FRANKLIN TEMPLETON

Franklin Growth ETF Portfolio

Series A
Series F
March 31, 2021

Fund Commentary

Performance Review

- The US Federal Reserve and the Bank of Canada kept interest rates unchanged throughout the first quarter of 2021 and committed to maintaining asset purchases. Dovish monetary policy, combined with ongoing fiscal stimulus and more visibility into the economic recovery, served to push rates higher. Sovereign yield curves in both countries steepened sharply as investors became concerned about rising inflation expectations and central bank buying held down shorter-term rates.
- The cyclical nature of the economic recovery helped energy, financial services, and industrials stocks to lead gains in the United States (US), while growth equities and bond proxies such as utilities suffered. Canadian stocks also made robust gains, outperforming the US and other developed market equities. Optimism over a global economic recovery benefitted Canada's cyclically oriented market, as the energy sector gained more than 20%, in line with the rising price of crude oil. Banks also performed well as longer-term interest rates rose and credit growth remained strong.
- For the quarter, the fund's Series F shares returned 2.33%, and its benchmark, the Custom Franklin Growth ETF Portfolio Benchmark, returned 2.30%.

QUARTERLY KEY PERFORMANCE DRIVERS

HELPED	Cross-asset allocation contributed to relative performance, benefitting from an overweight to equities and a corresponding underweight to fixed income during a "risk-on" period for financial markets.
	Fund selection in Canadian fixed income contributed to relative returns, helped by an underweight to duration in a rising-rate environment. A large allocation to investment-grade corporate bonds contributed, particularly short-duration issues, as they outperformed Federal bonds.
	An underweight allocation to stocks in Europe (ex. UK) detracted from relative results, as the market underperformed global markets due to a slow vaccine rollout and high COVID-19 infections during the first quarter.
HURT	The US equity constituent focused on capturing returns from growth stocks detracted from relative results during the quarter. The rotation into cyclical stocks intensified during the quarter, hurting growth stocks, particularly US technology names.
	A large core position in a global bond fund detracted from relative results, affected by rising yields and steepening yield curves in several major economies, particularly the United States.
	An overweight allocation to Japanese stocks detracted from relative results, as the market underperformed global markets due to a resurgence in COVID-19 infections during the first quarter.

Outlook & Strategy

- We will retain a "risk-on" posture into the second quarter, due to market expectations for sustained global growth amidst the receding threat of COVID-19. A cyclical rebound is now well established, and we expect fiscal stimulus to continue to support economic activity, outweighing any near-term concerns around the rate of recovery.
- As a result, we remain bullish on equities in comparison to bonds, despite somewhat elevated valuations, as corporate earnings improve. The extraordinary stimulus measures employed in the US lead us to remain optimistic on US stocks while we prefer the cyclical Japanese market to Europe, given political constraints on further fiscal stimulus in the region. We remain neutral on EM equities, given the Chinese government's intention to rebalance its economy at the expense of growth, which may include the withdrawal of fiscal stimulus.
- Despite a recent increase in inflation expectations, we believe any inflationary pressures will be transitory as surging post-pandemic demand drives prices higher. We expect monetary policy from major central banks to remain supportive as these near-term pressures wear off during the process of economic normalisation. Benchmark US Treasury yields may drift higher before also stabilising, in our opinion, without any significant effect on equity markets. Canadian bond yields broadly follow those of the United States but may be a bit more subdued for a while since they have already risen sharply despite brighter growth prospects in the United States. We believe this is unwarranted, given a faster vaccine rollout in the US, and higher debt levels domestically.
- Within fixed income, we maintain a preference for corporate bonds given improved risk appetite, while the lower duration risk inherent becomes more attractive as rates rise. With respect to alternative assets, we are constructive on commodities as global growth expands and we view US TIPS as a hedge against the potential for rising inflation.

Fund Details

Inception Date	02/20/2019
Benchmark Name	Custom Franklin Growth ETF Portfolio Benchmark, Equity Component of Custom Benchmark, Fixed Income Component of Custom Benchmark

Fund Description

Provide long-term capital appreciation with additional stability derived from investing in income by investing in a diversified mix of exchange traded funds (ETFs) that invest in Canadian, U.S. and international fixed income and equity securities.

Performance Data

Performance (%) as of 03/31/2021

	1 Mth	3 Mths	YTD	1 Yr	Since Inception	Inception Date
Series A	1.11	2.06	2.06	27.48	8.85	02/20/2019
Series F	1.20	2.33	2.33	28.82	10.00	02/20/2019
Custom Franklin Growth ETF Portfolio Benchmark	1.57	2.30	2.30	28.43	11.40	-

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

Investment Team

Michael Greenberg, CFA
Years with Firm 15
Years Experience 18

Ian M. Riach, CFA
Years with Firm 21
Years Experience 35

Important Legal Information

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

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

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