

Balanced Funds

Franklin U.S. Monthly Income Fund II

Global Equity Funds

Franklin Mutual Global Discovery Fund II

Templeton Global Smaller Companies Fund II

Templeton Growth Fund

Templeton International Stock Fund II

Multi-Asset Solutions

Franklin Quotential Diversified Income Portfolio II

Series of Units

A, A-Hedged, F, F-Hedged, FT, FT-Hedged, I, O, O-Hedged, OT, OT-Hedged, PA, PA-Hedged, PF, PF-Hedged, PT, PT-Hedged, PT-USD, T, T-Hedged, T-USD

Series of Units

A, F, I, O, PA, PF, PT, PT-USD, T, T-USD

A, F, I, O, PA

A, A-Hedged, AG, F, I, O, PA, PA-Hedged, PAG, PF

A, F, O, PA, PF, PT, T

Series of Units

A, F, FT, I, O, OT, PA, PF, PFT, PT, PT-USD, T, T-USD, V

No securities regulatory authority has expressed an opinion about these securities. It is an offence to claim otherwise.

The Funds and the securities offered under this prospectus are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.

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INTRODUCTION

This document is a **simplified prospectus**. In this document:

- The funds offered under this simplified prospectus are referred to collectively as the **Funds** and each individually as a **Fund**.
- The terms **we, us, our, Manager** and **Franklin Templeton** refer to Franklin Templeton Investments Corp., the manager of the Funds.
- Your **investment advisor** is the individual with whom you consult for investment advice.
- Your **dealer** is the organization that employs your financial advisor and/or implements your trades in securities of the Funds.
- All of the funds that we manage, including the Funds, are referred to collectively as the **Franklin Templeton Funds** and each individually as a **Franklin Templeton Fund**. Not all Franklin Templeton Funds are offered under this simplified prospectus.

This document contains selected important information to help you make informed decisions about investing in the Funds and to help you understand your rights as an investor.

This document is divided into two parts. The first part contains general information applicable to all of the Funds. The second part contains specific information about each Fund described in this document.

Look for these boxes

To make this document easier to understand, we have included supplementary material in boxes like this one. These boxes provide additional detail about the information in the main text.

Additional information about each Fund is available in the following documents:

- the annual information form;
- the most recently filed fund facts;
- the most recently filed annual financial statements;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document, just as if they were printed as a part of this document.

These documents and other information about the Funds are available at www.sedar.com and www.franklintempleton.ca.

You can get a copy of these documents, at no cost, in any of the following ways:

- from your dealer
- by emailing us at service@franklintempleton.ca
- by calling us toll-free at 1-800-387-0830

WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?

What is a mutual fund?

A mutual fund is a pool of money contributed by people with similar investment objectives. A mutual fund is managed by investment professionals who select the investments that are held by the mutual fund. The mutual fund's investors share its income, expenses, gains, and losses in proportion to the value of the mutual fund securities they hold.

Each of the Funds is a mutual fund and is subject to National Instrument 81-102 – *Investment Funds* (“**NI-81-102**”).

Each of the Funds is structured as a unit trust is a **Trust Fund**, and the securities that it issues to its investors are units.

What are the risks of investing in a mutual fund?

Mutual funds own different types of investments, depending on their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a mutual fund's securities may go up and down, and the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

The full amount of your investment in any Fund is not guaranteed. Unlike bank accounts or GICs, mutual fund securities are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

In exceptional circumstances, a mutual fund may suspend redemptions (see **SUSPENDING YOUR RIGHT TO REDEEM** on page 24).

Below is a summary of the various risks that may be applicable to an investment in a Fund. To find out which of these risks apply to a particular Fund,

see the individual Fund profiles in the second part of this document.

ABS / MBS risk

Asset-backed securities (“**ABS**”) are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed securities (“**MBS**”) are debt obligations backed by pools of mortgages on commercial or residential real estate. If there are changes in the market perception of the issuers of these types of securities, or in the creditworthiness of the issuer or the underlying loans or mortgages, then the value of the securities may be affected.

The value of a MBS may also be affected by:

- a drop in the interest rates charged on the mortgages;
- a mortgagor defaulting on its obligations under a mortgage; or
- a drop in the value of the property secured by the mortgage.

Some ABS are short-term debt obligations, called asset-backed commercial paper. For these securities, there is a risk that there may be a mismatch in timing between the cash flow of the underlying assets backing the security and the repayment obligation of the security upon maturity.

Asset allocation risk

A Fund may be exposed to risks associated with the portfolio manager's asset allocation strategy. The allocation of the Fund's assets among a variety of asset classes, market sectors and geographic regions, credit quality and investment styles may cause a Fund to underperform relative to other funds with similar investment objectives.

China A-securities risk

Certain Funds may invest in China A-securities.

A Fund may invest directly in eligible China A-securities (“**Stock Connect Securities**”) listed and traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange (collectively referred to as “**SSE**”) through the Stock Connect program (“**Stock Connect**”). Stock Connect is a securities trading and clearing program developed by Hong Kong Exchanges and Clearing Limited, SSE and China Securities Depository and Clearing Corporation Limited for the establishment of mutual market access between Hong Kong Exchanges and Clearing Limited and SSE. Stock Connect Securities generally may not be sold, purchased or transferred other than through Stock Connect in accordance with its rules and regulations. While Stock Connect is not subject to individual investment quotas, there are daily and aggregate investment quotas imposed by Chinese regulations that apply to all Stock Connect participants. These quotas may restrict or preclude a Fund’s ability to invest in Stock Connect Securities at the Fund’s preferred time.

China bond connect risk

A Fund may invest in China Interbank bonds traded on the China Interbank Bond Market (“**CIBM**”) through the China – Hong Kong Bond Connect program (“**Bond Connect**”). In China, the Hong Kong Monetary Authority Central Money Markets Unit holds Bond Connect securities on behalf of ultimate investors in accounts maintained with a China-based custodian (either the China Central Depository & Clearing Co. or the Shanghai Clearing House). This recordkeeping system subjects an investor to various risks, including the risk that the investor may have a limited ability to enforce rights as a bondholder as well as the risks of settlement delays and counterparty default of the Hong Kong sub-custodian. CIBM securities traded through the Bond Connect can also be subject to other risks including but not limited to regulatory risks, liquidity

risk, operational risk, PRC tax risk and reputational risk.

Concentration risk

A Fund may concentrate its investments by:

- investing in relatively few securities, and/or
- investing primarily or exclusively in a particular region, country, and/or sector.

A Fund that has concentrated its investments in one more of these ways may be less diversified than other mutual funds. It may underperform other mutual funds if there is a downturn in the region, country, sector and/or securities in which the Fund has concentrated its investments.

Furthermore, a Fund’s investment objectives and/or strategies may require it to concentrate its investments in this way. Such a Fund will maintain the concentration of its investments, despite unfavourable conditions for investment in the region, country, sector and/or securities in which it has concentrated its investments.

Credit risk

The issuer of a debt instrument may not be able to pay interest or repay the principal when it is due.

Many debt instruments have been assigned credit ratings by independent credit rating agencies. Credit risk is generally lower if the instrument has a high credit rating and higher if the instrument has a low credit rating or no credit rating.

A debt instrument with a low or no credit rating may be difficult to value due to the unavailability of market quotations. It may be less liquid than a higher-rated instrument, and its value may be more volatile.

Cybersecurity risk

As the use of technology has become more prevalent in the course of business, the Funds have become potentially more susceptible to operational

risks through breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause a Fund to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause a Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cybersecurity breaches may involve unauthorized access to a Fund's digital information systems (for example, through hacking or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (efforts to make network services unavailable to intended users). In addition, cybersecurity breaches of a Fund's third-party service providers (who may include administrators, transfer agents, custodians and sub-advisors) or issuers that a Fund invests in can also subject a Fund to many of the same risks associated with direct cybersecurity breaches. Like with operational risk in general, the Funds have established risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there is no guarantee that such efforts will succeed, especially since the Funds do not directly control the cybersecurity systems of issuers or third-party service providers.

Derivative risk

Although derivatives are often used by mutual funds to avoid risk, they have their own kinds of risk.

What is a derivative?

A derivative is a contract between two parties whose value is determined with reference to an underlying interest, such as the market price of an asset (such as a currency, commodity or share) or the value of an index or an economic indicator (such as a stock market index or a specified interest rate).

Derivatives can generally be classified as options, forwards, futures or swaps. An option gives its holder the right, but not the obligation, to buy or sell the underlying interest at a specified price within a specified period of time. (A call option gives its holder the right to buy; a put option gives its holder the right to sell.) A forward is a commitment to buy or sell the underlying interest at a specified price on a specified future date. A future is similar to a forward, except that futures are traded on exchanges. A swap is a commitment to exchange one set of payments for another set of payments.

Some derivatives are settled by one party delivering the underlying interest to the other party, who pays the specified price in full; other derivatives are settled by a single cash payment representing the final net value of the contract.

A Fund that uses derivatives may be subject to the following risks:

- There is no guarantee a market will exist when a Fund wants to exit a derivative. This could prevent the Fund from realizing a profit or limiting a loss on the derivative.
- Certain derivatives are traded on exchanges that may set daily trading limits that may

prevent a Fund from entering or exiting a derivative when it wishes to do so.

- If the counterparty to a derivative defaults on its obligations to the Fund, the Fund may incur a loss.
- When entering into a derivative, a Fund may be required to provide collateral to the counterparty to that derivative. If the counterparty becomes insolvent, the Fund may not recover all or any of the collateral it provided to the lender.
- A Fund that holds a long or short position in a future whose underlying interest is a commodity will always seek to close out that position by entering into an offsetting future prior to the first date on which the mutual fund might be required to make or take delivery of the commodity under the future. However, there is no guarantee the Fund will be able to do so. This could result in the Fund having to make or take delivery of the commodity.
- Any use of derivatives for hedging purposes may be ineffective, and may limit, reduce or eliminate the Fund's opportunity for profit in respect of the investment(s) being hedged.

Emerging markets risk

A Fund may invest in emerging markets. In emerging market countries, securities markets may be smaller than in more developed countries, making it more difficult to trade securities in order to take profits or avoid losses. Companies in these markets may have limited product lines, markets or resources, making it difficult to measure the value of the company. Political instability and possible corruption, as well as lower standards of regulation for business practices increase the possibility of fraud and other legal problems.

Equity risk

The value of Funds that invest in equity securities, also called stocks or shares, will be affected by changes in the market price of those securities.

The price of a share is influenced by the outlook for the company that issued it and by general economic, industry and market trends. When the economy is strong, the outlook for many companies will be good, and share prices will generally rise. On the other hand, share prices usually decline with a general economic or industry downturn.

Foreign currency risk

The value of a security that is issued in a foreign currency, or that pays income in a foreign currency, is affected by changes in the value of that foreign currency relative to the Canadian dollar. As a result, currency fluctuations may adversely affect the value of a Fund's investment in that security.

For example, if the U.S. dollar rises relative to the Canadian dollar, U.S. securities will be worth more in Canadian dollars. On the other hand, if the U.S. dollar falls, U.S. securities will be worth less in Canadian dollars. Funds or series whose strategy includes currency hedging will seek to minimize this risk. To the extent that a Fund or series does not hedge its foreign currency risk, the value of the assets attributable to that Fund or series, or of the income derived from those assets, could be adversely affected by currency exchange rate movements.

Foreign currency hedging risk

Certain Funds may seek to reduce or eliminate foreign currency risk by entering into derivatives such as forwards. The pursuit of this type of hedging strategy entails the following risks:

- There is no guarantee that the hedging strategy will be successful. To the extent that the hedging strategy is incomplete or unsuccessful, the Fund will remain exposed to foreign currency risk.

- The Fund may from time to time be unable to enter into, or to exit from, the derivatives on which the hedging strategy depends.
- There may be circumstances in which a hedging transaction reduces currency gains that would otherwise arise for the Fund.

Foreign investment risk

The value of foreign securities may be influenced by the policies of foreign governments and by political, economic or social instability. There may be less information about foreign issuers than about Canadian issuers and there may be lower standards of government supervision and regulation in foreign financial markets. A Fund that holds foreign securities may have difficulty enforcing its legal rights as an investor in jurisdictions outside Canada.

Fund of funds risk

A Fund may invest some or all of its assets, directly or indirectly, in the securities of one or more other mutual funds, including a mutual fund that is an exchange-traded fund (“**ETF**”). In this case, we refer to each mutual fund in which that Fund invests as an **Underlying Fund**.

A Fund is exposed to the same risks as the Underlying Funds in which it invests in proportion to the size of its investment in the Underlying Funds.

A Fund may invest substantially all of its assets in one or more Underlying Funds. In this case, the performance of the Fund may differ from the performance of its Underlying Funds for one or more of the following reasons:

- The fees and expenses of the Fund may differ from the fees and expenses of its Underlying Funds.
- There may be a delay between the time an investor purchases Fund securities and the time the Fund makes the corresponding purchase of Underlying Fund securities.

- The Fund may, instead of investing in its Underlying Funds, hold cash or short-term debt instruments for liquidity reasons.

Illiquidity risk

A Fund that holds illiquid securities may be unable to sell these securities. This may be because there is a limited trading market for the securities, or because their trading is subject to legal restrictions. An illiquid security may trade at a price that differs significantly from its value.

Inflation-linked bonds risk

The value of an inflation-linked bond will fluctuate in response to changes in real interest rates (interest rates adjusted for inflation). The price of such a bond will increase when real interest rates fall, but it will also decrease when real interest rates rise. Inflation-linked bonds include:

- Real Return Bonds (“**RRBs**”), which are issued by the Canadian federal government, and
- Treasury Inflation-Protected Securities (“**TIPS**”), which are issued by the U.S. federal government.

The value of an inflation-linked bond may decrease more than the values of other debt instruments of similar duration if real interest rates rise more than nominal interest rates.

There can be no assurance that changes in the value of an inflation-linked bond will be directly correlated to changes in interest rates; for example, if interest rates rise for reasons other than inflation, their rise may have no impact on the value of an inflation-linked bond.

Interest rate risk

The value of a Fund that invests in bonds or other debt instruments will be affected by changes in interest rates.

Generally, the interest rate on a bond is fixed when it is issued. As a result, the bond's price will increase when interest rates fall, but it will also decrease when interest rates rise.

Convertible bonds also pay interest at a fixed rate. Therefore, the price of a convertible bond may also vary inversely with interest rates. However, because a convertible bond can be converted into equity on specified terms, its price may be less sensitive to changes in interest rates than the price of a similar non-convertible bond.

Certain debt instruments pay a floating or variable rate of interest. While the value of such an instrument is generally less sensitive to changes in interest rates, its yield will generally rise and fall with such changes.

Various regulators and industry bodies are working globally on transitioning from interbank offered rates ("IBORs"), including the London Interbank Offered Rate ("LIBOR"), to alternative rates. LIBOR, one of the most widely used interbank offered rates, will be discontinued by the end of 2021. There is no assurance that the composition or characteristics of any alternative reference rate will be similar to or produce the same value or economic equivalence as an IBOR, or that an instrument using an alternative rate will have the same volume or liquidity.

The effect of such a transition on a Fund and the securities in which it invests cannot yet be determined, and may result in a reduction in the value of IBOR-based instruments held by a Fund, a reduction in the effectiveness of certain hedging transactions and increased illiquidity and volatility in markets that currently rely on an IBOR to determine interest rates, any of which could adversely impact a Fund's performance. The risks associated with such a transition may be exacerbated if the work necessary to effect an orderly transition to alternative reference rates is not completed in a timely manner, particularly with respect to instruments based on LIBOR.

Large transaction risk

Securities of a Fund may be purchased and redeemed by certain investors, including financial institutions and other mutual funds, who may purchase or redeem large numbers of Fund securities at one time. The purchase or redemption of a substantial number of a Fund's securities may require its portfolio advisor to change the composition of its portfolio significantly or force the portfolio advisor to buy or sell investments at unfavourable prices, which can affect the Fund's performance and may also have adverse tax consequences to the Fund and its investors (see **LARGE TRANSACTIONS IN FUND** on page 42).

