



Portfolio Manager

Nicholas Hardingham, CFA
Portfolio Manager/Analyst

Franklin Templeton Fixed Income Group®
Franklin Templeton Investment Management Limited

Portfolio Manager

Stephanie Marjan Ouwendijk, CFA
Portfolio Manager/Analyst

Investment Team

	Years Experience	With Firm
Nicholas Hardingham, CFA Portfolio Manager/Analyst	21	18
Fatma Charlwood Senior EMD Portfolio Analyst	18	17
Robert Nelson, CFA Portfolio Manager/Analyst	20	13
Philip Spires Trader	26	15
Stephanie Marjan Ouwendijk, CFA Portfolio Manager/Analyst	13	6

Additional Resources

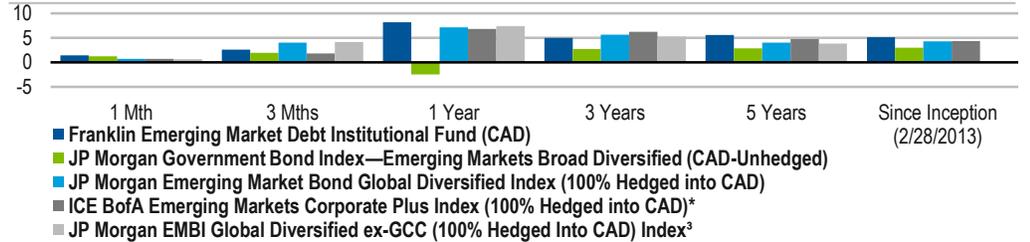
The investment team is backed by Franklin Templeton's fixed income resources and more than 145 investment professionals⁴ who provide comprehensive coverage of potential alpha opportunities across fixed income sectors around the world.

STRATEGY OVERVIEW¹

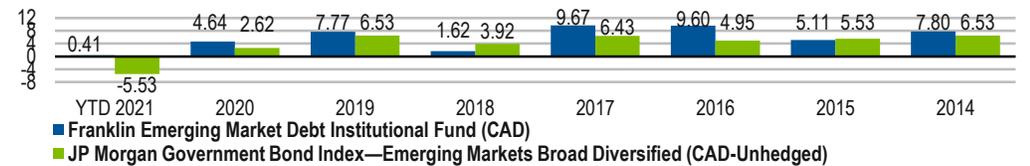
- Emerging market debt strategy that takes an absolute return approach, whereby we will only invest in countries or securities we find attractive, irrespective of benchmark weights.
- Diversified portfolio of hard and local currency emerging market issuers.
- Return Target: 7–9% per annum over the course of a full market cycle.

PERFORMANCE DATA² (AS OF 06/30/21)

Annualized Total Returns (%)	1 Mth	3 Mths	1 Year	3 Years	5 Years	Since Inception (2/28/2013)
Franklin Emerging Market Debt Institutional Fund (CAD)	1.41	2.60	8.21	5.03	5.60	5.15
JP Morgan Government Bond Index—Emerging Markets Broad Diversified (CAD-Unhedged)	1.21	1.93	-2.44	2.71	2.84	3.03
JP Morgan Emerging Market Bond Global Diversified Index (100% Hedged into CAD)	0.75	4.01	7.16	5.67	4.03	4.29
ICE BofA Emerging Markets Corporate Plus Index (100% Hedged into CAD)*	0.69	1.80	6.82	6.27	4.73	4.33
JP Morgan EMBI Global Diversified ex-GCC (100% Hedged Into CAD) Index ³	0.65	4.15	7.45	5.27	3.81	–



Calendar Year Returns (%)



Market Overview

Emerging-market (EM) hard-currency government bonds (hedged, in CAD): US inflation expectations rose to multi-year highs in May but fell back somewhat in June. As a result, 10-year US Treasury yields fell 29 basis points (bps) during the second quarter, to 1.45% at the end of June. The spread-to-worst of US-dollar EM government bonds narrowed 14 bps during the second quarter, to 339 bps at the end of June. Brent Crude oil prices rose more than 15% during the second quarter, to US\$74.62 at the end of June.

