

**Performance Review**

- The fourth quarter of 2018 handed investors in riskier assets some of the worst monthly returns in a decade or longer as financial market volatility returned with a vengeance, weighing on sentiment. Canadian economic growth moderated further, while US growth crested from a cycle peak of over 4% in bolstered by tax reform and very loose financial conditions. The US Federal Reserve (Fed) raised rates in December, while the Bank of Canada (BoC) held steady. Yields fell precipitously in the fourth quarter as inflation expectations collapsed, along with the trend in oil prices.
- For the quarter, the fund's Series F shares returned 1.14%, and its benchmark, the FTSE Canada Universe Bond Index, returned 1.76%.

**QUARTERLY KEY PERFORMANCE DRIVERS**

<b>HELPED</b>	Yield curve positioning contributed to relative performance. Overweight positions in mid-term exposures were partially offset by an underweight position in long-term bonds.
	An overweight position in investment-grade financial securities was also beneficial.
	Underweight positioning in provincials supported performance.
<b>HURT</b>	Security selection detracted, notably in federals.
	Asset allocation also detracted, mainly due to the fund's underweight positions in federal bonds along with overweight positions in corporate credit, particularly energy.

**Outlook & Strategy**

- We expect both US and Canadian economic growth will continue to moderate given the impact from previous interest rate increases, and as late-cycle fiscal stimulus dissipates. Other financial uncertainties, combined with rising political and geopolitical risks following a period of remission, are additional potential weights on activity.
- Credit valuations have improved significantly with spread widening in the fourth quarter, but more spread widening is possible should volatility remain elevated. Nonetheless, we continue to favour corporate bonds, with a bias to higher-quality credits given their better risk-adjusted return potential and additional interest carry.

**Fund Details**

Inception Date	10/05/2009
Benchmark	FTSE Canada Universe Bond Index

**Fund Description**

The Fund seeks a balance of current income and long-term capital appreciation by investing primarily in a portfolio of Franklin Bissett Funds to achieve a balance of fixed income and equity investments.

**Performance Data**

Performance (%) as of 12/31/2018

	1 Month	3 Mths	YTD	1 Yr	Since Inception
Series A	1.05	0.99	-	-	0.48
Series F	1.10	1.14	-	-	1.07
FTSE Canada Universe Bond Index <sup>1</sup>	1.36	1.76	1.41	1.41	2.02

Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

**Investment Team**

**Thomas O'Gorman, CFA**  
Years with Firm 8  
Years Experience 29

**Darcy Briggs, CFA**  
Years with Firm 13  
Years Experience 25

**Brian A. Calder**  
Years with Firm 17  
Years Experience 20

**Important Legal Information**

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Series F is available to investors participating in programs that do not require Franklin Templeton to incur distribution costs in the form of trailing commissions to dealers. As a consequence, the management fee on Series F is lower than on Series A.

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

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