



# FRANKLIN TEMPLETON INVESTMENTS

## Franklin Bissett Canadian Balanced Fund

December 31, 2018

### Product Profile

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

|                        |                              |
|------------------------|------------------------------|
| Fund Assets            | \$816,068,440.40             |
| Fund Inception Date    | 09/06/1991                   |
| Base Currency          | CAD                          |
| Morningstar Category™  | Canadian Neutral<br>Balanced |
| Distribution Frequency | Annually                     |

#### Risk Classification<sup>2</sup>

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

#### Fund Description

The fund seeks a balance of current income and long-term capital appreciation by investing primarily in a portfolio of Franklin Bissett fixed-income and equity funds. The fund may also invest in foreign securities.

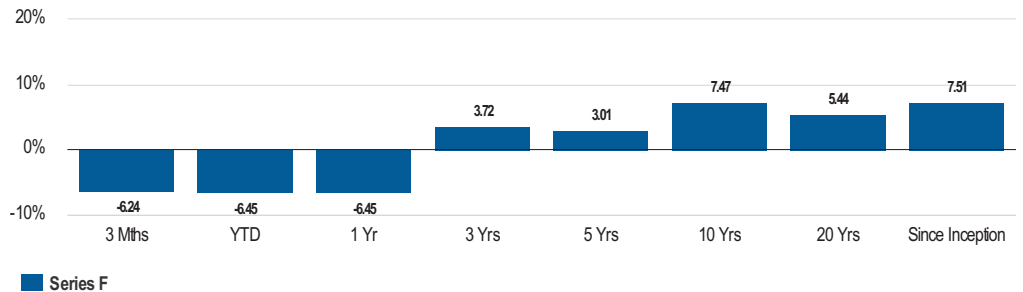
#### Performance Data

##### Average Annual Total Returns<sup>3</sup> (%)

|          | 3 Mths | YTD   | 1 Yr  | 3 Yrs | 5 Yrs | 10 Yrs | 20 Yrs | Since Inception<br>(09/06/1991) |
|----------|--------|-------|-------|-------|-------|--------|--------|---------------------------------|
| Series F | -6.24  | -6.45 | -6.45 | 3.72  | 3.01  | 7.47   | 5.44   | 7.51                            |

##### Management Expense Ratio (as of 06/30/2018 incl. HST)—1.08%

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.



##### Calendar Year Returns (%)

|          | 2018  | 2017 | 2016  | 2015  | 2014 | 2013  | 2012  | 2011  | 2010  | 2009  |
|----------|-------|------|-------|-------|------|-------|-------|-------|-------|-------|
| Series F | -6.45 | 5.87 | 12.68 | -2.32 | 6.41 | 17.83 | 11.15 | -0.03 | 11.78 | 21.03 |

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

Portfolio Manager Insight<sup>4</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

| HELPED | Global fixed income was the major bright spot during the quarter due to US-dollar strength.  |
|--------|--|
|        | Relative returns from US and Canadian larger-capitalization equities were strong.  |
|        | —  |
| HURT   | Weak relative returns from Canadian smaller-capitalization equities more than offset large-cap strength.                                     |
|        | The fund's underweighted position in Canadian fixed income weighed on relative returns.  |
|        | Security selection in Canadian fixed income was hurt as credit sectors underperformed, particularly subordinated bonds and preferred shares. |

## Outlook &amp; Strategy

- We continue to expect better long-term risk-adjusted returns from equities relative to fixed income. In the equity fund allocation, we continue to observe greater risk-adjusted return potential for smaller-capitalization equities and remain meaningfully overweight relative to the small-cap portion of the blended benchmark.
- Fixed income allocation remains slightly defensive with regard to duration. Credit valuations have improved significantly as spreads have widened. Nonetheless, we believe it is still prudent to overweight corporate credit, which offers less duration and, thanks to its extra spread, more cushion against interest rate volatility. We continue to prefer higher-quality assets at this late stage in the economic cycle.