EM local-currency government bonds (unhedged, in CAD): EM local-currency bond yields narrowed just one basis point during the quarter.

EM hard-currency corporate bonds (hedged, in CAD): Spreads on EM corporate bonds narrowed less than those on EM government bonds, which generally have longer durations.

Fund Performance: The fund lagged behind its custom benchmark, which rose 2.72% during the quarter, both in Canadian dollars.

Outlook

Volatility in US Treasury yields weighed on EM bonds in early 2021. But the more stable economic environment from April helped prices rebound. Several variables contributed to this improvement. Optimism about the global recovery boosted commodity prices. Central banks around the world maintained their accommodative stance. And internationally, the G20 agreed to extend its Debt Service Suspension Initiative (DSSI) while the IMF started planning a US\$650 billion allocation of special drawing rights (SDR). The gap in vaccine rollouts between developing countries and emerging markets has widened. But economic recovery in Europe and the United States is boosting emerging markets through higher commodity prices and by raising their exports. That recovery has gained traction in most emerging markets, although some continue to suffer from prolonged economic shocks. As concerns about EM growth fade, investors have started to focus on rising inflation in many emerging markets. Several EM central banks have switched from supporting their pandemic-stricken economies to tightening policy after the recovery brought on above-target inflation. We expect concerns about inflation to be largely transitory, although the situation will differ from one emerging market to another. Idiosyncratic, country-specific developments continue to overshadow the improving macro-economic picture. Such developments include the coronavirus situation in India, and elections in Peru, Brazil and Colombia, where political and social turmoil is slowing fiscal reform. In addition, a lack of clarity continues to surround the G20's "Common Framework for Debt Treatments beyond the DSSI". This is weighing on some high yield-rated EM countries with unsustainable debt levels such as Ethiopia, Zambia, and Chad. Talk of US policy normalisation will remain a key driver of EM bond prices. But the analysis described above supports our bullish view of EM debt overall, with differences in returns between individual markets based on their idiosyncrasies.

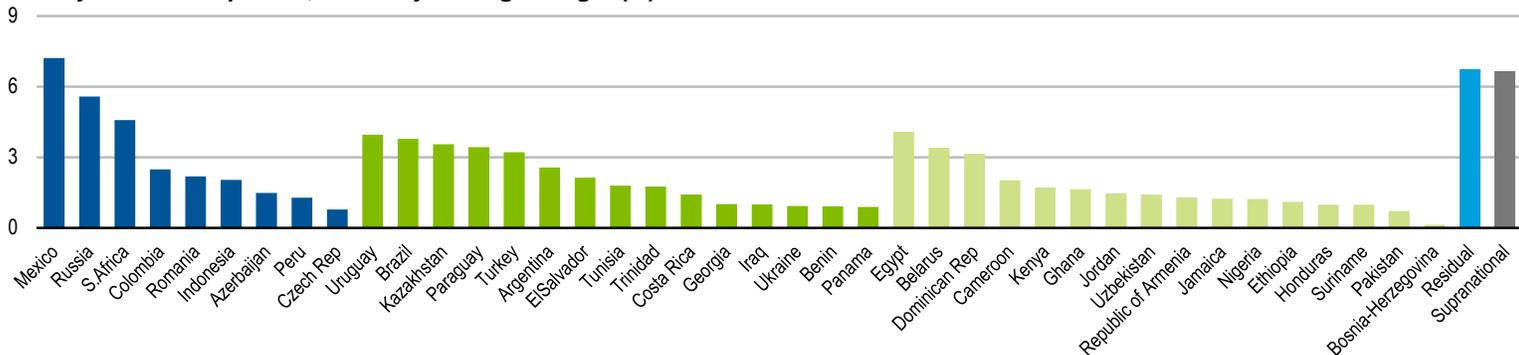
⁴Formerly BofA Merrill Lynch Emerging Markets Corporate Plus Index (100% Hedged into CAD).

