	<b>6.76</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.01)	(0.04)	(0.07)	(0.02)	–
From dividends	(0.84)	(0.76)	(0.71)	(0.74)	(0.56)
From capital gains	(0.55)	(0.58)	(0.60)	(0.34)	–
Returns of capital	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>(1.40)</b>	<b>(1.38)</b>	<b>(1.38)</b>	<b>(1.10)</b>	<b>(0.56)</b>
<b>Net assets – end of period</b>	<b>\$47.38</b>	<b>\$45.59</b>	<b>\$41.24</b>	<b>\$43.14</b>	<b>\$41.14</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 (\$ millions) (1)	\$634.13	\$627.77	\$585.75	\$672.20	\$477.81
Number of units outstanding	13,383,949	13,770,972	14,204,482	15,580,857	11,615,201
Management expense ratio (2)	–	–	–	–	–
Management expense ratio before waivers or absorptions	–	–	–	–	0.10%
Trading expense ratio (3)	0.03%	0.03%	0.04%	0.05%	0.05%
Portfolio turnover rate (4)	7.23%	24.16%	16.46%	11.42%	9.93%
Net asset value per unit	\$47.38	\$45.59	\$41.24	\$43.14	\$41.14

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

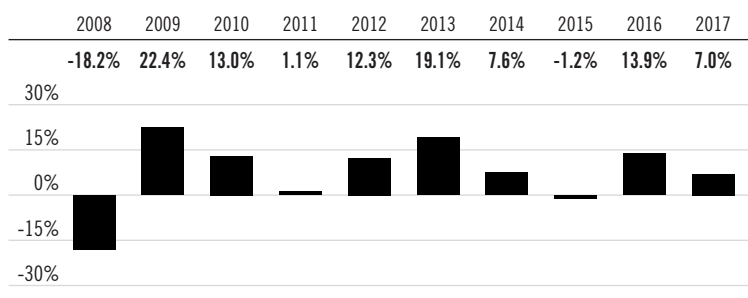
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**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 Units</b>	<b>7.0%</b>	<b>6.4%</b>	<b>9.0%</b>	<b>7.1%</b>	<b>7.2%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	7.0%	8.7%	5.9%	5.7%
S&P/TSX Composite TR Index	9.1%	6.6%	8.6%	4.6%	6.1%

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

FRANKLIN BISSETT CANADIAN BALANCED FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series PF** (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 unit (1)</b>	<b>2017</b>	<b>2016</b>
<b>Net assets – beginning of period</b>	<b>\$10.02</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	0.33	0.63
Total expenses	(0.09)	(0.02)
Realized gains (losses) for the period	0.36	0.02
Unrealized gains (losses) for the period	–	(0.06)
<b>Total increase (decrease) from operations (2)</b>	<b>0.60</b>	<b>0.57</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	(0.01)
From dividends	(0.18)	(0.17)
From capital gains	(0.12)	(0.13)
Returns of capital	–	–
<b>Total annual distributions (3)</b>	<b>(0.30)</b>	<b>(0.31)</b>
<b>Net assets – end of period</b>	<b>\$10.32</b>	<b>\$10.02</b>
<b>Ratios and supplemental data:</b>	<b>2017</b>	<b>2016</b>
Total net asset value (\$ millions) (1)	\$62.17	\$57.03
Number of units outstanding	6,022,992	5,693,022
Management expense ratio (2)	0.87%	0.91%
Management expense ratio before waivers or absorptions	0.87%	0.91%
Trading expense ratio (3)	0.03%	0.03%
Portfolio turnover rate (4)	7.23%	24.16%
Net asset value per unit	\$10.32	\$10.02

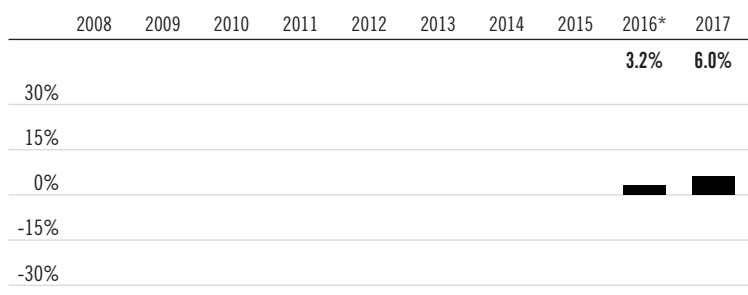
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

**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.



\*2016 Series PF return: October 3 to December 31

**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 PF Units</b>	<b>6.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>7.5%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	N/A	N/A	N/A	7.8%
S&P/TSX Composite TR Index	9.1%	N/A	N/A	N/A	11.4%

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

FRANKLIN BISSETT CANADIAN BALANCED FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
 Series PFT (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.