Market risk

There are risks associated with being invested in the equity and fixed-income markets generally. The market value of a Fund's investments will rise and fall based on specific company developments and broader market conditions of the equity and/or fixed income markets. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

Market value will also vary with changes in the general economic and financial conditions in countries where the investments are based and as a result of global or regional political, economic, health and/or banking crises. For example, the recent spread of the respiratory disease designated as COVID-19 has caused a significant slowdown in the global economy and volatility in global financial markets. It cannot yet be determined how long the impact of COVID-19 on global markets will last.

A slower-growth or recessionary economic environment, such as that caused by COVID-19, may have an adverse effect on the prices of the various stocks or bonds held by a Fund.

All investments, including the Funds, are subject to general market risk.

Portfolio management risk

Each Fund depends on its portfolio advisor(s) to select individual securities or other investments for the Fund. Each Fund is therefore subject to the risk that poor security selection or market allocation will cause it to underperform relative to its benchmark or to other mutual funds with similar investment objectives.

REIT risk

The value of a real estate investment trust (a “REIT”) may be affected by any change in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT’s performance depends on the types of, and locations of, properties it owns and how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants’ failure to pay rent or poor management. A REIT’s performance also depends on the company’s ability to finance property purchases and renovations and manage its cash flows. Because a REIT may be invested in a limited number of projects or in a particular market segment, it may be more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. Loss of status as a qualified REIT under the U.S. federal tax laws could adversely affect the value of a particular REIT or the market for REITs as a whole. These risks may also apply to securities of REIT-like entities domiciled outside the U.S.

SLA / repo / reverse repo risk

Certain Funds may enter into securities lending agreements (“SLAs”), repurchase agreements (“repos”), and/or reverse repurchase agreements (“reverse repos”).

What are securities lending agreements, repurchase agreements and reverse repurchase agreements?

In a securities lending agreement, a Fund loans portfolio securities to a borrower. For as long as the loan remains outstanding, the borrower must compensate the Fund for the loan of the securities, and must also provide collateral to the Fund to secure the loan.

In a repurchase agreement, a Fund sells portfolio securities at one price and simultaneously agrees to repurchase these securities on a specified future date at a specified price. Until the repurchase is complete, the counterparty must provide collateral to the Fund to secure its commitment to resell the portfolio securities to the Fund.

In a reverse repurchase agreement, a Fund purchases securities at one price and simultaneously agrees to sell those securities on a specified future date at a specified price. Until the agreement is completed, the counterparty must provide collateral to the Fund to secure its commitment to repurchase the securities from the Fund.

A Fund that enters into any of these agreements is subject to the risk that the counterparty to the agreement defaults on its obligations to the Fund. In this case, the Fund may incur a loss if the collateral it holds is worth less than:

- the portfolio securities it has loaned (in the case of a securities lending agreement) or sold (in the case of a repurchase agreement), or

- the amount by which the securities it has purchased have declined (in the case of a reverse repurchase agreement).

Series risk

Generally, each Fund may issue securities of more than one series. Each series of a Fund has its own fees and expenses, which the Fund tracks separately. If a Fund cannot pay the expenses of one series using that series' proportionate share of its assets, it may have to pay those expenses out of the other series' proportionate share of its assets, which could lower the investment return of those other series.

Short selling risk

Certain Funds may engage in short selling.

What is short selling?

To effect a short sale, a Fund borrows securities from a lender and sells them on the open market. At a later date, the Fund closes out the short position by purchasing the same securities on the open market and delivering those securities to the lender. In the interim, the Fund must compensate the lender for the loan of the securities, and must also provide collateral to the lender to secure the loan.

A Fund's gain (loss) on a short sale equals the amount by which its proceeds from the initial short sale, less the compensation it pays to the lender, is greater (less) than the amount it pays to purchase the securities to close out the short position.

A Fund that engages in short selling is subject to these risks:

- There can be no assurance that the borrowed securities will decline in value during the term of the short position; they may increase in value instead.

- The Fund may experience difficulties in repurchasing the borrowed securities if a liquid market for those securities does not exist at that time.

- The lender may require the Fund to return the borrowed securities at any time, which may require the Fund to close out the short sale at an inopportune time.

- The lender may become insolvent, in which case the Fund may not recover all or any of the collateral it provided to the lender.

Smaller companies risk

The share price of smaller companies is usually more volatile than that of more established larger companies. Smaller companies may be developing new products that have not yet been tested in the marketplace or their products may quickly become obsolete. They may have limited resources, including limited access to funds or unproven management, and may trade less frequently and in smaller volume than securities of large companies. They may have few securities outstanding, so that a sale or purchase of securities will have a greater impact on the share price.

ORGANIZATION AND MANAGEMENT OF THE FUNDS

Manager

Head office address

Franklin Templeton Investments Corp.
200 King Street West
Suite 1500
Toronto, Ontario
M5H 3T4

Mailing address

Franklin Templeton Investments Corp.
5000 Yonge Street
Suite 900
Toronto, Ontario
M2N 0A7

As the manager, we are responsible for the overall business and operation of the Funds.

Trustee

Franklin Templeton Investments Corp.
Toronto, Ontario

The trustee holds title to the securities owned by each Trust Fund on behalf of its investors.

Portfolio advisors

The portfolio advisors manage the investment portfolios of the Funds. You will find this information in the **FUND DETAILS** section for each Fund in the second part of this document.

Sub-advisors

Templeton Growth Fund uses a sub-advisor appointed by us to provide advice for a portion or for the entire portfolio. The sub-advisor is Templeton Global Advisors Limited, which is named in the **FUND DETAILS** section for Templeton Growth Fund in the second part of this document.

Under securities law, we are required to advise you that where portfolio management services are provided by an advisor or sub-advisor located outside of Canada, it may be difficult to enforce any legal rights against them because all or substantially all of their assets are located outside of Canada.

International sub-advisors are not fully subject to the requirements of Canadian securities legislation and we are responsible for the investment advice provided by Templeton Global Advisors Limited in its capacity as sub-advisor to Templeton Growth Fund.

Templeton Global Advisors Limited has received an exemption from the registration requirements of the *Commodity Futures Act* (Ontario) (the “**CFA**”) in respect of any trades made by Templeton Growth Fund they advise in commodity futures contracts and commodity futures options traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada

Accordingly, Templeton Global Advisors Limited will not be a CFA registrant and the protections available to CFA-registered clients will not be available to investors in Templeton Growth Fund it sub-advises.

Templeton Global Advisors Limited is an affiliate of ours.

Custodians

CIBC Mellon Trust Company
Toronto, Ontario

J.P. Morgan Bank Canada
Toronto, Ontario

CIBC Mellon Trust Company is the custodian for Franklin Mutual Global Discovery Fund II and Franklin U.S. Monthly Income Fund II.

J.P. Morgan Bank Canada is the custodian for Franklin Quotential Diversified Income Portfolio II, Templeton Global Smaller Companies Fund II, Templeton Growth Fund and Templeton International Stock Fund II.

The custodians, or any sub-custodians they may appoint, have physical custody of the investments made by the Funds.

Securities lending agent

If appointed, a securities lending agent would act as agent for a Fund that enters into a securities lending agreement. A securities lending agent would be independent of us.

Registrar and transfer agent

Franklin Templeton Investments Corp.
Toronto, Ontario

The registrar and transfer agent maintains account records of the holders of Fund securities; carries out all purchase, redemption, conversion and switch orders; and provides reporting and statements to investors and dealers.

Principal distributors

Franklin Templeton Investments Corp.
Toronto, Ontario

FTC Investor Services Inc.¹
Toronto, Ontario

¹ For Fee-Based Series and Institutional Series (see **SERIES OF THE FUNDS** on page 13).

The principal distributors market the Funds and arrange for the purchase of Fund securities through dealers across Canada.

Auditor

PricewaterhouseCoopers LLP
Chartered Professional Accountants
Toronto, Ontario

The auditor audits the annual financial statements of the Funds.

We may change the auditor of a Fund without the approval of its investors, provided the Independent Review Committee has approved the change and the Fund's investors receive notice of the change at least 60 days before its effective date.

Independent Review Committee

In accordance with National Instrument 81-107 – *Independent Review Committee for Mutual Funds* (“**NI-81-107**”), we have established an Independent Review Committee (the “**IRC**”) to provide impartial judgment on conflict of interest matters related to the operations of the Funds.

The IRC prepares, at least annually, a report of its activities for investors. You may also obtain a copy at no cost in any of the following ways:

- at **www.franklintempleton.ca**
- by emailing us at **service@franklintempleton.ca**
- by calling us toll-free at 1-800-387-0830

Additional information about the IRC, including the names of its members, is available in the annual information form.

Fund of fund structures

Certain Funds may invest in one or more Underlying Funds.

When a Fund owns securities of an Underlying Fund and the holders of that Underlying Fund's securities are entitled to vote:

- If the Underlying Fund is not managed by us, or by one of our associates or affiliates, we may cause the Fund to vote the securities of that Underlying Fund.
- If the Underlying Fund is managed by us, or by one of our associates or affiliates, we will not cause the Fund to vote the securities of

that Underlying Fund. Instead, we may arrange for the beneficial holders of the Fund's securities to vote on the matter. However, we will generally not make this arrangement, because of its complexity and cost.

PURCHASES, SWITCHES AND REDEMPTIONS

Who may invest in the Funds?

The Funds are not qualified for sale under a prospectus in any jurisdiction outside Canada. You may not purchase Fund securities:

- outside Canada
- for yourself, if you live outside Canada
- on behalf of a person living outside Canada

if this practice is against the law where you or the other person resides, or if such foreign residency has negative legal, regulatory or tax implications for a Fund.

In some jurisdictions outside Canada, a purchase of Fund securities is not against the law as long as the purchase is unsolicited. In these jurisdictions, you and your dealer are responsible for submitting only those purchase orders that have been initiated by you.

U.S. Persons (as defined in Regulation S of the *U.S. Securities Act* of 1933, or by the U.S. Commodity Futures Trading Commission) are not eligible to invest in the Funds. In the absence of written notice to the Funds to the contrary, the provision by a potential investor of a non-U.S. address on the application form for investment in a Fund will be deemed to be a representation and warranty from such investor that he/she/it is not a U.S. Person and that such investor will continue to be a non-U.S. Person unless and until the Fund is otherwise notified of a change in the investor's U.S. Person status.

How to open a Franklin Templeton Account

The Funds are offered for sale on a continuous basis, which means that subject to certain restrictions, you can purchase, switch or redeem Fund securities at any time.

Before you make your first investment in Fund securities, you need to open an account. You can open a new account by contacting your investment advisor and completing an application. If you do not have an investment advisor, you may call our Client Services team at 1-800-387-0830. We will be pleased to provide you with options available in your area.

You can buy, switch or redeem Fund securities through dealers across Canada. Your dealer may place an order with us by electronic transmission, written request via mail or courier, by phone, or by fax.

The 'know your client' rule

The Funds are sold through dealers. The 'know your client' rule is intended to ensure that your investment advisor knows about your investment needs and objectives and about your level of investment knowledge. With this information and his or her own expertise, your advisor can recommend the Fund securities that are best for you.

Series of the Funds

The Franklin Templeton Funds may offer up to 25 different series, which are described in this section. Table 1 identifies the series offered by each Fund. Read this section to determine which series is right for you.

Table 1: Series offered by the Funds

Fund	Series offered
Franklin Mutual Global Discovery Fund II	A, F, I, O, PA, PF, PT, PT-USD, T, T-USD
Franklin Quotential Diversified Income Portfolio II	A, F, FT, I, O, OT, PA, PF, PFT, PT, PT-USD, T, T-USD, V
Franklin U.S. Monthly Income Fund II	A, A-Hedged, F, F-Hedged, FT, FT-Hedged, I, O, O-Hedged, OT, OT-Hedged, PA, PA-Hedged, PF, PF-Hedged, PT, PT-Hedged, PT-USD, T, T-Hedged, T-USD
Templeton Global Smaller Companies Fund II	A, F, I, O, PA
Templeton Growth Fund	A, A-Hedged, AG, F, I, O, PA, PA-Hedged, PAG, PF
Templeton International Stock Fund II	A, F, O, PA, PF, PT, T

Each series identified in Table 1 belongs to one of three primary categories:

- Commission-Based Series
- Fee-Based Series
- Institutional Series

Furthermore, each Commission-Based Series and each Fee-Based Series belongs to one of two secondary categories:

- Retail Series
- High Net Worth Series

Finally, certain series also belong to one or both of the following categories:

- ROC Series
- Hedged Series

Each of these categories is described, and its member series identified, in the following sections.

Commission-Based Series

Each of Series A, AG, A-Hedged, I, PA, PAG, PA-Hedged, PT, PT-Hedged, PT-USD, T, T-Hedged, T-USD, and V is a **Commission-Based Series**.

Series A and AG are available to all investors, subject to certain minimum investment requirements (see Minimum purchase amounts on page 18).

Series PA and PAG are available to all investors who participate in our Account Linking Service and who hold at least \$200,000 of Fund securities in Related Accounts (as defined on page 27 under **ACCOUNT LINKING SERVICE**).

Series I is available to investors who have in total invested a minimum of \$100,000 with us.

The other Commission-Based Series are described in the following sections.

Fee-Based Series

Each of Series F, F-Hedged, FT, FT-Hedged, PF, PF-Hedged and PFT is a **Fee-Based Series**.

Series F is available to the following types of investors as determined by us in our sole discretion:

- investors who participate in dealer-sponsored fee-for-service or wrap programs;
- investors who participate in fee-for-service or wrap programs for which we administer

the investment advisory services fee (**SEE INVESTMENT ADVISORY SERVICES FEE** on page 36);

- investors who purchase, sell or hold their Fund securities through a discount brokerage account; and
- any other investors for whom we do not incur distribution costs.

Your investment in Series F is subject to our prior consent and the prior consent of your dealer.

Investors wishing to purchase Series F securities must also meet certain minimum investment requirements (see Minimum purchase amounts on page 18).

Series PF is available to investors who are eligible to purchase Series F securities, who participate in our Account Linking Service, and who hold at least \$100,000 of Fund securities in Related Accounts (as defined on page 27 under **ACCOUNT LINKING SERVICE**). We may waive the investment minimum for purchases made through a discretionary managed account.

The other Fee-Based Series are described in the following sections.

Institutional Series

Each of Series O, O-Hedged, OT and OT-Hedged is an **Institutional Series**.

Series O is available to the following types of investors, as determined by us in our sole discretion:

- investors who have in total invested a minimum of \$200,000 in securities of all Franklin Templeton Funds held in Related Accounts (as defined on page 27 under **ACCOUNT LINKING SERVICE**), provided that the investment minimum may be waived for purchases made by investors who purchase through a discretionary managed account;

- other Franklin Templeton Funds; and
- certain institutional investors who have entered into an Institutional Series Agreement (as defined on page 19 under **PURCHASE OPTIONS FOR FEE-BASED SERIES**) with us.

The other Institutional Series are described in the following sections.

ROC Series

Each series identified in the first column of Table 2 is a **ROC Series**. For each ROC Series, Table 2 also identifies the corresponding non-ROC Series. Each ROC Series is available to the same investors as its corresponding non-ROC Series, and on the same terms, except that the minimum amount required to invest in a ROC Series may be higher than for its corresponding non-ROC Series (see Minimum purchase amounts on page 18).

Table 2: ROC Series

ROC Series	Corresponding non-ROC Series
T	A
T-USD	A
T-Hedged	A-Hedged
PT	PA
PT-USD	PA
PT-Hedged	PA-Hedged
FT	F
FT-Hedged	F-Hedged
PFT	PF
OT	O
OT-Hedged	O-Hedged
V	I

Each ROC Series pays regular monthly distributions. For each ROC Series except for Series T-USD and PT-USD, the amount of the regular monthly distribution equals the series' NAV per security (as defined on page 17 under **NET ASSET VALUE**) on the last day of the preceding calendar year (or, if the series started in the current calendar year, on its start date), multiplied by the percentage rate applicable to that series and divided by 12.

For Series T-USD and PT-USD, the amount of the regular monthly distribution is calculated as described in the preceding paragraph, except that the series' NAV per security is converted from Canadian dollars to U.S. dollars using the exchange rate on the relevant date. As a result, the amount of the regular monthly distribution on these series is a U.S. dollar amount.

