

ANNUAL REPORT AND SHAREHOLDER LETTER

FRANKLIN QUOTENTIAL PROGRAM

December 31, 2019



FRANKLIN
TEMPLETON®

Franklin Quotential Portfolios

Dear Investor,

It was an eventful year for global markets as both Canadian and U.S. equities reached record highs. Despite this, ongoing geopolitical tensions and global growth forecasts remain a concern for investors.

Our team at Franklin Templeton Canada believes a well-diversified portfolio can help you to manage risk and generate returns in various market conditions. We're also staunch advocates for the value of financial advice. Working with a qualified investment advisor can give you the information and analysis necessary to create a plan unique to you and your goals to keep you on course throughout different market cycles.

Over the past 65 years, we have focused on delivering better outcomes for all our clients, and that remains our key goal heading into the new decade.

We are committed to meeting the evolving needs of our clients in what is a challenging marketplace. Part of that commitment is providing a variety of high-quality investment solutions, whether it's a mutual fund, ETF or an alternative strategy such as our new K2 Alternatives Fund. Building on our existing product shelf and adding innovative new solutions with lower fees is a priority for Franklin Templeton going forward.

If you would like to learn more about our full range of products and how they can benefit you, please contact your advisor or our Client Services team at 1 (800) 387-0830. I also encourage you to visit our website at www.franklintempleton.ca.

Thank you for investing with us.

Sincerely,



Duane W. Green
President and Chief Executive Officer
Franklin Templeton Investments Corp.

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Franklin Quotential Balanced Growth Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019

	<u>Units/Shares</u>	<u>Average Cost</u>	<u>Fair Value</u>
		(000s)	(000s)
INVESTMENTS: 98.80%			
UNDERLYING FUNDS: 69.72%			
Franklin Bissett Canadian Equity Fund	625,749	\$ 70,343	\$ 101,694
Franklin Bissett Canadian Government Bond Fund.....	25,940,040	255,953	258,812
Franklin Bissett Core Plus Bond Fund	16,320,558	244,698	255,364
Franklin Bissett Short Duration Bond Fund	6,513,347	68,764	67,978
Franklin Canadian Core Equity Fund.....	8,434,836	83,186	85,202
Franklin Emerging Market Core Equity Fund	3,460,602	35,280	36,941
Franklin International Core Equity Fund	8,386,968	82,091	85,280
Franklin Templeton Canadian Large Cap Fund.....	5,967,302	61,781	58,421
Franklin U.S. Core Equity Fund	13,803,002	136,789	146,759
Franklin U.S. Opportunities Fund	1,669,754	39,837	78,662
Franklin U.S. Rising Dividends Fund	1,036,120	50,592	91,378
Templeton Emerging Markets Fund	1,398,079	31,269	31,993
Templeton Global Bond Fund	5,397,583	66,907	62,232
Total Underlying Funds:		<u>1,227,490</u>	<u>1,360,716</u>
EXCHANGE-TRADED FUNDS: 29.08%			
Franklin FTSE Canada All Cap Index ETF	4,357,550	91,818	97,195
Franklin FTSE Europe Ex U.K. Index ETF.....	2,023,830	42,189	45,536
Franklin FTSE U.S. Index ETF	4,850,925	103,174	113,609
Franklin Liberty Global Aggregate Bond ETF	6,053,390	124,546	128,332
Franklin LibertyQT U.S. Equity Index ETF	2,614,550	56,300	69,103
iShares Core MSCI EAFE ETF	914,555	75,149	77,482
iShares Core MSCI Emerging Markets ETF	519,740	34,877	36,284
Total Exchange-Traded Funds:		<u>528,053</u>	<u>567,541</u>
Total Investments:		<u>1,755,543</u>	<u>1,928,257</u>
		Principal Amount in Currency of Issue	
SHORT-TERM SECURITIES: 0.83%			
Royal Bank of Canada, Term Deposit, 1.65%, 1/2/2020.....	16,300,000 CAD	16,300	16,300
Total Short-Term Securities:		<u>16,300</u>	<u>16,300</u>
TOTAL INVESTMENTS: 99.63%		<u>\$ 1,771,843</u>	1,944,557
NET UNREALIZED GAIN ON DERIVATIVES: 0.05%			989
OTHER ASSETS, less liabilities: 0.32%			<u>6,140</u>
TOTAL NET ASSETS: 100.00%			<u>\$ 1,951,686</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019 *(Continued)*

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at December 31, 2019)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	January 6, 2020	29,869 USD	\$38,786	39,775 CAD	\$39,775	\$1.33	<u>\$989</u>
Total Number of Contracts	1							<u>\$989</u>
Net Unrealized Gain on Forward Exchange Contracts								<u>\$989</u>
Net Unrealized Gain on Derivatives								<u>\$989</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets					
Current assets					
Non-derivative investments at fair value	\$ 1,944,557	\$ 2,034,125	Series A	76,084,659	110,297,396
Unrealized gain on derivatives	989	—	Series F	2,861,873	3,073,738
Cash			Series FT	162,419	170,459
Canadian	37	15	Series I	10,851,986	12,135,820
Receivables			Series O	73,324,169	84,183,394
Margin and collateral (Note 3(e))	—	5,234	Series OT	906,974	1,216,936
Subscription of redeemable units	147	358	Series PA	13,365,104	—
Distributions, dividends and withholding tax	8,882	1,724	Series PF	8,451,348	8,035,044
Other assets (Note 5(f))	110	61	Series PFT	739,370	1,136,458
	<u>1,954,722</u>	<u>2,041,517</u>	Series PT	1,005,822	—
			Series T	7,879,046	11,029,459
Liabilities					
Current liabilities					
Unrealized loss on derivatives	—	5,371	Net assets attributable to holders of redeemable units per unit — CAD		
Payables			Series A	\$ 8.18	\$ 7.48
Redemption of redeemable units	628	362	Series F	9.88	8.94
Management fees	1,622	1,762	Series FT	6.99	6.82
Fixed administration fees	213	239	Series I	9.15	8.32
Distributions to unitholders	573	—	Series O	12.14	10.85
	<u>3,036</u>	<u>7,734</u>	Series OT	8.25	7.96
			Series PA	10.66	—
			Series PF	10.71	9.66
			Series PFT	12.47	12.14
			Series PT	14.78	—
			Series T	5.87	5.80
			Net assets attributable to holders of redeemable units per unit — USD		
			Series A	\$ 6.30	\$ 5.48
			Series F	7.61	6.55
			Series I	7.05	6.09
			Series O	9.35	7.95
			Series PA	8.21	—
			Series PF	8.25	7.08
			• Series PA and PT launched January 25, 2019		
Net assets attributable to holders of redeemable units					
	<u>\$ 1,951,686</u>	<u>\$ 2,033,783</u>			
Net assets attributable to holders of redeemable units per series (000s)					
Series A	\$ 622,264	\$ 825,510			
Series F	28,277	27,484			
Series FT	1,135	1,163			
Series I	99,337	100,931			
Series O	889,913	913,595			
Series OT	7,484	9,687			
Series PA	142,423	—			
Series PF	90,493	77,611			
Series PFT	9,222	13,795			
Series PT	14,863	—			
Series T	46,275	64,007			

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	84,597,623	116,974,908
Distributions received from underlying funds (Note 3(h))	\$ 48,034	\$ 58,774	Series F	2,988,380	3,063,273
Dividends	13,125	10,098	Series FT	163,510	151,981
Interest for distribution purposes (Note 3(h))	658	1,129	Series I	11,455,554	13,048,237
Net realized and/or unrealized foreign exchange gain (loss)	(165)	268	Series O	79,423,401	84,453,092
Net realized gain (loss) on investments and derivatives (Note 3(h))	96,230	94,794	Series OT	996,022	1,042,973
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	111,558	(229,834)	Series PA	13,203,985	—
Total income (loss), net	269,440	(64,771)	Series PF	8,225,131	7,253,522
Expenses			Series PFT	852,584	1,042,346
Management fees (Note 5(a))	20,408	24,203	Series PT	826,650	—
Fixed administration fees (Note 5(b))	2,685	3,277	Series T	8,464,296	12,031,697
Independent review committee fees	1	1	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Other expenses (Note 5(e))	—	2	Series A	\$ 0.92	\$ (0.42)
Operating expenses before amounts waived/paid by Manager	23,094	27,483	Series F	1.15	(0.41)
Operating expenses waived/paid by Manager	(484)	(799)	Series FT	0.82	(0.36)
Net operating expenses after amounts waived/paid by Manager	22,610	26,684	Series I	1.03	(0.38)
Transaction costs (Note 9)	338	447	Series O	1.54	(0.36)
Withholding tax expense	565	770	Series OT	1.14	(0.35)
Total expenses, net	23,513	27,901	Series PA	0.85	—
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 245,927	\$ (92,672)	Series PF	1.23	(0.46)
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PFT	1.74	(0.57)
Series A	\$ 77,356	\$ (47,995)	Series PT	1.21	—
Series F	3,423	(1,248)	Series T	0.70	(0.33)
Series FT	135	(56)			
Series I	11,804	(4,948)			
Series O	122,294	(30,210)			
Series OT	1,140	(359)			
Series PA	11,251	—			
Series PF	10,180	(3,355)			
Series PFT	1,487	(591)			
Series PT	997	—			
Series T	5,860	(3,910)			

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s)

	All Series		Series A		Series F	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$2,033,783	\$2,397,719	\$ 825,510	\$1,039,489	\$ 27,484	\$ 30,825
Increase (decrease) in net assets attributable to holders of redeemable units from operations	245,927	(92,672)	77,356	(47,995)	3,423	(1,248)
Distributions to holders of redeemable units						
From net investment income	(30,488)	(34,104)	(9,725)	(13,845)	(437)	(468)
From net realized gains on investments	(5,688)	(33,498)	(1,814)	(13,601)	(83)	(459)
From return of capital	(6,341)	(8,653)	—	—	—	—
Total distributions to holders of redeemable units	(42,517)	(76,255)	(11,539)	(27,446)	(520)	(927)
Redeemable units transactions						
Subscriptions	281,512	180,122	44,378	72,383	13,041	18,331
Reinvestments	38,526	70,460	11,334	26,973	455	806
Redemptions	(605,545)	(445,591)	(324,775)	(237,894)	(15,606)	(20,303)
Net increase (decrease) from redeemable units transactions	(285,507)	(195,009)	(269,063)	(138,538)	(2,110)	(1,166)
Increase (decrease) in net assets attributable to holders of redeemable units	(82,097)	(363,936)	(203,246)	(213,979)	793	(3,341)
Net assets attributable to holders of redeemable units at end of period	<u>\$1,951,686</u>	<u>\$2,033,783</u>	<u>\$ 622,264</u>	<u>\$ 825,510</u>	<u>\$ 28,277</u>	<u>\$ 27,484</u>
	Series FT		Series I		Series O	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 1,163	\$ 1,199	\$ 100,931	\$ 130,687	\$ 913,595	\$1,017,577
Increase (decrease) in net assets attributable to holders of redeemable units from operations	135	(56)	11,804	(4,948)	122,294	(30,210)
Distributions to holders of redeemable units						
From net investment income	(18)	(19)	(1,551)	(1,691)	(13,903)	(15,316)
From net realized gains on investments	(3)	(19)	(289)	(1,662)	(2,593)	(15,042)
From return of capital	(88)	(99)	—	—	—	—
Total distributions to holders of redeemable units	(109)	(137)	(1,840)	(3,353)	(16,496)	(30,358)
Redeemable units transactions						
Subscriptions	138	864	2,461	5,008	18,527	47,005
Reinvestments	45	64	1,829	3,334	16,365	30,098
Redemptions	(237)	(771)	(15,848)	(29,797)	(164,372)	(120,517)
Net increase (decrease) from redeemable units transactions	(54)	157	(11,558)	(21,455)	(129,480)	(43,414)
Increase (decrease) in net assets attributable to holders of redeemable units	(28)	(36)	(1,594)	(29,756)	(23,682)	(103,982)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 1,135</u>	<u>\$ 1,163</u>	<u>\$ 99,337</u>	<u>\$ 100,931</u>	<u>\$ 889,913</u>	<u>\$ 913,595</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s) *(Continued)*

	Series OT		Series PA	Series PF	
	2019	2018	2019	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 9,687	\$ 7,635	\$ —	\$ 77,611	\$ 68,536
Increase (decrease) in net assets attributable to holders of redeemable units from operations	1,140	(359)	11,251	10,180	(3,355)
Distributions to holders of redeemable units					
From net investment income	(117)	(162)	(2,224)	(1,414)	(1,299)
From net realized gains on investments	(22)	(159)	(415)	(264)	(1,276)
From return of capital	(625)	(780)	—	—	—
Total distributions to holders of redeemable units	(764)	(1,101)	(2,639)	(1,678)	(2,575)
Redeemable units transactions					
Subscriptions	469	3,745	162,178	20,903	25,894
Reinvestments	598	846	2,599	1,559	2,360
Redemptions	(3,646)	(1,079)	(30,966)	(18,082)	(13,249)
Net increase (decrease) from redeemable units transactions	(2,579)	3,512	133,811	4,380	15,005
Increase (decrease) in net assets attributable to holders of redeemable units	(2,203)	2,052	142,423	12,882	9,075
Net assets attributable to holders of redeemable units at end of period	<u>\$ 7,484</u>	<u>\$ 9,687</u>	<u>\$ 142,423</u>	<u>\$ 90,493</u>	<u>\$ 77,611</u>
	Series PFT		Series PT	Series T	
	2019	2018	2019	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 13,795	\$ 12,977	\$ —	\$ 64,007	\$ 88,794
Increase (decrease) in net assets attributable to holders of redeemable units from operations	1,487	(591)	997	5,860	(3,910)
Distributions to holders of redeemable units					
From net investment income	(144)	(232)	(232)	(723)	(1,072)
From net realized gains on investments	(27)	(227)	(43)	(135)	(1,053)
From return of capital	(794)	(1,192)	(1,006)	(3,828)	(6,582)
Total distributions to holders of redeemable units	(965)	(1,651)	(1,281)	(4,686)	(8,707)
Redeemable units transactions					
Subscriptions	1,232	2,992	16,411	1,774	3,900
Reinvestments	668	1,200	830	2,244	4,779
Redemptions	(6,995)	(1,132)	(2,094)	(22,924)	(20,849)
Net increase (decrease) from redeemable units transactions	(5,095)	3,060	15,147	(18,906)	(12,170)
Increase (decrease) in net assets attributable to holders of redeemable units	(4,573)	818	14,863	(17,732)	(24,787)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 9,222</u>	<u>\$ 13,795</u>	<u>\$ 14,863</u>	<u>\$ 46,275</u>	<u>\$ 64,007</u>

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Growth Portfolio

STATEMENTS OF CASH FLOWS For the periods ended December 31, 2019 and 2018

	2019 (000s)	2018 (000s)
Cash flows from operating activities		
Interest received	\$ 658	\$ 1,129
Dividends received, net of withholding taxes	12,183	8,525
Proceeds from sale and maturity of investments	1,429,561	1,092,691
Purchases of investments	(1,094,970)	(795,172)
Receipts on settlement of derivative activities	18,662	45,161
Payments on settlement of derivative activities	(16,441)	(52,819)
Realized foreign exchange gain/(loss)	488	(148)
Operating expenses paid	(22,825)	(27,141)
Net cash from/(used in) operating activities	327,316	272,226
Cash flows from financing activities		
Proceeds from issuances of redeemable units	281,724	180,083
Amounts paid on redemption of redeemable units	(605,281)	(445,808)
Distributions paid to holders of redeemable units, net of reinvested distributions	(3,418)	(6,701)
Net cash from/(used in) financing activities	(326,975)	(272,426)
Net increase (decrease) in cash	341	(200)
Cash at beginning of period	15	213
Effect of exchange rate changes	(319)	2
Cash at end of year	\$ 37	\$ 15

