Simplified Prospectus

March 13, 2020

<u>Alternative Mutual Fund</u>

Franklin K2 Alternatives Fund (Series A, F and O securities)

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

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

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Introduction

In this document, *we, us, Manager* and *Franklin Templeton Investments* each refers to Franklin Templeton Investments Corp, the manager of the Franklin K2 Alternatives Fund (which we refer to as the "**Fund**"), and *you* refers to anyone who invests or is interested in investing in the Fund.

This Simplified Prospectus contains selected important information to help you make an informed decision about investing in the Fund and to help you understand your rights as a mutual fund investor.

Look for these boxes To make this document and the Fund even easier to understand, we have included educational material about the Fund. When you see a box like this one, look for supplementary details about the information in the main text.

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

- the annual information form ("**AIF**");
- the most recently filed Fund Facts;
- the most recently filed annual financial statements;
- any interim financial statements filed after the annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

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

You can request a free copy of any or all of these documents:

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

These documents and other information about the Fund are also available on our website at www.franklintempleton.ca or at www.sedar.com.

The Simplified Prospectus and the AIF The Simplified Prospectus provides you with information you will need to make an informed investment decision. The AIF provides additional information for investors, such as details about the Manager of the Fund, the operations of the Fund, and the directors, officers and trustee of the Fund. Like our Simplified Prospectus, the AIF is written in plain language. If you would like a copy, let us know.

What is a mutual fund and what are the risks of investing in a mutual fund?

The Fund in this prospectus is a mutual fund.

What is a mutual fund?
A mutual fund is a pool of money contributed by people with similar investment objectives. A fund is managed by investment professionals who select the securities that are held by the fund. Investors in a fund share the fund's income, expenses, and any gains and losses the fund makes on its investments in proportion to the securities they own.

By owning securities of a mutual fund, investors can have the kind of diversification and professional investment management that is normally only available to institutional investors and wealthy individuals.

The value of a mutual fund
The value of a mutual fund is its net asset value (NAV). We calculate the NAV of each series of the Fund. The NAV of each series is determined by taking the series' proportionate share of all of the assets of the Fund (the cash and securities in its portfolio), subtracting the series' liabilities and the series' proportionate share of common liabilities, and dividing by the total number of securities of that series that are outstanding.

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

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

In certain exceptional circumstances, a mutual fund may suspend redemptions. We describe these circumstances on page 25 under *Redeeming Securities of the Fund.*

Different kinds of mutual funds have different kinds of risks
A mutual fund may own securities of different types, or from different asset classes – equities, bonds, cash – depending on the fund's investment objectives. For example, a fund whose objective is long-term capital gain will likely invest mostly in equities. A fund whose main objective is to preserve capital in the short term will likely have most of its holdings in money market securities.

Different investments have different types of investment risk. Mutual funds also have different kinds of risk, depending on the securities they own. Below is a summary of the various types of investment risk that may be applicable to the Fund.

The Fund is considered to be an "alternative mutual fund" according to National Instrument 81-102 *Investment Funds* ("**NI 81-102**"), meaning the Fund is permitted to use strategies generally prohibited by conventional mutual funds, such as the ability to invest more than 10% of the Fund's net asset value in securities of a single issuer; the ability to invest up to 100% or more of the Fund's net asset value in physical commodities, either directly or through the use of derivatives, sell securities short up to 50% of the Fund's net asset value; and leverage up to 300% of its net asset value, among other things. For more information regarding the risks associated with these strategies please see "*Concentration Risk*", "*Commodities Risk*", "*Derivatives Risk*", "*Leverage Risk*" and "*Short Selling Risk*" below.

Asset Allocation Risk

The Fund may allocate its assets among underlying funds with the goal of optimizing its asset class, investment style, geographic and market capitalization allocation. There can be no guarantee that the Fund will allocate its assets successfully. Similarly, there can be no guarantee against losses resulting from the Fund's asset allocation.

Commodities Risk

The Fund's exposure to investments in commodities-related instruments presents unique risks. Investing in commodities-related instruments, including trading in commodities indices and financial derivative instruments related to commodities, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealized); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or "spot" prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity. Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity. The Fund is permitted to invest up to 100% of its net asset value in physical commodities, either directly or through the use of derivatives.

Concentration Risk

A mutual fund may invest a large portion of its net assets in a small number of issuers, in a particular industry or geographic region, or may use a specific investment style, such as growth or value. A relatively high concentration of assets in or exposure to a single issuer, or a small number of issuers, may reduce the diversification of a mutual fund and may result in increased volatility in the mutual fund's NAV. Issuer concentration may also increase the illiquidity of the mutual fund's portfolio if there is a shortage of buyers willing to purchase those securities.

A mutual fund concentrates on a style or sectors either to provide investors with more certainty about how the mutual fund will be invested or the style of the mutual fund or because a portfolio manager believes that specialization increases the potential for good returns. If the issuer, industry or region faces difficult economic times or if the investment approach used by such mutual fund is out of favour, the mutual fund will likely lose more than it would if it diversified its investments or style. If a mutual fund's investment objectives or strategies require concentration, it may continue to suffer poor returns over a prolonged period of time. The Fund is subject to increased concentration risk as it is permitted to invest up to 20% of its net asset value in the securities of a single issuer.

Counterparty Risk

Counterparty risk is the risk to each party of a contract that the counterparty will fail to perform its contractual obligations and/or to respect its commitments under the term of such contract, whether due to insolvency, bankruptcy or other cause. When over-the-counter or other bilateral contracts are entered into, such as derivative instruments or repurchase agreements, security lending, etc., the Fund may find itself exposed to risks arising from the solvency of its counterparties and from their inability to respect the conditions of these contracts.

Convertible Securities Risk

A convertible security is generally a debt obligation, preferred stock or other security that pays interest or dividends and may be converted by the holder within a specified period of time into common stock. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a debt security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock.

Credit Risk

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer (particularly a sovereign or supranational issuer), are all factors that may have an adverse impact on an issuer's credit quality and security values. Related to credit risk is the risk of downgrade by a rating agency. Rating agencies such as Standard & Poor's, Moody's and Fitch, among others, provide ratings for a wide array of fixed income securities (corporate, sovereign, or supranational) which are based on their creditworthiness. The agencies may change their ratings from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the value of the affected securities. Although the market for emerging country debt is currently reasonably liquid, this position would alter if a substantial reduction in the number of investors in this market were to occur. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value or liquidity of such assets.

Credit-Linked Securities Risk

Credit-linked securities are debt securities that represent an interest in a pool of, or are otherwise collateralized by one or more corporate debt obligations or credit default swaps incorporating debt or bank loan obligations. Such debt obligations may represent the obligations of one or more corporate issuers. The value of a credit-linked security will typically increase or decrease with any change in value of the underlying debt obligations, if any, held by the issuer and the credit default swap. The Fund that invests in credit-linked securities has the right to receive periodic interest payments from the issuer of the credit-linked security (usually the seller of the underlying credit default swap(s)) at an agreed-upon interest rate, and a return of principal at the maturity date.

A fund that invests in credit-linked securities bears the risk of loss of its principal investment, and the periodic interest payments expected to be received for the duration of its investment in the credit-linked security, in the event that one or more of the debt obligations underlying the credit default swaps go into default or otherwise become non-performing. Upon the occurrence of such a credit event (including bankruptcy, failure to timely pay interest or principal, or a restructuring), the Fund will generally reduce the principal balance of the related credit linked security by the Fund's pro rata interest in the par amount of the defaulted underlying debt obligation in exchange for the actual value of the defaulted underlying obligation or the defaulted underlying obligation itself, resulting in a loss of a portion of the Fund's investment. Thereafter, interest on the credit-linked security will accrue on a smaller principal balance and a smaller principal balance will be returned at maturity. To the extent a credit linked security represents an interest in underlying obligations of a single corporate or other issuer, a credit event with respect to such issuer presents greater risk of loss to a fund than if the credit-linked security represented an interest in underlying obligations of multiple issuers.

In addition, the Fund bears the risk that the issuer of the credit-linked security will default or become bankrupt. In such an event, the Fund may have difficulty being repaid, or fail to be repaid, the principal amount of its investment and the remaining periodic interest payments thereon. An investment in credit-linked securities also involves reliance on the counterparty to the credit default swap entered into with the issuer of the credit-linked security to make periodic payments to the issuer under the terms of the swap. Any delay or cessation in the making of such payments may be expected in certain instances to result in delays or reductions in payments to the Fund as an investor in such credit-linked securities. Additionally, credit-linked securities are typically structured as limited recourse obligations of the issuer of such securities such that the securities issued will usually be obligations solely of the issuer and will not be obligations or responsibilities of any other person. The Fund will generally only purchase credit-linked securities, which are determined to be liquid in the opinion of the Portfolio Manager and Sub-Advisor. However, the market for credit-linked securities may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for credit-linked securities. In certain cases, a market price for a credit-linked security may not be available or may not be reliable, and the Fund could experience difficulty in notionally selling such security at a price the Portfolio Manager and Sub-Advisor believes is fair.

The value of a credit-linked security will typically increase or decrease with any change in value of the underlying debt obligations, if any, held by the issuer and the credit default swap. Further, in cases where the credit-linked security is structured such that the payments to a fund are based on amounts received in respect of, or the value of performance of, any underlying debt obligations specified in the terms of the relevant credit default swap, fluctuations in the value of such obligation may affect the value of the credit-linked security.

Cyber Security Risk

As the use of technology has become more prevalent in the course of business, the Fund has become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause the Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to the Fund's digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of the Fund's third party service providers (e.g., Custodian, Portfolio Manager, Securities Lending Agent and Sub-Advisor) or issuers that the Fund invests in can also subject the Fund to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the Manager has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially since the Manager does not directly control the cyber security systems of issuers or third party service providers.

Defaulted Debt Securities Risk

The Fund may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). The Fund may buy defaulted debt securities if, in the opinion of the Portfolio Manager and/or the Sub Advisor, it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in the Fund's portfolio defaults, the Fund may have unrealized losses on the security, which may lower the Fund's Series NAV per security. Defaulted securities tend to lose much of their value before they default. Thus, the Fund's Series NAV per security may be adversely affected before an issuer defaults. In addition, the Fund may incur additional expenses if it must try to recover principal or interest payments on a defaulted security. Included among the issuers of debt securities or obligations in which the Fund may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organized by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

Derivative Risk

The Fund is an alternative mutual fund and is expected to use derivatives extensively for hedging and non hedging purposes as described in the Fund's investment objectives and strategies. Generally, a derivative is a contract between two parties whose value is determined with reference to the price of an asset such as a currency, commodity or stock, the value of an index or a specified interest rate. Most derivatives are options, forwards, futures or swaps. Although derivatives are often used by mutual funds to avoid risk, they have their own kinds of risk. The Fund that invests in derivatives, or that holds other underlying funds, which invest in derivatives would also be subject to these risks:

- The use of derivatives for hedging may not be effective.

- Some derivatives may limit the Fund's potential for gain as well as loss.

- The cost of entering and maintaining derivative contracts may reduce the Fund's total return to investors.

- The price of a derivative may not accurately reflect the value of the underlying currency or security. This could prevent the Fund from making a profit or limiting its losses.

- When entering into a derivative contract, the Fund may be required to deposit funds or securities with the counterparty. If the counterparty goes bankrupt, the Fund could lose or be delayed in recovering these deposits. If the Fund gives a security interest to the counterparty, it may be enforced against the Fund's assets.

- There is no guarantee a market will exist when the Fund wants to close its derivative contract. This could prevent the Fund from making a profit or limiting its losses.

- The exchanges on which the derivatives are traded may set daily trading limits, preventing the Fund from closing out a contract.

- If derivatives are being traded on foreign markets, it may be more difficult and take longer to complete the transaction. Foreign derivatives can also be more risky than derivatives traded on North American markets.

- If the other party to a derivative contract is unable to meet its obligations, the Fund may experience a loss. To minimize this risk, the Fund will select counterparties with a credit rating at least as high as the minimum credit rating required under securities legislation.

- Where a market change is expected, the Fund may not be able to find a suitable counterparty against which to hedge the market risk.

The Fund may use a variety of derivative instruments in implementing their respective investment strategy. The pricing of these derivatives is uncertain, variable and based primarily on theoretical models, the outputs of which may vary substantially from the prices actually recognized in the market. The market for many types of derivative instruments is comparatively illiquid and inefficient, creating the potential for substantial mispricings, as well as sustained deviations between theoretical and market value. Investments in over-the-counter derivatives are subject to greater risk of counterparty default and less liquidity than exchange-traded derivatives, although exchange-traded derivatives are subject to risk of failure of the exchange on which they are traded and the clearinghouse through which they are guaranteed. Counterparty risk includes not only the risk of default and failure to pay mark-to-market amounts and return risk premium, but also the risk that the market value of over-the-counter derivatives will fall if the creditworthiness of the counterparties to those derivatives weakens.

The prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Distressed Securities Risk

Investment in distressed securities (i.e. that have a Standard & Poor's notation below CCC long-term rating or equivalent) may cause additional risks for the Fund. Such securities are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and principal or maintain other terms of the offer documents over any long period of time. They are generally unsecured and may be subordinated to other outstanding securities and creditors of the issuer. Whilst such issues are likely to have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposure to adverse economic conditions. Therefore, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Recovery of interest and principal may involve additional cost for the Fund. Under such circumstances, the returns generated from the Fund's investments may not compensate the shareholders adequately for the risks assumed.

Emerging Markets Risk

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

Equity Risk

The value of all funds that invest in equity and equity-related securities fluctuate daily. Prices of equities can be influenced and affected by many micro and macro factors such as economic, political, market, and issuer specific changes. Such changes may adversely affect the value of the equities, which can go up and down, regardless of company-specific performance. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Fund's value are often exacerbated in the short-term as well. The risk that one or more companies in the Fund's portfolio will fall, or fail to rise, can adversely affect the overall portfolio performance in any given period and when the Fund invests in equities it could incur significant losses.

