

Performance Review

- The fourth quarter of 2018 was certainly a challenge for most asset classes, with no simple explanation. Most factors cited—the global slowdown, trade and tariffs, chaotic politics—have been present since well before the start of the fourth quarter. What is clear is that financial conditions have tightened meaningfully over the last year given continuing rate hikes by the US Federal Reserve (Fed) and the Bank of Canada (BoC); the shift from quantitative easing to tightening; and the corresponding flattening of yield curves in North America.
- For the quarter, the fund’s Series F shares returned -3.02%, and its benchmark, the Custom Franklin Bissett Monthly Income and Growth Fund Index, returned -4.16%.

QUARTERLY KEY PERFORMANCE DRIVERS

HELPED	Above-benchmark performance of the fund’s Canadian equity component was most impacted by the consumer discretionary and health care sectors.
	The fund’s US equity component also fared better than its benchmark, benefitting from strong performance by holdings in the consumer staples and health care sectors.
	Given the increased volatility and negative total return of equity markets, covered call writing and put options contributed to performance and reduced volatility in the fund.
HURT	Asset allocation in the combined fixed income component detracted, given the fund’s significant overweight of US and Canadian corporate credit.
	Fixed income security selection also detracted, largely due to Canadian and US high yield and investment-grade corporate credit exposures.
	Yield curve and duration management detracted in the US fixed income component given large exposures to short-dated credit securities.

- Relative to the benchmark, the fund experienced pockets of outperformance by holdings in Canadian and US equity, partially offset by areas of underperformance by individual securities in Canadian and US fixed income.

Outlook & Strategy

- The fund’s overall weighting in Canadian and US equities remains higher than the custom benchmark weighting. We continue to believe there is greater longer-term return potential for equities relative to fixed income. As was the case going into this most recent correction, we believe now is an important time to be increasingly discerning. With our long-term perspective and discerning approach, we will capitalize on equity market dislocations as they present themselves and continue to deliver on our absolute, relative and risk-adjusted return objective. The fund has been actively managed through several market regimes of strong and weak sentiment and varying sources of sector leadership and economic environments. We continue to believe that our performance objectives represent a compelling value proposition.
- The fixed income allocation is neutral to its benchmark with respect to duration positioning. Credit valuations have improved significantly but we are not yet ready to call the “bottom” in terms of the widening we have seen. Nonetheless, we believe it is still prudent to overweight corporate credit with a bias to higher quality credits given better risk adjusted return potential and additional interest carry.
- The fund ended the quarter with a 29.8% allocation to US equity and US fixed income combined. The managers operate with longer term limit to non-Canadian assets of 30%, which is the maximum allowable level for domestic neutral balanced funds. In addition to the benefits of exposure to non-Canadian equity and fixed income strategies from a diversification standpoint, the currency diversification can be a meaningful benefit to the fund over time.

Fund Details

Inception Date	06/22/2015
Benchmark	Custom Franklin Bissett Monthly Income and Growth Fund Index

Fund Description

The Fund seeks a balance of income and capital appreciation by investing primarily in a diversified portfolio of income-generating Canadian, U.S. and global equities, equity-related securities and fixed income securities.

Performance Data

Performance (%) as of 12/31/2018

	1 Month	3 Mths	YTD	1 Yr	3 Yrs	Since Inception
Series A	-3.02	-3.28	-2.69	-2.69	2.95	2.61
Series F	-2.94	-3.02	-1.66	-1.66	4.08	3.75
Custom Franklin Bissett Monthly Income and Growth Fund Index	-2.39	-4.16	-1.16	-1.16	4.93	4.08

Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

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Series F is available to investors participating in programs that do not require Franklin Templeton to incur distribution costs in the form of trailing commissions to dealers. As a consequence, the management fee on Series F is lower than on Series A.

Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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