



FRANKLIN TEMPLETON INVESTMENTS

Franklin ActiveQuant Canadian Fund

December 31, 2018

Product Profile

Product Details¹

Fund Assets	\$344,244,259.18
Fund Inception Date	09/20/2004
Base Currency	CAD
Morningstar Category™	Canadian Equity
Distribution Frequency	Annually

Risk Classification²

Low	Low to Medium	Medium	Medium to High	High
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Fund Description

The Fund seeks long-term capital appreciation by investing primarily in a diversified portfolio of Canadian securities.

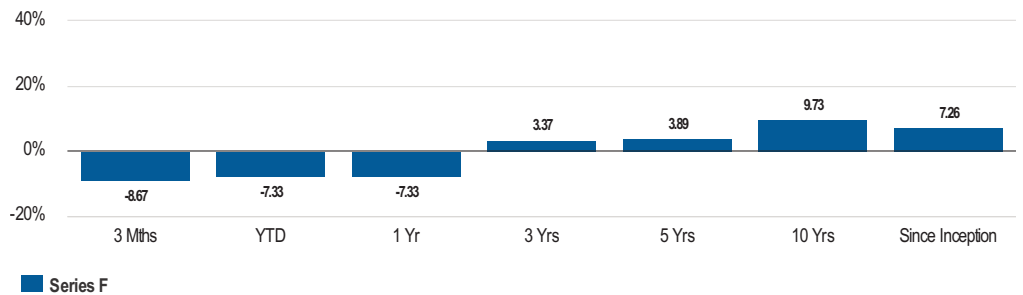
Performance Data³

Average Annual Total Returns⁴ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (09/20/2004)
Series F	-8.67	-7.33	-7.33	3.37	3.89	9.73	7.26

Management Expense Ratio (as of 06/30/2018 incl. HST)—0.99%

The indicated rates of return are the historical annual compounded total returns including changes in share or unit value and reinvestment of all distributions 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 call Franklin Templeton Client Services at 1.800.387.0830 or visit www.franklintempleton.ca for the most recent month-end performance.



Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Series F	-7.33	4.77	13.76	-4.75	15.02	21.41	8.79	-3.93	21.77	35.34

1. 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.

2. Each fund is assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk. The risk ratings were determined using a methodology that assesses a fund's historical volatility risk as measured by the standard deviation of fund performance. However, just as a fund's historical performance may not be indicative of its future returns, a fund's historical volatility may not be indicative of its future volatility. In addition, other types of risk may exist that can affect a fund's returns. Please read the prospectus for more information on fund risk ratings.

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

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

Portfolio Manager Insight⁵

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Metro Inc.	Communication Services (Overweight)
	Quebecor Inc. Class B	Consumer Staples (Overweight)
	Fortis Inc.	Consumer Discretionary (Stock Selection)
Hurt	Methanex Corporation	Materials (Stock Selection)
	Enerplus Corporation	—
	Premium Brands Holdings Corporation	—

- The Fund enjoyed a positive sector allocation effect which was partially offset by a negative selection + interaction effect.

Outlook & Strategy

- The outlook for Canadian equities looks unsettled going into 2019. Several interest rate increases have been announced by central banks with more expected. Equities are also pricing in the possibility of an economic recession in North America sometime in 2019 or 2020.
- Against that challenging backdrop the valuation on Canadian equities have improved substantially. Our focus remains on maintaining a portfolio which is superior to the benchmark on several key metrics measuring valuation, growth, volatility and momentum. We remain comfortable with the Fund going into 2019.

