



FRANKLIN TEMPLETON
INVESTMENTS

June 30, 2018

Semi-Annual Management Report of Fund Performance



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

Co-Lead Manager

Ian M. Riach, CFA

Fiduciary Trust Company of Canada

Industry Experience: 32 years

Location: Toronto, ON

Co-Lead Manager

Scott Guitard, CFA

Fiduciary Trust Company of Canada

Industry Experience: 9 years

Location: Calgary, AB

RESULTS OF OPERATIONS

As at June 30, 2018, total net asset value of the Fund was \$4.1 million, an increase of 20.1% from December 31, 2017. This was primarily driven by \$669,000 in net subscriptions and an increase of \$19,000 in net assets from operations.

During the past six months, the Fund's Series O units generated total returns of 0.4%. As the Fund is composed of a diversified mix of fixed income and equity investments, it employs a custom benchmark, the Custom FT Growth Benchmark, which returned 3.1% for the period in review. Over the same time period, the MSCI EAFE TR Index returned 2.5%. The performance of the Fund's other series is similar to that of its Series O units, except for differences in expense structure. For the return of the Fund's other series (if applicable), please refer to the "Past Performance" section.

From a broad asset class perspective, the Fund's underweighting in Canadian fixed income and an overweighted average cash holding made positive contributions to relative returns.

Conversely, stock selection in US, Canadian and international equities detracted from relative results. Canadian equities did generate positive absolute performance. Holdings in US and international fixed income were slightly negative in both absolute and relative returns over the six-month period.

Index performance comparison information is provided for reference only. It is important to note that the Fund's return reflects the effect of fees and expenses for professional management, while an index does not have such costs.

RECENT DEVELOPMENTS

North American equity markets shrugged off the heated debate over trade tariffs and continued to deliver solid returns. A notable mention is the resilience of the Canadian market, which led all the developed equity markets after a weak first quarter.

The portfolio manager views central banks' policies as consistent with their data-dependency stance. However, this translates into higher probabilities of policy tightening in the near term.

As levels of uncertainty are on the rise in North America and in Europe, the portfolio manager continues to position portfolios fairly defensively in anticipation of any potential reverberations that may result from the current trade spat as well as geopolitical challenges in Europe.

FORWARD-LOOKING STATEMENTS

Investors should take note that certain statements in this report about a fund, including its strategy and expected future performance, are forward-looking. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate" or other similar expressions. Any statement that is made concerning future strategies or performance is also a forward-looking statement. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements.

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

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

RELATED PARTY TRANSACTIONS

The Manager is an indirect wholly-owned subsidiary of Franklin Resources, Inc., a global investment management organization known as Franklin Templeton Investments. The Manager is the manager, registrar and transfer agent and a principal distributor of the Fund. The Manager provides or arranges for the provision of these services for day-to-day Fund operations, including the marketing, promotion and distribution of the Fund and portfolio advisory services. In consideration of these management and portfolio advisory services, the Fund pays the Manager a monthly management fee plus applicable taxes, based on the average net asset value of each series of the Fund (except Series O and OT, as applicable), calculated daily, as set out under Management Fees below. During the six months ended June 30, 2018, the Fund paid management fees of \$1,000 (2017—\$—).

Franklin Templeton Services, LLC (FTS) provides the Manager with fund accounting and portfolio valuation services in connection with the Fund, and provides certain back office administration services to the Manager. The Administration Fee, as discussed below, covers the cost of the services provided by FTS.

The Manager pays the operating expenses of the Fund, other than certain fund costs—which include, but are not limited to, the cost of compliance with new governmental and regulatory requirements, fees and expenses of the Fund’s Independent Review Committee (IRC), borrowing and interest costs and investor meeting costs (as permitted by Canadian securities regulation)—in exchange for the payment by the Fund of an annual fixed-rate administration fee of 0.15% plus applicable taxes, applied against the average daily net assets of the Fund (“Administration Fee”), except for Series O and OT, which have no annual Administration Fee. The Manager will pay all operating expenses of Series O and OT, as applicable, as part of its agreement with each investor. The Manager may, at its discretion, waive a portion of a series’ Administration Fee or absorb certain fund costs.