PORTFOLIO CHARACTERISTICS⁵ (AS OF 06/30/21)

	Franklin Emerging Market Debt Institutional Fund	JP Morgan Government Bond Index— Emerging Markets Broad Diversified (CAD-Unhedged)
Yield to Maturity	5.98%	5.16%
Average Duration	4.73 years	5.18 years
Average Maturity	7.09 years	7.59 years

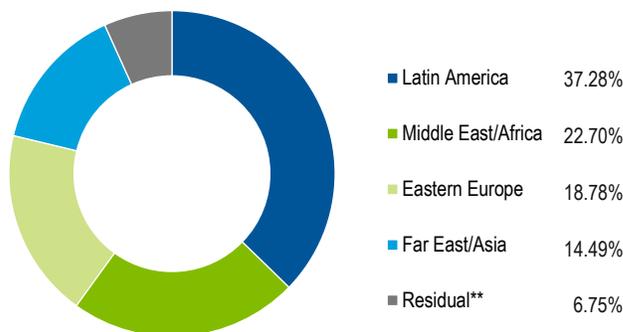
PORTFOLIO DIVERSIFICATION (AS OF 06/30/21)

Country Notional Exposure, Quarterly Average Weight (%)⁶

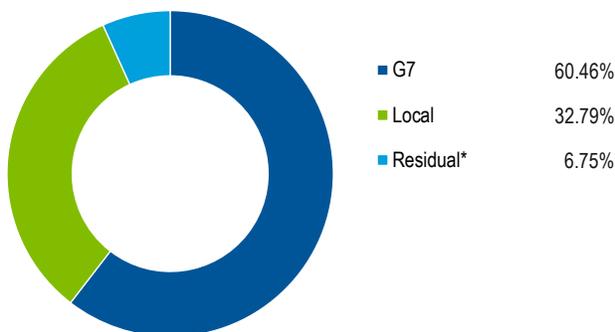


Risk Category: ■ One ■ Two ■ Three ■ Residual ■ Supranational

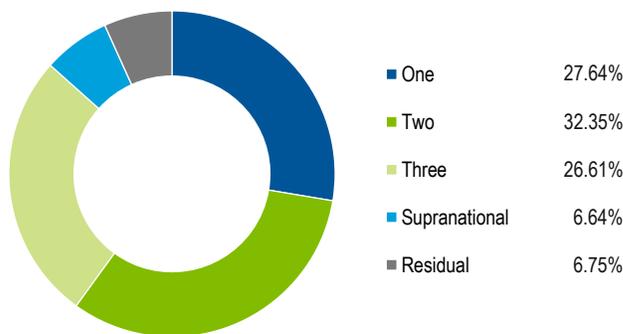
Regional Allocation (% Market Value)⁶



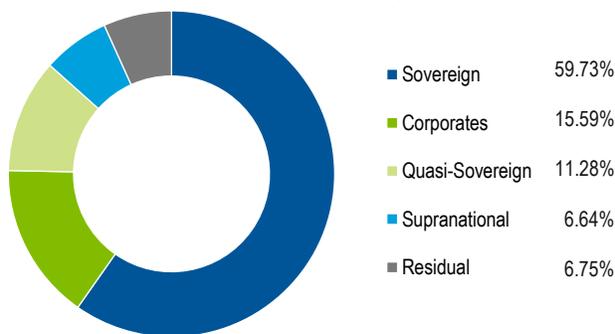
Currency Notional Exposure (%)⁶



Risk Category Allocation (% Market Value)⁶



Sector Allocation (% Market Value)⁶



Top Ten Holdings (% Market Value)⁷

Security	Country	% of Total
Government of Uruguay, senior bond, Index Linked, 3.70%, 6/26/37	Uruguay	3.97
Mexican Bonos, senior bond, 8.00%, 11/07/47	Mexico	3.84
Brazilian Government International Bond, senior bond, 3.875%, 6/12/30	Brazil	2.46
Government of Romania, senior bond, Reg S, 4.375%, 8/22/23	Romania	2.19
Government of El Salvador, senior bond, Reg S, 7.65%, 6/15/35	El Salvador	2.13
Russian Federal Bond - OFZ, BONDS, Unsecured, 6228, 7.65%, 4/10/30	Russia	2.06
Government of Cameroon, senior note, Reg S, 9.50%, 11/19/25	Cameroon	2.03
Government of South Africa, senior bond, 7.00%, 2/28/31	South Africa	1.88
Government of South Africa, senior bond, 4.30%, 10/12/28	South Africa	1.72
Kenya Infrastructure Bond, senior bond, 11.00%, 9/15/25	Kenya	1.55

* 'Residual' designates cash and equivalent. 'Local' designates the EM local currencies as opposed to the hard currencies (G7 in the pie above). All percentages correspond to percentages of Net Asset Values.

TOP-DOWN RISK CONTROLS (AS OF 06/30/21)

Risk Categories by Country⁸

Category 1 (17%)	Category 2 (9%)	Category 3 (5%)
Eastern Europe		
Bulgaria Czech Republic Estonia Hungary Latvia Lithuania Poland Romania Russia* Slovakia	Croatia Macedonia Serbia Turkey** Ukraine	Albania Belarus Bosnia & Herzegovina Greece Moldova Montenegro
Far East/Asia		
Azerbaijan*** China Indonesia Malaysia Thailand	Georgia*** India Kazakhstan Philippines	Armenia Bangladesh DPR Korea Fiji The Maldives Mongolia Nepal Pakistan Papua New Guinea Sri Lanka Tajikistan Uzbekistan Vietnam
Latin America		