We may change the percentage rate applicable to a particular ROC Series, or otherwise modify the calculation of its regular monthly distributions, at any time and in our sole discretion.

Each regular monthly distribution paid on ROC Series securities will consist of estimated income to the extent of the Fund's allocation of estimated income to that ROC Series for that month, and any amount of the distribution in excess of that allocation of estimated income will generally consist of a return of capital. For the tax consequences of a return of capital, see **DISTRIBUTIONS ON FUND SECURITIES** on page 41.

If you hold ROC Series securities in a Franklin Templeton registered plan, we will reinvest each regular monthly distribution on your behalf, without charge, in that ROC Series. If you hold ROC Series securities in any other type of account:

- we will reinvest each regular monthly distribution on your behalf, without charge, in additional securities of that ROC Series, unless you have given us prior written notice that you wish to receive the distribution in cash; and

- you may choose to receive a portion of each regular monthly distribution in cash, with the remainder reinvested in additional securities of that ROC Series as described in the preceding paragraph, by enrolling in our Flexible Series T service (see **FLEXIBLE SERIES T** on page 28).

You should know that the percentage rate applicable to a particular ROC Series may be higher than rate of return or the portfolio yield of the Fund that offers it. As a result, if you elect to receive some or all of the regular monthly distributions in cash, the value of your investment may decline over time.

Hedged Series

Each series identified in the first column of Table 3 is a **Hedged Series**. For each Hedged Series, Table 3 also identifies the corresponding non-Hedged Series. Each Hedged Series is available to the same investors as its corresponding non-Hedged Series and has the same minimum investment requirements and distribution policy.

Table 3: Hedged Series

Hedged Series	Corresponding non-Hedged Series
A-Hedged	A
PA-Hedged	PA
T-Hedged	T
PT-Hedged	PT
F-Hedged	F
FT-Hedged	FT
PF-Hedged	PF
O-Hedged	O
OT-Hedged	OT

A Fund that offers one or more Hedged Series:

- generally has significant holdings of securities denominated in foreign currencies, whose value in Canadian dollars may decrease if these foreign currencies depreciate relative to the Canadian dollar; and
- employs a hedging strategy on the portion of its net assets attributable to the Hedged Series securities outstanding, whose objective is to reduce, as much as possible, the effect of changes in the exchange rate between the Canadian dollar and these foreign currencies on the value of the Fund’s net assets attributable to its Hedged Series.

Retail Series and High Net Worth Series

Each of Series A, AG, A-Hedged, F, F-Hedged, FT, FT-Hedged, T, T-Hedged and T-USD is a **Retail Series**.

Each of Series I, PA, PAG, PA-Hedged, PF, PF-Hedged, PFT, PT, PT-Hedged, PT-USD, and V is a **High Net Worth Series**.

Each High Net Worth Series has a higher minimum investment amount for investors to purchase and continue to hold than its corresponding Retail Series identified in Table 4 (see Minimum purchase amounts on page 18). Series I and V do not have a corresponding Retail Series.

Table 4: Retail Series and High Net Worth Series

Retail Series	Corresponding High Net Worth Series
A	PA
A-Hedged	PA-Hedged
F	PF
F-Hedged	PF-Hedged

Retail Series	Corresponding High Net Worth Series
FT	PFT
T	PT
T-Hedged	PT-Hedged
T-USD	PT-USD

Net asset value

In order to process a purchase, switch or redemption of Fund securities, we must first determine their value.

Each business day, at the close of trading on the Toronto Stock Exchange, we calculate the net asset value (“NAV”) of each series of each Fund. The NAV of a particular series equals its proportionate share of all of the assets of the Fund minus:

- the liabilities applicable to that series; and
- the series’ proportionate share of the liabilities of the Fund that are not specific to any series.

We then calculate the series’ NAV per security, which equals its series NAV divided by the number of securities of that series that are issued and outstanding.

We calculate the NAV of each series, and its NAV per security, in Canadian dollars. However, you may purchase and redeem certain Fund securities in U.S. dollars (see **CURRENCY SETTLEMENT OPTIONS** on page 19).

We process all orders to purchase, switch or redeem Fund securities using the applicable series NAV per security. If we receive your transaction request in good order by the close of trading on the Toronto Stock Exchange, we will process your order using that day’s series NAV per security. Otherwise, we will process your order on the next business day.

How to purchase Fund securities

If you would like to purchase Fund securities, please contact your dealer. Your dealer will either deliver your order to us with your payment in full, or place an order with us electronically, or by phone or fax, with payment to follow.

How we process your purchase order

You must pay your dealer when you buy your Fund securities. Your dealer must pay us within two business days, or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets, of delivering or placing your order.

If your dealer places your purchase order electronically and we do not receive payment for your Fund securities within the periods given in the preceding paragraph, we will redeem your Fund securities on the next business day. In accordance with securities regulations:

- if the proceeds are greater than the amount you owe us, the Fund will keep the difference; and
- if the proceeds are less than the amount you owe, your dealer will owe the difference to the Fund, in which case your dealer may be entitled to recover any losses from you.

Minimum purchase amounts

Table 5 sets out the minimum amount required to purchase securities of a particular series of a particular Fund. Except as otherwise noted, the minimum amount applies to Related Accounts (as defined on page 27 under **ACCOUNT LINKING SERVICE**) collectively.

Table 5: Minimum purchase amounts

Type of series	Minimum initial purchase	Minimum additional purchase	Minimum periodic purchase via PAC ¹
any Retail Series that is not a ROC Series	\$500 per Fund	\$100 per Fund	\$50 per Fund
any Retail Series that is a ROC Series	\$5,000 per Fund	\$100 per Fund	\$50 per Fund
any High Net Worth Series that is a Fee-Based Series; Series I and V	\$100,000	none	none
any High Net Worth Series that is a Commission-Based Series; any Institutional Series	\$200,000	none	none

¹ See **PRE-AUTHORIZED CONTRIBUTION PLANS** on page 28.

We reserve the right to change or waive any minimum purchase amount.

Purchase options for Commission-Based Series

You may purchase securities of any Commission-Based Series, except for Series I and V, under any of three different purchase options:

- the **Front-Load Purchase Option**, under which you may pay a sales commission that you negotiate with your dealer when you purchase the Fund securities (see **SALES CHARGES** on page 34);

- the **Low-Load Purchase Option**, under which you don't pay a sales commission when you purchase the Fund securities, but you may be charged a redemption fee if you redeem the Fund securities within three years of purchasing them (see **REDEMPTION FEES** on page 34); or
- the **Deferred Sales Charge Purchase Option**, under which you don't pay a sales commission when you purchase the Fund securities, but you may be charged a redemption fee if you redeem the Fund securities within six years of purchasing them (see **REDEMPTION FEES** on page 34).

Your choice of purchase option will affect not only the fees you pay, but also the compensation your dealer receives (see **DEALER COMPENSATION** on page 38).

You may only purchase Series I and V securities under the Front-Load Purchase Option.

Purchase options for Fee-Based Series

You may purchase securities of any Fee-Based Series under the **No-Load Purchase Option**, under which you pay no sales charges when you purchase and no redemption fees when you redeem.

If you are purchasing securities of a Fee-Based Series in an account for which you do not pay fees directly to your dealer, you may purchase them under the **investment advisory services fee purchase option**. Under this purchase option, you pay no sales charges when you purchase and no redemption fees when you redeem, but we will collect an investment advisory services fee from you and remit it to your dealer (see **INVESTMENT ADVISORY SERVICES FEE** on page 36).

Purchase options for Institutional Series

You pay no sales charges when you purchase and no redemption fees when you redeem Institutional Series securities, but we collect an investment

advisory services fee from you and remit it to your dealer (see **INVESTMENT ADVISORY SERVICES FEE** on page 36). In addition, we may charge you a fee for the management and administration services we provide (see **MANAGEMENT & ADMINISTRATION FEE** on page 35).

Currency settlement options

We settle Fund security transactions in Canadian dollars and/or U.S. dollars, depending on the Fund and series, as indicated in Table 6.

Table 6: Availability of currency settlement options

Series	Canadian dollars	U.S. dollars
T-USD and PT-USD	not available	all Funds that offer these series
Other ROC Series	all Funds that offer these series	not available
Hedged Series	all Funds that offer these series	not available
All others	all Funds	all Funds

For the process we follow to settle Fund security transactions in Canadian dollars, see **NET ASSET VALUE** on page 17. To settle Fund security transactions in U.S. dollars (the **U.S. dollar settlement option**), we follow that process with the following modifications:

- when you purchase, we determine the number of Fund securities that you purchase by converting the applicable series NAV per security from Canadian dollars to U.S. dollars using that day's exchange rate;
- when you receive a distribution (other than a regular monthly distribution on Series T-USD or PT-USD securities, which is calculated in U.S. dollars), we determine the amount of the distribution by converting the applicable series NAV per security from Canadian dollars to U.S. dollars using that day's exchange rate; and

- when you redeem, we determine your proceeds of redemption by converting the applicable series NAV per security from Canadian dollars to U.S. dollars using that day's exchange rate.

We provide the U.S. dollar settlement option as a convenience only. **The currency in which you settle your Fund security transactions has no impact on the performance of your investment in the Fund. The U.S. dollar settlement option does not act as a hedge against currency fluctuations between the U.S. dollar and the Canadian dollars.**

You may not purchase Fund securities under the U.S. dollar settlement option in any type of Franklin Templeton registered plan, unless that registered plan is a tax-free savings account.

How to switch Fund securities for other Fund securities

You can switch from one type of Fund securities to another through your dealer.

You may switch from one Fund to another Fund, or from one series of a Fund to another series of the same Fund, through your dealer, provided you meet the eligibility requirements for the Fund securities that you wish to switch into.

For the tax consequences of switches, see **SWITCHES OF FUND SECURITIES** on page 43.

Processing your switch order

We process your switch order as if it was a redemption of the Fund securities that you are switching out of and a purchase of the Fund securities that you are switching into. Accordingly, we follow the same procedure that we follow for processing redemptions (see **HOW WE PROCESS YOUR REDEMPTION ORDER** on page 22).

Switches that we may initiate

Switches from Retail Series to High Net Worth Series

On a daily basis, if we identify a group of Related Accounts (as defined on page 27 under **ACCOUNT LINKING SERVICE**) that holds Retail Series securities whose value is at least equal to a threshold investment amount, we will switch that investment from the Retail Series to the corresponding High Net Worth Series of the same Fund, if available. The threshold investment amount applicable to each Retail Series, and the switch that we will process, are shown in Table 7.

Table 7: Switches from Retail Series to High Net Worth Series

Retail Series you hold	Threshold investment amount	High Net Worth Series we will switch you to
A	\$200,000	PA
AG	\$200,000	PA
A-Hedged	\$200,000	PA-Hedged
F	\$100,000	PF
F-Hedged	\$100,000	PF-Hedged
FT	\$100,000	PFT
FT-Hedged	\$100,000	n/a
T	\$200,000	PT
T-Hedged	\$200,000	PT-Hedged
T-USD	\$200,000	PT-USD

In respect of the issuance of High Net Worth Series securities that occurs pursuant to these switches, the Funds have received an exemption from the Canadian securities regulatory authorities from the requirement for a dealer to deliver or send the most recently-filed fund facts document to a purchaser before the dealer accepts an instruction from the purchaser for the purchase of a security of a mutual fund. As a result, if we process one of these

switches in your account, you will not receive a fund facts document for the High Net Worth Series

into which your investment is switched.

Switches when your investment is less than a minimum investment amount

If you hold securities of a particular series of a particular Fund whose value declines below the minimum investment amount we have specified for that series due to redemptions, we may switch those Fund securities to a different series of the same Fund. We will give you 30 days' advance notice of any such switch. During this interval, if you purchase additional Fund securities to raise the value of your investment to or above the minimum balance, we will not proceed with the switch.

The minimum investment amount applicable to a particular series, and the switch that we may process in respect of that series, are shown in Table 8. Except as otherwise noted, the minimum balance applies to Related Accounts (as defined on page 27 under **ACCOUNT LINKING SERVICE**) collectively.

Table 8: Switches when your investment does not meet a minimum investment amount

Series you hold	Minimum investment amount	Series we may switch you to
O	\$200,000	A
O-Hedged	\$200,000	If available, A-Hedged
OT	\$200,000	T
OT-Hedged	\$200,000	If available, T-Hedged
PA	\$200,000	A
PA-Hedged	\$200,000	If available, A-Hedged
PAG	\$200,000	A
PF	\$100,000	F
PF-Hedged	\$100,000	If available, F-Hedged
PFT	\$100,000	if available, FT; otherwise, F
PT	\$200,000	if available, T; otherwise, A
PT-Hedged	\$200,000	if available, T-Hedged; otherwise, A-Hedged
PT-USD	\$200,000	if available, T-USD; otherwise, A
T or T-USD	\$5,000 per Fund	A
T-Hedged	\$5,000 per Fund	A-Hedged
FT	\$5,000 per Fund	F
FT-Hedged	\$5,000 per Fund	F-Hedged
I	\$100,000	A
V	\$100,000	T

We reserve the right to change or waive any minimum investment amount.

Switches from Fee-Based Series to Commission-Based Series

If we determine that you hold securities of a Fee-Based Series in an account in which you are not eligible to hold such series, we may switch your investment to a Commission-Based Series of the same Fund.

We will give you 30 days' advance notice of any such switch.

The switch that we may process in respect of each Fee-Based Series is shown in Table 9.

Table 9: Switches from Fee-Based Series to Commission-Based Series

Fee-Based Series you hold	Commission-Based Series we may switch you to
F	A
F-Hedged	A-Hedged
FT	T
FT-Hedged	T-Hedged
PF	PA
PF-Hedged	PA-Hedged
PFT	PT

How to redeem Fund securities

You can redeem your Fund securities through your dealer, by written or electronic instruction, accompanied by any outstanding security certificates and any other appropriate documentation we may require, or directly with us by instructing us in writing or by fax. You may also instruct us by telephone, subject to certain requirements and limitations (see **TELEPHONE SERVICES** on page 29).

If you wish to provide your redemption order to us in writing or by fax, your order must be accompanied by any outstanding security certificates.

Redemptions placed through your dealer or in writing will be made payable to you and sent to your address of record, or to your account at a Canadian bank or trust company, or to your dealer or another recognized financial institution in trust for you.

For your protection, your redemption orders (and certificate(s), if applicable) must be signature guaranteed by a dealer, bank, trust company, or other institution that is satisfactory to us. In some cases, we may also request additional documentation.

How we process your redemption order

If we do not receive all the documentation, we need to complete your redemption order, we will contact you or your dealer. If your dealer placed your redemption order electronically and, upon contacting your dealer, we are advised that you or your dealer are unable to provide us with the required documentation, we will immediately repurchase your Fund securities. If you or your dealer advise us that you are able to provide us with the required documentation but you or your dealer fail to provide it to us within ten business days of us receiving your order, we will repurchase your Fund securities. In accordance with securities regulations:

- if the proceeds of redemption are greater than the repurchase amount, the Fund will keep the difference; and
- if the proceeds of redemption are less than the repurchase amount, we pay the Fund the difference and collect the difference from your dealer, in which case your dealer may be entitled to recover any losses from you.

We will pay you the redemption proceeds within two business days (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets) of receiving a complete redemption order.

If you wish us to send your proceeds to your bank or trust company account by electronic fund transfer, please send us your banking information in one the following formats:

- Direct deposit form from your financial institution
- Pre-printed void cheque
- Completed banking information section of a new account application

We will keep your banking information on file for future purchases and redemptions.

If you do not provide us with your banking information, proceeds will be mailed to you by a cheque.

For your protection, we reserve the right to choose the final method of payment, which may include paying the redemption proceeds to your dealer, in trust for you.

