

Product Profile

Product Details¹

Fund Assets	\$257,813,760.99
Fund Inception Date	01/03/1989
Number of Issuers	95
Base Currency	CAD
Benchmark Name	

Inception Date

Series O	11/24/2000
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Fund Description

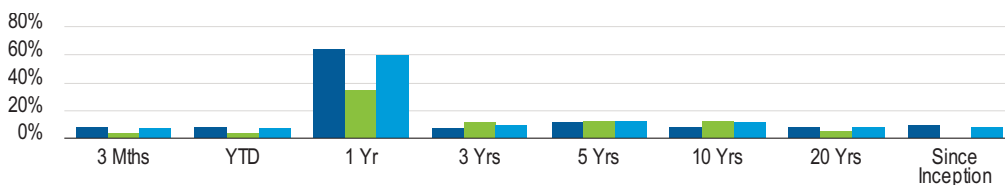
The fund seeks long-term capital appreciation by investing primarily in securities of smaller companies around the world. Smaller companies are those similar in size to the companies in the MSCI All Country World (ACWI) Small Cap Index, at the time of initial purchase.

Performance Data²

Average Annual Total Returns³ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (11/24/2000)
Series O	9.10	9.10	65.11	8.26	12.01	8.97	9.28	9.40
MSCI World Index-NR	3.51	3.51	36.01	11.86	12.71	12.73	5.81	-
MSCI All Country World Small Cap Index-NR	7.76	7.76	60.72	9.92	12.57	12.07	8.84	8.44

The indicated rates of return are the Series O historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account investment management fees, sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns.



- Series O
- MSCI World Index-NR
- MSCI All Country World Small Cap Index-NR

Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series O	12.48	18.26	-11.00	19.32	10.39	9.99	2.66	36.28	14.50	-20.56
MSCI World Index-NR	13.87	21.22	-0.49	14.36	3.79	18.89	14.39	35.18	13.26	-3.20
MSCI All Country World Small Cap Index-NR	14.29	18.35	-6.68	15.67	7.73	18.69	10.96	37.29	15.44	-9.10

1. All holdings are subject to change. Holdings of the same issuers have been combined.

2. The fund offers other series subject to different fees and expenses, which will affect their performance.

3. Periods shorter than one year are shown as cumulative total returns.

Portfolio Manager Insight⁴

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stock	Sectors	Countries
HELPED	Sonos, Inc.	Health Care (Stock Selection)	United States (Stock Selection)
	Merida Industry Co., Ltd.	Information Technology (Stock Selection)	Taiwan (Stock Selection)
	Huntington Bancshares Incorporated	Consumer Discretionary (Overweight)	Sweden (Stock Selection)
HURT	Asics Corporation	Materials (Stock Selection)	Germany (Stock Selection, Overweight)
	Huhtamaki Oyj	Energy (Lack of Exposure)	Italy (Stock Selection)
	RATIONAL AG	Industrials (Stock Selection)	Finland (Stock Selection)

- During the quarter, a stronger-than-expected quarterly result boosted the stock price of wireless home audio company Sonos. Record demand from existing and new customers drove strong profit performance. Longer term, we believe Sonos' multiple top-line growth drivers, its stable gross margin and focus on improving its operating structure should lead to meaningful growth.
- Merida Industry is a leading bike manufacturer under the name Specialized in Europe and the United States and Merida in Asia. Bike sales in general have been strong since the COVID pandemic as gyms have been closed and people have worked from home. We maintain our positive view on e-bike growth in the EU and the United States and believe the company can improve its gross margin.
- Shares of German-based RATIONAL, the world's largest producer of cooking equipment for professional caterers, canteen kitchens and restaurants, traded lower in the quarter. Rational's products combine various functions into one piece of equipment. With innovative features and easy handling, we think the company provides high value-added products to their users. As restaurants re-open worldwide, we expect demand for cooking supplies to increase.