Chile Colombia Mexico Peru	Argentina Brazil Costa Rica El Salvador Panama Paraguay Trinidad & Tobago Uruguay	Barbados Belize Bolivia Dominican Republic Ecuador Grenada Guatemala Honduras Jamaica Suriname Venezuela
Middle East/Africa		
Algeria Botswana Morocco Oman South Africa	Benin Ivory Coast Mauritius Namibia Tunisia	Angola Cameroon Chad Egypt Ethiopia Gabon Ghana Jordan Kenya Lebanon Malawi Mozambique Nigeria Congo Rwanda Senegal Seychelles Tanzania Togo Uganda Zambia Zimbabwe

Investment Guidelines

	Minimum Percentage (% of Total Assets)	Maximum Percentage (% of Total Assets)
Individual Countries		
Category One	–	17
Category Two	–	9
Category Three	–	5
Regions		
Eastern Europe	10	41
Far East/Asia	10	41
Latin America	10	41
Middle East/Africa	10	41
Currency Denomination		
G7 Currencies	30	70
Local Currencies	30	70
Corporate		
BB- or Higher	–	5
B+ or Lower	–	2.5

GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.

Average Duration: Also known as 'effective' or 'Macaulay' duration it is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. It's an indication of an issue's coupon relative to its maturity. Rising interest rates mean falling bond prices; declining interest rates mean rising bond prices. The bigger the duration number, the greater the interest-rate risk; (or reward for bond prices). The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding. This value differs with 'Modified Duration' which is modified for the market (dirty) price of an issue.

Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. The calculation uses the weighted average time to the receipt of all future cash flows for all holdings. Also known as 'average life' for fixed-term products. The weighted average maturity of a fund reflects the maturity of the underlying issues, based on the size of each holding.

Benchmark: An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

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.

R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.

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.

Standard Deviation: A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.

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

Yield To Maturity (YTM) also known as the 'Gross Redemption Yield' or 'Redemption Yield'. The rate of return anticipated on a bond if it is held until the maturity date. YTM is considered a long-term bond yield expressed as an annual rate. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate.

