



FRANKLIN TEMPLETON
INVESTMENTS

December 31, 2017

Annual Management Report of Fund Performance



This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. If you have not received a copy of the annual financial statements with this report, you can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.387.0830, by writing to us at 5000 Yonge Street, Suite 900, Toronto ON M2N 0A7, or by visiting our website at www.franklintempleton.ca or SEDAR at www.sedar.com. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Lead Manager

Ed Lugo

Franklin Templeton Institutional, LLC (Sub-Advisor)

Industry Experience: 28 years

Location: New York, NY

Backup Portfolio Manager

Pankaj Nevatia

Franklin Templeton Institutional, LLC (Sub-Advisor)

Industry Experience: 13 years

Location: New York, NY

INVESTMENT OBJECTIVE AND STRATEGIES

Franklin Global Small-Mid Cap Fund (the “Fund”) aims to grow investors’ capital over the long term by investing primarily in equity and/or equity-related securities of small- and mid-capitalization companies around the world.

The Fund’s sub-advisor (the “portfolio manager”) utilizes a fundamental “bottom-up” approach involving in-depth proprietary analysis of individual equity securities in choosing individual investments. The portfolio manager employs a quantitative and qualitative approach to identify smaller global companies that are believed to have the potential to generate attractive returns with lower downside risk.

RISK

The risks of investing in the Fund remain as stated in the prospectus. The Fund is suitable for investors willing to accept medium investment risk, and who have a long-term investment horizon and are seeking the above-average capital gain potential of a small- and mid-capitalization companies fund.

RESULTS OF OPERATIONS

As at December 31, 2017, total net asset value of the Fund was \$67.3 million, an increase of 13.0% from December 31, 2016. This was primarily driven by an increase of \$8.7 million in net assets from operations and partially offset by \$1.0 million in net redemptions. The Fund paid out \$5,000 in cash distributions to unitholders.

During the past year, the Fund’s Series A units generated total returns of 12.1%. Over the same time period, the Fund’s benchmark, the MSCI World Small Cap Index (Net of Dividends), hereinafter referred to as the “Index,” returned 14.6%. The performance of the Fund’s other series is similar to that of its Series A units, except for differences in expense structure. For the return of the Fund’s other series (if applicable), please refer to the “Past Performance” section.

During 2017, the Fund underperformed the Index, as sector allocations offset the benefits of stock selection. In particular, an overweighted position in Financials and a lack of exposure to Health Care curbed relative performance. However, an overweighting in Industrials was beneficial. Stock selection in the Industrials and Energy sectors was also positive for relative performance, but security selection in Materials curbed relative returns.

In Materials, Major Drilling Group International Inc., a Canada-based drilling services company, curbed relative performance despite signs of increased activity among the junior gold mining companies. The portfolio manager expects that once gold prices rise and major gold miners begin investing more in mining activities, Major Drill Group could benefit.

Financials-sector holding Global Brokerage Inc. (sold off prior to year-end), a US-based retail foreign exchange broker, detracted from relative returns. A management shakeup following some regulatory issues and the sale of its US retail business weighed heavily on the stock despite initial signs of improving operational metrics. Bermuda-based reinsurers RenaissanceRe Holdings Ltd. and Arch Capital Group Ltd. also curbed relative performance on a combination of concerns about the costs of an active hurricane season in North America, the impact of US tax reform and a potentially less dramatic rise in pricing. Real estate position Kennedy-Wilson Holdings Inc., a US-based property investor with significant assets in Europe, curbed relative performance.

Italian computer hardware distributor Esprinet SpA was a detractor in the Information Technology sector. The company has been contending with a more competitive market for hardware distribution in Italy and Spain. A major competitor has been slashing prices in an attempt to grab greater market share. The portfolio manager believes the environment is likely to stabilize as pricing competition abates over time.

Conversely, a number of UK-based Industrials holdings aided relative performance, as they rebounded following the post-Brexit selloff. Contributors included engineered ceramics firm Vesuvius PLC (sold off prior to year-end), building materials merchant Grafton Group PLC and staffing firm PageGroup PLC. All three saw better underlying economic fundamentals during the year and should continue to benefit from a broader recovery in the global economy. UK-based laundry services firm Berendsen PLC (sold off prior to year-end), was also a contributor following a takeover by a French rival.