Portfolio Characteristics^{6,7}

	Portfolio	S&P/TSX Composite Index
Price to Earnings (12 Month Trailing)	13.69x	13.69x
Market Capitalization (Millions in CAD)	34,528	43,972
Return on Equity	19.83%	13.89%
Dividend Yield	3.14%	3.36%

Portfolio Diversification

Top Ten Holdings⁸

Percent of Total

Top Holdings	Sector	%
CGI GROUP INC	Software & Services	3.26
OPEN TEXT CORP	Software & Services	3.10
QUEBECOR INC	Media & Entertainment	2.90
WASTE CONNECTIONS INC	Commercial & Professional Services	2.89
METRO INC	Food & Staples Retailing	2.87
ROYAL BANK OF CANADA	Banks	2.86
CANADIAN NATIONAL RAILWAY CO	Transportation	2.79
CANADIAN PACIFIC RAILWAY LTD	Transportation	2.79
BANK OF MONTREAL	Banks	2.78
FORTIS INC/CANADA	Utilities	2.73

5. 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.

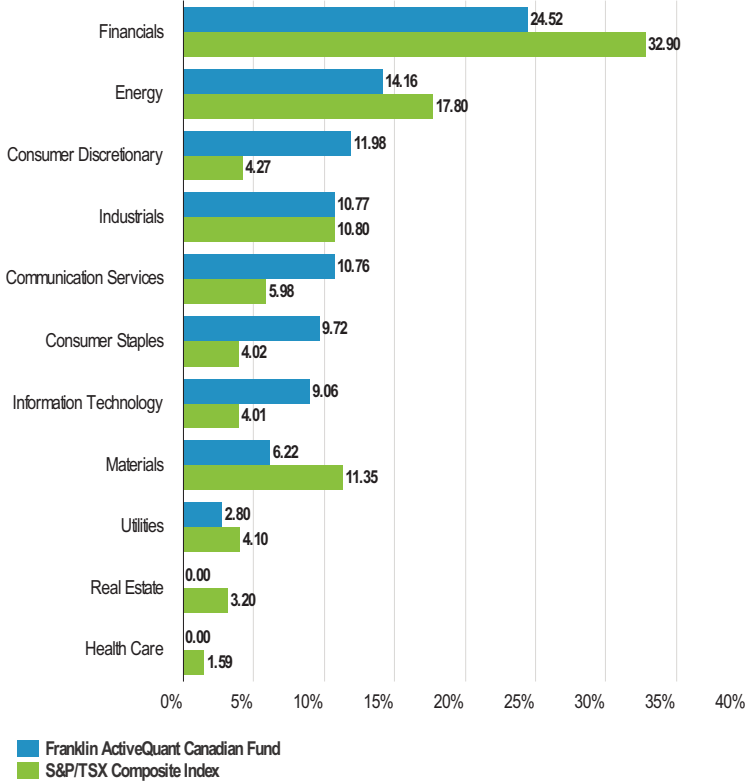
6. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. 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. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. The Estimated 3-5 Year EPS Growth uses simple weighted average means. There can be no assurance that the Estimated 3-5 Year EPS Growth will be realized. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

7. The dividend yield quoted here is the yield on securities within the portfolio and should not be used as an indication of the income received from this portfolio.

8. 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 information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the fund's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the fund, or that securities sold will not be repurchased. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

