

## Product Profile

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

|                                     |  |
|-------------------------------------|--|
| Fund Assets                         | \$181,452,422.50                               |
| Fund Inception Date                 | 02/17/2003                                     |
| Number of Securities Including Cash | 199  |
| Base Currency                       | CAD  |
| Benchmark Name                      | Bloomberg U.S. Aggregate Index (Hedged to CAD) |
| Distribution Frequency              | Monthly  |

All US-dollar denominated series of the fund closed to new investors as of February 1, 2017.

### Fund Description

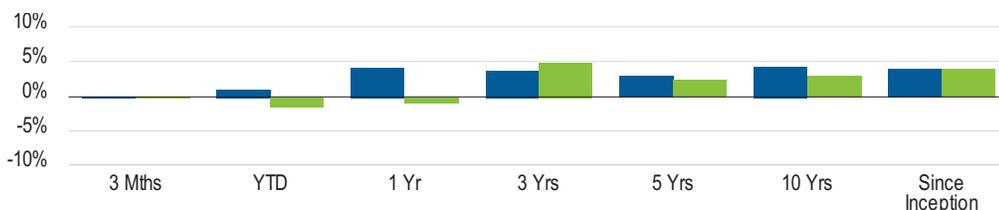
The Fund seeks high current income and some long-term capital appreciation by investing primarily in fixed income securities issued in the United States and throughout the world.

### Performance Data<sup>2</sup>

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

|  | 3 Mths | YTD   | 1 Yr  | 3 Yrs | 5 Yrs | 10 Yrs | Since Inception (02/17/2003) |
|--|--------|-------|-------|-------|-------|--------|------------------------------|
| Series O (CAD)                                 | 0.09   | 1.05  | 4.24  | 3.80  | 3.08  | 4.45   | 4.08                         |
| Bloomberg U.S. Aggregate Index (Hedged to CAD) | 0.06   | -1.56 | -0.98 | 4.96  | 2.48  | 3.10   | 4.14                         |

The indicated rates of return are the Series O historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account investment management fees, sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns.



- Series O (CAD)
- Bloomberg U.S. Aggregate Index (Hedged to CAD)

#### Calendar Year Returns (%)

|  | 2020 | 2019 | 2018  | 2017 | 2016 | 2015  | 2014 | 2013  | 2012  | 2011 |
|--|------|------|-------|------|------|-------|------|-------|-------|------|
| Series O (CAD)                                 | 5.01 | 8.32 | -2.55 | 4.24 | 6.92 | -2.57 | 2.92 | 4.63  | 13.95 | 4.01 |
| Bloomberg U.S. Aggregate Index (Hedged to CAD) | 7.30 | 7.92 | -0.70 | 3.05 | 2.41 | 1.15  | 6.92 | -1.30 | 5.03  | 8.80 |

1. All holdings are subject to change.

2. The fund offers other series subject to different fees and expenses, which will affect their performance.

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

Portfolio Manager Insight<sup>4</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

|        | Sector Exposure               | Duration/Yield Curve |
|--------|-------------------------------|----------------------|
| HELPED | Investment Grade Corporate    | 2.08                 |
|        | High Yield Corporate          | 0.95                 |
|        | Structured Credit             | 0.40                 |
| HURT   | Sovereign – Developed Markets | 1.29                 |
|        | Sovereign – Emerging Markets  | 0.44                 |
|        | —                             | —                    |

- Within the high-yield credit market, cyclicals, especially energy-related securities, contributed to the Fund's performance, as both oil and natural gas prices increased over the quarter.
- Exposure to the U.S. mortgage-backed market was also additive for returns, as it continues to be supported by higher home prices and a muted foreclosure environment.
- On the downside, tactical exposure to high quality government bonds across the U.S. and Europe was a significant detractor from results late in the third quarter.
- Finally, the Fund's exposure to Mexican sovereign bonds was a headwind for performance, as they were negatively impacted by central bank rate hikes as a result of rising inflation, coupled with Fed's perceived hawkishness.

## Outlook &amp; Strategy

- Economic uncertainties persist given the headwinds from the Delta variant. However, this is not expected to derail a sustainable global recovery. The trajectory of global GDP is expected to converge toward pre-pandemic levels. While central banks view inflation as being largely transitory, it is too soon to say whether this will pan out. Meanwhile, global fiscal policy is set for a major contraction and is poised to be pared back in various stages.
- China has been reducing the central government budget deficit, although it maintains a watchful eye over existing property sector woes. The Fed's anticipated tapering and rising energy prices, particularly in Europe and Japan, are potential risks going into 2022.
- Persistent earnings growth, the search for yield, and continued Fed purchases should support current spread levels, where default rates continue to trend towards historic lows. Delinquencies continue to be lower for residential real estate and strong housing fundamentals remain a positive backdrop within structured the product market.