Outlook & Strategy

- Flexibility and creativity are key ingredients of our compound value approach. True value can arise at different times and in different ways, and often involves the union of multiple elements. To us, absolute market valuations for global equities have long looked expensive based on our assessment of the economy's long-term earnings potential. More recently, we have also begun to see relative valuation gaps close as cheaper cyclical and other traditional value stocks played catch-up following initial vaccine approvals last November.
- We have begun to see yields rise, which should bode well for small cap stocks. Additionally, smaller companies tend to have higher operational and financial leverage, which led to underperformance relative to larger cap peers during the COVID pandemic. As the global economy begins to emerge from COVID shutdowns, we expect that higher level of operational and financial leverage could support smaller companies. This is an environment where we believe fundamentals will increasingly separate the winners from the losers, increasing the importance of skill and experience in security analysis.

Portfolio Characteristics⁵

	Portfolio	MSCI All Country World Small Cap Index-NR
Price to Earnings (12-Month Trailing)	23.21x	60.57x
Price to Book	2.32x	2.04x
Price to Cash Flow	10.98x	17.16x
Weighted Average Market Capitalization (Millions in CAD)	6,215	4,554

4. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

5. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalisation figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: FactSet. All holdings are subject to change.

Portfolio Diversification

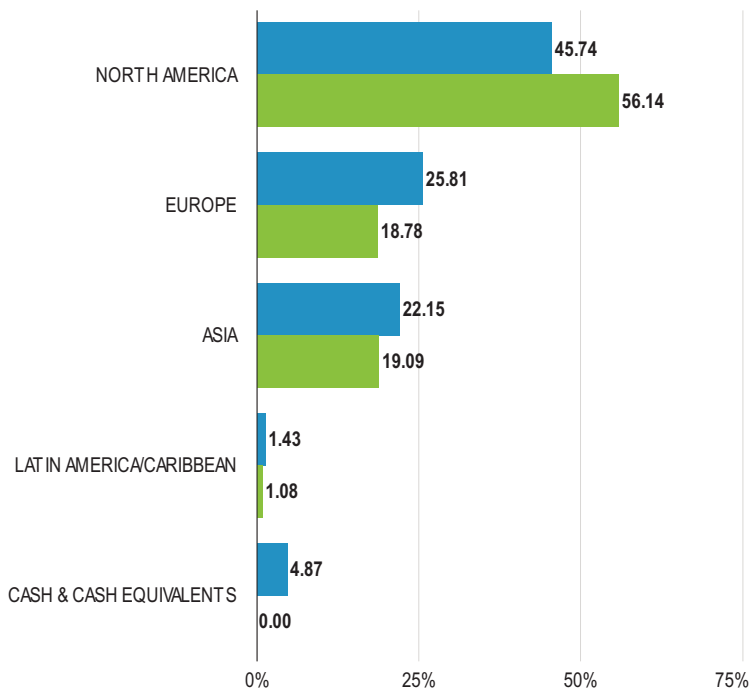
Top Ten Holdings⁶

Percent of Total

Top Holdings	Sector	Country	%
FRESHPET INC	Food, Beverage & Tobacco	United States	2.01
THULE GROUP AB/THE	Consumer Durables & Apparel	Sweden	1.95
ALLIANCEBERNSTEIN HOLDING LP	Diversified Financials	United States	1.91
ALAMO GROUP INC	Capital Goods	United States	1.90
COLUMBIA SPORTSWEAR CO	Consumer Durables & Apparel	United States	1.86
INTERPUMP GROUP SPA	Capital Goods	Italy	1.84
DOMETIC GROUP AB	Automobiles & Components	Sweden	1.83
SONOS INC	Consumer Durables & Apparel	United States	1.78
HILLENBRAND INC	Capital Goods	United States	1.77
CROWN HOLDINGS INC	Materials	United States	1.76