Exchange Traded Funds Risk

The Fund may invest in the equities of ETFs. ETFs are baskets of equity securities formed to attempt to replicate an index — e.g., SPDRS replicate the S&P 500. There is typically some tracking error between an ETF and the index which the ETF attempts to replicate (as there would not be, for example, if the Trading Advisors acquired a total return swap on the index in question), and ETFs can be subject to periods of illiquidity. There needs to be an active market in the ETF for the Fund to use ETFs effectively, and there can be no assurance that there will be adequate liquidity in the ETF in question for the Fund to optimize their trading strategies through purchasing ETFs.

Foreign Currency Risk

The value of securities issued in foreign currencies, or of securities that pay income in foreign currencies, is affected by changes in the value of the Canadian dollar relative to those currencies. As a result, currency fluctuations may indirectly adversely affect the value of the Fund's investments and, in turn, may also affect the value of Securities held by a securityholder. For example, if the U.S. dollar rises relative to the Canadian dollar, U.S. shares will be worth more in Canadian dollars. On the other hand, if the U.S. dollar falls, U.S. shares will be worth less in Canadian dollars.

Forward Trading Risk

The Fund may engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is currently substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Fund due to unusually high trading volume, political intervention, or other factors.

The imposition of credit controls by governmental authorities may limit such forward trading to less than that which the Fund would otherwise recommend, to the possible detriment of the Fund. In its forward trading, the Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Fund trades. Assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on CFTC-regulated commodity brokers in respect of customer funds on deposit with them. Accordingly, the insolvency or bankruptcy of such parties could also subject the Fund to the risk of loss.

Futures and Forward Trading Volatility Risk

Futures and forward contract prices, and the prices of the related contracts in which the Fund may trade, are highly volatile. Such prices are influenced by, among other things: changing supply and demand relationships; weather, governmental, agricultural, commercial and trade programs; fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific intention of influencing such prices. The effect of such intervention is often heightened by a group of governments acting in concert. For example, it is possible that an exchange or the U.S. Commodity Futures Trading Commission (the "**CFTC**") may suspend trading in a particular futures contract, order immediate liquidation and settlement of a particular futures contract, or order that trading in a particular contract be conducted for liquidation only. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract has become restricted.

Moreover, investments in commodities, futures and options contracts involve additional risks including, without limitation, leverage (e.g., margin is usually only 5% to 15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-à-vis the contract counterparty. Accordingly, a relatively small price movement may result in immediate and substantial losses to the Fund. Like other leveraged investments, any trade may result in losses in excess of the amount invested. Although the use of leverage can substantially improve the return on invested capital, its use also may increase any adverse impact to which the investment portfolio of the Fund may be subject. The Fund's futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Fund from promptly liquidating unfavorable positions and subject it to substantial losses.

Hedge Fund Risk

Hedge funds are typically unregulated private investment pools available only to sophisticated investors. They are often illiquid and highly leveraged. Because the Fund's investments are intended to provide exposure to the factors that drive hedge fund returns, an investment in the Fund will be subject to many of the same risks associated with an investment in a diversified portfolio of hedge funds, including the risk of substantial or total loss. Therefore, the Fund's performance may be lower than the returns of the broader stock market and the Fund's net asset value may fluctuate substantially over time.

Highly Volatile Market Risk

The prices of securities and derivative instruments, including futures and options prices, may be highly volatile. Price movements of securities, forward contracts, futures contracts and other derivative contracts in which the Fund may invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly and/or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Interest Rate Risk

The interest rate on a bond is set when it is issued. When interest rates fall, the price of existing bonds will rise because existing bonds pay higher rates than new bonds, and are therefore worth more. On the other hand, when interest rates rise, the price of existing bonds will fall. The value of bonds will be affected by changes in interest rates. The value of debt securities that pay a floating or variable rate of interest are generally less price sensitive to interest rate changes. Convertible securities also carry interest rate risk. These securities provide a fixed income stream, so their value varies inversely with interest rates, just like bond prices. However, because they can be converted into common shares, convertible securities are less affected by interest rate fluctuations than bonds.

Large Investor Risk

Securities of the Fund may be purchased and redeemed by large investors, such as financial institutions or other mutual funds including Top Fund. These investors may purchase or redeem large numbers of securities of the Fund at one time. Franklin Templeton Investments Corp. and unaffiliated third parties may offer investment products which use a “fund on fund” structure whereby a top fund invests all or a significant portion of its assets in a “bottom” or “underlying fund”. The purchase or redemption of a substantial number of securities of the Fund may require the portfolio advisor to change the composition of a portfolio significantly or may force the portfolio advisor to buy or sell investments at unfavourable prices, which can affect Fund performance and may increase realized capital gains of the Fund.

If the Fund experiences a “loss restriction event” (i) the Fund will be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund’s taxable income at such time to securityholders so that the Fund is not liable for income tax on such amounts) and (ii) the Fund will be subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, of the Fund. Generally, a person is deemed not to become a “majority-interest beneficiary”, and a group of persons is deemed not to become a “majority-interest group of beneficiaries”, of the Fund if the Fund meets certain investment requirements and qualifies as an “investment fund” under the rules.

Leverage Risk

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund’s notional exposure to underlying assets is greater than the amount invested.

It is an investment technique that can magnify gains and losses and therefore any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been directly held by the Fund and may result in losses greater than the amount invested in the derivative itself. Leverage may increase volatility, may impair the Fund’s liquidity and may cause the Fund to liquidate positions at unfavourable times. The Fund is subject to a gross aggregate exposure limit of three times the Fund’s net asset value which is measured on a daily basis and described in further detail within the “Investment Objectives” section in Part B of this simplified prospectus.

The Fund is permitted to borrow cash beyond the limits applicable to conventional mutual funds. When the Fund borrows cash, it grants a security interest over some of its assets in favour of the lender as security for the repayment of such borrowing.

Pursuant to NI 81-102, the Fund's cash borrowing is subject to certain conditions, including:

(a) the Fund may only borrow from an entity that qualifies to be a custodian or a sub-custodian under NI 81-102;

(b) if the lender is an affiliate of the Manager, the independent review committee must approve the borrowing agreement;

(c) the borrowing agreement must be in accordance with normal industry practice and on standard commercial terms for the type of transaction; and

(d) the total value of cash borrowed, together with the market value of any securities sold short, must not exceed 50% of the Fund's net asset value.

Swap Agreements Risk

The Fund may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Fund than if the Fund had invested directly in an instrument that yielded that desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e. the return on or increase in value of a particular US dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictitious basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Fund's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "**net amount**"). Whether the Fund's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Portfolio Advisor to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two-party contracts and because they may have terms of greater than seven (7) calendar days, swap agreements may be considered to be illiquid. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

Liquidity Risk

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of the Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. Liability side liquidity risk refers to the inability of the Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request. Reduced liquidity due to these factors may have an adverse impact on the NAV of the Fund.

Certain securities are illiquid due to a limited trading market, financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or that are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Fund values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event.

Low-Rated or Non-Investment Grade Securities Risk

Some investments offer a better return than others because they carry higher risk. They may have a credit rating below investment grade or be unrated. These investments may be hard to value because market quotations are unavailable, and they may be less liquid than higher-grade investments. They have the potential for substantial loss as well as gain, as will the Fund if it buys these investments or invests in underlying funds that hold these low-rated securities.

Market Risk

The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions that are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer or a particular industry or sector, such as changes in production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by the Fund will participate in, or otherwise benefit from, the advance. Stock prices tend to go up and down more dramatically than those of debt securities. A slower growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Market Disruptions Risk

Adverse market conditions can lead to a "liquidity crisis," i.e., the inability to sell securities and other instruments at expected prices. In 1998 and during 2007-2009, this inability to sell at anticipated values led, in certain cases, to the inability to meet margin calls and to meet investor withdrawal requests. In turn, the inability to meet margin calls led to the collapse of some hedge fund portfolios as dealers cut credit lines. There can be no assurance that future market conditions will not result in similar liquidity crises. The high-risk nature of the Fund's portfolios makes the Fund particularly vulnerable to market disruptions as well as major investor migration trends toward more liquid, less risky instruments at the expense of liquidity in the markets.

The Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund may from time to time cause dramatic losses for the Fund, and such events can result in otherwise historically low-risk strategies performing with significant volatility and risk.

Options Trading Risks

The Fund may trade options on futures contracts or options on foreign exchange forward contracts. Although successful options trading requires many of the same skills as successful futures and forward trading, the risks involved are different. For example, the assessment of near-term market volatility, which is directly reflected in the price of outstanding options, can be of much greater significance in trading options than it is in many long-term futures strategies. The use of options can be extremely expensive if market volatility is incorrectly predicted. A purchaser of options is exposed to the risk of loss of the entire premium paid; a seller, or writer, of call options is exposed to the risk of theoretically unlimited loss, and the seller of put options is exposed to the risk of substantial loss far in excess of the premium received.

Portfolio Turnover Risk

The Fund is not restricted in effecting transactions by any limitation with regard to portfolio turnover rate. Portfolio turnover is subject to many factors, including but not limited to market conditions, investor contributions or withdrawals, index composition and portfolio construction considerations. In addition, the Fund may sell a security or enter into or close out of a derivative position when the portfolio manager believes it is appropriate to do so, regardless of how long the Fund has held the instrument. These activities increase the Fund's actual and notional portfolio turnover and therefore the Fund's portfolio turnover rate could be substantial, which would result in significant brokerage commissions and fees.

Real Estate Securities Risk

The Fund may invest in real estate securities, securities linked to real estate indices or a basket of real estate-related securities, or real estate investment trusts ("**REITs**"). Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may decrease because of overbuilding, increases in property taxes and operating expenses, changes in zoning laws, environmental regulations or hazards, uninsured casualty or condemnation losses, or general decline in neighbourhood values. Securities linked to a real estate index or basket of real estate-related securities may take the form of a structured note whose value is intended to move in line with the underlying index (or indices) or real estate-related securities basket specified in the note. Such notes involve assuming risk associated with the counterparty that is packaging the note. Such notes depend on the solvency of the issuer for the life of the note. There is no guarantee that such notes will perform as intended in line with the underlying index (indices) or basket of securities. The liquidity of such notes may also be limited, depending on the creditworthiness of the issuer of the note as well as the nature of the underlying indices or basket of securities. Equity REITs may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT's performance depends on the types and locations of the properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants' failure to pay a rent or poor management. A REIT's performance also depends on the company's ability to finance property purchases and renovations and manage its cash flows. Since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

Selection and Reliance on Select Managers Risk

While the Fund's portfolio sub-advisor has substantial experience evaluating underlying managers for its funds of funds ("**Underlying Managers**"), the portfolio sub-advisor has limited experience evaluating Underlying Managers for purposes of building a direct-trading portfolio. Moreover, the portfolio sub-advisor conducts thorough due diligence of Underlying Managers for its funds of funds, including, for example, on-site due diligence of an Underlying Manager's back-office operations. By contrast, the portfolio sub-advisor's analysis of Underlying Managers for purposes of choosing Select Managers will rely only on publicly available information such as historical 13F and 13D positions and information related to the Underlying Managers' funds' investment strategies. It therefore is possible that an Underlying Manager would not meet the criteria necessary to be included in the Investment Manager's funds of funds but may be chosen as a Select Manager.

Furthermore, there are material inherent limitations with respect to relying on 13Fs and/or 13Ds. The ownership figures reported on 13Fs and 13Ds only reflect the long positions and do not reflect short positions or hedged derivatives positions. Therefore, the ownership figures reported on 13Fs and 13Ds may overstate a Select Manager's overall economic exposure to a security. In fact, a Select Manager may have little to no economic exposure or even have an effective short position on a security listed on its 13Fs or 13Ds. In such cases, the portfolio sub-advisor's investment premise may be frustrated if the Select Manager's short or hedging positions are not fully disclosed, as the Fund may establish significant economic exposure to a security while the relevant Select Manager has little or no or even negative exposure to such security. While a Select Manager may disclose certain information about its short positions or hedged derivatives positions in 13Ds, similar risks exist to the Fund due to the potential incompleteness of this information and the inability of the Fund to determine the extent of economic exposure of such Select Manager to a security.

While the portfolio sub-advisor evaluates Underlying Managers with respect to turnover, there can be no assurance that Select Managers may not, in fact, have substantial turnover and/or adopt investment philosophies that cause a substantial increase in turnover long before the portfolio sub-advisor can ascertain such change. In such situations, the Fund may take long equity positions in 13F securities that the relevant Select Manager has long since sold.

Series risk

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

Short Selling Risk

The Fund may engage in short selling. A short sale is where the Fund borrows securities from a lender and sells them in the open market ("**short sale**"). The Fund must repurchase the securities at a later date in order to return them to the lender. In the interim, the proceeds from the short sale, as well as additional assets of the Fund, are deposited with the lender as collateral. The Fund pays interest to the lender on the borrowed securities. If the value of the securities declines between the time of the initial short sale and the time it repurchases and returns the securities, the Fund makes a profit for the difference (less any interest paid by the Fund to the lender). However, a rise in the price of the borrowed securities will result in a loss to the Fund.

There are risks associated with short selling, namely that the borrowed securities will rise in value or not decline enough to cover the Fund's borrowing costs. The Fund may also experience difficulties in repurchasing the borrowed securities if a liquid market for the securities does not exist. In addition, the lender from whom the Fund has borrowed securities may become bankrupt, causing the Fund to lose the collateral it deposited with the lender. The Fund is permitted to sell securities short up to a maximum of 50% of the Fund's net asset value, as described in further detail under the Fund's "Investment Objective" section.

The Fund's use of short selling is subject to the following conditions:

(a) the aggregate market value of all securities sold short by the Fund, together with the total value of any cash borrowing, must not exceed 50% of the net asset value of the Fund; and

(b) the aggregate market value of all securities of one issuer sold short by the Fund must not exceed 10% of the net asset value of the Fund.

Sovereign Debt Risk

Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or the political considerations to which the government may be subject.