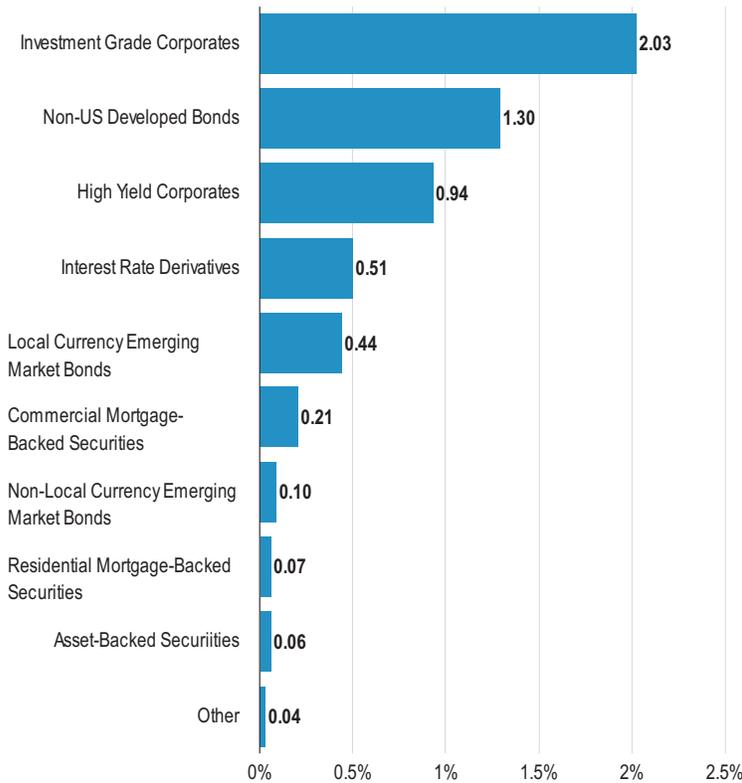
Portfolio Characteristics<sup>a,b,b</sup>

|                           | Portfolio | Bloomberg U.S. Aggregate Index (Hedged to CAD) |
|---------------------------|-----------|--|
| Average Duration          | 5.71 Yrs  | 6.64 Yrs                                       |
| Average Weighted Maturity | 6.86 Yrs  | 8.47 Yrs                                       |

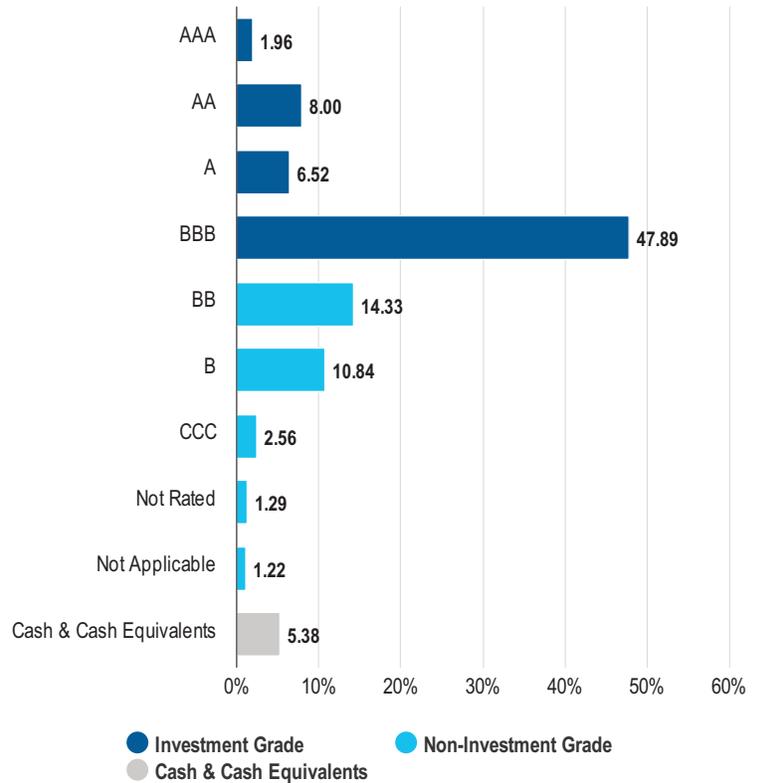
4. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. 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.

