Templeton Global Bond Fund

June 30, 2021

Product Profile

Product Details[1]

Fund Assets	$458,565,199.90
Fund Inception Date	07/15/1988
Number of Securities Including Cash	81
Base Currency	CAD
Benchmark Name	JP Morgan Global Government Bond Index
Distribution Frequency	Monthly

	Inception Date
Series O	06/18/2001

Fund Description

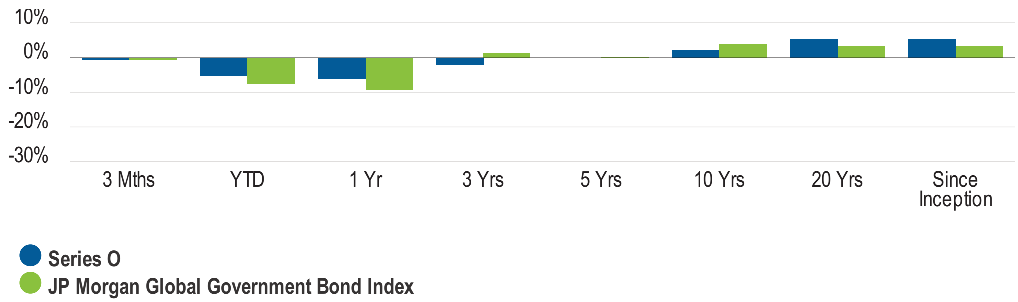
The Fund seeks to achieve high current income with capital appreciation by investing primarily in fixed income securities and preferred shares issued around the world. The Fund may not invest more than 25% of the total value of the invested assets (excluding cash) in a particular industry.

Performance Data[2]

Average Annual Total Returns[3] (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (06/18/2001)
Series O	-0.43	-5.08	-5.79	-1.97	0.03	2.67	5.53	5.50
JP Morgan Global Government Bond Index	-0.42	-7.32	-9.09	1.53	0.60	4.14	3.69	3.57

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.



Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series O	-1.40	-4.08	6.35	2.33	0.04	8.47	5.39	4.97	10.03	2.80
JP Morgan Global Government Bond Index	7.76	0.66	8.29	-0.19	-1.95	16.80	9.74	1.91	-0.95	9.88

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 Insight[4]

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Brazilian Real	Argentina	—
	Japanese Yen (Net-Positive Position)	Indonesia	—
	—	Ghana	—
HURT	Argentine Peso	—	—
	—	—	—
	—	—	—

- During the quarter, sovereign bond yields declined in Brazil, India and Indonesia, but rose in Mexico, Chile and Colombia. Select duration exposures in Latin America (Argentina), Asia ex Japan (Indonesia) and Africa (Ghana) contributed to absolute fund performance. We continue to focus on compelling risk-adjusted yields in various local-currency bond markets, specifically in countries with resilient economies and strong trade dynamics.
- The US dollar (USD) initially weakened in April and May but finished the quarter on a strengthening trend in June, resulting in mixed results against a number of currencies during the quarter. Currency positions in Latin America detracted from absolute fund results (the Argentine peso detracted, while the Brazilian real contributed). In Brazil, political compromises in the spring and better-than-expected economic figures supported an improved outlook. Additionally, the country's central bank has maintained its independence and responded to inflation pressures by hiking its policy rate in March, May and June, helping to stabilise the country's financial markets and bolster its currency.
- The fund's net-positive position in the Japanese yen contributed to absolute performance. We continued to hold a sizeable position in the Japanese yen against the USD as we see fundamental value associated with Japan's current account surplus and solid external balance, as well as largely stable policy rate differentials between the US and Japan. However, we have progressively reduced our Japanese yen position size during 2021 as part of our broadened rotation into other risk allocations.
- From a positioning standpoint, we continue to maintain low portfolio duration. We are significantly underweight developed market duration, and we hold no duration exposure in the euro area. Instead, we continue to emphasise select local-currency sovereign bonds outside of the major developed markets, in countries that we view as having resilient fundamentals and attractive risk-adjusted yields. We are holding various unhedged local-currency positions, notably in South Korea, Indonesia, India, Ghana, Brazil and Colombia. We are also focusing on value opportunities in specific currencies, particularly in countries with strong trade dynamics, current account surpluses, better fiscal management and stronger growth potential, notably in Asia. We are holding long exposures in the Norwegian krone, Swedish krona, Japanese yen, Indonesian rupiah, Indian rupee, South Korean won, Singapore dollar, Chinese yuan, New Zealand dollar and Chilean peso against the USD. In credit markets, we see pockets of value in select sovereign credit exposures that have undervalued growth drivers. On the whole, we have become increasingly constructive in various currencies and local-currency bond markets, notably in areas of Asia, as we expect vaccine distributions to improve macroeconomic conditions in the quarters ahead, though we continue to monitor ongoing regional risks associated with highly contagious COVID variants.

