



FRANKLIN TEMPLETON  
INVESTMENTS

June 30, 2018

# Semi-Annual Management Report of Fund Performance



This semi-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 semi-annual financial statements with this report, you can get a copy of the semi-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](http://www.franklintempleton.ca) or SEDAR at [www.sedar.com](http://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.

Co-Lead Manager

**Ed Lugo, CFA, MBA**

Franklin Templeton Institutional, LLC (Sub-Advisor)

Industry Experience: 28 years

Location: New York, NY

Co-Lead Manager

**Pankaj Nevatia**

Franklin Templeton Institutional, LLC (Sub-Advisor)

Industry Experience: 13 years

Location: New York, NY

## RESULTS OF OPERATIONS

As at June 30, 2018, total net asset value of the Fund was \$67.4 million. The total net assets have remained relatively flat from previous year.

During the past six months, the Fund's Series A units generated total returns of 0.6%. 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 7.8%. 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.

The Fund underperformed its benchmark during the six-month period to June 30, as stock selection and sector allocations detracted from relative performance. Security selection in the Consumer Staples, Financials and Consumer Discretionary sectors weighed on relative returns, while stock selection in the Industrials sector bolstered relative performance.

In terms of sector allocations, a lack of exposure to Health Care and an underweight in Information Technology curbed relative performance. An underweight in Materials supported relative returns. Regionally, an overweight in Europe and an underweight in North America hindered relative performance. An underweight in Japan was beneficial.

A number of Consumer Staples companies curbed relative performance during the period. They included Denmark-based cigar manufacturer Scandinavian Tobacco Group A/S, Sweden-based confectionary firm Cloetta AB and Ireland-based fresh produce distributor Total Produce PLC. Although supply chain issues have weighed on volumes at Scandinavian Tobacco Group A/S in recent quarters, the portfolio manager expects the company to benefit from price increases even as volumes decline over the longer term.

In Financials, Canada-based investment company Fairfax Africa Holdings detracted from relative performance. The Africa-focused firm was down alongside weakness in developing markets during the period. Bermuda-based reinsurer and mortgage insurer Arch Capital Group Ltd. also curbed relative returns on concerns about industry pricing.

Concerns about weaker margins negatively impacted shares of France-based catering company Elixir Group SA in the Consumer Discretionary sector. However, the portfolio manager expects the company's profitability to improve over time as a number of lower-margin contracts, largely in France, are replaced by more profitable ones.

In the Real Estate sector, Hong Kong-based shopping mall operator Hang Lung Properties Ltd. weighed on relative performance. In the Industrials sector, detractors included Denmark-based ISS A/S, a facilities service outsourcer, and Zardoya Otis SA, a Spain-based elevator manufacturer. In Materials, glass and metal packaging company Ardagh Group SA also weighed on relative performance.

Conversely, in Industrials, UK-based staffing firm PageGroup PLC contributed to relative returns amid an improving hiring environment globally. US-based industrial and energy products distributor NOW Inc. was also a contributor amid optimism about a recovery in some of its end markets, given rebounding oil prices. Materials stock RPC Group, a plastic packaging manufacturer, was also a contributor.

Real Estate holding Kennedy-Wilson Holdings Inc., a US-based property investor with the majority of its assets in Europe, was a contributor on solid recent earnings and a stock buyback. The portfolio manager expects the ongoing recovery in European property markets to be positive for Kennedy-Wilson over time.

In Consumer Discretionary, Bandai Namco Holdings Inc. posted strong earnings for its latest quarter on robust game sales. Moreover, the Japanese toy and game maker is planning to release a number of new mobile games that the portfolio manager expects to support future growth.

In the Financials sector, Canada-based investment firm Fairfax India Holdings Corp., which focuses on India, contributed to relative performance amid optimism about the growth in a number of its portfolio holdings. Canada-based insurer Fairfax Financial Holdings also contributed to relative performance. Other contributors included Germany-based financial exchange operator Deutsche Boerse AG (sold off prior to period-end) and Nordic investment bank ABG Sundal Collier Holdings ASA.