Redemptions that we may initiate

If we redeem your investment as described in this section, we will pay the proceeds to you, unless:

- we initiated the redemption to collect fees payable by you, in which case the proceeds will be paid to the person or persons to whom the fees are payable (see **COLLECTION OF FEES BY REDEMPTION OF SECURITIES** on page 36); or
- those proceeds are less than a specified threshold, in which case we will instead pay the proceeds to the Fund whose securities we redeemed. Currently, the specified threshold is \$25; however, we may change

this threshold at any time and without further notice to you.

You are responsible for any and all costs and tax consequences associated with the redemption.

Redemptions to pay fees

We may redeem your Fund securities and use the proceeds to pay certain fees payable by you (see **COLLECTION OF FEES BY REDEMPTION OF SECURITIES** on page 36).

Redemptions when your investment is less than a minimum investment amount

If you hold securities of a particular series of a particular Fund whose value declines to an amount less than \$500 due to:

- redemptions, including redemptions to pay fees (see **REDEMPTIONS TO PAY FEES** on page 23), and/or
- distributions that you received in cash,

we may redeem those Fund securities. We will give you 30 days' advance notice of any such redemption. During this interval, if you purchase additional Fund securities to raise the value of your investment to or above \$500, we will not proceed with the redemption.

Redemptions in past-exempt registered plans

We have a legal obligation to file with, and remit taxes to, the Canada Revenue Agency ("**CRA**") in respect of an undistributed registered plan that comprises part of an estate. Consequently, on an annual basis, we may redeem Fund securities held in such a plan as required for the payment of taxes.

Redemptions for other reasons

We may redeem Fund securities in your account if we determine, in our sole discretion, that:

- you have engaged in short-term or excessive trading (see **SHORT-TERM TRADING** on page 25);
- you become a resident, for securities laws or tax purposes, of a foreign jurisdiction where such foreign residency may have negative legal, regulatory or tax implications on the Fund; or
- it would be in the best interest of the Fund to do so.

The order in which your securities are redeemed

Your Fund securities are redeemed in the following order:

- first, we redeem securities that you purchased through the reinvestment of distributions;
- next, if you hold the securities being redeemed under the Low-Load Purchase Option or the Deferred Sales Charge Purchase Option, we redeem any securities in respect of which a free redemption entitlement (as described on page 35 under **FREE REDEMPTION ENTITLEMENT**) applies;
- next, if you hold the securities being redeemed under the Low-Load Purchase Option or the Deferred Sales Charge Purchase Option, we redeem any securities that you hold under the Low Load Purchase Option and that you purchased more than three years ago or securities that you hold under the Deferred Sales Charge Purchase Option and that you purchased more than six years ago, as applicable (“**Matured Units**”); and
- finally, we redeem securities in the order in which you purchased them, beginning with the earliest purchase.

Suspending your right to redeem securities

As permitted by the Canadian securities regulatory authorities, we may suspend your right to redeem Fund securities:

- if normal trading is suspended on an exchange within or outside Canada on which securities or “specified derivatives” (as defined in NI 81-102) are traded that represent more than 50% by value of the total assets of that Fund and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund;
- with the consent of securities regulators, if the Fund determines that it is not practical to sell the Fund’s securities or fairly determine the value of its net assets; or
- of a Fund that invests in a single specified Underlying Fund, if the right to redeem the securities of that Underlying Fund is suspended.

If your right to redeem Fund securities is suspended, and you do not withdraw your redemption order, we will redeem your Fund securities at their series NAV per security determined after the suspension ends.

Other matters

Certificates and assignments

We will not issue certificates for Fund securities unless requested by you or your dealer. We will not issue certificates for any Fund securities held within a registered plan.

Confirmations and accounts statements

We or your dealer will send you a confirmation once we have processed your purchase, switch or redemption order. For a PAC and systematic withdrawal plan (“**SWP**”), you will only receive a confirmation on your first purchase, switch or

redemption. After that, you will either receive a confirmation each time a PAC or SWP runs on your account, if elected by you, or you will receive quarterly, semi-annual or annual account statements online. Account statements are available online unless you choose to opt out.

If you sign up for online services and electronic delivery, you will be notified by email each time a statement is posted, or a transaction is processed in your account.

Orders that we may reject

We have the right to reject any purchase or switch order within one business day of receiving it. If we reject your purchase order, we will return your money without interest.

We may reject an order to purchase or switch into the securities of a particular Fund if we believe that the Fund for any reason including would thereby be harmed or become unable to invest effectively.

We will not process any orders for:

- a past date
- a future date, unless the transaction relates to a PAC or SWP (as defined on page 28 under **PRE-AUTHORIZED CONTRIBUTION PLANS** and **SYSTEMATIC WITHDRAWAL PLANS**)
- a specific price
- any Fund securities that have not been paid for in full.

Orphaned accounts

In order to invest in Fund securities, your account must have a registered dealer on file with us. If your account is active but does not have a registered dealer on file, we consider your account to be an orphaned account.

If we determine, in our sole discretion, that your account is orphaned, we may:

- restrict all activities in the account, except for redemptions, including redemptions

pursuant to a SWP (as defined on page 28 under **SYSTEMATIC WITHDRAWAL PLANS**), and transfers out;

- notify you in writing of the account's status and request that you move the account to a registered dealer; and
- redeem the holdings in the account and mail the proceeds to your address of record.

You are responsible for all tax consequences, costs and any losses associated with the redemption of Fund securities in an orphaned account.

Short-term trading

Excessive trading can harm a Fund's performance, operations and investors by increasing its trading and other costs, and by interfering with the efficient management of the Fund's portfolio.

We perform ongoing monitoring of trading in Fund securities in order to identify investor trading patterns that may suggest short-term trading activity. We will consider you to be engaging in short-term trading if you:

- request to redeem Fund securities within two weeks of having purchased the same Fund securities, or request to purchase Fund securities within two weeks of having redeemed the same Fund securities;
- redeem or switch securities out of a particular series of a particular Fund more than twice within any 90-day period; or
- engage in trades of Fund securities that appear to follow a market-timing pattern that may adversely affect that Fund.

In determining whether a trade or trading pattern is inappropriate, we consider all relevant factors including good-faith changes in your circumstances or intentions, the nature of the Funds involved, and your past trading pattern, and we may conduct discussions with you or your dealer.

If we identify a pattern of short-term trading, we will seek to reject or restrict further trading if in our judgment such trading may adversely affect a Fund.

If we, in our sole discretion, reasonably determine that your pattern of trading may adversely affect a Fund, we reserve the right, without prior notice, to:

- temporarily or permanently reject further trading in a Fund's securities; and/or
- restrict the amount, number or frequency of your future trades in a Fund's securities.

OPTIONAL SERVICES

Account linking service

For the purposes of satisfying the minimum investment requirements for High Net Worth Series or Institutional Series, you may link accounts that hold Fund securities and that belong to:

- you,
- your spouse,
- you and your spouse jointly,
- your children, grandchildren and great-grandchildren and the spouses of each of these persons, or
- companies for which you own more than 50% voting equity,

and that are managed by the same investment advisor. We refer to the accounts that you link in this way as **Related Accounts**.

Account linking is an optional service for your dealer, your investment advisor and you. We do not automatically qualify you for the account linking service. In order to qualify for the account linking service, your dealer and your investment advisor must execute the necessary application forms. If you opt to this service, it is your responsibility to work with your investment advisor and dealer to manage your account-linking preferences and to ensure that each linked account is eligible to be a Related Account. For more information, please speak to your investment advisor.

We may modify or discontinue the account linking service at any time, in our sole discretion. If we discontinue this service, we will provide existing participants with 90 days' notice of its discontinuance.

Automatic rebalancing service

We offer an automatic rebalancing service that monitors the value of your investment in Fund securities against a target asset mix that you specify and rebalances your investment to that

target asset mix on parameters that you specify. You may apply this service to any Fund securities held in any account type by providing the necessary documentation to us. There is no fee for this service.

To use the automatic rebalancing service, you and your investment advisor must submit an automatic rebalancing service form and specify the following parameters:

- **Target asset mix:** You must specify the Fund securities among which your investment will be rebalanced, and the target percentage of your total investment that will be allocated to each. The Fund securities among which your investment will be rebalanced must share a common fee structure (see the following box), and must be held under the same purchase option and the same currency settlement option (see **HOW TO PURCHASE FUND** on page 18). You may establish one automatic rebalancing program per currency settlement option per account.
- **Rebalancing frequency:** You must indicate whether you want your account rebalanced on a quarterly, semi-annual or annual basis. Depending on your decision, your account will be reviewed and, if necessary, rebalanced on the second-last business day of the last month of the calendar quarter, half-year or year.
- **Variance trigger:** You must specify the maximum percentage by which the value of any Fund securities subject to the service, expressed as a percentage of your account value, can deviate from your target asset mix before triggering a rebalancing. When we review your account in accordance with the rebalancing frequency you have specified, we will only rebalance your account if one or more of your investments

in Fund securities differs from your target percentage by more than the variance trigger.

Series that share a common fee structure

You may rebalance your investment among Commission-Based Series, among Fee-Based Series or among Institutional Series, but you may not rebalance from one of these three categories of series to another.

When the current value of your investment in any Fund varies on the rebalancing frequency date by more than the variance trigger you have chosen, we will automatically switch your investments to return to your target asset mix. The service will be discontinued if a Fund in your target asset mix has a fund balance of less than one security and/or 100% of one or more of the Funds in your target asset mix are redeemed, switched or transferred from the account. You and your investment advisor may make changes to your automatic rebalancing service by submitting a new automatic rebalancing service form.

For the tax consequences of switches, see **SWITCHES OF FUND** on page 43.

Flexible Series T

If you hold ROC Series securities, you may choose to have a portion of the regular monthly distributions that you receive on these securities paid out as cash, with the remainder reinvested in securities of the same ROC series.

Please speak with your investment advisor for more information about Flexible Series T.

Pre-authorized contribution plans

You can buy Fund securities at regular intervals using a pre-authorized contribution plan (“PAC”) from your bank or trust account. The PAC can run weekly, twice monthly, monthly, quarterly, semi-

annually or annually and the periodic investment must be at least equal to the amount specified in Table 5.

There is no charge for this service, other than any applicable sales charges you negotiate with your dealer, and any fee that you may pay at redemption if you purchase Fund securities under the Low-Load Purchase Option or the Deferred Sales Charge Purchase Option (see **SALES CHARGES** on page 34). You may change or cancel the plan at any time by writing to us or your dealer. Once we receive all required documentation, it may take up to 72 hours for us to process any change or cancellation. If you switch all securities from one Fund to another, we will continue your PAC in your new Fund.

You can obtain a copy of the most recently filed fund facts in any of the following ways:

- at www.sedar.com
- at www.franklintempleton.ca
- by emailing us at service@franklintempleton.ca
- by calling us toll-free at 1-800-387-0830

While you have a statutory right to withdraw from your initial purchase of Funds under a PAC, you will not have a statutory right to withdraw from subsequent purchases of Funds under a PAC. You will continue to have all other statutory rights under securities law, including a misrepresentation right (see **WHAT ARE YOUR LEGAL RIGHTS?** on page 45).

Registered plans

We can set up any of the following accounts for you, each of which is a **registered plan**:

- registered retirement savings plan
- locked-in retirement savings plan
- spousal registered retirement savings plan
- locked-in retirement account
- registered education savings plan
- tax-free savings account
- registered retirement income fund

- spousal registered retirement income fund
- life income fund
- locked-in retirement income fund
- restricted life income fund
- restricted locked-in savings plan

You may also purchase Fund securities in a self-directed registered plan.

We encourage you to consult your investment or tax advisor about the tax considerations associated with registered plans.

Systematic withdrawal plans

Provided you maintain at least \$5,000 invested in a Fund, you can set up a systematic withdrawal plan (“SWP”) to redeem amounts periodically from your investments.

You can receive payments weekly, twice monthly, monthly, quarterly, semi-annually or annually. We will automatically redeem enough Fund securities to make the payments to you, which may reduce the value of your investment.

If you wish to receive your proceeds to your bank or trust company account by electronic fund transfer, please send us your banking information in one the following formats:

- Direct deposit form from your financial institution;
- Pre-printed void cheque; or
- Completed banking information section of a new account application.

We will keep your banking information on file for future purchases and redemptions.

If you do not provide us with your banking information, proceeds will be mailed to you by cheque.

There is no charge for this service, other than any applicable redemption fees. You may change or

cancel the plan at any time by writing to us or your dealer. It may take up to 72 hours for us to process any change or cancellation.

If your regular withdrawals are greater than the net earnings of your Fund, you will eventually deplete your original investment.

Telephone services

You can make the following requests by telephone, subject to our verification procedures and to satisfying any applicable account eligibility criteria:

- to switch, redeem or transfer Fund securities, except from a registered plan (other than a tax-free savings account);
- to change your address;
- to notify us that you wish to receive certain distributions in cash, or to rescind such notice; and
- to add, modify or remove certain other services described in this section.

If you wish to provide a switch or redemption order to us by telephone, you must first contact our Client Services team and provide your authorization to us, subject to our verification procedures and satisfying our account eligibility criteria for redemptions.

We will not process a switch or redemption request made by telephone unless it is accompanied by any outstanding security certificates representing the Fund securities to be switched or redeemed and all assignments on the outstanding Fund securities have been cancelled. Furthermore, we will not process a switch or redemption request for:

- Fund securities held in certificate form,
- Fund securities held in a registered plan, unless that registered plan is a tax-free savings account, or

- accounts for which there has been a recent change.

If you request a redemption of Fund securities by telephone, we will only pay the proceeds of redemption to you directly, and only to an account that you maintain at a Canadian bank or trust company and that we have on file for you.

We have the right, in our sole discretion, and in any event, to refuse a telephone request if we are not provided with the information we request or if we reasonably believe that the individual making the request is not authorized to act on the account. It is your responsibility to ensure that the individual making any request on behalf the account is authorized to do so. We will not be held liable for any losses that may occur in the event of unauthorized requests.

Online services

You can access your personal account information and track your investments 24/7 by registering online for:

- Reviewing account information and transaction details;
- Viewing and downloading account statements, tax and contribution receipts, and other fund documents; or
- Signing up for electronic delivery to receive trade confirmations by email and email notifications when your statements are available.

FEES AND EXPENSES

This section describes the fees and expenses you may pay if you invest in a Fund. Some of these fees and expenses you pay directly. Others are payable by the Fund and will indirectly reduce the value of your investment in the Fund.

Fees and expenses payable by the Funds

Management fees

Each Fund pays us a **management fee** in respect of each of its series, except in respect of any Institutional Series.

The management fee paid in respect of a particular series is calculated by multiplying the NAV of that series by a specified percentage rate. Table 10 shows the management fee rates applicable to the various series, other than Institutional Series, that the Funds may offer. The presence of a management fee rate in a particular cell of Table 10: Management fee rates (%) does not indicate that all or any of the corresponding Funds offer all, or any, of the corresponding series. See the second part of this document for information about the series offered by each Fund.

Table 10: Management fee rates (%)

Fund	Commission-Based Series			Fee-Based Series	
	Retail Series	Series I and V	Other High Net Worth Series	Retail Series	High Net Worth Series
Franklin Quotential Diversified Income Portfolio II	1.65	1.375	1.40	0.90	0.65
Templeton Growth Fund	1.85	1.10	1.80	0.85	0.80
Franklin U.S. Monthly Income Fund II	1.85	1.40	1.70	0.85	0.70
Templeton International Stock Fund II	2.00	—	1.80	1.00	0.80
Templeton Global Smaller Companies Fund II	2.00	1.25	1.90	1.00	—
Franklin Mutual Global Discovery Fund II	2.00	1.35	1.80	1.00	0.80

Management fee waivers

We have agreed to waive a portion of the management fee on certain series (a **management fee waiver**). We do this by reducing the specified percentage rate used to calculate the management fee in respect of these series. Table 11 shows the Funds and the series thereof on which we are waiving management fees and the waiver rate applicable to each applicable Fund and series.

