



# Franklin Bissett Canadian Bond Fund

Canadian Fixed Income

December 31, 2018

Franklin Bissett

## Fund Overview<sup>4</sup>

|                       |  |
|-----------------------|--|
| Total Net Assets      | \$394,416,623 <sup>1</sup>                   |
| Inception Date        | Series A: 01/05/2018<br>Series F: 01/05/2018 |
| Number of Holdings    | 172  |
| Morningstar Category™ | Canadian Fixed Income                        |
| Benchmark             | FTSE Canada Universe Bond Index              |

## Investment Objective & Strategy

The fund seeks to provide current income, liquidity and some long-term capital appreciation by investing primarily in a diversified portfolio of Canadian government and corporate debt securities. The fund may invest a portion of its assets in real return bonds, mortgage-backed securities, preferred shares and in Canadian dollar denominated debt issued by foreign governments and corporations.

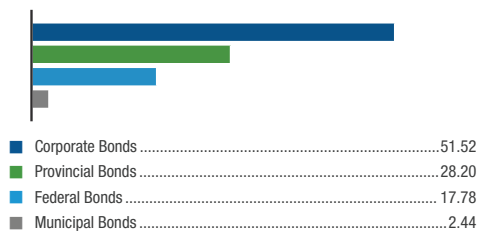
## Fund Management

|                 |                              |
|-----------------|------------------------------|
| Thomas O'Gorman | 29 Years, Calgary, AB Canada |
| Darcy Briggs    | 25 Years, Calgary, AB Canada |
| Brian A. Calder | 20 Years, Calgary, AB Canada |

## Risk Classification

|     |               |        |                |      |
|-----|---------------|--------|----------------|------|
| Low | Low to Medium | Medium | Medium to High | High |
|-----|---------------|--------|----------------|------|

## Asset Allocation (% Market Value)<sup>5</sup>



## Fund Codes

|                    | Fund    |      | Corp Class |      |
|--------------------|---------|------|------------|------|
|                    | CDN\$   | US\$ | CDN\$      | US\$ |
| Series A Front     | TML3978 |      |            |      |
| Series A DSC       | TML3980 |      |            |      |
| Series A Low Load  | TML3979 |      |            |      |
| Series F           | TML3981 |      |            |      |
| Series F ADM       | TML3988 |      |            |      |
| Series O           | TML3385 |      |            |      |
| Series PA Front    | TML5662 |      |            |      |
| Series PA DSC      | TML5664 |      |            |      |
| Series PA Low Load | TML5663 |      |            |      |
| Series PF          | TML3982 |      |            |      |
| Series PF ADM      | TML5056 |      |            |      |

<sup>1</sup> Please see detailed definitions on the last page.

<sup>2</sup> The Fund distributes any realized net capital gains annually in December and may make distributions at other times during the year.

<sup>3</sup> Sources: S&P and Moody's. Cash includes equivalents, which may be rated.

<sup>4</sup> Figures shown for Yield to Maturity, Weighted Average Maturity, Duration, Duration to Worst and Yield to Worst reflect certain derivatives held in the portfolio (or their underlying reference assets).

<sup>5</sup> Market value figures reflect the trading value of the investments, may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

## REASONS TO INVEST IN THIS FUND:

- **Core high quality Canadian fixed income allocation.** The Fund provides access to fixed income diversification by sector, industry, issuer and maturity. The Fund invests 100% in high-quality bonds with an overweight to credit securities for added longer-term value.
- **Steady flow of income.** The Fund is focused on total return with an emphasis on sustainable and attractive monthly income distributions.
- **A complement to other asset classes.** In addition to generating stable income, a Canadian fixed income allocation complements Canadian, foreign equity and foreign fixed income holdings in its low correlation to these asset classes.

## Performance

### Compounded Returns in Canadian Dollars (%)

|                       | YTD | 1 Mo | 3 Mo | 6 Mo | 1 Year | 3 Years | 5 Years | 10 years | Since Inc <sup>^</sup> |
|-----------------------|-----|------|------|------|--------|---------|---------|----------|------------------------|
| Series A              | n/a | n/a  | n/a  | n/a  | n/a    | n/a     | n/a     | n/a      | n/a                    |
| Series F <sup>‡</sup> | n/a | n/a  | n/a  | n/a  | n/a    | n/a     | n/a     | n/a      | n/a                    |

<sup>^</sup> Series inception date

<sup>‡</sup> 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.

As this fund is less than 1 year old, securities regulations prevents us from disclosing its performance.