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 six months ended June 30, 2018. 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, as applicable, 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

The portfolio manager anticipates a more challenging environment for global equity markets over the remainder of the year, particularly as a US-initiated trade war looks likely to continue. The United States is also dealing with higher budget deficits stemming from recent tax cuts, which may only provide a short-term boost to the economy, as well as higher interest rates. Moreover, while the European economy continues

to expand and regional companies' profits are benefitting, concerns about China have increased, given current trade tensions with the United States.

Against this backdrop, cyclical areas of the market are looking more expensive. The portfolio manager is instead looking for new opportunities in companies in industries that offer more stable growth over the economic cycle. Recently, the portfolio manager has been finding these opportunities in the packaging, cleaning services, tobacco and catering industries. In general, these are industries where companies have tended to sport higher valuations because their earnings are relatively stable. While a number of companies in these areas may still be expensive, some are beginning to look cheap for the first time since 2007.

### 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 six months ended June 30, 2018, the Fund paid management fees of \$57,000 (2017–\$44,000).

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 six months ended June 30, 2018, the Fund paid Administration Fees of \$9,000 (2017–\$7,000).

During the six months ended June 30, 2018, the Manager waived fund costs of \$1,000 (2017–\$1,000).

### 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.

FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**

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.

FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Summary of Investment Portfolio** (AS AT JUNE 30, 2018)

**REGIONAL WEIGHTINGS (%)\***

Europe	44.91
North America	40.84
Asia	10.98
Latin America & Caribbean	2.79

**INDUSTRY WEIGHTINGS (%)\***

Insurance	15.42
Capital Markets	11.51
Trading Companies & Distributors	9.16
Real Estate Management & Development	8.86
Containers & Packaging	4.53
Internet Software & Services	4.36
Commercial Services & Supplies	4.29
Energy Equipment & Services	4.22
Professional Services	3.84
Tobacco	3.76
Specialty Retail	3.75
Hotels, Restaurants & Leisure	3.29
Metals & Mining	3.27
Equity Real Estate Investment Trusts (REITs)	3.01
Food & Staples Retailing	2.88
Media	2.79
Leisure Products	2.76
Food Products	2.69
Machinery	2.51
Electronic Equipment, Instruments & Components	1.36
Building Products	0.79
Personal Products	0.47

**ASSET CLASS WEIGHTINGS (%)**

Common Stocks	99.52
Short-term securities and all other assets, net	0.48

**TOP 25 HOLDINGS (%)**

Markel Corp.	4.41
58.com Inc., American Depositary Receipt	4.36
Fairfax Financial Holdings Ltd.	4.35
Fairfax India Holdings Corp.	4.32
ISS AS	4.28
John Wood Group PLC	4.22
Grafton Group PLC	4.21
Arch Capital Group Ltd.	4.20
Kennedy-Wilson Holdings Inc.	3.98
Hang Lung Properties Ltd.	3.86
Scandinavian Tobacco Group AS	3.76
Oaktree Capital Group LLC	3.60
Major Drilling Group International Inc.	3.27
Total Produce PLC	2.88
Bandai Namco Holdings Inc.	2.76
Cloetta AB, B	2.69
Ardagh Group SA	2.59
Zardoya Otis SA	2.51
Nexeo Solutions Inc.	2.51
RenaissanceRe Holdings Ltd.	2.46
NOW Inc.	2.45
Elior Group SA	2.26
Fairfax Africa Holdings Corp.	2.25
Cash and cash equivalents**	2.16
PageGroup PLC	2.06

**TOTAL NET ASSET VALUE: \$67,379,000**

\* 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](http://www.franklintempleton.ca).

FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series A** (AS AT JUNE 30, 2018)

**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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

<b>Net assets per unit (1)</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets – beginning of period</b>	<b>\$10.83</b>	<b>\$10.10</b>	<b>\$11.16</b>	<b>\$9.34</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.17	0.21	0.25	0.26	0.12
Total expenses	(0.14)	(0.29)	(0.26)	(0.29)	(0.12)
Realized gains (losses) for the period	0.27	0.32	0.14	1.05	(0.03)
Unrealized gains (losses) for the period	(0.29)	0.84	(0.87)	1.78	(0.51)
<b>Total increase (decrease) from operations (2)</b>	<b>0.01</b>	<b>1.08</b>	<b>(0.74)</b>	<b>2.80</b>	<b>(0.54)</b>
<b>Distributions:</b>					
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	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.48)</b>	<b>(0.19)</b>	<b>(0.68)</b>	<b>(0.04)</b>
<b>Net assets – end of period</b>	<b>\$10.89</b>	<b>\$10.83</b>	<b>\$10.10</b>	<b>\$11.16</b>	<b>\$9.34</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (\$ millions) (1)	\$1.67	\$1.36	\$0.99	\$1.09	\$0.01
Number of units outstanding	153,092	125,309	97,557	97,340	1,346
Management expense ratio (2)	2.60%	2.59%	2.60%	2.60%	2.61%
Management expense ratio before waivers or absorptions	2.60%	2.59%	2.60%	2.60%	2.61%
Trading expense ratio (3)	0.13%	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	16.37%	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$10.89	\$10.83	\$10.10	\$11.16	\$9.34

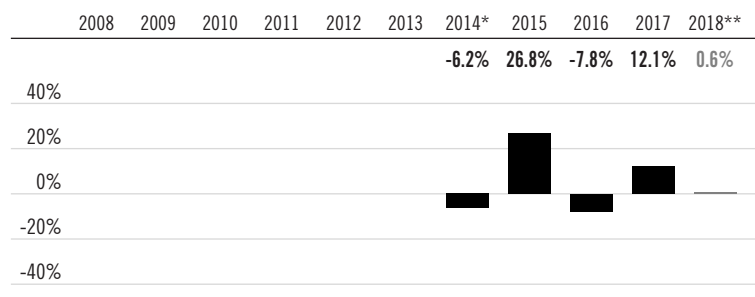
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

**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 performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



\* 2014 Series A returns: July 7 to December 31

\*\* For the period January 1 to June 30, 2018



FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series F** (AS AT JUNE 30, 2018)

**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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

<b>Net assets per unit (1)</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets – beginning of period</b>	<b>\$11.35</b>	<b>\$10.47</b>	<b>\$11.41</b>	<b>\$9.45</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.19	0.27	0.24	0.25	0.10
Total expenses	(0.08)	(0.17)	(0.16)	(0.17)	(0.07)
Realized gains (losses) for the period	0.32	0.38	0.13	0.98	(0.03)
Unrealized gains (losses) for the period	(0.46)	1.48	(1.02)	1.36	(0.10)
<b>Total increase (decrease) from operations (2)</b>	<b>(0.03)</b>	<b>1.96</b>	<b>(0.81)</b>	<b>2.42</b>	<b>(0.10)</b>
<b>Distributions:</b>					
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	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.52)</b>	<b>(0.20)</b>	<b>(0.69)</b>	<b>(0.04)</b>
<b>Net assets – end of period</b>	<b>\$11.48</b>	<b>\$11.35</b>	<b>\$10.47</b>	<b>\$11.41</b>	<b>\$9.45</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (\$ millions) (1)	\$0.25	\$0.11	\$0.09	\$0.38	\$0.10
Number of units outstanding	21,800	9,632	8,618	33,668	10,605
Management expense ratio (2)	1.45%	1.49%	1.49%	1.49%	1.47%
Management expense ratio before waivers or absorptions	1.45%	1.49%	1.49%	1.49%	1.47%
Trading expense ratio (3)	0.13%	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	16.37%	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.48	\$11.35	\$10.47	\$11.41	\$9.45

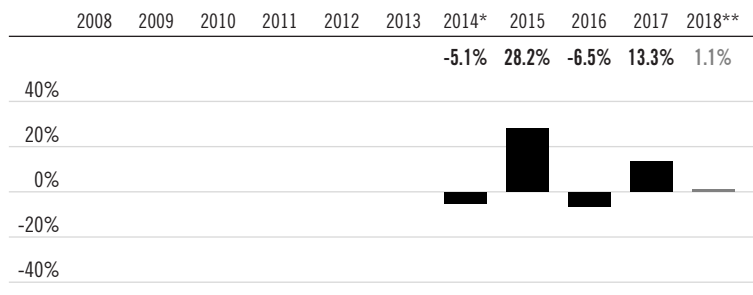
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**PAST PERFORMANCE**