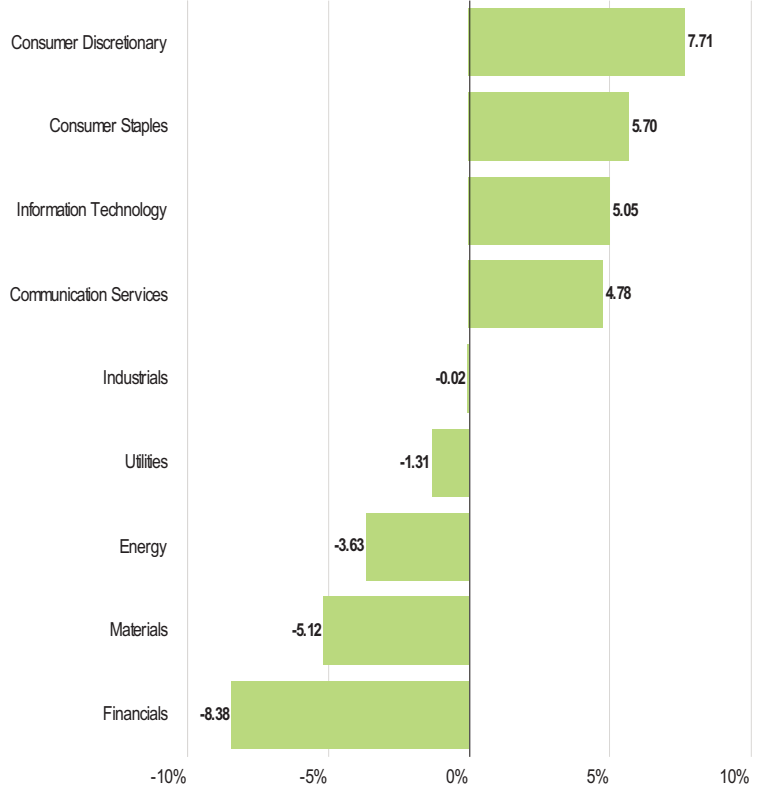
Sector Weightings vs. S&P/TSX Composite Index⁹