Chinese Information Technology holding 58.com Inc., an online classifieds company, boosted relative performance. The company has been seeing strong growth in its jobs and real estate platforms. The portfolio manager believes that given its large user base and merchant network, along with its hard-to-replicate database of local information, 58.com benefits from significant critical mass and substantial barriers to entry.

Ireland-based Consumer Discretionary holding Dalata Hotel Group PLC (sold off prior to year-end), supported relative performance amid strength in the hotel market in Ireland, given the shortage of hotel rooms in Dublin. Irish Real Estate holding Irish Residential Properties REIT PLC, a real estate investment trust, contributed to relative result, as the rebounding Irish economy has positively impacted property markets in Ireland, leading to greater occupancy and higher rents.

Index performance comparison information is provided for reference only. It is important to note that the Fund’s return reflects the effect of fees and expenses for professional management, while an index does not have such costs.

Average net assets of the series of the Fund that bear expenses have increased for the year ended December 31, 2017. This has resulted in a corresponding increase in expenses. Income received from investments held, excluding net realized and/or unrealized gain (loss) on investments and derivatives, increased due to the results of the Fund's investment activities, including, but not limited to, those previously discussed for the period in review.

RECENT DEVELOPMENTS

After a strong 2017, the portfolio manager expects the synchronized global economic recovery, receding political risks and improving corporate fundamentals to continue to underpin equity markets in 2018. Although the portfolio manager anticipates economic growth to remain robust in 2018, valuations, particularly among the cyclical sectors of the market, have begun to reflect that brighter outlook. The portfolio manager has been looking opportunistically at individual names in the European Consumer Staples and Energy sectors that have yet to benefit from the market's advance. The portfolio manager is also seeing greater opportunities in Asia, notably in Hong Kong and Singapore, and in Latin America, where valuations looked more attractive to the portfolio manager at year-end. The portfolio manager is also watching the United States, where it believes market valuations have been looking more expensive and the risks of much higher deficits following tax reform could spark an eventual correction.

FORWARD-LOOKING STATEMENTS

Investors should take note that certain statements in this report about a fund, including its strategy and expected future performance, are forward-looking. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate" or other similar expressions. Any statement that is made concerning future strategies or performance is also a forward-looking statement. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements.

The forward-looking statements are by their nature based on numerous assumptions, which include, amongst other things, that (i) the Fund can attract and maintain investors and has sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the portfolio manager, and (iii) the markets will react and perform in a manner consistent with the investment strategies. Although the forward-looking statements contained herein are based upon what the portfolio manager believes to be reasonable assumptions, the portfolio manager cannot assure that actual results will be consistent with these forward-looking statements.

Forward-looking statements are not guarantees of future performance. Any number of factors could contribute to differing results, including, among other things, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets,

business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings and catastrophic events. This list of factors is not exhaustive. Investors should not place undue reliance on forward-looking information and should be aware that the Fund may not update any forward-looking statements, whether as a result of new information, future events or otherwise.

RELATED PARTY TRANSACTIONS

The Manager is an indirect wholly-owned subsidiary of Franklin Resources, Inc., a global investment management organization known as Franklin Templeton Investments. The Manager is the manager, registrar and transfer agent and a principal distributor of the Fund. The Manager provides or arranges for the provision of these services for day-to-day Fund operations, including the marketing, promotion and distribution of the Fund and portfolio advisory services. In consideration of these management and portfolio advisory services, the Fund pays the Manager a monthly management fee plus applicable taxes, based on the average net asset value of each series of the Fund (except Series O and OT, as applicable), calculated daily, as set out under Management Fees below. During the year ended December 31, 2017, the Fund paid management fees of \$93,000 (2016-\$79,000).

Franklin Templeton Services, LLC (FTS) provides the Manager with fund accounting and portfolio valuation services in connection with the Fund, and provides certain back office administration services to the Manager. The Administration Fee, as discussed below, covers the cost of the services provided by FTS.

