FRANKLIN TEMPLETON

Franklin ActiveQuant U.S. Fund

Series A
Series F
March 31, 2021

Fund Commentary

Performance Review

- For the first quarter, ten out of eleven GICS sectors posted positive total returns in Canadian dollar terms, with consumers staples being the only exception. The best performing sectors were energy (+29.2%), financials (+14.4%), and industrials (+10.0%). Conversely, the worst performing sectors were the more defensive consumer staples (-0.1%), information technology (+0.7%) and utilities (+1.5%).
- For the quarter, the fund's Series F shares returned 7.79%, and its benchmark, the S&P 500 Index, returned 4.88%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Applied Materials Inc.	Information Technology (stock selection)
	Deere & Company	Consumer Discretionary (stock selection)
	General Motors Company	Health Care (stock selection)
HURT	Dollar General Corporation	Financials (stock selection)
	PepsiCo Inc.	Energy (no exposure)
	Merck & Co Inc.	Utilities (stock selection)

- The fund experienced significant positive security selection and interaction and negative sector allocation. Positive security selection and interaction was broad-based, most notably impacted by individual holdings in information technology, health care, consumer staples, consumer discretionary and industrials, partially offset by individual holdings in financials.

Outlook & Strategy

- The S&P 500 TRI reached an all-time high on March 26, 2021, almost exactly one year after the COVID-19 bear market ended on March 23, 2020. The brief but intense downturn in early 2020 was met with an immense magnitude of fiscal and monetary stimulus by governments and central banks, resulting in "near-zero" interest rates and an abundance of capital chasing a limited investment opportunity set. As stimulus-derived capital continued to make its way into equity markets, it has seemingly joined in on the general disregard for fundamentals and valuation, in favour of momentum and potential, challenging factor-based strategies' ability to distinguish good performers from poor performers. While collectively society continues to vaccinate populations and the return to "normalcy" progresses, it seems likely that stimulus will eventually wind down as the threat of inflation looms, possibly pushing market participants to incorporate a more balanced view and discerning approach to valuations, in turn fostering an environment more conducive for quantitative strategies.
- We remain confident in the strategy's ability to navigate ongoing and changing dynamics we face with U.S. equities given continued emphasis placed on maintaining a portfolio that ranks favorably compared to the benchmark on metrics measuring valuation, growth, volatility and momentum

Fund Details

Inception Date	03/03/2008
Benchmark Name	S&P 500 Index

Fund Description

The Fund seeks long-term capital appreciation by investing primarily in a diversified portfolio of U.S. securities, utilizing a quantitative model selection process.

Performance Data

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	Since Inception	Inception Date
Series A	5.91	7.50	7.50	23.40	8.17	7.31	06/09/2017
Series F	6.01	7.79	7.79	24.65	9.25	8.35	06/09/2017
S&P 500 Index	3.06	4.88	4.88	39.59	15.77	13.86	-

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

Investment Team

Garey J. Aitken, CFA
Years with Firm 23
Years Experience 29

Izabel Flis, CFA
Years with Firm 20
Years Experience 20

Important Legal Information

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

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

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