



**Product Profile**

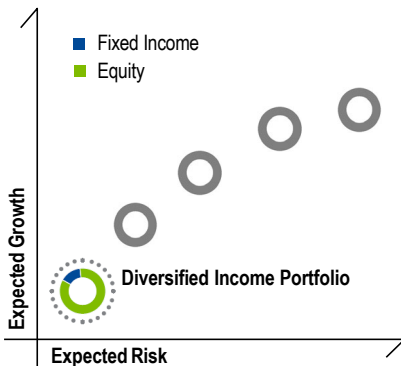
**Product Details**

Total Net Assets <sup>1</sup>	\$1,570,903,623
Inception Date	06/23/2008
Positions (excluding cash)	20
Minimum Investment	\$500
NAV	\$12.75
MER	F: 1.04%
Custom Benchmark <sup>2</sup>	Quotential Diversified Income Custom Benchmark
Morningstar Category™	Global Fixed Income Balanced

**Risk Classification<sup>2</sup>**

Low	Low to Medium	Medium	Medium to High	High
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**FRANKLIN QUOTENTIAL PROGRAM**



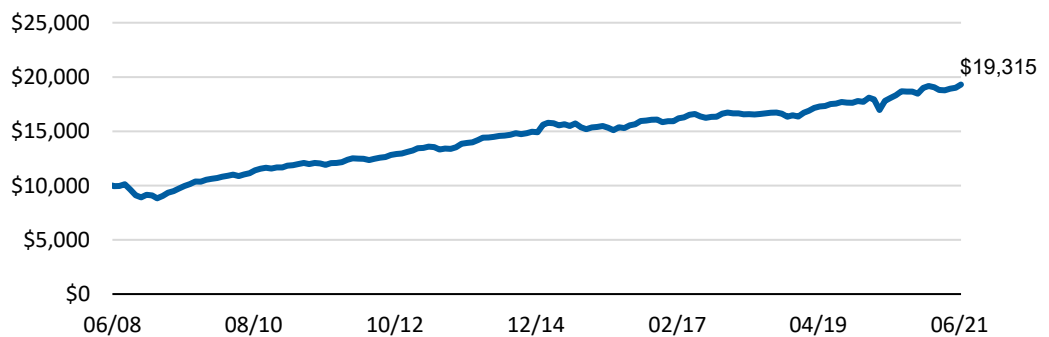
**Fund Description**

Franklin Quotential Diversified Income Portfolio will have an optimal asset mix of 70–95% fixed income and 5–30% equities. The Portfolio advisor may review and adjust the optimal asset mix, in its sole discretion, depending on economic conditions and relative value of income and equity securities.

**Performance Data**

**Growth of \$10,000**

June 23, 2008 to June 30, 2021



*The growth of \$10,000 begins at the date of the Portfolio's inception. Figures include reinvestment of income, capital gains, return of capital and dividends.*

**Average Annual Total Returns (%)**

	3 Mths*	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (06/23/2008)
Series F	2.86	0.73	5.43	5.06	4.30	4.89	5.21

**Calendar Year Returns (%)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series F	8.22	8.31	-1.79	4.52	2.88	3.90	6.57	6.81	7.69	4.26

1. Inclusive of trust and corporate class versions where applicable.

2. Custom Franklin Quotential Diversified Income Benchmark is a blended index composed of the S&P/TSX Composite Total Return Index (5%), FTSE Canada Universe Bond Index (55%), Bloomberg Barclays Multiverse TR Index (hedged, 25%) and MSCI All Country World Index-NR (15%). Net Returns (NR) include income net of maximum foreign withholding tax when dividends are paid. Benchmarks are rebalanced monthly and returns are in Canadian dollars. For custom benchmark history refer to the last page.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus or fund facts document before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

Series F is available to investors participating in programs that do not require Franklin Templeton to incur distribution costs in the form of trailing commissions to dealers. As a consequence, the management fee on Series F is lower than on Series A.

\* Cumulative Returns.

## Supplemental Performance Statistics

## Supplemental Risk Statistics

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	5.59	4.71	4.29	4.93
Tracking Error (%)	1.43	1.33	1.73	2.78
Information Ratio	-0.50	-0.23	-0.14	-0.26
Beta	1.14	1.10	1.09	1.11
Sharpe Ratio	0.71	0.71	0.93	0.87

The indicated rates of return are the historical annual compounded total returns including changes in share or unit value and reinvestment of all distributions 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 call Franklin Templeton Client Services at 1.800.387.0830 or visit [www.franklintempleton.ca](http://www.franklintempleton.ca) for the most recent month-end performance.

## Portfolio Manager Insight

## 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

CONTRIBUTED	
	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.
DETRACTED	
	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 &amp; 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.