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019

	Units/Shares	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 98.43%			
UNDERLYING FUNDS: 73.68%			
Franklin Bissett Canadian Equity Fund	175,795	\$ 20,418	\$ 28,569
Franklin Bissett Canadian Government Bond Fund.....	16,354,443	161,292	163,173
Franklin Bissett Core Plus Bond Fund	10,275,439	154,045	160,778
Franklin Bissett Short Duration Bond Fund	4,101,054	43,322	42,802
Franklin Canadian Core Equity Fund.....	2,347,540	23,151	23,713
Franklin Emerging Market Core Equity Fund	953,987	9,744	10,183
Franklin International Core Equity Fund	2,289,777	22,490	23,283
Franklin Templeton Canadian Large Cap Fund.....	1,875,782	19,355	18,364
Franklin U.S. Core Equity Fund	3,771,131	37,515	40,096
Franklin U.S. Opportunities Fund	448,225	11,159	21,116
Franklin U.S. Rising Dividends Fund	279,842	14,068	24,680
Templeton Emerging Markets Fund	384,282	8,607	8,794
Templeton Global Bond Fund	3,405,795	42,378	39,268
Total Underlying Funds:		<u>567,544</u>	<u>604,819</u>
EXCHANGE-TRADED FUNDS: 24.75%			
Franklin FTSE Canada All Cap Index ETF	1,354,495	28,603	30,212
Franklin FTSE Europe Ex U.K. Index ETF.....	539,665	11,293	12,143
Franklin FTSE U.S. Index ETF	1,315,125	28,235	30,800
Franklin Liberty Global Aggregate Bond ETF	3,815,045	78,426	80,879
Franklin LibertyQT U.S. Equity Index ETF	700,675	15,300	18,519
iShares Core MSCI EAFE ETF	243,715	20,082	20,648
iShares Core MSCI Emerging Markets ETF	142,900	9,613	9,976
Total Exchange-Traded Funds:		<u>191,552</u>	<u>203,177</u>
Total Investments:		<u>759,096</u>	<u>807,996</u>
		Principal Amount in Currency of Issue	
SHORT-TERM SECURITIES: 1.12%			
Royal Bank of Canada, Term Deposit, 1.65%, 1/2/2020	9,200,000 CAD	9,200	9,200
Total Short-Term Securities:		<u>9,200</u>	<u>9,200</u>
TOTAL INVESTMENTS: 99.55%		<u>\$ 768,296</u>	817,196
NET UNREALIZED GAIN ON DERIVATIVES: 0.07%			573
OTHER ASSETS, less liabilities: 0.38%			<u>3,085</u>
TOTAL NET ASSETS: 100.00%			<u>\$ 820,854</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019 *(Continued)*

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at December 31, 2019)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	January 6, 2020	17,766 USD	\$23,070	23,658 CAD	\$23,658	\$1.33	<u>\$588</u>
Total Number of Contracts	1							<u>\$588</u>
Bank of America, N.A.	A+	January 6, 2020	664 CAD	664	500 USD	649	0.75	<u>(15)</u>
Total Number of Contracts	1							<u>\$(15)</u>
Net Unrealized Gain on Forward Exchange Contracts								<u>\$573</u>
Net Unrealized Gain on Derivatives								<u>\$573</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF FINANCIAL POSITION As at December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)			
Assets			Number of redeemable units outstanding (Note 4)		
Current assets			Series A	36,597,226	52,623,475
Non-derivative investments at fair value	\$ 817,196	\$ 894,431	Series F	1,793,955	1,936,952
Unrealized gain on derivatives	588	—	Series FT	86,367	102,433
Cash			Series I	5,560,986	6,719,908
Canadian	81	46	Series O	35,787,261	42,620,708
Receivables			Series OT	149,966	172,659
Margin and collateral (Note 3(e))	—	2,302	Series PA	5,563,560	—
Subscription of redeemable units	11	157	Series PF	4,297,454	4,244,082
Distributions, dividends and withholding tax	4,331	385	Series PFT	392,178	525,676
Other assets (Note 5(f))	62	22	Series PT	472,406	—
	822,269	897,343	Series T	3,174,826	4,714,390
Liabilities			Net assets attributable to holders of redeemable units per unit — CAD		
Current liabilities			Series A	\$ 7.09	\$ 6.64
Unrealized loss on derivatives	15	2,438	Series F	8.57	7.94
Payables			Series FT	8.39	8.24
Redemption of redeemable units	178	250	Series I	7.83	7.30
Management fees	647	713	Series O	10.19	9.36
Fixed administration fees	79	89	Series OT	9.68	9.41
Distributions to unitholders	496	—	Series PA	10.45	—
	1,415	3,490	Series PF	10.22	9.46
Net assets attributable to holders of redeemable units	\$ 820,854	\$ 893,853	Series PFT	12.68	12.43
Net assets attributable to holders of redeemable units per series (000s)			Series PT	14.79	—
Series A	\$ 259,362	\$ 349,637	Series T	6.78	6.73
Series F	15,368	15,386	Net assets attributable to holders of redeemable units per unit — USD		
Series FT	724	844	Series A	\$ 5.46	\$ 4.87
Series I	43,551	49,071	Series F	6.60	5.82
Series O	364,832	398,867	Series I	6.03	5.35
Series OT	1,452	1,624	Series O	7.85	6.86
Series PA	58,165	—	Series PA	8.05	—
Series PF	43,916	40,144	Series PF	7.87	6.93
Series PFT	4,972	6,533			
Series PT	6,986	—			
Series T	21,526	31,747			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	40,305,909	55,619,093
Distributions received from underlying funds (Note 3(h))	\$ 22,988	\$ 28,624	Series F	1,856,451	1,959,631
Dividends	4,624	3,209	Series FT	96,070	100,165
Interest for distribution purposes (Note 3(h))	333	586	Series I	5,985,277	7,310,865
Net realized and/or unrealized foreign exchange gain (loss)	(65)	(9)	Series O	39,805,173	43,472,292
Net realized gain (loss) on investments and derivatives (Note 3(h))	30,338	30,146	Series OT	170,759	110,770
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	37,914	(78,615)	Series PA	5,576,421	—
Total income (loss), net	<u>96,132</u>	<u>(16,059)</u>	Series PF	4,186,029	4,063,779
Expenses			Series PFT	449,808	502,471
Management fees (Note 5(a))	8,191	9,647	Series PT	430,792	—
Fixed administration fees (Note 5(b))	1,004	1,204	Series T	3,452,497	5,106,599
Independent review committee fees	1	1	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Operating expenses before amounts waived/paid by Manager	9,196	10,852	Series A	\$ 0.65	\$ (0.26)
Operating expenses waived/paid by Manager	(235)	(292)	Series F	0.83	(0.22)
Net operating expenses after amounts waived/paid by Manager	8,961	10,560	Series FT	0.86	(0.24)
Transaction costs (Note 9)	102	145	Series I	0.74	(0.23)
Withholding tax expense	148	193	Series O	1.09	(0.17)
Total expenses, net	<u>9,211</u>	<u>10,898</u>	Series OT	1.07	(0.39)
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>\$ 86,921</u>	<u>\$ (26,957)</u>	Series PA	0.70	—
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PF	0.99	(0.27)
Series A	\$ 26,094	\$ (14,601)	Series PFT	1.35	(0.36)
Series F	1,549	(452)	Series PT	1.03	—
Series FT	82	(25)	Series T	0.64	(0.26)
Series I	4,414	(1,757)			
Series O	43,273	(7,411)			
Series OT	182	(43)			
Series PA	3,887	—			
Series PF	4,134	(1,126)			
Series PFT	607	(182)			
Series PT	440	—			
Series T	2,259	(1,360)			

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s)

	All Series		Series A		Series F	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 893,853	\$ 1,058,519	\$ 349,637	\$ 436,185	\$ 15,386	\$ 16,885
Increase (decrease) in net assets attributable to holders of redeemable units from operations	86,921	(26,957)	26,094	(14,601)	1,549	(452)
Distributions to holders of redeemable units						
From net investment income	(15,747)	(19,033)	(4,974)	(7,437)	(297)	(330)
From net realized gains on investments	(2,044)	(11,698)	(646)	(4,575)	(39)	(203)
From return of capital	(2,218)	(2,895)	—	—	—	—
Total distributions to holders of redeemable units	(20,009)	(33,626)	(5,620)	(12,012)	(336)	(533)
Redeemable units transactions						
Subscriptions	133,262	86,789	25,815	35,120	6,201	8,809
Reinvestments	18,429	31,351	5,486	11,770	232	376
Redemptions	(291,602)	(222,223)	(142,050)	(106,825)	(7,664)	(9,699)
Net increase (decrease) from redeemable units transactions	(139,911)	(104,083)	(110,749)	(59,935)	(1,231)	(514)
Increase (decrease) in net assets attributable to holders of redeemable units	(72,999)	(164,666)	(90,275)	(86,548)	(18)	(1,499)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 820,854</u>	<u>\$ 893,853</u>	<u>\$ 259,362</u>	<u>\$ 349,637</u>	<u>\$ 15,368</u>	<u>\$ 15,386</u>
	Series FT		Series I		Series O	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 844	\$ 1,092	\$ 49,071	\$ 63,389	\$ 398,867	\$ 449,978
Increase (decrease) in net assets attributable to holders of redeemable units from operations	82	(25)	4,414	(1,757)	43,273	(7,411)
Distributions to holders of redeemable units						
From net investment income	(14)	(18)	(835)	(1,046)	(6,998)	(8,497)
From net realized gains on investments	(2)	(11)	(108)	(643)	(908)	(5,217)
From return of capital	(47)	(56)	—	—	—	—
Total distributions to holders of redeemable units	(63)	(85)	(943)	(1,689)	(7,906)	(13,714)
Redeemable units transactions						
Subscriptions	188	476	1,568	3,846	11,011	24,734
Reinvestments	35	49	937	1,674	7,781	13,542
Redemptions	(362)	(663)	(11,496)	(16,392)	(88,194)	(68,262)
Net increase (decrease) from redeemable units transactions	(139)	(138)	(8,991)	(10,872)	(69,402)	(29,986)
Increase (decrease) in net assets attributable to holders of redeemable units	(120)	(248)	(5,520)	(14,318)	(34,035)	(51,111)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 724</u>	<u>\$ 844</u>	<u>\$ 43,551</u>	<u>\$ 49,071</u>	<u>\$ 364,832</u>	<u>\$ 398,867</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s) *(Continued)*

	Series OT		Series PA	Series PF	
	2019	2018	2019	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 1,624	\$ 1,110	\$ —	\$ 40,144	\$ 39,308
Increase (decrease) in net assets attributable to holders of redeemable units from operations	182	(43)	3,887	4,134	(1,126)
Distributions to holders of redeemable units					
From net investment income	(28)	(35)	(1,115)	(844)	(857)
From net realized gains on investments	(4)	(21)	(145)	(109)	(528)
From return of capital	(96)	(71)	—	—	—
Total distributions to holders of redeemable units	(128)	(127)	(1,260)	(953)	(1,385)
Redeemable units transactions					
Subscriptions	288	813	69,213	7,866	10,407
Reinvestments	82	79	1,238	848	1,214
Redemptions	(596)	(208)	(14,913)	(8,123)	(8,274)
Net increase (decrease) from redeemable units transactions	(226)	684	55,538	591	3,347
Increase (decrease) in net assets attributable to holders of redeemable units	(172)	514	58,165	3,772	836
Net assets attributable to holders of redeemable units at end of period	<u>\$ 1,452</u>	<u>\$ 1,624</u>	<u>\$ 58,165</u>	<u>\$ 43,916</u>	<u>\$ 40,144</u>
	Series PFT		Series PT	Series T	
	2019	2018	2019	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 6,533	\$ 6,918	\$ —	\$ 31,747	\$ 43,654
Increase (decrease) in net assets attributable to holders of redeemable units from operations	607	(182)	440	2,259	(1,360)
Distributions to holders of redeemable units					
From net investment income	(95)	(139)	(134)	(413)	(674)
From net realized gains on investments	(12)	(85)	(17)	(54)	(415)
From return of capital	(330)	(424)	(395)	(1,350)	(2,344)
Total distributions to holders of redeemable units	(437)	(648)	(546)	(1,817)	(3,433)
Redeemable units transactions					
Subscriptions	535	1,127	8,815	1,762	1,457
Reinvestments	297	414	373	1,120	2,233
Redemptions	(2,563)	(1,096)	(2,096)	(13,545)	(10,804)
Net increase (decrease) from redeemable units transactions	(1,731)	445	7,092	(10,663)	(7,114)
Increase (decrease) in net assets attributable to holders of redeemable units	(1,561)	(385)	6,986	(10,221)	(11,907)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 4,972</u>	<u>\$ 6,533</u>	<u>\$ 6,986</u>	<u>\$ 21,526</u>	<u>\$ 31,747</u>

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Balanced Income Portfolio

STATEMENTS OF CASH FLOWS For the periods ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	(000s)	(000s)
Cash flows from operating activities		
Interest received	\$ 332	\$ 586
Dividends received, net of withholding taxes	4,077	2,892
Proceeds from sale and maturity of investments	526,516	492,986
Purchases of investments	(363,301)	(344,229)
Receipts on settlement of derivative activities	6,900	19,190
Payments on settlement of derivative activities	(6,084)	(21,943)
Realized foreign exchange gain/(loss)	133	(73)
Operating expenses paid	<u>(9,076)</u>	<u>(10,762)</u>
Net cash from/(used in) operating activities	<u>159,497</u>	<u>138,647</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	133,410	86,685
Amounts paid on redemption of redeemable units	(291,676)	(222,354)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(1,084)</u>	<u>(2,946)</u>
Net cash from/(used in) financing activities	<u>(159,350)</u>	<u>(138,615)</u>
Net increase (decrease) in cash	147	32
Cash at beginning of period	46	14
Effect of exchange rate changes	<u>(112)</u>	<u>—</u>
Cash at end of year	<u>\$ 81</u>	<u>\$ 46</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019

	Units/Shares	Average Cost (000s)	Fair Value (000s)
INVESTMENTS: 99.04%			
UNDERLYING FUNDS: 60.31%			
Franklin Canadian Core Equity Fund	368,724	\$ 3,643	\$ 3,725
Franklin Emerging Market Core Equity Fund	997,880	10,134	10,652
Franklin Global Growth Fund	499,761	7,121	12,821
Franklin International Core Equity Fund	2,362,964	23,118	24,027
Franklin U.S. Core Equity Fund	3,991,334	39,558	42,437
Franklin U.S. Opportunities Fund	482,368	15,409	22,724
Franklin U.S. Rising Dividends Fund	292,791	17,714	25,822
Templeton Emerging Markets Fund	406,931	9,076	9,312
Total Underlying Funds:		125,773	151,520
EXCHANGE-TRADED FUNDS: 38.73%			
Franklin FTSE Europe Ex U.K. Index ETF	581,870	12,178	13,092
Franklin FTSE U.S. Index ETF	1,338,575	28,072	31,350
Franklin LibertyQT U.S. Equity Index ETF	731,525	15,926	19,334
iShares Core MSCI EAFE ETF	271,325	22,263	22,987
iShares Core MSCI Emerging Markets ETF	150,850	10,038	10,531
Total Exchange-Traded Funds:		88,477	97,294
Total Investments:		214,250	248,814
	Principal Amount in Currency of Issue		
SHORT-TERM SECURITIES: 0.91%			
Royal Bank of Canada, Term Deposit, 1.65%, 1/2/2020	2,300,000 CAD	2,300	2,300
Total Short-Term Securities:		2,300	2,300
TOTAL INVESTMENTS: 99.95%		\$ 216,550	251,114
OTHER ASSETS, less liabilities: 0.05%			116
TOTAL NET ASSETS: 100.00%			\$ 251,230

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets			Series A	7,385,377	10,620,289
Current assets			Series F	394,664	510,339
Non-derivative investments at fair value	\$ 251,114	\$ 237,511	Series I	1,084,238	1,211,431
Cash			Series O	5,734,312	6,400,842
Canadian	73	63	Series OT	11,966	12,052
Receivables			Series PA	2,137,407	—
Investment securities sold	—	12	Series PF	1,010,778	1,116,037
Subscription of redeemable units	43	65	Series PFT	14,149	17,268
Distributions and dividends	433	132	Series PTF	9,343	—
Other assets (Note 5(f))	5	16	Series PT-USD	443	—
	251,668	237,799	Series T	145,000	185,512
			Series T-USD	7,168	7,179
Liabilities			Net assets attributable to holders of redeemable units per unit — CAD		
Current liabilities			Series A	\$ 11.88	\$ 10.11
Payables			Series F	14.19	11.94
Redemption of redeemable units	141	14	Series I	13.47	11.36
Management fees	242	238	Series O	18.24	15.13
Fixed administration fees	41	44	Series OT	11.09	9.90
Distributions to unitholders	14	—	Series PA	11.39	—
	438	296	Series PF	12.49	10.46
			Series PFT	14.60	13.17
Net assets attributable to holders of redeemable units	\$ 251,230	\$ 237,503	Series PT	15.88	—
			Series T	7.94	7.28
Net assets attributable to holders of redeemable units per series (000s)			Net assets attributable to holders of redeemable units per unit — USD		
Series A	\$ 87,733	\$ 107,383	Series A	\$ 9.15	\$ 7.41
Series F	5,599	6,094	Series F	10.92	8.75
Series I	14,600	13,767	Series I	10.37	8.33
Series O	104,603	96,820	Series O	14.05	11.08
Series OT	133	119	Series PA	8.77	—
Series PA	24,349	—	Series PF	9.62	7.66
Series PF	12,625	11,675	Series PT-USD (Note 11(c))	16.12	—
Series PFT	207	227	Series T-USD (Note 11(b))	7.83	6.81
Series PTF	148	—			
Series PT	9	—			
Series PT-USD	1,151	1,351			
Series T	73	67			
Series T-USD					

