

Product Profile

Product Details¹

Fund Assets	\$2,039,484,268.66
Fund Inception Date	08/01/1986
Base Currency	CAD
Benchmark Name	FTSE Canada Universe Bond Index
Distribution Frequency	Monthly

Inception Date

Series O	11/24/2000
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Fund Description

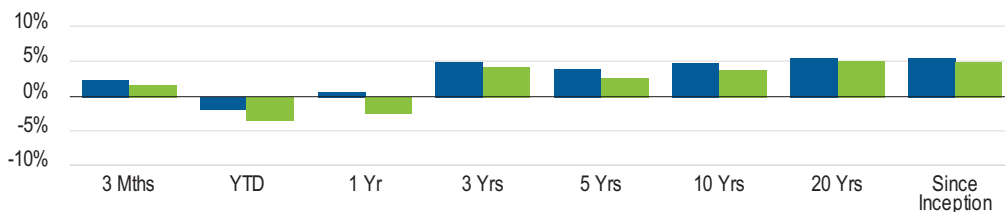
This Fund seeks high current income and some long-term capital appreciation by investing primarily in Canadian federal and provincial government and corporate bonds, debentures and short-term notes. The Fund maintains an overweighted position in high-quality corporate and provincial issues and an underweighted position in Canadian federal bonds. The Fund may invest in foreign securities.

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	2.41	-1.90	0.66	5.07	4.12	4.78	5.63	5.65
FTSE Canada Universe Bond Index	1.66	-3.46	-2.43	4.16	2.64	3.90	5.18	5.14

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
- FTSE Canada Universe Bond Index

Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series O	8.91	8.54	0.82	4.50	4.81	2.19	8.96	0.10	4.95	8.94
FTSE Canada Universe Bond Index	8.68	6.87	1.41	2.52	1.66	3.52	8.79	-1.18	3.60	9.67

1. All holdings are subject to change.

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

HELPED	Security selection was the main driver of the fund's relative outperformance during the quarter. Investment-grade corporate bonds, notably investment-grade energy and investment-grade financials, were the outstanding performers as risk assets appreciated over the quarter. Security selection in provincials was also beneficial.
	Asset allocation lifted relative performance, mainly due to the fund's overweight corporate exposures to high yield and to a lesser extent, bank loans. An underweight position in federal bonds was also additive.
	Yield curve and duration positioning also added value over the quarter. The fund benefitted from its overweight exposure to the long segment of the US yield curve as interest rates fell broadly across the curve, with the largest decline among longer-term maturities.
HURT	Foreign currency exposure slightly detracted from overall performance as the Canadian dollar strengthened slightly against the US dollar over the quarter.
	Within security selection, securitization was a detractor.
	Within asset allocation, the largest detractor was the fund's underweight exposure to provincial bonds, which outperformed the benchmark during the quarter.

Outlook & Strategy

- While we expect the US and China will continue to lead the world in economic growth for 2021 overall, Canadian economic growth could surpass the US in the next quarter as the Canadian economy reopens over the summer.
- We remain constructive on credit and expect corporates will continue to outperform due to the strong fundamental and technical backdrop, although returns may be more subdued. Spreads will likely continue to grind tighter over time given the interest rate protection corporate debt provides. Overall, we remain methodical in our credit decisions and will continue to add selectively to corporate exposure where we see strong balance sheets, experienced management teams and solid business strategies.

Portfolio Characteristics^{a,b,c}

	Portfolio	FTSE Canada Universe Bond Index
Weighted Average Yield to Worst	2.41%	1.69%
Average Credit Quality ⁵	A	AA-
Average Coupon	3.76%	2.78%
Average Duration	7.69 Yrs	8.14 Yrs
Average Weighted Maturity	10.75 Yrs	10.89 Yrs

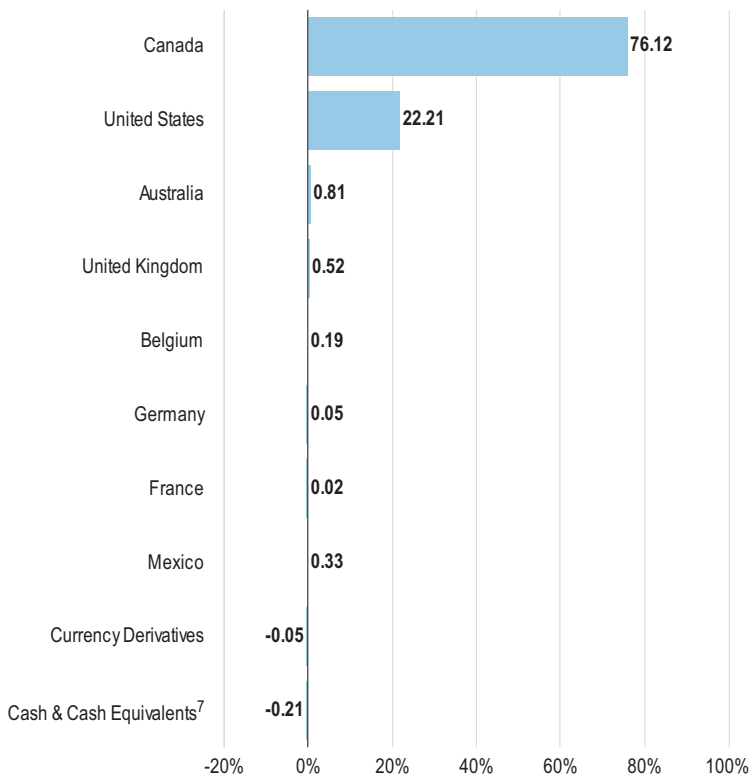
4. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. 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 average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies, is provided to indicate the average credit rating of the portfolio's underlying bonds and generally ranges from AAA (highest) to D (lowest). The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of debt holdings by market value and rounding to the nearest rating. The risk of default increases as a bond's rating decreases, so the ACQ provided is not a statistical measurement of the portfolio's default risk because a simple, weighted average does not measure the increasing level of risk from lower rated bonds. The ACQ is provided for informational purposes only. Derivatives are excluded from this breakdown.

