



FRANKLIN TEMPLETON
INVESTMENTS

December 31, 2017

Annual Management Report of Fund Performance



This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. If you have not received a copy of the annual financial statements with this report, you can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.387.0830, by writing to us at 5000 Yonge Street, Suite 900, Toronto ON M2N 0A7, or by visiting our website at www.franklintempleton.ca or SEDAR at www.sedar.com. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT REPORT OF FUND PERFORMANCE

Co-Lead Manager

Garey J. Aitken, CFA, MBA

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

Industry Experience: 25 years

Location: Calgary, AB

Co-Lead Manager

Jason Hornett, CFA

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

Industry Experience: 22 years

Location: Calgary, AB

Co-Lead Manager

Izabel Flis, CFA

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

Industry Experience: 16 years

Location: Calgary, AB

INVESTMENT OBJECTIVE AND STRATEGIES

Franklin ActiveQuant U.S. Fund (the “Fund”) seeks long-term capital appreciation by investing primarily in a diversified portfolio of US securities.

The Fund invests in US securities that are carefully selected based on a quantitative approach, using a predetermined quantitative screening model that identifies securities based on different selection criteria chosen by the portfolio advisor (the “portfolio manager”). The model incorporates a mix of various historical and projected financials and stock market data.

RISK

The risks of investing in the Fund remain as stated in the prospectus. The Fund is suitable for investors willing to accept medium investment risk, seeking a core US equity fund that employs a quantitative investment strategy and who are planning to hold their investment for the medium to long term.

RESULTS OF OPERATIONS

As at December 31, 2017, total net asset value of the Fund was \$181.5 million, a decrease of 4.3% from December 31, 2016. This was primarily driven by \$29.6 million in net redemptions and partially offset by an increase of \$21.5 million in net assets from operations.

For the performance period from the inception date of June 9, 2017, to December 31, 2017, the Fund’s Series A units generated total returns of 2.3%. Over the same time period, the Fund’s benchmark, the S&P 500 Total Return Index (the “Index”), returned 3.8%. The performance of the Fund’s other series is similar to that of its Series A units, except for differences in expense structure. For the return of the Fund’s other series (if applicable), please refer to the “Past Performance” section.

The Fund underperformed the Index during the reporting period, mainly due to negative security selection effect in the Information Technology, Consumer Discretionary and Utilities sectors.

In Information Technology, the Fund experienced negative selection effect. Western Digital Corp. and International Business Machines Corp. lagged during the year, returning approximately 12% and -10%, respectively. The Fund added Facebook Inc., which underperformed during its holding period. Relative performance was also negatively impacted by not owning Nvidia Corp. and PayPal Holdings Inc., which gained 70% and 75%, respectively.

In Consumer Discretionary, the Fund incurred negative selection effect. The Walt Disney Co., which was added during the year, and Time Warner Inc. both underperformed. Relative performance was also diminished by not owning Amazon.com Inc. and The Home Depot Inc., which advanced 46% and 35%, respectively.

In the Utilities sector, the Fund experienced a negative security selection effect, as well as a negative sector allocation effect, due to its overweighting in this underperforming sector. PG&E Corp. declined by 36% in 2017, due to fourth-quarter concerns over liability for a large wildfire in California. In contrast, the Fund’s holdings in NextEra Energy Inc. enjoyed a strong year, with a 25% return.

However, in the Energy sector, the Fund benefitted from a positive sector allocation effect due to its underweighting in this underperforming sector. Relative performance was aided by not owning Schlumberger Ltd., Chevron Corp. and Anadarko Petroleum Corp., which returned -23%, 4% and -28% during the year.

Income received from investments held, excluding net realized and/or unrealized gain (loss) on investments and derivatives, decreased due to the results of the Fund’s investment activities, including, but not limited to, those previously discussed for the period in review.

RECENT DEVELOPMENTS

The portfolio manager is comfortable with the Fund’s current positioning going into 2018. The portfolio manager believes that after strong equity returns in 2017, market returns in 2018 will be influenced by the recent federal tax changes and expectations for ongoing interest rate increases by the US Federal Reserve. The Fund has recently added exposure to the Energy sector, as this group has finally started to look more attractive after several years of disappointing results.

FORWARD-LOOKING STATEMENTS

Investors should take note that certain statements in this report about a fund, including its strategy and expected future performance, are forward-looking. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate” or other similar expressions. Any statement that is made concerning future strategies or performance is also a forward-looking statement. Statements that look

forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements.

The forward-looking statements are by their nature based on numerous assumptions, which include, amongst other things, that (i) the Fund can attract and maintain investors and has sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the portfolio manager, and (iii) the markets will react and perform in a manner consistent with the investment strategies. Although the forward-looking statements contained herein are based upon what the portfolio manager believes to be reasonable assumptions, the portfolio manager cannot assure that actual results will be consistent with these forward-looking statements.

