



FRANKLIN TEMPLETON  
INVESTMENTS

# ACTIVE FIXED INCOME MANAGEMENT FOR ALL MARKETS

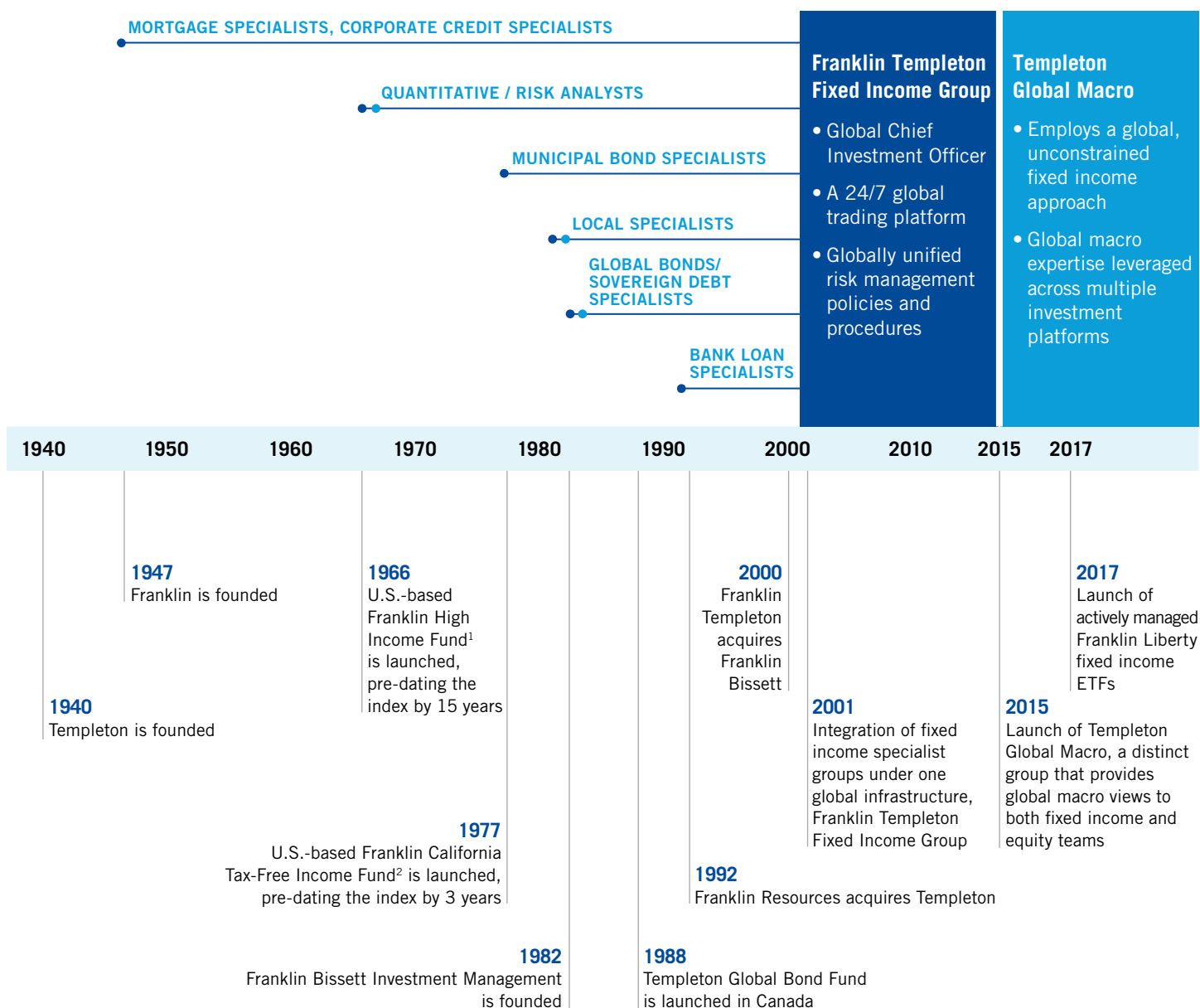


# SPECIALISTS FROM THE START

Franklin Templeton's Fixed Income capabilities have grown since 1947 from six distinct sector specialist groups that came together to form Franklin Templeton Fixed Income Group® and Templeton Global Macro. Our active bond management is based on:

- A deep knowledge of opportunities and risks associated with sectors or regions
- A truly multi-dimensional market perspective developed through shared sector and regional expertise and insight

## Franklin Templeton Fixed Income



1. Canadian launch: February 2003.

2. Not available for sale in Canada.

# GLOBAL REACH AND LOCAL EXPERTISE IN FIXED INCOME

Diversification across multiple geographic regions and sectors can help investors deal with today's challenges. Franklin Templeton Fixed Income can provide:

- First-hand, on-the-ground expertise that allows for a better assessment of the risks and opportunities in each market
- Shared proprietary research across the entire capital structure that provides global insight to local markets

We have the expertise and global reach to access opportunities in fixed income markets around the world.

## Franklin Templeton Fixed Income

- Over C\$346 billion in fixed income assets managed globally
- 170+ fixed income specialists
- Offices in 13 countries

## Our Globally Diversified Business

- Over C\$926 billion in assets globally
- Offices in over 30 countries around the world
- Over 70 years of experience
- Clients and customers in over 170 countries

# THE CASE FOR ACTIVE FIXED INCOME

All of Franklin Templeton's fixed income funds and ETFs are actively managed. An actively managed investment solution can offer a number of important benefits over a passive bond ETF or index fund.

### Passive Bond ETF

**A passive bond ETF** mimics an index. Its portfolio is the mercy of market conditions impacting the index.

**A passive bond ETF** heavily represents the most indebted issuers of the index because bond indexes are debt-weighted. This may not be what you want in your portfolio.

**A passive bond ETF** will include money-losing, negative-yielding bonds found in the index even though they add no value to the ETF portfolio.

### Actively Managed Bond Fund or ETF

**Active bond managers** can tailor bond portfolios to suit market conditions.

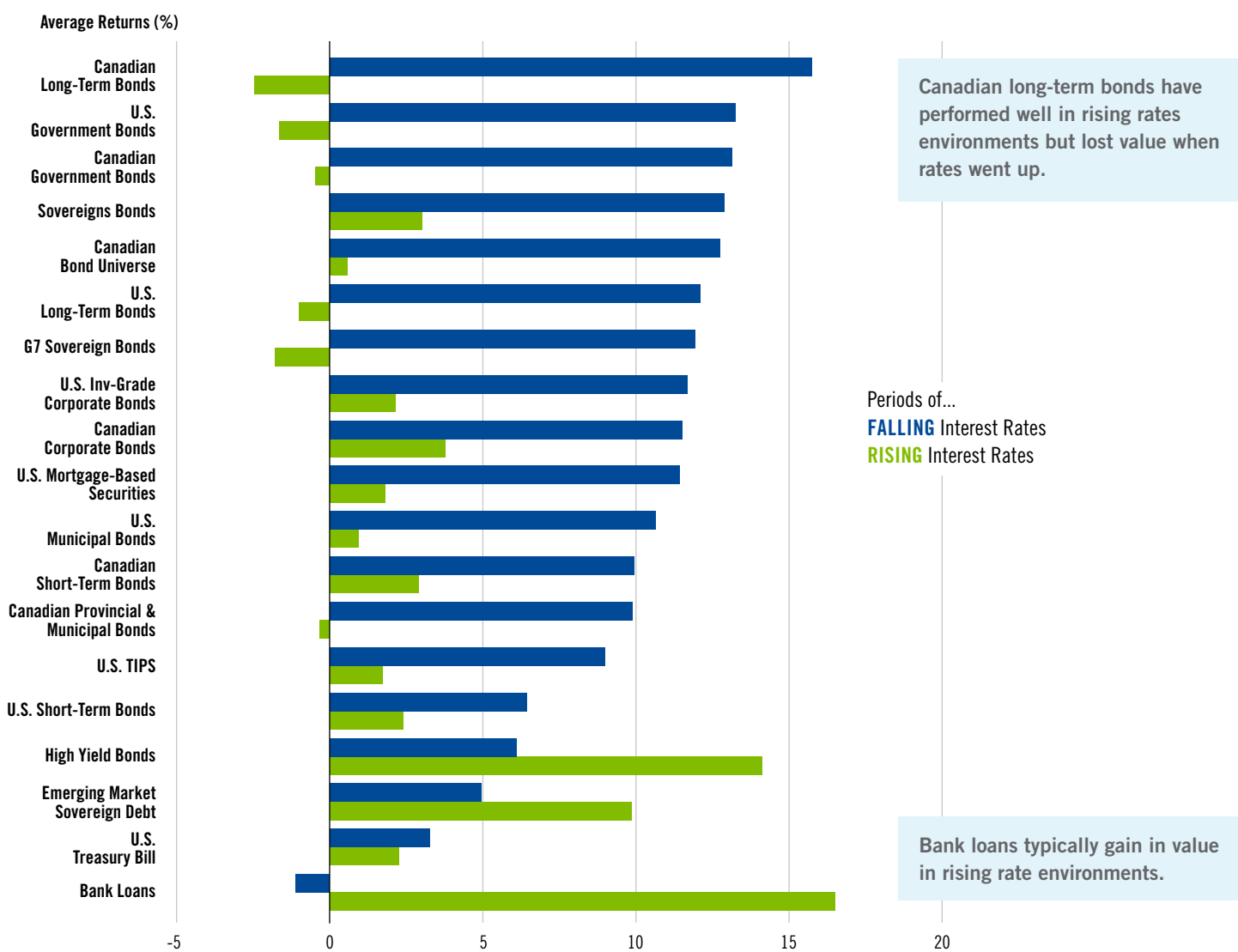
**Active bond managers** can avoid issuers that don't meet fund requirements and focus instead on less indebted issuers.