Sovereign debtors also may be dependent on expected disbursements from other foreign governments or multinational agencies and the country's access to, or balance of, trade. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Restructuring may include obtaining additional credit to finance outstanding obligations, reduction and rescheduling of payments of interest and principal, or negotiation of new or amended credit and security agreements. Unlike most corporate debt restructurings, the fees and expenses of financial and legal advisers to the creditors in connection with a restructuring may be borne by the holders of the sovereign debt securities instead of the sovereign entity itself. Some sovereign debtors have in the past been able to restructure their debt payments without the approval of some or all debt holders or to declare moratoria on payments, and similar occurrences may happen in the future.

In the event of a default on sovereign debt, the Fund may have limited legal recourse against the defaulting government entity. As a sovereign entity, the issuing government may be immune from lawsuits in the event of its failure or refusal to pay the obligations when due, and any rights the Fund may have may be restricted pursuant to the terms of applicable treaties with such sovereign entity. If a sovereign entity defaults, it may request additional time in which to pay or for further loans. There may be no legal process for collecting sovereign debt that a government does not pay or such legal process may be relatively more expensive, nor are there bankruptcy proceedings by which the Fund may collect, in whole or in part, on debt issued by a sovereign entity. In certain cases, remedies must be pursued in the courts located in the country of the defaulting sovereign entity itself, which may further limit the Fund's ability to obtain recourse.

The Fund may invest in sovereign debt issued by governments or government-related entities from countries referred to as emerging markets or frontier markets, which bear additional risks compared to more developed markets due to such factors as greater political and economic uncertainties, currency fluctuations, repatriation restrictions or capital controls.

Structured Notes Risk

Structured notes, such as credit-linked notes, equity-linked notes and similar notes, involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike financial derivative instruments, cash is transferred from the buyer to the seller of the note. Investment in these instruments may cause a loss if the value of the underlying security decreases. There is also a risk that the note issuer will default. Additional risks result from the fact that the documentation of such notes programmes tends to be highly customised. The liquidity of a structured note can be less than that for the underlying security, a regular bond or debt instrument and this may adversely affect either the ability to sell the position or the price at which such a sale is transacted.

Target or Tracking Risk

There can be no guarantee that the Fund will achieve its return target, nor that it will remain within its volatility range. All investment performance is inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Manager. In considering the return target and volatility range, prospective investors should bear in mind that such targeted performance and volatility is not a guarantee, projection or prediction and is not indicative of future results of the Fund. Actual gross returns in any given year may be lower than the return target, and actual volatility may be higher than the volatility range. Even if the return target is met, actual returns to investors will be lower due to expenses, taxes and other factors. In addition, the return target and volatility range may be adjusted at the discretion of the Manager without notice to investors in light of available investment opportunities and/or changing market conditions. The Manager believes that the return target and volatility range for the Fund are reasonable based on a combination of factors, including the Fund's investment team's general experience, the availability of leverage and financing at expected costs and other terms, and its assessment of prevailing market conditions and investment opportunities. There are, however, numerous assumptions that factor into the return target and volatility range that may not be consistent with future market conditions and that may significantly affect actual investment results. Such assumptions include, but are not limited to (i) the Manager's ability to adequately assess the risk and return of potential of investments, (ii) the availability of suitable investment opportunities in various asset classes, and (iii) various measurements and parameters relating to the Manager's expected outlook for certain global and local economies and markets. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in calculating the return target and volatility range have been stated or fully considered. Prospective investors reviewing the return target and volatility range contained herein must make their own determination as to the reasonableness of the assumptions and the reliability of the return target and volatility range. Actual results and events may differ significantly from the assumptions and estimates on which the return target and volatility range are based.

The hedge fund replication strategy may not provide an accurate representation of hedge fund returns generally may not successfully identify or be able to replicate factors that drive returns. The Fund's performance may never match the returns of the index over any meaningful period of time. For example, the Fund's returns may differ from the returns of an index because of the inability of the Fund to replicate hedge fund returns (which are based on many different types of assets, including illiquid assets, that may not be available for investment by the Fund) using futures and forward contracts and because of differences in volatility between the Fund's portfolio and the returns of the index. In addition, unlike an index, the Fund will be subject to a management fee and other Fund-level expenses. Therefore, the returns of the Fund may differ significantly from returns of hedge funds generally, or the returns of any particular index.

Taxation Risk

The Fund is expected to qualify at all material times as a mutual fund trust under the *Income Tax Act* (Canada) (the "**Tax Act**"). If the Fund does not qualify or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "*Income Tax Considerations*" could be materially and adversely different in some respects. For example, if the Fund does not qualify or ceases to qualify as a mutual fund trust, the securities of the Fund will not be qualified investments for registered plans under the Tax Act. The Tax Act imposes penalties on the annuitant, holder or subscriber of a registered plan, as the case may be, for the acquisition or holding of non-qualified investments.

The use of derivative strategies may also have a tax impact on the Fund. In general, gains and losses realized by the Fund from derivative transactions will be on income account, except where such derivatives are used to hedge portfolio securities held on capital account and provided there is sufficient linkage. The Fund will generally recognize gains or losses under a derivative contract when it is realized by the Fund upon partial settlement or upon maturity. This may result in significant gains being realized by the Fund at such times and such gains may be taxed as ordinary income. To the extent such income is not offset by any available deductions, it would be distributed to applicable securityholders in the taxation year in which it is realized and included in such securityholder's income for the year.

There can be no assurance that the CRA will agree with the tax treatment adopted by the Fund in filing their tax returns. The CRA could reassess the Fund on a basis that results in tax being payable by the Fund or in an increase in the taxable component of distributions considered to have been paid to securityholders. A reassessment by the CRA may result in the Fund being liable for unremitted withholding tax on prior distributions to non-resident securityholders. Such liability may reduce the NAV of, or trading prices of, securities of the Fund.

In certain circumstances, the Fund may experience a "loss restriction event" for tax purposes, which generally will occur each time any person, together with other persons with whom that person is affiliated within the meaning of the Tax Act, or any group of persons acting in concert, acquires securities of the

Fund having a fair market value that is greater than 50% of the fair market value of all of the securities of the Fund. The Tax Act provides relief in the application of the "loss restriction event" rules for trusts that are "investment funds" as defined therein. The Fund will be considered an "investment fund" for this purpose if it meets certain conditions, including complying with certain asset diversification requirements. If the Fund fails to meet this definition, it may be deemed to have a year-end for tax purposes upon the occurrence of a "loss restriction event". Where such a deemed year end occurs, securityholders may receive unscheduled distributions of income and capital gains from the Fund. For securities held in non-registered accounts, these distributions must be included in the calculation of the securityholder's income for tax purposes. Future distribution amounts in respect of the Fund may also be impacted by the expiry of certain losses at the deemed year end.

Underlying Funds Risk

The Fund's performance is directly impacted by the performance of any underlying funds held by it. The ability of the Fund to achieve its investment objectives is directly related to, in part, the ability of the underlying funds to meet their investment objectives. Investing in underlying funds may be more costly to the Fund than if the Fund had invested directly in the underlying securities. Securityholders will indirectly bear the fees and expenses (including management and advisory fees and other expenses) of the underlying funds. As the Fund's allocations among underlying funds may change from time to time, or to the extent that the expense ratios of the underlying funds change, the expenses borne by the Fund may increase or decrease. In addition, the determination of net asset value per security of any particular underlying fund held by the Fund may be suspended. If this event were to happen, it could impede the ability of the Fund to meet a redemption request. The Fund's investments in underlying funds may subject the Fund to additional risks than if the Fund would have invested directly in the securities held by the underlying funds. An underlying fund that is an ETF may trade at a premium or discount to its net asset value, as securities of an ETF are bought and sold based on exchanges on market values and not at the ETF's net asset value. One underlying fund may buy the same securities that another underlying fund sells. If this happens, a securityholder in the Fund would indirectly bear the costs of these transactions without accomplishing the intended investment purpose. Also, the Fund and/or the underlying funds may hold common portfolio securities, thereby reducing the diversification benefits to the Fund.

Purchases, switches and redemptions

Series

The Fund is organized as a mutual fund trust and is available in three series – Series A, F and O.

About Series A, F and O

For minimum investments required to purchase Series A, F and O securities of the Fund, please see *Buying Securities* and *Minimum investments* on pages 22 and 22 for details. To determine which particular series is right for you, please see below.

Series A

Series A is available to all investors, subject to certain minimum investment requirements.

Series F

Series F is available to investors who qualify as Series F investors as determined by us in our discretion:

- investors who participate in dealer-sponsored "fee-for-service" or wrap programs and who pay their advisor an hourly fee or annual asset-based fee rather than commissions on each transaction

- investors whose Dealer is FTC Investor Services Inc.

- investors who purchase, sell or hold their securities through a discount brokerage account

- any other investors for whom we do not incur distribution costs.

Investors wishing to purchase Series F must also meet the minimum investment requirements.

Series F is designed for investors participating in programs that do not require us to incur distribution costs in the form of trailing commissions to Dealers. We are able to reduce our management fee on the Series F securities because our costs to distribute these securities are lower.

Investors in Series F may also use the investment advisory services fee option offered by us. If this option is selected, then we will collect an investment advisory services fee of up to 1.50% on your behalf and remit it to your Dealer. Please see the "Investment Advisory Services Fee" section for more details.

Participation in Series F is only available with our prior consent and the consent of your Dealer organization.

Series O

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

- investors who have in total invested a minimum of $200,000 in securities of the Fund held in Related Accounts (as defined on page 23 under the heading "Account Linking Service"). The investment minimum may be waived for purchases made by investors who purchase through a discretionary managed account

- mutual funds managed by us or by a third party that use a fund on fund structure, provided the third party fund manager has entered into an agreement with us

- counterparties to derivatives contracts entered into by the Fund

Investors in Series O may also use the investment advisory services fee option offered by us. If this option is selected, then we will collect an investment advisory services fee of up to 1.50% on your behalf and remit it to your Dealer. Please see the "Investment Advisory Services Fee" section for more details.

The price of the Fund

We calculate the net asset value ("**NAV**") for each series of securities of the Fund at the close of trading on The Toronto Stock Exchange ("**TSX**") every business day (usually 4 p.m. ET). For series available in U.S. dollars, we calculate the NAV in Canadian dollars and convert it into U.S. dollars using that day's exchange rate.

If we receive your transaction request in good order by the close of trading on the TSX, we will process your order at the NAV (and the exchange rate, if applicable) on that date. Otherwise, we will process your order on the next business day.

The price of a mutual fund

The NAV of any mutual fund is calculated by:

- adding up the fund's assets (its holdings in equity, fixed income and money market securities, cash, and receivables)
- subtracting the fund's liabilities (any money the fund owes, for example, accrued management fees)

The NAV in respect of a series is called its series net asset value per security:

$$\frac{\text{assets attributable to the series} - \text{liabilities attributable to the series}}{\text{number of securities of the series}} = \text{price of a security} = \text{NAV per security}$$

For example:

$$\frac{\$24{,}000{,}000 - \$4{,}000{,}000}{1{,}000{,}000 \text{ securities}} = \$20 \text{ per security}$$

The prices change daily with changes in the market value of the securities the Fund holds.

Opening a Franklin Templeton Investments Account

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

The know your client rule

Franklin Templeton Funds are sold through Dealers. The *know your client* rule ensures that your investment advisor knows about your investment needs and objectives and about your level of investment knowledge. With this information and his or her own expertise, your advisor can recommend the selection of funds that is best for you.

How to buy, switch or redeem securities

You can buy, switch or redeem Fund securities through Dealers across Canada. Your Dealer may place an order with us by:

- electronic transmission

- written request via mail or courier
- phone or fax.

You buy, switch or redeem funds at their NAV per security of that particular series.

Buying Securities of the Fund

Who can buy the Fund?

The Fund is offered for sale on a continuous basis, which means, subject to certain restrictions, you can buy, switch or redeem any number of securities at any time.

We reserve the right, from time to time, to "cap" or "close" the Fund or any series if it is determined to be in the best interest of the Fund or series and the securityholders. If we do "cap" or "close" the Fund or a series it may be re-opened for investment at our discretion. Any "capping" or "closing" of the Fund or any series will not impact redemption rights of securityholders.

Securities of the Fund are not registered for sale in any jurisdiction outside Canada. You may not purchase securities of the Fund:

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

if this practice is against the law where you or the other person resides, or such foreign residency has negative legal, regulatory or tax implications for the Fund. In some jurisdictions outside Canada, a purchase of Fund securities is not against the law as long as the purchase is unsolicited. In these jurisdictions, you and your Dealer are responsible for submitting only those purchase orders that have been initiated by you.

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

Minimum investments
The table below sets out the minimum investments required to purchase Series A, F and O of the Fund:

Minimum Investment Table

Series	**Initial Investment**	**Additional Investments**	**Pre-authorized Chequing Plans (PACs)**
A, F*	$500	$100	$50
O*	$200,000	No minimum	No minimum

* When purchasing Series F and O securities of the Fund, investors must also meet the additional eligibility criteria for the series. For more information see *Series* on page 20.

We reserve the right to change or waive the minimum investment requirements to purchase any series of the Fund.

Account Linking Service

For the purposes of satisfying the minimum investment requirement for Series O, investors may link related accounts. "Related Accounts" includes any account holding our funds belonging to: i) you; ii) your spouse; iii) you and your spouse jointly; iv) your children, grandchildren and great-grandchildren and the spouses of each of these persons; and v) accounts in the names of companies for which you own more than 50% voting equity. Account linking is an optional service, should you choose to participate. This service is optional for your Dealer and financial advisor. The Manager does not automatically qualify you for the account linking service. In order to qualify for the account linking service, the necessary application forms must be executed by your Dealer and financial advisor. It is the responsibility of the investor, to work with their financial advisor and Dealer, to manage their account linking preferences, and to ensure that all accounts meet the definition of Related Accounts. Please speak to your financial advisor for further details. We may modify or discontinue the account linking service at any time, at our sole discretion. Existing participants will be provided 90 days' notice of any discontinuance of this service.