Portfolio Diversification<sup>5</sup>Top Ten Holdings<sup>6</sup>

Percent of Total

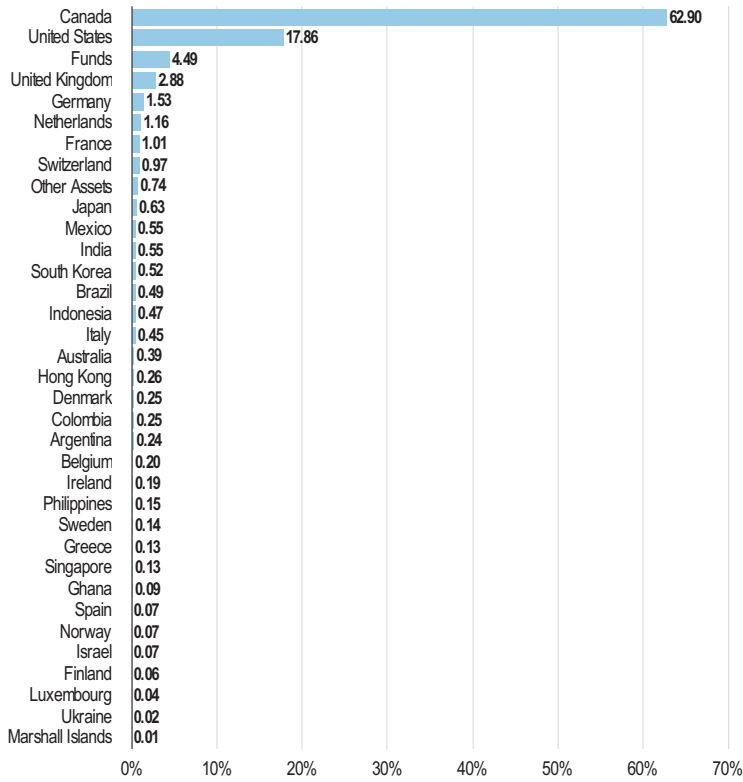
| Top Holdings                                    | %     |
|---|-------|
| FRANKLIN BISSETT CORPORATE BOND FUND            | 18.01 |
| FRANKLIN BISSETT CANADIAN EQUITY FUND           | 13.94 |
| FRANKLIN BISSETT MONTHLY INCOME AND GROWTH FUND | 8.47  |
| FRANKLIN BISSETT CORE PLUS BOND FUND            | 7.31  |
| FRANKLIN ACTIVEQUANT CANADIAN FUND              | 6.51  |
| FRANKLIN BISSETT MICROCAP FUND                  | 5.84  |
| FRANKLIN MUTUAL EUROPEAN FUND                   | 5.31  |
| TIT-TEMPLETON GLOBAL BOND FUND                  | 5.26  |
| FRANKLIN ACTIVEQUANT U.S. FUND                  | 5.22  |
| TEMPLETON EAFE DEVELOPED MARKETS FUND           | 5.08  |

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.

6. 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.