• Series PA, PT and PT-USD launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	8,234,963	11,010,291
Distributions received from underlying funds (Note 3(h))	\$ 2,379	\$ 5,768	Series F	455,584	475,636
Dividends	2,379	1,468	Series I	1,139,148	1,266,159
Interest for distribution purposes (Note 3(h))	72	92	Series O	5,981,516	6,353,095
Net realized and/or unrealized foreign exchange gain (loss)	(19)	58	Series OT	11,951	11,791
Net realized gain (loss) on investments and derivatives (Note 3(h))	13,780	10,823	Series PA	1,990,737	—
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	28,910	(30,239)	Series PF	1,081,108	1,134,591
Total income (loss), net	47,501	(12,030)	Series PFT	10,417	10,384
Expenses			Series PT	12,089	—
Management fees (Note 5(a))	2,898	3,228	Series PT-USD	440	—
Fixed administration fees (Note 5(b))	495	589	Series T	154,614	194,644
Independent review committee fees	1	1	Series T-USD	7,236	6,794
Operating expenses before amounts waived/paid by Manager	3,394	3,818	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Operating expenses waived/paid by Manager	(53)	(147)	Series A	\$ 1.90	\$ (0.76)
Net operating expenses after amounts waived/paid by Manager	3,341	3,671	Series F	2.37	(0.87)
Transaction costs (Note 9)	71	71	Series I	2.18	(0.77)
Withholding tax expense	169	135	Series O	3.23	(0.81)
Total expenses, net	3,581	3,877	Series OT	2.02	(0.52)
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 43,920	\$ (15,907)	Series PA	1.41	—
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PF	2.06	(0.67)
Series A	\$ 15,696	\$ (8,470)	Series PFT	2.59	(1.71)
Series F	1,080	(411)	Series PT	1.93	—
Series I	2,481	(969)	Series PT-USD	2.74	—
Series O	19,318	(5,154)	Series T	1.29	(0.59)
Series OT	24	(6)	Series T-USD	1.63	(0.83)
Series PA	2,830	—			
Series PF	2,227	(758)			
Series PFT	27	(18)			
Series PT	23	—			
Series PT-USD	1	—			
Series T	201	(115)			
Series T-USD	12	(6)			

• Series PA, PT and PT-USD launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s)

	All Series		Series A		Series F	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$237,503	\$269,611	\$107,383	\$128,959	\$ 6,094	\$ 5,960
Increase (decrease) in net assets attributable to holders of redeemable units from operations	43,920	(15,907)	15,696	(8,470)	1,080	(411)
Distributions to holders of redeemable units						
From net investment income	(858)	(1,452)	(301)	(657)	(19)	(38)
From net realized gains on investments	—	(3,163)	—	(1,430)	—	(81)
From return of capital	(127)	(166)	—	—	—	—
Total distributions to holders of redeemable units	(985)	(4,781)	(301)	(2,087)	(19)	(119)
Redeemable units transactions						
Subscriptions	41,887	30,825	6,774	11,837	1,289	2,690
Reinvestments	891	4,614	296	2,057	18	114
Redemptions	(71,986)	(46,859)	(42,115)	(24,913)	(2,863)	(2,140)
Net increase (decrease) from redeemable units transactions	(29,208)	(11,420)	(35,045)	(11,019)	(1,556)	664
Increase (decrease) in net assets attributable to holders of redeemable units	13,727	(32,108)	(19,650)	(21,576)	(495)	134
Net assets attributable to holders of redeemable units at end of period	<u>\$251,230</u>	<u>\$237,503</u>	<u>\$ 87,733</u>	<u>\$107,383</u>	<u>\$ 5,599</u>	<u>\$ 6,094</u>

	Series I		Series O		Series OT	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 13,767	\$ 16,785	\$ 96,820	\$103,580	\$ 119	\$ 137
Increase (decrease) in net assets attributable to holders of redeemable units from operations	2,481	(969)	19,318	(5,154)	24	(6)
Distributions to holders of redeemable units						
From net investment income	(50)	(84)	(356)	(592)	—	(1)
From net realized gains on investments	—	(183)	—	(1,289)	—	(2)
From return of capital	—	—	—	—	(9)	(11)
Total distributions to holders of redeemable units	(50)	(267)	(356)	(1,881)	(9)	(14)
Redeemable units transactions						
Subscriptions	425	527	6,481	12,163	—	1
Reinvestments	48	260	352	1,876	3	4
Redemptions	(2,071)	(2,569)	(18,012)	(13,764)	(4)	(3)
Net increase (decrease) from redeemable units transactions	(1,598)	(1,782)	(11,179)	275	(1)	2
Increase (decrease) in net assets attributable to holders of redeemable units	833	(3,018)	7,783	(6,760)	14	(18)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 14,600</u>	<u>\$ 13,767</u>	<u>\$104,603</u>	<u>\$ 96,820</u>	<u>\$ 133</u>	<u>\$ 119</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s) *(Continued)*

	<u>Series PA</u>	<u>Series PF</u>		<u>Series PFT</u>	
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net assets attributable to holders of redeemable units at beginning of period	\$ —	\$ 11,675	\$ 12,307	\$ 227	\$ 121
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>2,830</u>	<u>2,227</u>	<u>(758)</u>	<u>27</u>	<u>(18)</u>
Distributions to holders of redeemable units					
From net investment income	(83)	(43)	(71)	(1)	(1)
From net realized gains on investments	—	—	(156)	—	(3)
From return of capital	—	—	—	(10)	(14)
Total distributions to holders of redeemable units	<u>(83)</u>	<u>(43)</u>	<u>(227)</u>	<u>(11)</u>	<u>(18)</u>
Redeemable units transactions					
Subscriptions	24,752	1,583	3,325	169	136
Reinvestments	82	40	216	1	6
Redemptions	<u>(3,232)</u>	<u>(2,857)</u>	<u>(3,188)</u>	<u>(206)</u>	<u>—</u>
Net increase (decrease) from redeemable units transactions	<u>21,602</u>	<u>(1,234)</u>	<u>353</u>	<u>(36)</u>	<u>142</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>24,349</u>	<u>950</u>	<u>(632)</u>	<u>(20)</u>	<u>106</u>
Net assets attributable to holders of redeemable units at end of period	<u>\$ 24,349</u>	<u>\$ 12,625</u>	<u>\$ 11,675</u>	<u>\$ 207</u>	<u>\$ 227</u>
	<u>Series PT</u>	<u>Series PT-USD</u>	<u>Series T</u>		
	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	
Net assets attributable to holders of redeemable units at beginning of period	\$ —	\$ —	\$ 1,351	\$ 1,693	
Increase (decrease) in net assets attributable to holders of redeemable units from operations	<u>23</u>	<u>1</u>	<u>201</u>	<u>(115)</u>	
Distributions to holders of redeemable units					
From net investment income	(1)	—	(4)	(8)	
From net realized gains on investments	—	—	—	(18)	
From return of capital	(14)	(1)	(88)	(135)	
Total distributions to holders of redeemable units	<u>(15)</u>	<u>(1)</u>	<u>(92)</u>	<u>(161)</u>	
Redeemable units transactions					
Subscriptions	223	9	182	137	
Reinvestments	10	—	40	79	
Redemptions	<u>(93)</u>	<u>—</u>	<u>(531)</u>	<u>(282)</u>	
Net increase (decrease) from redeemable units transactions	<u>140</u>	<u>9</u>	<u>(309)</u>	<u>(66)</u>	
Increase (decrease) in net assets attributable to holders of redeemable units	<u>148</u>	<u>9</u>	<u>(200)</u>	<u>(342)</u>	
Net assets attributable to holders of redeemable units at end of period	<u>\$ 148</u>	<u>\$ 9</u>	<u>\$ 1,151</u>	<u>\$ 1,351</u>	

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s) *(Continued)*

	Series T-USD	
	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 67	\$ 69
Increase (decrease) in net assets attributable to holders of redeemable units from operations	12	(6)
Distributions to holders of redeemable units		
From net investment income	—	—
From net realized gains on investments	—	(1)
From return of capital	(5)	(6)
Total distributions to holders of redeemable units	(5)	(7)
Redeemable units transactions		
Subscriptions	—	9
Reinvestments	1	2
Redemptions	(2)	—
Net increase (decrease) from redeemable units transactions	(1)	11
Increase (decrease) in net assets attributable to holders of redeemable units	6	(2)
Net assets attributable to holders of redeemable units at end of period	\$ 73	\$ 67

• Series PA, PT and PT-USD launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Equity Portfolio

STATEMENTS OF CASH FLOWS For the periods ended December 31, 2019 and 2018

	<u>2019</u> <u>(000s)</u>	<u>2018</u> <u>(000s)</u>
Cash flows from operating activities		
Interest received	\$ 72	\$ 92
Dividends received, net of withholding taxes	2,109	1,344
Proceeds from sale and maturity of investments	276,073	128,178
Purchases of investments	(244,878)	(109,611)
Receipts on settlement of derivative activities	—	939
Payments on settlement of derivative activities	—	(961)
Realized foreign exchange gain/(loss)	9	(38)
Operating expenses paid	<u>(3,329)</u>	<u>(3,717)</u>
Net cash from/(used in) operating activities	<u>30,056</u>	<u>16,226</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	41,908	30,943
Amounts paid on redemption of redeemable units	(71,859)	(46,907)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(80)</u>	<u>(207)</u>
Net cash from/(used in) financing activities	<u>(30,031)</u>	<u>(16,171)</u>
Net increase (decrease) in cash	25	55
Cash at beginning of period	63	9
Effect of exchange rate changes	<u>(15)</u>	<u>(1)</u>
Cash at end of year	<u>\$ 73</u>	<u>\$ 63</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019

	<u>Units/Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
INVESTMENTS: 97.62%			
UNDERLYING FUNDS: 83.75%			
Franklin Bissett Canadian Equity Fund	96,290	\$ 15,253	\$ 15,648
Franklin Bissett Canadian Government Bond Fund.....	25,735,944	254,553	256,775
Franklin Bissett Core Plus Bond Fund	13,807,928	207,609	216,050
Franklin Bissett Short Duration Bond Fund	5,982,939	64,124	62,443
Franklin Canadian Core Equity Fund.....	1,255,702	12,345	12,684
Franklin Emerging Market Core Equity Fund	1,638,761	17,133	17,493
Franklin International Core Equity Fund	3,281,066	32,185	33,362
Franklin Strategic Income Fund	4,778,058	38,353	34,862
Franklin U.S. Core Equity Fund	3,013,427	29,804	32,040
Franklin U.S. Opportunities Fund	243,041	11,162	11,450
Franklin U.S. Rising Dividends Fund	152,437	8,730	13,444
Templeton Global Bond Fund	4,158,310	<u>51,359</u>	<u>47,944</u>
Total Underlying Funds:		<u>742,610</u>	<u>754,195</u>
EXCHANGE-TRADED FUNDS: 13.87%			
Franklin FTSE Canada All Cap Index ETF	802,180	17,026	17,892
Franklin FTSE U.S. Index ETF	813,675	17,876	19,056
Franklin Liberty Global Aggregate Bond ETF	4,147,390	<u>84,557</u>	<u>87,925</u>
Total Exchange-Traded Funds:		<u>119,459</u>	<u>124,873</u>
Total Investments:		<u>862,069</u>	<u>879,068</u>
	Principal Amount in Currency of Issue		
SHORT-TERM SECURITIES: 1.89%			
Royal Bank of Canada, Term Deposit, 1.65%, 1/2/2020.....	17,000,000 CAD	17,000	17,000
Total Short-Term Securities:		<u>17,000</u>	<u>17,000</u>
TOTAL INVESTMENTS: 99.51%		<u>\$ 879,069</u>	896,068
NET UNREALIZED GAIN ON DERIVATIVES: 0.10%			861
OTHER ASSETS, less liabilities: 0.39%			<u>3,525</u>
TOTAL NET ASSETS: 100.00%			<u>\$ 900,454</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019 *(Continued)*

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at December 31, 2019)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	January 6, 2020	27,160 USD	\$35,269	36,168 CAD	\$36,168	\$1.33	<u>\$899</u>
Total Number of Contracts	1							<u>\$899</u>
Bank of America, N.A.	A+	January 6, 2020	1,661 CAD	1,661	1,250 USD	1,623	0.75	<u>(38)</u>
Total Number of Contracts	1							<u>\$(38)</u>
Net Unrealized Gain on Forward Exchange Contracts								<u>\$861</u>
Net Unrealized Gain on Derivatives								<u>\$861</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)			
Assets			Number of redeemable units outstanding (Note 4)		
Current assets			Series A	24,437,440	33,316,339
Non-derivative investments at fair value	\$ 896,068	\$ 1,019,850	Series F	1,878,925	2,065,953
Unrealized gain on derivatives	899	—	Series FT	970,636	975,966
Cash			Series I	11,765,457	13,786,921
Canadian	58	35	Series O	32,947,200	41,915,854
Receivables			Series OT	530,058	623,729
Margin and collateral (Note 3(e))	—	4,662	Series PA	4,442,237	—
Investment securities sold	—	391	Series PF	5,145,447	5,029,783
Subscription of redeemable units	198	199	Series PFT	1,822,765	1,225,125
Distributions, dividends and withholding tax	5,693	257	Series PT	3,091,452	—
Other assets (Note 5(f))	40	32	Series T	40,005,044	61,400,676
	<u>902,956</u>	<u>1,025,426</u>	Net assets attributable to holders of redeemable units per unit — CAD		
Liabilities			Series A	\$ 10.79	\$ 10.48
Current liabilities			Series F	11.98	11.53
Unrealized loss on derivatives	38	4,779	Series FT	3.55	3.59
Payables			Series I	5.70	5.52
Investment securities purchased	—	121	Series O	7.61	7.25
Redemption of redeemable units	375	639	Series OT	13.57	13.56
Management fees	856	976	Series PA	10.15	—
Fixed administration fees	99	110	Series PF	9.97	9.57
Distributions to unitholders	1,134	—	Series PFT	12.76	12.86
	<u>2,502</u>	<u>6,625</u>	Series PT	14.51	—
			Series T	3.04	3.10
Net assets attributable to holders of redeemable units	<u>\$ 900,454</u>	<u>\$ 1,018,801</u>	Net assets attributable to holders of redeemable units per unit — USD		
Net assets attributable to holders of redeemable units per series (000s)			Series A	\$ 8.31	\$ 7.68
Series A	\$ 263,569	\$ 349,103	Series F	9.22	8.45
Series F	22,504	23,819	Series I	4.39	4.05
Series FT	3,449	3,502	Series O	5.86	5.31
Series I	67,100	76,147	Series PA	7.82	—
Series O	250,702	303,816	Series PF	7.68	7.01
Series OT	7,192	8,457			
Series PA	45,110	—			
Series PF	51,287	48,157			
Series PFT	23,260	15,755			
Series PT	44,849	—			
Series T	121,432	190,045			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	26,192,086	36,470,301
Distributions received from underlying funds (Note 3(h))	\$ 27,428	\$ 35,907	Series F	1,938,874	2,122,676
Dividends	3,043	1,980	Series FT	979,780	997,814
Interest for distribution purposes (Note 3(h))	460	784	Series I	12,617,273	15,742,589
Net realized and/or unrealized foreign exchange gain (loss)	(158)	(16)	Series O	38,440,366	44,643,800
Net realized gain (loss) on investments and derivatives (Note 3(h))	41,323	14,928	Series OT	552,682	529,229
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	18,823	(61,545)	Series PA	4,280,661	—
Total income (loss), net	90,919	(7,962)	Series PF	4,935,752	4,874,974
Expenses			Series PFT	1,518,697	1,147,699
Management fees (Note 5(a))	10,935	13,394	Series PT	2,978,826	—
Fixed administration fees (Note 5(b))	1,252	1,504	Series T	43,230,255	65,997,412
Independent review committee fees	1	1	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Operating expenses before amounts waived/paid by Manager	12,188	14,899	Series A	\$ 0.82	\$ (0.28)
Operating expenses waived/paid by Manager	(265)	(481)	Series F	0.98	(0.22)
Net operating expenses after amounts waived/paid by Manager	11,923	14,418	Series FT	0.29	(0.07)
Transaction costs (Note 9)	54	96	Series I	0.43	(0.13)
Withholding tax expense	6	43	Series O	0.71	(0.06)
Total expenses, net	11,983	14,557	Series OT	1.33	(0.14)
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 78,936	\$ (22,519)	Series PA	0.62	—
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PF	0.82	(0.16)
Series A	\$ 21,669	\$ (10,579)	Series PFT	0.99	(0.22)
Series F	1,903	(456)	Series PT	0.88	—
Series FT	292	(67)	Series T	0.25	(0.09)
Series I	5,589	(2,094)			
Series O	27,265	(2,440)			
Series OT	734	(77)			
Series PA	2,585	—			
Series PF	4,070	(760)			
Series PFT	1,498	(251)			
Series PT	2,642	—			
Series T	10,689	(5,795)			

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s)

