



FRANKLIN TEMPLETON
INVESTMENTS

Active Share

A MEASURE OF ACTIVE MANAGEMENT

Why Active Share Matters

Active share quantifies how differently a fund invests from its benchmark—the higher a fund’s active share, the greater the difference. It is a particularly informative metric when looking at funds with broad and diversified indexes, such as the S&P 500.

Active share is one of many measures that can be used by investors to help identify if an investment manager is truly active. And because benchmark indexes and portfolios that are modeled after them do not discriminate when it comes to risk potential, it is important to know how much an actively managed fund is distinctly different from its benchmark index.

Franklin Templeton’s active share scores demonstrate our commitment and dedication to true active management.

THERE ARE THREE WAYS ACTIVE MANAGERS CAN EARN ACTIVE SHARE

1	HOLD a stock NOT FOUND in the index	2	NOT HOLD a stock FOUND in the index	3	Hold MORE OR LESS of a stock found in the index
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FRANKLIN TEMPLETON’S ACTIVE SHARE SCORECARD

Series A – As of March 31, 2017 – sorted alphabetically

Fund	Active Share ¹	Category Average ¹	Fund	Active Share ¹	Category Average ¹
Franklin ActiveQuant Canadian Fund ²	52%	24%	Franklin Mutual US Shares Fund	83%	45%
Franklin Bissett Canadian Dividend Fund	57%	29%	Franklin US Core Equity Fund	87%	45%
Franklin Bissett Canadian Equity Fund	54%	24%	Franklin US Opportunities Fund	64%	N/A ⁵
Franklin Bissett Energy Corporate Class	70%	46%	Franklin US Rising Dividend Fund	80%	45%
Franklin Bissett Microcap Fund	96%	67%	Templeton Asian Growth Corporate Class	97%	61%
Franklin Bissett Small Cap Fund	92%	67%	Templeton EAFE Developed Markets Fund	82%	42%
Franklin ActiveQuant U.S. Fund ³	69%	45%	Templeton Emerging Markets Fund ⁶	71%	55%
Franklin Global Growth Fund ⁴	95%	72%	Templeton Frontier Markets Corporate Class	71%	100%
Franklin Global Small-Mid Cap Fund	100%	91%	Templeton Global Smaller Companies Fund	98%	91%
Franklin Mutual European Fund	81%	54%	Templeton Growth Fund, Ltd.	84%	72%
Franklin Mutual Global Discovery Fund	86%	72%	Templeton International Stock Fund	85%	42%

- Source: Morningstar Research Inc. As of March 31, 2017. Franklin Templeton non-sector specific Canadian registered equity funds. Fund active share scores were calculated by Franklin Templeton Investments according to the formula: Active Share = sum($\frac{1}{2} \times [\text{Fund weight in a security} - \text{benchmark weight in a security}]$) as outlined by K.J. Martijn Cremers and Antti Petajisto, How Active is Your Fund Manager? A New Measure That Predicts Performance, *The Review of Financial Studies* (2009), Vol 22 (9). Active share scores range from 0 to 100. An active share score of 0 indicates a portfolio that is identical to its primary benchmark index, while an active share score of 100 represents a portfolio composition that holds no overlapping positions. Different position allocation amounts contribute to active share score and are subject to change.
- On April 3, 2017, Franklin Bissett All Canadian Focus Fund and Franklin Bissett All Canadian Focus Corporate Class were renamed Franklin ActiveQuant Canadian Fund and Franklin ActiveQuant Canadian Corporate Class, respectively.
- On April 3, 2017, Franklin Bissett U.S. Focus Fund and Franklin Bissett U.S. Focus Corporate Class were renamed Franklin ActiveQuant U.S. Fund and Franklin ActiveQuant U.S. Corporate Class, respectively.
- On September 30, 2016, Franklin World Growth Fund was renamed Franklin Global Growth Fund.
- Category data not available.
- On August 12, 2016, Templeton BRIC Corporate Class merged into Templeton Emerging Markets Fund.

"It makes sense that portfolios that are less like indexes lead to performance that is less like an index. So, it seems a safe bet that active share can help investors build better portfolios and have realistic expectations about performance."

—MORNINGSTAR⁶

"If you want to have a better performance than the crowd, you must do things differently from the crowd."

—SIR JOHN TEMPLETON

Are Your Portfolios Active Enough?

In a survey conducted by Franklin Templeton in partnership with *The Wall Street Journal*, respondents were asked what they considered important when choosing investments. Risk management was important to 83% of responders; a close second at 76% was the ability to beat the overall market's performance, and 57% said it's important to lose less than the market when it's down⁷.

At Franklin Templeton Investments, we're dedicated to delivering exceptional asset management for investors. We believe that in order to provide better investor outcomes, true active management is critical.

For more information about Franklin Templeton funds, please visit www.franklintempleton.ca or contact us at 1-800-387-0830 or speak with your financial advisor.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded returns, including changes in unit value and reinvestment of all distributions 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. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Investors should carefully read the Fund Facts before they invest. Investors should carefully consider a fund's investment objective, risks, fees and expenses before investing.

7. Source: © 2016 Morningstar, *Find Out How Active Your Fund Is*, August 16, 2010. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Use of information from Morningstar does not necessarily constitute agreement by Morningstar, Inc. of any investment philosophy or strategy presented in this publication.
8. Source: Franklin Templeton/*The Wall Street Journal* online survey conducted among 403 adult investors. The survey was conducted between 11/26/13 and 12/10/13.



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