Outlook & Strategy

- We expect broadly improving macroeconomic conditions as vaccines are progressively distributed around the world. It will take time to achieve critical immunity levels in many regions, but we expect a continued surge in economic activity in the second half of 2021 as people increasingly re-engage with the world. Economic recoveries are likely to remain uneven as countries are at different stages of containing the pandemic. Additionally, regional risks have resurfaced with the proliferation of various COVID variants, such as the delta variant. We remain optimistic but continue to monitor ongoing risks.
- We anticipate global growth above 6% in 2021, with emerging markets outpacing developed markets. World GDP (gross domestic product) is likely to moderate from that pace in 2022 and 2023 but remain around or above its historical average of the past decade as the post-pandemic surge reverts to more normalised growth patterns. (Note, there is no assurance that any estimate, forecast or projection will be realised.) Areas of Asia remain at the forefront of the global recovery, with the US rapidly making up lost ground in the second quarter.
- Economic figures are likely to be statistically noisy through the second half of 2021, given the anomalies from the extraordinary and unconventional shocks in 2020 that continue to affect the year-over-year measurements. Additionally, the divergence in the pace of reopenings and the timing of the economic recoveries in various countries are likely to add to the noise. Near-term fluctuations and spikes in a number of economic measures, notably including inflation, are likely to accompany the recovery process for several months, making it difficult to extrapolate meaningful trend lines for some time.
- We expect inflation figures to remain elevated in 2021 in many countries, largely on base effects off of the pandemic shocks in 2020 as well as the sharp cyclical upswing this year. Supply disruptions have also affected prices in certain sectors. These factors should be largely transitory, in our view, with inflation levels eventually moderating to secular trends in subsequent years, given excess capacities, as well as elevated unemployment and automation factors that continue to dampen wage pressures. However, excessive monetary accommodation and massive fiscal stimulus in the US, compounded with surging growth and an acceleration in the velocity of money, present inflationary risks that bear monitoring. The true test will be whether these factors become persistent enough to feed into longer-term inflation expectations, which would create self-sustaining price pressures. Our base case sees inflation expectations moderating as near-term spikes in the inflation figures eventually wane.

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.

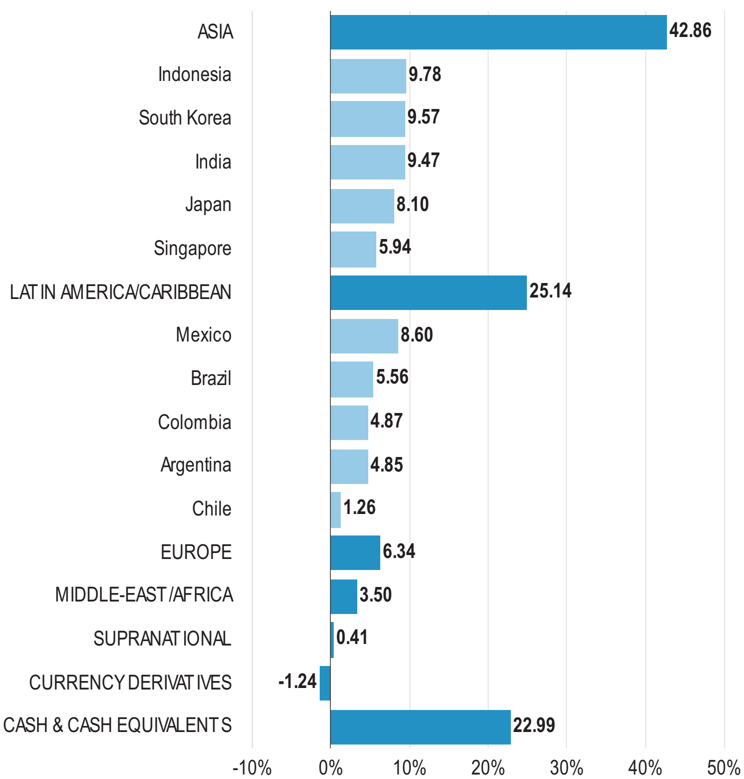
- During the second quarter of 2021, many central banks began considering when and at what pace to begin normalising policy. Specific countries with inflation concerns have already begun raising rates, such as Brazil and Mexico, while others are looking towards normalising policy to keep ahead of the curve, based on strengthening economic conditions. A number of countries are indicating that rate hikes and/or asset-buying programme adjustments could arrive in the second half of 2021. We expect a growing divergence on the monetary policy front as certain developed market central banks trend towards policy normalisation ahead of others, while certain emerging market central banks are compelled to tighten policy to contend with rising inflationary pressures.
- We continue to be constructive in a number of regions, with a particular focus on areas of Asia that have addressed the health and economic crises more effectively. However, it remains crucial to be highly selective as there is wide variance in not only how well countries are containing COVID-19 and distributing vaccines, but also how well countries have handled fiscal and monetary policy and supported their economies. We expect staggered timelines for specific investment opportunities given the divergent conditions in regional and local markets.