Net assets per unit (1)	2017	2016
<b>Net assets – beginning of period</b>	<b>\$14.86</b>	<b>\$15.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	0.34	0.22
Total expenses	(0.13)	(0.03)
Realized gains (losses) for the period	0.26	0.11
Unrealized gains (losses) for the period	(0.33)	0.21
<b>Total increase (decrease) from operations (2)</b>	<b>0.14</b>	<b>0.51</b>
<b>Distributions:</b>		
From income (excluding dividends)	–	–
From dividends	(0.25)	–
From capital gains	(0.16)	(0.19)
Returns of capital	(1.19)	(0.20)
<b>Total annual distributions (3)</b>	<b>(1.60)</b>	<b>0.39</b>
<b>Net assets – end of period</b>	<b>\$14.13</b>	<b>\$14.86</b>
<b>Ratios and supplemental data:</b>	<b>2017</b>	<b>2016</b>
Total net asset value (\$ millions) (1)	\$–*	\$0.01
Number of units outstanding	353	343
Management expense ratio (2)	0.90%	0.89%
Management expense ratio before waivers or absorptions	0.90%	0.89%
Trading expense ratio (3)	0.03%	0.03%
Portfolio turnover rate (4)	7.23%	24.16%
Net asset value per unit	\$14.13	\$14.86

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

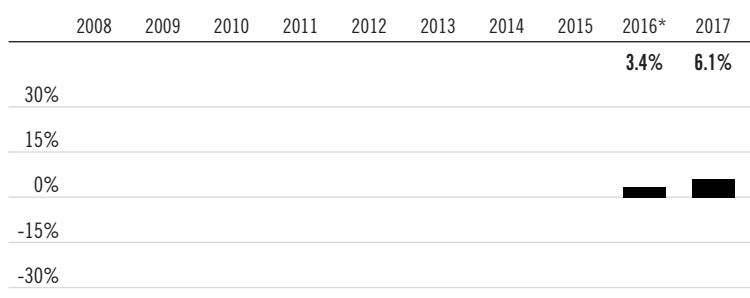
\*Amount rounded to zero in the nearest million.

**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.



\*2016 Series PFT return: October 3 to December 31

**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 PFT Units</b>	<b>6.1%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>7.8%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	N/A	N/A	N/A	7.8%
S&P/TSX Composite TR Index	9.1%	N/A	N/A	N/A	11.4%

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

FRANKLIN BISSETT CANADIAN BALANCED FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series T** (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 unit (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>\$6.68</b>	<b>\$6.69</b>	<b>\$7.79</b>	<b>\$8.22</b>	<b>\$7.74</b> <sup>†</sup>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.20	0.16	0.20	0.32	0.25
Total expenses	(0.15)	(0.15)	(0.17)	(0.19)	(0.19)
Realized gains (losses) for the period	0.23	0.16	0.33	0.13	0.17
Unrealized gains (losses) for the period	0.01	0.54	(0.57)	0.13	1.00
<b>Total increase (decrease) from operations (2)</b>	<b>0.29</b>	<b>0.71</b>	<b>(0.21)</b>	<b>0.39</b>	<b>1.23</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	(0.01)	(0.01)	–	–
From dividends	(0.11)	(0.11)	(0.12)	(0.14)	(0.11)
From capital gains	(0.07)	(0.09)	(0.10)	(0.06)	–
Returns of capital	(0.53)	(0.54)	(0.62)	(0.66)	(0.62)
<b>Total annual distributions (3)</b>	<b>(0.71)</b>	<b>(0.75)</b>	<b>(0.85)</b>	<b>(0.86)</b>	<b>(0.73)</b>
<b>Net assets – end of period</b>	<b>\$6.25</b>	<b>\$6.68</b>	<b>\$6.69</b>	<b>\$7.79</b>	<b>\$8.22</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 (\$ millions) (1)	\$7.04	\$7.90	\$8.68	\$11.80	\$10.28
Number of units outstanding	1,125,805	1,182,698	1,297,769	1,515,802	1,250,211
Management expense ratio (2)	2.28%	2.28%	2.27%	2.27%	2.38%
Management expense ratio before waivers or absorptions	2.28%	2.28%	2.27%	2.27%	2.38%
Trading expense ratio (3)	0.03%	0.03%	0.04%	0.05%	0.05%
Portfolio turnover rate (4)	7.23%	24.16%	16.46%	11.42%	9.93%
Net asset value per unit	\$6.25	\$6.68	\$6.69	\$7.79	\$8.22