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**Year-by-Year Returns**

The bar chart shows the Fund's performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



\* 2014 Series F returns: July 7 to December 31

\*\* For the period January 1 to June 30, 2018

FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series I** (AS AT JUNE 30, 2018)

**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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

<b>Net assets per unit (1)</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets – beginning of period</b>	<b>\$11.03</b>	<b>\$10.23</b>	<b>\$11.25</b>	<b>\$9.37</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.17	0.23	0.25	0.27	0.11
Total expenses	(0.11)	(0.23)	(0.21)	(0.23)	(0.10)
Realized gains (losses) for the period	0.27	0.36	0.21	0.98	(0.04)
Unrealized gains (losses) for the period	(0.24)	0.75	(1.63)	1.28	(0.55)
<b>Total increase (decrease) from operations (2)</b>	<b>0.09</b>	<b>1.11</b>	<b>(1.38)</b>	<b>2.30</b>	<b>(0.58)</b>
<b>Distributions:</b>					
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	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.50)</b>	<b>(0.19)</b>	<b>(0.68)</b>	<b>(0.04)</b>
<b>Net assets – end of period</b>	<b>\$11.12</b>	<b>\$11.03</b>	<b>\$10.23</b>	<b>\$11.25</b>	<b>\$9.37</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (\$ millions) (1)	\$0.03	\$0.03	\$0.01	\$0.12	\$0.01
Number of units outstanding	2,640	2,640	1,398	10,300	613
Management expense ratio (2)	1.93%	2.04%	2.05%	2.04%	2.05%
Management expense ratio before waivers or absorptions	1.93%	2.04%	2.05%	2.04%	2.05%
Trading expense ratio (3)	0.13%	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	16.37%	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.12	\$11.03	\$10.23	\$11.25	\$9.37

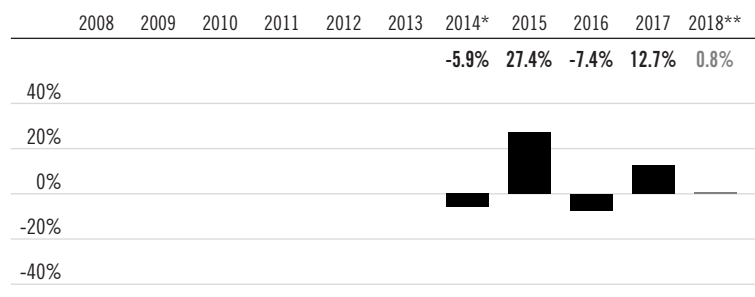
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**Year-by-Year Returns**

The bar chart shows the Fund's performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



\* 2014 Series I returns: July 7 to December 31

\*\* For the period January 1 to June 30, 2018



FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series 0** (AS AT JUNE 30, 2018)

**FINANCIAL HIGHLIGHTS**

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<b>Net assets per unit (1)</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets – beginning of period</b>	<b>\$11.84</b>	<b>\$10.76</b>	<b>\$11.59</b>	<b>\$9.46</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.18	0.24	0.27	0.29	0.10
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	0.29	0.39	0.19	0.84	(0.06)
Unrealized gains (losses) for the period	(0.25)	1.01	(0.69)	1.73	(0.45)
<b>Total increase (decrease) from operations (2)</b>	<b>0.22</b>	<b>1.64</b>	<b>(0.23)</b>	<b>2.86</b>	<b>(0.41)</b>
<b>Distributions:</b>					
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	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.54)</b>	<b>(0.20)</b>	<b>(0.70)</b>	<b>(0.04)</b>
<b>Net assets – end of period</b>	<b>\$12.06</b>	<b>\$11.84</b>	<b>\$10.76</b>	<b>\$11.59</b>	<b>\$9.46</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (\$ millions) (1)	\$59.11	\$58.92	\$52.85	\$28.36	\$30.98
Number of units outstanding	4,901,187	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)	0.13%	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	16.37%	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$12.06	\$11.84	\$10.76	\$11.59	\$9.46

