

Product Profile

Product Details^{1,2}

Fund Assets	\$20,902,311.13
Fund Inception Date	02/17/2003
Number of Securities Including Cash	156
Base Currency	CAD
Benchmark Currency	USD
Distribution Frequency	Monthly

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

Fund Description

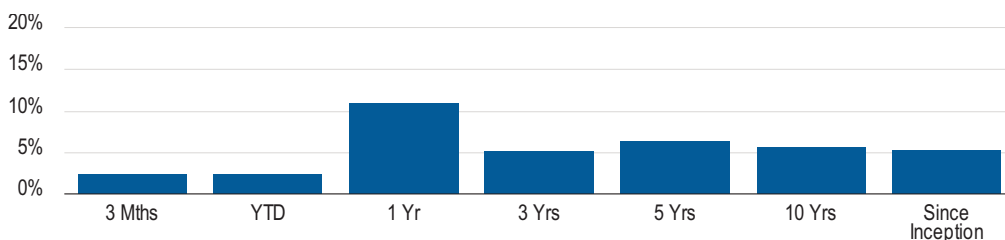
The Fund seeks high current income and some long-term capital appreciation by investing primarily in high-yield, lower-rated debt securities issued in the United States and throughout the world.

Performance Data³

Average Annual Total Returns⁴ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (02/17/2003)
Series O	2.55	2.51	11.10	5.32	6.38	5.82	5.48

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

Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series O	4.71	12.90	-3.84	6.29	18.88	-9.20	1.66	10.20	16.65	5.59

1. On December 31, 2015 Franklin High Income Fund's benchmark changed from Credit Suisse High Yield Index (CAD) to Credit Suisse High Yield Index (USD). The fund utilizes forward currency contracts to hedge its portfolio back into Canadian dollars. This hedge is designed to translate the total return of the portfolio (which is managed as if it was denominated in U.S. dollars) to similar total return performance in Canadian dollars. Consequently, this means the fund's Canadian dollar returns may be more comparable to a U.S. dollar benchmark. The impact of currency fluctuations cannot be eliminated altogether for a variety of reasons. In addition, hedged portfolios will incur hedging costs which can impact performance over time. Therefore the performance of the U.S. dollar benchmark will not compare exactly to the Fund's Canadian dollar returns.

2. All holdings are subject to change.

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

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

Portfolio Manager Insight⁵

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Security Selection	Allocation	Quality	Duration
HELPED	Energy	Underweight in Media Cable	Ratings-Quality Tilt	—
	Media Cable	Underweight in Wired	—	—
	Industrial	Overweight in Energy	—	—
HURT	Utility	Overweight in Packaging	—	US Yield-Curve Positioning
	Media Non-Cable	Overweight in Utility	—	—
	Technology	Overweight in Media Non-Cable	—	—

- Our ratings-quality tilt was the main contributor to relative performance. Conversely, our yield-curve positioning hindered results.
- Security selection detracted from performance, led by our selection in the utility, media non-cable and technology industries. Conversely, our security selection in the energy, media cable and industrial segments contributed to results.
- Our industry allocation had a largely neutral effect on performance. Our overweight allocation to the packaging, utility and media non-cable industries hindered results. Conversely, our underweight in the media cable and wired segments and overweight in the energy industry benefitted performance.

Outlook & Strategy

- Amidst continuing US economic recovery, fundamental high-yield (HY) credit quality improvement persists with a general market consensus of diminishing default risk for the remainder of the year. New issuance volume remains robust. As the primary market mix appears to have shifted more toward mergers and acquisitions (M&A) with a declining number of refinancing transactions, broad market expectations are for M&A and private equity-related issuance to increase through the remainder of the year.
- Against the backdrop of higher overall credit quality of HY issuers, combined with BB and B spreads that are still wide of historical and post global financial crisis tightens, we maintain our view that absent sharp interest rate increases, there is room for further HY spread compression to absorb potential UST yield increases.
- Overall, we remain constructive on HY corporate bonds. Given our outlook for robust economic growth and potentially higher interest rates, we generally prefer B rated credits over longer duration (or more interest rate sensitive) BB rated issues.
- Given lower dispersion of credit spreads across issuers, industries and ratings categories, our focus remains on prudent security selection across the quality spectrum with a general aversion to securities with longer-term secular challenges. We do not believe inflationary pressures will be broadly detrimental to HY fundamentals—the majority of US HY issuers are either not expected to be significantly impacted by input cost inflation or are likely to be beneficiaries (such as from higher commodity prices), in our view.
- Amidst elevated sensitivity to higher interest rates and increasing likelihood of sooner than expected US Federal Reserve tapering, we maintain our view that security selection and vigorous credit differentiation remain crucial components of value generation.

Portfolio Characteristics^{a,b}

	Portfolio	Custom Franklin High Income 75% Hedged/25% Unhedged Benchmark
Average Duration	3.72 Yrs	3.74 Yrs
Average Weighted Maturity	4.20 Yrs	4.40 Yrs

5. 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.