Purchase options

For Series A securities of the Fund, you can purchase securities in one of three ways:

- On a front-load basis. You may pay a sales commission which you negotiate with your Dealer when you buy the Fund.
- On a low-load basis. You do not pay a sales commission when you buy the Fund. You may be charged a redemption fee if you redeem your securities within three years of buying them. See *Calculating the redemption fee* on page 27.
- On a deferred sales charge basis. You do not pay a sales commission when you buy the Fund. You may be charged a redemption fee if you redeem your securities within six years of buying them. See *Calculating the redemption fee* on page 27.

Series F and O of the Fund are sold only on a no-load basis, which means that you pay no sales charge when you buy or sell.

Your choice will affect the fees you pay and the compensation your Dealer receives. See *Fees and expenses* on page 34 and *Dealer compensation* on page 40 for more information.

Fund Currency

The Fund is denominated in Canadian dollars.

Processing your order to buy

If you would like to buy the Fund, please contact your Dealer. Your Dealer will:

- deliver your order to us with your payment in full, or
- place an order with us electronically, or by phone or fax, with payment to follow.

You must pay your Dealer when you buy your securities. Your Dealer must pay us within two business days of delivering or placing your order.

If your Dealer places your purchase order electronically and we do not receive payment for your securities within the periods listed above, we will redeem your securities on the next business day. Pursuant to securities regulations, if the proceeds are:

- greater than the amount you owe us, the Fund keeps the difference;
- less than the amount you owe, your Dealer will owe the difference to the Fund. Your Dealer may be entitled to recover any losses from you.

How to Switch to other funds

You can switch from the Fund to another Franklin Templeton Investments fund through your Dealer.

Switches between funds

A switch from the Fund to another fund is a purchase and a redemption resulting in a disposition of the securities switched, meaning you will likely incur a capital gain or loss for tax purposes if you hold your securities outside a registered plan

How to Switch to another Series

In addition to switching from the Fund to another fund, you can also switch from Series A, F and O to a different series through your Dealer. You can only switch from one series to another series if you meet the eligibility requirements associated with the series that you wish to switch into. Due to differences in the NAVs of each series, if you switch from one series to another series, you may receive a different number of securities than you originally held.

A switch between series of the Fund is a redesignation of your existing securities as securities of another series. A redesignation between series of securities of the Fund is not considered a disposition for tax purposes. See *Income tax considerations for investors* on page 43 for more details.

If your switch involves both a change in the series and a change in the fund, the switch will be considered as a disposition for tax purpose.

Switch fees

The following switches may result in a switch fee payable to your Dealer:

- switches from securities purchased on a front-load basis to securities on a no-load basis;
- switches from securities purchased on a front-load basis to securities on a front-load basis;
- switches from securities purchased on a low-load basis to securities on a low-load basis. You will not be charged a redemption fee until you later redeem your securities. The redemption fee will be based on the date and original cost of the low-load securities purchased by you before the switch; and
- switches from securities purchased on a deferred sales charge basis to securities on a deferred sales charge basis. You will not be charged a redemption fee until you later redeem your securities. The redemption fee will be based on the date and original cost of the deferred sales charge securities purchased by you before the switch.

When a dealer charges a switch fee on a switch, it will result in the redemption of a sufficient number of securities being switched to pay the switch fee.

A switch from Series F securities of the Fund to Series F securities of another fund will not be subject to any switch fees.

Any other types of switches may result in additional fees, such as redemption fees or sales charges.

When your Dealer charges a switch fee on a switch, it will result in a redemption of a sufficient number of your securities being switched to pay the switch fee.

Processing your switch order

We process your switch order as if it were a redemption of the fund that you are switching out of and a purchase of the fund that you are switching into. Accordingly, we follow the procedures listed under *Processing your order to buy* and *Processing your redemption order*.

We may limit the right to switch, limit the amount or number of switches, reject any switch or restrict or refuse purchases if (i) we believe that the Fund would be harmed or unable to invest effectively, or (ii) the Fund receives or anticipates simultaneous orders that may significantly affect the Fund. We do not limit your right to redeem your investment except under the circumstances described under *Suspending your right to redeem securities*.

Redeeming Securities of the Fund

You can redeem your Fund securities in the following ways:

(1) Through your Dealer, either written or by electronic order, accompanied by any outstanding security certificates and any other appropriate documentation we may need; or

(2) Directly through us in writing, by fax or by telephone.

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

(ii) If you wish to provide your redemption order to us by telephone, you need to contact our Client Services team and provide your authorization to us, subject to our verification procedures and satisfying our account eligibility criteria for redemptions.

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

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

Redemptions over the telephone are not available for:

- securities held in certificate form;
- securities held in a registered plan, except for TFSA accounts; and
- accounts for which there has been a recent change.

Processing your redemption order

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

- greater than the repurchase amount, the Fund keeps the difference;
- less than the repurchase amount, we pay the Fund the difference and collect the difference from your Dealer. Your Dealer may be entitled to recover any losses from you.

We will pay you the proceeds within two business days of receiving a complete redemption order. We will mail you a cheque unless you tell us to deposit the proceeds to your bank or trust company account by electronic fund transfer (EFT).

If you wish to receive your proceeds by EFT, please send us a pre-printed void cheque and complete the banking information section of your application at the time of account setup to avoid potential delays on your redemption request. We will keep your banking information on file for future purchases and redemptions.

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

Suspending your right to redeem securities

As permitted by Canadian securities regulators, we may suspend your right to redeem securities:

- if normal trading is suspended on an exchange within or outside Canada on which securities or specified derivatives are traded which represent more than 50% by value of the total assets of the Fund and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund
- with the consent of securities regulators, if the Fund determines that it is not practical to sell the Fund's securities or fairly determine the value of its net assets

If your right to redeem securities is suspended, and you do not withdraw your redemption order, we will redeem your securities at their net asset value determined after the suspension ends.

Short-term trading

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

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

- request a redemption/purchase of the Fund within two weeks of an earlier purchase/redemption of the Fund;

- redeem or switch securities out of the Fund more than twice within a rolling 90 day period; or
- engage in trades that appear to follow a market timing pattern that may adversely affect the Fund.

In determining whether a trade or trading pattern is inappropriate, we consider all relevant factors including good faith changes in investor circumstances or intentions, the nature of the Fund involved, and the investor's past trading pattern, and we may conduct discussions with the investor or the investor's Dealer. If we identify a pattern of short-term trading, we will seek to reject or restrict further trading as described below in greater detail, if in our judgment such trading may adversely affect the Fund.

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

(1) temporarily or permanently reject further trading in the Fund;

(2) restrict the amount, number or frequency of any future trades in the Fund.

Calculating the redemption fee

You pay a redemption fee if you redeem Series A securities bought under:

- the low-load option within three years from the date of original purchase; or
- the deferred sales charge option within six years from the date of original purchase.

The redemption fee is based on the date and original cost of your securities. If you have switched to another fund while remaining within the same purchase option, then your redemption fee is based on the date and original cost of the securities before the initial switch.

We will redeem securities in the following order:

(1) securities issued through distribution reinvestment plans
(2) free redemption entitlement securities (only applicable to low-load sales charge and deferred sales charge securities that remain subject to a redemption fee)
(3) matured securities
(4) securities in the order that they were purchased starting with the earliest purchase.

The redemption fee for securities purchased on a:

- low-load basis is based on a declining percentage of the original cost of the securities if the securities are redeemed within three years from the date of original purchase, as shown in the *Fees and expenses* table on page 38; or
- deferred sales charge basis is based on a declining percentage of the original cost of the securities if the securities are redeemed within six years from the date of original purchase, as shown in the *Fees and expenses* table on page 38.

We will deduct the redemption fee from the proceeds of the redemption.

Free redemption entitlement (only applicable to low-load sales charge and deferred sales charge securities still subject to a redemption fee)
You can redeem some of your Series A securities that would otherwise be subject to a redemption fee without paying a fee, even if you have held them for less than three years, in the case of low-load sales charge securities, or less than six years, in the case of deferred sales charge securities. You can redeem:

Deferred sales charge securities	**Low-load sales charge securities**
10% of the NAV of your deferred sales charge securities as of December 31 of the prior calendar year PLUS 10% of the cost of deferred sales charge securities purchased by you in the current calendar year LESS • cash distributions paid during the prior calendar year, and • the value of reinvested securities redeemed during the current calendar year.	10% of the NAV of your low-load sales charge securities as of December 31 of the prior calendar year PLUS 10% of the cost of low-load sales charge securities purchased by you in the current calendar year LESS • cash distributions paid during the prior calendar year, and • the value of reinvested securities redeemed during the current calendar year.

A distribution paid to you in cash will reduce your free redemption entitlement for the following calendar year by the amount of that distribution.

You can transfer any unused portion of the free redemption entitlement if you switch deferred sales charge securities from one fund to another, or if you switch low-load sales charge securities from one fund to another, adjusted, in each case, for the NAV of the new fund securities.

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

Minimum balances and maintaining eligibility
Redemptions, distributions and/or withdrawals made in your account may affect the market value of the investments held in your account. Examples of this may include redemptions made to pay advisory fees, return of capital distributions and cash withdrawals made from your account. As a result, if the market value of your investment in any series falls below the minimum investment balance requirement listed in the table below, we may redeem or redesignate your securities to another series.

We will give you 30 days' notice that your balance has fallen below the minimum balance requirement prior to redeeming or redesignating your securities. You may invest additional money during this period of time if you wish to maintain the status of your investment. We will not redeem or redesignate your securities if the market value of your investment falls below the minimum investment balance requirements because of a decline in the NAV of the securities.

The table below lists the minimum investment balance requirements for each series and the action we may take if your investment falls below the minimum investment balance requirements:

Series	Minimum investment balance requirement	Potential consequences if minimum investment balance requirement not met
A, F*	$500	Redeem
O*	$200,000 invested in Related Accounts	Redesignate to Series A of the same Fund

**** Maintaining eligibility for Series F and Series O***
In addition to the minimum investment balance requirements for Series F and O, you must also continue to qualify to hold Series F and O after your initial purchase as described under *About Series A, F and O*. After giving you 30 days' notice that you no longer qualify to hold Series F and O securities we may redesignate your Series F or Series O into Series A of the same Fund. If we redesignate your securities on this basis, no switch fee will be charged by your Dealer. The management and administration fee charged to the series you are switched into may be higher than that of the series of securities in which you were invested in.

We reserve the right to change or waive the minimum investment balance requirements for any series of securities.

Eligibility to own securities
We may redeem securities in an account if we determine in our discretion that:

- an investor engages in short-term or excessive trading;
- an investor becomes a resident for securities laws or tax purposes of a foreign jurisdiction where such foreign residency may have negative legal, regulatory or tax implications on the Fund; or
- it would be in the best interest of the Fund to do so.

Securityholders are responsible for all tax consequences, costs and losses, if any, associated with the redemption of securities in the Fund upon the exercise of our right to redeem.

Orphaned Accounts
In order to invest in securities of the Fund, an investor's account must have a registered Dealer on file with us. If an active account does not have a registered Dealer on file, we consider the account to be an "orphaned account".

If we determine in our discretion that an account is orphaned, we may take the following actions:

- freeze the account and restrict all activities in the account except redemptions (including through systematic withdrawals) and transfers out;
- notify the orphaned account holder in writing as to the account's status and request that the account(s) be moved to another registered Dealer; and

- after the notification, redeem the holdings in the orphaned account and mail the proceeds to the orphaned account holder's address of record.

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

"Past Exempt" Registered Plans

The Manager has a legal obligation to file with and remit taxes to the Canada Revenue Agency in respect of undistributed registered plans that comprise part of an estate ("**Past Exempt Registered Plans**"). Consequently, on an annual basis, we may redeem sufficient securities of the Fund held in a Past Exempt Registered Plan for the payment of taxes. Investors are responsible for all tax consequences, costs and losses, if any, associated with the redemption of securities in the Fund in a Past Exempt Registered Plan.

General information on processing purchases, switches and redemptions

Rejecting orders

We have the right to reject any purchase or switch order within one business day of receiving it. If we reject your purchase order, we will return your money without interest. We will not process transactions for:

- a past date
- a future date (unless the transaction relates to a PAC or SWP)
- a specific price
- any securities that have not been paid for in full.

Confirmations

Your Dealer or Franklin Templeton Investments will send you a confirmation once we have processed your purchase, switch or redemption order. For PACs and SWPs, you will only receive a confirmation on your first purchase, switch or redemption. After that, you will either receive a confirmation each time a PAC or SWP runs on your account or you will receive quarterly, semi-annual or annual account statements.

Certificates and Assignments

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

We will not process your switch or redemption order unless it is accompanied by any outstanding certificates representing the securities to be switched or redeemed and all assignments on the outstanding securities have been cancelled.

Telephone Services

You will receive telephone privileges automatically when you open your account with us. You can request the following transactions by telephone subject to our verification procedures and meeting our account eligibility criteria (if applicable):

(i) redemptions and transfers (from Non-Registered or TFSA accounts only);
(ii) change of address; and
(iii) add/change account services (including distribution options, systematic investment and withdrawal programs).

Redemption proceeds will be payable only to you directly, and will be sent to your account at a Canadian bank or trust company that we have on file for you.

We have the right, in our sole discretion, and in any event, to refuse a telephone request if we are not provided with the requested information or if we reasonably believe that the individual making the request is not authorized to act on the account. It is your responsibility to ensure that the individual making any request on behalf the account is authorized to do so. We will not be held liable for any losses that may occur in the event of unauthorized requests. If you wish to discontinue your telephone privileges at any time, please contact us by phone or in writing. You may reinstate your telephone privileges at any time by calling us or informing us in writing.

We will not process your switch or redemption order unless it is accompanied by any outstanding security certificates representing the securities to be switched or redeemed and all assignments on the outstanding securities have been cancelled.