Percent of Equity



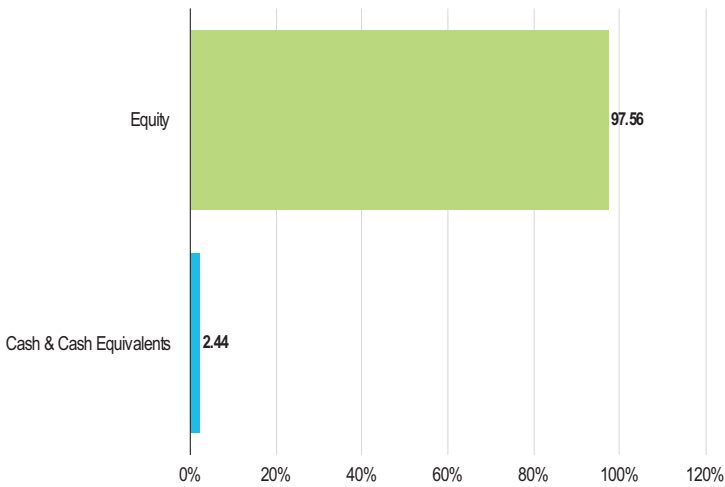
Sector Overweight/Underweight¹⁰

Percent of Equity



Asset Allocation¹¹

Percent of Total



9,10,11. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

Supplemental Performance Statistics

Supplemental Risk Statistics^{12,13}

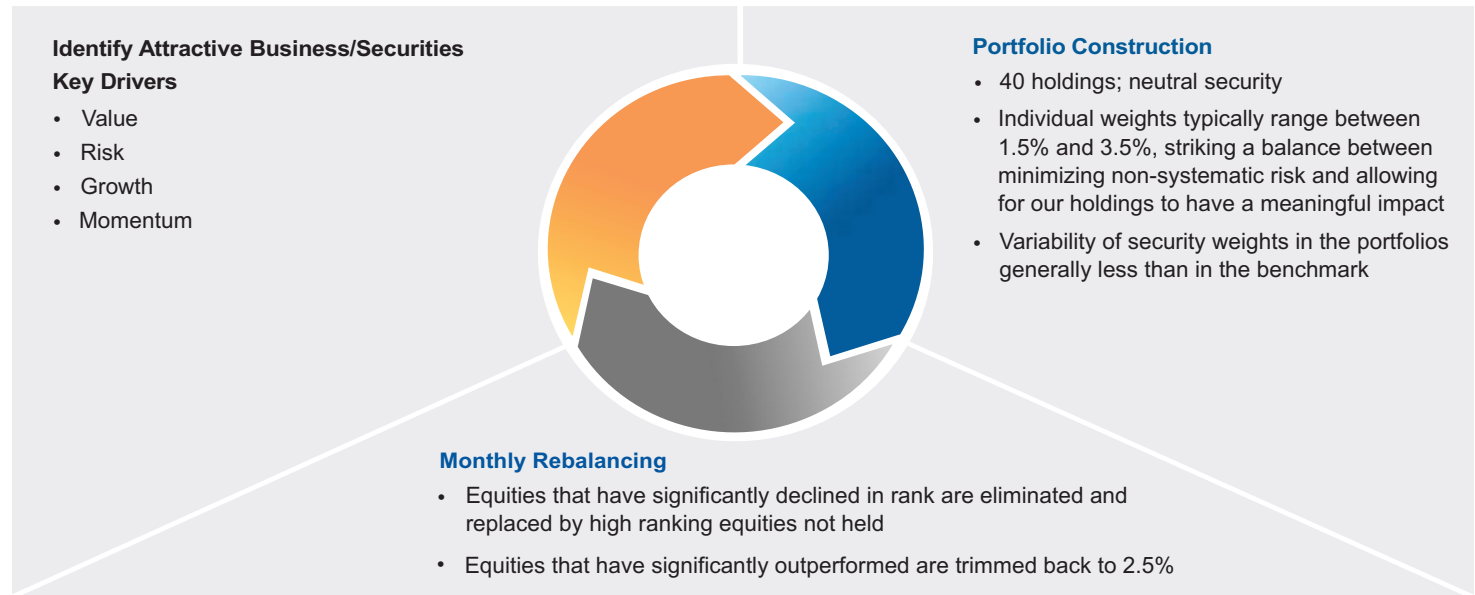
	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	7.46	7.65	9.48	13.13
Tracking Error (%)	2.98	3.20	4.00	4.82
Information Ratio	-1.01	-0.05	0.45	0.13
Beta	0.88	0.86	0.82	0.98
Sharpe Ratio	0.34	0.40	0.94	0.42

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Investment Philosophy and Process

A Distinctive Approach to Quantitative Investing

- Franklin ActiveQuant team uses a rigorous quantitative investment process to identify the best opportunities within each strategy's investment universe.
- The strength of the process lies in its objectivity and rigor. Factors and scoring are not modified based on business or market cycle.
- As part of the investment team's active approach, the strategies are continually evaluated and refined over time.



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Garey J. Aitken, CFA, Chief Investment Officer	20	27
Jason Hornett, CFA, Vice President, Portfolio Manager	21	23
Izabel Flis, CFA, Vice President, Portfolio Manager	17	17

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%.

Dividend Yield: The annual dividend received on an equity security as a percentage of the price. For a portfolio, the value represents a weighted average of the stocks it holds. It should not be used as an indication of the income received from this portfolio.

12. Beta, Information Ratio and Tracking Error information are measured against the S&P/TSX Composite Index.

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).

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 Earnings (12-mo Trailing): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

Return on Equity: A measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. 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.

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.

Fund Codes¹⁴

	Series		Corporate Class	
	CAD	USD	CAD	USD
Series A Front	TML1096	—	TML2021	—
Series A DSC	TML1098	—	TML2023	—
Series A Low Load	TML1097	—	TML2022	—
Series F	TML1099	—	TML2024	—
Series F ADM	TML3984	—	TML5132	—
Series I	TML3361	—	TML3360	—
Series O	TML2000	—	TML2025	—
Series PA Front	TML5235	—	TML5232	—
Series PA DSC	TML5237	—	TML5234	—
Series PA Low Load	TML5236	—	TML5233	—
Series PF	TML3882	—	—	—
Series PF ADM	TML5052	—	—	—

Series I and V closed to new investors as of November 22, 2016.

Beginning in January 2017, investors switching between Corporate Class funds will trigger a capital gain or loss at the time of the switch due to certain changes in the income tax laws made by the federal government in 2016.

14. "ADM" refers to the Investment Advisory Services Fee purchase option for series F, FT, PF, PF(Hedged), and PFT. Please see the simplified prospectus for further details.

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

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus or fund facts document before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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**FRANKLIN TEMPLETON
INVESTMENTS**

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