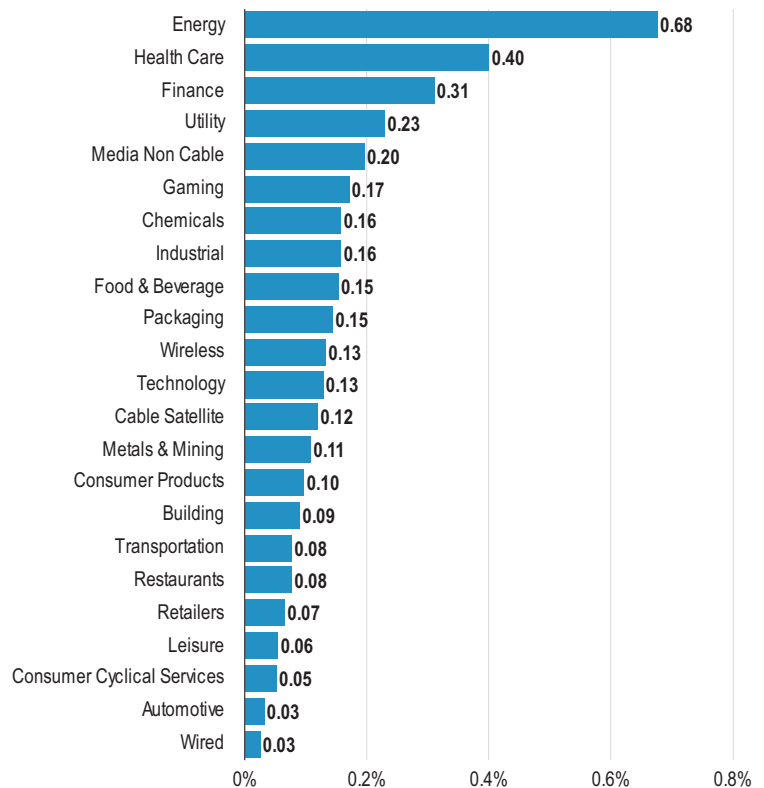
Portfolio Diversification^{a,6}Top Ten Holdings⁷

Percent of Total

Top Holdings	%
CHENIERE ENERGY PARTNERS	1.89
CCO HLDGS LLC/CAP CORP	1.59
OCCIDENTAL PETROLEUM COR	1.44
ONEMAIN FINANCE CORP	1.35
ALTICE FRANCE HOLDING SA	1.33
FMG RESOURCES AUG 2006	1.29
HCA INC	1.27
AMERICAN AIRLINES/AADVAN	1.27
TRIVIUM PACKAGING FIN	1.27
WYNN RESORTS FINANCE LLC	1.27

Sector Allocation^c

Market Value—Percent of Total

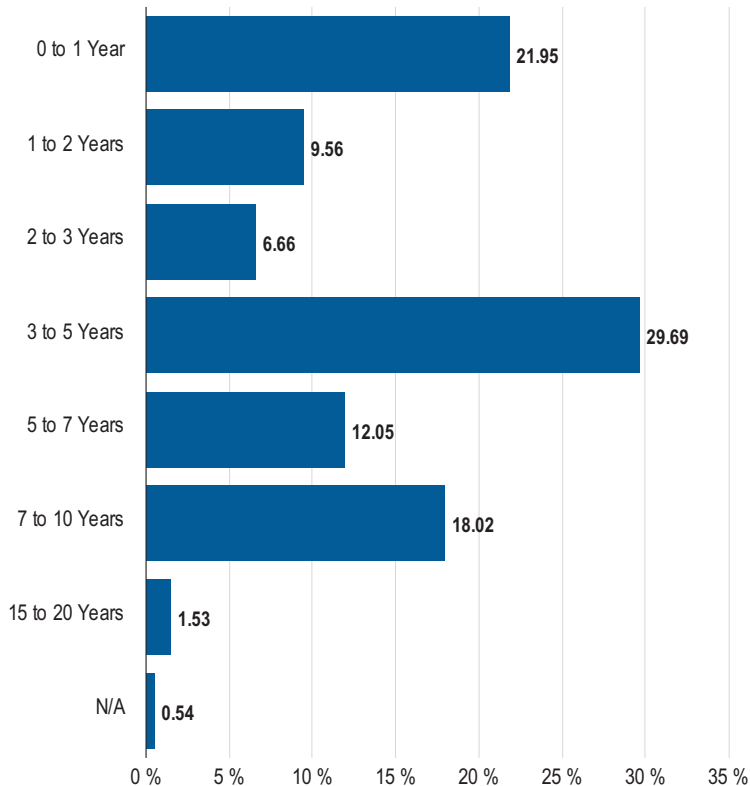


6. Please note that the definition of cash in this document may not match the definition of "cash and cash equivalents" listed in the fund facts or management reports of fund performance for the fund, which includes bonds that have a remaining term to maturity of 365 days or less that are issued by certain 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.

7. All holdings are subject to change. The portfolio manager reserves the right to withhold release of information with respect to holdings that would otherwise be included.