**Portfolio Characteristics**

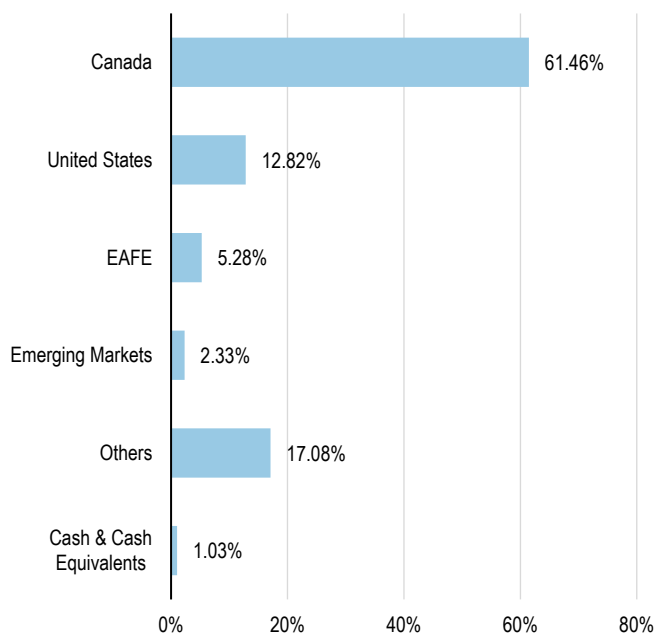
	<b>Portfolio</b>
Dividend Yield (%)*	1.97
Yield to Maturity (%)*	2.34
Internal Yield (%)*	2.24
Average Duration (Yr)	4.50
Average Coupon (%)	3.47

