

## Product Profile

### Product Details<sup>1,2</sup>

Fund Assets	\$20,902,311.13
Fund Inception Date	02/17/2003
Number of Securities Including Cash	156
Base Currency	CAD
Morningstar Category™	High Yield Fixed Income
Distribution Frequency	Monthly

### Risk Classification<sup>3</sup>

Low	<b>Low to Medium</b>	Medium	Medium to High	High
-----	----------------------	--------	----------------	------

### Fund Description

The Fund seeks high current income and some long-term capital appreciation by investing primarily in high-yield, lower-rated debt securities issued in the United States and throughout the world.

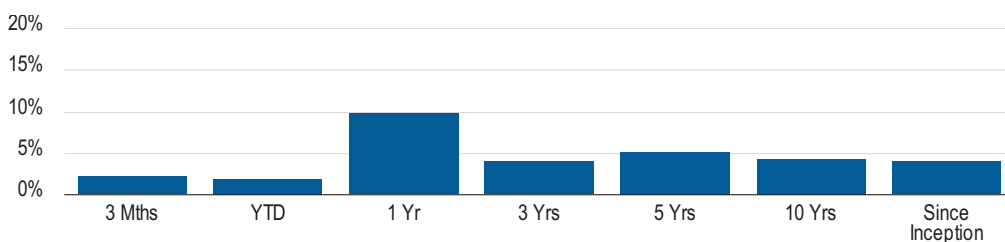
### Performance Data<sup>4</sup>

#### Average Annual Total Returns<sup>5</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (02/17/2003)
Series F	2.27	1.97	9.93	4.20	5.23	4.53	4.16

#### Management Expense Ratio (as 12/31/2020 incl. HST)—1.07%

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](http://www.franklintempleton.ca) for the most recent month-end performance.



● Series F

#### Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series F	3.59	11.70	-4.84	5.09	17.60	-10.59	0.19	8.70	15.26	4.05

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. All holdings are subject to change.

3. 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.

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

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

Portfolio Manager Insight<sup>6</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Security Selection	Allocation	Quality	Duration
HELPED	Energy	Underweight in Media Cable	Ratings-Quality Tilt	—
	Media Cable	Underweight in Wired	—	—
	Industrial	Overweight in Energy	—	—
HURT	Utility	Overweight in Packaging	—	US Yield-Curve Positioning
	Media Non-Cable	Overweight in Utility	—	—
	Technology	Overweight in Media Non-Cable	—	—

- Our ratings-quality tilt was the main contributor to relative performance. Conversely, our yield-curve positioning hindered results.
- Security selection detracted from performance, led by our selection in the utility, media non-cable and technology industries. Conversely, our security selection in the energy, media cable and industrial segments contributed to results.
- Our industry allocation had a largely neutral effect on performance. Our overweight allocation to the packaging, utility and media non-cable industries hindered results. Conversely, our underweight in the media cable and wired segments and overweight in the energy industry benefitted performance.

## Outlook &amp; Strategy

- Amidst continuing US economic recovery, fundamental high-yield (HY) credit quality improvement persists with a general market consensus of diminishing default risk for the remainder of the year. New issuance volume remains robust. As the primary market mix appears to have shifted more toward mergers and acquisitions (M&A) with a declining number of refinancing transactions, broad market expectations are for M&A and private equity-related issuance to increase through the remainder of the year.
- Against the backdrop of higher overall credit quality of HY issuers, combined with BB and B spreads that are still wide of historical and post global financial crisis tights, we maintain our view that absent sharp interest rate increases, there is room for further HY spread compression to absorb potential UST yield increases.
- Overall, we remain constructive on HY corporate bonds. Given our outlook for robust economic growth and potentially higher interest rates, we generally prefer B rated credits over longer duration (or more interest rate sensitive) BB rated issues.
- Given lower dispersion of credit spreads across issuers, industries and ratings categories, our focus remains on prudent security selection across the quality spectrum with a general aversion to securities with longer-term secular challenges. We do not believe inflationary pressures will be broadly detrimental to HY fundamentals—the majority of US HY issuers are either not expected to be significantly impacted by input cost inflation or are likely to be beneficiaries (such as from higher commodity prices), in our view.
- Amidst elevated sensitivity to higher interest rates and increasing likelihood of sooner than expected US Federal Reserve tapering, we maintain our view that security selection and vigorous credit differentiation remain crucial components of value generation.