Table 11: Management fee waiver rates (%)

Fund	Series	Rates
Franklin Mutual Global Discovery Fund II	F	0.03
	I	0.05
	T	0.02
	T-USD	0.18

Fund	Series	Rates
Franklin Quotential Diversified Income Portfolio II	F/FT	0.11
	I	0.06
Templeton Global Smaller Companies Fund II	F	0.02
Templeton Growth Fund	AG	0.15
	I	0.23
	PAG	0.15

We will continue to waive a portion of our management fee for each Fund and series in Table 11: Management fee waiver rates (%), at least until we lower that series' management fee rate, the administration fee rate, or a combination of the two, by an amount that is at least equal to the management fee waiver rate, in which case we may also reduce the management fee waiver rate by the corresponding amount of the reduction.

Operating expenses

We pay all of the operating expenses of each Fund, except for its Fund Costs (as defined later in this section) and its applicable taxes, including without limitation, income taxes, withholding taxes, harmonized sales tax (“HST”) and related taxes. The operating expenses that we pay (the “**Operating Expenses**”) include, but are not limited to:

- audit fees;
- fund accounting costs;
- transfer agency and recordkeeping costs;
- custodian costs;
- administration costs and trustee services relating to registered tax plans;
- the costs of printing and disseminating prospectuses, annual information forms, fund facts and continuous disclosure materials;
- legal fees;
- investor communication costs; and
- regulatory filing fees.

In exchange for our payment of its Operating Expenses, each Fund pays us an **administration fee** in respect of each of its series, except for its Institutional Series.

The administration fee in respect of a particular series is calculated by multiplying the NAV of that series by a specified percentage rate. Table 12 shows the administration fee rates applicable to the various series, other than Institutional Series, that the Funds may offer. The presence of a administration fee rate in a particular cell of Table 12: Administration fee rates (%) does not indicate that all or any of the corresponding Funds offer all, or any, of the corresponding series. See the second part of this document for information about the series offered by each Fund.

Table 12: Administration fee rates (%)

Fund	Commission-Based Series			Fee-Based Series	
	Retail Series	Series I and V	Other High Net Worth Series	Retail Series	High Net Worth Series
Franklin U.S. Monthly Income Fund II	0.13	0.19	0.15	0.13	0.15
Franklin Quotential Diversified Income Portfolio II	0.17	0.17	0.15	0.17	0.15
Templeton International Stock Fund II	0.25	—	0.15	0.25	0.15

Fund	Commission-Based Series			Fee-Based Series	
	Retail Series	Series I and V	Other High Net Worth Series	Retail Series	High Net Worth Series
Franklin Mutual Global Discovery Fund II	0.33	0.33	0.15	0.33	0.15
Templeton Growth Fund	0.35	0.35	0.15	0.35	0.15
Templeton Global Smaller Companies Fund II	0.38	0.38	0.15	0.38	—

In any particular period, the administration fee paid by a Fund may be greater than or lower than the Operating Expenses payable by us.

Each Fund that incurs any of the following expenses (“**Fund Costs**”) must pay those expenses itself:

- borrowing and interest costs;
- investor meeting costs as permitted by Canadian securities regulation;
- the fees and expenses of the IRC;
- any costs and expenses associated with litigation for the benefit of the Funds or brought to pursue rights on behalf of the Funds;
- the cost of compliance with any new governmental and regulatory requirements imposed on or after December 10, 2013, including those relating to Operating Expenses, or with any material change to existing governmental and regulatory requirements imposed on or after December 10, 2013, including extraordinary increases to regulatory filing fees;
- any new types of costs, expenses or fees not incurred prior to December 10, 2013, including those arising from new government or regulatory requirements relating to the Operating Expenses or

related to those external services that were not commonly charged in the Canadian mutual fund industry as of December 10, 2013; and

- operating expenses that would have been outside the normal course of business of the Funds prior to December 10, 2013.

Each Fund also pays its portfolio transaction costs, which include costs associated with the purchase and sale of securities and other property, service charges, and research and execution costs.

IRC fees and expenses

Each member of the IRC receives an annual retainer of \$30,000, with an additional retainer of \$10,000 for the Chair, and a per-meeting fee of \$1,500 for each meeting of the IRC that the member attends, plus expenses for each meeting. These fees and expenses, in addition to other expenses associated with the IRC, such as insurance and applicable legal costs, are allocated by us amongst all Franklin Templeton Funds, including the Funds, in a manner that is considered to be fair and reasonable to the mutual funds.

Sales taxes

Each Fund is required to pay HST on its management fees, administration fees and expenses at a rate determined separately for each of its series for each year.

The rate that applies in respect of a particular series of a particular Fund for a particular year is determined based on the net asset value of the securities of that series held by investors resident in each province or territory at a certain point in time and the HST rate applicable to each of those provinces or territories. As a result, HST will be paid based on a blended rate of:

- 15% in Nova Scotia;
- 14% in Prince Edward Island;
- 13% in each of Ontario, New Brunswick and Newfoundland and Labrador; and
- 5% in each of the non-harmonized jurisdictions.

Quebec has also harmonized its Quebec sales tax at a rate of 14.975%, which will be factored into the aforementioned blended rate.

Fees and expenses payable directly by you

Sales charges

If you purchase securities of a Commission-Based Series under the Front-Load Purchase Option, you may have to pay a sales charge at the time of purchase that you negotiate with your dealer:

- For Commission-Based Series other than Series I or V, the charge can be from 0% to 6% of the value of the securities you purchase.
- For Series I and V, the charge can be from 0% to 2% of the value of the securities you purchase.

We will deduct the amount of any sales charge from the amount of your investment and we will pay it to your dealer as a commission.

Switch fees

If you switch from one Fund or series to another Fund or series, you may have to pay a switch fee that you negotiate with your dealer. The switch fee can be from 0% to 2% of the value of the switched securities. We will deduct the amount of any switch fee from the value of the switch and we will pay it to your dealer. Therefore, the value of the Fund securities you switch to will be less than the value of the Fund securities you switched from by the amount of any switch fee.

Your dealer will not charge you a switch fee on a switch initiated by us.

Redemption fees

If you purchase securities of a Commission-Based Series under the Low-Load Purchase Option or the Deferred Sales Charge Purchase Option and you redeem those securities within a specified interval, you may have to pay a redemption fee. The redemption fee can be up to 6% of the amount of your original purchase, as indicated in Table 13.

Table 13: Redemption fee rates (%)

Specified interval	Low-Load Purchase Option	Deferred Sales Charge Purchase Option
in 1 st year after purchase	3.0	6.0
in 2 nd year after purchase	2.5	5.5
in 3 rd year after purchase	2.0	5.0
in 4 th year after purchase	nil	4.5
in 5 th year after purchase	nil	4.0
in 6 th year after purchase	nil	3.0
thereafter	nil	nil

We don't charge a redemption fee when you redeem Fund securities that you purchased through the reinvestment of a distribution.

We will deduct the amount of any redemption fee from your proceeds of redemption and we will retain it.

If you switch from one Fund or series to another Fund or series under the same purchase option, your redemption fee will be based on the date and amount of your original purchase.

Free redemption entitlement

If you hold securities of a Commission-Based Series under the Low-Load Purchase Option or the Deferred Sales Charge Purchase Option, you may be able to redeem some of those securities without having to pay any redemption fee that would otherwise apply.

In the case of securities that you hold under a particular purchase option, the value of the securities that you may redeem in this way equals:

- 10% of the value of the securities that you held under this purchase option as of December 31 of the prior calendar year (and that, in the case of the Deferred Sales Charge Purchase Option only, you purchased after February 28, 1993);
- plus 10% of the cost of such securities that you purchased in the current calendar year;
- minus the amount of any distributions on the securities that you received in cash during the prior calendar year;
- minus the value of securities that you redeemed during the current calendar year.

If you switch from securities of one Fund or series to securities of another Fund or series under the

same purchase option, any remaining free redemption entitlement will carry over to your new Fund securities.

You may not carry forward this privilege from one year to the next. We may cancel or change this privilege at any time.

Management & administration fee

If you purchase Institutional Series securities, you may have to pay us a **management & administration fee** in respect of those securities.

If we execute an agreement with you in respect of that investment (an “**Institutional Series Agreement**”), the terms on which any management & administration fee will be calculated and paid will be set out in that agreement. Generally, we will only execute an Institutional Series Agreement with institutional investors.

If you purchase Institutional Series securities and we have not executed an Institutional Series Agreement with you, we will charge you a management & administration fee that is calculated using a specified percentage rate. As indicated in Table 14, this rate may vary with the Fund in which you invest and with the value of your investment:

- on the first \$2,500,000 of your investment in a particular Fund, we will charge the **Tier 1** rate for that Fund,
- on the next \$2,500,000 of your investment in that Fund, we will charge the **Tier 2** rate for that Fund, and
- on the portion of your investment in that Fund that exceeds \$5,000,000, we will charge the **Tier 3** rate for that Fund.

Table 14: Institutional Series management & administration fee rates (%)

Fund	Tier 1	Tier 2	Tier 3
Franklin Quotential Diversified Income Portfolio II	0.80	0.70	0.65
Franklin U.S. Monthly Income Fund II	0.85	0.80	0.70

Fund	Tier 1	Tier 2	Tier 3
Franklin Mutual Global Discovery Fund II Templeton Growth Fund Templeton International Stock Fund II	0.95	0.80	0.75
Templeton Global Smaller Companies Fund II	1.05	0.95	0.90

We may change any of these tiers and/or rates at any time, in our sole discretion, but we will not change the tiers or increase the rates in a manner that would result in you paying a higher management & administration fee unless we have provided you with written notice of the change at least 60 days before its effective date.

If you purchase Institutional Series securities and we have not executed an Institutional Series Agreement with you, we will calculate the management & administration fee as described above and collect the fee as described on page 36 under **COLLECTION OF FEES BY REDEMPTION OF SECURITIES** and we will retain it.

Investment advisory services fee

If you purchase:

- securities of an Institutional Series, and we do not execute an Institutional Series Agreement with you, or
- securities of a Fee-Based Series under the investment advisory services fee purchase option,

you may have to pay an investment advisory services fee that you negotiate with your dealer (the “**investment advisory services fee**”), in addition to the management & administration fee that you pay us. This investment advisory services fee is calculated using a specified percentage rate that may not exceed 1.50%, excluding taxes.

Once we have received confirmation from your dealer of the specified percentage rate that you have negotiated, we will calculate and collect the

investment advisory services fee as described on page 36 under **COLLECTION OF FEES BY REDEMPTION OF SECURITIES** and we will pay it to your dealer. Until we have received that confirmation, we will neither collect the investment advisory services fee nor remit any corresponding amount to your dealer.

Collection of fees by redemption of securities

If you purchase:

- securities of an Institutional Series, and we do not execute an Institutional Series Agreement with you, or
- securities of a Fee-Based Series under the investment advisory services fee purchase option,

we will calculate and collect the applicable fee(s) periodically. In the case of Fee-Based Series securities, each calendar month is a period; in the case of Institutional Series, each calendar quarter is a period.

The amount of a particular fee for a particular period equals:

- the average daily NAV during the period of the Fund securities in respect of which the fee applies;
- multiplied by the specified percentage rate used to calculate that fee;
- multiplied by the number obtained by dividing the number of days in that period by 365.

We will redeem a quantity of Fund securities sufficient to pay the fee(s) plus applicable taxes. In the case of Fee-Based Series securities, this will occur on the last business day of the period; in the case of Institutional Series securities, this will occur from one to eighteen business days after the end of the period.

If you seek to redeem, switch or transfer Fund securities in respect of which we are collecting one or more of these fees, we will not process your order until we have first verified that, following your requested transaction, the value of the Fund securities remaining in your account would be sufficient to pay the accrued fee(s) plus applicable taxes. If that value is not sufficient, before we process your order, we will redeem a quantity of Fund securities sufficient to pay the accrued fee(s) plus applicable taxes.

For the tax consequences of these fee payments, see **FEES AND EXPENSES PAYABLE DIRECTLY BY YOU** on page 42.

Impact of sales charges

Table 15 shows the amount of fees that you would pay under the different purchase options if you invested \$1,000 in a Fund, if you held that investment for one, three, five or ten years, and redeemed the entire investment immediately before the end of each period. It assumes:

- the sales charge for Fund securities purchased under the Front-Load Purchase Option is 6%, although you may negotiate a lower sales charge with your dealer; and
- you haven't used your 10% free redemption entitlement under the Low-Load Purchase Option or the Deferred Sales Charge Purchase Option.

Table 15: Impact of sales charges

Purchase option	Fee at time of purchase	1 year	3 years	5 years	10 years
Front-Load Purchase Option	\$60	—	—	—	—
Low-Load Purchase Option ¹	—	\$30	\$20	—	—
Deferred Sales Charge Purchase Option ²	—	\$60	\$50	\$40	—
No-Load Purchase Option	—	—	—	—	—

¹ Redemption fees will only apply if you redeem your securities within three years of purchasing them (see **REDEMPTION FEES** on page 34).

² Redemption fees will only apply if you redeem your securities within six years of purchasing them (see **REDEMPTION FEES** on page 34).

Fees and expenses of fund of fund structures

If a Fund invests in an Underlying Fund, there are fees and expenses payable by the Underlying Fund in addition to the fees and expenses payable by the Fund. However, we will ensure that there is no duplication of management fees for the same services in respect of a Fund that invests in any Underlying Fund. Furthermore, a Fund that invests in an Underlying Fund will not pay sales charges or redemption fees in relation to its purchases or redemptions of securities of that Underlying Fund.

DEALER COMPENSATION

Sales commissions

Your dealer usually receives a sales commission when you invest in securities of a Commission-Based Series. The purchase option that you select determines the sales commission that is payable to your dealer.

Front-Load Purchase Option

If you purchase securities of a Commission-Based Series under the Front-Load Purchase Option, you may have to pay a sales charge at the time of purchase that you negotiate with your dealer:

- For Commission-Based Series other than Series I or V, the charge can be from 0% to 6% of the value of the securities you purchase.
- For Series I and V, the charge can be from 0% to 2% of the amount of the value of the securities you purchase.

We will deduct the amount of any sales charge from the amount of your investment and pay it to your dealer as a commission.

Low-Load Purchase Option

If you purchase securities of a Commission-Based Series under the Low-Load Purchase Option, we will pay your dealer a sales commission of 2.5% of the amount of your purchase.

Deferred Sales Charge Purchase Option

If you purchase securities of a Commission-Based Series under the Deferred Sales Charge Purchase Option, we will pay your dealer a sales commission of 5% of the amount of your purchase.

Trailing commissions

Commission-Based Series

In respect of the Commission-Based Series securities that you hold with a dealer, we pay your dealer a trailing commission on a monthly or quarterly basis. This is true even if your dealer is a discount broker. The trailing commission that we pay to each dealer each month is based on the average daily net asset value of Commission-Based Series securities of the Funds held by a dealer's clients during that month.

Table 16 shows the Commission-Based Series offered by the Funds and the base commission rate, expressed as a percentage, applicable to each such series that the Funds may offer. The presence of a base commission rate in a particular cell of Table 16 does not indicate that all or any of the corresponding Funds offer all, or any, of the corresponding series. See the second part of this document for information about the series offered by each Fund.

For the Commission-Based Series of each Fund listed in Table 16, we pay:

- the full base commission rate for Fund securities that you hold under the Front-Load Purchase Option;
- the full base commission rate for Matured Units that you purchased on or after June 12, 2006 and hold under the Low-Load Purchase Option, or that you hold under the Deferred Sales Charge Purchase Option;
- the full base commission rate for securities that you purchased through the reinvestment of distributions on Matured Units; and
- half of the base commission rate for other Fund securities that you hold under the

Low-Load Purchase Option or the Deferred Sales Charge Purchase Option.

We may discontinue the payment of trailing commissions or change the basis on which they are calculated or paid, at any time.

Table 16: Base commission rates for Commission-Based Series (%)

Fund	Series I and V	All other series
Templeton Growth Fund	0.50	1.00
Franklin Quotential Diversified Income Portfolio II	0.75	0.75
Franklin Mutual Global Discovery Fund II Franklin U.S. Monthly Income Fund II Templeton Global Smaller Companies Fund II	0.75	1.00
Templeton International Stock Fund II	—	1.00

Fee-Based Series and Institutional Series

We don't pay any trailing commissions in respect of Fee-Based Series securities or Institutional Series securities. Instead, you may pay an investment services fee in respect of these series (see **INVESTMENT ADVISORY SERVICES FEE** on page 36).