	All Series		Series A		Series F	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$1,018,801	\$1,274,221	\$ 349,103	\$ 447,982	\$ 23,819	\$ 25,714
Increase (decrease) in net assets attributable to holders of redeemable units from operations	78,936	(22,519)	21,669	(10,579)	1,903	(456)
Distributions to holders of redeemable units						
From net investment income	(17,567)	(25,124)	(5,144)	(8,611)	(443)	(592)
From net realized gains on investments	(19,293)	(5,188)	(5,650)	(1,778)	(486)	(122)
From return of capital	(10,261)	(12,679)	—	—	—	—
Total distributions to holders of redeemable units	(47,121)	(42,991)	(10,794)	(10,389)	(929)	(714)
Redeemable units transactions						
Subscriptions	194,210	105,910	32,077	41,458	9,951	12,890
Reinvestments	42,912	38,283	10,392	9,970	805	623
Redemptions	(387,284)	(334,103)	(138,878)	(129,339)	(13,045)	(14,238)
Net increase (decrease) from redeemable units transactions	(150,162)	(189,910)	(96,409)	(77,911)	(2,289)	(725)
Increase (decrease) in net assets attributable to holders of redeemable units	(118,347)	(255,420)	(85,534)	(98,879)	(1,315)	(1,895)
Net assets attributable to holders of redeemable units at end of period	\$ 900,454	\$1,018,801	\$ 263,569	\$ 349,103	\$ 22,504	\$ 23,819

	Series FT		Series I		Series O	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 3,502	\$ 4,114	\$ 76,147	\$ 105,689	\$303,816	\$369,066
Increase (decrease) in net assets attributable to holders of redeemable units from operations	292	(67)	5,589	(2,094)	27,265	(2,440)
Distributions to holders of redeemable units						
From net investment income	(67)	(86)	(1,311)	(1,878)	(4,888)	(7,488)
From net realized gains on investments	(74)	(18)	(1,440)	(388)	(5,368)	(1,546)
From return of capital	(176)	(197)	—	—	—	—
Total distributions to holders of redeemable units	(317)	(301)	(2,751)	(2,266)	(10,256)	(9,034)
Redeemable units transactions						
Subscriptions	1,510	1,617	3,266	5,169	10,504	14,824
Reinvestments	228	210	2,634	2,189	10,166	8,954
Redemptions	(1,766)	(2,071)	(17,785)	(32,540)	(90,793)	(77,554)
Net increase (decrease) from redeemable units transactions	(28)	(244)	(11,885)	(25,182)	(70,123)	(53,776)
Increase (decrease) in net assets attributable to holders of redeemable units	(53)	(612)	(9,047)	(29,542)	(53,114)	(65,250)
Net assets attributable to holders of redeemable units at end of period	\$ 3,449	\$ 3,502	\$ 67,100	\$ 76,147	\$250,702	\$303,816

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s) *(Continued)*

	Series OT		Series PA	Series PF	
	2019	2018	2019	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 8,457	\$ 7,285	\$ —	\$ 48,157	\$ 47,036
Increase (decrease) in net assets attributable to holders of redeemable units from operations	734	(77)	2,585	4,070	(760)
Distributions to holders of redeemable units					
From net investment income	(140)	(208)	(880)	(1,003)	(1,190)
From net realized gains on investments	(154)	(43)	(966)	(1,102)	(246)
From return of capital	(371)	(394)	—	—	—
Total distributions to holders of redeemable units	(665)	(645)	(1,846)	(2,105)	(1,436)
Redeemable units transactions					
Subscriptions	205	3,098	56,722	13,362	15,071
Reinvestments	595	532	1,784	1,770	1,160
Redemptions	(2,134)	(1,736)	(14,135)	(13,967)	(12,914)
Net increase (decrease) from redeemable units transactions	(1,334)	1,894	44,371	1,165	3,317
Increase (decrease) in net assets attributable to holders of redeemable units	(1,265)	1,172	45,110	3,130	1,121
Net assets attributable to holders of redeemable units at end of period	<u>\$ 7,192</u>	<u>\$ 8,457</u>	<u>\$ 45,110</u>	<u>\$ 51,287</u>	<u>\$ 48,157</u>
	Series PFT		Series PT	Series T	
	2019	2018	2019	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 15,755	\$ 16,006	\$ —	\$190,045	\$251,329
Increase (decrease) in net assets attributable to holders of redeemable units from operations	1,498	(251)	2,642	10,689	(5,795)
Distributions to holders of redeemable units					
From net investment income	(454)	(388)	(874)	(2,363)	(4,683)
From net realized gains on investments	(498)	(80)	(960)	(2,595)	(967)
From return of capital	(981)	(814)	(2,260)	(6,473)	(11,274)
Total distributions to holders of redeemable units	(1,933)	(1,282)	(4,094)	(11,431)	(16,924)
Redeemable units transactions					
Subscriptions	9,822	3,688	50,442	6,349	8,095
Reinvestments	1,362	824	3,513	9,663	13,821
Redemptions	(3,244)	(3,230)	(7,654)	(83,883)	(60,481)
Net increase (decrease) from redeemable units transactions	7,940	1,282	46,301	(67,871)	(38,565)
Increase (decrease) in net assets attributable to holders of redeemable units	7,505	(251)	44,849	(68,613)	(61,284)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 23,260</u>	<u>\$ 15,755</u>	<u>\$ 44,849</u>	<u>\$121,432</u>	<u>\$190,045</u>

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Diversified Income Portfolio

STATEMENTS OF CASH FLOWS For the periods ended December 31, 2019 and 2018

	<u>2019</u> <u>(000s)</u>	<u>2018</u> <u>(000s)</u>
Cash flows from operating activities		
Interest received	\$ 460	\$ 784
Dividends received, net of withholding taxes	2,728	1,812
Proceeds from sale and maturity of investments	587,347	502,259
Purchases of investments	(384,072)	(251,059)
Receipts on settlement of derivative activities	17,226	32,718
Payments on settlement of derivative activities	(15,330)	(38,429)
Realized foreign exchange gain/(loss)	256	16
Operating expenses paid	<u>(12,062)</u>	<u>(14,753)</u>
Net cash from/(used in) operating activities	<u>196,553</u>	<u>233,348</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	194,211	106,019
Amounts paid on redemption of redeemable units	(387,547)	(333,805)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(3,075)</u>	<u>(5,529)</u>
Net cash from/(used in) financing activities	<u>(196,411)</u>	<u>(233,315)</u>
Net increase (decrease) in cash	142	33
Cash at beginning of period	35	1
Effect of exchange rate changes	<u>(119)</u>	<u>1</u>
Cash at end of year	<u>\$ 58</u>	<u>\$ 35</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019

	<u>Units/Shares</u>	<u>Average Cost</u> (000s)	<u>Fair Value</u> (000s)
INVESTMENTS: 98.91%			
UNDERLYING FUNDS: 65.74%			
Franklin Bissett Canadian Equity Fund	189,816	\$ 23,981	\$ 30,848
Franklin Bissett Canadian Government Bond Fund.....	2,939,528	29,063	29,328
Franklin Bissett Core Plus Bond Fund	1,848,487	28,265	28,923
Franklin Bissett Short Duration Bond Fund	736,611	7,767	7,688
Franklin Canadian Core Equity Fund.....	2,568,814	25,338	25,948
Franklin Emerging Market Core Equity Fund	1,073,477	10,932	11,459
Franklin International Core Equity Fund	2,596,884	25,431	26,406
Franklin Templeton Canadian Large Cap Fund.....	1,714,892	18,291	16,789
Franklin U.S. Core Equity Fund	4,245,995	42,077	45,145
Franklin U.S. Opportunities Fund	514,921	13,792	24,258
Franklin U.S. Rising Dividends Fund	318,088	16,635	28,053
Templeton Emerging Markets Fund	436,123	9,742	9,980
Templeton Global Bond Fund	608,251	7,603	7,013
Total Underlying Funds:		<u>258,917</u>	<u>291,838</u>
EXCHANGE-TRADED FUNDS: 33.17%			
Franklin FTSE Canada All Cap Index ETF	1,244,670	26,121	27,762
Franklin FTSE Europe Ex U.K. Index ETF.....	624,625	13,007	14,054
Franklin FTSE U.S. Index ETF	1,475,450	31,118	34,555
Franklin Liberty Global Aggregate Bond ETF	683,905	14,103	14,499
Franklin LibertyQT U.S. Equity Index ETF	802,295	17,381	21,205
iShares Core MSCI EAFE ETF	282,125	23,154	23,902
iShares Core MSCI Emerging Markets ETF	161,800	10,799	11,296
Total Exchange-Traded Funds:		<u>135,683</u>	<u>147,273</u>
Total Investments:		<u>394,600</u>	<u>439,111</u>
	<u>Principal Amount in Currency of Issue</u>		
SHORT-TERM SECURITIES: 0.83%			
Royal Bank of Canada, Term Deposit, 1.65%, 1/2/2020	3,700,000 CAD	3,700	3,700
Total Short-Term Securities:		<u>3,700</u>	<u>3,700</u>
TOTAL INVESTMENTS: 99.74%		<u>\$ 398,300</u>	442,811
NET UNREALIZED GAIN ON DERIVATIVES: 0.02%			107
OTHER ASSETS, less liabilities: 0.24%			<u>1,057</u>
TOTAL NET ASSETS: 100.00%			<u>\$ 443,975</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2019 *(Continued)*

SCHEDULE OF DERIVATIVE INSTRUMENTS (As at December 31, 2019)

FORWARD FOREIGN EXCHANGE CONTRACTS

<u>Counterparty</u>	<u>Credit Rating</u>	<u>Settlement Date</u>	<u>Currency to be Delivered</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Currency to be Received</u> (000s)	<u>Par Value in Canadian Dollars</u> (000s)	<u>Contract Price</u>	<u>Unrealized Gain (Loss)</u> (000s)
Bank of America, N.A.	A+	January 6, 2020	3,239 USD	\$4,206	4,313 CAD	\$4,313	\$1.33	<u>\$107</u>
Total Number of Contracts	1							<u>\$107</u>
Net Unrealized Gain on Forward Exchange Contracts								<u>\$107</u>
Net Unrealized Gain on Derivatives								<u>\$107</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Number of redeemable units outstanding (Note 4)		
Assets					
Current assets					
Non-derivative investments at fair value	\$ 442,811	\$ 426,393	Series A	16,940,496	23,643,423
Unrealized gain on derivatives	107	—	Series F	452,605	521,102
Cash			Series I	2,577,972	2,903,755
Canadian	24	29	Series O	18,957,283	19,977,513
Receivables			Series OT	81,768	22,455
Margin and collateral (Note 3(e))	—	888	Series PA	3,007,891	—
Subscription of redeemable units	155	180	Series PF	1,713,047	1,559,369
Distributions and dividends	1,693	212	Series PFT	21,865	45,875
Other assets (Note 5(f))	15	14	Series PT	76,985	—
	444,805	427,716	Series T	194,612	212,697
			Net assets attributable to holders of redeemable units per unit — CAD		
Liabilities			Series A	\$ 7.87	\$ 7.12
Current liabilities			Series F	9.50	8.49
Unrealized loss on derivatives	—	966	Series I	9.36	8.39
Payables			Series O	12.01	10.60
Redemption of redeemable units	226	170	Series OT	8.28	7.88
Management fees	345	356	Series PA	10.72	—
Fixed administration fees	45	48	Series PF	11.02	9.82
Distributions to unitholders	214	—	Series PFT	12.86	12.35
	830	1,540	Series PT	14.87	—
			Series T	6.31	6.16
Net assets attributable to holders of redeemable units	\$ 443,975	\$ 426,176	Net assets attributable to holders of redeemable units per unit — USD		
Net assets attributable to holders of redeemable units per series (000s)			Series A	\$ 6.06	\$ 5.21
Series A	\$ 133,348	\$ 168,265	Series F	7.32	6.22
Series F	4,301	4,427	Series I	7.21	6.15
Series I	24,125	24,359	Series O	9.25	7.77
Series O	227,748	211,762	Series PA	8.26	—
Series OT	677	177	Series PF	8.49	7.19
Series PA	32,244	—			
Series PF	18,878	15,310			
Series PFT	281	566			
Series PT	1,145	—			
Series T	1,228	1,310			

• Series PA and PT launched January 25, 2019

Signed on behalf of Franklin Templeton Investments Corp. as Manager-Trustee

(Signed) Duane Green
Director

(Signed) Ghion Shewangzaw
Director

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended December 31, 2019 and 2018

	2019	2018		2019	2018
	(000s)	(000s)	Weighted average number of units outstanding		
Income			Series A	18,499,603	24,481,643
Distributions received from underlying funds (Note 3(h))	\$ 9,438	\$ 11,882	Series F	497,061	489,997
Dividends	3,375	2,494	Series I	2,659,263	3,107,495
Interest for distribution purposes (Note 3(h))	147	196	Series O	19,241,388	19,854,082
Net realized and/or unrealized foreign exchange gain (loss)	(27)	116	Series OT	53,273	22,022
Net realized gain (loss) on investments and derivatives (Note 3(h))	23,587	18,566	Series PA	2,736,140	—
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	31,835	(53,142)	Series PF	1,645,610	1,438,944
Total income (loss), net	68,355	(19,888)	Series PFT	24,257	41,432
Expenses			Series PT	21,216	—
Management fees (Note 5(a))	4,231	4,830	Series T	190,684	199,650
Fixed administration fees (Note 5(b))	553	653	Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit		
Independent review committee fees	1	1	Series A	\$ 1.05	\$ (0.50)
Operating expenses before amounts waived/paid by Manager	4,785	5,484	Series F	1.29	(0.56)
Operating expenses waived/paid by Manager	(82)	(180)	Series I	1.28	(0.53)
Net operating expenses after amounts waived/paid by Manager	4,703	5,304	Series O	1.79	(0.52)
Transaction costs (Note 9)	91	120	Series OT	1.05	(0.38)
Withholding tax expense	173	219	Series PA	1.03	—
Total expenses, net	4,967	5,643	Series PF	1.51	(0.62)
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 63,388	\$ (25,531)	Series PFT	2.31	(0.78)
Increase (decrease) in net assets attributable to holders of redeemable units from operations per series (000s)			Series PT	1.56	—
Series A	\$ 19,460	\$ (12,471)	Series T	0.84	(0.48)
Series F	644	(276)			
Series I	3,424	(1,617)			
Series O	34,280	(10,138)			
Series OT	56	(8)			
Series PA	2,807	—			
Series PF	2,467	(893)			
Series PFT	56	(33)			
Series PT	33	—			
Series T	161	(95)			

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s)

	All Series		Series A		Series F	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 426,176	\$491,371	\$168,265	\$206,826	\$ 4,427	\$ 4,162
Increase (decrease) in net assets attributable to holders of redeemable units from operations	63,388	(25,531)	19,460	(12,471)	644	(276)
Distributions to holders of redeemable units						
From net investment income	(6,042)	(6,401)	(1,819)	(2,529)	(57)	(68)
From net realized gains on investments	(6,583)	(7,070)	(1,979)	(2,794)	(64)	(75)
From return of capital	(179)	(184)	—	—	—	—
Total distributions to holders of redeemable units	(12,804)	(13,655)	(3,798)	(5,323)	(121)	(143)
Redeemable units transactions						
Subscriptions	64,022	44,021	10,237	16,962	1,947	3,551
Reinvestments	12,514	13,359	3,750	5,236	95	117
Redemptions	(109,321)	(83,389)	(64,566)	(42,965)	(2,691)	(2,984)
Net increase (decrease) from redeemable units transactions	(32,785)	(26,009)	(50,579)	(20,767)	(649)	684
Increase (decrease) in net assets attributable to holders of redeemable units	17,799	(65,195)	(34,917)	(38,561)	(126)	265
Net assets attributable to holders of redeemable units at end of period	<u>\$ 443,975</u>	<u>\$426,176</u>	<u>\$133,348</u>	<u>\$168,265</u>	<u>\$ 4,301</u>	<u>\$ 4,427</u>

	Series I		Series O		Series OT	
	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ 24,359	\$ 30,192	\$211,762	\$234,374	\$ 177	\$ 221
Increase (decrease) in net assets attributable to holders of redeemable units from operations	3,424	(1,617)	34,280	(10,138)	56	(8)
Distributions to holders of redeemable units						
From net investment income	(328)	(366)	(3,096)	(3,180)	(9)	(3)
From net realized gains on investments	(357)	(404)	(3,377)	(3,512)	(10)	(3)
From return of capital	—	—	—	—	(35)	(16)
Total distributions to holders of redeemable units	(685)	(770)	(6,473)	(6,692)	(54)	(22)
Redeemable units transactions						
Subscriptions	1,600	1,214	9,161	16,883	500	—
Reinvestments	677	760	6,404	6,641	31	6
Redemptions	(5,250)	(5,420)	(27,386)	(29,306)	(33)	(20)
Net increase (decrease) from redeemable units transactions	(2,973)	(3,446)	(11,821)	(5,782)	498	(14)
Increase (decrease) in net assets attributable to holders of redeemable units	(234)	(5,833)	15,986	(22,612)	500	(44)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 24,125</u>	<u>\$ 24,359</u>	<u>\$227,748</u>	<u>\$211,762</u>	<u>\$ 677</u>	<u>\$ 177</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the periods ended December 31, 2019 and 2018 (000s) *(Continued)*

