

Product Profile

Product Details¹

Fund Assets	\$2,268,168,089.59
Fund Inception Date	08/01/1986
Base Currency	CAD
Morningstar Category™	Canadian Fixed Income
Distribution Frequency	Monthly

Risk Classification²

Low	Low to Medium	Medium	Medium to High	High
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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.

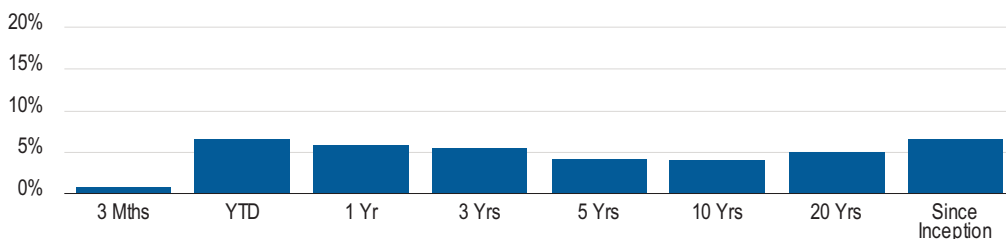
Performance Data³

Average Annual Total Returns⁴ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (08/01/1986)
Series F	0.80	6.63	5.99	5.57	4.37	4.17	5.06	6.62

Management Expense Ratio (as of 06/30/2020 incl. HST)—0.69%

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.



● Series F

Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Series F	7.77	0.00	3.72	3.99	1.31	8.17	-0.73	4.07	8.07	7.02

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

HELPED	For the second consecutive quarter, asset allocation was the largest contributor to performance, mainly due to the fund's overweight positions in high yield securities and bank loans.
	Security selection was also a significant contributor, with notable performance from investment-grade financials partly offset by investment-grade industrials, the largest detractor.
	Yield curve and duration positioning added modestly over the quarter as the yield curve continued to steepen. While Canadian duration was roughly in line with the benchmark, the fund benefitted from overweight exposure to US duration and the higher interest-rate carry of US exposures.
HURT	Foreign currency was the only detractor from overall performance as the US dollar weakened again over the quarter.
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Outlook & Strategy

- Despite an absolute narrowing of corporate spreads, we remain constructive on credit longer term, considering return expectations across all fixed income sectors. As active fixed income managers, we will monitor the current situation, looking to capitalize on both current absolute and relative valuations and trading opportunities presented by bouts of volatility.
- We expect economic activity will continue to increase, but future gains will be at a more gradual pace determined by consumer and business confidence. We continue to expect a “check mark” or “swoosh” recovery, with the initial stages looking relatively “V”-like and the drawn-out nature of the recovery becoming evident next quarter and beyond.

Portfolio Characteristics^{6,7,8}

	Portfolio	FTSE Canada Universe Bond Index
Weighted Average Yield to Worst	2.15%	1.23%
Average Credit Quality ⁹	A	AA-
Average Coupon	3.52%	2.96%
Average Duration	8.46 Yrs	8.35 Yrs
Average Weighted Maturity	11.13 Yrs	11.13 Yrs

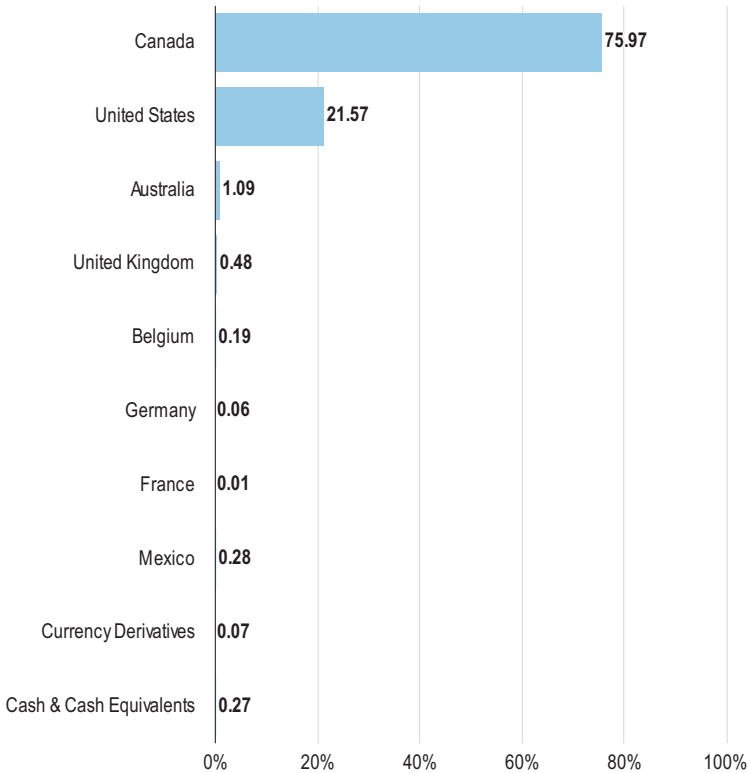
5. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. 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.