The Manager pays the operating expenses of the Fund, other than certain fund costs—which include, but are not limited to, the cost of compliance with new governmental and regulatory requirements, fees and expenses of the Fund's Independent Review Committee (IRC), borrowing and interest costs and investor meeting costs (as permitted by Canadian securities regulation)—in exchange for the payment by the Fund of an annual fixed-rate administration fee of 0.30% plus applicable taxes, applied against the average daily net assets of the Fund ("Administration Fee"), except for Series PF, which has an annual Administration Fee of 0.15%, and Series O and OT, which have no annual Administration Fee. The Manager will pay all operating expenses of Series O and OT, as applicable, as part of its agreement with each investor. The Manager may, at its discretion, waive a portion of a series' Administration Fee or absorb certain fund costs. During the year ended December 31, 2017, the Fund paid Administration Fees of \$15,000 (2016-\$23,000).

During the year ended December 31, 2017, the Manager waived fund costs of \$2,000 (2016-\$2,000).

Portfolio Advisor

Franklin Templeton Investments Corp. (the "Portfolio Advisor") and Franklin Templeton Institutional, LLC (the "Sub-Advisor") provide investment analysis and recommendations and execute or arrange for brokers to execute portfolio transactions.

Principal Distributor

As a principal distributor of the Fund, the Manager markets the Fund and arranges for the sale of the Fund through dealers across Canada. The Manager may retain companies to assist in the sale of certain series of units of the Fund.

The Manager's affiliate, FTC Investor Services Inc. ("FTC ISI"), also acts as a principal distributor for Series F, O, OT, FT, PF and PF (Hedged) units of the Fund, as applicable.

For acting as a principal distributor of the applicable series, FTC ISI receives an inter-company service fee of 0.20% of the assets under management of the applicable series from the Manager with respect to those series of units.

Registrar and Transfer Agent

In addition to management and portfolio advisory services, the Manager acts as the registrar and transfer agent of the Fund. These services are in the normal course of operations and are covered by the Administration Fee paid by the Fund to the Manager.

Standing Instructions from the Independent Review Committee

The Manager relied on standing instructions from the IRC with respect to the allocation of any operating expenses not covered by the Administration Fee. The Manager relied, or may rely, on standing instructions from the IRC in respect of securities trades amongst mutual funds, investment funds or managed accounts managed by the Manager or an affiliate of the Manager. In both cases, the standing instructions require the Manager to comply with the policies and procedures presented to the IRC with respect to the above matters and to provide periodic reports to the IRC in accordance with NI 81-107.

MANAGEMENT FEES

A portion of the management fee paid by the Fund to the Manager is for trail fees and sales commissions the Manager pays to dealers ("Dealer Compensation"). The trail fees are a percentage of the daily average net asset value of each series of the Fund, which is held by the dealer's clients. The remaining portion of the management fee is used to pay for portfolio advisory and administrative services related to the provision of portfolio advisory services. The table below outlines the Fund's annual management fee, as well as the portion of the management fee used to pay for Dealer Compensation and for portfolio advisory services as an approximate percentage of the management fee for each series:

Series	Management Fee (%)	Dealer Compensation (%)*	Investment management, investment management expenses, and other (%)
A	2.00	54.94	45.06
F	1.00	–	100.00
I	1.50	50.66	49.34
PF	0.90	–	100.00

*Dealer compensation may include other fees related to distribution, which are not payable directly to dealers.

The management and administration fees for Series O are paid for by the unitholder directly to the Manager as follows:

- First C\$200,000 to under \$2.5 million—1.05%
- Next C\$2.5 million to under \$5 million—0.95%
- C\$5 million and over—0.90%

Certain institutional investors may negotiate the management and administration fees by written agreement with Franklin Templeton Investments.