**Active bond managers** can screen out negative-yielding bonds and focus in favour of securities for which they see a better outlook.

# THE IMPORTANCE OF DIVERSIFICATION AND ACTIVE MANAGEMENT

- Your investment portfolio may include bonds, an asset class broadly regarded as safer than stocks.
- However, interest rates are mainly expected to continue rising in the coming months. Why should you care? As interest rates go up, bond prices tend to drop, putting fixed income portfolios at risk.
- Most Canadian fixed income portfolios are primarily composed of domestic bonds that offer little diversification and even less defense against rising interest rates.
- Fortunately, not all fixed income sectors react the same way to rising rates. It's time to diversify fixed income portfolios. Diversification is an active investment strategy that should just apply to all portfolio segments, not just equities.

## Fixed Income Sectors Perform Differently in Different Interest Rate Environments (from December 1986 to December 2017)



Source: Morningstar Research Inc. and Bloomberg as of December 31, 2017. Returns are in each benchmark's indicated currency. Periods of rising/falling interest rates are defined as calendar years when rates on the 10-year U.S. Treasury rose/fell more than 50 basis points between December 1986 and December 2016. Average returns for each asset class only includes the years where data is available. Bank Loans, Credit Suisse Leveraged Loan Index USD; Canadian Bond Universe, FTSE Canada Universe Bond Index CAD; Canadian Corporate Bonds, FTSE Canada All Corp Universe TR CAD; Canadian Government Bonds, FTSE Canada Government Bond Index CAD; Canadian Provincial & Municipal Bonds, BofAML Canadian Provincials & Municipal Bonds TR CAD; Emerging Market Sovereign Debt, Bloomberg Barclays Emerging Market Debt TR USD; G7 Sovereign Debt, Bloomberg Barclays Global G7 TR; High Yield Bonds, Credit Suisse First Boston High Yield USD; Sovereigns, Citi World Government Bond Index USD; U.S. Corporate Bonds, Barclays Capital U.S. Credit TR USD; U.S. Government Bonds, Bloomberg Barclays U.S. Government TR USD; U.S. Mortgage-Backed Securities, Bloomberg Barclays U.S. MBS TR USD; U.S. Municipal Bonds, Bloomberg Barclays Municipal TR USD; U.S. T-Bills, Bloomberg Barclays U.S. Treasury Bills TR USD; U.S. TIPS, Barclays Capital U.S. Treasury Inflation Protected Securities TR USD.