Optional services

Systematic investment program
You can buy securities of the Fund regularly through a pre-authorized chequing plan (PAC) from your bank or trust account. The PAC can run weekly, twice monthly, monthly, quarterly, semi-annually or annually and must be at least $50 per Fund. We may, at our discretion, waive the minimum PAC amount.

There is no charge for this service other than any applicable sales charges you negotiate with your Dealer (if you purchase securities under the low-load or deferred sales charge option, you may pay a redemption fee upon redeeming your securities – please see *Sales Charges* on page 38). You may change or cancel the plan at any time by writing to us or your Dealer. Once we receive all required documentation, it may take up to 72 hours for us to process any change or cancellation. If you switch all securities from one fund to another, we will continue your PAC in your new Fund.

PACs and dollar-cost averaging
PACs can lower your average cost of investing. It is called dollar-cost averaging and it works like this:

- You invest the same amount of money in the Fund of your choice at regular intervals.
- When the NAV of your securities is high, your fixed-dollar investment buys fewer securities.
- When the NAV is low, your fixed-dollar investment buys more securities.

It is an easy way to buy more when prices are down and lower the average cost of your Fund securities. And that helps increase your potential gain.

The Fund has received relief from the requirement to deliver an annual renewal simplified prospectus and any amendments thereto (the "**Renewal Prospectus**") to participants in a PAC unless they request it. You can request a copy of the annual renewal simplified prospectus and any amendment thereto (the "**Renewal Prospectus**") by calling us toll-free at 1-800-387-0830 or emailing us at service@franklintempleton.ca. You can also find the Renewal Prospectus at www.sedar.com or on our website at www.franklintempleton.ca.

While you have a statutory right to withdraw from your initial purchase of the Fund under a PAC, you will not have a statutory right to withdraw from subsequent purchases of the Fund under a

PAC. Regardless of whether or not you request the Renewal Prospectus, you will continue to have all other statutory rights under securities law, including a misrepresentation right as described on page 45 under *What are your legal rights?* You also have the right to terminate your participation in a PAC at any time as described above.

Systematic withdrawal program (SWP)

Provided you maintain at least $5,000 invested in the Fund, you can set up a systematic withdrawal program to redeem amounts periodically from your investments.

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

There is no charge for this service, other than any applicable redemption fees. You may change or cancel the plan at any time by writing to us or your Dealer. It may take up to 72 hours for us to process any change or cancellation.

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

Automatic rebalancing service

We offer an automatic rebalancing service to all investors in our funds. This service monitors when the value of your investments within the funds deviates from your target asset mix. The automatic rebalancing service is available for all funds, plans and account types, provided that we receive appropriate authorization. There is no fee for this service.

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

- *Target asset mix:* You must select the funds and target allocation percentages that will be subject to the automatic rebalancing service. Your selected funds must be within the same currency, the same series or a similar fee structure (Series A, Series F or Series O) and the same purchase option (front load, low load or deferred sales charge). One automatic rebalancing service may be established per currency per account.
- *Variance trigger:* You must determine the maximum percentage by which any fund in your automatic rebalancing service can deviate from your target asset mix before causing a rebalancing.
- *Rebalancing frequency:* You must decide whether you want your account rebalanced on a quarterly, semi-annual or annual basis. Your account will be reviewed and, if necessary, rebalanced on the second last business day of the month ending the quarter, semi-annual period or year.

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

As described under "*How to Switch to other funds*" on page 24, in some circumstances a switch between funds made by the automatic rebalancing service may cause you to realize a taxable capital gain.

Registered plans

We can set up a:

- registered retirement savings plan (RRSP)
- locked-in retirement savings plan (LRSP)
- spousal registered retirement savings plan (SP RRSP)
- locked-in retirement account (LIRA)
- registered education savings plan (RESP)
- tax-free savings account (TFSA)
- registered retirement income fund (RRIF)
- spousal registered retirement income fund (SP RRIF)
- life income fund (LIF)
- locked-in retirement income fund (LRIF)
- restricted life income fund (RLIF), or
- restricted locked-in savings plan (RLSP)

for you, or you can purchase the Fund for your self-directed registered plan. We encourage you to consult your investment or tax advisor about the tax implications of registered plans.

Fees and expenses

Below you will find the fees and expenses you may pay if you invest in the Fund. Some of these fees and expenses you pay directly. Others are payable by the Fund, which will indirectly reduce the value of your investment in the Fund. The Fund is required to pay harmonized sales tax ("**HST**") on management fees and expenses at a rate determined separately for each series for each year. The rate that applies to the fees and expenses paid during a year for a series is determined based on the net asset value attributable to investors resident in each province or territory at a certain point in time and the HST rate applicable to each of those provinces or territories. As a result, HST will be paid based on a "blended rate" of the 5% rate in the non-harmonized jurisdictions, 15% in Nova Scotia, 14% in Prince Edward Island, and 13% in the other harmonized provinces of Ontario, New Brunswick and Newfoundland and Labrador. Quebec has also harmonized the QST at a rate of 14.975%, which will be factored into the "blended rate" referred to above. The blended rate will be different from year to year. This happens because different securityholders invest in the different series and the securityholders who invest in each series change from year to year because of purchases, switches and redemptions.

Securityholders approval is required to change the basis of the calculation of a fee or expense that is charged to the Fund in a way that could result in an increase in charges to the Fund. However, if the proposed change only affects charges to one series of the Fund, only securityholders of such series shall be entitled to vote in respect of the proposed change. No securityholders approval will be required if the Fund is at arm's length to the person or company charging the fee or expense and if a written notice is sent to securityholders at least 60 days before the effective date of the change. Because Series F and O securities are sold without a sales charge, a meeting of securityholders of these Series of the Fund is not required to approve any increase in, or introduction of, a fee or expense charged to the Fund. Any such increase will only be made if such securityholders are notified of the increase at least 60 days before the date on which the increase will take effect.

Fees and expenses payable by the Fund

Management fees

Unique to each series of the Fund. See *Operating Expenses* for the Fund.

We may reduce the management fee for certain investors in the Fund. Our decision to do this depends on a number of factors, including the size of the investment or the nature of the investment, such as investments by pension funds, insurers or other institutional investors. If we reduce the management fee, we, or the Fund, pay a distribution ("**management fee distribution**").

Where the Fund invests in underlying funds, there are fees and expenses payable by the underlying funds in addition to those payable by the Fund. However, we will ensure that there is no duplication of management fees for the same services in respect of those funds that use fund on fund structures as described in the investment strategies of the specific Fund description. In addition, a fund that invests in another fund does not pay duplicate sales fees or redemption fees with respect to the purchase or redemption by it of securities of the underlying fund.

Series O investors do not bear any of the management fees within the Fund, but instead pay a separate Management and Administration Fee. See *Series O Management and Administration Fee* on page 36 for further information. The Management and Administration Fee varies based on the Fund and the average daily net asset value of the securities held in the investor's accounts on a quarterly basis. For Institutional Investors, the Management and Administration Fee is negotiable.

Operating expenses

The Manager pays the operating expenses of the Fund, other than Fund Costs (as defined below) and Taxes (as defined below) (the "**Operating Expenses**") in exchange for the payment by the Fund of a fixed rate administration fee (the "**Administration Fee**") to the Manager with respect to each series of the Fund, except for Series O. All series to which the Administration Fee applies are referred to as "Participating Series". The Operating Expenses payable by the Manager include, but are not limited to, audit fees, fund accounting costs, transfer agency and recordkeeping costs, custodian costs, administration costs and trustee services relating to registered tax plans, costs of printing and disseminating prospectuses, annual information forms, fund facts and continuous disclosure materials, legal fees, investor communication costs and regulatory filing fees.

The Administration Fee charged to the Fund (except for Series O) may, in any particular period, be greater or lower than the Operating Expenses payable by the Manager.

The "Fund Costs", which are payable by the Fund, are borrowing and interest costs, investor meeting costs (as permitted by Canadian securities regulation), the fees and expenses of the IRC, any costs and expenses associated with litigation for the benefit of the Fund or brought to pursue rights on behalf of the Fund, the cost of compliance with any new governmental and regulatory requirements imposed on or after December 10, 2013 (including those relating to Operating Expenses) or with any material change to existing governmental and regulatory requirements imposed on or after December 10, 2013 (including extraordinary increases to regulatory filing fees), any new types of costs, expenses or fees not incurred prior to December 10, 2013, including those arising from new government or regulatory requirements relating to the Operating Expenses or related to those external services that were not commonly charged in the Canadian mutual fund industry as of December 10, 2013 and operating expenses that would have been outside the normal course of business of the Fund prior to December 10, 2013.

The Fund will also pay all applicable taxes, including without limitation, income taxes, withholding taxes, HST and related taxes (collectively, the "**Taxes**"). The Fund will also continue to pay its portfolio transaction costs, which include costs associated with the purchase and sale of securities and other property, such as brokerage commissions for portfolio trading and related trading fees (including the costs of any derivative transactions), commissions for portfolio trading and related trading fees (including the costs of any derivative transactions), commissions, service charges and research and execution costs, as well as forward agreement and derivative transaction costs.

IRC Fees and Expenses

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

During the year ended December 31, 2018, IRC members received from the Franklin Templeton mutual funds compensation in the amount of $126,100.00 for annual retainers and meeting fees as well as $4,647.31 as reimbursement for expenses in connection with performing their duties for the Franklin Templeton Investments mutual funds. The Fund's share of the IRC's compensation is disclosed in the Fund's financial statements.

Except as described below, each series of the Fund is responsible for its appropriate share of common Fund Costs in addition to the Fund Costs that it alone incurs. The Manager may, in some years and in certain cases, absorb a portion of a series' Administration Fee or Fund Costs. The decision to absorb the Administration Fee or Fund Costs, or a portion thereof, is reviewed annually and determined at the discretion of the Manager, without notice to investors. The Manager pays all Operating Expenses of Series O.

The Administration Fee is equal to a specified percentage of the net asset value of a Participating Series, calculated and paid in the same manner as the management fee for the Fund (calculated as 1/12 of the annual rate applied against the monthly average daily net assets of each series and paid monthly).

The rate of the annual Management Fees for each series (except Series O) and annual Administration Fee for each Participating Series is set out below:

Fund Name	Series	Fee (%)	
		Management Fee	**Administration Fee**
Franklin K2 Alternatives Fund	A	1.75	0.15
	F	0.75	0.15

<u>Series O Management and Administration Fees</u>

In consideration for the management and administration services we provide in respect of Series O securities of the Fund, by placing an order to purchase Series O securities, you are agreeing to pay a fee to the Manager (the "**Management and Administration Fee**") as set forth in the table below, which fee varies by Fund and the level of assets invested. Certain institutional investors may negotiate a different Management and Administration Fee with us. We may change the Management and Administration Fee for the Fund and/or the asset thresholds at any time in our sole discretion, but we will not increase the fee or change the asset thresholds in manner that could result in you paying a higher fee, unless we have provided you with at least 60 days' prior written notice of such change.

The Management and Administration Fee is subject to applicable taxes and is calculated and paid as described below under *Program Fees for Series O.*

Fund Name	Series	Management and Administration Fee (%)		
		From first C$200K to under C$2.5M	**On next C$2.5M to under C$5M**	**On next C$5M and over**
Franklin K2 Alternatives Fund	O	0.90	0.90	0.90

Investment Advisory Services Fee (Series F and O)

For Series F and O securities (where you have purchased the series with the investment advisory services fee option), we have an arrangement in place with your Dealer to collect the investment advisory services fee (plus any applicable taxes) from you for payment to your Dealer on your behalf (the "**Investment Advisory Services Fee**").

Where the above arrangement exists, the maximum annual Investment Advisory Services Fee rate that we will facilitate the payment of is 1.50% (excluding taxes).

Your Dealer is solely responsible for making the recommendation to purchase Series O and F securities of the Fund and for providing any and all necessary information regarding your investment in the Fund to you. By placing an order to purchase Series O or F securities of the Fund and in consideration for the investment advice and/or services, and suitability analysis provided to you by your Dealer in respect of your purchase, you are agreeing to pay the negotiated Investment Advisory Services Fee to your Dealer. We will not remit the Investment Advisory Services Fee to your Dealer until we have received confirmation of the amount of the Investment Advisory Services Fee from your Dealer. Investors in Series F securities that do not hold their securities in a fee-based or wrap program where they pay their fees directly to their Dealer are eligible to participate in the Investment Advisory Services Fee option.

In the case of Series O the Investment Advisory Services Fee is calculated and paid to your Dealer as described in the "*Program Fees for Series O*" section. The Management and Administration Fee together with the Investment Advisory Services Fee are collectively referred to as the "Program Fees". For more information on how the Program Fees are calculated and paid, and further details, please see the "*Program Fees for Series O*" section.

In the case of Series F securities, where you have purchased such series with the Investment Advisory Services Fee option, the Investment Advisory Services Fee is calculated based on the average daily net asset value of the applicable Series F securities held in your account at the end of each business day. The fees will accrue on a monthly basis. On the last business day of each month, we will redeem the amount of the accrued Investment Advisory Services Fee (plus applicable taxes) from your account and pay it to your Dealer at a frequency agreed upon between Franklin Templeton and your Dealer. If you redeem, switch or transfer securities of a series where the Investment Advisory Services Fee purchase option applies, before we fulfill your request we will verify if there are sufficient funds in your account to pay the accrued Investment Advisory Services Fee (plus applicable taxes) as part of the next fee redemption cycle (at the end of the accrual month), or deduct the fee from the proceeds of your requested redemption, switch or transfer at the time of the transaction, in order to satisfy payment of such fee (plus applicable taxes).

If you move your account(s) holding Series O or F, securities to another Dealer, you will need to negotiate the Investment Advisory Services Fee with your new Dealer. We will remit the Investment Advisory Services Fee to your new Dealer at the negotiated rate, effective from the date we receive written confirmation of the amount from your new Dealer. We will remit the Investment Advisory Services Fee to your former Dealer in the amount accruing up to the date of transfer at the rate you negotiated with your former Dealer.

Fees and expenses payable directly by you

Sales charges:
No sales charges are payable on Series F and O.