Portfolio Diversification^{a,6}

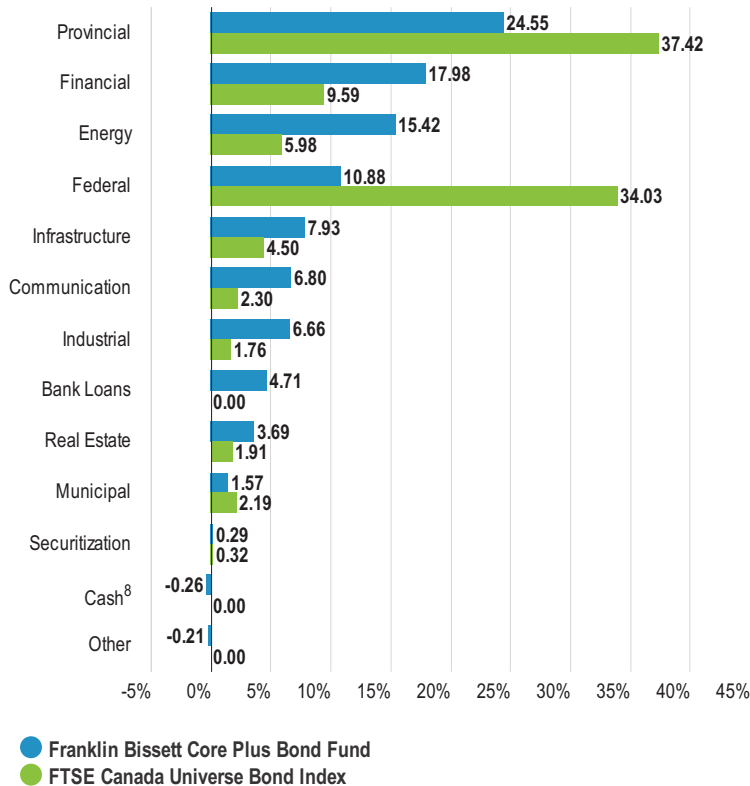
Geographic Allocation^d

Market Value—Percent of Total



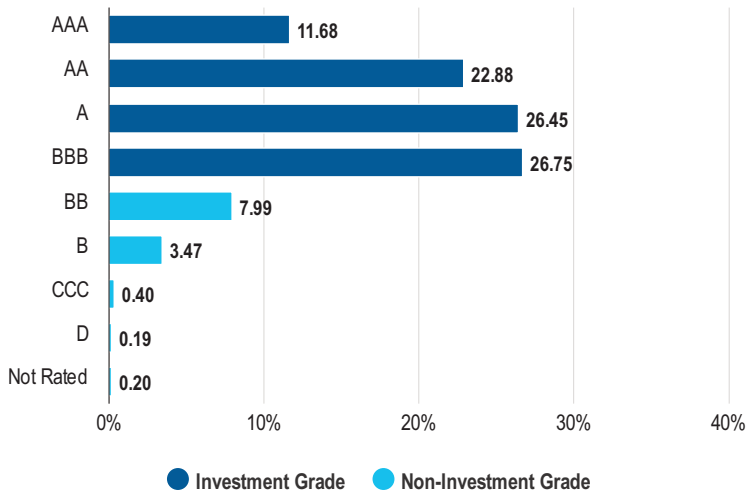
Sector Allocation vs. FTSE Canada Universe Bond Index^d