Portfolio Characteristics<sup>a,b</sup>

	Portfolio	Custom Franklin High Income 75% Hedged/25% Unhedged Benchmark
Average Duration	3.72 Yrs	3.74 Yrs
Average Weighted Maturity	4.20 Yrs	4.40 Yrs

6. 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.

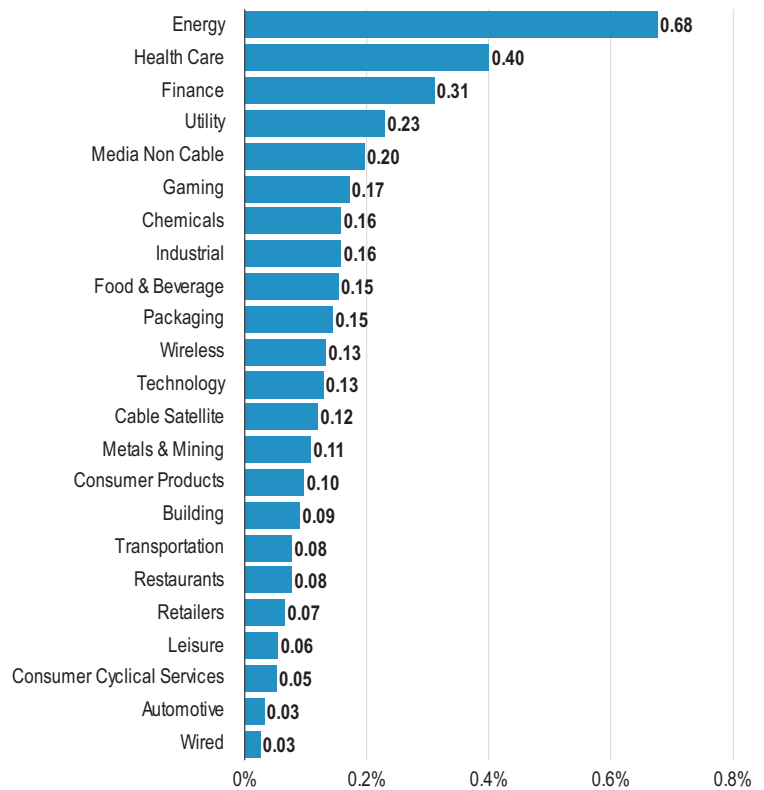
Portfolio Diversification<sup>a,7</sup>Top Ten Holdings<sup>8</sup>

Percent of Total

Top Holdings	%
CHENIERE ENERGY PARTNERS	1.89
CCO HLDGS LLC/CAP CORP	1.59
OCCIDENTAL PETROLEUM COR	1.44
ONEMAIN FINANCE CORP	1.35
ALTICE FRANCE HOLDING SA	1.33
FMG RESOURCES AUG 2006	1.29
HCA INC	1.27
AMERICAN AIRLINES/AADVAN	1.27
TRIVIUM PACKAGING FIN	1.27
WYNN RESORTS FINANCE LLC	1.27