Forward-looking statements are not guarantees of future performance. Any number of factors could contribute to differing results, including, among other things, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings and catastrophic events. This list of factors is not exhaustive. Investors should not place undue reliance on forward-looking information and should be aware that the Fund may not update any forward-looking statements, whether as a result of new information, future events or otherwise.

RELATED PARTY TRANSACTIONS

The Manager is an indirect wholly-owned subsidiary of Franklin Resources, Inc., a global investment management organization known as Franklin Templeton Investments. The Manager is the manager, registrar and transfer agent and a principal distributor of the Fund. The Manager provides or arranges for the provision of these services for day-to-day Fund operations, including the marketing, promotion and distribution of the Fund and portfolio advisory services. In consideration of these management and portfolio advisory services, the Fund pays the Manager a monthly management fee plus applicable taxes, based on the average net asset value of each series of the Fund (except Series O and OT, as applicable), calculated daily, as set out under Management Fees below. During the year ended December 31, 2017, the Fund paid management fees of \$3,000.

Franklin Templeton Services, LLC (FTS) provides fund accounting and portfolio valuation services in connection with the Fund, and provides certain back office administration services to the Manager. As part of its agreement with each investor, the Manager also pays the operating expenses of Series O, which include services provided by FTS.

The Manager pays the operating expenses of the Fund, other than certain fund costs—which include, but are not limited to, the cost of compliance with new governmental and regulatory requirements, fees and expenses of the Fund's Independent Review Committee (IRC), borrowing and interest costs and investor meeting costs (as permitted by Canadian securities regulation)—in exchange for the payment by the Fund of an annual fixed-rate administration fee of 0.28% plus applicable

taxes, applied against the average daily net assets of the Fund ("Administration Fee"), except for Series PF, which has an annual Administration Fee of 0.15%, and Series O and OT, which have no annual Administration Fee. The Manager will pay all operating expenses of Series O and OT, as applicable, as part of its agreement with each investor. The Manager may, at its discretion, waive a portion of a series' Administration Fee or absorb certain fund costs. During the year ended December 31, 2017, the Fund paid Administration Fees of \$1,000.

As at December 31, 2017, Franklin Bissett US Focus Corporate Class and Franklin Bissett Canadian Balanced Fund held 48% and 35% of the Fund, respectively.

Portfolio Advisor

Franklin Bissett Investment Management (the "Portfolio Advisor"), part of the Manager, provides investment analysis and recommendations and executes or arranges for brokers to execute portfolio transactions.

Principal Distributor

As a principal distributor of the Fund, the Manager markets the Fund and arranges for the sale of the Fund through dealers across Canada. The Manager may retain companies to assist in the sale of certain series of units of the Fund.

The Manager's affiliate, FTC Investor Services Inc. ("FTC ISI"), also acts as a principal distributor for Series F, O, OT, FT, PF and PF (Hedged) units of the Fund, as applicable.

For acting as a principal distributor of the applicable series, FTC ISI receives an inter-company service fee of 0.20% of the assets under management of the applicable series from the Manager with respect to those series of units.

Registrar and Transfer Agent

In addition to management services, the Manager acts as the registrar and transfer agent of the Fund. The costs associated with these services are absorbed by the Manager and not charged to the Fund.

Standing Instructions from the Independent Review Committee

The Manager relied on standing instructions from the IRC with respect to the allocation of any operating expenses not covered by the Administration Fee. The Manager relied, or may rely, on standing instructions from the IRC in respect of securities trades amongst mutual funds, investment funds or managed accounts managed by the Manager or an affiliate of the Manager. In both cases, the standing instructions require the Manager to comply with the policies and procedures presented to the IRC with respect to the above matters and to provide periodic reports to the IRC in accordance with NI 81-107.

MANAGEMENT REPORT OF FUND PERFORMANCE

Series	Management Fee (%)	Dealer Compensation (%)*	Investment management, investment management expenses, and other (%)
A	1.65	60.61	39.39
F	0.65	–	100.00
PF	0.55	–	100.00

*Dealer compensation may include other fees related to distribution, which are not payable directly to dealers.

The management and administration fees for Series O are paid for by the unitholder directly to the Manager as follows:

- First C\$200,000 to under \$2.5 million—0.70%
- Next C\$2.5 million to under \$5 million—0.65%
- C\$5 million and over—0.60%

Certain institutional investors may negotiate the management and administration fees by written agreement with Franklin Templeton Investments.