No sales charges are payable by the Fund when purchasing securities of underlying funds as described in the investment strategies of the specific Fund descriptions.

Front-load option
For Series A securities purchased with a front-load option: Up to 6% of the purchase price as negotiated between you and your Dealer.

Low-load option
You will pay a redemption fee if you choose to buy Series A securities under this option and you redeem your securities within three years of buying them. The redemption fee is based on the original cost of your securities and how long you hold them. We deduct the redemption fee from the value of the securities you redeem. The redemption fee is paid to us. The table below shows the redemption fee schedule:

3.0% in the first year after purchase
2.5% in the second year
2.0% in the third year
Nil after three years

Up to 10% of your investment in Series A securities may be redeemed in each calendar year without a redemption charge. This right is not cumulative if you do not use it in any calendar year. Please see *Free redemption entitlement* on page 28.

Deferred sales charge option
You will pay a redemption fee if you choose to buy Series A securities under this option and you redeem your securities within six years of buying them. The redemption fee is based on the original cost of your securities and how long you hold them. We deduct the redemption fee from the value of the securities you redeem. The redemption fee is paid to us. The table below shows the redemption fee schedule:

6.0% in the first year after purchase
5.5% in the second year
5.0% in the third year
4.5% in the fourth year
4.0% in the fifth year
3.0% in the sixth year
Nil after six years

Up to 10% of your investment in Series A securities may be redeemed in each calendar year without a redemption charge. This right is not cumulative if you do not use it in any calendar year. Please see *Free redemption entitlement* on page 28.

Program Fees for Series O
The Program Fees paid by a Series O investor are calculated based on the average daily net asset value of the Series O securities held in the investor's accounts at the close of trading on the TSX

every business day during each calendar quarter. For the purposes of calculating the Program Fees, the average daily net asset value of the securities held in an investor's account will be calculated based on a full calendar quarter, even though the Series O securities may not have been held in an investor's account for the full quarter. If such securities have not been held in an investor's account on any day during the quarter, the net asset value for such securities for such day will be zero. For the purposes of determining the Program Fees payable by the investor, the Series O securities held by the investor in all of the investor's accounts shall be aggregated, with the graduated fee rates applied on the Fund holding based on its pro-rata share of the aggregated total.

Certain institutional investors may negotiate a different arrangement for the payment of their Program Fees for Series O.

The Program Fees and any applicable taxes are paid quarterly in arrears by the redemption of sufficient Series O securities held by the investor between the first (1^{st}) and the eighteenth (18^{th}) business day of the month following the end of the calendar quarter. When an investor has more than one account holding Series O securities, the Manager will collect payment for the Program Fees and any applicable taxes by redeeming Series O securities from each such account in proportion to the market value of each account as at the end of the calendar quarter and within each account in proportion to the series net asset value of the Series O securities of the Fund held by the investor in such account as at the end of the calendar quarter.

In the event that you move your account(s) holding Series O securities to a new Dealer, we will redeem sufficient securities from the applicable accounts either at the time that you move to the new Dealer or shortly thereafter to pay any accrued Program Fees and applicable tax(es) owing to your former Dealer, prorated to the number of days in the calendar quarter that your former Dealer was the dealer of record in respect of such account(s), and remit such amount to your former Dealer.

The Program Fees are payable for as long as you (or your successor and permitted assign) hold Series O securities of the Fund. You should consult with your tax advisor regarding the tax deductibility of the Program Fees.

Switch fees
Up to 2% of the NAV of the switched securities as negotiated between you and your Dealer.

No switch fees are payable to your Dealer on switches of Series F securities for Series F securities of another fund.

Bank fees
You will be charged the amount of any charges levied by a bank or other financial institution for any of your cheques that are dishonored and returned to the Fund for any charge related to electronic fund transfers.

Impact of sales charges
This table shows the fees that you would pay under the different purchase options available if you invested $1,000 in Series A securities of the Fund, you held that investment for one, three, five or ten years, and you redeemed the entire investment immediately before the end of each period.

It assumes:

- the sales commission under the front-load option is 6%, although you may negotiate a lower sales commission with your Dealer;
- you haven't used your 10% free redemption entitlement under the low-load or deferred sales charge purchase options.

	Fee at time of purchase	Fee if redeem before end of:			
		1 year	3 years	5 years	10 years
Front-load option(1)	$60 (6%)	Nil	Nil	Nil	Nil
Low-load option(2)(3)	Nil	$30 (3%)	$20 (2%)	Nil	Nil
Deferred sales charge option(2)(4)	Nil	$60 (6%)	$50 (5%)	$40 (4%)	Nil
No load option Series F and O only	Nil	Nil	Nil	Nil	Nil

(1) Series F and O cannot be purchased under the front-load option.
(2) Series F and O cannot be purchased under the low-load or deferred sales charge options.
(3) Redemption fees apply to the low-load option only if you redeem your securities within three years of purchasing them, see the *Fees and expenses* table for more details.
(4) Redemption fees apply to the deferred sales charge option only if you redeem your securities within six years of purchasing them, see the *Fees and expenses* table for more details.

Dealer compensation

Sales commissions

Your Dealer usually receives a sales commission when you invest in Series A securities of the Fund. The purchase option that you select determines the sales commission that is payable to your Dealer.

Front-load option

You negotiate a sales commission with your Dealer of up to 6% of the amount you invest in Series A securities, which is deducted from your purchase amount.

Series F and O are not available under this purchase option.

Low-load option

At the time of purchase, your full purchase amount is invested in low-load Series A securities of the Fund and we pay your Dealer a sales commission of 2.5% of the amount you invest. We compensate your Dealer for the services provided to you in connection with your purchase. You will not pay a redemption fee to us unless you redeem your securities within three years of buying them.

Series F and O are not available under this purchase option.

Deferred sales charge option
At the time of purchase, your full purchase amount is invested in deferred sales charge Series A securities of the Fund and we pay your Dealer a sales commission of 5% of the amount you invest. We compensate your Dealer for the services provided to you in connection with your purchase. You will not pay a redemption fee to us unless you redeem your securities within six years of buying them.

Series F and O are not available under this purchase option.

Trailing commissions
We pay your Dealer trailing commissions on a monthly or quarterly basis. We also pay trailing commissions to discount brokers for securities you purchase through your discount brokerage account. This commission is determined by us and may be changed at any time. The trailing commission is paid based on the average daily net asset value of Series A securities of the Fund held by a Dealer's clients during each month.

No trailing commission is paid in respect of Series O**.** Instead, the Investment Advisory Services Fee is negotiated by, and is payable by the investor to his or her Dealer under the Series O agreement. See *Program Fees for Series O* on page 38 for more details.

As the following table shows, trailing commissions also depend on which purchase option you choose and, for Low-load and Deferred Sales Charge options, whether the securities have matured. Deferred Sales Charge Matured Securities refers to securities that have been issued and outstanding for more than six years. Low Load Matured Securities refers to securities that have been issued and outstanding for more than three years. In the case of reinvested distributions, the maturity period for those securities begins when the securities are reinvested and such distributions must be issued and outstanding for three years and six years, respectively, before becoming Low- load Matured Securities and Deferred Sales Charge Matured Securities.

	Trailing commissions per annum(%)					
	Series A					**Series F**
	Front-load	**Low-load**	**Low-load Matured Securities**[2]	**Deferred Sales Charge**	**Deferred Sales Charge Matured Securities**[1]	
Franklin K2 Alternatives Fund	1.00%	0.50%	1.00%	0.50%	1.00%	N/A

[1] Only applicable to matured Series A securities. Deferred sales charge matured securities refers to securities that have been issued and outstanding for more than six years.
[2] Only applicable to matured Series A securities. Low-load matured securities refers to securities that have been issued and outstanding for more than three years.

Inter-company service fee
For acting as a principal distributor for Series F and O securities, the Manager pays to our affiliate, FTC ISI, a portion of the management fee received as an inter-company service fee of 0.20% in respect of those securities.

Marketing support programs

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

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

We may execute brokerage transactions through Dealers who have provided other services to the Fund, such as investment research, order execution, or distribution of Fund securities. However, we will only execute through such a Dealer if the relevant Dealer can best execute the transactions, in accordance with our policy. See the AIF for more information.

Dealer compensation from management fees

We paid Dealers approximately 33.37% of the total management fees we earned on all of the funds in our last completed financial year. This amount included sales and trailing commissions, as well as our support of their promotional activities.

Income tax considerations for investors

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

For Fund securities held in a registered plan

The Fund qualifies as a "mutual fund trust" for tax purposes. As a result, the securities of the Fund are expected to be qualified investments under the Tax Act for registered plans. If you hold securities of the Fund in a registered plan such as a RRSP, RRIF, RESP, deferred profit sharing plan ("**DPSP**") or registered disability savings plan ("**RDSP**"), distributions paid by the Fund and capital gains from a disposition of the securities are generally sheltered from tax until you decide to make withdrawals from the plan. If you hold securities of the Fund in a TFSA, distributions paid by the Fund and capital gains from a disposition of the securities are sheltered from tax.

An annuitant of a trust governed by a RRSP or RRIF, the holder of a TFSA or RDSP, or the subscriber of an RESP may be subject to a penalty tax in respect of the Fund held by the RRSP, RRIF, TFSA, RDSP or RESP if the Fund is "prohibited investments" as determined under the Tax Act. As long as the RRSP or RRIF annuitant, TFSA or RDSP holder, or RESP subscriber deals at arm's length with the Fund or does not have a "significant interest" in the Fund, the Fund will not be a prohibited investment under the Tax Act for the RRSP, RRIF, TFSA or RDSP, or the subscriber of an RESP. For more information as to whether mutual fund securities of the Fund would be prohibited investments for your RRSP, RRIF, TFSA, RDSP or RESP, you should contact your tax advisor.

For Fund securities not held in a registered plan

If you hold securities of the Fund outside of a registered plan, you must include in computing your income for tax purposes the amount of the net income and the taxable portion of net capital gains paid or payable to you by the Fund in the year, whether you receive these distributions in cash or they are reinvested in additional securities. To the extent that the Fund so designates under the Tax Act, distributions of net capital gains, taxable dividends on shares of taxable Canadian corporations and foreign source income of the Fund paid or payable to you by the Fund will effectively retain their character in your hands and be subject to the special tax treatment applicable to income of that character. The Fund intends to include an amount in income under section 94.1 of the Tax Act in respect to certain investments in foreign mutual funds.

To the extent that the distributions paid to you by the Fund in any year exceed your share of the net income and net realized capital gains of the Fund for the year, those distributions (except to the extent that they are proceeds of disposition) will be a return of capital. Distributions which are return of capital will not be taxable to you but will reduce the adjusted cost base of your securities. If the adjusted cost base of your securities is reduced to less than zero you will realize a capital gain to the extent that your adjusted cost base is below zero and the adjusted cost base of the securities will be increased by the amount of such gain. We will provide you with information regarding any distributions that are a return of capital. For more information, contact your tax advisor.

When you invest in the Fund, the NAV per security may include accrued but unrealized capital gains and realized income and capital gains that have not been distributed. You may be taxed on such amounts when they are distributed. If you invest in the Fund before a distribution date, you will have to pay tax on any distribution of income or capital gains paid to you, even if the distribution relates to income or capital gains that were earned before you bought your securities. In addition, there may be significant accrued gains in a derivative contract held by the Fund which may be realized by the Fund as ordinary income in any year that the derivative matures or is otherwise settled. Such income will be distributed by the Fund to its securityholders in such year.

The Declaration of Trust provides for the automatic distribution to securityholders of a sufficient amount of net income and net realized capital gains for each taxation year (including a taxation year that is deemed to end) so that the Fund will not be liable for income tax under Part I of the Tax Act, other than alternative minimum tax. The Declaration of Trust also provides that this distribution is automatically reinvested in securities of the Fund and the securities are immediately consolidated to the pre-distribution NAV.

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

Dispositions and Switches of Fund securities not held in a registered plan

If you sell securities, or if you switch securities of the Fund for securities of another fund you may realize a capital gain or loss. The capital gain (loss) will be equal to the difference between the amount you receive for the sale or switch net of any costs (such as a redemption fee) and the adjusted cost base of the securities sold.

A switch of securities of one series of the Fund into securities of another series of the Fund will not, in itself, result in a capital gain or loss.

In the case of a disposition of securities, one-half of a capital gain generally is included in determining your taxable income. In certain situations, where a securityholder disposes of securities of the Fund and would otherwise realize a capital loss, the loss will be denied. For more information, contact your tax advisor.

We will provide you with details on the proceeds from the sale or switch. However, in order to calculate your gain or loss, you need to know the adjusted cost base of your securities before disposition.

How to calculate the aggregate adjusted cost base (ACB) of your investment in securities of a series of the Fund

ACB = the cost of your initial investment, including sales charges
- ***Plus*** the cost of any additional purchases, including sales charges
- ***Plus*** reinvested distributions (including management fee distributions or rebates)
- ***Minus*** the capital returned in any distributions
- ***Minus*** the ACB of any previous redemptions

The ACB of your securities of the Fund is determined by dividing the book value of your total investment in the Fund by the number of securities of that series of the Fund that you own.

Investors holding Series O securities should consult with their own tax advisors with respect to the deductibility of their management and administration fees paid outside the Fund to the Manager.

Additional Information

International Information Reporting

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the United States (the "**IGA**"), and related Canadian legislation, the Fund and the dealers through which securityholders hold their securities are required to report certain information, including certain financial information (e.g. account balances), with respect to securityholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding Registered Plans), to the Canada Revenue Agency. The Canada Revenue Agency will then exchange the information with the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Tax Convention.

In addition, pursuant to rules in the Tax Act implementing the Organisation for Economic Co-operation and Development Common Reporting Standard (the "**CRS Rules**") the Fund and the dealer through which securityholders hold their securities are required under Canadian legislation to identify and report to the Canada Revenue Agency certain information, including financial information (e.g. account balances), relating to securityholders of the Fund (other than Registered Plans) who are residents for tax purposes in a country outside Canada and the U.S. Such information would be exchanged by the Canada Revenue Agency with the countries where such securityholders are resident for tax purposes if those countries are signatories of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or have otherwise agreed to a bilateral information exchange with Canada under the CRS.