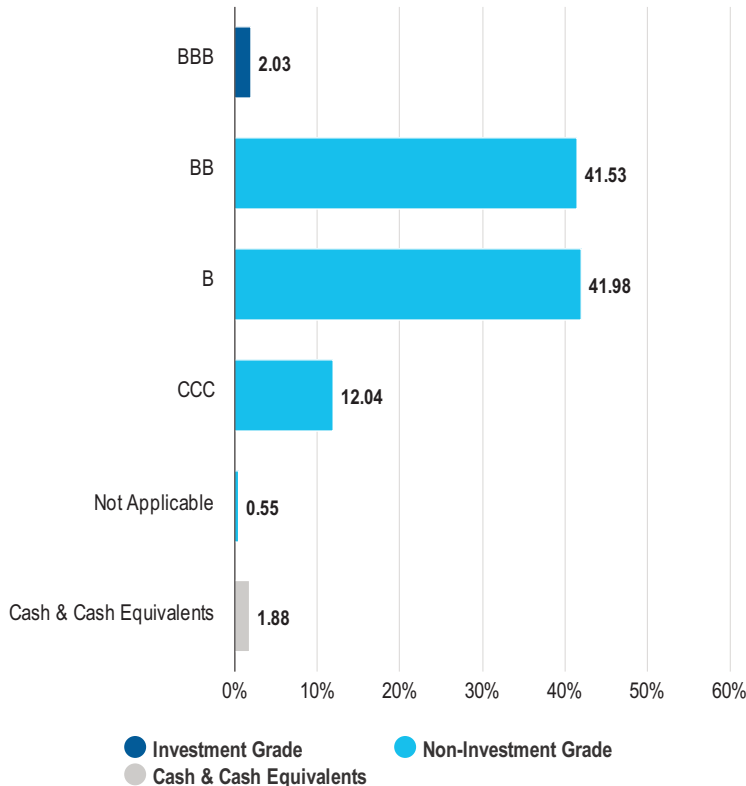
Maturity Allocation^c

Market Value—Percent of Fixed Income



Credit Quality Allocation^{c,8}

Market Value—Percent of Total



Investment Philosophy

We believe that superior high-yield returns are best sought through the disciplined application of a research-based approach that capitalises on inefficiencies across the high-yield market. Through diligent bottom-up research, we seek to identify compelling total return opportunities with the potential to add value over a three- to five-year horizon.

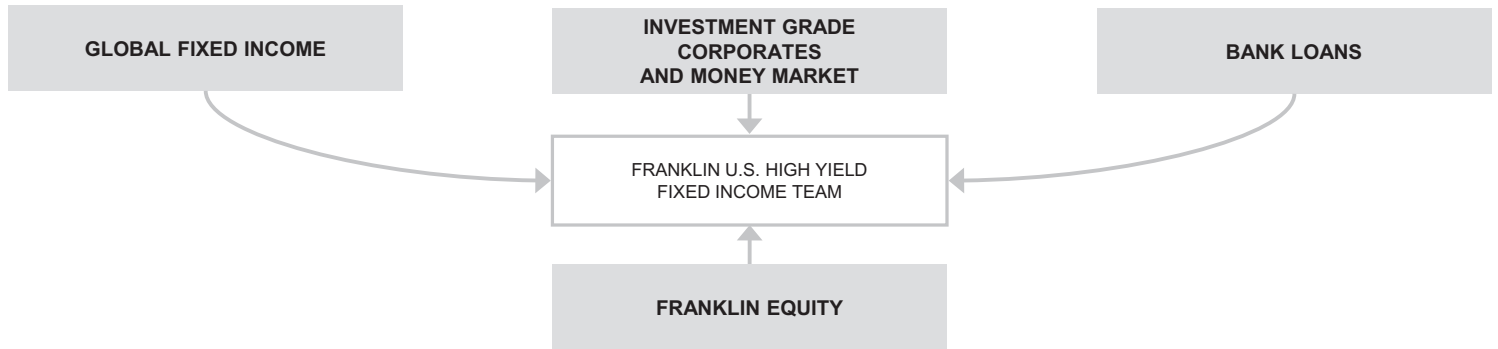
Investment Process

- **Fundamental Analysis:** Conduct independent, bottom-up analysis focusing on critical factors that affect a company’s long-term performance, such as financial structure, cash flow and earnings prospects, products, market share and strategic positioning, as well as material ESG factors
- **Long-Term Outlook:** Analyse securities whose projected return over three to five years may surpass the risk of adverse price movements or default
- **Seek Valuation Inefficiencies:** Opportunistically invest in companies in sectors that are infrequently followed or are out of favour with the marketplace
- **Disciplined Approach:** Adhere to long-term strategy through changing market environments, supported by separate in-house risk management and quantitative research groups

Integrated Research Approach

- High Yield Team leverages the insights of other fixed income and equity investment professionals throughout the firm.

8. 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.



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Glenn Voyles, CFA	27	28
Darcy Briggs, CFA	16	27

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

All performance data herein is for Series O units.

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.

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. 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.



Franklin Templeton Canada
200 King Street West, Suite 1500
Toronto, Ontario M5H 3T4
Tel: 800.897.7280
Fax: 416.364.6643
franklintempleton.ca

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