



FRANKLIN TEMPLETON INVESTMENTS

Franklin Bissett Core Plus Bond Fund

December 31, 2018

Product Profile

Product Details¹

Fund Assets	\$1,692,332,832.01
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.

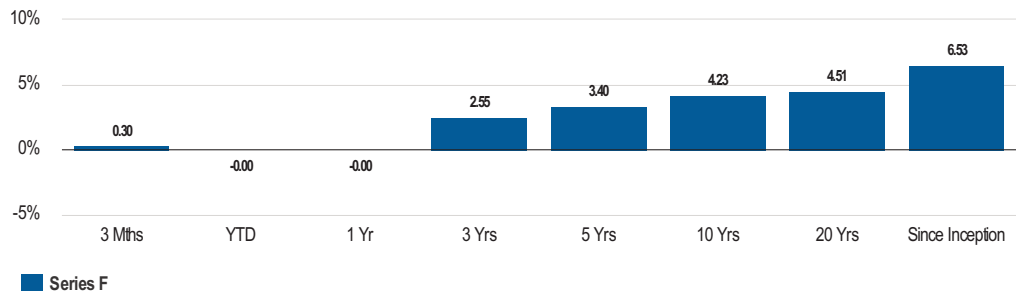
Performance Data³

Average Annual Total Returns⁴ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (08/01/1986)
Series F	0.30	-0.00	-0.00	2.55	3.40	4.23	4.51	6.53

Management Expense Ratio (as of 06/30/2018 incl. HST)—0.80%

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	-0.00	3.72	3.99	1.31	8.17	-0.73	4.07	8.07	7.02	7.11

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	The fund's foreign currency allocation lifted performance as the US dollar strengthened against the Canadian dollar. Over the quarter, we took advantage of that strength to reduce US-dollar exposure. We also exited the position in British pounds and trimmed Australian-dollar exposure.
	US carry and US yield curve positioning added to relative performance.
	Derivative hedges (mainly put options on credit spreads) added to fund performance.
HURT	Security selection was the largest detractor over the review period. Weakness was evident in all credit sectors and accelerated in the fourth quarter, notably in the fund's investment-grade financial securities. We attribute the recent sharp weakness in credit to technical issues and increasing volatility rather than an abrupt change in corporate fundamentals and are positioned for a return of normalized market liquidity.
	Asset allocation also detracted, mainly due to the fund's underweight positions in federal bonds along with overweight positions in corporate credit, which underperformed.
	Yield curve and duration positioning slightly detracted from performance over the quarter. The Fund's overweight exposure to longer-term maturities weighed on relative results as the yield curve continued to flatten, with short-term maturities outperforming middle- and longer-term maturities.

Outlook & Strategy

- We expect both US and Canadian economic growth will continue to moderate given the impact from previous interest rate increases, and as late-cycle fiscal stimulus dissipates. Other financial uncertainties, combined with rising political and geopolitical risks following a period of remission, are additional potential weights on activity.
- Credit valuations have improved significantly with spread widening in the fourth quarter, but more spread widening is possible should volatility remain elevated. Nonetheless, we continue to favour corporate bonds, with a bias to higher-quality credits given their better risk-adjusted return potential and additional interest carry.

Portfolio Characteristics^{6,7}

	Portfolio	FTSE Canada Universe Bond Index
Yield to Worst	4.14%	2.71%
Average Duration	7.16 Yrs	7.45 Yrs
Average Credit Quality ⁸	A	AA-
Average Weighted Maturity	12.46 Yrs	10.34 Yrs
Coupon Rate	4.37%	3.31%

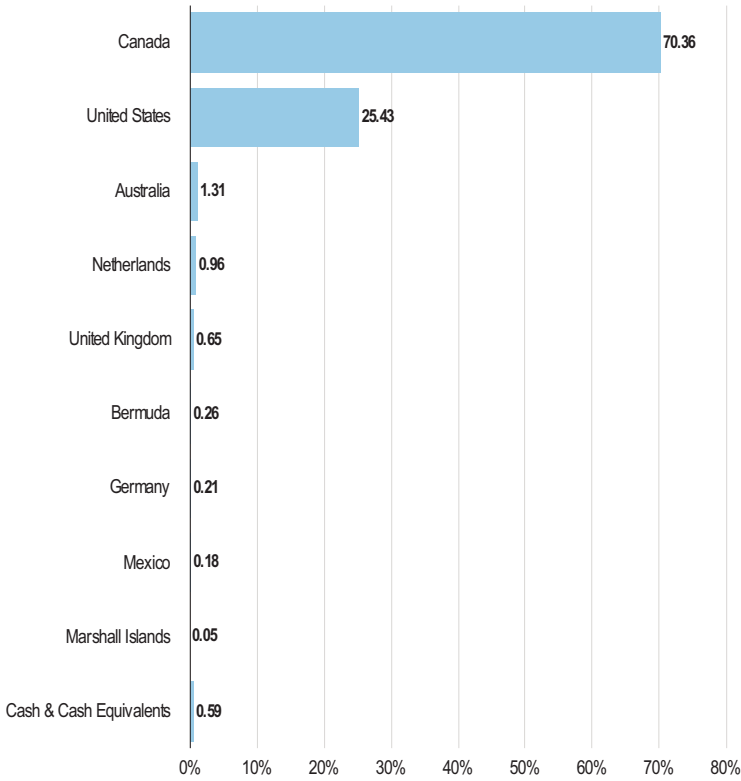
5. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice.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