What are your legal rights?

You may have the right to withdraw from your agreement to buy mutual funds within two business days of receiving the prospectus or fund facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

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

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

Specific information about the mutual fund described in this document

Introduction
In this part of the prospectus, you will find everything you need to help you evaluate the Fund in light of your investment needs. The Fund description, which begin on page 46, gives you specific information about the Fund.

Information that is common to most of our mutual funds is described here. You should refer back to this section when reading the Fund's description to make sure you have complete information about the Fund. Certain terms are defined in the glossary.

Fund details
This section gives you information such as type of mutual fund, the Fund's start-up date, the nature of the securities offered by the Fund (series of securities), the Fund's eligibility for registered plans and the name of the portfolio advisor and/or sub-advisor for the Fund.

The Fund is a mutual fund trust. The securities you are buying are securities of a mutual fund trust. Securities of the Fund are eligible investments for registered plans such as RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs.

The Fund is an alternative mutual fund and is subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed to ensure the investments of alternative mutual funds are diversified and relatively liquid. We intend to manage the Fund in accordance with these restrictions.

What does the fund invest in?
This section includes the Fund's fundamental investment objective and the investment strategies it uses in trying to achieve its objective.

Investments in Derivatives

What is a derivative?
A derivative is a contract between two parties that derives its value from another security such as common shares, bonds, currencies or a market index. Some examples of the most common derivatives are:

- A forward contract is an agreement to buy or sell currency, commodities or securities at an agreed price for future delivery. Forward contracts are often used to reduce risk. For example, if you knew you would be buying goods priced in U.S. dollars in six months' time, you might buy U.S. dollars now for delivery in six months to avoid the risk of the U.S. dollar rising in value. This is called hedging.
- An option gives the buyer the right, but not the obligation, to buy or sell currency, commodities or securities at an agreed price within a certain period of time. For example, you might hedge the share price of a stock you own by buying an option to sell it at its current price for the next six months. If the share price falls, all you will lose is the price of the option. Of course, if it goes up, you will not make as much, because you have paid for the option.

The Fund may invest in derivatives to the full extent permitted by Canadian securities legislation. The Fund may invest in derivatives as follows:

- to hedge against losses from movements in stock markets, currency exchange rates or interest rates
- to gain indirect exposure to individual securities, markets or other investments, instead of buying the underlying securities or other investments directly; or
- to seek to generate additional income.

The Fund is expected to use derivatives extensively for hedging and non-hedging purposes as described below and within the Fund's investment objectives and strategies set out in Part B of this simplified prospectus. The Fund:

- may use derivative instruments to access alternative investment strategies with low correlation to traditional equity and fixed income investments in an effort to capture the excess return associated with each investment (sometimes referred to as "risk premia" investing), while also enhancing the risk-return profile of the overall portfolio;
- may invest in derivative instruments including but not limited to swaps (such as credit default swaps or total return swaps on equity, fixed income, currency or commodity related indices), options (including options on equity securities and securities indices and covered calls), forwards and futures contracts (including futures on equity indices and on government securities);
- may engage in currency management strategies. These currency management strategies may include investing in currency forward contracts, exchange traded currency options, foreign exchange futures and options on foreign exchange futures; and
- may also invest in securities, cash-settled structured products or exchange traded notes where the security is linked to or derives its value from another security, index or currencies of any country.

The Fund has received an exemption from the Canadian securities regulatory authorities from certain of the derivative rules set out in applicable Canadian securities legislation. This exemption allows the Fund to:

- enter into interest rate swaps, credit default swaps or, if the transaction is for hedging purposes, currency swaps or forwards that, in each case, have a remaining term to maturity of greater than three years;
- use as cover bonds, debentures, notes or other evidences of indebtedness that are liquid, floating rate evidences of indebtedness or securities of our money market funds; and
- use as cover, when the Fund holds a long position in a debt-like security that has a component that is a long position in a forward contract or in a standardized future or forward contract or when the Fund is entitled to receive payments under a swap, a right or obligation to sell an equivalent quantity of the underlying interest of the standardized future, forward or swap.

The Fund has received an exemption from the Canadian securities regulatory authorities to enter into cleared swap transactions in accordance with the clearing mandates issued by the U.S. Commodity Futures Trading Commission under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Cleared Swap Exemption**"). The Cleared Swap Exemption allows the Fund to enter into cleared swap transactions without having to comply with the counterparty designated rating requirement, the 10% mark-to-market exposure limitation and certain of the custodial requirements of NI 81-102 provided that, in respect of the deposit of cash and portfolio assets as margin:

(a) in Canada,

  (i) the Futures Commission Merchant (as defined in the Cleared Swap Exemption) is a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund; and

  (ii) the amount of margin deposited and maintained with the Futures Commission Merchant does not, when aggregated with the amount of margin already held by the Futures Commission Merchant, exceed 10 percent of the net asset value of the Fund as at the time of the deposit; and

(b) outside of Canada,

  (i) the Futures Commission Merchant is a member of a Clearing Corporation (as defined in the Cleared Swap Exemption) and, as a result is subject to a regulatory audit;

  (ii) the Futures Commission Merchant has a net worth, determined from its most recent audited financial statements that have been made public or from other publicly available financial information, in excess of the equivalent of $50 million; and

  (iii) the amount of margin deposited and maintained with the Futures Commission Merchant does not, when aggregated with the amount of margin already held by the Futures Commission Merchant, exceed 10 percent of the net asset value of the Fund as at the time of deposit.

For more details on this exemption, please refer to the AIF.

Leverage

The use of derivatives by the Fund may introduce leverage into the Fund. Leverage occurs when the Fund's notional exposure to underlying assets is greater than the amount invested and is an investment technique that can magnify gains and losses. As a result, any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been held directly by the Fund. Accordingly, adverse changes may result in losses greater than the amount invested in the derivative instrument itself. Leverage may increase volatility, impair the Fund's liquidity and cause the Fund to liquidate positions at unfavourable times. To limit these risks, the Fund's aggregate gross exposure, calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. Using this calculation, the maximum total amount of leverage that the Fund may use, which includes, but is not limited to, use of derivatives, as a multiple of its net assets, is 300% or 3:1.

High Portfolio Turnover

The Fund may engage in active trading and there may be a high portfolio turnover rate. Portfolio turnover refers to the frequency of portfolio transactions and the percentage of portfolio assets being bought and sold during the year, which may increase overall costs. A high portfolio turnover rate may result in correspondingly greater brokerage commission expenses and the distribution to securityholders of additional capital gains for tax purposes, some of which may be taxable at ordinary income rates. There is not necessarily a relationship between a high portfolio turnover rate and the Fund's performance.

Short Selling

Some of the investment strategies employed by the Fund may be implemented by engaging in short selling which involves borrowing securities from a lender and then selling those securities in the open market. The proceeds from the short sale are deposited with the lender as collateral and the Fund pays interest to the lender for the securities it has borrowed. At a later date, the same number of securities are repurchased by the Fund and returned to the lender. If the value of the securities decreases between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund makes a profit for the difference (less the interest the Fund is required to pay to the lender). In this way, the Fund has more opportunities for gains when markets are generally volatile or declining.

The Fund has written policies and procedures that set out the objectives and goals for short selling and the risk management procedure applicable to short selling. In accordance with NI 81-102 the Fund is permitted to sell securities short up to a maximum of 50% of the Fund's net asset value. In addition, the Fund generally establishes stop-loss requirements for individual short-sale positions.

Repurchase and reverse transactions

The Fund may enter into repurchase transactions and reverse repurchase transactions in order to earn additional income. A repurchase transaction involves the fund selling a security at one price and agreeing to buy it back from the same party at a fixed price. While the Fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction. A reverse repurchase transaction involves a fund buying a security at one price and agreeing to sell it back to the same party at a higher price. The difference between the fund's purchase price for the security and the resale price provides the fund with additional income.

What are the risks of investing in the Fund?

The main risks of the Fund's investment strategy are listed under this heading in point form, and in order of importance. You can read a complete description of each kind of risk in the first part of this prospectus under *Different kinds of mutual funds have different kinds of risks* on page 2.

Who should invest in this Fund?

The *Who should invest in this fund?* section on the Fund specific page tells you the type of investor the Fund may be suitable for. This information is intended as a general guide only. When you are choosing investments, you should, together with your financial advisor, consider your whole portfolio, your investment objectives and your risk tolerance level.

Investment risk classification methodology

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

In cases where a mutual fund is new or has less than 10 years of performance history, the investment risk level of the mutual fund is calculated using a proxy fund or a reference index. A proxy fund is another mutual fund also managed by us that has at least 10 years of performance history, and would have the same portfolio manager, investment objectives and strategies of the mutual fund we are calculating the investment risk for. In the case where a proxy fund cannot be used, we would choose an appropriate reference index to calculate the investment risk level of the mutual fund. The reference index chosen is expected to reasonably approximate the standard deviation of the mutual fund.

Once a mutual fund has 10 years of performance history, the methodology will calculate the standard deviation of the mutual fund using the return history of the mutual fund itself rather than that of its proxy fund or reference index.

In each case, a mutual fund is assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk.

Investors should know that other types of risks, both measurable and non-measurable, exist. See "The risks of investing in mutual funds", the "Different kinds of mutual funds have different kinds of risks" and the fund-specific "What are the risks of investing in the fund?" sections of the simplified prospectus for further details on the risks associated with investing in a mutual fund offered by us.

Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The risk ratings of our mutual funds is reviewed annually and any time a risk rating is no longer deemed reasonable under the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk ratings of our mutual funds is available on request, at no cost, by calling toll-free 1-800-387-0830 or by writing to Franklin Templeton Investments Corp., 5000 Yonge Street, Suite 900, Toronto, Ontario M2N 0A7.

Distribution policy

This section tells you when you can expect to receive distributions (from a mutual fund trust). We may choose to pay distributions at other times, including when you redeem securities.

Distributions on securities held in Franklin Templeton registered plans are always reinvested in additional securities of the Fund. Distributions on securities held in other registered plans or in non-registered accounts are automatically reinvested in additional securities of the Fund unless you tell us in writing that you prefer to receive cash distributions.

You will be taxed on your distributions (other than a return of capital) even if the distributions are reinvested to purchase additional securities, unless your investment is held in a registered plan.

Fund expenses indirectly borne by investors

Mutual funds pay their expenses out of fund assets. This means investors in a fund indirectly pay for these expenses through lower returns. As the Fund has more than one series, the expenses of each series are tracked separately.

For Series O securities, there are no expenses indirectly borne by investors.

The chart allows you to compare the cost of investing in the Fund with the cost of other mutual funds. It shows the cumulative expenses you would have paid over various time periods if you:

- invested $1,000 in Series A or F of the Fund.
- earned a total annual return of 5%, which may be different from the series' actual return in any given year and is only used for illustrative purposes as required by the securities regulators

- paid the same management expense ratio each year as you did in the Fund's last completed financial year.

See *Fees and expenses* on page 34 of this prospectus for more information about the cost of investing in Series O securities of the Fund.

Organization and management of the Fund

Manager Franklin Templeton Investments Corp. 5000 Yonge Street Suite 900 Toronto, Ontario M2N 0A7	The manager is responsible for the business and operation of the Fund. We provide all general administrative and management services, such as: • calculating net asset values and preparing financial statements • calculating and arranging for payment of distributions to investors and commissions to Dealers • making regulatory and tax filings • providing or coordinating all other services required by the Fund • office space, facilities and administrative support.
Portfolio advisors Franklin Templeton Investments Corp. is the portfolio advisor to the Fund. K2/D&S Management Co. L.L.C. ("K2 Advisors") is the portfolio sub-advisor to the Fund.	The portfolio advisor manages the investment portfolios of the Fund. The Fund uses sub-advisors appointed by us to provide advice for a portion or for the entire portfolio. Under securities law, we are required to advise you that where portfolio management services are provided by an advisor or sub-advisor located outside of Canada, it may be difficult to enforce any legal rights against them because all or substantially all of their assets are located outside of Canada. International sub-advisors are not fully subject to the requirements of Canadian securities legislation and we are responsible for the investment advice provided by K2 Advisors in its capacity as sub-advisor to the Fund. K2 Advisors has received an exemption from the *Commodity Futures Act* (Ontario) (the "**CFA**") registration requirements in respect of any trades made by the Fund it sub-advises in commodity futures contracts and commodity futures options traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada. Accordingly, K2 Advisors will not be CFA registrants and the protections available to CFA registered clients will not be available to investors in the Fund.

Principal distributors Franklin Templeton Investments Corp. Toronto, Ontario FTC Investor Services Inc. (“**FTC ISI**”) Toronto, Ontario (for Series F and O)	As the principal distributors, we and FTC ISI market the Fund and arrange for sale of its securities through Dealers across Canada.
Custodian CIBC Mellon Trust Company Toronto, Ontario	The custodian, or any sub-custodian it may appoint, has physical custody of the investments made for the Fund.
Registrar and transfer agent Franklin Templeton Investments Corp. Toronto, Ontario	The registrar and transfer agent: • maintains account records of the owners of Fund securities • carries out all purchase, redemption, conversion and switch orders • provides reporting and statements to investors and Dealers
Trustee Franklin Templeton Investments Corp. Toronto, Ontario	The trustee holds title to the securities owned by the Fund on behalf of securityholders.
Auditor PricewaterhouseCoopers LLP Chartered Professional Accountants Toronto, Ontario	The auditor audits the annual financial statements of the Fund. Securityholder approval will not be required for a change in the auditor of the Fund provided the Independent Review Committee has approved such change and securityholders receive notice 60 days in advance of any such change in auditor.
Independent Review Committee	In accordance with National Instrument 81-107 – *Independent Review Committee for Mutual Funds*, the Manager has established an Independent Review Committee (“**IRC**”) to provide impartial judgment on conflicts of interest matters related to the operations of the Fund. The IRC prepares at least annually, a report of its activities for securityholders which is available on our website at www.franklintempleton.ca or, at your request and at no cost, by calling toll-free 1-800-387-0830 or by email at service@franklintempleton.ca. Currently, the members of the IRC are Gary Norton (Chair), Bruce Galloway and Stuart Douglas.