MANAGEMENT REPORT OF FUND PERFORMANCE

Summary of Investment Portfolio (AS AT DECEMBER 31, 2017)

REGIONAL WEIGHTINGS (%)*

Europe	47.47
North America	37.70
Asia	10.70

INDUSTRY WEIGHTINGS (%)*

Capital Markets	16.60
Insurance	14.76
Trading Companies & Distributors	7.88
Real Estate Management & Development	7.76
Professional Services	6.16
Internet Software & Services	5.89
Equity Real Estate Investment Trusts (REITs)	5.56
Energy Equipment & Services	4.08
Commercial Services & Supplies	3.91
Tobacco	3.70
Metals & Mining	2.95
Media	2.80
Machinery	2.75
Food Products	2.58
Food & Staples Retailing	1.99
Specialty Retail	1.95
Electronic Equipment, Instruments & Components	1.42
Leisure Products	0.99
Hotels, Restaurants & Leisure	0.98
Building Products	0.95
Containers & Packaging	0.21

ASSET CLASS WEIGHTINGS (%)

Common Stocks	95.87
Short-term securities and all other assets, net	4.13

TOP 25 HOLDINGS (%)

58.com Inc., American Depositary Receipt	5.88
Grafton Group PLC, Units Consisting Of A Shares And C Shares	4.81
Fairfax India Holdings Corp.	4.61
Deutsche Boerse AG	4.47
Markel Corp.	4.44
PageGroup PLC	4.41
John Wood Group PLC	4.08
Fairfax Financial Holdings Ltd.	3.96
Cash and cash equivalents**	3.94
ISS AS	3.91
Hang Lung Properties Ltd.	3.81
Scandinavian Tobacco Group AS	3.70
Oaktree Capital Group LLC	3.57
Green Real Estate Investment Trust PLC	3.54
RenaissanceRe Holdings Ltd.	3.26
Kennedy-Wilson Holdings Inc.	3.13
Arch Capital Group Ltd.	3.11
Nexeo Solutions Inc.	3.07
Major Drilling Group International Inc.	2.95
Zardoya Otis SA	2.75
Fairfax Africa Holdings Corp.	2.68
Cloetta AB, B	2.58
Liberty Global PLC LiLAC, A	2.07
Irish Residential Properties Real Estate Investment Trust PLC	2.01
Total Produce PLC	1.99

TOTAL NET ASSET VALUE: \$67,276,000

* Excluding short-term securities and all other assets, net.

** Cash and cash equivalents may include bonds that have a remaining term to maturity of 365 days or less that are issued by certain governments, supranational agencies or financial institutions and have a "designated rating" (as defined in Canadian securities law).

Above is an outline of the investments held in the Fund as a percentage of the Fund's net assets. Due to ongoing portfolio transactions, the investments and percentages may have changed by the time you purchase units of the Fund. The top 25 holdings are made available quarterly, 60 days after the quarter-end. To obtain a copy, please contact a member of our client services team at 1.800.387.0830 or visit www.franklintempleton.ca.

FRANKLIN GLOBAL SMALL-MID CAP FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
Series A (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per unit (1)	2017	2016	2015	2014
Net assets – beginning of period	\$10.10	\$11.16	\$9.34	\$10.00
Increase (decrease) from operations:				
Total revenue	0.21	0.25	0.26	0.12
Total expenses	(0.29)	(0.26)	(0.29)	(0.12)
Realized gains (losses) for the period	0.32	0.14	1.05	(0.03)
Unrealized gains (losses) for the period	0.84	(0.87)	1.78	(0.51)
Total increase (decrease) from operations (2)	1.08	(0.74)	2.80	(0.54)
Distributions:				
From income (excluding dividends)	(0.03)	(0.02)	(0.02)	–
From dividends	(0.19)	(0.17)	(0.28)	(0.04)
From capital gains	(0.26)	–	(0.38)	–
Returns of capital	–	–	–	–
Total annual distributions (3)	(0.48)	(0.19)	(0.68)	(0.04)
Net assets – end of period	\$10.83	\$10.10	\$11.16	\$9.34
Ratios and supplemental data:	2017	2016	2015	2014
Total net asset value (\$ millions) (1)	\$1.36	\$0.99	\$1.09	\$0.01
Number of units outstanding	125,309	97,557	97,340	1,346
Management expense ratio (2)	2.59%	2.60%	2.60%	2.61%
Management expense ratio before waivers or absorptions	2.59%	2.60%	2.60%	2.61%
Trading expense ratio (3)	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$10.83	\$10.10	\$11.16	\$9.34