Sector Allocation<sup>c</sup>

Market Value—Percent of Total

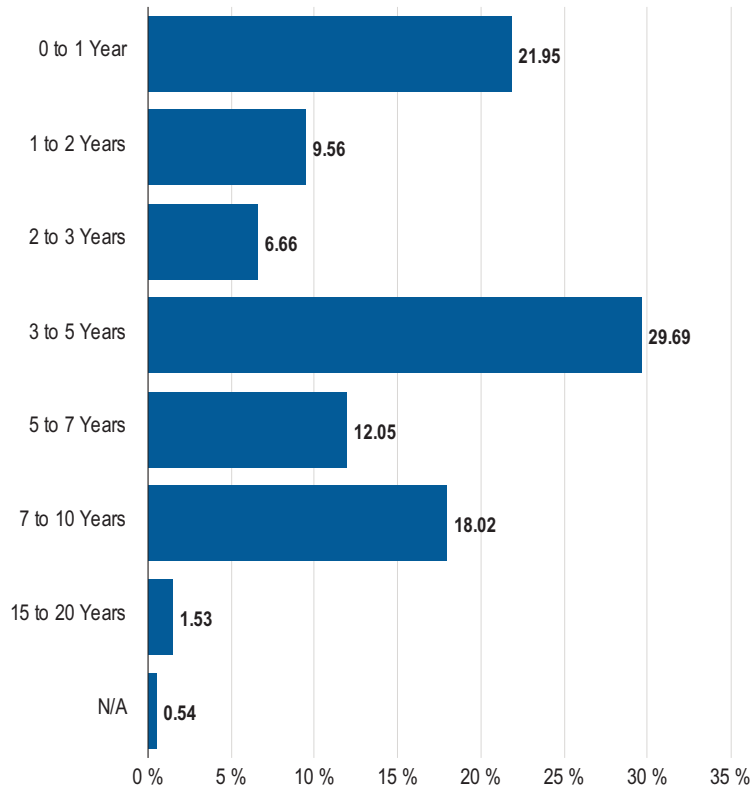


7. Please note that the definition of cash in this document may not match the definition of “cash and cash equivalents” listed in the fund facts or management reports of fund performance for the fund, which includes bonds that have a remaining term to maturity of 365 days or less that are issued by certain 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.

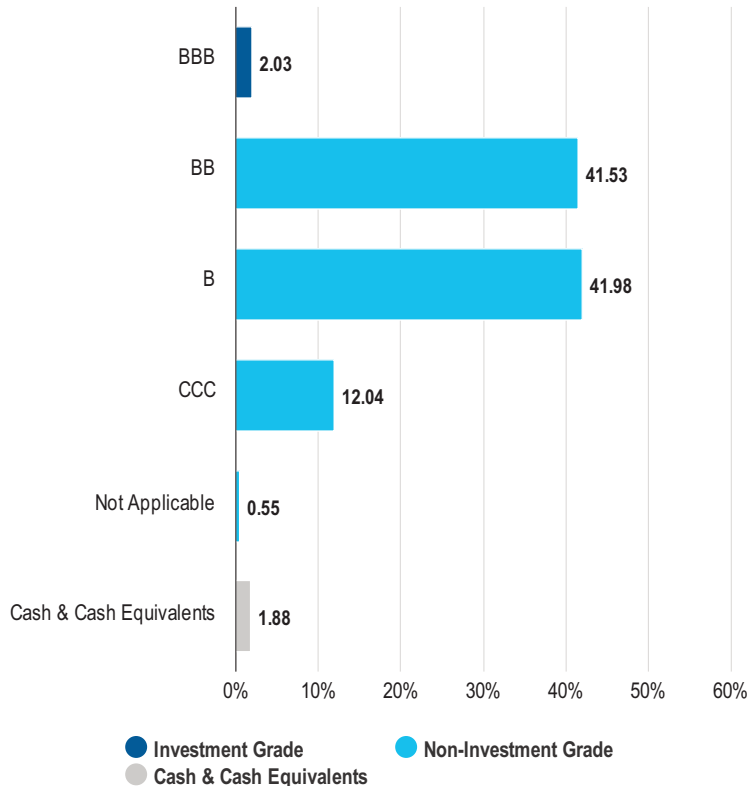
8. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the fund’s entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance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

**Maturity Allocation<sup>c</sup>**

Market Value—Percent of Fixed Income

**Credit Quality Allocation<sup>c,9</sup>**

Market Value—Percent of Total

**Investment Philosophy**

We believe that superior high-yield returns are best sought through the disciplined application of a research-based approach that capitalises on inefficiencies across the high-yield market. Through diligent bottom-up research, we seek to identify compelling total return opportunities with the potential to add value over a three- to five-year horizon.

