

**Performance Review**

- Global equity markets generally advanced during the second quarter of 2021. Progress in vaccination campaigns and businesses reopening, along with ongoing monetary and fiscal stimulus, aided continued economic recovery in several parts of the world. Inflation was the dominant market theme during the quarter as supply chain disruptions and higher commodity prices combined with low base effects to drive up inflation expectations around the globe. Regionally, Latin American equities collectively outperformed the other major markets. US stocks outperformed European equities and the MSCI All Country World Index (ACWI), while Asian markets as a group saw modest gains. In terms of investment style, global growth stocks outperformed global value equities.
- For the quarter, the fund's Series F-Hedged shares returned 4.97%, and its benchmark, the MSCI World Value Index-NR, returned 3.16%.

**QUARTERLY KEY PERFORMANCE DRIVERS**

	Stocks	Sectors	Countries
<b>HELPED</b>	Eli Lilly and Company	Health Care	United States
	Charter Communications	Energy	United Kingdom
	Capital One Financial	Communication Services	Switzerland
<b>HURT</b>	Cognizant Technology Solutions	—	China
	China Pacific Insurance Group	—	Taiwan
	Volkswagen AG	—	—

- Shares of pharmaceutical company Eli Lilly appreciated during the period and contributed positively to portfolio results. The stock's performance was the result of positive phase 2 data for its Alzheimer's compound, Donanemab, as well as Eli Lilly's announcement that it will be filing Donanemab with the FDA much earlier than expected due to potentially positive regulatory developments, namely the FDA approval of Aduhelm, an Alzheimer's product from Biogen. In addition, Eli Lilly's diabetes drug, Trulicity, continues to grow, and its key diabetes pipeline compound, Tirzepatide, showed positive results in multiple phase 3 clinical trials, further strengthening its position in the growing diabetes end market.
- Consumer finance company Capital One Financial was a leading contributor to fund returns for the three months. At the end of April, Capital One announced first quarter 2021 earnings, which beat consensus expectations. The results highlighted how the company's credit card business boasts some of the strongest underlying metrics of all competitors in the US. Despite moderate pressure on loan balances, which is currently an industry trend, domestic net charge offs were down, and the company remains well-positioned and well-capitalized. We believe ongoing expectations for an economic recovery is beneficial for a consumer-lending-focused business such as Capital One Financial.
- Outsourcing services company Cognizant Technology Solutions detracted from results during the period. The stock fell in May after the company's first quarter 2021 earnings call. Despite financial results that were largely in-line with expectations, investors reacted negatively as the company lowered its full year margin guidance to tackle high employee attrition, which led to lost business opportunities due to the inability to source talent. Long term, the company is investing in its recruiting and employee retention efforts and building out its automation technology to decouple employee headcount growth from revenue growth.

**Outlook & Strategy**

- A rotation into value-oriented securities and the reflation trade has been a dominant theme the first half of 2021. However, the rotation reversed abruptly in early June as concerns over the sustainability of the current growth momentum began to surface, driven in part by a resurgence of delta variant cases across the world. The US yield curve flattened as investors purchased Treasuries, and growth-oriented stocks outpaced their value counterparts across all market capitalisation spectrums during the final month of the period.
- Broad US equity indices closed the second quarter higher as investors recalibrated their expectations for inflation, interest rates and risks introduced by a firming economic reboot. Despite a variety of strong US economic data points aided by highly accommodative monetary policy, concern about high equity valuations and the spread of a more contagious coronavirus variant periodically weighed on sentiment. The US stock market also dipped when the US Federal Reserve (Fed) shifted to an incrementally more hawkish stance toward inflation.
- European stock markets rose for the quarter as signs of economic recovery picked up, though gains were restrained by worries about rising inflation. In May, the European Commission raised its forecast for European Union (EU) economic growth to 4.2% in 2021 from 3.8% previously. European Central Bank President Christine Lagarde said that underlying price pressures are expected to increase somewhat this year due to temporary supply constraints and the recovery in domestic demand, but she expects these pressures to remain subdued.
- Asian stock markets overall lagged global peers as several countries increased efforts to contain new coronavirus outbreaks. Supply bottlenecks and rising inflation, along with the spectre of US interest rates rising sooner than previously expected, caused some concerns. US-China tensions also dampened sentiment on Chinese equities in June. China's year-on-year CPI and producer prices expanded at faster paces in April and May, with the latter rising at the fastest pace since 2008. Industrial production, fixed asset investment and retail sales growth decelerated markedly from the blistering pace of previous months but still posted robust gains.

- While equities have recently been on an upward trajectory, market activity may continue to be influenced by inflation concerns, interest rates, political events, continued monetary and fiscal support and the pace of economic reopening. Amid this uncertain environment, we remain focused on identifying opportunities to acquire stocks at attractive valuations based upon our assessment of fair value. Our process of finding underappreciated and misunderstood companies with identifiable catalysts to unlock shareholder value may provide meaningful upside potential, and a degree of downside protection during turbulent periods. While unnerving, volatility remains an inherent part of investing in risk assets, and the market historically rewards investors who take a long-term perspective.

## Fund Details

Inception Date	02/17/2003
Benchmark Name	MSCI World Value Index-NR, MSCI World Index

## Fund Description

This Fund seeks long-term capital appreciation by investing primarily in the equity and debt securities of issuers around the world.

## 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 A-Hedged	-0.09	4.67	14.39	34.34	3.75	5.29	5.83	5.96	02/17/2003
Series F-Hedged	0.01	4.97	15.04	35.86	4.95	6.50	7.05	7.14	02/17/2003
MSCI World Value Index-NR <sup>a</sup>	1.08	3.16	11.51	25.38	6.27	8.78	10.35	-	-

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

**Zehrid Osmani**  
Years with Firm 24  
Years Experience 24

**Yulia Hofstede**  
Years with Firm 13  
Years Experience 13

**Important Legal Information**

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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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Effective July 19, 2021 Franklin Mutual Global Discovery Fund has been renamed Franklin Martin Currie Global Equity Fund. The investment objective of the fund remains the same. Certain investment strategies have changed. Please refer to Amendment No.1 to the Simplified Prospectus for the fund, dated June 24, 2021, for further details.

Effective July 19, 2021 the fund's benchmark changed from MSCI World Value Index – NR to MSCI All Country World Index – NR.

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