

**Performance Review**

- The Energy and Industrials sectors were notable laggards during the quarter with returns of -33.6% and -17.0%, respectively. Weakness was also observed within Consumer Discretionary and Information Technology with returns of -15.6% and -13.2% over the period. The Utilities and Materials sectors were sources of relative strength with returns -1.9% and -3.3% during the quarter.
- For the quarter, the fund's Series F shares returned -17.57%, and its benchmark, the Custom Franklin Bissett Microcap Benchmark, returned -14.38%.

**QUARTERLY KEY PERFORMANCE DRIVERS**

	Stocks	Sectors
Helped	Echelon Financial Holdings Inc.	Financials (Stock Selection)
	Blackline Safety Corp.	Energy (Stock Selection)
	Clarke Inc.	Information Technology (Overweight)
Hurt	Horizon North Logistics Inc.	—
	Photon Control Inc.	—
	Trican Well Service Ltd.	—

- The Fund's relative underperformance in the period was mainly due to unfavourable allocation toward the Materials and Real Estate sectors.

**Outlook & Strategy**

- Despite increasing investor risk-aversion stemming from concerns around the fate of the current economic cycle, our return expectations for Canadian small cap equities continue to improve - underpinned by key valuation metrics which remain well below full-cycle averages.
- We hold a high degree of conviction on the long-term return potential of the businesses held in the portfolio given their strong fundamental attributes and attractive valuations.

**Fund Details**

Inception Date	11/03/1997
Benchmark	Custom Franklin Bissett Microcap Benchmark, Custom Franklin Bissett Microcap Benchmark (non-time-linked), S&P/TSX Small Cap Index

**Fund Description**

This Fund seeks long-term capital appreciation by investing primarily in Canadian equities of smaller-capitalization companies that have proven management and long-term growth plans. Smaller-capitalization companies are those with a market capitalization of less than \$350 million.

**Performance Data**

**Performance (%) as of 12/31/2018**

	1 Month	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Series A	-4.64	-17.84	-25.55	-25.55	-1.63	-8.27	10.16	8.42
Series F	-4.54	-17.57	-24.57	-24.57	-0.36	-7.08	11.62	10.91
Custom Franklin Bissett Microcap Benchmark	-3.53	-14.38	-18.17	-18.17	5.20	-0.29	8.16	5.94
Custom Franklin Bissett Microcap Benchmark (non-time-linked)	-3.53	-14.38	-18.17	-18.17	5.20	-0.29	6.64	3.50
S&P/TSX Small Cap Index	-3.53	-14.38	-18.17	-18.17	5.20	-0.29	6.64	3.50

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**

**Ralph Lindenblatt, CFA**  
Years with Firm 18  
Years Experience 22

**Richard Fortin, CFA**  
Years with Firm 9  
Years Experience 22

**Important Legal Information**

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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.

Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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