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

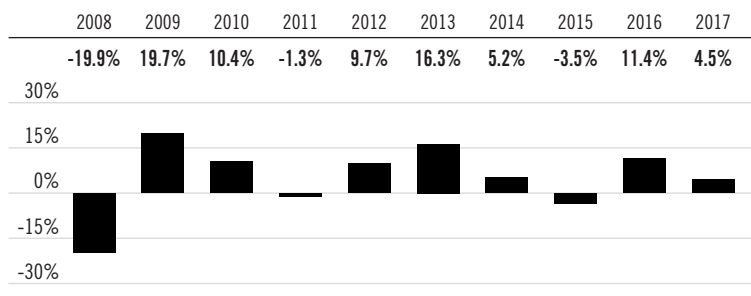
<sup>†</sup> The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**PAST PERFORMANCE**

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**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 T Units</b>	<b>4.5%</b>	<b>3.9%</b>	<b>6.6%</b>	<b>4.6%</b>	<b>4.9%</b>
Custom Franklin Bissett Canadian Balanced Benchmark	8.5%	7.0%	8.7%	5.9%	6.7%
S&P/TSX Composite TR Index	9.1%	6.6%	8.6%	4.6%	8.0%

<sup>‡</sup> 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 Unit:

- (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 unit 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 units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.
- (3) Distributions were paid in cash or reinvested in additional units of the Fund or both, and exclude distributions of management fee reductions to unitholders.

### 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.
- (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.

## 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 units of Series I and Series V may continue to purchase additional units in those series. These series may become available for purchase by new investors at the discretion of the Manager.

## BENCHMARK(S) INFORMATION

**Custom Franklin Bissett Canadian Balanced Benchmark** ((the "Benchmark") is a blended index composed of the FTSE TMX Canada Universe Bond Index (35%), Bloomberg Barclays Global Aggregate Bond Index (unhedged, 5%), S&P/TSX Composite TR Index (32.5%), S&P 500 TR Index (12.5%), MSCI EAFE TR Index (10%) and S&P/TSX SmallCap Index (5%). For historical performance periods predating December 31, 2000, the small-capitalization allocation of the Benchmark is represented by the BMO Small Cap Index. On December 31, 2016, the composition of the Benchmark was changed; from the date of April 1, 2012, to the date of this change, the Benchmark was composed of the FTSE TMX Canada Universe Bond Index (35%), Bloomberg Barclays US Aggregate Bond (Hedged) Index (2.5%), JP Morgan Global Government Bond Index (2.5%), S&P/TSX Composite TR Index (32.5%), S&P 500 TR Index (10%), MSCI EAFE TR Index (10%), MSCI Emerging Markets TR Index (2.5%) and S&P/TSX SmallCap Index (5%). Prior to April 1, 2012, the Benchmark was composed of different percentages of indices in accordance with permissible levels of foreign content investment and other factors.

**S&P/TSX Composite TR Index** measures the total return (dividends are reinvested) of the 300 largest Canadian companies, in terms of three-year average quoted market value, listed on the TSX. The S&P/TSX Composite TR Index was formerly called The Toronto Stock Exchange 300 TR Index (TSE 300).