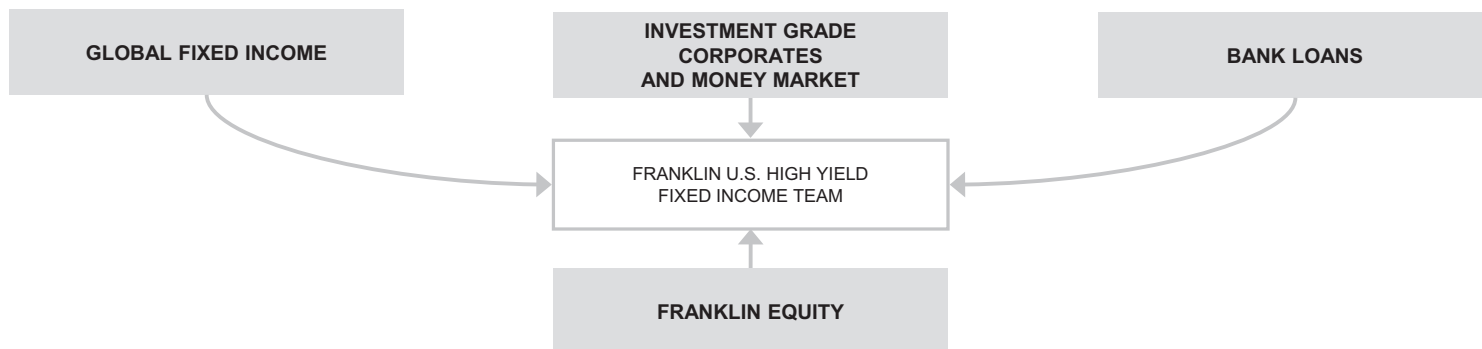
**Investment Process**

- **Fundamental Analysis:** Conduct independent, bottom-up analysis focusing on critical factors that affect a company's long-term performance, such as financial structure, cash flow and earnings prospects, products, market share and strategic positioning, as well as material ESG factors
- **Long-Term Outlook:** Analyse securities whose projected return over three to five years may surpass the risk of adverse price movements or default
- **Seek Valuation Inefficiencies:** Opportunistically invest in companies in sectors that are infrequently followed or are out of favour with the marketplace
- **Disciplined Approach:** Adhere to long-term strategy through changing market environments, supported by separate in-house risk management and quantitative research groups

**Integrated Research Approach**

- High Yield Team leverages the insights of other fixed income and equity investment professionals throughout the firm.

9. 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.



## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Glenn Voyles, CFA	27	28
Darcy Briggs, CFA	16	27

## 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.

### Fund Codes<sup>10</sup>

	CAD	Series	USD
Series A Front	TML186		TML187
Series A DSC	TML188		TML189
Series A Low Load	TML190		TML191
Series F	TML228		TML262
Series F ADM	TML5218		TML5219
Series I	TML3380		TML3381
Series O	TML172		TML149
Series PA Front	TML5349		TML5352
Series PA DSC	TML5351		TML5354
Series PA Low Load	TML5350		TML5353
Series PF	TML3810		TML3811
Series PF ADM	TML5220		TML5220

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

10. "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.

**Important Legal Information**

*CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.*

Source: FactSet. Important data provider notices and terms available at: [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

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.*

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

a. All holdings are subject to change.

b. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).

c. 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.



Franklin Templeton Canada  
200 King Street West, Suite 1500  
Toronto, ON M5H 3T4  
Tel: 800.387.0830  
Fax: 866.850.8241  
[franklintempleton.ca](http://franklintempleton.ca)