MONTHLY REVIEW AND STRATEGY

FRANKLIN QUOTENTIAL PORTFOLIOS

November 30, 2020

The following commentary is based on Franklin Quotential Balanced Growth Portfolio.[1]

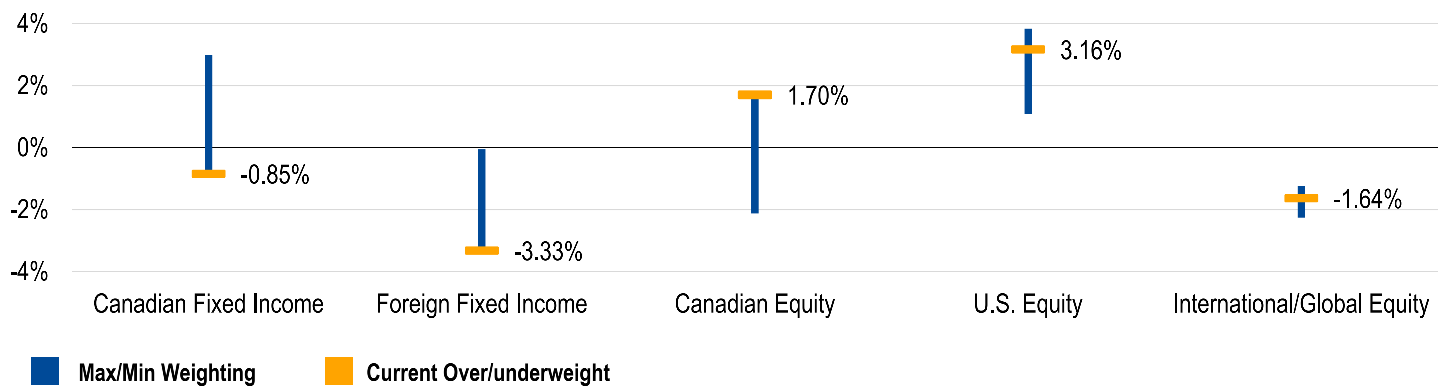
MARKET REVIEW

- Global equity prices made robust gains in November, as positive developments in the search for a viable COVID-19 vaccine bolstered market sentiment. Hopes of an economic recovery helped cyclical stocks to lead gains, particularly in developed markets, as investors preferred sectors such as financials, while the US dollar generally weakened against its major counterparts. Emerging markets (EMs) also rose, led by Latin America and Europe.
- Canadian equities rose in November, as value stocks did better than their growth counterparts. Small-cap equities also outperformed the broader market. The Canadian dollar strengthened against the US dollar, hurting returns from US investments.
- Yields on Canadian government bonds were broadly flat in November, while yields on 10-year US Treasuries fell due to uncertainty around ongoing fiscal stimulus. Canadian provincial and corporate bonds rose in November on improving risk appetite, particularly longer-dated issues, while global credit also posted gains, in local currency terms.

FORWARD-LOOKING INVESTMENT STRATEGY: INFLATION EXPECTATIONS BEGINNING TO NORMALISE

- We have improved our outlook on global equities as the ongoing threat of COVID-19 recedes in the face of effective vaccines. Rising market sentiment and an increased risk appetite among investors influences our positioning, although we remain cautious about short-term headwinds to economic growth. Any sustained recovery still depends on a broad and coordinated policy response from major governments and central banks.
- Regionally, we remain constructive on US equities and have become more optimistic towards Japan and China. We believe substantial exposure to technology in the US will continue to sustain markets, despite the robust performance of cyclical stocks in November, while fiscal stimulus measures should be maintained. Japan's cyclical economy is well placed to benefit from a global recovery, while China's economy continues to outstrip other EM countries, despite persistent trade tensions. We have renewed our caution towards Canadian equities, reflecting fading fiscal support as COVID-19 concerns continue.
- We are becoming less constructive on developed-market government bonds, as we improve our outlook for equities in line with a more risk-oriented approach. Within this asset class, we prefer European bonds, which should receive further support from the European Central Bank and are likely, in our view, to perform better than other regions if global yields move lower in any short-term downturn. We also see Japanese government bonds as a good defensive portfolio diversifier, since yields should remain relatively low in any rising yield environment that accompanies a global recovery.
- Within credit, we have improved our outlook on high-yield bonds, which now provide adequate reward for the risk taken, in our view, despite recent spread narrowing. Improving underlying fundamentals, alongside a general risk-on environment, support high-yield debt, while the attractiveness of investment-grade credit has been lessened by the accumulation of debt on corporate balance sheets.
- We are more constructive on EM debt as a diversifier and a source of yield. We believe local-currency sovereign issues should benefit from foreign demand during a period of extended US dollar weakness, linked to improving risk appetite in global markets. Exchange rate risks are balanced by attractive relative valuations, although selective positioning is important, leading us to prefer Asian issues.
- Elsewhere, we see alternatives such as commodities and US Treasury Inflation-Protected Securities (TIPS) as important diversifiers and a hedge against the potential for rising inflation.