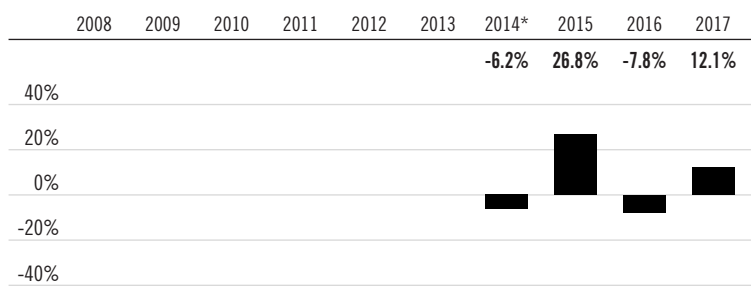
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



*2014 Series A returns: July 7 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series A Units	12.1%	9.4%	N/A	N/A	6.1%
MSCI World Small Cap (Net Dividends) Index	14.6%	14.2%	N/A	N/A	13.4%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

FRANKLIN GLOBAL SMALL-MID CAP FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
Series F (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per unit (1)	2017	2016	2015	2014
Net assets – beginning of period	\$10.47	\$11.41	\$9.45	\$10.00
Increase (decrease) from operations:				
Total revenue	0.27	0.24	0.25	0.10
Total expenses	(0.17)	(0.16)	(0.17)	(0.07)
Realized gains (losses) for the period	0.38	0.13	0.98	(0.03)
Unrealized gains (losses) for the period	1.48	(1.02)	1.36	(0.10)
Total increase (decrease) from operations (2)	1.96	(0.81)	2.42	(0.10)
Distributions:				
From income (excluding dividends)	(0.04)	(0.02)	(0.02)	–
From dividends	(0.20)	(0.18)	(0.28)	(0.04)
From capital gains	(0.28)	–	(0.39)	–
Returns of capital	–	–	–	–
Total annual distributions (3)	(0.52)	(0.20)	(0.69)	(0.04)
Net assets – end of period	\$11.35	\$10.47	\$11.41	\$9.45
Ratios and supplemental data:	2017	2016	2015	2014
Total net asset value (\$ millions) (1)	\$0.11	\$0.09	\$0.38	\$0.10
Number of units outstanding	9,632	8,618	33,668	10,605
Management expense ratio (2)	1.49%	1.49%	1.49%	1.47%
Management expense ratio before waivers or absorptions	1.49%	1.49%	1.49%	1.47%
Trading expense ratio (3)	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.35	\$10.47	\$11.41	\$9.45

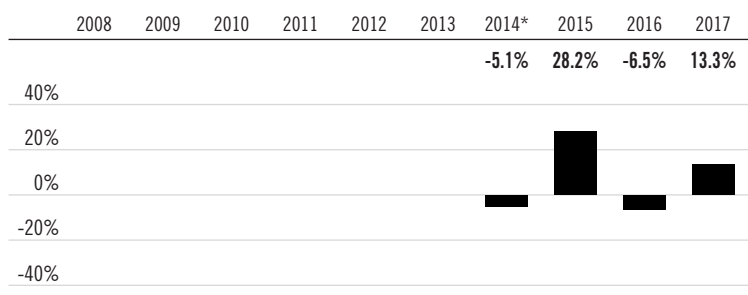
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

PAST PERFORMANCE

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Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



*2014 Series F returns: July 7 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series F Units	13.3%	10.7%	N/A	N/A	7.5%
MSCI World Small Cap (Net Dividends) Index	14.6%	14.2%	N/A	N/A	13.4%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