MANAGEMENT REPORT OF FUND PERFORMANCE

Summary of Investment Portfolio (AS AT DECEMBER 31, 2017)

REGIONAL WEIGHTINGS (%)*

North America

98.76

ASSET CLASS WEIGHTINGS (%)

Common Stocks

98.76

Short-term securities and all other assets, net

1.24

SECTOR WEIGHTINGS (%)*

Information Technology

23.11

Health Care

13.68

Industrials

13.52

Financials

13.13

Consumer Staples

12.82

Consumer Discretionary

6.80

Telecommunication Services

4.43

Utilities

4.40

Energy

4.32

Materials

2.55

TOP 25 HOLDINGS (%)

Visa Inc., A

3.25

Northrop Grumman Corp.

3.09

Constellation Brands Inc., A

3.03

NextEra Energy Inc.

2.93

The Allstate Corp.

2.92

Torchmark Corp.

2.91

Aetna Inc.

2.86

Microsoft Corp.

2.78

Raytheon Co.

2.78

Apple Inc.

2.75

Alphabet Inc., C

2.73

Cisco Systems Inc.

2.66

JPMorgan Chase & Co.

2.63

Deere & Co.

2.58

Wal-Mart Stores Inc.

2.56

General Dynamics Corp.

2.56

Intel Corp.

2.56

Marathon Petroleum Corp.

2.56

DowDuPont Inc.

2.55

Berkshire Hathaway Inc., B

2.54

Facebook Inc., A

2.53

CVS Health Corp.

2.51

United Technologies Corp.

2.50

UnitedHealth Group Inc.

2.42

Verizon Communications Inc.

2.40

TOTAL NET ASSET VALUE: \$181,503,000

* Excluding short-term securities and all other assets, net.

Above is an outline of the investments held in the Fund as a percentage of the Fund's net assets. Due to ongoing portfolio transactions, the investments and percentages may have changed by the time you purchase units of the Fund. The top 25 holdings are made available quarterly, 60 days after the quarter-end. To obtain a copy, please contact a member of our client services team at 1.800.387.0830 or visit www.franklintempleton.ca.

MANAGEMENT REPORT OF FUND PERFORMANCE

Series A (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal period ended December 31.

Net assets per unit (1)	2017
Net assets – initial offering price*	\$10.00
Increase (decrease) from operations:	
Total revenue	0.05
Total expenses	(0.12)
Realized gains (losses) for the period	0.60
Unrealized gains (losses) for the period	0.11
Total increase (decrease) from operations (2)	0.64
Distributions:	
From income (excluding dividends)	–
From dividends	(0.13)
From capital gains	–
Returns of capital	–
Total annual distributions (3)	(0.13)
Net assets – end of period	\$10.11
Ratios and supplemental data:	2017
Total net asset value (\$ millions) (1)	\$0.23
Number of units outstanding	23,161
Management expense ratio (2)	2.12%
Management expense ratio before waivers or absorptions	2.12%
Trading expense ratio (3)	0.02%
Portfolio turnover rate (4)	34.88%
Net asset value per unit	\$10.11

For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

*The Series was launched on June 9, 2017 and was made available for sale on that date.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
										2.3%
50%										
25%										
0%										
-25%										
-50%										

*2017 Series A return: June 9 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series A Units	N/A	N/A	N/A	N/A	2.3%
S&P 500 TR Index	N/A	N/A	N/A	N/A	3.8%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

MANAGEMENT REPORT OF FUND PERFORMANCE

Series F (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal period ended December 31.

Net assets per unit (1)	2017
Net assets – initial offering price*	\$10.00
Increase (decrease) from operations:	
Total revenue	0.07
Total expenses	(0.06)
Realized gains (losses) for the period	0.62
Unrealized gains (losses) for the period	0.37
Total increase (decrease) from operations (2)	1.00
Distributions:	
From income (excluding dividends)	–
From dividends	(0.13)
From capital gains	–
Returns of capital	–
Total annual distributions (3)	(0.13)
Net assets – end of period	\$10.15
Ratios and supplemental data:	2017
Total net asset value (\$ millions) (1)	\$0.15
Number of units outstanding	14,905
Management expense ratio (2)	1.06%
Management expense ratio before waivers or absorptions	1.06%
Trading expense ratio (3)	0.02%
Portfolio turnover rate (4)	34.88%
Net asset value per unit	\$10.15

For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

*The Series was launched on June 9, 2017 and was made available for sale on that date.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
										2.8%
50%										
25%										
0%										
-25%										
-50%										

*2017 Series F return: June 9 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series F Units	N/A	N/A	N/A	N/A	2.8%
S&P 500 TR Index	N/A	N/A	N/A	N/A	3.8%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