9. 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^{6,10}

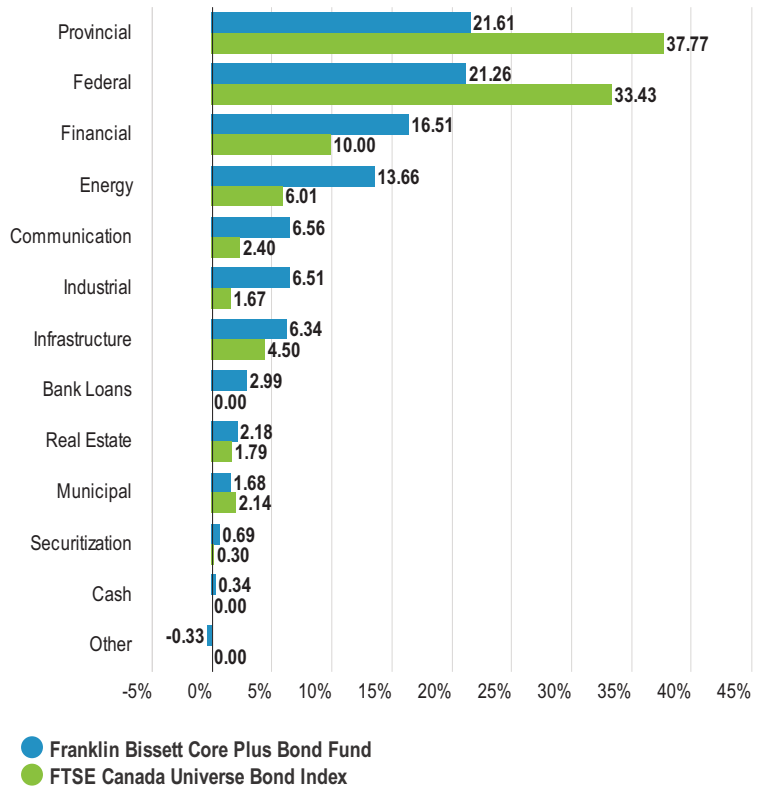
Geographic Allocation¹¹

Market Value—Percent of Total



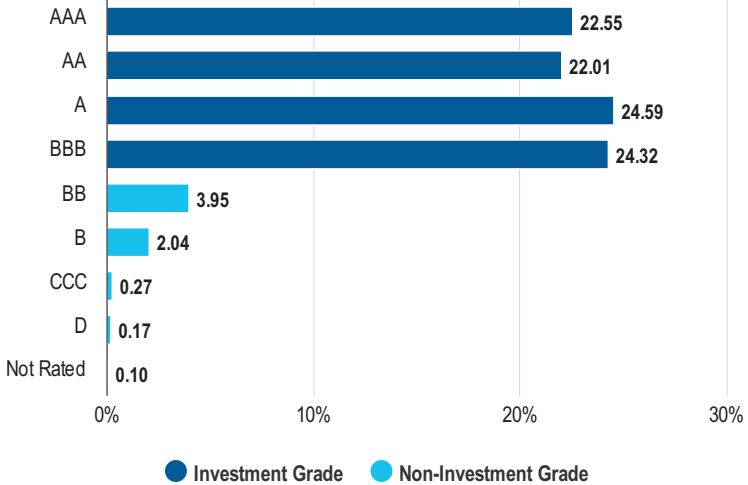
Sector Allocation vs. FTSE Canada Universe Bond Index¹¹

Market Value—Percent of Total



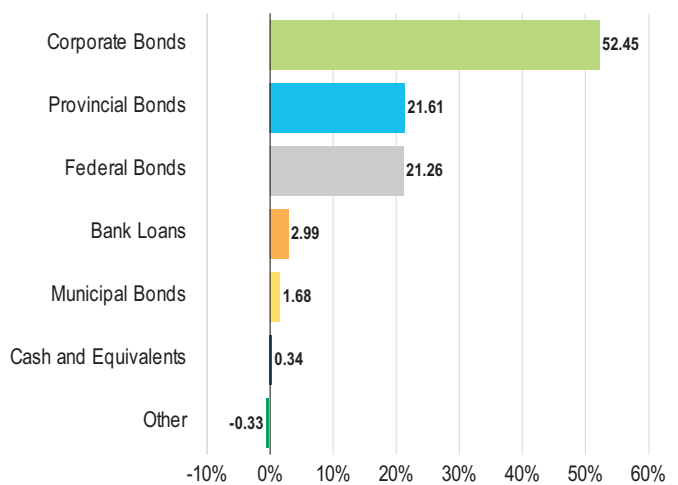
Credit Quality Allocation¹¹

Market Value—Percent of Total



Asset Allocation¹¹

Market Value—Percent of Total



10. 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.