	Additional information about the IRC is available in the Annual Information Form. In certain circumstances, your approval may not be required under securities legislation to effect a fund merger provided that the IRC has approved such change and securityholders receive notice 60 days in advance of any such fund merger.

Franklin K2 Alternatives Fund

Fund Details

Type of fund:	Alternative mutual fund
Start date:	Series A, F and O securities: March 11, 2019
Nature of securities:	Series A, F and O securities of a mutual fund trust
Eligible for registered plans:	Yes
Portfolio advisor:	Franklin Templeton Investments Corp., Toronto, Ontario
Sub-advisor:	K2/D&S Management Co., L.L.C. ("**K2 Advisors**")

What does the fund invest in?

Investment objective:

- The Fund seeks capital appreciation with lower volatility relative to the broad equity markets by using a multi-strategy approach consisting of one or more alternative investment strategies. The Fund uses a number of techniques to preserve capital and mitigate risk, including selling short equity securities and using derivatives for hedging purposes and to gain exposure to additional investments.

The Fund uses leverage. Leverage is generally created through the use of cash borrowings, short sales and derivative instruments. The Fund does not intend to borrow cash to leverage, however, the Fund will be leveraged through the use of derivatives and short selling. The market value of the securities sold short will not exceed 50% of the Fund's net asset value. The aggregate notional amount of derivative instruments used for non-hedging purposes will not exceed an amount of the Fund's net asset value equal to 300% less the percentage of the Fund's NAV that represents the aggregate of the market value of securities sold short.

The fundamental investment objective may only be changed with the approval of a majority of the securityholders at a meeting called for that purpose.

Investment strategies:
The Fund invests primarily in a range of diversified non-traditional or "alternative strategies", including, but not limited to, Equity Premium Alpha, Hedge Fund Replication and Risk Premia. Occasionally, the Fund may also use a CRO strategy. These alternative strategies are described in more detail below.

- **Equity Premium Alpha –** Under the Equity Premium Alpha strategy, the Fund primarily invests in equities and equity-related securities identified through a systematic, proprietary rules-based methodology that seeks to select from the largest long equity positions disclosed in the U.S. public filings of alternative asset managers. K2 Advisors chooses managers that it believes are attractive investment candidates and best suited for providing complementary risk-and-return profiles to the Fund. Once the largest equity holdings of each manager is identified, a proprietary screening process is applied to each security. This strategy hedges the long equity exposure to the broader equity markets by taking short positions on (i) S&P 500 or similar futures contracts and/or (ii) a basket of equity securities that K2 Advisors finds unattractive, based on a related systematic, proprietary rules-based process.

- **Hedge Fund Replication -** This strategy seeks to provide the return of a pool of hedge funds diversified across selected hedge fund managers, while providing a more liquid portfolio. The Fund seeks to approximate the returns of the K2 Top 50 Manager Index, which is an equal-weighted index comprised of the top 50 hedge funds approved for investment by K2 Advisors, as determined monthly, based on total of K2 Advisors' assets under management invested in such hedge funds. K2 Advisors uses proprietary algorithmic regression techniques in an attempt to infer the K2 Top 50 Manager Index's exposure to various market exposures, and then invests in a portfolio of derivative instruments and other investment funds designed to achieve exposure to those markets.

- **Risk Premia -** Under the Risk Premia strategy, the Fund invests based on multiple investment factors, with the objective of delivering, over the long-term, positive returns. The intent of the strategy is for the returns to be substantially uncorrelated to the returns expected by investing in traditional asset classes, while capturing premia embedded in the markets. K2 Advisors uses derivative instruments to gain long and short exposures across multiple investment styles and asset classes. While the strategy employs leverage, a portion of the strategy's assets may be held in cash or cash equivalent investments, including, but not limited to, short-term investment funds and/or U.S. government securities.

***Conditional Risk Overlay*-** From time to time, K2 Advisors may also implement its Conditional Risk Overlay ("**CRO**") strategy for the Fund. The objective of the CRO strategy is to hedge selectively against undesirable market sensitivities that may exist in the portfolio of the Fund by taking on short-term, relatively liquid positions in an attempt to enhance performance relative to risk. The investments used to implement this strategy include securities, options, other derivatives or other financial instruments. K2 Advisors intends that the CRO strategy will act as a hedge against negative market events.

K2 Advisors employs a disciplined total portfolio management approach, using quantitative and qualitative strategy allocation techniques to construct the portfolio for the Fund. The Fund is built on long-term strategic allocation to each underlying strategy.

The Fund allocates among various alternative investment strategies utilizing a top-down approach, generating the Fund's strategy weightings by taking in to account a number of factors, including market conditions, risk factors, diversification, liquidity, transparency, and the availability of various strategies and other investment options, among other things. The Fund's assets are allocated to specific strategies using a bottom-up approach, selecting strategies and their weightings in the Fund's portfolio by taking into account their correlation to various markets and to each other, risk profiles and their return expectations. From time to time, based solely on K2 Advisors' determination, the Fund may have little or no assets allocated to any one particular strategy in light of economic or other conditions.

In pursuing its investment objective, the Fund invests in a wide range of securities, including, but not limited to, equities, fixed income securities and/or convertible securities issued by companies and/or governments anywhere in the world, including emerging markets, commodities, cash, including foreign cash, cash equivalents and other financial instruments. The Fund employs a flexible approach to its use of derivative instruments, and has the ability to opportunistically use options, swaps, futures and forward contracts for hedging and non-hedging purposes under different market conditions.

The Fund may also engage in physical short sales for investment purposes. When taking a "short" position, the Fund sells a security that it does not own and then borrows the security to meet its settlement obligations. The Fund may also take "short" positions in futures, forwards and swaps. A short position benefits from a decrease in price of the security and loses value if the price of the security increases. On the other hand, a long position benefits from an increase in price of the security and loses value if the price of the security decreases. The use of short selling by the Fund is subject to an overall limit of 50% of its net asset value.

The Fund may also hold a portion of its assets in securities of other investment funds, including ETFs, which may be managed by us or our affiliates, in accordance with the Fund's investment objectives.

The Fund may also enter into securities lending transactions, repurchase transactions and reverse repurchase transactions, to the extent permitted by securities regulations, to earn additional income.

Currency Hedging - As many of the Fund's holdings are denominated in U.S. dollars, under normal market conditions, the Fund utilizes forward foreign currency contracts to hedge against fluctuations caused by changes in the exchange rates between the U.S. dollar and the Canadian dollar. As a result, the Fund will not generally suffer/benefit from fluctuations in the value of the U.S. dollar against the Canadian dollar. Investments in forward contracts to hedge between the U.S. dollar and the Canadian dollar will not result in the impact of currency fluctuations being eliminated altogether. Hedging may also limit the opportunity for gains in the event of an increase in the value of the U.S. dollar relative to the Canadian dollar.

The Fund is an alternative mutual fund. It has the ability to invest in asset classes or use investment strategies that are not permitted for conventional mutual funds. The specific strategies that differentiate this Fund from conventional mutual funds include: the Fund is permitted to invest up to 100% of its net asset value in physical commodities; increased concentration, as up to 20% of the Fund's net asset value may be invested in a single issuer; increased use of derivatives for hedging and non-hedging purposes, including entering into derivatives contracts with counterparties that do not have a designated rating as defined in NI 81-102; and an increased ability to sell securities short. While these strategies are used in accordance with the Fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

What are the risks of investing in the fund?

- equity risk
- derivatives risk
- commodities risk
- counterparty risk
- leverage risk
- credit-linked securities risk
- swap agreements risk
- target or tracking risk
- hedge fund risk

- selection and reliance on select managers risk
- interest rate risk
- credit risk
- sovereign debt risk
- liquidity risk
- market risk
- market disruptions risk
- highly volatile market risk
- futures and forward trading volatility risk
- forward trading risk
- options trading risks
- exchange traded funds risk
- foreign currency risk
- asset allocation risk
- large investor risk
- portfolio turnover risk
- emerging markets risk
- low-rated or non-investment grade securities risk
- structured notes risk
- convertible securities risk
- defaulted debt securities risk
- short selling risk
- distressed securities risk
- underlying funds risk
- real estate securities risk
- concentration risk
- cyber security risk
- taxation risk
- series risk

As of February 26, 2020, the Manager held 81.40% of the Fund.

See page 2 for a full discussion of these risks.

Who should invest in this fund?

Investors:

- who are seeking to protect capital during a wide range of economic and market environments while seeking the potential for superior risk-adjusted returns that are not correlated to major stock market indices;
- planning to hold their investments for the medium to long term;
- willing to accept low investment risk for that part of their portfolio and are able to accept some variability of returns

This Fund is for investors willing to accept low investment risk for that part of their portfolio. However, this Fund could be used in a portfolio whose overall investment risk may be lower or higher than this individual part. Please see *Investment risk classification methodology* on page 49 for a description of how we classify this Fund's investment risk.

Reference index description
The Fund's reference index is the HFRX Global Hedge Fund Index (USD).

Distribution policy
The Fund distributes income on the last business day of each month (except in December, when it may be distributed earlier), distributes any realized net capital gains annually in December and may make distributions at other times during the year.

Distributions are automatically reinvested in additional securities of the Fund, unless you tell us in writing that you prefer to receive cash distributions. Please see page 50 for more information.

Fund expenses indirectly borne by investors based on $1,000 initial investment (in $)

	One year	***Three years***	***Five years***	***Ten years***
Expenses payable over:				
Series A	22.58	71.17	124.74	283.95
Series F	10.71	33.76	59.18	134.71

Please see Fund expenses indirectly borne by investors on page 50 for the required assumptions used in this table, which do not reflect the actual performance of the Fund.

Glossary

Book value
The cost of your securities at the time you purchased them or received them as a distribution. The book value of your total investment in securities of a series of the Fund is calculated as follows:

The cost of your initial investment
Plus the cost of any additional purchases
Plus reinvested distributions
Minus the capital returned in any distributions
Minus the ACB of any previous redemptions

The adjusted cost base (ACB) of your securities of the Fund is determined by dividing the book value of your total investment in a Fund by the number of securities of that series of that Fund that you own.

Capping a fund or series of a fund
When we cap a fund or series of a fund, we do not allow new investors to purchase securities of the fund or securities of the series of the fund which is being capped. We do, however, permit existing investors to purchase additional securities of the fund or series of the fund. A new investor is an investor who, at the time of capping, is not an investor in the fund or series of the fund that is being capped. We reserve the right to re-open a fund, or series of a fund at any time.

Closing a fund or series of a fund
When we close a fund or series of a fund, we do not allow any new purchases of securities of the fund or securities of the series of the fund which is being closed. We reserve the right to re-open a fund, or series of a fund at any time.

Deferred sales charge option
Deferred sales charge is a type of purchase option for Series A securities. Under this purchase option, at the time of sale, your full purchase amount is invested in the Fund and we pay your Dealer a sales commission of 5% of the amount you invest. You will not pay a redemption fee to us unless you redeem your securities within six years of buying them. The redemption fee reduces over time. You receive a free entitlement amount annually.

Dealers
Dealers, including registered investment dealers, mutual fund dealers and exempt market dealers, and other intermediaries acting as dealer that distribute securities of the mutual fund.

Equities, stocks, or shares
Represent proportionate interest in a company. Some equities pay regular dividends; others do not. Many investors purchase equities because they expect the company's profits to rise, increasing the market value of the shares. Includes common shares, preferred shares and securities convertible into common shares.

Fixed income securities
Pay regular income. Bonds and guaranteed investments certificates (GICs) are examples of fixed income securities that pay regular interest. Although they may not pay a 'fixed' return, floating rate bonds and securities are generally also referred to as fixed-income securities.

Front-load option
Front-load is a type of purchase option for Series A securities. Under this purchase option, at the time of sale, you negotiate a sales commission with your Dealer of up to 6% of the amount you invest in Series A securities. This sales commission is deducted from your purchase amount.

Low-load option
Low-load is a type of purchase option for Series A securities. Under this purchase option, at the time of sale, your full purchase amount is invested in the Fund and we pay your Dealer a sales commission of 2.5% of the amount you invest. You will not pay a redemption fee to us unless you redeem your securities within three years of buying them. The redemption fee reduces over time. You receive a free entitlement amount annually.

Management expense ratio (MER)
The MER shows how much the Fund paid in management fees, fixed rate administration fee and Fund Costs (including harmonized sales tax) during each year shown. It is expressed as an annualized percentage of daily average net assets during the year.

$$\text{MER per series} = \frac{\text{Management fee and fixed rate administration fee and Fund Costs of the Fund allocated to the series}}{\text{Daily average net asset value of the series}}$$

See page 35, *Operating expenses*, for more details.

Money market securities
Short-term securities with maturities of less than one year – such as treasury bills, commercial paper, bankers' acceptances and certificates of deposit.

Portfolio turnover rate
Indicates the rate at which the Fund's portfolio advisor changes its portfolio of investments in a year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling each security in its portfolio once in the course of its financial year. The higher the portfolio turnover rate in a year, the greater the trading costs payable by the Fund in a year and the greater the chance of you receiving a distribution from the Fund that must be included in computing your income for tax purposes for that year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. See page 43, Income tax considerations for investors, for more details on the tax consequences of a high portfolio turnover rate.

Series
The Fund may have an unlimited number of series.

Term
The length of time you hold an investment.

Short term: up to one year.
Medium term: between one and five years.
Long term: more than five years.

Securities
Your proportionate interest in the Fund.

Alternative Mutual Fund
Franklin K2 Alternatives Fund

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

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

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

FRANKLIN TEMPLETON

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