

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 -19.31%, and its benchmark, the Custom Franklin Bissett Small Cap Benchmark, returned -14.38%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Winpak Ltd.	Energy (Stock Selection)
	Reitmans (Canada) Limited Class A	—
	—	—
Hurt	Horizon North Logistics Inc.	Materials (Underweight)
	—	Industrials (Stock Selection)
	—	Consumer Discretionary (Overweight)

- The Fund's relative underperformance in the period was mainly due to unfavourable allocation toward the Materials, Energy 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	08/30/1993
Benchmark	Custom Franklin Bissett Small Cap Benchmark, Custom Franklin Bissett Small Cap Benchmark (non-time-linked), S&P/TSX Small Cap Index

Fund Description

The fund seeks long-term capital appreciation by investing primarily in a diversified portfolio of small-capitalization Canadian equities that have proven management and long-term growth plans. The fund may also invest in foreign securities.

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	-5.61	-19.54	-28.69	-28.69	-3.47	-7.34	6.93	5.35
Series F	-5.53	-19.31	-27.89	-27.89	-2.39	-6.30	8.12	7.21
Custom Franklin Bissett Small Cap Benchmark	-3.53	-14.38	-18.17	-18.17	5.20	-0.29	8.16	5.94
Custom Franklin Bissett Small Cap 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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