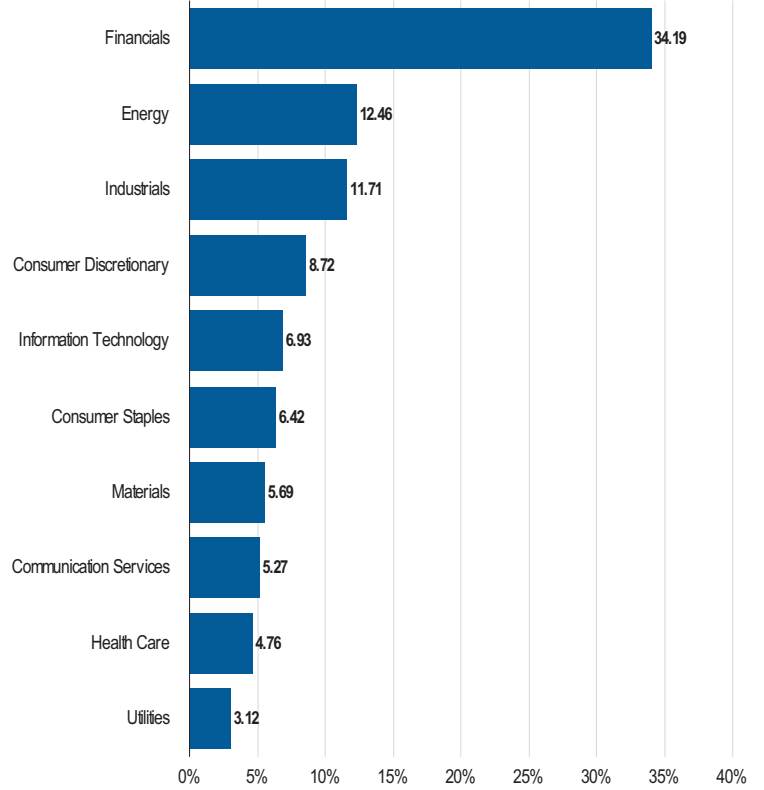
**Geographic Allocation<sup>7</sup>**

Market Value—Percent of Total



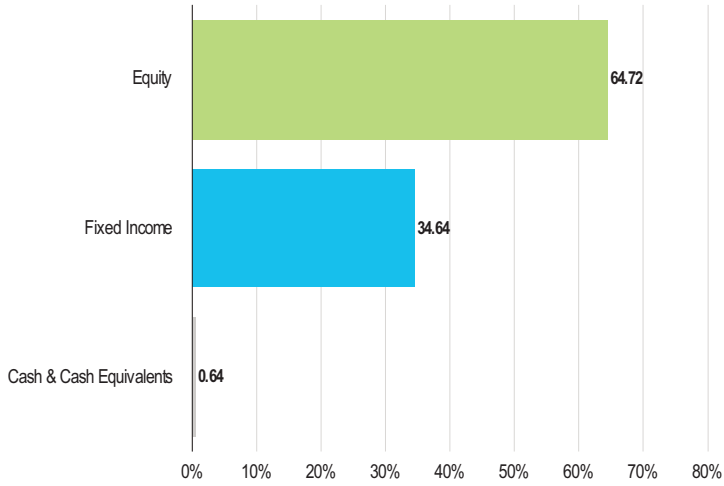
**Sector Allocation<sup>7</sup>**

Market Value—Percent of Total



**Asset Allocation<sup>7,5</sup>**

Market Value—Percent of Total



## Supplemental Performance Statistics

Supplemental Risk Statistics<sup>8,9</sup>

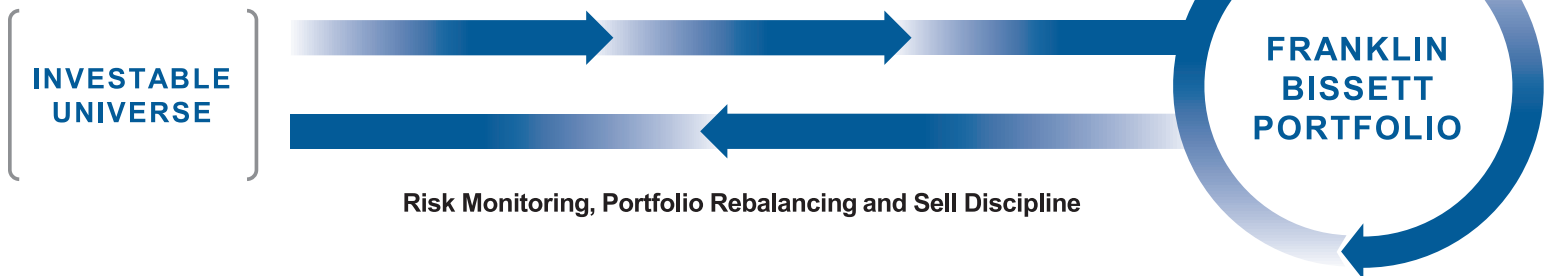
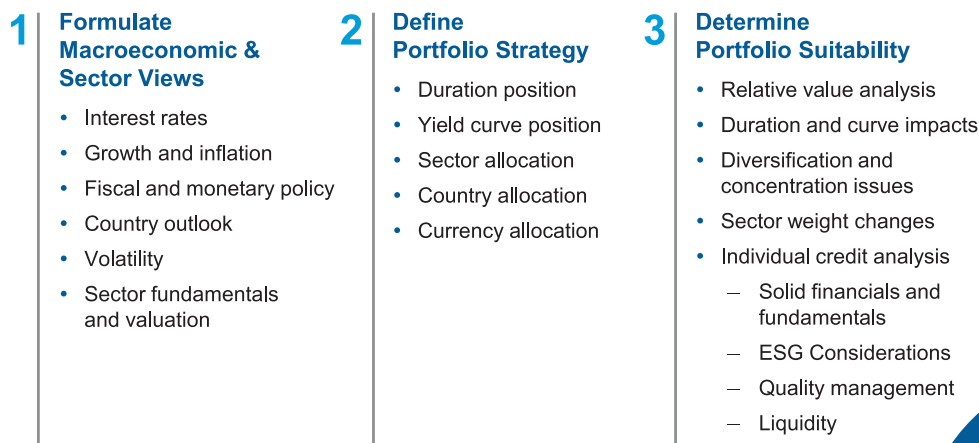
|                        | 3 Yrs | 5 Yrs | 10 Yrs | Since Inception |
|------------------------|-------|-------|--------|-----------------|
| Standard Deviation (%) | 5.05  | 5.21  | 6.60   | 7.24            |
| Tracking Error (%)     | 1.71  | 2.31  | 2.51   | 2.72            |
| Information Ratio      | -0.53 | -1.03 | 0.04   | -0.04           |
| Beta                   | 0.98  | 0.91  | 1.04   | 0.89            |
| Sharpe Ratio           | 0.58  | 0.43  | 1.01   | 0.61            |

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## Investment Philosophy and Process