8. 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^{6,9}

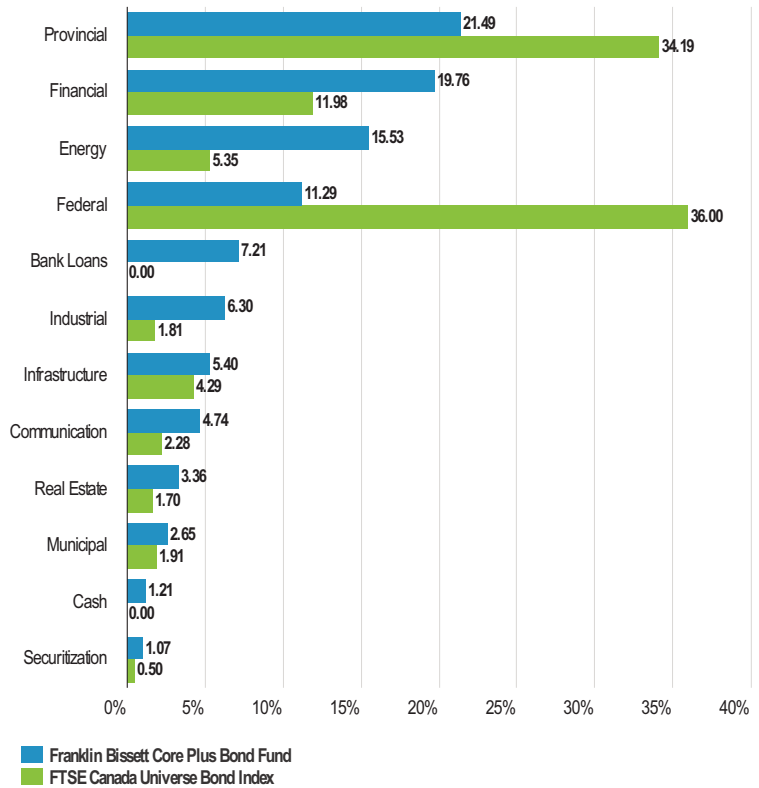
Geographic Allocation¹⁰

Market Value—Percent of Total



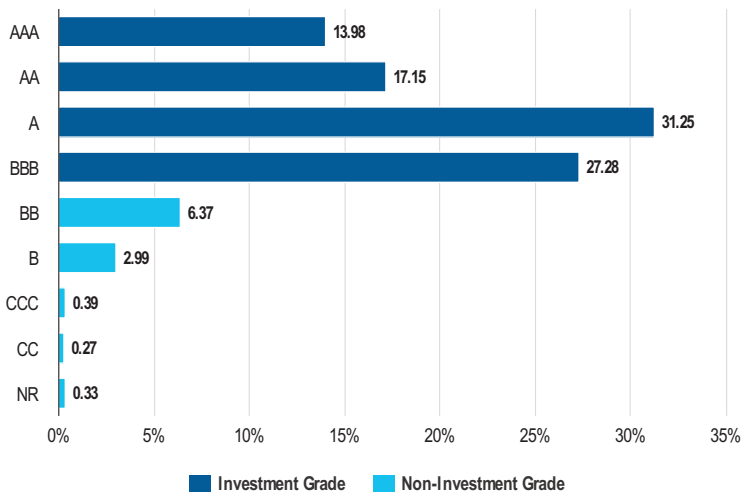
Sector Allocation vs. FTSE Canada Universe Bond Index¹⁰