## As a Result, “Winning” Sectors Will Tend to Rotate

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Best
U.S. Government Bonds 40.60%	High-Yield Bonds 31.00%	High-Yield Bonds 8.50%	TIPS 16.40%	Emerging Markets Bonds 15.30%	High-Yield Bonds 14.70%	Municipals Bonds 18.90%	Municipals Bonds 23.90%	High-Yield Bonds 14.20%	Canadian Bonds 2.52%	↑ ↓ Worst
Global Bonds 38.70%	Floating Loans 23.00%	Emerging Markets Bonds 7.00%	Municipals Bonds 13.40%	High-Yield Bonds 12.20%	Floating Loans 13.00%	Investment-Grade Corporation Bonds 17.20%	U.S. Mortgage-Back Securities 21.70%	Emerging Markets Bonds 6.10%	Emerging Markets Bonds 1.06%	
U.S. Mortgage-Backed Securities 35.50%	Emerging Markets Bond 14.00%	Canadian Bonds 6.71%	U.S. Government Bonds 11.70%	Floating Loans 7.00%	U.S. Treasury Bills 6.80%	U.S. Mortgage-Back Securities 15.60%	Emerging Markets Bonds 21.50%	Floating Loans 6.10%	Global Bonds 0.43%	
U.S. Treasury Bills 28.10%	Canadian Bonds 5.40%	Floating Loans 4.20%	Investment-Grade Corporation Bonds 11.00%	Investment-Grade Corporation Bonds 6.90%	U.S. Mortgage-Back Securities 5.20%	U.S. Government Bonds 14.40%	U.S. Government Bonds 21.00%	Investment-Grade Corporation Bonds 2.00%	High-Yield Bonds -0.01%	
TIPS 22.10%	Investment-Grade Corporation Bonds -1.50%	Investment-Grade Corporation Bonds 2.80%	Canadian Bonds 9.70%	TIPS 4.60%	Investment-Grade Corporation Bonds 4.60%	Emerging Markets Bonds 14.20%	U.S. Treasury Bills 20.00%	Canadian Bonds 1.70%	Investment-Grade Corporation Bonds -0.80%	
Municipals Bonds 22.00%	Municipals Bonds -4.10%	TIPS 0.80%	Emerging Markets Bonds 9.60%	Municipals Bonds 4.40%	Municipals Bonds 4.00%	TIPS 13.00%	Floating Loans 19.50%	TIPS 1.10%	Municipals Bonds -1.48%	
Investment-Grade Corporation Bonds 21.20%	TIPS -5.40%	U.S. Government Bonds 0.00%	Global Bonds 9.00%	Canadian Bonds 3.60%	U.S. Government Bonds 3.90%	Floating Loans 11.30%	Investment-Grade Corporation Bonds 19.00%	U.S. Mortgage-Back Securities -1.80%	Floating Loans -2.60%	
Emerging Market Bonds 6.60%	U.S. Mortgage-Back Securities -10.10%	U.S. Mortgage-Back Securities -0.10%	U.S. Mortgage-Back Securities 8.90%	U.S. Mortgage-Back Securities 0.30%	Global Bonds 2.40%	High-Yield Bonds 11.00%	TIPS 18.20%	Global Bonds -1.90%	TIPS -3.76%	
Canadian Bonds 6.40%	Global Bonds -12.90%	Global Bonds -0.30%	High-Yield Bonds 8.10%	U.S. Government Bonds -0.20%	Emerging Markets Bonds 2.30%	U.S. Treasury Bills 9.10%	Global Bonds 15.60%	U.S. Government Bonds -2.50%	U.S. Mortgage-Back Securities -4.26%	
High-Yield Bonds -7.70%	U.S. Treasury Bills -14.80%	Municipals Bonds -3.00%	Floating Loans 4.30%	Global Bonds -0.60%	Canadian Bonds -1.20%	Canadian Bonds 8.80%	High-Yield Bonds 14.00%	U.S. Treasury Bill -3.10%	U.S. Government Bonds -4.42%	
Floating Loans -10.90%	U.S. Government Bonds -17.00%	U.S. Treasury Bills -5.00%	U.S. Treasury Bills 2.60%	U.S. Treasury Bills -2.10%	TIPS -2.50%	Global Bonds 8.50%	Canadian Bonds 3.50%	Municipals Bonds -3.20%	U.S. Treasury Bills -5.81%	

