

## Performance Review

- The US Federal Reserve and the Bank of Canada kept interest rates unchanged throughout the second quarter of 2021 and committed to maintaining asset purchases whilst allowing inflation to run above target levels. Sovereign yield curves in both countries flattened significantly during the quarter, as short-term rates rose, whilst yields on longer-duration issues fell. Concerns that extraordinary fiscal and monetary stimulus might fuel uncontrolled inflation appear to have diminished, subduing long-term rates, whilst the likelihood of asset purchase tapering has increased boosting rates at the short end of the curve.
- US and Canadian stocks made robust gains during the quarter, although a strong Canadian dollar held back returns slightly, in local-currency terms, for US-denominated assets. The Canadian market was boosted by rising oil prices, which traded higher amidst falling stockpiles and firming demand. Emerging market (EM) equities overall posted a modest return, held back by weakness in Chinese equities during the quarter.
- For the quarter, the fund's Series T shares returned 2.62%, and its benchmark, the Custom Franklin Quotential Diversified Income Benchmark, returned 2.48%.

## QUARTERLY KEY PERFORMANCE DRIVERS

HELPED	Cross-asset allocation benefitted relative performance, helped by an overweight to equities and a corresponding underweight to fixed income during a "risk-on" period.
	Canadian fixed income fund selection contributed to relative results, in aggregate, benefitting from exposure to long-duration government bonds as the yield curve flattened. Credit also added relative value, particularly lower-quality issues, as spreads narrowed on improving investor sentiment
	US growth stocks added relative value, particularly Franklin US Opportunities Fund, which benefitted from strong stock selection and an advantageous environment for aggressive growth portfolios, particularly within the information technology and consumer discretionary sectors.
HURT	Exposure to short-duration bonds detracted during the quarter on a flattening yield curve. Yields rose at the short end, as more hawkish language from central banks raised concerns around asset purchase tapering.
	Templeton Global Bond Fund held back relative results, affected by exposure to certain Latin American currencies and an underweight to US duration.
	Emerging market equities proved a drag for relative results, particularly Templeton Emerging Markets Fund, which suffered from selection amongst information technology and consumer discretionary stocks.

## Outlook & Strategy

- The global economy continues to benefit from a strong cyclical expansion, and we remain confident that a stimulative mix of easy monetary policy and generous fiscal support should build an increasingly synchronised global expansion. Against this background, we favour risk assets generally and maintain an asset allocation tilt towards stocks over bonds, although our modest preference for equities reflects the fact that most markets have already priced in improved economic data.
- Within equities, we prefer countries that are experiencing the "point of inflection" in the vaccine rollout. During the next few months, that will likely include Japan, Canada and other parts of developed Asia. We remain neutral on Europe, which is still playing catch-up with the larger leading vaccine nations such as the United States, whilst supplies for many EM economies remain deficient. Fiscal stimulus is a key driver of growth in the US, particularly infrastructure spending, leading us to remain optimistic on US equities, despite high valuations. China's equity market continues to lag the gains seen in the broader global indices, and we see this trend as one that is likely to persist. As a result, we have moved to extend our more cautious stance towards China and EM equities more broadly.
- We retain a cautious view on US Treasuries and Canadian government bonds, despite the apparently transitory nature of inflation, as fiscal stimulus and improving economic data helps to maintain upward pressure on yields. In Europe, an expectation of strong vaccine-related growth is supporting yields, whilst the low sensitivity of Japanese bonds to global yields makes them more attractive as a diversifier.
- Elsewhere, we remain concerned about investment-grade credit, due to narrow spreads in a rising rates environment, and prefer high-yield bonds. We also like EM debt, particularly local-currency issues that benefit from attractive valuations, although selective positioning is important.

## Fund Details

Inception Date	02/17/2003
Benchmark Name	Custom Franklin Quotential Diversified Income Benchmark, Custom Franklin Quotential Diversified Income Benchmark (non-time-linked), FTSE Canada Universe Bond Index

## Fund Description

High current income and some long-term capital appreciation by investing primarily in a diversified mix of income and bond mutual funds.

## Performance Data

## Performance (%) as of 06/30/2021

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception	Inception Date
Series T	1.50	2.62	0.27	4.45	4.08	3.34	3.93	4.57	02/17/2003
Custom Franklin Quotential Diversified Income Benchmark	1.36	2.48	-0.12	3.99	5.77	4.61	5.14	5.90	-
Custom Franklin Quotential Diversified Income Benchmark (non-time-linked)	1.36	2.48	-0.12	3.99	5.85	4.74	5.51	5.75	-
FTSE Canada Universe Bond Index <sup>a</sup>	0.96	1.66	-3.46	-2.43	4.16	2.64	3.90	4.82	-

The blended benchmark for the portfolio changed on December 31, 2016. For reference the benchmark changes are as follows: MSCI AC World Index CDN (Past – 5%, Present – 10%), S&P/TSX Composite Index (Past – 15%, Present – 10%), FTSE TMX Canada Universe Bond Index (Past – 55%, Present – 55%), Bloomberg Barclays Multiverse Hedged Index (Past – 25%, Present – 25%). Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

## Investment Team

**Ian M. Riach, CFA**  
 Years with Firm 22  
 Years Experience 35

**Michael Greenberg, CFA**  
 Years with Firm 15  
 Years Experience 18

**Important Legal Information**

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change. **Past performance is not an indicator or a guarantee of future performance.**

Franklin Templeton and Franklin Templeton Canada are business names used by Franklin Templeton Investments Corp.

*CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.*

Source: FactSet. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

a. Source: FTSE International Limited ("FTSE") © FTSE 2021. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.



**FRANKLIN  
TEMPLETON**

Franklin Templeton Canada  
200 King Street West, Suite 1500  
Toronto, ON M5H 3T4  
Tel: 800.387.0830  
Fax: 866.850.8241  
[franklintempleton.ca](http://franklintempleton.ca)