Geographic Weightings vs. MSCI All Country World Small Cap Index^{7,8}

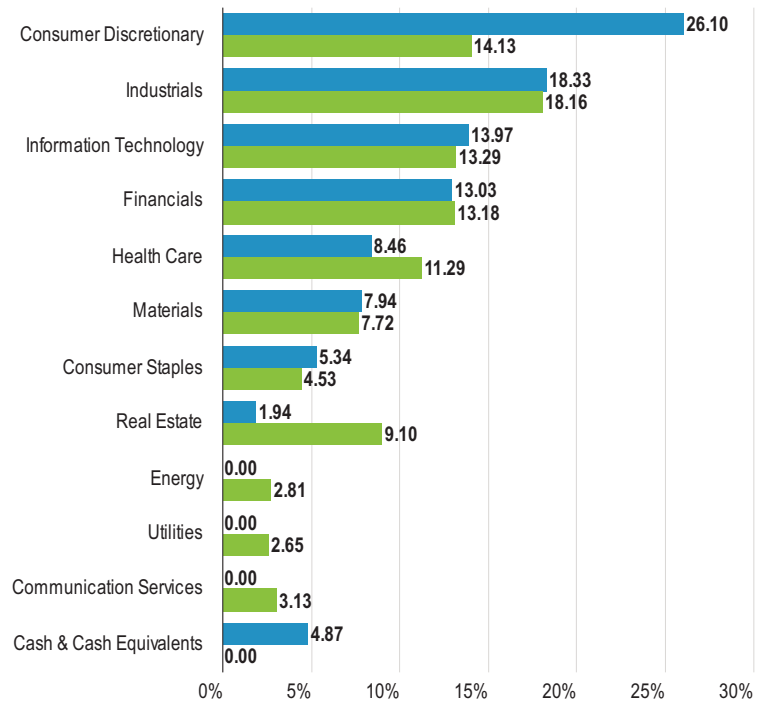
Percent of Total



● Templeton Global Smaller Companies Fund
 ● MSCI All Country World Small Cap Index-NR

Sector Weightings vs. MSCI All Country World Small Cap Index^{9,10}

Percent of Total



● Templeton Global Smaller Companies Fund
 ● MSCI All Country World Small Cap Index-NR

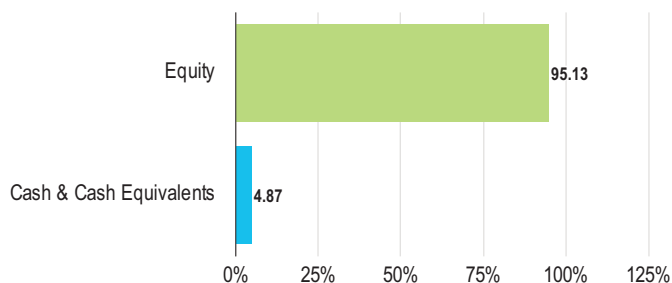
6. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The portfolio manager reserves the right to withhold release of information with respect to holdings that would otherwise be included.

7,9. Percentage may not equal 100% due to rounding. All holdings are subject to change.

8,10. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Asset Allocation¹¹

Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics^{12,13}

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	17.90	15.03	13.92	15.27
Tracking Error (%)	4.36	3.82	4.84	5.99
Information Ratio	-0.38	-0.15	-0.64	0.13
Beta	0.99	1.00	1.01	1.00
Sharpe Ratio	0.39	0.73	0.58	0.49

The indicated rates of return are the Series O historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account investment management fees, sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns.

Investment Philosophy

Templeton utilises a disciplined, consistent approach based on three timeless principles of investing:

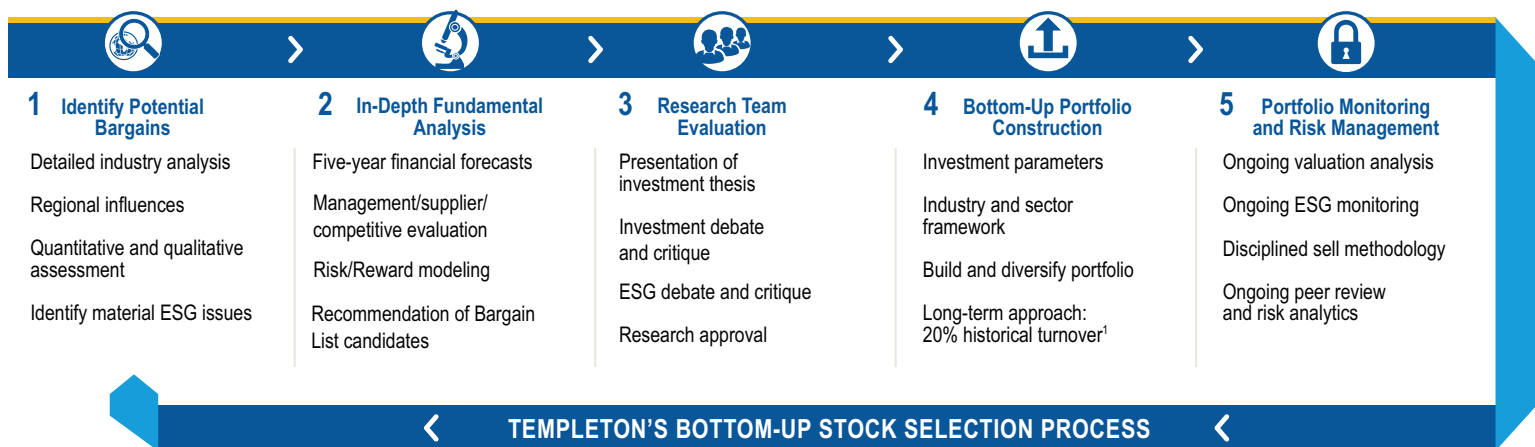
<u>Value</u>	<u>Patience</u>	<u>Bottom-up stock picking</u>
Our flexible approach is applied within a disciplined framework and seeks to identify companies trading at large discounts to their business value.	Our long-term focus gives us a framework to take advantage of price volatility to reveal potential long-term investment opportunities. Patience allows for potential long-term value recognition.	Our portfolio management process seeks to buy pessimism and sell optimism. We build portfolios spanning regions and sectors made up of securities identified through this process.

11. Percentage may not equal 100% due to rounding. All holdings are subject to change.

12. Beta, Information Ratio and Tracking Error are measured against the MSCI World Index-NR.

13. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Process*



*Historical turnover is based on Templeton Global Equity Group's overall experience, over a five-year period as of most recent quarter end. The turnover is a byproduct of Templeton's long-term approach to managing portfolios, but various factors, such as a portfolio's specific investment guidelines and market or economic conditions may cause actual portfolio turnover to vary. For more information regarding an individual strategy's historical turnover ratio please contact your Franklin Templeton marketing representative.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Harlan Hodes	19	21
David Tuttle, CFA	18	16
Heather Waddell, CFA	24	26
	Number Of Members	Average Years Experience
Portfolio Managers/Analysts	21	24
Research Analysts	13	12
Additional Resources		
Global Portfolio Compliance	Global Research Library	Global Trading Platform
Investment Risk Management Group	Junior Research Analysts	Research Technology Group

Glossary

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of CAD.

Price to Book Value: The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Cash Flow: Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Earnings (12-mo Forward): A measure of the price to earnings ratio for a stock using the forecasted earnings for the next 12 months. For a portfolio, the value represents a weighted average of the stocks it holds.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

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Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

Important Legal Information

All performance data herein is for Series O units.

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Net Returns (NR) include income net of tax withholding when dividends are paid.

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Source: FactSet. Important data provider notices and terms available at: www.franklintempletondatasources.com.

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

Franklin Templeton Institutional is part of Franklin Templeton Investments Corp. (FTIC). Series O investors do not pay any of the management fees within the fund but instead pay a separate management and administration fee that they negotiate directly with Franklin Templeton Investments Corp. To qualify to purchase or hold Series O units an investor must meet minimum investment requirements as set out in the fund's current prospectus. For more details on the management and administration fee, please read the prospectus. Performance is presented in Canadian dollars and is gross of fees (before management and custodial fees) of Series O units of the Fund. Taking into account such fees would result in lower rates of return.



Franklin Templeton Canada
200 King Street West, Suite 1500
Toronto, Ontario M5H 3T4
Tel: 800.897.7280
Fax: 416.364.6643
franklintempleton.ca

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