Source: Morningstar Research as of December 31, 2017. All returns shown in Canadian dollars. ■ Emerging Market Bonds, Barclays Capital Emerging Market TR; ■ Municipal Bonds, Bloomberg Barclays Municipal TR; ■ U.S. Investment-Grade Corporate Bonds, Bloomberg Capital U.S. Credit TR; ■ U.S. Government Bonds, Bloomberg Barclays U.S. Government TR; ■ U.S. Mortgage-Backed Securities, Bloomberg Barclays U.S. Mortgage-Backed TR; ■ Treasury Inflation Protected Securities (TIPS), Bloomberg Barclays U.S. Treasury Inflation Protected Securities TR; ■ Global Bonds, Citi World Government Bond Index; ■ High Yield Bonds, Credit Suisse High Yield; ■ Floating Loans, Credit Suisse Leveraged Loan; ■ Canadian Bonds, FTSE Canada Universe Bond Index; ■ U.S. Treasury Bills, Bloomberg Barclays U.S. Treasury Bills TR.

# INVESTMENT SOLUTIONS

## FRANKLIN TEMPLETON FIXED INCOME MUTUAL FUNDS

Name and Inception Date	Asset Class	Description	Series F MER as of 06/30/18*
<b>Franklin Bissett Canadian Short Term Bond Fund</b> December 22, 2003	Canadian short-term fixed income	<ul style="list-style-type: none"> <li>• A defensive strategy to help reduce interest rate, liquidity and credit risks</li> <li>• Portfolio yield typically equivalent to that of longer duration core Canadian bond strategies</li> <li>• A good complement to equity and other fixed income investments due to its low correlation</li> </ul>	0.77%
<b>Franklin Bissett Canadian Government Bond Fund</b> November 14, 2016	Canadian government fixed income	<ul style="list-style-type: none"> <li>• Active exposure to all levels of Canadian government bonds</li> <li>• Low correlation to equity holdings to help reduce portfolio volatility</li> <li>• Stable monthly distributions with potential for quarterly top-ups</li> </ul>	0.64%
<b>Franklin Bissett Canadian Bond Fund</b> January 5, 2018	Core Canadian fixed Income	<ul style="list-style-type: none"> <li>• Core high quality Canadian fixed income</li> <li>• Total return approach</li> <li>• Focus on sustainable and attractive monthly income distributions</li> </ul>	0.73%
<b>Franklin Bissett Core Plus Bond Fund</b> August 1, 1986	Broad Canadian fixed income	<ul style="list-style-type: none"> <li>• Core strategy with a multisector approach to capitalize on the broader Canadian and global market opportunities</li> <li>• Total return approach, balancing low volatile income with capital appreciation</li> <li>• Stable monthly distributions with potential for quarterly top-ups</li> </ul>	0.80%
<b>Franklin Bissett Corporate Bond Fund</b> December 18, 2006	Investment grade Canadian corporate fixed income	<ul style="list-style-type: none"> <li>• Pure corporate credit strategy for added alpha to core bond holdings</li> <li>• Flexibility to invest in high quality and high-yield bonds for enhanced returns and manage volatility</li> <li>• Stable, above average monthly distributions with potential for quarterly top-ups</li> </ul>	0.99%
<b>Franklin Strategic Income Fund</b> February 17, 2003	Global multi-sector fixed income	<ul style="list-style-type: none"> <li>• Global multi-sector strategy leveraging the best ideas from a large team of sector specialists</li> <li>• Tactical sector exposure for enhanced returns and reduced volatility</li> <li>• Enhanced income through regular monthly distributions</li> </ul>	1.06%
<b>Franklin High Income Fund</b> February 17, 2003	Global high-yield fixed income	<ul style="list-style-type: none"> <li>• Pure high-yield bond exposure for added alpha to core bond holdings</li> <li>• High-yielding bonds tend to outperform in a rising rate environment</li> <li>• Enhanced income through monthly distributions</li> <li>• Active CAD-USD currency hedging to manage exchange rate fluctuations</li> </ul>	1.07%
<b>Templeton Global Bond Fund**</b> July 15, 1988	Global government fixed income	<ul style="list-style-type: none"> <li>• Investing in global government bond opportunities for higher income</li> <li>• Low correlation to Canadian equity and fixed income strategies for reduced portfolio volatility</li> <li>• Monthly income distributions</li> </ul>	1.09%

\*Unaudited

\*\*Hedged version available as Templeton Global Bond Fund (Hedged).