Portfolio Characteristics[a,b,c]

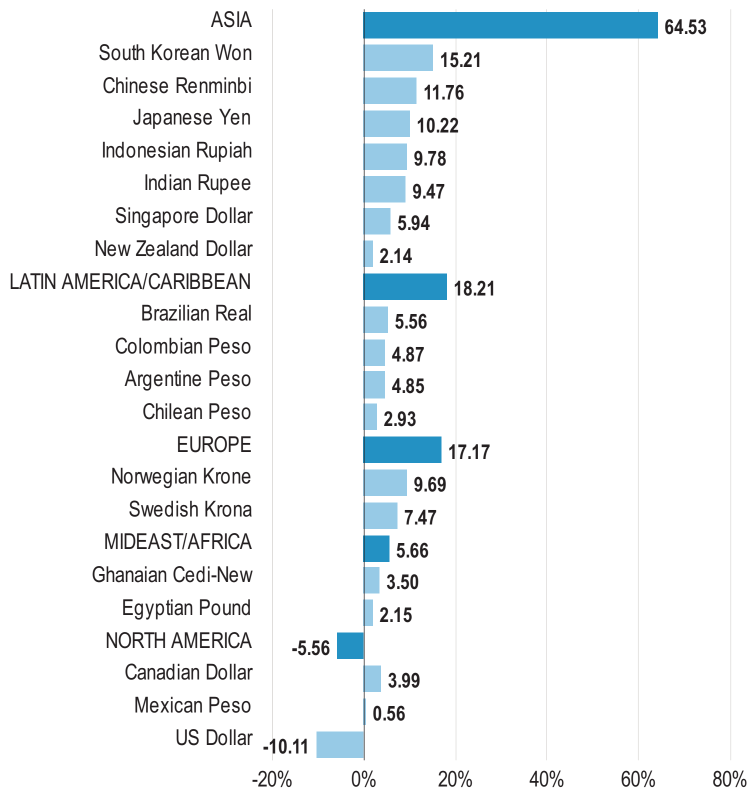
	Portfolio
Yield to Maturity	3.42%
Average Duration	1.46 Yrs
Average Weighted Maturity	1.80 Yrs

Portfolio Diversification[a]

Geographic Allocation[d]
Market Value—Percent of Total

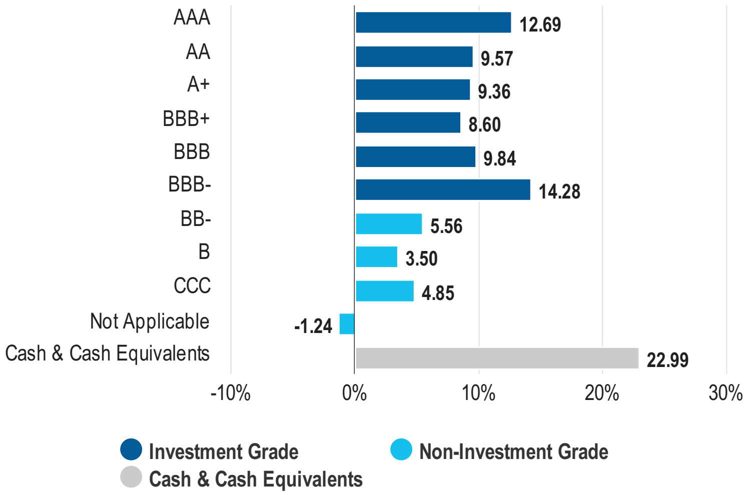


Currency Exposure[e]
Currency Exposure—Percent of Total



Credit Quality Allocation[d,f]

Market Value—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics[5,6]

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	5.04	6.15	5.89	7.17
Tracking Error (%)	8.10	7.31	7.53	6.93
Information Ratio	-0.44	-0.10	-0.20	0.27
Beta	0.15	0.36	0.33	0.51
Sharpe Ratio	-0.61	-0.15	0.30	0.53

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Investment Philosophy

We believe:

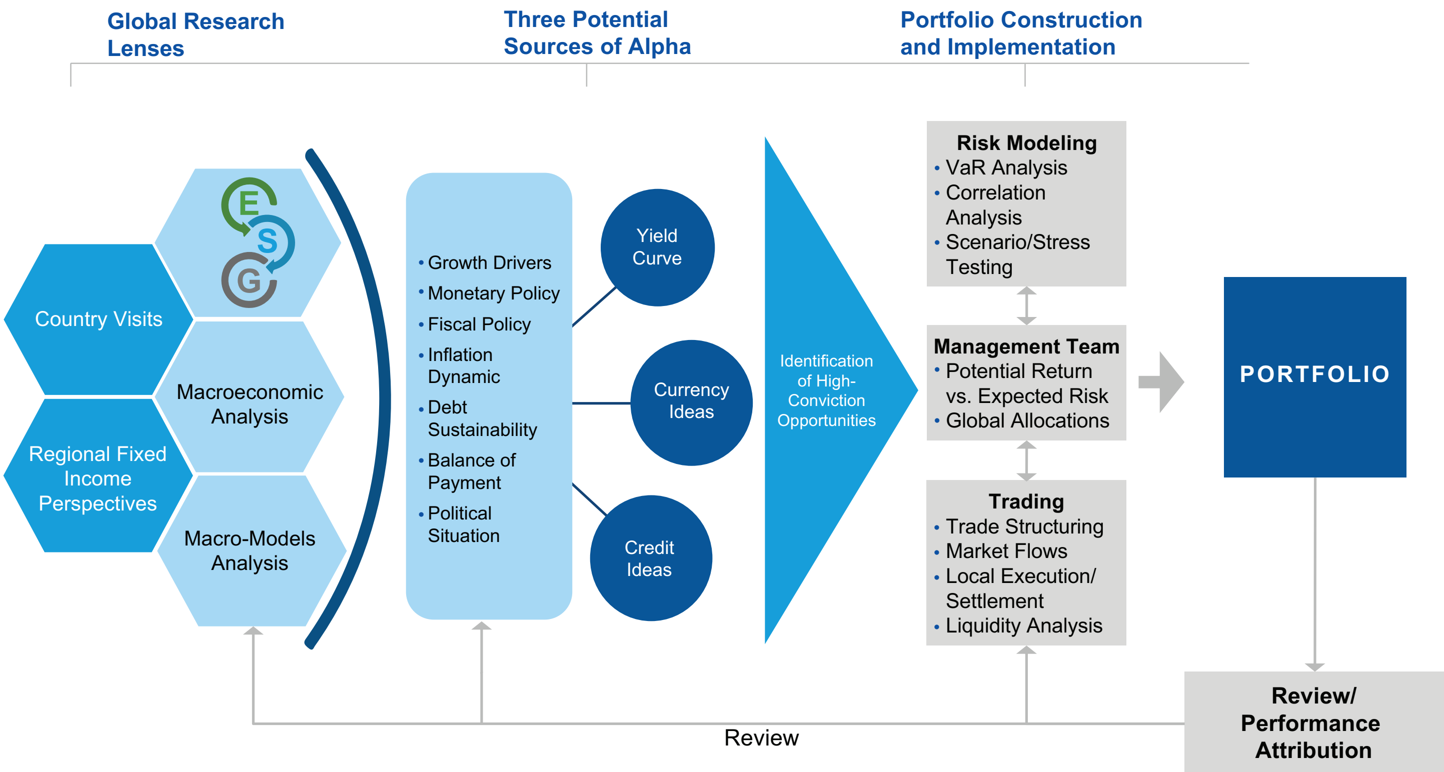
- An unconstrained approach to global fixed income investing can lead to long-term value potential
- Integrating global macroeconomic analysis and ESG indicators with in-depth country research can help identify long-term economic imbalances
- Actively allocating risk across three independent potential sources of return can deliver diversification benefits and the potential for more consistent returns in diverse markets

Investment Strategy

- Seeks to maximize total investment return consisting of a combination of interest income, currency gains and capital appreciation
- Utilizes a benchmark-agnostic approach to take advantage of an unconstrained worldview
- Seeks to maintain a longer-term volatility profile that is commensurate with that of a traditional global government bond index
- May utilize three independent sources of potential alpha
  - Yield curve
  - Currencies
  - Sovereign credit

5. Beta, Information Ratio and Tracking Error information are measured against the JP Morgan Global Government Bond Index.
6. 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[7,8,9]



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	22	26
Calvin Ho, Ph. D.	16	16
Additional Resources		
Local Asset Management		

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.

7. 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.
8. Regional Fixed Income is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton.
9. ESG refers to Environmental, Social and Governance indicators.

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.

Yield to Maturity: 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.

Important Legal Information

All performance data herein is for Series O units.

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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.

a. All holdings are subject to change.

b. Yield to Maturity, 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.

e. 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). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

f. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

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