Inter-company service fee

Our affiliate, FTC Investor Services Inc. ("**FTC ISI**"), acts as a principal distributor of Fee-Based Series securities and Institutional Series securities. In consideration for this service, we pay FTC ISI an inter-company service fee equal to 0.20% per annum of the NAV of the securities of those series that are held in accounts at FTC ISI.

Marketing support programs

We pay for marketing materials that we provide to dealers to help support the sale of Fund securities. These materials may include reports and commentaries on the financial markets, securities in general or on the Funds themselves. In addition, we may organize and present educational conferences for dealers to attend or pay the registration costs for dealers to attend conferences hosted by third parties.

We may share with dealers some of the costs they incur in publishing and distributing sales communications for investors, organizing and presenting seminars to educate investors about mutual funds or organizing and presenting conferences or seminars that dealers may attend.

We may execute brokerage transactions through dealers who have provided other services to the Funds, such as investment research, order execution, or distribution of Fund securities.

However, we will only execute through such a dealer if the relevant dealer can provide best execution for the transactions, in accordance with our policy. See the annual information form for more information.

DEALER COMPENSATION FROM MANAGEMENT FEES

In our last completed financial year, we paid dealers approximately 33.37% of the total management fees we earned on the Franklin Templeton Funds. This amount included sales and trailing commissions, as well as our support of dealers' marketing activities.

INCOME TAX CONSIDERATIONS FOR INVESTORS

This information is a general summary of Canadian federal income tax rules. It assumes that you are a Canadian resident individual, other than a trust; that you deal at arm's length with the Funds; and that you hold your Fund securities as capital property. More detailed information is available in the annual information form. This summary is not exhaustive of all tax considerations; therefore, you should consult your tax advisor about your own tax situation.

Throughout this section of the document, except as otherwise indicated, terms enclosed within quotation marks have the meanings assigned to them by the *Income Tax Act* (Canada) (the “**Tax Act**”).

Fund securities held in a registered plan

If you hold Fund securities in a registered plan other than a tax-free savings account, any distributions that you receive on Fund securities and any capital gains that you realize on a disposition of Fund securities are generally sheltered from tax until you decide to make withdrawals from the plan. If you hold Fund securities in a tax-free savings account, any such amounts are sheltered from tax.

Fund securities are expected to be a “qualified investment” for registered plans at all material times.

Fund securities may be a “prohibited investment” for your registered plan, even though they are a “qualified investment”. Fund securities will not be a “prohibited investment” for your registered plan as long as you deal at arm's length with the Fund or you do not have a “significant interest” in the Fund.

You should consult with your tax advisor regarding the special rules that apply to each type of registered plan, including whether or not the securities of a particular Fund would be a

“prohibited investment” for your registered plan. It is your responsibility to determine the tax consequences to you and your registered plan of establishing the registered plan and causing it to invest in the Funds. Neither we nor the Funds assume any liability to you as a result of making Fund securities available for purchase within registered plans.

Fund securities not held in a registered plan

Distributions on Fund securities

If you hold units of a Trust Fund outside of a registered plan, you must include in computing your income for tax purposes the amount of the net income and the taxable portion of net capital gains paid or payable to you by that Fund in the year, whether you receive these distributions in cash or they are reinvested in additional units. To the extent that the Fund so designates under the Tax Act, distributions of net capital gains, taxable dividends on securities of taxable Canadian corporations and foreign source income of the Fund paid or payable to you by the Fund will effectively retain their character in your hands and be subject to the special tax treatment applicable to income of that character.

A Fund may make a distribution that consists, in whole or in part, of a return of capital. A return of capital is not taxable to you, but it reduces the adjusted cost base of your Fund securities. If the adjusted cost base of your Fund securities is reduced to less than zero, you will realize a capital gain to the extent that your adjusted cost base is less than zero and the adjusted cost base of your Fund securities will be increased by the amount of that gain.

As prescribed by the CRA, we will send you a tax form each year indicating the amount of income, capital gains or return of capital distributed to you in the previous year, if applicable.

Purchasing a Fund's securities late in its taxation year

The price of a Fund's securities may reflect income that the Fund has earned, and/or capital gains that it has realized, that it has not yet distributed. You will be taxable on all distributions of a Fund's income and capital gains that you receive, even if the Fund earned that income or realized those capital gains before you purchased its securities.

The amount of a Fund's undistributed income and/or capital gains may be significant late in its taxation year.

High portfolio turnover

The higher a Fund's portfolio turnover rate in a year, the greater the chance that you may receive a capital gains distribution from the Fund, which must be included in computing your income for tax purposes for that year.

What is the portfolio turnover rate?

The portfolio turnover rate measures the frequency with which a Fund's portfolio advisor changes its portfolio of investments in a particular financial year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling every security in its portfolio once during a financial year.

There is not necessarily a relationship between a Fund's portfolio turnover rate and its performance.

Large transactions in Fund securities

Some Funds may have investors who hold a significant amount of the Fund's securities (see **LARGE TRANSACTION RISK** on page 7). If such an investor redeems its Fund securities and the Fund has undistributed income and/or realized capital gains, the Fund's remaining investors may receive a larger distribution of taxable amounts than would in the absence of that redemption.

A Trust Fund will be subject to a "loss restriction event" when a person becomes a "majority-interest

beneficiary" of the Trust Fund, or a group of persons becomes a "majority-interest group of beneficiaries" of the Trust Fund. Generally, a holder of Trust Fund units will be a "majority-interest beneficiary" of that Trust Fund if those units, together with any units of that Trust Fund held by persons and partnerships with whom the holder is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, of the Trust Fund.

Generally, a person is deemed not to become a "majority-interest beneficiary", and a group of persons is deemed not to become a "majority-interest group of beneficiaries", of a Trust Fund if that Trust Fund meets certain investment requirements and qualifies as an "investment fund".

If a Trust Fund experiences a "loss restriction event":

- it will be deemed to have a taxation year end, which could result in a distribution of the Trust Fund's taxable income at such time to investors, so that the Trust Fund is not liable for income tax on such amounts, and
- it will be subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses.

Fees and expenses payable directly by you

If you pay a sales charge when you purchase Fund securities, you add the amount of the sales charge to the amount you paid for the Fund securities when calculating the adjusted cost base of those securities.

If you pay a switch fee when you switch Fund securities, you add the amount of the switch fee to the amount you paid for the Fund securities when

calculating the adjusted cost base of those securities.

If you pay a redemption fee when you redeem Fund securities, you deduct the amount of the redemption fee from the proceeds of your redemption when calculating your capital gain or capital loss.

If you hold securities of a Fee-Based Series or an Institutional Series, any investment advisory services fee that you pay to your dealer should be deductible from the income that you earn on those securities, to the extent that the fee:

- is reasonable;
- is charged either for advice to you regarding the purchase or sale of specific securities (including Fund securities) by you directly, or for services provided to you in respect of the administration and management of securities (including Fund securities) by you directly; and
- is paid to a dealer whose principal business is advising others regarding the purchase or sale of specific securities, or whose principal business includes the provision of administration or management services in respect of securities.

If you hold securities of an Institutional Series, you should consult with your tax advisor about the deductibility of any management & administration fee that you pay to us.

Switches of Fund securities

If you switch Fund securities, you will not realize a capital gain or a capital loss, unless you switch:

- from one Fund to another Fund,
- from a Hedged Series of a Fund to a non-Hedged Series of that Fund, or
- from a non-Hedged Series of a Fund to a Hedged Series of that Fund,

in which cases, the switch entails the redemption of the Fund securities that you switched from and has the tax consequences described in the following section.

Redemptions of Fund securities

If you redeem Fund securities, you may realize a capital gain or a capital loss. The capital gain (or capital loss) will be equal to the amount by which your proceeds from the redemption, net of any redemption fee that you pay, is greater than (less than) your adjusted cost base for the Fund securities redeemed.

Generally, you must include one-half of any capital gain in your income for tax purposes as a taxable capital gain, and you may deduct one-half of any capital loss against your taxable capital gains, subject to the provisions of the Tax Act.

In certain situations, loss restriction rules may limit or eliminate your ability to deduct a capital loss. For more information, contact your tax advisor.

We will provide you with details on the proceeds of any switch or redemption. However, in order to calculate your gain or loss, you need to know the adjusted cost base of the Fund securities that you switched or redeemed.

How to calculate your adjusted cost base

You must calculate a separate adjusted cost base (“**ACB**”) for each series of each Fund whose securities you hold. You must calculate the ACB in Canadian dollars.

For each series of each Fund whose securities you hold, your total ACB generally equals:

- the sum of all amounts that you paid to purchase those securities, including any sales charges that you paid;
- plus the ACB of any securities of any other series of the Fund that you switched, on a tax-deferred basis, into the series;

- plus the sum of all distributions that you received on, and reinvested in, the series;
- minus the sum of any returns of capital included in the distributions that you received on the series;
- minus the ACB of any securities of the series that you switched, on a tax-deferred basis, into securities of any other series of the Fund;
- minus the ACB of any securities that you redeemed.

the filing of tax reclaim or other forms, which could include requests for information about the Fund's securityholders, to receive the benefit of the reduced tax rate. A Fund may provide the required information about a Fund's securityholders to foreign tax authorities in order to reclaim foreign income tax owing to a Fund.

Your ACB per security equals the total ACB divided by the number of securities you hold.

International information reporting

Generally, unitholders will be required to provide their dealer with information related to their citizenship and tax residence and, if applicable, a foreign tax identification number. If a unitholder fails to provide the required information and indicia of U.S. or non-Canadian status is present, or is identified as a U.S. citizen or a foreign (including U.S.) tax resident, additional details about the unitholder and their investment in a Fund will be reported to the CRA, unless the investment is held within a Registered Plan. The CRA will provide that information to the U.S. Internal Revenue Service ("IRS") (in the case of U.S. citizens or tax residents) or the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under the Common Reporting Standard (in the case of non-Canadian tax residents other than U.S. tax residents).

Investment income received by a Fund from sources within foreign countries may be subject to foreign income tax withheld at the source. Canada has entered into tax treaties with certain foreign countries which may entitle a Fund to a reduced rate of tax on such income. Some countries require

WHAT ARE YOUR LEGAL RIGHTS?

You may have the right:

- to withdraw from your agreement to buy Fund securities within two business days of receiving the simplified prospectus or fund facts; or
- to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy Fund securities and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form, fund facts or financial statements misrepresent any facts about the Fund. These rights must usually be exercised within certain time limits.

For more information, refer to the securities legislation of your province or territory or consult your lawyer.

SPECIFIC INFORMATION ABOUT EACH OF THE MUTUAL FUNDS DESCRIBED IN THIS DOCUMENT

In this part of the document, you will find everything you need to help you evaluate and compare the Funds in light of your investment needs. The Fund descriptions that follow give you specific information about each Fund.

Information that is common to some or all of the Funds is described here. You should refer back to this section when reading a Fund description to make sure you have complete information about that Fund.

Fund details

This section tells you the Fund's type, its start date, the nature of the securities it offers, whether the Fund's securities are eligible for registered plans and the names of the Fund's portfolio advisor and/or sub-advisor.

What types of mutual funds exist?

Generally, what we identify as each Fund's type is the category to which it has been, or is expected to be, assigned by The Canadian Investment Funds Standards Committee. This organization was formed by Canada's major mutual fund database and research firms in order to standardize the classifications of mutual funds in Canada. Its category definitions and assignments are available at www.cifsc.org.

Permitted investments in closed series

Where a series of a particular Fund has been closed to new investments (a "**Closed Series**"), that Fund will not issue new securities of the Closed Series except as described in this section.

We may vary the terms of the closure applicable to a Closed Series, or remove the closure entirely, at our discretion.

Rules applicable to all closed series

An investor who receives a distribution on a Closed Series security may reinvest that distribution in additional securities of the same Closed Series.

The following investors may, at our discretion, invest in a Closed Series:

- an investor who is an "accredited investor" as defined by applicable securities law;
- certain institutional investors;
- an investor who is a client of Fiduciary Trust Company of Canada; and
- our employees and former employees, and the relatives of our employees and former employees.

Additional rules applicable to Series I, V and O

In the case of a Closed Series that is Series I, V or O:

- an investor who held securities of that Closed Series on the date it was closed to new investments, and who has continued to hold securities of that Closed Series since that time, may purchase additional securities of that Closed Series; and
- an investor who gave systematic instructions to purchase securities of that Closed Series that were in effect on the date it was closed to new investments may continue to purchase securities of that Closed Series pursuant to those instructions.

What does the fund invest in?

This section tells you the Fund's fundamental investment objective and the investment strategies it uses to pursue that objective.

Investment strategies

Investment in depositary receipts

Any Fund may invest in depositary receipts to obtain indirect ownership of foreign securities whose direct ownership would be consistent with the Fund's investment objective and investment strategies.

Depositary receipts are instruments, issued by banks or other financial institutions, that represent the value of securities issued by foreign companies. These receipts are most often known as one of the following, depending on the location of the depositary:

- American Depositary Receipts,
- European Depositary Receipts, or
- Global Depositary Receipts.

Investment in syndicated loans

Certain Funds may invest in loans and/or in loan participations ("**syndicated loans**").

A syndicated loan is a credit facility that is extended to a corporation or other entity by a financial institution and subsequently sold by that financial institution, in whole or in part, to one or more investors.

The syndicated loan in which a Fund invests may be a term loan or, to the extent permitted by securities regulations:

- a synthetic term loan,
- a delayed-draw term loan,
- a revolving credit facility, or
- a receivables purchase facility.

Interest on a syndicated loan typically accrues at a reference rate that resets periodically, such as the London Interbank Offered Rate, plus a fixed spread.

Use of derivatives

Each Fund may use derivatives as permitted by NI 81-102, as modified by any exemptions therefrom that the Fund has received (see **EXEMPTIONS FROM NI 81-102 AND SECURITIES REGULATIONS** on page 48).

A Fund that may use derivatives may do so:

- to hedge against losses from changes in security prices, exchange rates or interest rates;
- to gain indirect exposure to individual securities, markets or other investments, instead of investing directly in those securities, markets or other investments; or
- to seek to generate additional income.

In the Fund descriptions, we indicate whether a particular Fund uses derivatives.

Securities lending, repurchase and reverse repurchase agreements

The Funds may enter into securities lending agreements, repurchase agreements, and/or reverse repurchase agreements as permitted by NI 81-102.

A Fund may enter into these types of agreements in order to earn additional income.

Short selling

Certain Funds, may engage in short selling as permitted by NI 81-102.

Short selling provides a Fund with additional opportunities to profit from its portfolio advisor's ability to identify mispriced securities or to anticipate decreases in security prices.

Exemptions from NI 81-102 and securities regulations

Investment in foreign sovereign debt

Certain Funds have received an exemption from section 2.1 of NI 81-102. This exemption permits each such Fund to concentrate its investments in the securities of any issuer that is, or is guaranteed as to principal and interest by, any of the following (a “**Permitted Issuer**”):

- a government other than the government of Canada or the government of the United States of America,
- an agency of such a government,
- the World Bank (the International Bank for Reconstruction and Development),
- the Inter-American Development Bank,
- the Asian Development Bank,
- the International Finance Corporation,
- the European Bank for Reconstruction and Development, or
- the European Investment Bank.

Each such Fund may invest:

- up to 20% of its net assets, taken at market value at the time of purchase, in securities of a single Permitted Issuer, provided those securities have at least a AA rating from Standard & Poor’s Corporation (“**S&P**”) or an equivalent rating from one or more other approved credit rating organizations; and
- up to 35% of its net assets, taken at market value at the time of purchase, in securities of a single Permitted Issuer, provided those securities have at least a AAA rating from S&P or an equivalent rating from one or more other approved credit rating organizations.

Cover relief in connection with certain derivatives

Each Fund has received an exemption from section 2.8 of NI 81-102. This exemption permits each such Fund to use as cover, when it:

- opens or maintains a long position in a debt-like security that has a component that is a long position in a forward contract or in a standardized future or forward contract; or
- enters into or maintains a swap position and during the periods when the Fund is entitled to receive payments under the swap,

a right or obligation to sell an equivalent quantity of the underlying interest of the future, forward or swap.