**Portfolio Diversification<sup>a,5</sup>**

**Sector Exposure<sup>c</sup>**  
Percent of Total

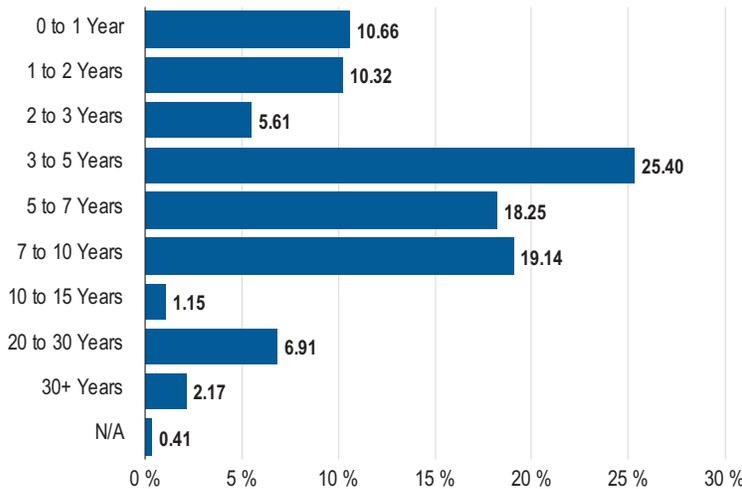


**Credit Quality Exposure<sup>6,7,8</sup>**  
Percent of Total



**Maturity Allocation<sup>d</sup>**

Market Value—Percent of Fixed Income



5. Please note that the definition of cash in this document may not match the definition of “cash and cash equivalents” listed in the fund facts or management reports of fund performance for the fund, which includes bonds that have a remaining term to maturity of 365 days or less that are issued by certain governments, supranational agencies or financial institutions and have a “designated rating” (as defined in Canadian securities law). As such, the cash amounts listed may differ.

6,7. 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 Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

8. Notional exposure figures are intended to estimate the portfolio’s exposure to issuer credit risk, including any hedged or increased exposure through credit derivatives held in the portfolio (or their underlying reference assets). Any credit derivatives are assigned the ratings of their underlying reference assets. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

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## Investment Team

| Portfolio Manager     | Years with Firm | Years Experience |
|-----------------------|-----------------|------------------|
| Jack P. McIntyre, CFA | 22              | 22               |
| Anujeet Sareen, CFA   | 5               | 27               |
| Brian Kloss           | 11              | 26               |
| Tracy Chen, CFA       | 12              | 24               |
| Renato Latini, CFA    | 14              | 14               |
| Michael Arno, CFA     | 15              | 15               |

## Glossary

**Average Duration:** A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

**Average Weighted Maturity:** An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

**Important Legal Information**

Effective June 4, 2021 the fund's benchmark changed from Bloomberg U.S. Aggregate Index (Hedged to CAD) to Bloomberg Global Aggregate (100% Hedged into CAD) Index.

Effective September 17, 2021, Franklin Brandywine Global Income Optimiser Fund is renamed Franklin Brandywine Global Sustainable Income Optimiser Fund.

Effective June 4, 2021, Brandywine Global Investment Management, LLC ("Brandywine") replaced Franklin Advisers, Inc. as the sub-advisor to Franklin Brandywine Global Income Optimiser Fund (formerly Franklin Strategic Income Fund) and Franklin Bissett Investment Management is no longer a portfolio advisor to the Fund. Please see the fund's current simplified prospectus and fund facts for further details. All performance data herein is for Series O units.

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Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Source: FactSet. Important data provider notices and terms available at: [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

Franklin Templeton Institutional is part of Franklin Templeton Investments Corp. (FTIC). Series O investors do not pay any of the management fees within the fund but instead pay a separate management and administration fee that they negotiate directly with Franklin Templeton Investments Corp. To qualify to purchase or hold Series O units an investor must meet minimum investment requirements as set out in the fund's current prospectus. For more details on the management and administration fee, please read the prospectus. Performance is presented in Canadian dollars and is gross of fees (before management and custodial fees) of Series O units of the Fund. Taking into account such fees would result in lower rates of return.

a. All holdings are subject to change.

b. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).

c. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

d. 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.



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11/03/2021 06:21:45 PST | 173 PPE 09/21