	Series PA	Series PF		Series PFT	
	2019	2019	2018	2019	2018
Net assets attributable to holders of redeemable units at beginning of period	\$ —	\$ 15,310	\$ 13,619	\$ 566	\$ 590
Increase (decrease) in net assets attributable to holders of redeemable units from operations	2,807	2,467	(893)	56	(33)
Distributions to holders of redeemable units					
From net investment income	(437)	(259)	(228)	(4)	(8)
From net realized gains on investments	(477)	(280)	(251)	(4)	(9)
From return of capital	—	—	—	(23)	(49)
Total distributions to holders of redeemable units	(914)	(539)	(479)	(31)	(66)
Redeemable units transactions					
Subscriptions	34,363	4,662	5,013	37	60
Reinvestments	882	508	438	12	49
Redemptions	(4,894)	(3,530)	(2,388)	(359)	(34)
Net increase (decrease) from redeemable units transactions	30,351	1,640	3,063	(310)	75
Increase (decrease) in net assets attributable to holders of redeemable units	32,244	3,568	1,691	(285)	(24)
Net assets attributable to holders of redeemable units at end of period	<u>\$ 32,244</u>	<u>\$ 18,878</u>	<u>\$ 15,310</u>	<u>\$ 281</u>	<u>\$ 566</u>
	Series PT	Series T			
	2019	2019	2018		
Net assets attributable to holders of redeemable units at beginning of period	\$ —	\$ 1,310	\$ 1,387		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	33	161	(95)		
Distributions to holders of redeemable units					
From net investment income	(16)	(17)	(19)		
From net realized gains on investments	(17)	(18)	(22)		
From return of capital	(28)	(93)	(119)		
Total distributions to holders of redeemable units	(61)	(128)	(160)		
Redeemable units transactions					
Subscriptions	1,165	350	338		
Reinvestments	59	96	112		
Redemptions	(51)	(561)	(272)		
Net increase (decrease) from redeemable units transactions	1,173	(115)	178		
Increase (decrease) in net assets attributable to holders of redeemable units	1,145	(82)	(77)		
Net assets attributable to holders of redeemable units at end of period	<u>\$ 1,145</u>	<u>\$ 1,228</u>	<u>\$ 1,310</u>		

• Series PA and PT launched January 25, 2019

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Growth Portfolio

STATEMENTS OF CASH FLOWS For the periods ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	(000s)	(000s)
Cash flows from operating activities		
Interest received	\$ 147	\$ 196
Dividends received, net of withholding taxes	2,897	2,310
Proceeds from sale and maturity of investments	368,915	230,765
Purchases of investments	(322,322)	(186,856)
Receipts on settlement of derivative activities	1,774	6,534
Payments on settlement of derivative activities	(1,427)	(7,788)
Realized foreign exchange gain/(loss)	61	(87)
Operating expenses paid	<u>(4,718)</u>	<u>(5,376)</u>
Net cash from/(used in) operating activities	<u>45,327</u>	<u>39,698</u>
Cash flows from financing activities		
Proceeds from issuances of redeemable units	64,048	43,925
Amounts paid on redemption of redeemable units	(109,266)	(83,262)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(76)</u>	<u>(420)</u>
Net cash from/(used in) financing activities	<u>(45,294)</u>	<u>(39,757)</u>
Net increase (decrease) in cash	33	(59)
Cash at beginning of period	29	85
Effect of exchange rate changes	<u>(38)</u>	<u>3</u>
Cash at end of year	<u>\$ 24</u>	<u>\$ 29</u>

The accompanying notes are an integral part of these financial statements.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018

1. Organization

Inception and Financial Reporting Dates

The Franklin Quotential Portfolios (the “Funds”) are open-ended mutual fund trusts governed by the laws of Ontario pursuant to a Master Declaration of Trust. Franklin Templeton Investments Corp., a corporation duly incorporated under the laws of the Province of Ontario (hereinafter called the “Manager”), having an office at 200 King Street West, Suite 1500, Toronto, Ontario, M5H 3T4 and an indirectly wholly owned subsidiary of Franklin Resources Inc. (“FRI”), a United States Securities and Exchange Commission (“SEC”) registered company listed on the New York Stock Exchange is the trustee, transfer agent and manager of the Funds. The inception date of each Fund is as follows:

Franklin Quotential Balanced Growth Portfolio	May 31, 2002
Franklin Quotential Balanced Income Portfolio	May 31, 2002
Franklin Quotential Diversified Equity Portfolio	May 28, 2003
Franklin Quotential Diversified Income Portfolio	February 7, 2003
Franklin Quotential Growth Portfolio	May 31, 2002

Each of the Funds may offer one or more series of units designated as Series A, F, FT, I, O, OT, PA, PF, PFT, PT, PT-USD, T and T-USD. Each Series differs by its initial sales load, deferred sales charges, management fees and initial minimum investment amount.

The Funds invest primarily in mutual funds and exchange-traded funds (“ETF”) managed by the Manager or an affiliate of the Manager (“Underlying Funds”). Each of the Funds may invest up to 20% of its respective net assets in unaffiliated ETFs and may invest up to 10% of its net assets in separate classes of shares of Franklin Templeton Investment Funds (each a “FTIF Sub-Fund”), an open-end investment company organized under the laws of Luxembourg as a société d’investissement à capital variable. The FTIF Sub-Funds each qualify as a UCITS, an undertaking for collective investment in transferable securities. Each of the investment managers, principal distributor and the administrative agent of the FTIF Sub-Funds is an affiliate of the Manager.

The financial statements of each Fund include the Schedule of Investments as at December 31, 2019, and the Statements of Financial Position as at December 31, 2019 and 2018. The Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows for each Fund are for the periods ended December 31, 2019 and 2018, except for Funds established during either period, in which case the period is from commencement of operations (inception date) to December 31.

These financial statements have been authorized for issue by the Board of Directors of the Manager on March 12, 2020.

(a) Fund Events

Effective November 15, 2019, following regulatory and unitholder approvals, Franklin Quotential Fixed Income Portfolio (the “Terminated Fund”), a Fund managed by the Manager was merged with Franklin Bissett Core Plus Bond Fund (the “Continuing Fund”). For details of the merger refer Note 12(b).

Effective January 25, 2019, the following Funds commenced the offering of Series PA, PT, PT-USD.

	<u>Series</u>		
Franklin Quotential Balanced Growth Portfolio	PA	PT	—
Franklin Quotential Balanced Income Portfolio	PA	PT	—
Franklin Quotential Diversified Equity Portfolio	PA	PT	PT-USD
Franklin Quotential Diversified Income Portfolio	PA	PT	—
Franklin Quotential Growth Portfolio	PA	PT	—

2. Basis of Presentation of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through profit and loss.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

3. Summary of Significant Accounting Policies

The significant accounting policies are as follows:

(a) **Classification of financial assets and liabilities** — Effective January 1, 2018, the Funds retrospectively adopted *IFRS 9 Financial Instruments*, which includes a new credit loss impairment model. The Funds' financial assets and financial liabilities, under IFRS 9 are classified and measured at fair value through profit and loss ("FVTPL"), as those financial assets and financial liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds' documented investment strategy. This is consistent with the classification category prior to the transition to IFRS 9, with the exception of derivatives which are categorized as fair value through profit and loss. Derivatives were previously classified as held for trading under IAS 39, however such sub-categorization is not applicable under IFRS 9. All financial assets and financial liabilities are shown on the respective Fund's Statements of Financial Position and are measured as FVTPL with the associated unrealized gain/loss included in the Statements of Comprehensive Income in net change in unrealized appreciation (depreciation) in value of investments and derivatives.

There were no changes in the measurement attributes in either the current or comparative period for any of the financial assets and liabilities upon transition to IFRS 9.

The Funds' obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are carried at amortized cost which approximates fair value due to their short-term nature.

The net asset value ("NAV") is the value of the total assets of a Fund less the value of its total liabilities determined, on each valuation day, in accordance with Part 14 of National Instrument (NI) 81-106 *Investment Fund Continuous Disclosure* for the purpose of processing unitholder transactions (herein called the "Trading NAV"). Net assets are determined in accordance with IFRS (herein called the "IFRS NAV") and may differ to the Fund's Trading NAV. Where a Fund's Trading NAV is not equal to its IFRS NAV, a reconciliation is shown in Note 11(a).

(b) **Classification of redeemable units** — The Funds' outstanding redeemable units' entitlements include a contractual obligation to distribute any net income and net realized capital gains annually in cash and therefore the ongoing redemption feature is not the units' only contractual obligation. In addition, certain Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 "*Financial Instruments: Presentation*".

(c) **Valuation of series** — A separate NAV per unit is calculated for each series of units in each Fund. The Funds calculate the NAV per unit at the close of trading on the Toronto Stock Exchange ("TSX") each business day (usually 4p.m. EST). The net assets of a series is computed by calculating the series' proportionate share of the assets and liabilities of the Fund common to all series, adjusted for the assets and liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses, investment income, realized and unrealized capital and foreign exchange gains and losses are allocated proportionately to each series based upon the relative net assets of each series, except for items that can be specifically attributed to one or more series.

(d) **Valuation of investments** — The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value of equity securities, ETFs and derivative financial instruments ("derivatives") traded in active markets is measured at quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will review and apply a price that is most representative of fair value based on the specific facts and circumstances. Over the counter ("OTC") securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market (that is, the principal market). Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in Underlying Funds are made in Series O units of the Underlying Fund and valued at the Underlying Fund's net asset value on valuation day.

Investments in FTIF Sub-Funds are made in Series I units, denominated in USD, and valued at CAD equivalent of the respective closing net asset value on the valuation day.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

All security valuation techniques are periodically reviewed by the Valuation Committee of the Manager and are approved by the Manager. The Valuation Committee provides administration and oversight of the Funds' valuation policies and procedures. These procedures allow the Valuation Committee to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

(e) **Derivative financial instruments** — Certain Funds may invest in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives may also be used for trading purposes where the Portfolio Manager believes this would be more effective than investing directly in the underlying financial instruments. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial investment that is smaller than would normally be required to have similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements, which expose the applicable Funds to gains and losses in excess of the amounts shown on the Statements of Financial Position. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statements of Comprehensive Income.

(i) **Foreign/Forward exchange contracts** — When a Fund purchases or sells foreign securities, it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date.

A Fund may also enter into forward exchange contracts to hedge against fluctuations in foreign exchange rates. These contracts are valued as the difference between the contractual forward foreign exchange rates and the mid forward rate for currency held or sold short at the reporting date. The unrealized gains or losses on the contracts are included in the Statements of Financial Position, as unrealized gain/loss on derivatives. Realized gains and losses and changes in unrealized gains and losses are included in the Statements of Comprehensive Income, as net realized gain/loss on investments and derivatives and net change in unrealized appreciation (depreciation) in value of investments and derivatives.

For OTC derivatives traded under an International Swaps and Derivatives Association ("ISDA") master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds a certain minimum transfer amount and can vary depending on the counterparty and the type of agreement. Generally, collateral is determined at the close of business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged may be in the form of cash and/or securities. Cash pledged as collateral or initial margin requirement is presented in the Statements of Financial Position as margin and collateral receivable/payable and securities pledged as collateral are identified in the Fund's Schedule of Investments, if applicable. Should the Fund fail to meet any of these provisions, the derivative counterparty has the right to terminate the derivative contract and require immediate payment by the Fund for those OTC derivatives with that particular counterparty that are in a net liability position.

(f) **Offsetting of derivative financial instruments** — Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. Each Fund attempts to reduce its exposure to counterparty risk on OTC derivatives, whenever possible, by entering into an ISDA master agreement with certain counterparties. These agreements contain various provisions, including but not limited to enforceable master netting arrangements, collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or, limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded to one net amount, payable by one counterparty to the other, however, absent an event of default or early termination, OTC derivatives assets and liabilities are settled on a gross basis, presented gross, and not offset in the Statements of Financial Position. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under an ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives.

See Note 12(a) for details of derivative assets and liabilities presented gross, amounts available for offset and collateral amounts pledged or held in trust for the applicable Funds.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

(g) **Transaction costs** — Transaction costs incurred on the purchase and sale of equity securities generally include brokerage commissions, trade execution costs, stamp duty and exchange fees and are charged as an expense for the period and shown as transaction costs on the Statements of Comprehensive Income. Transaction costs associated with the purchase and sale of fixed income securities are generally traded on a net basis, which includes an embedded transaction cost.

If any Funds invest in Underlying Funds, ETFs and FTIF Sub-Funds, they do not incur transaction costs on those transactions.

(h) **Security transactions, investment income, expenses and distributions** — Security transactions are recorded on the trade date. Estimated expenses are accrued daily. Dividend income, distributions received from or made to Underlying Funds are recorded on the ex-dividend date.

Interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Realized and unrealized gains or losses on security transactions are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

(i) **Taxes** — The Funds qualify as mutual fund trusts within the meaning of the Income Tax Act (Canada) (the “Act”). Accordingly, the Funds are entitled to a capital gains refund and, as a result, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Fund are redeemed. In addition, the Funds are not subject to alternative minimum tax or taxes on prescribed investments and certain designated income as defined under Part X.2 and Part XII.2, respectively of the Act.

Each year, each Fund distributes sufficient net taxable income and net realized capital gains for the taxation year so that the Fund does not pay tax under Part 1 of the Act. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which they invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a foreign capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

(j) **Functional and presentation currency** — The Funds’ functional currency is the Canadian Dollar (“CAD”) which is the currency of the primary economic environment in which they operate. The Funds are distributed within Canada with subscriptions and redemptions primarily denominated in CAD. Accordingly, the Manager has determined that the functional currency of the Funds is CAD. The Funds’ presentation currency is also CAD.

(k) **Foreign currency translation** — Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into the functional currency based on the mid exchange rate on the valuation date. Purchases and sales of securities and income items denominated in foreign currencies are translated into the functional currency at the exchange rate in effect on the transaction date. When an exchange rate is unavailable or unreliable, it will be determined using procedures established and accepted by the Board of Directors and the Manager.

Realized foreign exchange gains or losses arise from sales of foreign currencies, changes between the trade date and settlement date values on foreign securities and foreign capital transactions, and the difference between the recorded amounts of foreign currency denominated dividends, interest, withholding taxes, and U.S. short-term holdings, and the functional currency equivalent of the amounts actually received or paid. These gains or losses are reported on the Statements of Comprehensive Income as net realized and/or unrealized foreign exchange gain (loss).

(l) **Unconsolidated structured entities** — The Funds may invest in Underlying Funds determined to be unconsolidated structured entities, as decision making in the Underlying Fund is not governed by the voting right or other similar right held by the Fund. The investments in Underlying Funds are subject to the terms and conditions of the respective Underlying Fund’s offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Underlying Funds. The Underlying Funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of its documented investment strategies. The Underlying Funds apply various investment strategies to accomplish their respective investment objectives.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

3. Summary of Significant Accounting Policies (Continued)

The Underlying Funds finance their operations by issuing redeemable units which are puttable at the holder's option, and entitle the holder to a proportional stake in the respective Fund's net assets.

The Funds may invest in ETFs, which are also considered to be unconsolidated structured entities, as decision making in the ETF is not governed by the voting right or other similar right held by the Fund.

The Funds do not consolidate their investments in Underlying Funds and ETFs but accounts for these investments at fair value, as the Manager has determined that the Funds are investment entities in accordance with IFRS 10 "Consolidated Financial Statements", since the Funds meet the following criteria:

(i) The Funds obtain funds from one or more investors for the purpose of providing those investors with investment management services.

(ii) The Funds commit to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both and

(iii) The Funds measure and evaluate the performance of substantially all of its investments on a fair value basis.

Therefore the fair value of the investments in the Underlying Funds and ETFs is included in the Schedule of Investments and included in non-derivative investments at fair value in the Fund's Statements of Financial Position. The change in fair value of the investment held in the Underlying Fund and ETFs is included in the net change in unrealized appreciation (depreciation) in value of investments in the Statements of Comprehensive Income.

(m) Increase (decrease) in net assets from operations per unit— This calculation is based on the increase (decrease) in net assets from operations attributable to each series divided by the weighted average number of units of that series outstanding during the period.

(n) Accounting judgements, estimates and assumptions— The preparation of financial statements in accordance with IFRS may require the Manager to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense reported during the periods. Actual results may differ from those estimates.

The key areas where judgement is applied is in the determination of the functional currency of the Funds, as discussed in Note 3(j), the determination of whether the Fund meets the definition of an investment entity and whether the Fund's investments are made in structured entities as discussed in Note 3(l). Assumptions and estimates are made in the determination of fair values of financial instruments not traded on an active market as discussed in Note 3(d).