Investment in affiliated foreign sub-funds

Certain Funds have received an exemption from section 2.5 of NI 81-102. This exemption permits each such Fund to invest up to 10% of its net assets, taken at market value at the time of investment, in the securities of any investment fund (a “**Sub-Fund**”) that:

- is managed by an affiliate of ours;
- is organized under the laws of Luxembourg as a *Société d’Investissement à Capital Variable* (“**SICAV**”);
- qualifies as an undertaking for collective investment in transferable securities (“**UCITS**”); and
- distributes its securities in accordance with the UCITS Directives, which subject the Sub-Fund to investment restrictions that are substantially similar to those that govern the Fund.

Inter-fund trades

Each Fund has received an exemption from the Canadian securities regulatory authorities to engage in inter-fund trading, which would otherwise

be prohibited under applicable securities legislation. This exemption permits each Fund to purchase securities from, or sell securities to, another investment fund or managed account managed by us or by an affiliate of ours, subject to certain conditions.

The IRC must approve any inter-fund trade by a Fund in accordance with the approval requirements of NI 81-107.

In-specie transfers

Each Fund has received an exemption from the Canadian securities regulatory authorities to engage in *in-specie* transfers, which would otherwise be prohibited under various applicable securities legislation. This exemption permits each Fund to receive portfolio securities from, or deliver portfolio securities to, another investment fund or managed account managed by us or by an affiliate of ours in respect of a purchase or redemption its securities, subject to certain conditions.

The IRC must approve any *in-specie* transfer by a Fund in accordance with the approval requirements of NI 81-107.

What are the risks of investing in the fund?

This section contains a table that identifies the primary risks and secondary risks that apply to the Fund. Risks without a bullet in either column do not apply to the Fund.

For a description of each risk, see **WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?** on page 2.

Who should invest in this fund?

This section tells you the type of investor the Fund may be suitable for. **This information is intended**

Table 17: Proxy fund/reference indices

Fund	Proxy fund / reference index or indices
Franklin Mutual Global Discovery Fund II	Franklin Mutual Global Discovery Fund

as a general guide only. When you are choosing investments, you should, together with your investment advisor, consider your whole portfolio, your investment objectives, your investment horizon and your risk tolerance.

Investment risk classification methodology

The investment risk level of a mutual fund is required to be determined in accordance with the standardized risk classification methodology mandated by the Canadian Securities regulatory authorities. It is based on a mutual fund's historical volatility as measured by the 10-year standard deviation of the returns of the mutual fund.

What is standard deviation?

Standard deviation is one of the most widely-accepted ways to quantify the volatility of a Fund's returns. The greater the standard deviation, the greater the volatility.

In cases where a Fund is new or has less than 10 years of performance history, we determine its investment risk level using a proxy fund or a reference index. A proxy fund is another Franklin Templeton Fund that has at least 10 years of performance history, and that has the same portfolio manager, investment objectives and strategies as the mutual fund whose investment risk level we are determining. If we cannot identify a proxy fund, we will choose an appropriate reference index, whose standard deviation we expect to approximate the standard deviation of the Fund, to determine the Fund's investment risk level. Table 17 identifies each Fund for which we have used a proxy fund or one or more reference indices, and for each such Fund, identifies the proxy fund or reference indices we have used and the weight, if applicable, assigned to each.

Fund	Proxy fund / reference index or indices
Franklin Quotential Diversified Income Portfolio II	Franklin Quotential Diversified Income Portfolio
Franklin U.S. Monthly Income Fund II	50% MSCI USA High Dividend Yield Index 25% Bloomberg Barclays High Yield Very Liquid Index 25% Bloomberg Barclays US Aggregate Bond Index
Templeton Global Smaller Companies Fund II	Templeton Global Smaller Companies Fund
Templeton International Stock Fund II	Templeton International Stock Fund

Table 18 provides a description of each reference index listed in Table 17.

Table 18: Reference index description

Reference index	Description
Bloomberg Barclays High Yield Very Liquid Index	a component of the US Corporate High Yield Index, designed to track the more-liquid segment of the USD-denominated, high-yield, fixed-rate corporate bond market
Bloomberg Barclays US Aggregate Bond Index	a market-value-weighted index of fixed-rate bonds issued by US issuers that have an investment-grade rating and a term to maturity of at least one year; includes government and corporate securities, mortgage pass-through securities and asset-backed securities
MSCI USA High Dividend Yield Index	a subset of equities in the MSCI USA Index (excluding REITs) having above-average dividend income and quality characteristics

Once a Fund has 10 years of performance history, we will determine its investment risk level using the performance history of the Fund itself.

We assign each Fund to one of the following investment risk categories:

- low
- low to medium
- medium
- medium to high
- high.

Other types of risks, both measurable and non-measurable, exist. See **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49 for further details on the risks associated with investing in a Fund.

Just as historical performance may not be indicative of future returns, historical volatility may

not be indicative of future volatility. We review each Fund's risk rating annually and at any time when we no longer deem its risk rating to be reasonable under the circumstances. You may obtain a more detailed explanation of our risk classification methodology, at no cost, in any of the following ways:

- by calling us toll-free at 1-800-387-0830
- by writing to us at Franklin Templeton Investments Corp., 5000 Yonge Street, Suite 900, Toronto, Ontario M2N 0A7.

Term

A particular Fund's suitability for you may depend on your investment horizon. We categorize each Fund as best suited to one or more of three investment horizons:

- **short term** means up to one year,

-
- **medium term** means between one and five years, and
 - **long term** means more than five years.

Distribution policies

This section explains the frequency, amount and composition of distributions that you may receive from a Fund. It also explains when you may elect to receive these distributions in cash.

Distribution policies applicable to all series

Each year, each Trust Fund that has any undistributed net income or any undistributed net capital gains will distribute any such amounts to its investors. Generally, this type of distribution will occur in December; however, it may also occur at other times during the year.

We will reinvest each such distribution on your behalf, without charge, in additional securities of the series and Fund on which it was made, unless you have given us prior written notice that you wish to receive the distribution in cash. You may not elect to receive these distributions in cash on:

- Fund securities that you hold in a Franklin Templeton registered plan; or
- ROC Series securities.

Additional distribution policies applicable to monthly distributions on ROC Series

Each Fund that offers one or more ROC Series will make regular monthly distributions on each of its ROC Series. Generally, the monthly distribution will occur on the last business day of the month, except in December, when it may occur earlier.

Each regular monthly distribution paid on ROC Series securities will consist of estimated income to the extent of the Fund's allocation of estimated income to that ROC Series for that month, and any amount of the distribution in excess of that

allocation of estimated income will generally consist of a return of capital. For the tax consequences of a return of capital, see **DISTRIBUTIONS ON FUND SECURITIES** on page 41.

If you hold ROC Series securities in a Franklin Templeton registered plan, we will reinvest each regular monthly distribution on your behalf, without charge, in additional securities of that same ROC Series. If you hold ROC Series securities in any other type of account:

- we will reinvest each regular monthly distribution on your behalf, without charge, in additional securities of that same ROC Series, unless you have given us prior written notice that you wish to receive the distribution in cash; and
- you may choose to receive a portion of each regular monthly distribution in cash, with the remainder reinvested in additional securities of that same ROC Series as described in the preceding paragraph, by enrolling in our Flexible Series T service (see **FLEXIBLE SERIES T** on page 28).

If you elect to receive all or a portion of the regular monthly distributions in cash, this may reduce the amount of your investment over time.

Fund expenses indirectly borne by investors

Mutual funds pay their expenses out of fund assets. This means investors in a fund pay for these expenses indirectly, through lower returns. If a Fund issues securities of more than one series, we track the expenses of each series separately.

The table allows you to compare the cost of investing in the Fund with the cost of investing in other mutual funds. It shows the cumulative

expenses you would have paid over various time periods if you:

- invested \$1,000 in a Commission-Based Series or Fee-Based Series of the Fund,
- earned a total annual return of 5%, which may be different from the series' actual return in any given year and is only used for illustrative purposes as required by the Canadian securities regulatory authorities, and
- paid the same management expense ratio each year as you did in the Fund's last completed financial year.

For Institutional Series, there are no expenses indirectly borne by investors. For information about the cost of investing in Institutional Series of the Funds, see **MANAGEMENT & ADMINISTRATION FEE** and **INVESTMENT ADVISORY SERVICES FEE** on page 35.

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND II

Fund details

Fund type	Global equity
Securities offered	Series A, F, I, O, PA, PF, PT, PT-USD, T and T-USD units ¹
Start dates	November 20, 2020
Eligible for registered plans	The units are expected to be qualified investments for registered plans
Portfolio advisor	Franklin Templeton Investments Corp., Toronto, Ontario
Sub-advisor	Franklin Mutual Advisers, LLC, Short Hills, New Jersey is the sub-advisor of Franklin Mutual Global Discovery Fund

¹ Closed to all investors.

What does the fund invest in?

Investment objective

- long-term capital appreciation by investing substantially all of its assets in units of Franklin Mutual Global Discovery Fund, which invests primarily in equity and debt securities of issuers around the world

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the Fund's investors called for that purpose.

Investment strategies

Generally, the Fund will invest substantially all of its assets in units of Franklin Mutual Global Discovery Fund. To the extent that the Fund invests in other mutual funds or directly in securities, it will employ the same investment strategies employed by Franklin Mutual Global Discovery Fund, which are reproduced below.

The sub-advisor employs fundamental analysis and follows a value investment style in selecting investments for the Fund's portfolio.

Generally, the Fund will invest at least 65% of its assets, excluding cash and cash equivalents, in common shares, preferred shares, and debt instruments that are, or are expected to be, convertible into common shares or preferred shares.

The Fund may invest all of its assets in securities of non-U.S. issuers.

The Fund may invest in investment-grade and non-investment-grade debt instruments.

The Fund may invest in debt instruments that are in default at the time of its investment.

The Fund may invest in syndicated loans (see **INVESTMENT IN SYNDICATED LOANS** on page 47).

The Fund may invest in China A-securities directly through Stock Connect.

The Fund typically engages in currency management strategies to hedge the exposure to the impact of changes in currency exchange rates. Hedging will limit the opportunity for gains in the event of an increase in the value of U.S. and foreign currencies relative to the Canadian dollar and will generally limit losses in the event of a decrease in the value of U.S. and foreign currencies relative to the Canadian dollar.

The Fund may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **WHAT DOES THE FUND INVEST IN?** on page 47):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling, subject to providing 60 days' notice to investors,

provided that if the Fund does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The Fund may invest a portion of its assets in securities of other mutual funds, including ETFs, that may be managed by us or by an affiliate of ours.

The Fund may temporarily depart from its investment objectives or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market mutual funds. The portfolio advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

What are the risks of investing in the fund?

For an explanation of the following table, see **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49.

	Primary risk	Secondary risk
ABS / MBS		
Asset allocation		
China A-securities		•
China bond connect		

	Primary risk	Secondary risk
Concentration		
Credit	•	
Cybersecurity		•
Derivative		•
Emerging markets		•
Equity	•	
Foreign currency		•
Foreign currency hedging	•	
Foreign investment	•	
Fund of funds	•	
Illiquidity		•
Inflation-linked bonds		
Interest rate		•
Large transaction		•
Market	•	
Portfolio management		•
REIT		
SLA / repo / reverse repo		•
Series		•
Short selling		•
Smaller companies		•

Who should invest in this fund?

You should consider this Fund if you are:

- seeking a global equity fund providing exposure to undervalued securities without all of the associated foreign currency risk;
- willing to accept medium risk on your investment; and
- planning to hold your investment for the medium or long term.

You should consider the Fund's ROC Series if you are seeking regular monthly cash flows from your investment.

For more information, see **WHO SHOULD INVEST IN THIS FUND?** on page 49.

Distribution policy

See **DISTRIBUTION POLICIES** on page 51.

Fund expenses indirectly borne by investors

This information is not available because the Fund is new.

FRANKLIN QUOTENTIAL DIVERSIFIED INCOME PORTFOLIO II

Fund details

Fund type	Strategic Asset Allocation Portfolio
Securities offered	Series A, F, FT, I, O, OT, PA, PF, PFT, PT, PT-USD, T, T-USD and V units ¹
Start dates	November 20, 2020
Eligible for registered plans	The units are expected to be qualified investments for registered plans
Portfolio advisor	Fiduciary Trust Company of Canada, Toronto, Ontario

¹ Closed to all investors.

What does the fund invest in?

Investment objective

- high current income and some long-term capital appreciation by investing primarily in a diversified mix of income and bond mutual funds

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the Fund's investors called for that purpose.

Investment strategies

The Fund will invest in securities of other mutual funds, including ETFs, that may be managed by us or by an affiliate of ours.

The Fund may invest up to 20% of its assets in ETFs that are not managed by us or by an affiliate of ours.

The Fund may invest in foreign sub-funds managed by affiliates of ours (see **INVESTMENT IN AFFILIATED FOREIGN SUB-FUNDS** on page 48).

The Fund may, from time to time, invest a portion of its assets directly in equity and fixed-income securities. Any such investments will be temporary, and will be made solely to facilitate in-kind transactions with the other mutual funds in which the Fund invests.

The portfolio advisor will generally keep the Fund's asset class allocations within the following ranges:

- 5 - 30% equity securities
- 70 - 95% fixed-income securities

The portfolio advisor may review and adjust the Fund's asset class allocations in its sole discretion, based on its assessment of economic conditions and the prospects for each of these asset classes.

The Fund may, from time to time, seek to hedge some or all of its exposure to changes in currency exchange rates.

The Fund may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **WHAT DOES THE FUND INVEST IN?** on page 47):

- use derivatives for hedging and non-hedging purposes; and
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements,

provided that if the Fund does so, it will do so in conjunction with its other investment strategies in a

manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The Fund may temporarily depart from its investment objectives or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market mutual funds. The portfolio advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

What are the risks of investing in the fund?

For an explanation of the following table, see **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49.

	Primary risk	Secondary risk
ABS / MBS		
Asset allocation	●	
China A-securities		
China bond connect		
Concentration		
Credit		●
Cybersecurity		●
Derivative		●
Emerging markets		●
Equity	●	
Foreign currency		●
Foreign currency hedging		●
Foreign investment		●
Fund of funds	●	

	Primary risk	Secondary risk
Illiquidity		●
Inflation-linked bonds		●
Interest rate	●	
Large transaction		●
Market	●	
Portfolio management		●
REIT		
SLA / repo / reverse repo		●
Series		●
Short selling		
Smaller companies		●

Who should invest in this fund?

You should consider this Fund if you are:

- seeking a core income-oriented fund that is diversified by asset class, region and investment style;
- willing to accept low risk on your investment; and
- planning to hold your investment for the medium term.

You should consider the Fund’s ROC Series if you are seeking regular monthly cash flows from your investment.

For more information, see **WHO SHOULD INVEST IN THIS FUND?** on page 49.

Distribution policy

See **DISTRIBUTION POLICIES** on page 51.

Fund expenses indirectly borne by investors

This information is not available because the Fund is new.

FRANKLIN U.S. MONTHLY INCOME FUND II

Fund details

Fund type	Global neutral balanced
Securities offered	Series A, A-Hedged, F, F-Hedged, FT, FT-Hedged, I, O, O-Hedged, OT, OT-Hedged, PA, PA-Hedged, PF, PF-Hedged, PT, PT-Hedged, PT-USD, T, T-Hedged, T-USD units ¹
Start dates	November 20, 2020
Eligible for registered plans	The units are expected to be qualified investments for registered plans
Portfolio advisor	Franklin Templeton Investments Corp., Toronto, Ontario Franklin Advisers, Inc., San Mateo, California is the portfolio advisor of Franklin U.S. Monthly Income Fund

¹ Closed to all investors.

What does the fund invest in?

Investment objective

- maximize income while maintaining prospects for long-term capital appreciation by investing substantially all of its assets in units of Franklin U.S. Monthly Income Fund, which invests primarily in a diversified portfolio of debt and equity securities issued in the U.S.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the Fund's investors called for that purpose.