\*Weighted Average

**Portfolio Diversification**

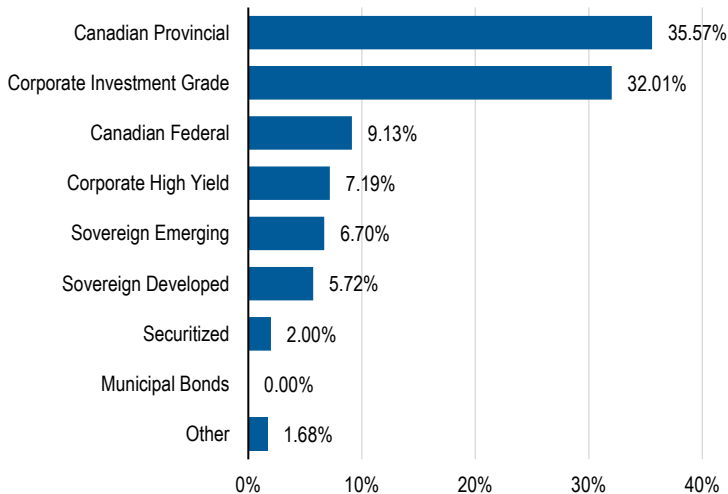
**Geographic Allocation**

Market Value—Percent of Total



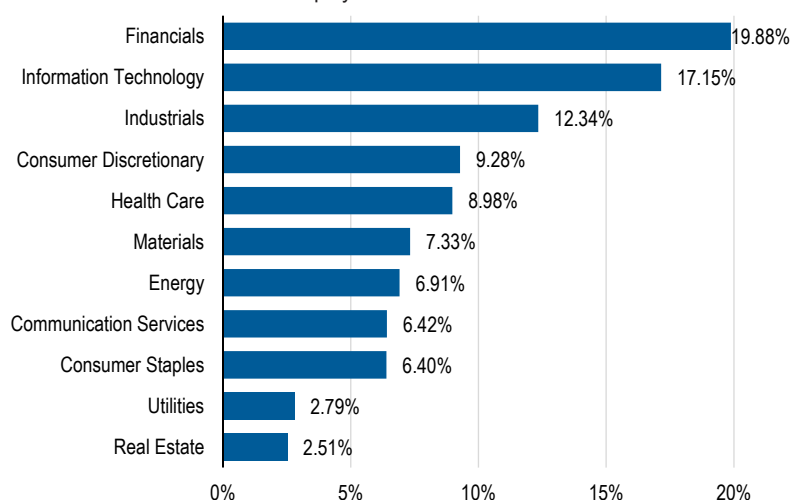
**Sector Allocation - Fixed Income**

Market Value—Percent of Fixed Income



**Sector Allocation - Equity**

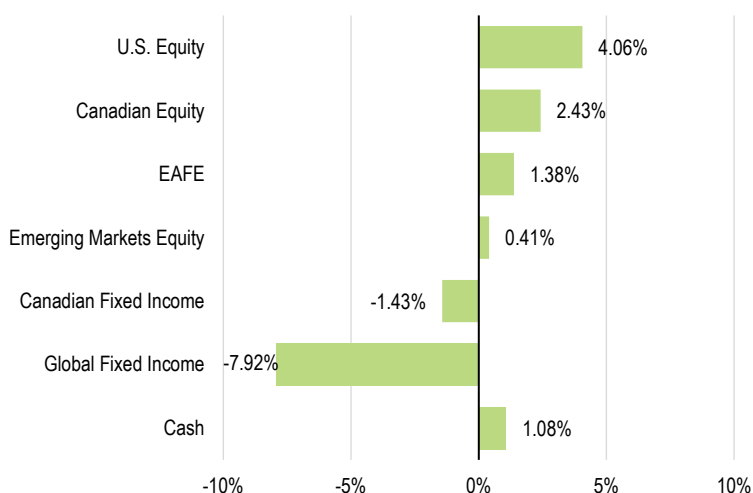
Market Value—Percent of Equity



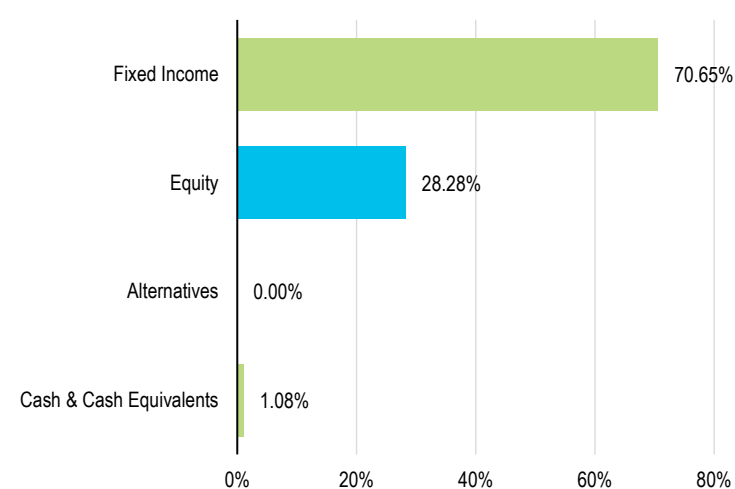
Totals may not add to 100% due to rounding. Asset Class—Portfolio pie chart includes ETFs. All other pie charts “look through” the funds to the underlying security and do not include ETFs. Source: FactSet. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). High Yield: Includes ratings of BB, B, CCC, CC, C, D. Other assets: Non-security holdings include cash, cash equivalents and net receivables. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations (“NRSRO”), such as Standard & Poor’s, DBRS, Moody’s and Fitch. The ratings are an indication of an issuer’s creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available.

**Overweight/Underweight<sup>2</sup>**

Total as % of Total

**Asset Allocation**

Market Value—Percent of Total

**ACTIVE MANAGEMENT AT THE FUND LEVEL**

The table below shows tactical adjustments made to the Portfolio over recent quarters.

	Jun-21	Mar-21	Dec-20	Sept-20
<b>Canadian Equity Funds (%)</b>	<b>7.85</b>	<b>7.06</b>	<b>6.56</b>	<b>6.12</b>
Franklin Bissett Canadian Equity Fund	2.80	2.48	2.34	2.22
Franklin Canadian Core Equity Fund	1.80	1.65	1.66	1.58
Franklin FTSE Canada All Cap Index ETF	3.25	2.93	2.56	2.32
<b>U.S. Equity Funds (%)</b>	<b>12.82</b>	<b>13.15</b>	<b>12.32</b>	<b>10.88</b>
Franklin FTSE U.S. Index ETF	3.59	3.50	3.78	2.70
Franklin U.S. Core Equity Fund	3.70	4.31	4.28	4.43
Franklin U.S. Opportunities Fund	1.82	1.88	1.87	1.77
Franklin U.S. Rising Dividends Fund	2.49	2.51	2.39	1.99
SPDR Portfolio S&P 500 Value ETF	1.23	0.95	—	—
<b>EAFE (%)</b>	<b>5.28</b>	<b>5.06</b>	<b>4.84</b>	<b>4.27</b>
Franklin FTSE Europe ex U.K. Index ETF	1.04	—	—	—
Franklin FTSE Japan Index ETF	0.42	0.88	—	—
Franklin International Core Equity Fund	2.03	1.87	2.39	2.14
iShares Core MSCI EAFE ETF	1.78	2.31	2.45	2.13
<b>Emerging Markets Equity Funds (%)</b>	<b>2.33</b>	<b>2.50</b>	<b>2.23</b>	<b>1.98</b>
Franklin Emerging Market Core Equity Fund	1.05	1.21	1.83	1.98
Templeton Emerging Markets Fund	1.28	1.29	0.42	—
<b>Canadian Fixed Income Funds (%)</b>	<b>53.57</b>	<b>54.39</b>	<b>55.31</b>	<b>57.27</b>
Franklin Bissett Canadian Government Bond Fund	17.92	20.07	20.33	21.83
Franklin Bissett Core Plus Bond Fund	26.08	26.64	27.40	27.74
Franklin Bissett Short Duration Bond Fund	9.57	7.68	7.58	7.70
<b>Global Fixed Income Funds (%)</b>	<b>17.08</b>	<b>17.47</b>	<b>18.21</b>	<b>18.48</b>
Franklin Brandywine Global Income Optimiser Fund	4.70	4.67	4.63	4.55
Franklin Liberty Global Aggregate Bond ETF (CAD Hedged)	9.68	8.71	9.26	9.44
Templeton Global Bond Fund	2.70	4.10	4.33	4.49
<b>Cash &amp; Other Net Assets (%)</b>	<b>1.08</b>	<b>0.37</b>	<b>0.53</b>	<b>0.99</b>