4. Capital Risk Management

The capital of each Fund is comprised of its net assets attributable to holders of redeemable units. Each Fund's capital is managed in accordance with its respective investment objectives and policies, and there are no externally imposed restrictions in relation to each Fund's units. Changes in capital during the period are reflected in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units for each Fund. The Funds have no specific restrictions or capital requirements on the subscription and redemption of units, other than minimum subscription requirements. The Funds endeavor to manage capital by maintaining a strong capital base to support the investment activities of each of the Funds while maintaining sufficient liquidity to meet redemptions. Unitholders are entitled to distributions, which are then reinvested in additional units of the Fund or, at the option of the unitholder, paid in cash. Units of the Funds are redeemable at the option of the unitholders in accordance with the provisions in the Declarations of Trust.

Changes in issued units are summarized as follows:

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

4. Capital Risk Management (Continued)

Franklin Quotential Balanced Growth Portfolio

	Series A		Series F		Series FT	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	110,297,396	126,976,496	3,073,738	3,185,966	170,459	149,406
Subscriptions	5,543,319	8,865,886	1,353,659	1,892,247	21,613	110,587
Reinvestments	1,385,850	3,617,305	46,008	90,480	6,273	9,043
Redemptions	(41,141,906)	(29,162,291)	(1,611,532)	(2,094,955)	(35,926)	(98,577)
Outstanding units — ending	76,084,659	110,297,396	2,861,873	3,073,738	162,419	170,459

	Series I		Series O		Series OT	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	12,135,820	14,466,124	84,183,394	87,710,362	1,216,936	825,686
Subscriptions	276,944	554,346	1,579,956	4,011,865	56,316	414,823
Reinvestments	199,750	402,347	1,348,439	2,784,210	71,726	99,776
Redemptions	(1,760,528)	(3,286,997)	(13,787,620)	(10,323,043)	(438,004)	(123,349)
Outstanding units — ending	10,851,986	12,135,820	73,324,169	84,183,394	906,974	1,216,936

	Series PA		Series PF		Series PFT		Series PT	
	December 31, 2019	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2019	
Outstanding units — beginning	—	8,035,044	6,580,048	1,136,458	911,762	—	—	
Subscriptions	16,068,497	1,995,383	2,478,688	98,035	216,197	1,089,401	1,089,401	
Reinvestments	243,867	145,535	245,304	52,870	92,464	55,286	55,286	
Redemptions	(2,947,260)	(1,724,614)	(1,268,996)	(547,993)	(83,965)	(138,865)	(138,865)	
Outstanding units — ending	13,365,104	8,451,348	8,035,044	739,370	1,136,458	1,005,822	1,005,822	

	Series T	
	December 31, 2019	December 31, 2018
Outstanding units — beginning	11,029,459	12,861,343
Subscriptions	296,311	581,945
Reinvestments	376,178	771,327
Redemptions	(3,822,902)	(3,185,156)
Outstanding units — ending	7,879,046	11,029,459

Franklin Quotential Balanced Income Portfolio

	Series A		Series F		Series FT	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	52,623,475	60,918,190	1,936,952	1,994,213	102,433	116,779
Subscriptions	3,667,797	4,930,975	732,354	1,043,310	21,791	52,223
Reinvestments	774,136	1,775,902	27,039	47,516	4,169	5,692
Redemptions	(20,468,182)	(15,001,592)	(902,390)	(1,148,087)	(42,026)	(72,261)
Outstanding units — ending	36,597,226	52,623,475	1,793,955	1,936,952	86,367	102,433

	Series I		Series O		Series OT	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	6,719,908	8,098,001	42,620,708	45,557,898	172,659	105,059
Subscriptions	202,904	491,680	1,095,899	2,493,270	29,252	79,092
Reinvestments	119,590	229,817	763,280	1,450,731	8,343	8,217
Redemptions	(1,481,416)	(2,099,590)	(8,692,626)	(6,881,191)	(60,288)	(19,709)
Outstanding units — ending	5,560,986	6,719,908	35,787,261	42,620,708	149,966	172,659

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

4. Capital Risk Management (Continued)

	Series PA	Series PF		Series PFT		Series PT
	December 31, 2019	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019
Outstanding units — beginning	—	4,244,082	3,905,467	525,676	491,596	—
Subscriptions	6,875,783	775,656	1,034,301	41,055	82,671	585,009
Reinvestments	118,430	82,977	128,627	23,091	32,076	24,836
Redemptions	(1,430,653)	(805,261)	(824,313)	(197,644)	(80,667)	(137,439)
Outstanding units — ending	<u>5,563,560</u>	<u>4,297,454</u>	<u>4,244,082</u>	<u>392,178</u>	<u>525,676</u>	<u>472,406</u>
Series T						
	December 31, 2019	December 31, 2018				
Outstanding units — beginning	4,714,390	5,651,280				
Subscriptions	251,871	193,519				
Reinvestments	162,524	316,116				
Redemptions	(1,953,959)	(1,446,525)				
Outstanding units — ending	<u>3,174,826</u>	<u>4,714,390</u>				

Franklin Quotential Diversified Equity Portfolio

	Series A		Series F		Series I	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	10,620,289	11,582,129	510,339	458,313	1,211,431	1,351,968
Subscriptions	609,450	1,059,921	98,278	204,254	34,361	41,986
Reinvestments	24,981	204,581	1,221	9,576	3,596	23,058
Redemptions	(3,869,343)	(2,226,342)	(215,174)	(161,804)	(165,150)	(205,581)
Outstanding units — ending	<u>7,385,377</u>	<u>10,620,289</u>	<u>394,664</u>	<u>510,339</u>	<u>1,084,238</u>	<u>1,211,431</u>
Series O						
	December 31, 2019	December 31, 2018	Series OT		Series PA	
Outstanding units — beginning	6,400,842	6,378,648	12,052	11,747	—	
Subscriptions	385,791	733,304	—		88	
Reinvestments	19,323	124,806	239		447	
Redemptions	(1,071,644)	(835,916)	(325)		(230)	
Outstanding units — ending	<u>5,734,312</u>	<u>6,400,842</u>	<u>11,966</u>	<u>12,052</u>	<u>2,137,407</u>	
Series PF						
	December 31, 2019	December 31, 2018	Series PFT		Series PT	
Outstanding units — beginning	1,116,037	1,085,571	17,268	7,829	—	
Subscriptions	138,812	287,046	11,645		8,987	
Reinvestments	3,241	20,839	57		452	
Redemptions	(247,312)	(277,419)	(14,821)		—	
Outstanding units — ending	<u>1,010,778</u>	<u>1,116,037</u>	<u>14,149</u>	<u>17,268</u>	<u>9,343</u>	
Series PT-USD						
	December 31, 2019	December 31, 2019	December 31, 2018	December 31, 2019	Series T-USD	
Outstanding units — beginning	—	185,512	194,283	7,179	6,153	
Subscriptions	434	23,277	16,290	14	777	
Reinvestments	9	5,147	9,948	125	249	
Redemptions	—	(68,936)	(35,009)	(150)	—	
Outstanding units — ending	<u>443</u>	<u>145,000</u>	<u>185,512</u>	<u>7,168</u>	<u>7,179</u>	

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

4. Capital Risk Management (Continued)

Franklin Quotential Diversified Income Portfolio

	Series A		Series F		Series FT	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	33,316,339	40,357,013	2,065,953	2,125,012	975,966	1,037,447
Subscriptions	2,908,360	3,767,599	817,346	1,069,761	408,201	415,780
Reinvestments	963,552	953,028	67,225	54,140	63,019	56,692
Redemptions	(12,750,811)	(11,761,301)	(1,071,599)	(1,182,960)	(476,550)	(533,953)
Outstanding units — ending	24,437,440	33,316,339	1,878,925	2,065,953	970,636	975,966

	Series I		Series O		Series OT	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	13,786,921	18,117,625	41,915,854	49,010,666	623,729	491,282
Subscriptions	560,585	893,402	1,354,736	1,968,286	14,664	214,754
Reinvestments	461,810	397,049	1,335,992	1,237,582	42,926	38,050
Redemptions	(3,043,859)	(5,621,155)	(11,659,382)	(10,300,680)	(151,261)	(120,357)
Outstanding units — ending	11,765,457	13,786,921	32,947,200	41,915,854	530,058	623,729

	Series PA		Series PF		Series PFT		Series PT
	December 31, 2019	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2019
Outstanding units — beginning	—	5,029,783	4,689,958	1,225,125	1,128,451	—	—
Subscriptions	5,624,649	1,320,042	1,509,383	734,956	267,110	3,356,327	3,356,327
Reinvestments	175,687	177,562	121,338	105,249	62,420	236,512	236,512
Redemptions	(1,358,099)	(1,381,940)	(1,290,896)	(242,565)	(232,856)	(501,387)	(501,387)
Outstanding units — ending	4,442,237	5,145,447	5,029,783	1,822,765	1,225,125	3,091,452	3,091,452

	Series T	
	December 31, 2019	December 31, 2018
Outstanding units — beginning	61,400,676	72,783,988
Subscriptions	1,991,751	2,411,508
Reinvestments	3,106,728	4,284,229
Redemptions	(26,494,111)	(18,079,049)
Outstanding units — ending	40,005,044	61,400,676

Franklin Quotential Growth Portfolio

	Series A		Series F		Series I	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Outstanding units — beginning	23,643,423	26,203,549	521,102	446,358	2,903,755	3,270,475
Subscriptions	1,332,147	2,151,092	209,274	381,076	174,466	131,213
Reinvestments	476,477	739,471	10,016	13,834	72,328	91,110
Redemptions	(8,511,551)	(5,450,689)	(287,787)	(320,166)	(572,577)	(589,043)
Outstanding units — ending	16,940,496	23,643,423	452,605	521,102	2,577,972	2,903,755

	Series O		Series OT		Series PA
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019
Outstanding units — beginning	19,977,513	20,417,653	22,455	23,809	—
Subscriptions	789,405	1,453,003	59,493	—	3,387,215
Reinvestments	533,066	629,726	3,701	713	82,300
Redemptions	(2,342,701)	(2,522,869)	(3,881)	(2,067)	(461,624)
Outstanding units — ending	18,957,283	19,977,513	81,768	22,455	3,007,891

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

4. Capital Risk Management (Continued)

	Series PF		Series PFT		Series PT
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019
Outstanding units — beginning	1,559,369	1,269,613	45,875	40,250	—
Subscriptions	437,990	465,743	2,816	4,339	76,392
Reinvestments	46,129	44,886	950	3,655	3,944
Redemptions	(330,441)	(220,873)	(27,776)	(2,369)	(3,351)
Outstanding units — ending	<u>1,713,047</u>	<u>1,559,369</u>	<u>21,865</u>	<u>45,875</u>	<u>76,985</u>

	Series T	
	December 31, 2019	December 31, 2018
Outstanding units — beginning	212,697	186,690
Subscriptions	54,820	47,202
Reinvestments	14,915	16,811
Redemptions	(87,820)	(38,006)
Outstanding units — ending	<u>194,612</u>	<u>212,697</u>

5. Related Party Transactions

The Manager is the trustee, principal distributor, registrar and transfer agent of the Funds. The Manager and or its affiliates provides or arranges for the provision of all management and administrative services for day-to-day Fund operations, including marketing, promotion and distribution of the Funds, portfolio advisory services and the provision of key management personnel to the Funds. The Manager has engaged affiliates of the Manager as portfolio advisors or sub-advisors (the “Portfolio Advisor” or “Sub-Advisor”) for certain Funds to provide investment analysis and recommendations to the Manager and execute or arrange for brokers to execute portfolio transactions in respect of the Funds. A portion of the management fee payable by the Fund, as discussed in Note 5(a), is paid to a Portfolio Advisor or Sub-Advisor in respect of portfolio advisory and sub-advisory services, where applicable.

As a principal distributor of the Funds, the Manager markets the Funds and arranges for the sale of certain series of units of the Funds through dealers across Canada. The Manager may retain certain companies to assist in the sale of certain series of units of the Funds. The Manager’s affiliate, FTC Investor Services (“FTC ISI”) also acts as a principal distributor for Series F, PF, O, OT, FT and PFT units of the Funds, as applicable. For acting as 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 paid by the Manager with respect to those series of units.

In addition to management services, the Manager acts as registrar and transfer agent of the Funds. These services provided by the Manager are in the normal course of operations and are covered by an administration fee, as discussed in Note 5(b), paid by the Funds to the Manager.

Franklin Templeton Services, LLC (“FTS”) provides the Manager with fund accounting and portfolio valuation services in connection with the Funds, and provides certain back office administration services to the Manager. These services are in the normal course of operations and are covered by an administration fee, as discussed in Note 5(b), paid by the Fund to the Manager.

(a) Management and investment advisory fees (“management fees”)

The Funds pay an aggregate monthly fee for management and investment advisory services (“management fees”) to the Manager. A portion of the management fees, paid to the Manager, may be payable to a Sub-Advisor in respect of sub-advisory services, where applicable. Management fees payable at the period ends are shown in the Statements of Financial Position of each Fund. The monthly fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series, plus applicable taxes. The annual rates are set out below.

	Series A	Series F	Series FT	Series I	Series PA*	Series PF	Series PFT	Series T [†]
Franklin Quotential Balanced Growth Portfolio	1.90%	0.90%	0.90%	1.20%	1.70%	0.70%	0.70%	1.90%
Franklin Quotential Balanced Income Portfolio	1.75%	0.75%	0.75%	1.20%	1.65%	0.65%	0.65%	1.75%
Franklin Quotential Diversified Equity Portfolio	2.05%	1.05%	—	1.25%	1.80%	0.80%	0.80%	2.05%

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

5. Related Party Transactions (Continued)

	<u>Series A</u>	<u>Series F</u>	<u>Series FT</u>	<u>Series I</u>	<u>Series PA*</u>	<u>Series PF</u>	<u>Series PFT</u>	<u>Series T†</u>
Franklin Quotential Diversified Income Portfolio	1.65%	0.90%	0.90%	1.375%	1.40%	0.65%	0.65%	1.65%
Franklin Quotential Growth Portfolio	2.00%	1.00%	—	1.25%	1.75%	0.75%	0.75%	2.00%

* Where a Fund offers Series PT and/or Series PT-USD, the management fee is the same as that of Series PA.

† Where a Fund offers Series T-USD, the management fee is the same as that of Series T.

Series O and OT management fees for the Funds are negotiated with and paid by the individual unitholder directly to the Manager. Consequently, those Funds only offering Series O and OT units have not been included in the table above.

To avoid duplication of fees charged to Funds which invest in Underlying Funds managed by the Manager, the fees of those Funds that would otherwise be payable will be reduced to reflect the management fees paid indirectly through investments by the Funds in such Underlying Funds.

The Manager has agreed to waive a portion of the management fee on certain series of units (the “Management Fee Waiver”). The applicable Funds pay a management fee to the Manager, net of the Management Fee Waiver. This Management Fee Waiver is applied to the following Series at the specified rate:

	<u>Series F</u>	<u>Series FT</u>	<u>Series I</u>	<u>Series T-USD</u>
Franklin Quotential Diversified Equity Portfolio	—	—	0.02%	0.03%
Franklin Quotential Diversified Income Portfolio	0.11%	0.11%	0.06%	—
Franklin Quotential Growth Portfolio	—	—	0.07%	—

Fiduciary Trust Company of Canada (“FTCC”), a wholly owned subsidiary of the Manager, is the portfolio advisor (“Portfolio Advisor”) to the Funds. A portion of the management fee is payable to FTCC by the Manager in respect of portfolio advisory services.

(b) Fixed administration fee

The Manager pays the operating expenses of the Funds, other than certain Fund costs (“Fund Costs”), such as borrowing and interest costs, investor meeting costs (as permitted by Canadian securities regulation), the fees and expenses of the Independent Review Committee, directors’ fee and expenses, any costs and expenses associated with litigation for the benefit of the Funds or brought to pursue rights on behalf of the Funds and the cost of compliance with any new government and regulatory requirements, in exchange for a payment by the Funds of an annual fixed rate administration fee, plus applicable taxes, except for series O and OT. The operating expenses payable by the Manager include, but are not limited to, transfer agent fees, custodian fees, legal fees and audit fees. As such, the Funds did not directly pay these costs; hence line items for these amounts are not shown on the Statements of Comprehensive Income.

The Manager may, in some years and in certain cases, waive a portion of a series’ Administration Fee or absorb certain Fund Costs. The decision to waive the Administration Fee or absorb certain Fund Costs, or a portion thereof, is determined at the discretion of the Manager. In addition, the Manager pays all operating expenses of Series O, OT, hence a fixed administration fee is not borne by these Series.

The monthly fixed administration fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series, plus applicable taxes, except for Series O and OT. Fixed administration fees payable at the period ends are shown in the Statements of Financial Position of each Fund. The annual rates are set out below.

