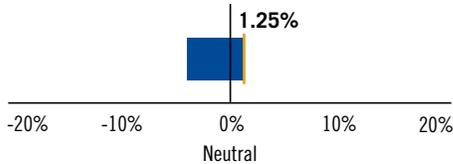


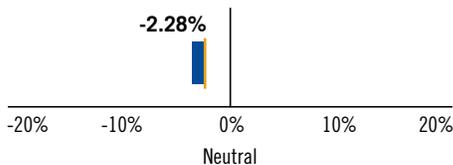
The following commentary is based on Franklin Quotential Balanced Growth Portfolio.<sup>1</sup>

## TACTICAL POSITIONING

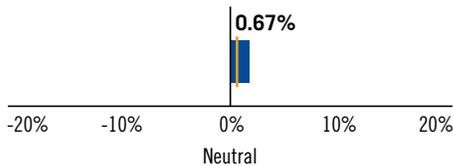
### DOMESTIC FIXED INCOME



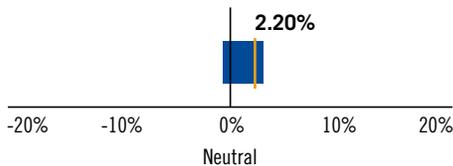
### FOREIGN FIXED INCOME



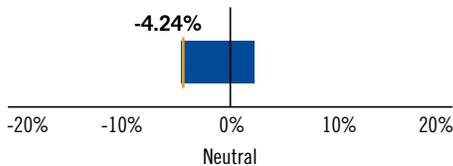
### CANADIAN EQUITY



### US EQUITY



### INTERNATIONAL/GLOBAL EQUITY\*



## MARKET REVIEW

- Global equity markets generally advanced in April 2019, supported by the accommodative policies of major central banks and better-than-expected economic data from the United States, China and the eurozone.
- Meanwhile, the International Monetary Fund cited the effect of higher tariffs on trade as it downgraded its outlook for world economic growth in 2019 to the lowest level since 2009.
- The Bank of Canada kept interest rates unchanged in March, and the accompanying statement was taken to imply no increases in the foreseeable future.

## FORWARD-LOOKING INVESTMENT STRATEGY: SOFTENING GROWTH MERITS SOME CAUTION

- On a global level, inflation expectations remain a hot topic of conversation. Central banks the world over seem to be revealing that they are concerned about such developments. In the United States, survey measures of longer-term expectations have fallen back to historical lows, dipping to levels last seen in late 2016.
- Economic growth in many regions remains fairly tepid, and macro concerns such as trade agreements remain in play. We lowered our view of Canadian equity during the month, in part due to slowing growth and inflation, continued headwinds for commodities and muted growth for domestic banks.
- However, we do not see a high probability of imminent global recession. We still recognise the longer-term attractions of stocks and the value in certain segments, including emerging markets.

## TRADES

- We sought to reduce the overall small-capitalisation (cap) bias in equity and tracking to focus on more large-cap names. In April, we reduced our allocation to Canadian small-cap stocks.

1. Franklin Quotential Balanced Growth Portfolio's blended benchmark consists of: 30% FTSE Canada Universe Index (fixed income), 10% Bloomberg Barclays Multiverse Hedged Index (fixed income), 20% S&P/TSX Composite TR Index (Canadian equity), and 40% MSCI AC World Index.

\*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 black line represent the current under/overweighting. Shaded area represents the over/underweighting minimum and maximum over the last 12 months.

## RESULTS OF POSITIONING

- The fund was modestly underweight fixed income relative to the benchmark. We believe investors may be overly pessimistic by pricing in a more significant slowdown and too dovish central banks. This underweight bond exposure benefitted relative performance.
- We see opportunity in emerging-market bonds, and in maintaining some exposure to corporate bonds. Our underlying bond funds were net contributors, in large part due to these bond sectors.
- Although our modest US equity overweight strengthened results, these contributions were more than offset by detractive positioning in underlying funds, particularly funds with a value or quality tilt. In terms of investment style, US growth stocks generally led their value-oriented counterparts, which served as a headwind for a few underlying US funds.

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 Programme. Over/underweights and portfolio outperformance are based on Franklin Quotential Balanced Growth Portfolio's blended benchmark, consisting of: 30% FTSE Canada Universe Index (fixed income), 20% S&P/TSX Composite Total Return Index (Canadian equity), 40% MSCI All Country World Index (10.4% International/Global equity, and 13.6% US equity), and 10% Barclays Multiverse Hedged Index. Reported changes in asset class weightings may be influenced by both buy/sell decisions as well as fluctuations in asset values. The historical annualised rates of return for the Franklin Quotential Portfolios, as at 30 April 2019 are: Diversified Income – Series T, 1 year 3.62%, 3 years 3.17%, 5 years 2.66%, 10 years 5.37% and 4.61% since inception (Feb. 17/03); Balanced Income – Series A, 1 year 3.42%, 3 years 4.15%, 5 years 3.60%, 10 years 5.94% and 4.61% since inception (Aug. 19/02); Balanced Growth – Series A, 1 year 3.44%, 3 years 5.12%, 5 years 4.14%, 10 years 6.82% and 4.96% since inception (Aug. 19/02); Growth – Series A, 1 year 3.59%, 3 years 6.19%, 5 years 4.85%, 10 years 7.58% and 4.69% since inception (Aug. 19/02); Diversified Equity – Series A, 1 year 4.80%, 3 years 8.21%, 5 years 6.17%, 10 years 8.68% and 5.70% since inception (Jun. 09/03).

*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 Investments Canada. 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 Investments Canada is a business name 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.*



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