INVESTMENT PHILOSOPHY

Our philosophy is that a diversified portfolio consisting of issues denominated in hard and local currencies has the potential to generate attractive returns at lower levels of absolute risk than the standard emerging market debt benchmarks, which tend to be concentrated in a few issuers. We believe that a bottom-up, research-driven, qualitative investment process, combined with a risk-controlled approach, has the potential to achieve our objective of outperforming standard benchmarks at low levels of absolute risk.

INVESTMENT PROCESS

Franklin's Emerging Market Debt Opportunities investment process can be summarized in three integral steps—country allocation, currency allocation and issue selection.

Country Selection

We believe that country selection is the most important decision in structuring an emerging market debt portfolio. The first step in the investment process is conducting bottom-up research on emerging countries. Our approach is largely qualitative and based on intensive fundamental research. Since the portfolio is constructed through bottom-up fundamental research and not relative to a benchmark, there is no requirement to hold issues in any one country for the sake of controlling tracking error. Countries are only held when they are considered suitable investments. An investment is made only if three key questions are answered positively:

- 1) Does the yield adequately compensate for the fundamentals?
- 2) Is the country an improving credit?
- 3) Will the security generate a return in line with the performance target?

Currency Assessment

After individual countries have been selected, the next decision is whether to take exposure in the form of hard currency or local currency instruments. This is a distinguishing characteristic of our investment process. Although both hard and local currency instruments are not available in all emerging market countries, the inclusion of local currency instruments results in a significantly expanded investment universe, thus increasing the potential for uncovering undervalued investment opportunities. The decision to invest hard or local currency-denominated issues is based on whether yield spreads are sufficient to compensate for the perceived risk.

Security Selection

The final decision concerns selecting the most attractive security within each selected country and denominated in the chosen currency. The primary decisions at this stage concern selecting the appropriate maturity and the appropriate coupon structure—fixed or floating. These decisions are based on three factors:

- 1) The extent of optimism on the country concerned
- 2) The shape of the sovereign spread curve
- 3) The outlook for yields in the underlying government market

INVESTMENT TEAM

Portfolio Management Team	Years with Firm	Years Experience
Nicholas Hardingham, CFA, Portfolio Manager/Analyst	18	21
Fatma Charlwood, Senior EMD Portfolio Analyst	17	18
Robert Nelson, CFA, Portfolio Manager/Analyst	13	20
Philip Spires, Trader	15	26
Stephanie Marjan Ouwendijk, CFA, Portfolio Manager/Analyst	6	13
Additional Resources		
Corporates—High Yield	Corporates—Investment Grade	Global Sovereign/EMD
Local Asset Management	Franklin Templeton Emerging Markets Equity	
Product Managers	Years with Firm	Years Experience
Stuart Lingard	9	23

SUMMARY OF KEY TERMS

Structure	Open-end mutual fund trust
Trustee, Manager and Distributor	Franklin Templeton Investments Corp. ("FTIC")
Portfolio Sub-Advisor	Franklin Templeton Investment Management Limited
Custodian	J.P. Morgan Bank Canada
Auditor	PricewaterhouseCoopers LLP
Jurisdiction	Fund available for sale only in Canada to accredited investors
Minimum Investment and Balance	CAD \$1,000,000
Management Fee	Negotiated directly between the investor and FTIC
Registered Plan Eligibility	Fund units not qualified for registered plans
Fund Distributions	Annual distribution of any income and realized net capital gains paid in December and automatically reinvested