	<u>Series A, F, I, FT, T, T-USD</u>	<u>Series PA, PF, PFT, PT, PT-USD</u>
Franklin Quotential Balanced Growth Portfolio	0.24 %	0.15 %
Franklin Quotential Balanced Income Portfolio	0.20 %	0.15 %
Franklin Quotential Diversified Equity Portfolio	0.35 %	0.15 %
Franklin Quotential Diversified Income Portfolio	0.17 %	0.15 %
Franklin Quotential Growth Portfolio	0.25 %	0.15 %

(c) Manager Holdings and Funds Managed by the Manager

The Manager held the following number of units in the specified Funds as at December 31, 2019 and 2018.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

5. Related Party Transactions (Continued)

Franklin Quotential Balanced Growth Portfolio		
	December 31, 2019	December 31, 2018
Series PF	—	500
Series PFT	—	361

Franklin Quotential Diversified Equity Portfolio		
	December 31, 2019	December 31, 2018
Series OT	349	348
Series PF	—	500
Series PFT	346	345
Series PT-USD	443	—

Franklin Quotential Growth Portfolio		
	December 31, 2019	December 31, 2018
Series OT	439	427
Series PF	—	500
Series PFT	368	358
Series PT	350	—

Franklin Quotential Balanced Income Portfolio		
	December 31, 2019	December 31, 2018
Series PF	—	500
Series PFT	—	365

Franklin Quotential Diversified Income Portfolio		
	December 31, 2019	December 31, 2018
Series OT	366	351
Series PA	500	—
Series PF	500	500
Series PFT	372	357
Series PT	352	—

The Manager's holdings represent less than 1% of the net assets of each of the respective Funds as at December 31, 2019 and 2018.

(d) Other services

In addition to its management and portfolio advisory services, the Manager acts as trustee, registrar and transfer agent for each of the Funds. These services are provided by the Manager in the normal course of operations and are part of the services provided by the Manager in exchange for the Administration Fee paid by the Fund to the Manager as discussed in Note 5(b).

(e) Other Expenses

The principal amount in *other expenses* included Fund Costs as discussed in Note 5(b).

(f) Other Assets

The principal amounts in *other assets* are recoverable expenses from the Manager as discussed in Note 5(d).

(g) Other Liabilities

The principal amounts in *other liabilities* are amounts owed to the Manager relating to expenses paid for and incurred on behalf of the Fund as discussed in Note 5(b).

6. Sales Charges

The sales charge incurred by unitholders of Series A and PA (collectively "Series A"), Series I units and Series T, PT, T-USD and P T-USD (collectively "Series T") units is dependent on the purchase option selected at the time of purchase.

Under the front-load sales option, a negotiable fee of up to 6% of the purchase price is payable by the Series A and Series T investors to their dealers. Series I unitholders negotiate a fee of up to 2% with their dealers. Under the low-load option, the Series A and Series T investors will pay a redemption fee to the Manager if they redeem their units within three years of purchasing them. This redemption fee is based on a declining percentage of the original cost of the investor's units and how long the investor has held them, ranging from 3% to 0%. Up to 10% of an investor's investment in Series A and T units may be redeemed in each calendar year without a redemption charge. Under the deferred sales charge option, the Series A and Series T investors will pay a redemption fee to the Manager if they redeem their units within six years of purchasing them. This redemption fee is based on a declining percentage, ranging from 6% to 0%, of the original cost of the investor's units and how long the investor has held them. Up to 10% of an investor's investment in Series A and Series T units may be redeemed in each calendar year without a redemption charge.

No sales charges are paid in respect of the sale of Series F, FT, O, OT, PF and PFT units of a Fund.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

7. Interests in Other Entities

As discussed in 3(l), Underlying Funds, Unit Trusts and ETFs are unconsolidated structured entities and are measured at fair value through profit and loss.

The tables below show those Funds' interest in unconsolidated structured entities in dollar and percentage terms where the investment amount exceeds 10% of the total net asset value as at December 31, 2019 and 2018. Where a holding exceeds 10% in one year only, the comparative amount shown may be less than 10%.

	As at December 31, 2019			As at December 31, 2018		
	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF
	(000s)	(000s)	%	(000s)	(000s)	%
Franklin Quotential Balanced Growth Portfolio						
Franklin ActiveQuant Canadian Fund	\$ –	\$ –	–	\$ 344,244	\$ 82,420	23.94%
Franklin Bissett Canadian Government Bond Fund	1,150,543	258,812	22.49%	934,345	223,163	23.88%
Franklin Bissett Core Plus Bond Fund	1,986,900	255,364	12.85%	1,692,333	270,050	15.96%
Franklin Bissett Short Duration Bond Fund ^(b)	413,819	67,978	16.43%	570,189	100,887	17.69%
Franklin Canadian Core Equity Fund	314,636	85,202	27.08%	–	–	–
Franklin Emerging Markets Core Equity Fund	125,456	36,941	29.45%	–	–	–
Franklin International Core Equity Fund	436,708	85,280	19.53%	–	–	–
Franklin Japan Fund	–	–	–	223,263	45,649	20.45%
Franklin Templeton Canadian Large Cap Fund	129,381	58,421	45.15%	205,161	82,606	40.26%
Franklin U.S. Core Equity Fund	525,638	146,759	27.92%	–	–	–
Franklin U.S. Opportunities Fund	310,964	78,662	25.30%	214,813	73,383	34.16%
Franklin U.S. Rising Dividends Fund	998,444	91,378	9.15%	952,541	101,930	10.70%
Franklin FTSE Canada All Cap Index ETF	265,310	97,195	36.63%	–	–	–
Franklin FTSE Europe Ex U.K. Index ETF	122,160	45,536	37.28%	–	–	–
Franklin FTSE U.S. Index ETF	341,540	113,609	33.26%	–	–	–
Franklin Liberty Global Aggregate Bond ETF	610,300	128,332	21.03%	337,820	82,205	24.33%
Franklin LibertyQT U.S. Equity Index ETF	233,270	69,103	29.62%	275,490	104,517	37.94%
Franklin Quotential Balanced Income Portfolio						
Franklin Bissett Canadian Government Bond Fund	1,150,543	163,173	14.18%	934,345	149,827	16.04%
Franklin Bissett Core Plus Bond Fund	1,986,900	160,778	8.09%	1,692,333	181,362	10.72%
Franklin Bissett Short Duration Bond Fund ^(b)	413,819	42,802	10.34%	570,189	67,789	11.89%
Franklin Templeton Canadian Large Cap Fund	129,381	18,364	14.19%	205,161	27,359	13.34%
Franklin FTSE Canada All Cap Index ETF	265,310	30,212	11.39%	–	–	–
Franklin Liberty Global Aggregate Bond ETF	610,300	80,879	13.25%	337,820	55,013	16.28%
Franklin LibertyQT U.S. Equity Index ETF	233,270	18,519	7.94%	275,490	29,129	10.57%
Franklin Quotential Diversified Equity Portfolio						
Franklin Global Growth Fund	145,041	12,821	8.84%	101,250	11,926	11.78%
Franklin FTSE Europe Ex U.K. Index ETF	122,160	13,092	10.72%	–	–	–
Franklin Quotential Diversified Income Portfolio						
Franklin Bissett Canadian Dividend Fund	–	–	–	480,014	50,071	10.43%
Franklin Bissett Canadian Government Bond Fund	1,150,543	256,775	22.32%	934,345	195,707	20.95%
Franklin Bissett Core Plus Bond Fund	1,986,900	216,050	10.87%	1,692,333	202,994	11.99%
Franklin Bissett Short Duration Bond Fund ^(b)	413,819	62,443	15.09%	570,189	109,246	19.16%
Franklin Emerging Markets Core Equity Fund	125,456	17,493	13.94%	–	–	–
Franklin Global Listed Infrastructure Fund	–	–	–	106,214	15,735	14.81%
Franklin Strategic Income Fund	83,413	34,862	41.79%	96,774	42,607	44.03%
Franklin Liberty Global Aggregate Bond ETF	610,300	87,925	14.41%	337,820	67,862	20.09%
Franklin Quotential Growth Portfolio						
Franklin Templeton Canadian Large Cap Fund	129,381	16,789	12.98%	205,161	25,291	12.33%

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

7. Interests in Other Entities (Continued)

	As at December 31, 2019			As at December 31, 2018		
	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF	Fair Value of Underlying Fund / ETF	Investments in Underlying Fund / ETF at Fair Value ^(a)	% Held of Underlying Fund / ETF
	(000s)	(000s)	%	(000s)	(000s)	%
Franklin FTSE Canada All Cap Index ETF	265,310	27,762	10.46%	–	–	–
Franklin FTSE Europe Ex U.K. Index ETF	122,160	14,054	11.50%	–	–	–
Franklin FTSE U.S. Index ETF	341,540	34,555	10.12%	–	–	–
Franklin LibertyQT U.S. Equity Index ETF	233,270	21,205	9.09%	275,490	32,808	11.91%

^(a)Represents fair value of financial assets included in investments at fair value through profit and loss in the Statements of Financial Position.

^(b)Effective June 10, 2019, Franklin Bissett Canadian Short Term Bond Fund was renamed Franklin Bissett Short Duration Bond Fund.

8. Financial Risk Management

Risks arising from holding financial instruments are inherent in the Funds' activities and are managed through a process of ongoing measurement and monitoring. These financial risks may include, among others, market risk (including currency risk, interest rate risk and other price risk), liquidity risk, credit risk and concentration risk. All investments result in a risk of loss of capital. These risks are moderated through careful selection of securities and other financial instruments within the Funds' investment guidelines by the respective portfolio advisors. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Funds from reasonably possible changes in the relevant risk variables.

As noted in Note 1, the Funds invest primarily in Underlying Funds managed by the Manager or an affiliate of the Manager. Each Fund is indirectly exposed to each financial risk of the respective Underlying Fund proportionately to its investments in such Underlying Fund. Each Fund's interest in an Underlying Fund is disclosed in Note 7.

(a) Currency risk

Certain Funds hold assets and liabilities denominated in currencies other than their functional currency, and are therefore exposed to currency risk as the values of such assets and liabilities will fluctuate due to changes in exchange rates.

The portfolio advisors monitor the Funds' currency risk position, and may enter into forward exchange contracts to manage foreign exchange exposure as described in Note 3(e) and disclosed in the respective Fund's Schedule of Investment Portfolio, as applicable.

The tables below summarize the Funds' exposure to currency risk, where applicable. Amounts shown are based on the carrying value of monetary and non-monetary assets, less liabilities. For those Funds where individual currencies held are less than 5% of net assets, that currency has been included in "currencies less than 5% of net assets". The tables also illustrate, for each respective Fund, the expected decrease or increase in net assets had the functional currency strengthened or weakened by 5% in relation to all foreign currencies, with all other variables held constant. Actual results may differ from this sensitivity analysis and the difference could be material.

Franklin Quotential Balanced Growth Portfolio

	December 31, 2019		December 31, 2018	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)	(000s)	(000s)	(000s)
USD	\$74,980	3.84%	\$217,266	10.68%
Currencies less than 5% of net assets	—	—%	33,096	1.63%
	<u>\$74,980</u>	<u>3.84%</u>	<u>\$250,362</u>	<u>12.31%</u>
Impact on net assets from 5% currency movement	\$ 3,749	0.19%	\$ 12,518	0.62%

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Balanced Income Portfolio

	December 31, 2019		December 31, 2018	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
Currencies less than 5% of net assets	\$8,196	1.00%	\$49,776	5.57%
	<u>\$8,196</u>	<u>1.00%</u>	<u>\$49,776</u>	<u>5.57%</u>
Impact on net assets from 5% currency movement	\$ 410	0.05%	\$ 2,489	0.28%

Franklin Quotential Diversified Equity Portfolio

	December 31, 2019		December 31, 2018	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
USD	\$33,509	13.34%	\$56,470	23.78%
Currencies less than 5% of net assets	—	—%	7,935	3.34%
	<u>\$33,509</u>	<u>13.34%</u>	<u>\$64,405</u>	<u>27.12%</u>
Impact on net assets from 5% currency movement	\$ 1,675	0.67%	\$ 3,220	1.36%

Franklin Quotential Diversified Income Portfolio

	December 31, 2019		December 31, 2018	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
Currencies less than 5% of net assets	\$(33,608)	(3.73)%	\$(5,167)	(0.51)%
	<u>\$(33,608)</u>	<u>(3.73)%</u>	<u>\$(5,167)</u>	<u>(0.51)%</u>
Impact on net assets from 5% currency movement	\$ (1,680)	(0.19)%	\$ (258)	(0.03)%

Franklin Quotential Growth Portfolio

	December 31, 2019		December 31, 2018	
	Amount	As % of net assets	Amount	As % of net assets
	(000s)		(000s)	
USD	\$30,900	6.96%	\$67,180	15.76%
Currencies less than 5% of net assets	—	—%	9,728	2.28%
	<u>\$30,900</u>	<u>6.96%</u>	<u>\$76,908</u>	<u>18.04%</u>
Impact on net assets from 5% currency movement	\$ 1,545	0.35%	\$ 3,845	0.90%

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments. The portfolio advisors monitor overall interest rate sensitivity on a periodic basis.

The Funds are not directly exposed to interest rate risk as no significant interest bearing securities (excluding overnight term deposits) were held by the Funds as at December 31, 2019 and 2018.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). Those changes may be caused by factors specific to the individual financial instrument or its issuer, or factors affecting a market or market segment. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other price risk.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

8. Financial Risk Management (Continued)

The table below illustrates the expected increase or decrease in net assets if the value of the Funds' investments had increased or decreased by 5%, with all other variables held constant. Actual results may differ from this sensitivity analysis and the difference could be material.

	December 31, 2019		December 31, 2018	
	Sensitivity on Net Assets (000s)	% Impact on Net Assets (%)	Sensitivity on Net Assets (000s)	% Impact on Net Assets (%)
Franklin Quotential Balanced Growth Portfolio	\$96,413	4.94%	\$98,781	4.86%
Franklin Quotential Balanced Income Portfolio	40,400	4.92%	43,272	4.84%
Franklin Quotential Diversified Equity Portfolio	12,441	4.95%	11,676	4.92%
Franklin Quotential Diversified Income Portfolio	43,953	4.88%	48,748	4.78%
Franklin Quotential Growth Portfolio	21,956	4.95%	20,815	4.88%

(d) Liquidity risk

Liquidity risk is the risk that a Fund, an Underlying Fund, an ETF or an FTIF Sub-Fund, will not be able to meet its liabilities as they fall due. As the Funds are exposed to daily cash redemption of units, the assets of the Funds are invested mainly in securities which are traded in active markets and can be readily disposed of. In addition, sufficient cash and cash equivalents are maintained to meet normal operating requirements. Each Fund and each Underlying Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. The Funds and the Underlying Funds have a non-committed redemption line of credit agreement with a Schedule 1 bank in Canada from which these amounts can be borrowed, if necessary. The loans are issued at prime rate and are payable on demand. There were no loans issued or outstanding as at December 31, 2019 and 2018.

The Funds' financial liabilities which include redemptions payable, distributions payable, accrued liabilities and derivative liabilities due within 3 months or less. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

In accordance with the Funds' investment objective, the Manager monitors the Funds' liquidity position on an ongoing basis.

(e) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund or the FTIF Sub-Fund or Underlying Fund in which it invests. The fair value of a financial instrument takes into account the credit rating of its issuer, and accordingly, represents the maximum credit a Fund is exposed to. Credit risk is generally lower if the issuer has a high credit rating from an independent credit rating agency, while the risk is generally higher if the issuer has a low credit rating or no credit rating.

The Manager monitors counterparty credit risk in order to determine the best estimate of an expected credit loss in the event of a default by a counterparty. Factors considered include, the credit ratings of the counterparty, historical and future looking information and overall exposure to a counterparty. As at December 31, 2019 and 2018, all cash and trading transactions are carried out by banks rated A or higher by Standard & Poor's. No loss allowance has been recognized based on the Manager's ongoing counterparty credit risk management process.