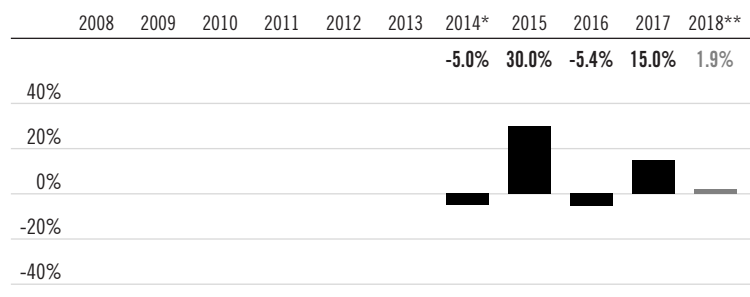
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

**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 performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



\* 2014 Series 0 returns: July 7 to December 31

\*\* For the period January 1 to June 30, 2018

FRANKLIN GLOBAL SMALL-MID CAP FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Series PF** (AS AT JUNE 30, 2018)

**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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

<b>Net assets per unit (1)</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets – beginning of period</b>	<b>\$11.36</b>	<b>\$10.45</b>	<b>\$11.39</b>	<b>\$9.40</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.18	0.23	0.26	0.24	0.12
Total expenses	(0.07)	(0.14)	(0.13)	(0.13)	(0.06)
Realized gains (losses) for the period	0.29	0.37	0.11	1.19	(0.05)
Unrealized gains (losses) for the period	(0.26)	0.93	(1.10)	0.97	(0.40)
<b>Total increase (decrease) from operations (2)</b>	<b>0.14</b>	<b>1.39</b>	<b>(0.86)</b>	<b>2.27</b>	<b>(0.39)</b>
<b>Distributions:</b>					
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	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.52)</b>	<b>(0.20)</b>	<b>(0.69)</b>	<b>(0.04)</b>
<b>Net assets – end of period</b>	<b>\$11.50</b>	<b>\$11.36</b>	<b>\$10.45</b>	<b>\$11.39</b>	<b>\$9.40</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (\$ millions) (1)	\$6.32	\$6.86	\$5.62	\$6.46	\$0.19
Number of units outstanding	549,617	603,979	537,478	567,546	19,830
Management expense ratio (2)	1.21%	1.21%	1.21%	1.19%	1.17%
Management expense ratio before waivers or absorptions	1.21%	1.21%	1.21%	1.19%	1.17%
Trading expense ratio (3)	0.13%	0.07%	0.25%	0.09%	0.14%
Portfolio turnover rate (4)	16.37%	18.91%	14.67%	27.01%	5.50%
Net asset value per unit	\$11.50	\$11.36	\$10.45	\$11.39	\$9.40

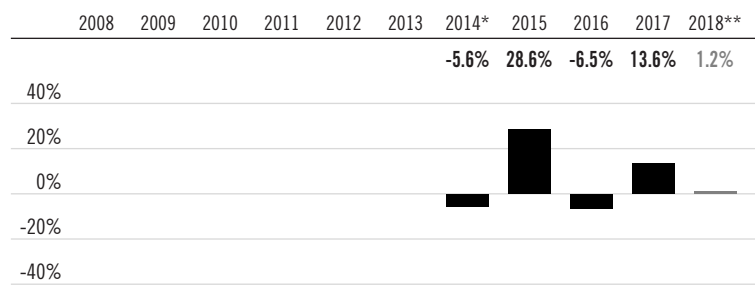
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**Year-by-Year Returns**

The bar chart shows the Fund's performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



\* 2014 Series PF returns: July 7 to December 31

\*\* For the period January 1 to June 30, 2018

## **NOTES TO FINANCIAL HIGHLIGHTS**

### **Net Assets per Unit:**

- (1) This information is derived from the Fund's unaudited interim financial statements and 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.