# INVESTMENT SOLUTIONS

## FRANKLIN QUOTENTIAL FIXED-INCOME ORIENTED PORTFOLIOS

Name and Inception Date	Asset Class	Description	Series F MER as of 06/30/18*
<b>Franklin Quotential Fixed Income Portfolio</b> November 14, 2016	100% fixed income	<ul style="list-style-type: none"> <li>100% Fixed income</li> <li>Tactical asset allocation across multiple fixed income sectors</li> <li>Fund-of-fund strategy benefiting from different investment styles, fixed-income asset classes and geographies</li> </ul>	0.87%
<b>Franklin Quotential Diversified Income Portfolio</b> February 17, 2003	80% fixed income 20% equity	<ul style="list-style-type: none"> <li>Actively managed portfolio of multi-sector fixed income and dividend-paying equities</li> <li>Extensive diversification designed to weather interest rate movements and take advantage of pricing and yield differentials between government and corporate bond issuers</li> </ul>	1.03%

## FRANKLIN LIBERTY FIXED INCOME ETFS

Ticker, Name and Inception Date	Asset Class	Description	Management Fee
<b>FLCI</b> <b>Franklin Liberty Canadian Investment Grade Corporate</b> May 30, 2017	Canadian fixed income	<ul style="list-style-type: none"> <li>The stability of investing primarily in high quality bonds issued by Canadian corporations</li> <li>Offers access to a sparse asset class</li> <li>Actively managed, risk-adjusted returns</li> </ul>	0.35%
<b>FLGA</b> <b>Franklin Liberty Global Aggregate Bond ETF (CAD-Hedged)</b> May 14, 2018	Global fixed income	<ul style="list-style-type: none"> <li>Active exposure to government, sovereign and corporate bonds from around the world</li> <li>Hedged back to the Canadian dollar to reduce the impact of foreign currency fluctuations</li> </ul>	0.35%
<b>FLSL</b> <b>Franklin Liberty Senior Loan ETF (CAD-Hedged)</b> May 14, 2018	Floating rate loans	<ul style="list-style-type: none"> <li>Active exposure to a diversified portfolio of senior corporate bank loans</li> <li>Floating rate bonds adjust coupon payments according to interest rate changes, an advantage in a rising rate environment</li> <li>Hedged back to the Canadian dollar to reduce the impact of foreign currency fluctuations</li> </ul>	0.45%
<b>FLUI</b> <b>Franklin Liberty U.S. Investment Grade Corporate ETF (CAD-Hedged)</b> May 14, 2018	Global corporate fixed income	<ul style="list-style-type: none"> <li>Active exposure to U.S. investment-grade income-producing, corporate bonds</li> <li>Hedged back to the Canadian dollar to reduce the impact of foreign currency fluctuations</li> </ul>	0.35%

**For more information on our actively managed bond funds and ETFs,  
please speak to your investment advisor, call us at (800) 387-0830,  
or visit [www.franklintempleton.ca](http://www.franklintempleton.ca).**

For more than six decades, individuals and institutions around the world have looked to Franklin Templeton Investments as a trusted partner in asset management. We leverage the expertise of multiple, independent portfolio teams to deliver specialized expertise across a wide range of styles and asset classes. Our experts are on the ground in over 30 countries, spotting investment ideas and potential risks firsthand. Collectively, they allow us to offer clients investment solutions shaped by local insight, global context, and a long-term investment horizon.

NYSE: **BEN**

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. Franklin Templeton Solutions (FTS) is a global team dedicated to global portfolio-based solutions, which draws on the expertise of a number of Franklin Templeton affiliates. In Canada, the advisor to the Canadian FTS mandates is Fiduciary Trust Company of Canada. Franklin Bissett Investment Management is a part of Franklin Templeton Investments Corp.



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