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Below is a summary of each Fund's concentration risk which is derived from each Underlying Fund in which the Funds invest a substantial portion of their respective assets.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Balanced Growth Portfolio

Region Mix	December 31, 2019 (%)	December 31, 2018 (%)	Asset Class Weightings	December 31, 2019 (%)	December 31, 2018 (%)
North America	86.13	80.15	Equity (Exchange Traded Funds and exposure from Underlying Funds)	57.76	59.54
Asia	4.94	8.04	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	39.23	35.08
Europe	3.89	4.78	Other assets (of Underlying Funds)	1.81	2.52
Latin America & Caribbean	1.13	1.18	Short-term securities and all other assets, net	1.20	2.86
Australia & New Zealand	0.56	0.22			
Middle East & Africa	0.33	0.25			
Supranational	0.01	—			

Franklin Quotential Balanced Income Portfolio

Region Mix	December 31, 2019 (%)	December 31, 2018 (%)	Asset Class Weightings	December 31, 2019 (%)	December 31, 2018 (%)
North America	86.88	82.16	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	56.59	53.52
Asia	4.30	6.22	Equity (Exchange Traded Funds and exposure from Underlying Funds)	39.74	40.47
Europe	2.92	3.39	Other assets (of Underlying Funds)	2.10	2.83
Latin America & Caribbean	1.38	1.67	Short-term securities and all other assets, net	1.57	3.18
Australia & New Zealand	0.57	0.34			
Middle East & Africa	0.27	0.21			
Supranational	0.01	—			

Franklin Quotential Diversified Equity Portfolio

Region Mix	December 31, 2019 (%)	December 31, 2018 (%)	Asset Class Weightings	December 31, 2019 (%)	December 31, 2018 (%)
North America	78.50	67.27	Equity (Exchange Traded Funds and exposure from Underlying Funds)	97.32	95.85
Europe	8.41	13.67	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	0.45	0.04
Asia	8.36	13.84	Other assets (of Underlying Funds)	1.27	2.43
Australia & New Zealand	0.98	0.29	Short-term securities and all other assets, net	0.96	1.68
Latin America & Caribbean	0.95	0.38			
Middle East & Africa	0.57	0.44			

Franklin Quotential Diversified Income Portfolio

Region Mix	December 31, 2019 (%)	December 31, 2018 (%)	Asset Class Weightings	December 31, 2019 (%)	December 31, 2018 (%)
North America	83.77	81.16	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	75.22	68.03
Asia	4.85	4.99	Equity (Exchange Traded Funds and exposure from Underlying Funds)	20.12	24.20
Europe	3.79	3.02	Other assets (of Underlying Funds)	2.28	3.46
Latin America & Caribbean	1.66	2.24	Short-term securities and all other assets, net	2.38	4.31
Australia & New Zealand	0.80	0.50			
Middle East & Africa	0.44	0.31			
Supranational	0.03	0.01			

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Growth Portfolio

Region Mix	December 31, 2019 (%)	December 31, 2018 (%)	Asset Class Weightings	December 31, 2019 (%)	December 31, 2018 (%)
North America	84.86	77.87	Equity (Exchange Traded Funds and exposure from Underlying Funds)	77.43	78.95
Asia	5.71	10.09	Fixed Income (Exchange Traded Funds and exposure from Underlying Funds)	19.94	16.41
Europe	4.96	6.35	Other assets (of Underlying Funds)	1.54	2.32
Latin America & Caribbean	0.89	0.67	Short-term securities and all other assets, net	1.09	2.32
Australia & New Zealand	0.56	0.10			
Middle East & Africa	0.39	0.28			

(g) Fair value estimation

The Funds classify fair value measurements of investments held using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3—inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The determination of what constitutes “observable” requires significant judgement by the Manager. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. These may include private equity and corporate debt securities. As observable prices are not available for these securities, the Manager has used valuation techniques to derive the fair value.

The Funds’ investments are generally classified as follows:

- Investments in mutual funds/unit trusts and exchange traded funds — The Funds’ positions in the mutual funds / unit trusts and exchange traded funds are typically in positions that are actively traded and a reliable price is observable and as such is classified as Level 1. Where the determination of fair value requires significant unobservable data the measurement is classified as Level 3.
- Other derivative assets and liabilities — Derivative assets and liabilities consist of foreign currency forward contracts, interest rate swaps and credit default swaps which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

The carrying values of cash, capital units sold receivable, dividends and interest receivable, payable for investments sold or purchased, capital units redeemed payable, distributions payable, accrued liabilities and the Fund’s obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature.

The following tables show the classification of the Funds’ financial assets and liabilities measured at fair value as at December 31, 2019 and 2018.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Balanced Growth Portfolio

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Mutual Funds/Unit Trusts/ETFs	\$ 1,928,257	\$ —	\$ —	\$ 1,928,257	\$ 1,975,625	\$ —	\$ —	\$ 1,975,625
Short-term securities	—	16,300	—	16,300	—	58,500	—	58,500
Total Investments	\$ 1,928,257	\$ 16,300	\$ —	\$ 1,944,557	\$ 1,975,625	\$ 58,500	\$ —	\$ 2,034,125
Derivative assets	\$ —	\$ 989	\$ —	\$ 989	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	—	—	—	—	—	(5,371)	—	(5,371)

Franklin Quotential Balanced Income Portfolio

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Mutual Funds/Unit Trusts/ETFs	\$ 807,996	\$ —	\$ —	\$ 807,996	\$ 865,431	\$ —	\$ —	\$ 865,431
Short-term securities	—	9,200	—	9,200	—	29,000	—	29,000
Total Investments	\$ 807,996	\$ 9,200	\$ —	\$ 817,196	\$ 865,431	\$ 29,000	\$ —	\$ 894,431
Derivative assets	\$ —	\$ 588	\$ —	\$ 588	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	—	(15)	—	(15)	—	(2,438)	—	(2,438)

Franklin Quotential Diversified Equity Portfolio

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Mutual Funds/Unit Trusts/ETFs	\$ 248,814	\$ —	\$ —	\$ 248,814	\$ 233,511	\$ —	\$ —	\$ 233,511
Short-term securities	—	2,300	—	2,300	—	4,000	—	4,000
Total Investments	\$ 248,814	\$ 2,300	\$ —	\$ 251,114	\$ 233,511	\$ 4,000	\$ —	\$ 237,511

Franklin Quotential Diversified Income Portfolio

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Mutual Funds/Unit Trusts/ETFs	\$ 879,068	\$ —	\$ —	\$ 879,068	\$ 974,950	\$ —	\$ —	\$ 974,950
Short-term securities	—	17,000	—	17,000	—	44,900	—	44,900
Total Investments	\$ 879,068	\$ 17,000	\$ —	\$ 896,068	\$ 974,950	\$ 44,900	\$ —	\$ 1,019,850
Derivative assets	\$ —	\$ 899	\$ —	\$ 899	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	—	(38)	—	(38)	—	(4,779)	—	(4,779)

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

8. Financial Risk Management (Continued)

Franklin Quotential Growth Portfolio

	December 31, 2019				December 31, 2018			
	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Mutual Funds/Unit								
Trusts/ETFs	\$ 439,111	\$ —	\$ —	\$ 439,111	\$ 416,293	\$ —	\$ —	\$ 416,293
Short-term securities	—	3,700	—	3,700	—	10,100	—	10,100
Total Investments	<u>\$ 439,111</u>	<u>\$ 3,700</u>	<u>\$ —</u>	<u>\$ 442,811</u>	<u>\$ 416,293</u>	<u>\$ 10,100</u>	<u>\$ —</u>	<u>\$ 426,393</u>
Derivative assets	\$ —	\$ 107	\$ —	\$ 107	\$ —	\$ —	\$ —	\$ —
Derivative liabilities	—	—	—	—	—	(966)	—	(966)

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of the instruments fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Funds' policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

In accordance with the Funds' valuation policy, the Funds may apply fair value adjustment factors when quoted market prices are deemed to have been affected by significant market events which exceed pre-determined thresholds. In such cases, investments are classified as Level 2 and subsequently reclassified as Level 1, when the fair value adjustment factors were no longer required.

As at December 31, 2019 and 2018, there were no significant market events to cause the pre-determined tolerances to be breached; hence there were no transfers between Level 1 and Level 2.

9. Broker Commissions

Commissions paid to brokers for portfolio transactions during the periods ended December 31, 2019 and 2018 are shown below.

A portion of commissions paid may include payment for goods and services that are used to assist with investment or trading decisions such as investment research, analysis and reports ("research services"). Where ascertainable, the value of the research services included in the commissions paid is listed in the table below.

	December 31, 2019		December 31, 2018	
	Commissions (000s)	Research Costs (000s)	Commissions (000s)	Research Costs (000s)
Franklin Quotential Balanced Growth Portfolio.....	\$338	\$134	\$447	\$226
Franklin Quotential Balanced Income Portfolio	102	35	145	74
Franklin Quotential Diversified Equity Portfolio.....	71	30	71	36
Franklin Quotential Diversified Income Portfolio	54	19	96	53
Franklin Quotential Growth Portfolio	91	33	120	62

10. Taxes

As at December 31, 2019, Funds had no unused capital losses or non-capital losses for income tax purposes.

11. Net Asset Value

(a) Trading net asset value

As discussed in Note 3(a), the Trading NAV per unit may differ from the IFRS NAV per unit as shown in the Statements of Financial Position. As at December 31, 2019 and 2018 the Fund's Trading NAV per unit did not differ from the IFRS NAV per unit.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

11. Net Asset Value (Continued)

(b) Series T-USD

Series T-USD units are only offered in USD. Below is the CAD equivalent of the Series T-USD net assets per unit for the Funds, where applicable, as at December 31, 2019 and 2018.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Franklin Quotential Diversified Equity Portfolio.....	\$10.17	\$9.30

(c) Series PT-USD

Series PT-USD units are only offered in USD. Below is the CAD equivalent of the Series PT-USD net assets per unit for the Funds, where applicable, as at December 31, 2019 and 2018.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Franklin Quotential Diversified Equity Portfolio.....	\$20.94	\$0.00

12. Other Information

(a) Offsetting of derivative financial instruments

As discussed in Note 3(e), the Funds held derivatives that are subject to enforceable master netting arrangements, in the form of ISDA agreements, with certain counterparties.

Absent an agreement, or an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statements of Financial Position.

The following tables present the gross derivatives assets and liabilities, not offset as at December 31, 2019 and 2018. The 'Net Amount' represents the impact to the Fund if all set-off rights were exercised.

Franklin Quotential Balanced Growth Portfolio

December 31, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$989	\$—	\$708	\$281	\$—	\$—	\$—	\$—
Total	<u>\$989</u>	<u>\$—</u>	<u>\$708</u>	<u>\$281</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

December 31, 2018

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(5,371)	\$—	\$(5,234)	\$(137)
Total	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$(5,371)</u>	<u>\$—</u>	<u>\$(5,234)</u>	<u>\$(137)</u>

Franklin Quotential Balanced Income Portfolio

December 31, 2019

<u>Counterparty</u>	<u>Amounts available for offset</u>				<u>Amounts available for offset</u>			
	<u>Gross Assets</u>	<u>Financial Instruments</u>	<u>Collateral Held in Trust^(a)</u>	<u>Net Amount</u>	<u>Gross Liabilities</u>	<u>Financial Instruments</u>	<u>Collateral Pledged^(a)</u>	<u>Net Amount</u>
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$588	\$15	\$459	\$114	\$(15)	\$(15)	\$—	\$—
Total	<u>\$588</u>	<u>\$15</u>	<u>\$459</u>	<u>\$114</u>	<u>\$(15)</u>	<u>\$(15)</u>	<u>\$—</u>	<u>\$—</u>

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

12. Other Information (Continued)

December 31, 2018

Counterparty	Amounts available for offset				Amounts available for offset			
	Gross Assets	Financial Instruments	Collateral Held in Trust ^(a)	Net Amount	Gross Liabilities	Financial Instruments	Collateral Pledged ^(a)	Net Amount
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(2,438)	\$—	\$(2,302)	\$(136)
Total	\$—	\$—	\$—	\$—	\$(2,438)	\$—	\$(2,302)	\$(136)

Franklin Quotential Diversified Income Portfolio

December 31, 2019

Counterparty	Amounts available for offset				Amounts available for offset			
	Gross Assets	Financial Instruments	Collateral Held in Trust ^(a)	Net Amount	Gross Liabilities	Financial Instruments	Collateral Pledged ^(a)	Net Amount
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$899	\$38	\$618	\$243	\$(38)	\$(38)	\$—	\$—
Total	\$899	\$38	\$618	\$243	\$(38)	\$(38)	\$—	\$—

December 31, 2018

Counterparty	Amounts available for offset				Amounts available for offset			
	Gross Assets	Financial Instruments	Collateral Held in Trust ^(a)	Net Amount	Gross Liabilities	Financial Instruments	Collateral Pledged ^(a)	Net Amount
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(4,779)	\$—	\$(4,662)	\$(117)
Total	\$—	\$—	\$—	\$—	\$(4,779)	\$—	\$(4,662)	\$(117)

Franklin Quotential Growth Portfolio

December 31, 2019

Counterparty	Amounts available for offset				Amounts available for offset			
	Gross Assets	Financial Instruments	Collateral Held in Trust ^(a)	Net Amount	Gross Liabilities	Financial Instruments	Collateral Pledged ^(a)	Net Amount
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$107	\$—	\$—	\$107	\$—	\$—	\$—	\$—
Total	\$107	\$—	\$—	\$107	\$—	\$—	\$—	\$—

December 31, 2018

Counterparty	Amounts available for offset				Amounts available for offset			
	Gross Assets	Financial Instruments	Collateral Held in Trust ^(a)	Net Amount	Gross Liabilities	Financial Instruments	Collateral Pledged ^(a)	Net Amount
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Bank of America, N.A.	\$—	\$—	\$—	\$—	\$(966)	\$—	\$(888)	\$(78)
Total	\$—	\$—	\$—	\$—	\$(966)	\$—	\$(888)	\$(78)

^(a) In some instances, the collateral amount disclosed in the tables above may be adjusted due to the requirement to limit the collateral amounts to avoid the effect of over collateralization. Actual collateral held in trust and/or pledged may be more than the amounts disclosed therein. Collateral held in trust represents amounts held by a counterparty or custodian on behalf of the Fund and accordingly is not presented in the Statements of Financial Position. Cash pledged as collateral represents amounts held by the Fund's custodian/counterparty on behalf of the counterparty and can be in the form of cash and or securities. Cash pledged as collateral is included in margin and collateral in the Statements of Financial Position, while securities pledged as collateral is identified on the respective Fund's Schedule of Investments.

Franklin Quotential Portfolios

NOTES TO FINANCIAL STATEMENTS For the periods ended December 31, 2019 and 2018 (Continued)

12. Other Information (Continued)

(b) Fund Mergers

The Manager has adopted the acquisition method of accounting for any mergers of its Funds. Under this method, a Fund in each merger is identified as the acquiring Fund and is known as the "Continuing Fund", and any other Fund involved in the merger is known as the "Terminating Fund".

As of the close of business on November 15, 2019, following regulatory and unitholder approval, Franklin Quotential Fixed Income Portfolio ("Terminated Fund") was merged with Franklin Bissett Core Plus Bond Fund ("Continuing Fund"). As a result, the unitholders of the Terminated Fund exchanged each outstanding unit for units of an equivalent series of the Continuing Fund. The Terminated Fund was wound up subsequent to the unitholder exchange. Comparative information disclosed throughout the financial statements is that of the Continuing Fund only. The financial statements of the Continuing Fund does not include the operating results of the Terminated Fund prior to the date of the merger.

The following table provides details of the assets of the Terminated Fund acquired by the Continuing Fund and the number of units of the Continuing Fund issued in exchange for the assets in the Terminated Fund:

<u>Terminated Fund</u>	<u>Series</u>	<u>Continuing Fund</u>	<u>Series</u>	<u>Net Assets acquired by Continuing Fund from Terminated Fund (000s)</u>	<u>Units of Terminating Fund Redeemed</u>	<u>Units of Continuing Fund Issued</u>
Franklin Quotential Fixed Income Portfolio.....	A	Franklin Bissett Core Plus Bond Fund	A	\$1,210	127,724	101,875
	F		F	305	31,660	22,551
	O		O	493	49,791	31,379
	PA		A	306	30,574	25,730
	PF		F	1,187	122,700	87,769

13. Financial Statement Presentation

The amounts shown on the Statements of Financial Position, the Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows are rounded to the nearest thousand. As a result, balances reported may include amounts rounded to zero and as a result, certain line items on the respective statements may not be shown. Per unit amounts and number of units outstanding shown are actual amounts.

14. Currency Legend

Below is a list of currency abbreviations that may be used throughout the financial statements.

CAD	Canadian Dollar
USD	United States Dollar

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements, for the periods indicated in Note 1, have been prepared by Franklin Templeton Investments Corp., the manager and trustee (the "Manager") of the Franklin Templeton Investments family of funds (collectively the "Funds").

The Manager is responsible for the information and representations contained in these financial statements and the other sections of the Annual Report. The Manager also maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements are prepared in compliance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which the Manager believes are appropriate for the Funds are described in Note 3 to the financial statements. Financial information published with the Annual Report is consistent with that in the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Funds, appointed by the Unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

D. GREEN
Chief Executive Officer,
Franklin Templeton Investments Corp.

D. BUCHANAN
Fund Treasurer,
Franklin Templeton Investments Corp.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of

Franklin Quotential Balanced Growth Portfolio
Franklin Quotential Balanced Income Portfolio
Franklin Quotential Diversified Equity Portfolio

Franklin Quotential Diversified Income Portfolio
Franklin Quotential Growth Portfolio

(individually, a Fund)

Our opinion

In our opinion, the accompanying financial statements of each Fund present fairly, in all material respects, the financial position of each Fund as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information of each of the Funds. The other information comprises the Annual Management Report of Fund Performance of each of the Funds.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each of the Funds, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each of the Funds or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 23, 2020

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Franklin Templeton Funds' prospectus before investing. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the money market funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the fund(s) will be returned to you. Mutual funds are not guaranteed, unit/share values change frequently and past performance may not be repeated. Fiduciary Trust Company of Canada is a wholly owned subsidiary of Franklin Templeton Investments Corp. Franklin Bissett Investment Management is a part of Franklin Templeton Investments Corp.



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Franklin Templeton Canada is a business name used by Franklin Templeton Investments Corp.