### Top Holdings (% Market Value)<sup>5</sup>

|   |      |
|---|------|
| PSP Capital Inc., Senior Note, 3.29%, 4/04/24   | 4.65 |
| Province of Manitoba, 4.40%, 9/05/25  | 2.96 |
| Province of New Brunswick, 4.55%, 3/26/37   | 2.53 |
| TransCanada PipeLines Limited, Senior Note, 8.29%, 2/05/26                                  | 2.50 |
| Province of Alberta, 3.90%, 12/01/33  | 2.47 |
| Province of Ontario, 5.60%, 6/02/35   | 2.42 |
| Province of Ontario, 3.15%, 6/02/22   | 2.16 |
| Sun Life Capital Trust II, Senior Sub. Note, 5.863% to 12/31/19, FRN thereafter, 12/31/2108 | 1.96 |
| PSP Capital Inc., Senior Note, Reg S, 3.00%, 11/05/25                                       | 1.91 |
| Labrador-Island Link Funding Trust, 144A, 3.76%, 6/01/33                                    | 1.89 |

### Fund Facts<sup>4</sup>

|                                      |   |
|--------------------------------------|---|
| Price per Unit (Series A)            | \$9.64                                    |
| Yield to Maturity <sup>1</sup>       | 3.50%                                     |
| Average Weighted Maturity            | 10.0 Years                                |
| Average Duration                     | 7.3 Years                                 |
| Duration to Worst                    | 7.4 Years                                 |
| Portfolio Turnover Rate (06/30/2018) | 81.52%                                    |
| MER (06/30/2018 incl. HST)           | A: 1.30%<br>F: 0.73%                      |
| Yield to Worst <sup>1</sup>          | 3.27%                                     |
| Distributions                        | Interest income paid monthly <sup>2</sup> |

## Composition of Fund

### Top Country Weightings (% Market Value)<sup>5</sup>

|                         |       |
|-------------------------|-------|
| Canada                  | 91.14 |
| United States           | 5.39  |
| United Kingdom          | 1.31  |
| Australia               | 1.15  |
| Belgium                 | 0.85  |
| Germany                 | 0.05  |
| Netherlands             | 0.05  |
| Cash & Cash Equivalents | 0.07  |

### Bond Ratings (% Market Value)<sup>3</sup>

|     |       |                         |       |
|-----|-------|-------------------------|-------|
| AAA | 19.13 | BBB                     | 19.79 |
| AA  | 24.36 | Cash & Cash Equivalents | 0.07  |
| A   | 36.65 |                         |       |

### Series A Distribution History

| Date       | Price  | Distr. | Date       | Price  | Distr. |
|------------|--------|--------|------------|--------|--------|
| 01/31/2018 | \$9.90 | \$0.03 | 07/31/2018 | \$9.73 | \$0.03 |
| 02/28/2018 | \$9.88 | \$0.03 | 08/31/2018 | \$9.80 | \$0.03 |
| 03/29/2018 | \$9.92 | \$0.03 | 09/28/2018 | \$9.66 | \$0.04 |
| 04/30/2018 | \$9.81 | \$0.03 | 10/31/2018 | \$9.57 | \$0.03 |
| 05/31/2018 | \$9.84 | \$0.03 | 11/30/2018 | \$9.60 | \$0.03 |
| 06/29/2018 | \$9.85 | \$0.04 | 12/20/2018 | \$9.66 | \$0.06 |

**Disclaimers**

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. The indicated rates of return are historical annual compounded total returns including changes in 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. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The portfolio manager for a Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list. Series T distributions are automatically reinvested unless otherwise requested. Series T may also pay a distribution that must be reinvested in December, consisting of income and capital gains. Please indicate your preference to receive cash flow immediately on the application form. Fund AUM reported may include fund-on-fund holdings, and assets are therefore reflected in both the top fund and underlying fund AUM. The 'Supranational' geographic designation refers to international financial institutions whereby member states transcend national boundaries and issue debt securities on behalf of the group as a whole.

Beginning in October 2016, investors switching between Corporate Class funds may trigger a capital gain or loss at the time of the switch due to certain changes in the federal government's 2016 budget proposal.

Ratings without cash, Market Value or Notional Exposure: Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The NR category consists of ratable securities that have not been rated by an NRSRO. The N/A category consists of nonratable securities (e.g., equities). Cash and equivalents are excluded from this breakdown.

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**Glossary**

**Dividend Yield** of a stock is the total amount of dividend per share paid over the previous 12 months, divided by its current price. The dividend yield of a mutual fund is the market-weighted average of the dividend yields of all the stocks in the portfolio. This measure is gross of fees.

**Weighted Yield** (Internal Yield) is a blended measure used for balanced funds, the internal yield is the market-weighted average of the Yield to Maturity of the fund's fixed income component and the Dividend Yield of the fund's equity component. This measure is gross of fees.

**Yield to Maturity** (YTM) is a long-term yield expressed as an annual rate. A bond's YTM is the rate of return anticipated if one assumes the bond is held until its maturity date and all the coupons paid by the bond are reinvested at the same rate of return as the coupons. The calculation takes into account the current market price, par value, coupon interest rate and time to maturity. The YTM of a bond fund is the market-weighted average of the YTM's of all the bonds in the portfolio.

**Yield to Worst** (YTW) of a bond is the yield to maturity if the worst possible bond repayment takes place. If market yields are higher than the coupon, the YTW would assume no prepayment. If market yields are below the coupon, the YTW would assume prepayment. The YTW of a fund is the market-weighted average of the YTW's of all the bonds in the portfolio. This measure is gross of fees and excludes yield on cash.



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