Totals may not add to 100% due to rounding. Asset Allocation—chart includes ETFs. All other charts “look through” the funds to the underlying security and do not include ETFs.

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Greenberg, CFA, CAIA	15	18
Ian M. Riach, CFA	22	35

## Glossary

**Average Coupon:** The par-weighted average of the coupon rates of bonds.

**Average Duration:** The market-weighted average of the duration of bonds. Duration of each bond is the estimated percentage change in the bond's price for a 1% change in the bond's yield.

**Beta:** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

**Dividend Yield:** The market-weighted average yield on securities within the portfolio; should not be used as an indication of the income received from this portfolio.\*\*

**Information Ratio:** In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

**Internal Yield:** The market-weighted average of the portfolio's Yield to Maturity and Dividend Yield.\*\*

**Sharpe Ratio:** a measure that indicates the average return minus the risk-free return divided by the standard deviation of return on an investment.

**Standard Deviation:** a quantity calculated to indicate the extent of deviation for a group as a whole.

**Yield to Maturity:** The market-weighted average of the yields to maturity of bonds.\*\*

\*\*Gross of fees and tax withholding.

## Fund Codes

UNIT TRUST SERIES	CDN\$	US\$*	UNIT TRUST SERIES, cont'd	CDN\$	US\$*
Series A Front End	3250	3861	Series PA Front End	5457	5460
Series A DSC	3252	3863	Series PA DSC	5459	5462
Series A Low Load	3251	3862	Series PA Low Load	5458	5461
Series T Front End	384	5800	Series PT Front End	5463	5803
Series T DSC	385	5802	Series PT DSC	5465	5805
Series T Low Load	386	5801	Series PT Low Load	5464	5804
Series F	3253	3864	Series PF	3877	3878
Series F ADM†	5008	5032	Series PF ADM†	5076	5103
Series FT	227	—	Series PFT	3900	—
Series FT ADM†	5049	—	Series PFT ADM†	5125	—
Series I**	267	3865	Series O	170	3866
			Series OT	3951	—

\* As of February 1, 2017, all U.S.-dollar denominated series, with the exception of Series T-USD, are closed to new investors.

\*\* Series I and V closed to new investors as of November 22, 2016.

† "ADM" refers to the Investment Advisory Services Fee purchase option for series F, FT, PF, PF (Hedged) and PFT. Please see the simplified prospectus for further details.

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Franklin Templeton Investment Solutions (FTIS) is a global team dedicated to global portfolio-based solutions. FTIS is a business name used by Fiduciary Trust Company of Canada.

**Franklin Quotential Diversified Income Historical Benchmark:**

The benchmark was changed to reflect a reduction in the home bias of the Fund. Effective January 1, 2020, the global equity component of the benchmark—the MSCI All Country World Index—has been retrospectively changed from gross returns to net of returns, to better represent the experience of Canadian investors. Net Returns (NR) include income net of maximum foreign withholding tax when dividends are paid.

For the period January 1, 2019, to December 31, 2019, the blended index was composed of the S&P/TSX Composite TR Index (7%), FTSE Canada Universe Bond Index (55%), Bloomberg Barclays Multiverse Bond Index (hedged, 25%) and MSCI AC World TR Index (NR) (13%).

For the period December 31, 2016, to December 31, 2018, the blended index was composed of the S&P/TSX Composite TR Index (10%), FTSE Canada Universe Bond Index (55%), Bloomberg Barclays Multiverse Bond Index (hedged, 25%) and MSCI AC World TR Index (NR) (10%).

For the period December 31, 2011, to December 31, 2016, the blended index was composed of the S&P/TSX Composite TR Index (15%), FTSE Canada Universe Bond Index (55%), Bloomberg Barclays Multiverse Bond Index (hedged, 25%) and MSCI AC World TR Index (NR) (5%).

For the period January 1, 2009, to December 31, 2011, the blended index was composed of the S&P/TSX Composite TR Index (20%) and DEX Universe Bond Index (80%).

For the period February 17, 2003, to December 31, 2008, the Fund's benchmark was solely the DEX Universe Bond Index.



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