Franklin Brandywine Global Sustainable Income Optimiser Fund

Series A
Series F
September 30, 2021

Fund Commentary

Performance Review

- Despite a continuing economic recovery and elevated inflationary concerns, US Treasury (UST) yields declined at the longer end of the curve during the quarter. Fixed income sectors posted generally positive total returns as spreads broadly tightened from the prior quarter-end.
- For the quarter, the fund's Series F shares returned -0.09%, and its benchmark, the Bloomberg Global Aggregate (100% Hedged into CAD) Index, returned 0.10%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Investment Grade Corporate	2.08
	High Yield Corporate	0.95
	Structured Credit	0.40
HURT	Sovereign – Developed Markets	1.29
	Sovereign – Emerging Markets	0.44
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- Within the high-yield credit market, cyclicals, especially energy-related securities, contributed to the Fund's performance, as both oil and natural gas prices increased over the quarter.
- Exposure to the U.S. mortgage-backed market was also additive for returns, as it continues to be supported by higher home prices and a muted foreclosure environment.
- On the downside, tactical exposure to high quality government bonds across the U.S. and Europe was a significant detractor from results late in the third quarter.
- Finally, the Fund's exposure to Mexican sovereign bonds was a headwind for performance, as they were negatively impacted by central bank rate hikes as a result of rising inflation, coupled with Fed's perceived hawkishness.

Outlook & Strategy

- Economic uncertainties persist given the headwinds from the Delta variant. However, this is not expected to derail a sustainable global recovery. The trajectory of global GDP is expected to converge toward pre-pandemic levels. While central banks view inflation as being largely transitory, it is too soon to say whether this will pan out. Meanwhile, global fiscal policy is set for a major contraction and is poised to be pared back in various stages.
- China has been reducing the central government budget deficit, although it maintains a watchful eye over existing property sector woes. The Fed's anticipated tapering and rising energy prices, particularly in Europe and Japan, are potential risks going into 2022.
- Persistent earnings growth, the search for yield, and continued Fed purchases should support current spread levels, where default rates continue to trend towards historic lows. Delinquencies continue to be lower for residential real estate and strong housing fundamentals remain a positive backdrop within structured the product market.

Fund Details

Inception Date	02/17/2003
Benchmark Name	Bloomberg Global Aggregate (100% Hedged into CAD) Index, Bloomberg U.S. Aggregate Index (Hedged to CAD) (USD)

Fund Description

The Fund seeks high current income and some long-term capital appreciation by investing primarily in fixed income securities issued in the United States and throughout the world.

Performance Data

Performance (%) as of 09/30/2021

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception	Inception Date
Series A	-0.77	-0.23	-0.02	2.73	2.22	1.49	2.64	2.06	02/17/2003
Series F	-0.72	-0.09	0.39	3.29	2.78	2.02	3.31	2.89	02/17/2003
Bloomberg U.S. Aggregate Index (Hedged to CAD)	-0.86	0.06	-1.56	-0.98	4.96	2.48	3.10	4.14	-

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. Index rates of return are as shown in their indicated currency. 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.**

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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.

Effective June 4, 2021 the fund's benchmark changed from Bloomberg U.S. Aggregate Index (Hedged to CAD) to Bloomberg Global Aggregate (100% Hedged into CAD) Index.

Effective September 17, 2021, Franklin Brandywine Global Income Optimiser Fund is renamed Franklin Brandywine Global Sustainable Income Optimiser Fund.

Effective June 4, 2021, Brandywine Global Investment Management, LLC ("Brandywine") replaced Franklin Advisers, Inc. as the sub-advisor to Franklin Brandywine Global Income Optimiser Fund (formerly Franklin Strategic Income Fund) and Franklin Bissett Investment Management is no longer a portfolio advisor to the Fund. Please see the fund's current simplified prospectus and fund facts for further details. Franklin Templeton and Franklin Templeton Canada are business names used by Franklin Templeton Investments Corp.

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