During the six months ended June 30, 2018, the Manager waived fund costs of \$1,000.

Portfolio Advisor

The Manager is the portfolio advisor of the Fund. The Manager has engaged Franklin Advisers, Inc., an affiliate of the Manager, as sub-advisor (the “Sub-Advisor”). The Sub-Advisor provides investment analysis and recommendations and executes or arranges for brokers to execute portfolio transactions. A portion of the management fee payable by the Fund to the Manager is paid to the Sub-Advisors with respect to portfolio sub-advisory services.

Principal Distributor

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

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

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

Registrar and Transfer Agent

In addition to management and portfolio advisory services, the Manager acts as the registrar and transfer agent of the Fund. These services are in the normal course of operations and are covered by the Administration Fee paid by the Fund to the Manager.

Standing Instructions from the Independent Review Committee

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

MANAGEMENT FEES

A portion of the management fee paid by the Fund to the Manager is for trail fees and sales commissions the Manager pays to dealers (“Dealer Compensation”). The trail fees are a percentage of the daily average net asset value of each series of the Fund, which is held by the dealer’s clients. The remaining portion of the management fee is used to pay for portfolio advisory and administrative services related to the provision of portfolio advisory services. The table below outlines the Fund’s annual management fee, as well as the portion of the management fee used to pay for Dealer Compensation and for portfolio advisory services as an approximate percentage of the management fee for each series:

Series	Management Fee (%)	Dealer Compensation (%)*	Investment management, investment management expenses, and other (%)
PF	0.75	–	100.00

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

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

- First C\$200,000 to under \$2.5 million—0.90%
- Next C\$2.5 million to under \$5 million—0.80%
- C\$5 million and over—0.70%

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

MANAGEMENT REPORT OF FUND PERFORMANCE

Summary of Investment Portfolio (AS AT JUNE 30, 2018)

REGIONAL WEIGHTINGS (%)*

North America	98.35
Europe	0.46
Australia & New Zealand	0.41

ASSET CLASS WEIGHTINGS (%)

Common Stocks	44.80
Underlying Funds	38.46
Bonds	15.96
Short-term securities and all other assets, net	0.78

TOP 25 HOLDINGS (%)

Templeton International Stock Fund, Series O	20.52
Templeton Emerging Markets Fund, Series O	6.85
Franklin Bissett Money Market Fund, Series O	3.52
Franklin Mutual European Fund, Series O	3.19
Franklin Mutual Global Discovery Fund, Series O	2.37
Templeton Global Bond Fund, Series O	2.00
Canadian National Railway Co.	1.44
Royal Bank of Canada	1.32
Province of Ontario, 3.15%, 6/2/2022	1.30
The Toronto-Dominion Bank	1.29
PSP Capital Inc., Senior Note, 3.29%, 4/4/2024	1.26
Restaurant Brands International Inc.	1.25
Brookfield Asset Management Inc., A	1.17
Bank of Montreal	1.05
Government of Canada, 5.00%, 6/1/2037	1.01
Canadian Imperial Bank of Commerce	0.97
Apple Inc.	0.97
Province of Manitoba, 4.40%, 9/5/2025	0.97
Canadian Natural Resources Ltd.	0.95
Onex Corp.	0.94
JPMorgan Chase & Co.	0.91
Bank of Nova Scotia	0.91
Microsoft Corp.	0.89
Alphabet Inc., C	0.89
Honeywell International Inc.	0.83