## Fixed Income

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

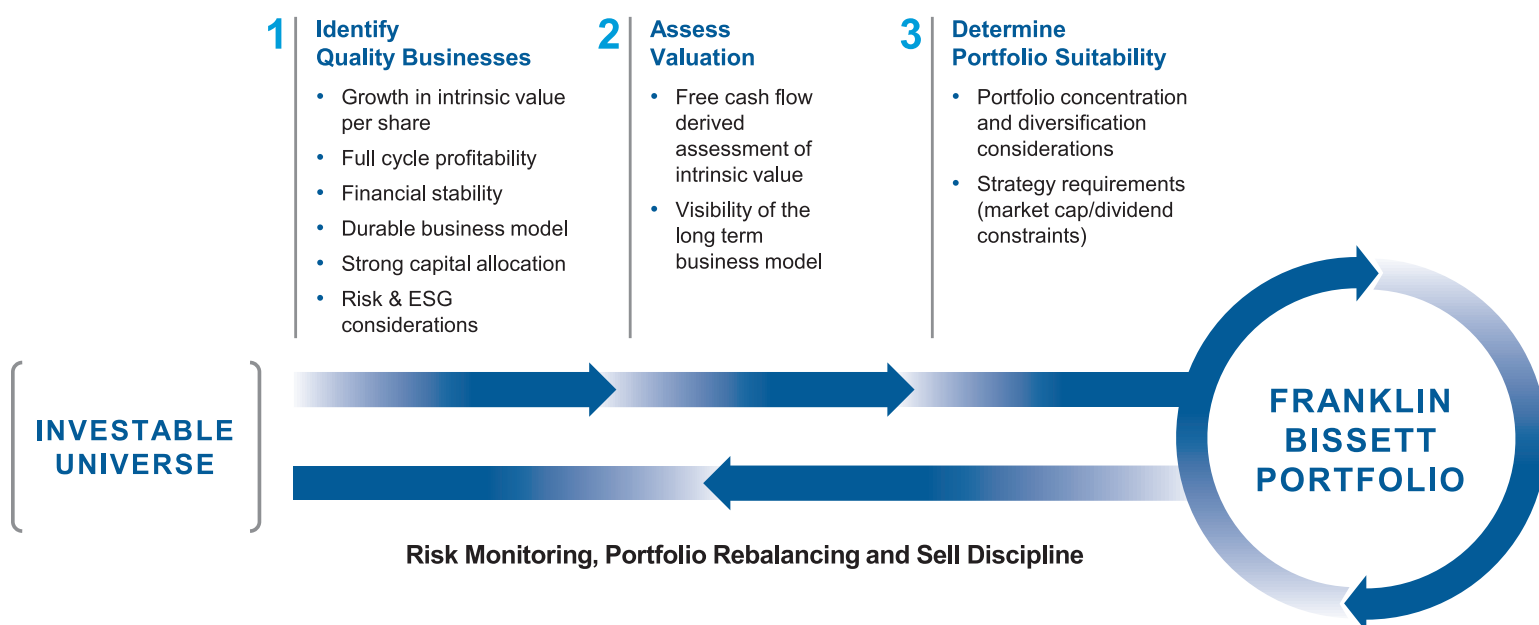


## Equity

1. Equity markets can be inefficient, particularly in the short term; price does not necessarily reflect intrinsic value
2. Sustained profitability and effective capital allocation drive intrinsic value growth
3. Achieving our performance objectives requires a high-conviction investment approach

8. Beta, Information Ratio and Tracking Error information are measured against the Custom Franklin Bissett Canadian Balanced Benchmark (non-time-linked).

9. 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).



The above charts are 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 |
|---|-----------------|------------------|
| Garey J. Aitken, CFA, Chief Investment Officer                        | 20              | 27               |
| Thomas O'Gorman, CFA, Senior Vice President, Director of Fixed Income | 8               | 29               |

## 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%.

**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.

Fund Codes<sup>10</sup>

|                    | Series<br>CAD | Corporate Class<br>CAD |
|--------------------|---------------|------------------------|
| Series A Front     | TML222        | TML2056                |
| Series A DSC       | TML322        | TML2058                |
| Series A Low Load  | TML597        | TML2057                |
| Series F           | TML252        | TML2059                |
| Series F ADM       | TML3987       | TML5133                |
| Series I           | TML272        | TML3750                |
| Series O           | TML130        | TML2060                |
| Series PA Front    | TML5256       | TML5250                |
| Series PA DSC      | TML5258       | TML5252                |
| Series PA Low Load | TML5257       | TML5251                |
| Series PF          | TML3884       | TML3751                |
| Series PF ADM      | TML5055       | TML5179                |
| Series PFT         | TML3885       | —                      |
| Series PFT ADM     | TML5118       | —                      |
| Series PT Front    | TML5259       | TML5253                |
| Series PT DSC      | TML5261       | TML5255                |
| Series PT Low Load | TML5260       | TML5254                |
| Series T Front     | TML298        | TML3167                |
| Series T DSC       | TML299        | TML3169                |
| Series T Low Load  | TML596        | TML3168                |

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.

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.

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

5. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

7. 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  
INVESTMENTS**

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