FRANKLIN GLOBAL SMALL-MID CAP FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
Series I (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per unit (1)	2017	2016	2015	2014
Net assets – beginning of period	\$10.23	\$11.25	\$9.37	\$10.00
Increase (decrease) from operations:				
Total revenue	0.23	0.25	0.27	0.11
Total expenses	(0.23)	(0.21)	(0.23)	(0.10)
Realized gains (losses) for the period	0.36	0.21	0.98	(0.04)
Unrealized gains (losses) for the period	0.75	(1.63)	1.28	(0.55)
Total increase (decrease) from operations (2)	1.11	(1.38)	2.30	(0.58)
Distributions:				
From income (excluding dividends)	(0.03)	(0.02)	(0.02)	–
From dividends	(0.20)	(0.17)	(0.28)	(0.04)
From capital gains	(0.27)	–	(0.38)	–
Returns of capital	–	–	–	–
Total annual distributions (3)	(0.50)	(0.19)	(0.68)	(0.04)
Net assets – end of period	\$11.03	\$10.23	\$11.25	\$9.37
Ratios and supplemental data:	2017	2016	2015	2014
Total net asset value (\$ millions) (1)	\$0.03	\$0.01	\$0.12	\$0.01
Number of units outstanding	2,640	1,398	10,300	613
Management expense ratio (2)	2.04%	2.05%	2.04%	2.05%
Management expense ratio before waivers or absorptions	2.04%	2.05%	2.04%	2.05%
Trading expense ratio (3)	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.03	\$10.23	\$11.25	\$9.37

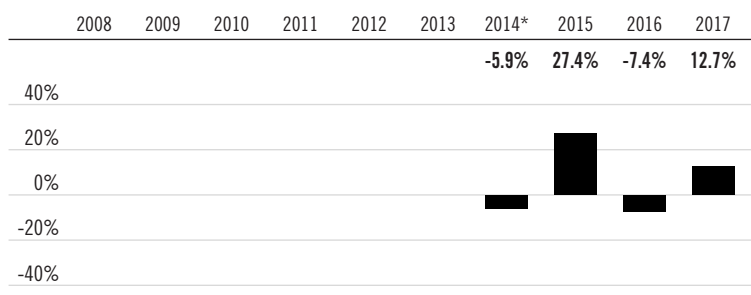
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Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



*2014 Series I returns: July 7 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series I Units	12.7%	10.0%	N/A	N/A	6.7%
MSCI World Small Cap (Net Dividends) Index	14.6%	14.2%	N/A	N/A	13.4%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

FRANKLIN GLOBAL SMALL-MID CAP FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
Series 0 (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per unit (1)	2017	2016	2015	2014
Net assets – beginning of period	\$10.76	\$11.59	\$9.46	\$10.00
Increase (decrease) from operations:				
Total revenue	0.24	0.27	0.29	0.10
Total expenses	–	–	–	–
Realized gains (losses) for the period	0.39	0.19	0.84	(0.06)
Unrealized gains (losses) for the period	1.01	(0.69)	1.73	(0.45)
Total increase (decrease) from operations (2)	1.64	(0.23)	2.86	(0.41)
Distributions:				
From income (excluding dividends)	(0.04)	(0.02)	(0.02)	–
From dividends	(0.21)	(0.18)	(0.29)	(0.04)
From capital gains	(0.29)	–	(0.39)	–
Returns of capital	–	–	–	–
Total annual distributions (3)	(0.54)	(0.20)	(0.70)	(0.04)
Net assets – end of period	\$11.84	\$10.76	\$11.59	\$9.46
Ratios and supplemental data:	2017	2016	2015	2014
Total net asset value (\$ millions) (1)	\$58.92	\$52.85	\$28.36	\$30.98
Number of units outstanding	4,975,082	4,910,442	2,446,800	3,275,820
Management expense ratio (2)	–	–	–	–
Management expense ratio before waivers or absorptions	–	–	–	–
Trading expense ratio (3)	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.84	\$10.76	\$11.59	\$9.46

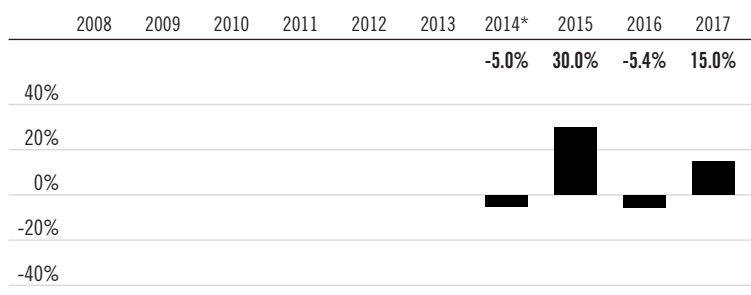
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The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



