Franklin Global Aggregate Bond Fund

Series A
Series F
March 31, 2021

FRANKLIN TEMPLETON

Fund Commentary

Performance Review

- Global bond markets fell significantly in US-dollar terms over the first quarter of 2021. February witnessed a sharp sell-off in bonds, with COVID-19 vaccinations and the proposal of a US$1.9 trillion stimulus package stoking concerns that a strong economic recovery later in the year could also lead to a spike in inflation and debt levels. The US Federal Reserve (Fed) maintained its policies over the quarter, stressing that it would need to see actual progress towards full employment and price stability before considering monetary tightening. US Treasury yields rose over 80 basis points over the period, the largest three-month increase in more than a decade.

QUARTERLY KEY PERFORMANCE DRIVERS

	Duration	Sector Allocation	Security Selection	Currencies
HELPED	Canada underweight	US Treasuries underweight	Italian government bonds	—
	—	US corporate investment-grade industrial bonds overweight	US corporate high-yield industrial bonds	—
	—	Lithuanian government bonds overweight	Danish securitised bonds	—
HURT	Eurozone positioning	US corporate high-yield industrial bonds overweight	US corporate investment-grade industrial bonds	Indonesian rupiah overweight
	US overweight	—	Polish government bonds	Mexican peso overweight
	Mexico overweight	—	Hard-currency emerging market debt	Colombian peso overweight

- The fund's duration and yield-curve positioning detracted from relative returns, most of all duration stances on eurozone, US and Mexican bonds, where rates rose.
- The fund's currency positioning also weighed on relative results, notably overweight exposures to the Indonesian rupiah, and Mexican, Colombian and Uruguayan pesos, as these currencies depreciated against the Canadian dollar.
- In contrast, the fund's sector allocation contributed to relative performance, although this was diluted by the negative impact of security selection. In government bonds, selection in Italian sovereign issues and an underweight allocation to US Treasuries added relative value. However, selection in US corporate investment-grade industrial bonds subtracted relative value.

Outlook & Strategy

- Although we believe that short-term conditions could worsen before they ultimately improve, we are cautiously optimistic for a more sustainable and robust recovery in the world's major economies.
- In our view, US monetary policy should remain loose for some time, with the Fed keeping interest rates close to zero until 2023 and maintaining unlimited balance sheet support to financial markets.
- Despite the scale of renewed COVID-19 cases in the eurozone, we continue to believe that there are potential opportunities to be found within European fixed income.

Fund Details

Inception Date	05/01/2020
Benchmark Name	Bloomberg Barclays Global Aggregate (100% Hedged into CAD) Index

Fund Description

This fund seeks to maximize total investment return, consisting of a combination of interest income and capital appreciation by investing primarily in investment grade fixed or floating-rate debt securities issued by governments, government related entities (including supranational organizations supported by several national governments) and corporations worldwide. Franklin Global Aggregate Bond Fund invests substantially all of its assets in securities of FLGA.

Performance Data

The series was launched on 05/01/2020. Full year performance data is unavailable for this period.

Investment Team

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