Market Value—Percent of Total



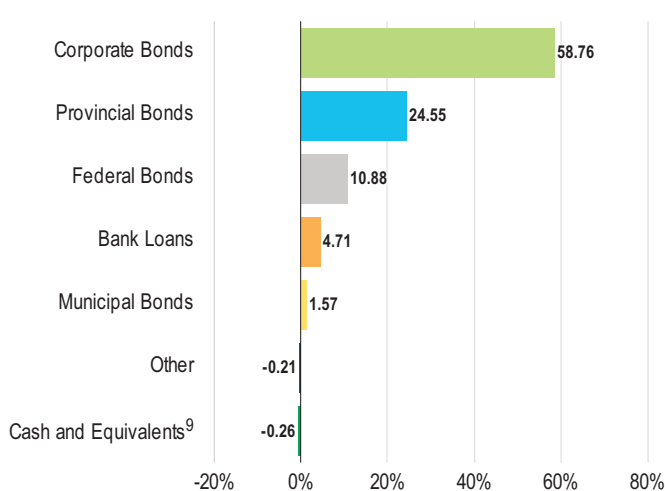
Credit Quality Allocation^d

Market Value—Percent of Total



Asset Allocation^d

Market Value—Percent of Total



6. Please note that the definition of cash in this document may not match the definition of “cash and cash equivalents” listed in the fund facts or management reports of fund performance for the fund, which includes 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). As such, the cash amounts listed may differ.
 7,8,9. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

Supplemental Performance Statistics

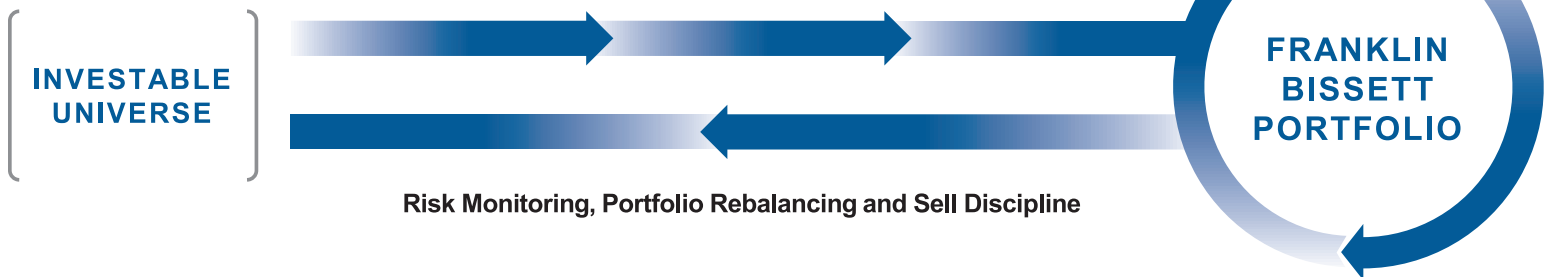
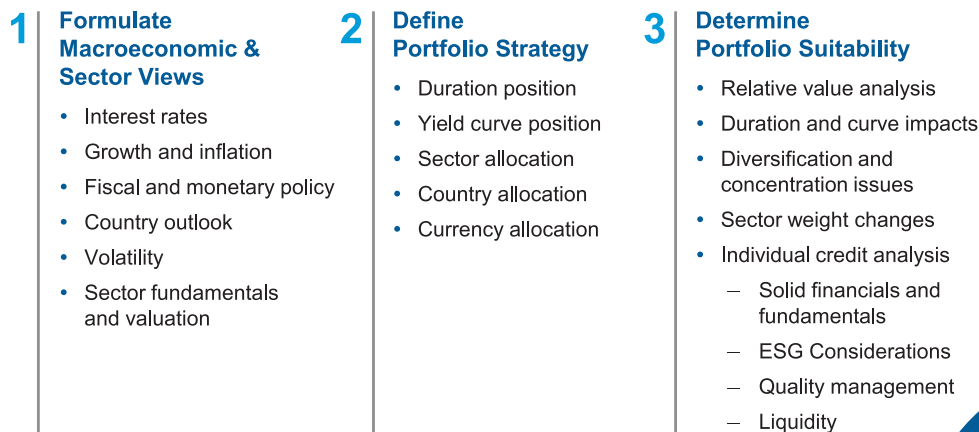
Supplemental Risk Statistics^{10,11}

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	5.52	4.81	4.20	3.98
Tracking Error (%)	1.98	1.61	1.41	1.20
Information Ratio	0.46	0.92	0.62	0.40
Beta	1.14	1.08	1.00	1.02
Sharpe Ratio	0.72	0.66	0.92	0.95

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Investment Philosophy and Process^{*}

1. Truly active portfolio management, focusing on Canada with potential for enhanced returns through global diversification
2. Superior long-term performance can be achieved by investing in bonds having favourable risk/return characteristics and backed by quality management with a whole stakeholder approach
3. Focus on interest rate risk alone is insufficient; successful fixed income investors also must be vigilant in managing credit risk and reinvestment risk
4. Consistent, superior absolute, relative and risk-adjusted performance



*The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Darcy Briggs, CFA	16	27
Thomas O'Gorman, CFA	10	31

10. Beta, Information Ratio and Tracking Error information are measured against the FTSE Canada Universe Bond Index.

11. 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).

Glossary

Average Duration: 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.

Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

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.

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 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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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.

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

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 Bissett Investment Management, part of Franklin Templeton Investments Corp.

Franklin Templeton and Franklin Templeton Canada are business names used by Franklin Templeton Investments Corp.

a. All holdings are subject to change.

b. Yield to Worst, Average Duration and Average Weighted Maturity reflect certain derivatives held in Portfolio (or their underlying reference assets)

c. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. Past performance is not an indicator or a guarantee of future performance.

d. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.



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