MANAGEMENT REPORT OF FUND PERFORMANCE

Series 0 (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$22.23	\$21.10	\$17.61	\$13.31	\$9.50†
Increase (decrease) from operations:					
Total revenue	0.28	0.31	0.55	0.14	0.10
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	1.88	2.60	2.07	0.48	1.30
Unrealized gains (losses) for the period	0.48	(1.60)	1.34	1.49	0.64
Total increase (decrease) from operations (2)	2.64	1.31	3.96	2.11	2.04
Distributions:					
From income (excluding dividends)	–	(0.03)	(0.03)	(0.07)	(0.04)
From dividends	(0.31)	(0.35)	(0.56)	(0.22)	(0.29)
From capital gains	–	–	–	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	(0.31)	(0.38)	(0.59)	(0.29)	(0.33)
Net assets – end of period	\$24.60	\$22.23	\$21.10	\$17.61	\$13.31
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$180.01	\$189.60	\$195.51	\$157.18	\$71.09
Number of units outstanding	7,316,681	8,529,724	9,264,774	8,926,014	5,341,756
Management expense ratio (2)	–	–	–	–	–
Management expense ratio before waivers or absorptions	–	–	–	–	0.07%
Trading expense ratio (3)	0.02%	0.03%	0.03%	0.03%	0.04%
Portfolio turnover rate (4)	34.88%	48.36%	46.45%	20.14%	15.96%
Net asset value per unit	\$24.60	\$22.23	\$21.10	\$17.61	\$13.31

For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

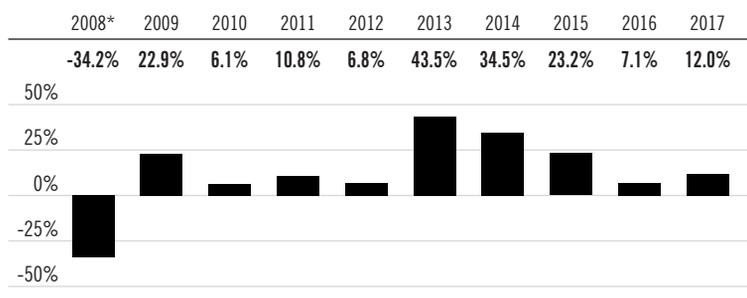
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



*2008 Series 0 return: March 3 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series 0 Units	12.0%	13.9%	23.3%	N/A	11.6%
S&P 500 TR Index	14.1%	14.4%	21.4%	N/A	12.4%

‡ For a definition of the benchmark(s), please refer to “Benchmark(s) Information” at the end of the section.

MANAGEMENT REPORT OF FUND PERFORMANCE

Series PF (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal period ended December 31.

Net assets per unit (1)	2017
Net assets – initial offering price*	\$10.00
Increase (decrease) from operations:	
Total revenue	0.06
Total expenses	(0.05)
Realized gains (losses) for the period	0.59
Unrealized gains (losses) for the period	0.52
Total increase (decrease) from operations (2)	1.12
Distributions:	
From income (excluding dividends)	–
From dividends	(0.13)
From capital gains	–
Returns of capital	–
Total annual distributions (3)	(0.13)
Net assets – end of period	\$10.16
Ratios and supplemental data:	2017
Total net asset value (\$ millions) (1)	\$1.11
Number of units outstanding	109,415
Management expense ratio (2)	0.80%
Management expense ratio before waivers or absorptions	0.80%
Trading expense ratio (3)	0.02%
Portfolio turnover rate (4)	34.88%
Net asset value per unit	\$10.16

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

*The Series was launched on June 9, 2017 and was made available for sale on that date.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*
										2.9%
50%										
25%										
0%										
-25%										
-50%										

*2017 Series PF return: June 9 to December 31

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series PF Units	N/A	N/A	N/A	N/A	2.9%
S&P 500 TR Index	N/A	N/A	N/A	N/A	3.8%

‡ For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

- (1) This information is derived from the Fund's audited annual financial statements. In the period a fund or series is established, the financial information is provided from the date of inception to the end of the period. In cases where the net assets per unit presented in the financial statements differ from the net asset value calculated for Fund pricing purposes, an explanation of these differences can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.
- (3) Distributions were paid in cash or reinvested in additional units of the Fund or both, and exclude distributions of management fee reductions to unitholders.

Ratios and Supplemental Data:

- (1) This information is provided as at the period-end of the year shown.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling each security in its portfolio once in the course of the relevant period. The higher the portfolio turnover rate in the period, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

OTHER FUND INFORMATION

Reported year-by-year returns for past years may be revised, based on the results of recalculations, audits and/or other historical review processes. Such revisions are considered immaterial to performance disclosure unless otherwise stated.

Series I and V, as applicable, are presently capped (closed to new investors). Investors who currently own units of Series I and Series V may continue to purchase additional units in those series. These series may become available for purchase by new investors at the discretion of the Manager.

BENCHMARK(S) INFORMATION

S&P 500 TR Index measures the total return of the broader US economy through changes in the aggregate market value of 500 stocks representing all major industries and assumes reinvestment of dividends. Index returns are shown in Canadian dollars.