Supplemental Performance Statistics

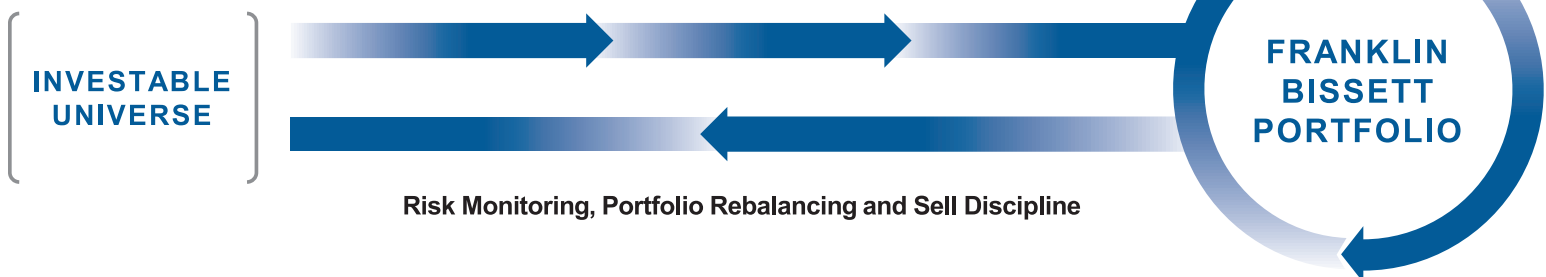
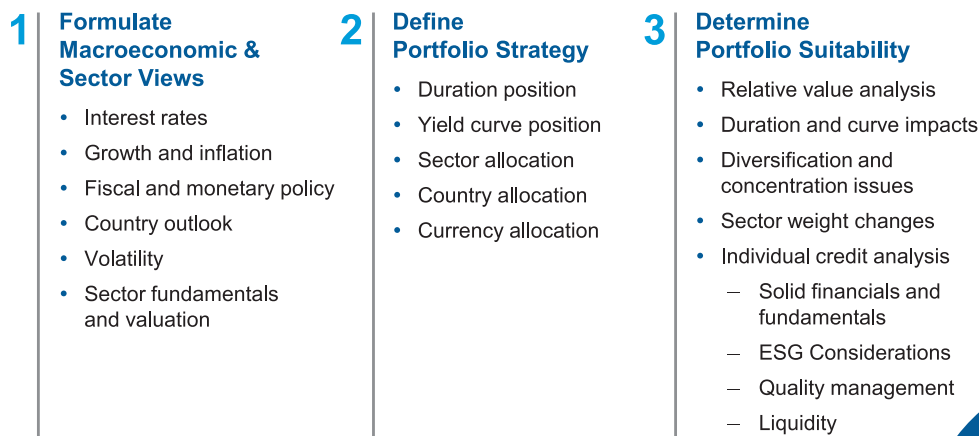
Supplemental Risk Statistics^{12,13}

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	5.22	4.65	4.07	4.77
Tracking Error (%)	1.93	1.85	1.39	1.51
Information Ratio	-0.27	0.06	-0.13	-0.42
Beta	1.18	1.09	1.01	0.94
Sharpe Ratio	0.81	0.73	0.79	0.53

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Investment Philosophy and Process¹⁴

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



14. 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	15	26
Thomas O'Gorman, CFA	10	30

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

Glossary

Average Coupon: The average interest rate stated on the securities held by a portfolio.

Average Credit Quality: The credit rating of a bond is an assessment of the creditworthiness of individuals and corporations. It is based upon the history of borrowing and repayment, as well as the availability of assets and extent of liabilities. The average credit quality of a fund reflects the holdings of the underlying issues, based on the size of each holding. Usually we quote the average credit quality as per Standard & Poor's or Moody's credit rating agencies.

Average Duration: The market-weighted average of the duration of bonds. Duration of each bond is the estimated percentage change in the bond's price for a 1% change in the bond's yield.

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.

Yield to Worst: The yield to maturity if the worst possible bond repayment takes place. If market yields are higher than the coupon, the yield to worst would assume no prepayment. If market yields are below the coupon, the yield to worst would assume prepayment. In other words, yield to worst assumes that market yields are unchanged. Normally this value is not aggregated since it varies but if a weighted average value is used for a portfolio then the figure will reflect the values of the underlying issues, based on the size of each holding.

Fund Codes¹⁵

	Series CAD
Series A Front	TML200
Series A DSC	TML300
Series A Low Load	TML515
Series F	TML230
Series F ADM	TML3993
Series I	TML280
Series O	TML110

Series I 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.

15. "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

On November 15, 2019, Franklin Quotential Fixed Income Portfolio merged into Franklin Bissett Core Plus Bond Fund.

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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.

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.

6. All holdings are subject to change.

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

8. 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.

11. 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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