*2014 Series 0 returns: July 7 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series 0 Units	15.0%	12.3%	N/A	N/A	8.9%
MSCI World Small Cap (Net Dividends) Index	14.6%	14.2%	N/A	N/A	13.4%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

FRANKLIN GLOBAL SMALL-MID CAP FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
Series PF (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per unit (1)	2017	2016	2015	2014
Net assets – beginning of period	\$10.45	\$11.39	\$9.40	\$10.00
Increase (decrease) from operations:				
Total revenue	0.23	0.26	0.24	0.12
Total expenses	(0.14)	(0.13)	(0.13)	(0.06)
Realized gains (losses) for the period	0.37	0.11	1.19	(0.05)
Unrealized gains (losses) for the period	0.93	(1.10)	0.97	(0.40)
Total increase (decrease) from operations (2)	1.39	(0.86)	2.27	(0.39)
Distributions:				
From income (excluding dividends)	(0.04)	(0.02)	(0.02)	–
From dividends	(0.20)	(0.18)	(0.28)	(0.04)
From capital gains	(0.28)	–	(0.39)	–
Returns of capital	–	–	–	–
Total annual distributions (3)	(0.52)	(0.20)	(0.69)	(0.04)
Net assets – end of period	\$11.36	\$10.45	\$11.39	\$9.40
Ratios and supplemental data:	2017	2016	2015	2014
Total net asset value (\$ millions) (1)	\$6.86	\$5.62	\$6.46	\$0.19
Number of units outstanding	603,979	537,478	567,546	19,830
Management expense ratio (2)	1.21%	1.21%	1.19%	1.17%
Management expense ratio before waivers or absorptions	1.21%	1.21%	1.19%	1.17%
Trading expense ratio (3)	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.36	\$10.45	\$11.39	\$9.40

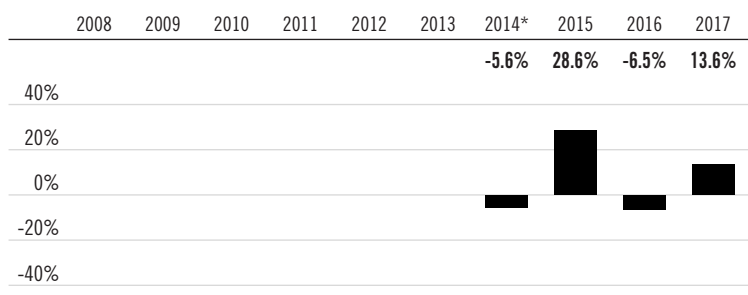
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



*2014 Series PF returns: July 7 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series PF Units	13.6%	10.9%	N/A	N/A	7.6%
MSCI World Small Cap (Net Dividends) Index	14.6%	14.2%	N/A	N/A	13.4%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

- (1) This information is derived from the Fund's audited annual financial statements. In the period a fund or series is established, the financial information is provided from the date of inception to the end of the period. In cases where the net assets per unit presented in the financial statements differ from the net asset value calculated for Fund pricing purposes, an explanation of these differences can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.
- (3) Distributions were paid in cash or reinvested in additional units of the Fund or both, and exclude distributions of management fee reductions to unitholders.

Ratios and Supplemental Data:

- (1) This information is provided as at the period-end of the year shown.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling each security in its portfolio once in the course of the relevant period. The higher the portfolio turnover rate in the period, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

OTHER FUND INFORMATION

Reported year-by-year returns for past years may be revised, based on the results of recalculations, audits and/or other historical review processes. Such revisions are considered immaterial to performance disclosure unless otherwise stated.

Series I and V, as applicable, are presently capped (closed to new investors). Investors who currently own units of Series I and Series V may continue to purchase additional units in those series. These series may become available for purchase by new investors at the discretion of the Manager.

BENCHMARK(S) INFORMATION

MSCI World Small Cap Index (Net of Dividends) is a free float-adjusted, market capitalization-weighted index that is designed to measure the performance of small-capitalization equity securities of global developed markets. The Index assumes investors receive dividends net of withholding.