TOTAL NET ASSET VALUE: \$4,111,000

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

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

MANAGEMENT REPORT OF FUND PERFORMANCE

Series 0 (AS AT JUNE 30, 2018)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per unit (1)	Jun. 30, 2018	2017
Net assets – beginning of period	\$10.73	\$10.00
Increase (decrease) from operations:		
Total revenue	0.06	0.29
Total expenses	–	(0.01)
Realized gains (losses) for the period	0.01	(0.01)
Unrealized gains (losses) for the period	(0.02)	0.80
Total increase (decrease) from operations (2)	0.05	1.07
Distributions:		
From income (excluding dividends)	–	(0.01)
From dividends	–	(0.12)
From capital gains	–	–
Returns of capital	–	–
Total annual distributions (3)	–	(0.13)
Net assets – end of period	\$10.77	\$10.73
Ratios and supplemental data:	Jun. 30, 2018	2017
Total net asset value (\$ millions) (1)	\$3.91	\$3.42
Number of units outstanding	362,763	318,589
Management expense ratio (2)	–	–
Management expense ratio before waivers or absorptions	0.04%	0.09%
Trading expense ratio (3)	0.06%	0.10%
Portfolio turnover rate (4)	70.30%	6.24%
Net asset value per unit	\$10.77	\$10.73

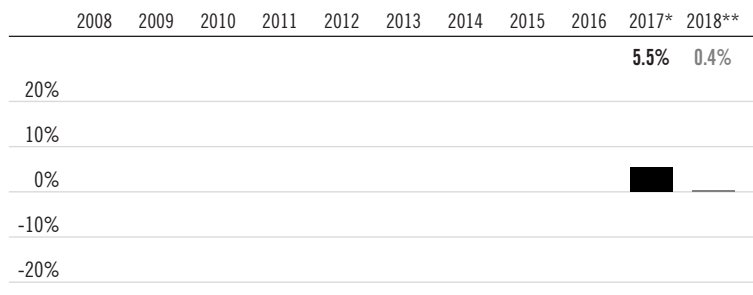
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

PAST PERFORMANCE

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

Year-by-Year Returns

The bar chart shows the Fund's performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



* 2017 Series 0 return: April 24 to December 31

** For the period January 1 to June 30, 2018

MANAGEMENT REPORT OF FUND PERFORMANCE

Series PF (AS AT JUNE 30, 2018)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per unit (1)	Jun. 30, 2018	2017
Net assets – beginning of period	\$10.03	\$10.00
Increase (decrease) from operations:		
Total revenue	0.07	0.13
Total expenses	(0.05)	(0.06)
Realized gains (losses) for the period	0.01	(0.01)
Unrealized gains (losses) for the period	0.07	0.09
Total increase (decrease) from operations (2)	0.10	0.15
Distributions:		
From income (excluding dividends)	–	(0.01)
From dividends	–	(0.12)
From capital gains	–	–
Returns of capital	–	–
Total annual distributions (3)	–	(0.13)
Net assets – end of period	\$10.02	\$10.03
Ratios and supplemental data:	Jun. 30, 2018	2017
Total net asset value (\$ millions) (1)	\$0.20	\$0.01
Number of units outstanding	20,305	500
Management expense ratio (2)	1.07%	1.07%
Management expense ratio before waivers or absorptions	1.07%	1.07%
Trading expense ratio (3)	0.06%	0.10%
Portfolio turnover rate (4)	70.30%	6.24%
Net asset value per unit	\$10.02	\$10.03

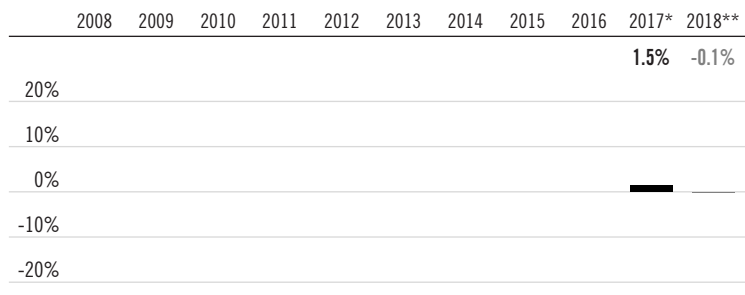
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

PAST PERFORMANCE

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

Year-by-Year Returns

The bar chart shows the Fund's performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



* 2017 Series PF return: June 1 to December 31

** For the period January 1 to June 30, 2018

NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

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

Ratios and Supplemental Data:

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

OTHER FUND INFORMATION

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

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