TACTICAL POSITIONING[2]



1. Franklin Quotential Balanced Growth Portfolio's blended benchmark consists of 28% FTSE Canada Universe Index (Canadian fixed income), 12% Bloomberg Barclays Multiverse Hedged Index (foreign fixed income), 15% S&P/TSX Composite TR Index (Canadian equity), and 45% MSCI AC World Index (international/global equity).

2. Includes emerging markets. Reported changes in asset class weightings may be influenced by both buy/sell decisions as well as fluctuations in asset values. The percentage number and solid orange line represent the current under/overweighting. Blue line represents the over/underweighting minimum and maximum over the last 12 months.

TRADES

- We increased our allocation to equities during November, in line with recommendations from our investment committee. Within equities, we increased our position in Templeton Emerging Markets Fund and reduced our holding in Franklin Emerging Markets Core Fund, to reduce overall style risk.

RESULTS OF POSITIONING

- An overweight allocation to equities, alongside an underweight to fixed income, added relative value, although cash detracted during a "risk-on" period for markets
- Equity selection detracted from relative results across all regions. Franklin US Core Equity Fund hurt results, suffering from selection within the industrials and information technology sectors, while Franklin International Core Equity Fund also detracted, suffering from selection within the financials and health care sectors.
- In contrast, fixed income fund selection added value, benefiting from exposure to corporate bonds as global risk appetite increased.

PERFORMANCE VS. MORNINGSTAR PEERS[3] as of November 30, 2020

Fund Name (Series F)	3 Months	YTD	1Y	3Y*	5Y*	10Y*	Since Inception*	Inception Date
Franklin Quotential Diversified Income Portfolio	**1.83**	**7.23**	**6.79**	**4.33**	**4.29**	**5.08**	**5.32**	**23-Jun-08**
Global Fixed Income Balanced Category	2.40	5.51	5.62	3.90	4.15	4.70	4.46	
Percentile Rank	76	21	23	36	39	37		
Category Size	795	768	768	628	354	146		
Franklin Quotential Balanced Income Portfolio	**2.52**	**7.61**	**7.37**	**4.73**	**4.78**	**5.73**	**5.82**	**19-Aug-02**
Global Fixed Income Balanced Category	2.40	5.51	5.62	3.90	4.15	4.70	4.58	
Percentage Rank	41	13	17	24	25	10		
Category Size	795	768	768	628	354	146		
Franklin Quotential Balanced Growth Portfolio	**3.13**	**7.83**	**7.83**	**4.94**	**5.21**	**6.33**	**6.17**	**19-Aug-02**
Global Neutral Balanced Category	3.50	5.78	6.01	4.77	5.44	6.10	5.13	
Percentage Rank	62	26	27	43	50	38		
Category Size	1,640	1,591	1,588	1,351	978	400		
Franklin Quotential Growth Portfolio	**3.78**	**7.98**	**8.25**	**5.19**	**5.58**	**6.97**	**5.93**	**19-Aug-02**
Global Equity Balanced Category	4.29	5.89	6.39	4.88	5.93	6.72	5.39	
Percentage Rank	71	30	32	48	58	51		
Category Size	1,243	1,214	1,214	1,015	766	321		
Franklin Quotential Diversified Equity Portfolio	**4.49**	**11.73**	**12.53**	**7.40**	**7.05**	**8.95**	**7.13**	**9-Jun-03**
Global Equity Category	5.68	9.19	10.18	6.89	7.84	9.70	6.75	
Percentage Rank	67	30	31	37	54	56		
Category Size	2,113	2,043	2,043	1,610	1,077	519		

1st Quartile | 2nd Quartile | 3rd Quartile | 4th Quartile

3. © 2020 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Morningstar percentile rankings measure risk-adjusted returns. The Morningstar ranking for funds is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. Please refer to www.morningstar.ca for more details on the calculation of Morningstar Risk-Adjusted Ratings.

Regional equity/bond returns are based on the following indices: S&P/TSX Composite, S&P 500, MSCI Emerging Markets, MSCI AC World ex. USA, Credit Suisse High Yield, Barclays Multiverse–Hedged and FTSE Canada Universe. All Portfolio commentary herein is based on Franklin Quotential Balanced Growth Portfolio, used as a proxy for the entire Program. Over/underweights and portfolio outperformance are based on Franklin Quotential Balanced Growth Portfolio's blended benchmark, For full custom benchmark history, please refer to our website.

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. The gross of fees version of Series F does not exist and as a result, investors cannot purchase Series F securities on a gross of fees basis. Performance would have been lower with fees taken into account

The information presented herein is considered reliable at the present time, however, we do not represent that it is accurate or complete, or that it should be relied upon as such. Speculation or stated beliefs about future events, such as market and economic conditions, company or security performance, upcoming product offerings or other projections represent the beliefs of the speaker/author and do not necessarily represent the views of Franklin Templeton. General business, market, economic and political conditions could cause actual results to differ materially from what the speaker presently anticipates or projects. The information presented is not a recommendation or solicitation to buy or sell any securities. Franklin Templeton and Franklin Templeton Canada are business names used by Franklin Templeton Investments Corp. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and fund facts documents before investing. 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 securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

FRANKLIN TEMPLETON

Franklin Templeton Canada
200 King Street, Suite 1500
Toronto, ON M5H 3T4
tel (800) 387-0830
fax (866) 850-8241
www.franklintempleton.ca