IMPORTANT INFORMATION

This document does not constitute an offering of any security, product, service or fund, including interests in Franklin Emerging Market Debt Institutional Fund (the "Fund"), which can only be made to qualified investors by the Fund's Confidential Offering Memorandum (the "Memorandum"), nor does it constitute any type of investment advice. This document is for informational purposes only and may not be relied upon by you in evaluating the merits of investing in the Fund. It is qualified in its entirety by the Memorandum and no offering of interests in the Fund may be made by any literature, advertising or document in whatever form other than the Memorandum, which supersedes and may qualify, and differ from, the information and opinions contained herein. The Memorandum contains important information regarding the Fund's investment objectives, risks, fees, liquidity and other matters of interest and should be carefully read prior to an investment in the Fund. There are no assurances that the stated investment objectives of the Fund will be met. An investment in the Fund involves a high degree of risk and is suitable only for investors who can afford to risk the loss of all or substantially all of such investment. The Fund may only be offered for sale in Canada in reliance on prospectus exemptions. The Fund may not be appropriate for all investors and involve important legal and tax consequences and investment risks that should be discussed with your professional financial, legal and tax advisers prior to investing. **Please read the Fund's Memorandum for a more complete description of the Fund's investment terms and conditions.**

Portfolio Currency Hedge

From time to time, the fund may hedge its exposure to currencies of G7 countries other than Canada (France, U.S., UK, Germany, Japan and Italy), back to the Canadian dollar. These currency hedging transactions will not be combined with or offset against any other currency transactions undertaken by the fund. Investors should be aware that this strategy may limit unitholders from benefiting if the Canadian dollar falls against those G7 currencies in which fund investments are denominated. Since a proportion of the investments in the fund may be in currencies other than those of the G7, fluctuations in the value of those other currencies may affect the value of the fund's assets and the income derived therefrom.

The foregoing information reflects our analysis, opinions and portfolio information as of June 30, 2021, and may change without notice. The views expressed are those of the individual portfolio managers only and may vary from the views expressed by portfolio managers representing other investment platforms or strategies within Franklin Templeton. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or portfolio. Statements of fact are from sources considered to be reliable, but no representation or warranty is made as to their completeness or accuracy. Because market and economic conditions are subject to rapid change, opinions provided are valid only as of the date indicated. References to particular securities are only for the limited purpose of illustrating general market or economic conditions, and are not recommendations to buy or sell a security or an indication of any actual portfolio's holdings.

Explanatory Notes

- 1. Targets represent the goal the strategy seeks against the JP Morgan EMBI Global Diversified Index. There is no assurance that employment of the strategy will result in the intended targets being achieved.** The strategy is managed in a benchmark-unconstrained manner, so the expected risk and return profile is provided solely to illustrate the portfolio manager's expectations with respect to strategy characteristics, based on the strategy's historical experience during normal market conditions. Past performance does not guarantee future results. Thus, the characteristics do not take into account future market risks or changing economic conditions and are not a prediction or guarantee of future performance. An investor in the Fund may experience significantly different risk and return characteristics including greater volatility, higher tracking error and lower returns than the expected characteristics, including the potential for loss of principal amounts invested. Risk and return targets and characteristics do not take into account management fees or other expenses an investor would incur, which would reduce any returns and affect the risk characteristic measurements.
2. Periods of less than one year are cumulative. Performance data is shown rounded to the nearest hundredth. Fund returns are shown net of operating expenses. Negotiated investment management fees are paid directly by the investor to Franklin Templeton every quarter. Total returns are presented in Canadian dollars gross of investment management fees and assume reinvestment of any distributions.
3. Effective June 1, 2020, the JP Morgan EMBI Global Diversified ex-GCC (100% Hedged Into CAD) Index has been added as a benchmark.
4. As of June 30, 2021. Investment professionals include portfolio managers, analysts and traders.
5. Yield to Maturity, Average Duration and Average Maturity statistics reflect certain derivatives held in the portfolio (or their underlying reference assets). They are based on the market value of the investments which is their trading value.
6. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Market value figures reflect the trading value of the investments. Notional exposure and market value figures may not total 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors. Portfolio diversification information is historical, and may not reflect current or future portfolio characteristics.
7. Holdings of the same issuer have been combined. Top ten holdings information is historical, and may not reflect current or future portfolio characteristics. Market value figures reflect the trading value of the investments and may not total 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors. All holdings are subject to change.
8. Risk Category: *alternatively Far East/Asia; **alternatively Middle East/Africa; ***alternatively Eastern Europe.

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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