Investment strategies

Generally, the Fund will invest substantially all of its assets in units of Franklin U.S. Monthly Income

Fund. To the extent that the Fund invests in other mutual funds or directly in securities, it will employ the same investment strategies employed by Franklin U.S. Monthly Income Fund, which are reproduced below.

The portfolio advisor employs fundamental analysis in selecting investments for the Fund's portfolio.

The portfolio advisor may, from time to time, concentrate the Fund's investments in a particular sector.

The Fund may invest up to 25% of its assets in securities of non-U.S. issuers.

The Fund may invest in debt instruments, including fixed-income and floating-rate instruments, government and corporate bonds, inflation-linked bonds, ABS and MBS, corporate loans and convertible securities.

The Fund may invest all of its assets in non-investment-grade debt instruments.

The Fund may invest in debt instruments that are in default at the time of its investment.

The Fund may invest in syndicated loans (see **INVESTMENT IN SYNDICATED LOANS** on page 47).

The Fund may, from time to time, seek to hedge some or all of its exposure to changes in currency exchange rates.

The Fund may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **WHAT DOES THE FUND INVEST IN?** on page 47):

- use derivatives for hedging and non-hedging purposes;

- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the Fund does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The Fund may invest a portion of its assets in securities of other mutual funds, including ETFs, that may be managed by us or by an affiliate of ours.

The Fund may temporarily depart from its investment objectives or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market mutual funds. The portfolio advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

In respect of its net assets attributable to the Hedged Series, the Fund generally uses derivatives to hedge as completely as possible against currency fluctuations between the Canadian dollar and the currencies in which the Fund's investments are denominated.

What are the risks of investing in the fund?

For an explanation of the following table, see **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49.

	Primary risk	Secondary risk
ABS / MBS		●
Asset allocation	●	
China A-securities		

	Primary risk	Secondary risk
China bond connect		
Concentration		●
Credit	●	
Cybersecurity		●
Derivative		●
Emerging markets		
Equity	●	
Foreign currency		● ¹
Foreign currency hedging		● ²
Foreign investment	●	
Fund of funds	●	
Illiquidity		●
Inflation-linked bonds		●
Interest rate	●	
Large transaction		●
Market	●	
Portfolio management		●
REIT		
SLA / repo / reverse repo		●
Series		●
Short selling		●
Smaller companies		●

¹ Does not apply to the Fund's Hedged Series.

² Applies to the Fund's Hedged Series only.

Who should invest in this fund?

You should consider this Fund if you are:

- seeking a U.S. balanced fund that pursues income with some capital gains;
- willing to accept low-to-medium risk on your investment; and
- planning to hold your investment for the medium or long term.

You should consider the Fund's Hedged Series if you are seeking a U.S. balanced fund without the associated foreign currency risk.

You should consider the Fund's ROC Series if you are seeking regular monthly cash flows from your investment.

For more information, see **WHO SHOULD INVEST IN THIS FUND?** on page 49.

Distribution policy

See **DISTRIBUTION POLICIES** on page 51.

In addition, the Fund will make monthly distributions of any estimated income. To the extent the Fund's estimated income exceeds its actual net income as determined at its taxation year end, these monthly distributions may consist of return of capital.

Generally, the monthly distribution will occur on the last business day of the month, except in December, when it may occur earlier. We will reinvest each such distribution on your behalf, without charge, in the series on which it was made, unless you have given us prior written notice that you wish to receive the distribution in cash. You may not elect to receive these distributions in cash on Fund units that you hold in a Franklin Templeton registered plan.

Fund expenses indirectly borne by investors

This information is not available because the Fund is new.

TEMPLETON GLOBAL SMALLER COMPANIES FUND II

Fund details

Fund type	Global equity
Securities offered	Series A, F, I, O and PA units ¹
Start dates	November 20, 2020
Eligible for registered plans	The units are expected to be qualified investments for registered plans
Portfolio advisor	Franklin Templeton Investments Corp., Toronto, Ontario
Sub-advisor	Templeton Investment Counsel, LLC, Fort Lauderdale, Florida is the sub-advisor of Templeton Global Smaller Companies Fund

¹ Closed to all investors.

What does the fund invest in?

Investment objective

- long-term capital appreciation by investing substantially all of its assets in units of Templeton Global Smaller Companies Fund, which invests primarily in equity securities of smaller companies around the world

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the Fund's investors called for that purpose.

Investment strategies

Generally, the Fund will invest substantially all of its assets in units of Templeton Global Smaller Companies Fund. To the extent that the Fund invests in other mutual funds or directly in securities, it will employ the same investment

strategies employed by Templeton Global Smaller Companies Fund, which are reproduced below.

The sub-advisor employs fundamental analysis and follows a value investment style in selecting investments for the Fund's portfolio.

Smaller companies are those with market capitalizations not exceeding the highest market capitalization in the Fund's benchmark, the MSCI All Country World Small Cap Index, at the time of initial purchase. The Fund is permitted to make additional purchases in securities that no longer meet the above criteria, provided the Fund holds the same securities in its portfolio which met the criteria at the time of purchase. Under normal market conditions, it is expected that 80% of the Fund's portfolio will be invested in smaller companies.

The Fund:

- will primarily hold, excluding cash, equity securities of smaller companies in developed countries, as well as in emerging markets
- may invest in any country or industry in any proportion
- selects investments from many different industries and countries to enhance returns and reduce risk
- from time to time, depending on current market conditions, may invest in non-equity securities, including debt instruments

The Fund may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **WHAT DOES THE FUND INVEST IN?** on page 47):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling, subject to providing 60 days' notice to investors,

provided that if the Fund does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The Fund may invest a portion of its assets in securities of other mutual funds, including ETFs, that may be managed by us or by an affiliate of ours.

The Fund may temporarily depart from its investment objectives or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market mutual funds. The portfolio advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

The Fund may invest in China A-securities directly through Stock Connect.

What are the risks of investing in the fund?

For an explanation of the following table, see **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49.

	Primary risk	Secondary risk
ABS / MBS		
Asset allocation		
China A-securities		•

	Primary risk	Secondary risk
China bond connect		
Concentration		
Credit		•
Cybersecurity		•
Derivative		•
Emerging markets	•	
Equity	•	
Foreign currency	•	
Foreign currency hedging		
Foreign investment	•	
Fund of funds	•	
Illiquidity		
Inflation-linked bonds		
Interest rate		•
Large transaction		•
Market	•	
Portfolio management		•
REIT		
SLA / repo / reverse repo		•
Series		•
Short selling		•
Smaller companies	•	

Who should invest in this fund?

You should consider this Fund if you are:

- seeking a small-cap equity fund that pursues capital gains;
- willing to accept medium risk on your investment; and
- planning to hold your investment for the long term.

For more information, see **WHO SHOULD INVEST IN THIS FUND?** on page 49.

Distribution policy

See **DISTRIBUTION POLICIES** on page 51.

Fund expenses indirectly borne by investors

This information is not available because the Fund is new.

TEMPLETON GROWTH FUND

Fund details

Fund type	Global equity																						
Securities offered	Series A, A-Hedged, AG, F, I, O, PA, PA-Hedged, PAG and PF units																						
Start dates	<table border="1"><thead><tr><th>series</th><th>start date</th></tr></thead><tbody><tr><td>A</td><td>November 29, 1954¹</td></tr><tr><td>A-Hedged</td><td>March 28, 2013¹</td></tr><tr><td>AG</td><td>November 13, 2020³</td></tr><tr><td>F</td><td>November 24, 2000¹</td></tr><tr><td>I</td><td>November 24, 2000^{1,2}</td></tr><tr><td>O</td><td>November 24, 2000¹</td></tr><tr><td>PA</td><td>January 25, 2019¹</td></tr><tr><td>PA-Hedged</td><td>January 25, 2019¹</td></tr><tr><td>PAG</td><td>November 13, 2020³</td></tr><tr><td>PF</td><td>June 15, 2015¹</td></tr></tbody></table>	series	start date	A	November 29, 1954 ¹	A-Hedged	March 28, 2013 ¹	AG	November 13, 2020 ³	F	November 24, 2000 ¹	I	November 24, 2000 ^{1,2}	O	November 24, 2000 ¹	PA	January 25, 2019 ¹	PA-Hedged	January 25, 2019 ¹	PAG	November 13, 2020 ³	PF	June 15, 2015 ¹
series	start date																						
A	November 29, 1954 ¹																						
A-Hedged	March 28, 2013 ¹																						
AG	November 13, 2020 ³																						
F	November 24, 2000 ¹																						
I	November 24, 2000 ^{1,2}																						
O	November 24, 2000 ¹																						
PA	January 25, 2019 ¹																						
PA-Hedged	January 25, 2019 ¹																						
PAG	November 13, 2020 ³																						
PF	June 15, 2015 ¹																						
Eligible for registered plans	The units are expected to be qualified investments for registered plans																						
Portfolio advisor	Franklin Templeton Investments Corp., Toronto, Ontario																						
Sub-advisor	Templeton Global Advisors Limited, Nassau, Bahamas																						

¹ This date reflects the start date of the corresponding series of Templeton Growth Fund, Ltd., which is expected to merge into the Fund on or about November 13, 2020.

² Closed to new investors, except as described under **PERMITTED INVESTMENTS IN CLOSED SERIES** on page 46.

³ Closed to all investors.

What does the fund invest in?

Investment objective

- long-term capital appreciation by investing primarily in equity securities of companies around the world, and fixed-income securities issued by governments or companies of any country

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the Fund's investors called for that purpose.

Investment strategies

The sub-advisor employs fundamental analysis and follows a value investment style in selecting investments for the Fund's portfolio.

Although the sub-advisor generally seeks to diversify the Fund's investments across countries and sectors, the sub-advisor may, from time to time, concentrate the Fund's investments in a particular country and/or sector.

The Fund will generally invest at least 75% of its assets in equity securities.

The Fund may invest in China A-securities directly through Stock Connect.

The Fund may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **WHAT DOES THE FUND INVEST IN?** on page 47):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling, subject to providing 60 days' notice to investors,

provided that if the Fund does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The Fund may invest a portion of its assets in securities of other mutual funds, including ETFs, that may be managed by us or by an affiliate of ours.

The Fund may temporarily depart from its investment objectives or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market mutual funds. The portfolio advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

In respect of its net assets attributable to the Hedged Series, the Fund generally uses derivatives to hedge as completely as possible against currency fluctuations between the Canadian dollar and the currencies in which the Fund's investments are denominated.

What are the risks of investing in the fund?

For an explanation of the following table, see **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49.

	Primary risk	Secondary risk
ABS / MBS		
Asset allocation		
China A-securities		●
China bond connect		
Concentration		●
Credit		
Cybersecurity		●
Derivative		●
Emerging markets		●

	Primary risk	Secondary risk
Equity	●	
Foreign currency		● ¹
Foreign currency hedging		● ²
Foreign investment	●	
Fund of funds	●	
Illiquidity		●
Inflation-linked bonds		
Interest rate		●
Large transaction		●
Market	●	
Portfolio management		●
REIT		
SLA / repo / reverse repo		●
Series		●
Short selling		●
Smaller companies		●

¹ Does not apply to the Fund's Hedged Series.

² This risk only applies to the Fund's Hedged Series.

Who should invest in this fund?

You should consider this Fund if you are:

- seeking a diversified core global equity fund;
- willing to accept medium risk on your investment; and
- planning to hold your investment for the medium or long term.

You should consider the Fund's Hedged Series if you are seeking a global equity fund without the associated foreign currency risk.

For more information, see **WHO SHOULD INVEST IN THIS FUND?** On page 49.

Distribution policy

See **DISTRIBUTION POLICIES** on page 51.

Fund expenses indirectly borne by investors

Series	1 year	3 years	5 years	10 years
A	25.83	81.43	142.73	324.89
A-Hedged	25.62	80.77	141.57	322.25
AG ²	n/a	n/a	n/a	n/a
I	14.49	45.68	80.07	182.25
F	14.18	44.69	78.33	178.29
PA	22.89	72.16	126.48	287.91
PA-Hedged	23.31	73.48	128.80	293.19
PAG ²	n/a	n/a	n/a	n/a
PF	11.34	35.75	62.66	142.63

¹ This row reflects the expenses of the corresponding series of Templeton Growth Fund, Ltd., which is expected to merge into the Fund on or about November 13, 2020.

² Not available as the Series is new.

TEMPLETON INTERNATIONAL STOCK FUND II

Fund details

Fund type	International equity
Securities offered	Series A, F, O, PA, PF, PT and T units ¹
Start dates	November 20, 2020
Eligible for registered plans	The units are expected to be qualified investments for registered plans
Portfolio advisor	Franklin Templeton Investments Corp., Toronto, Ontario
Sub-advisor	Templeton Global Advisors Limited, Nassau, Bahamas is the sub-advisor of Templeton International Stock Fund

¹ Closed to all investors.

What does the fund invest in?

Investment objective

- long-term capital appreciation by investing substantially all of its assets in units of Templeton International Stock Fund, which invests primarily in equity securities of companies outside Canada and the United States

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the Fund's investors called for that purpose.

Investment strategies

Generally, the Fund will invest substantially all of its assets in units of Templeton International Stock Fund. To the extent that the Fund invests in other mutual funds or directly in securities, it will employ the same investment strategies employed by

Templeton International Stock Fund, which are reproduced below.

The sub-advisor employs fundamental analysis and follows a value investment style in selecting investments for the Fund's portfolio.

Although the Fund invests primarily in equity securities of mid- and large-cap issuers in developed markets, the Fund may also invest in the equity securities of small-cap issuers or issuers of any size in emerging markets.

Although the sub-advisor generally seeks to diversify the Fund's investments across countries and sectors, the sub-advisor may, from time to time, concentrate the Fund's investments in a particular country and/or sector.

The Fund may invest in debt instruments of Canadian or U.S. issuers.

The Fund engages, from time to time, in currency management strategies to hedge the exposure to the impact of changes in currency exchange rates. These currency management strategies will be implemented by investing in currency forward contracts. Hedging will limit the opportunity for gains in the event of an increase in the value of U.S. and foreign currencies relative to the Canadian dollar.

The Fund may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **WHAT DOES THE FUND INVEST IN?** on page 47):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and

- engage in short selling, subject to providing 60 days' notice to investors,

provided that if the Fund does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The Fund may invest a portion of its assets in securities of other mutual funds, including ETFs, that may be managed by us or by an affiliate of ours.

The Fund may temporarily depart from its investment objectives or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market mutual funds. The portfolio advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

The Fund may invest in China A-securities directly through Stock Connect.

What are the risks of investing in the fund?

For an explanation of the following table, see **WHAT ARE THE RISKS OF INVESTING IN THE FUND?** on page 49.

	Primary risk	Secondary risk
ABS / MBS		
Asset allocation		
China A-securities	●	
China bond connect		
Concentration		●
Credit		
Cybersecurity		●

	Primary risk	Secondary risk
Derivative		●
Emerging markets		●
Equity	●	
Foreign currency		●
Foreign currency hedging		●
Foreign investment	●	
Fund of funds	●	
Illiquidity		●
Inflation-linked bonds		
Interest rate		●
Large transaction		●
Market		
Portfolio management		●
REIT		
SLA / repo / reverse repo		●
Series		●
Short selling		●
Smaller companies		●

Who should invest in this fund?

You should consider this Fund if you are:

- seeking a diversified core international equity fund;
- willing to accept medium risk on your investment; and

- planning to hold your investment for the medium or long term.

You should consider the Fund's ROC Series if you are seeking regular monthly cash flows from your investment.

For more information, see **WHO SHOULD INVEST IN THIS FUND?** on page 49.

Distribution policy

See **DISTRIBUTION POLICIES** on page 51.

Fund expenses indirectly borne by investors

This information is not available because the Fund is new.

Balanced Funds

Global Equity Funds

Multi-Asset Solutions

Additional information about the Funds is available in the Funds' annual information form, fund facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as sections of it.

These documents and other information about the Funds, such as information circulars and material contracts, are also available at www.sedar.com or at www.franklintempleton.ca.

You can get a free copy of any or all of these documents from your dealer, or from us by emailing us at service@franklintempleton.ca or by calling us toll-free at 1-800-387-0830.



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