Market Value—Percent of Total



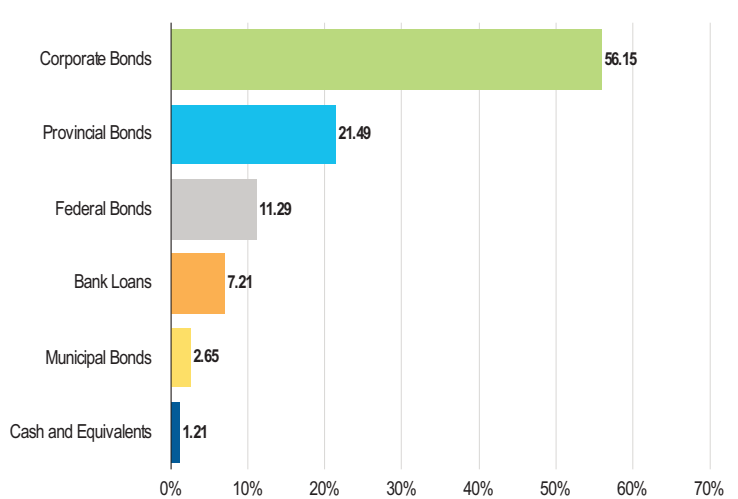
Credit Quality Allocation¹⁰

Market Value—Percent of Total



Asset Allocation¹⁰

Market Value—Percent of Total



9. 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

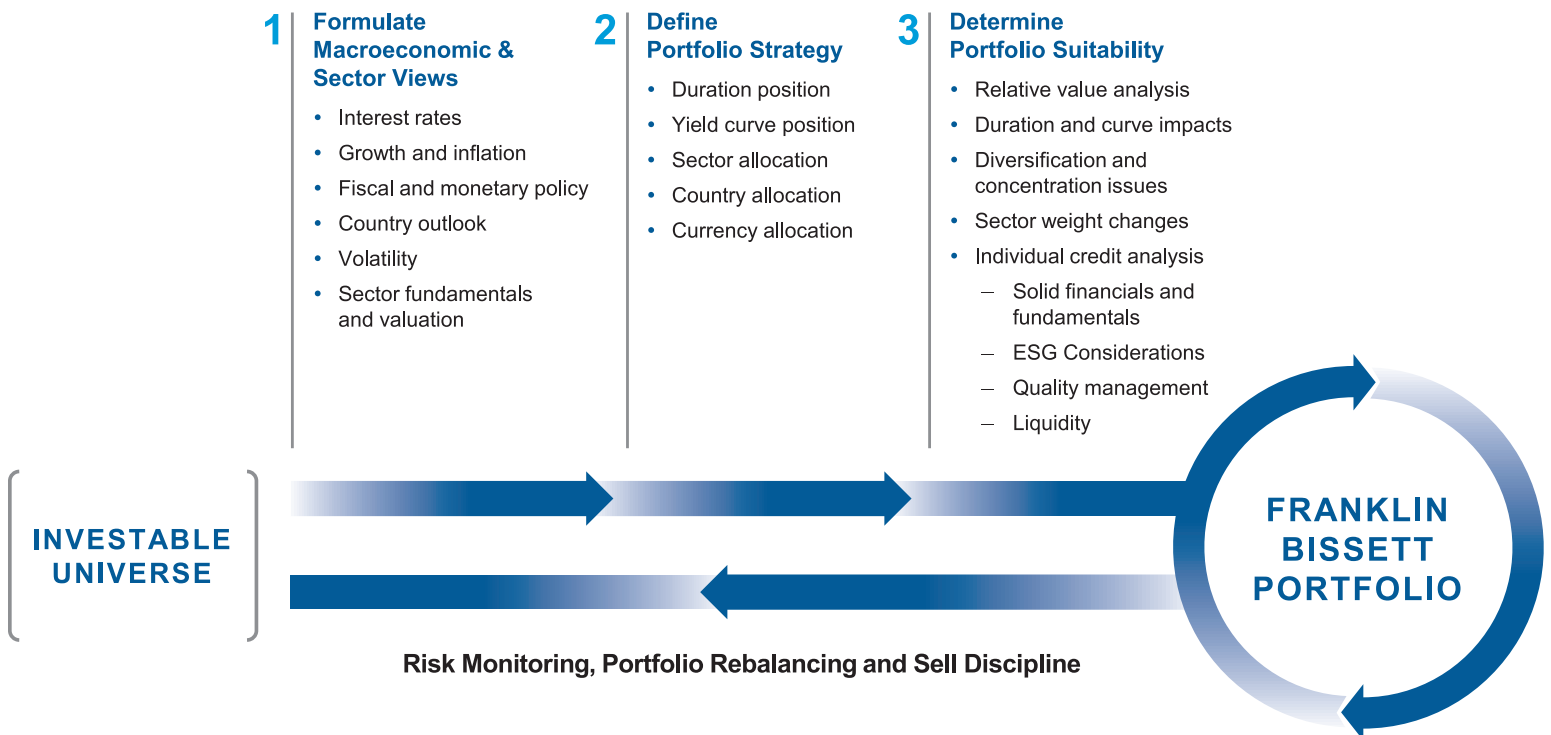
Supplemental Risk Statistics^{11,12}

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	3.42	3.64	3.49	4.67
Tracking Error (%)	1.45	1.27	1.11	1.44
Information Ratio	0.48	-0.11	0.06	-0.45
Beta	0.93	0.91	0.95	0.92
Sharpe Ratio	0.51	0.71	0.98	0.49

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Investment Philosophy and Process¹³

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



13. 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, Senior Vice President, Portfolio Manager	13	25
Thomas O'Gorman, CFA, Senior Vice President, Director of Fixed Income	8	29

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

12. 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 fund.

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: 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.

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 Fund then the figure will reflect the values of the underlying issues, based on the size of each holding.

Fund Codes¹⁴

	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 PA Front	TML5283
Series PA DSC	TML5285
Series PA Low Load	TML5284
Series PF	TML3815
Series PF ADM	TML5061

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.

Franklin Bissett Investment Management, part of Franklin Templeton Investments Corp.

Franklin Templeton Investments Canada is a business name used by Franklin Templeton Investments Corp.

6. Information is historical and may not reflect current or future portfolio characteristics. 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)

10. 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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