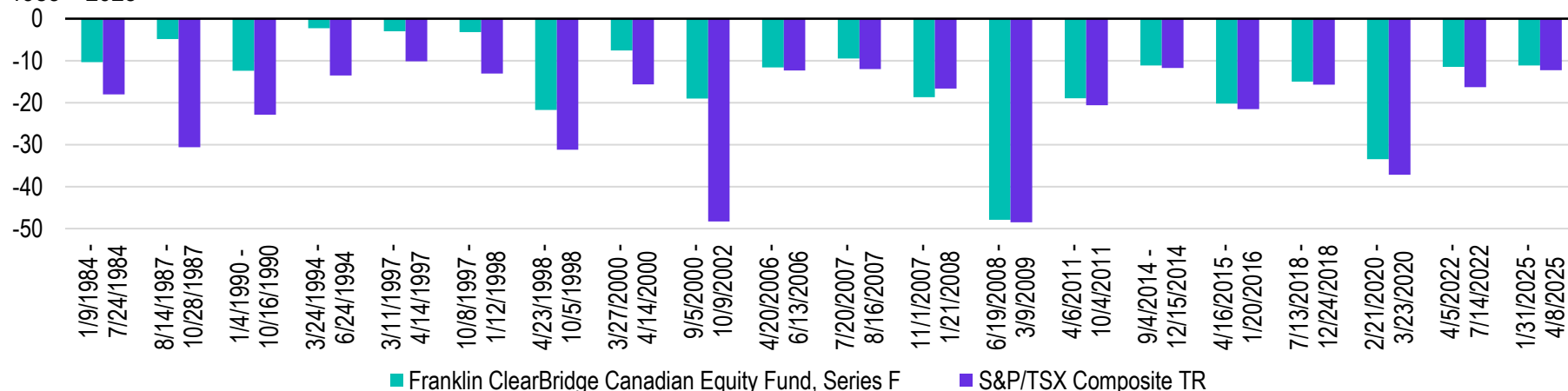


The Power of Downside Protection

Throughout a full market cycle, superior returns, and ultimately risk-adjusted returns, can be achieved in various ways, but generally they require a combination of both offence and defense. In bull markets, investor attention is usually focused on the thrill of the ride, with risk considerations largely playing second fiddle; however, downside risk management can be just as, if not more, important through a cycle. Ultimately, the compounding of returns over time is heavily influenced by how resilient a portfolio of equities is during periods of crisis, in conjunction with its upside capture.

Downturns of 10% or more in S&P/TSX Composite Index and the performance of Franklin ClearBridge Canadian Equity Fund - Series F during that period¹

1983 – 2025



Since the inception of the Franklin Clearbridge Canadian Equity Fund, there have been 20 downturn performance periods of 10% or greater for the S&P/TSX Composite Index. During those periods, Franklin Clearbridge Canadian Equity outperformed the Index 19 of those periods.

It's crucial to remember that excess returns on the way down are worth more than excess returns on the way up. In other words, negative and positive percentage changes are asymmetrical. For example, a decline of 50% followed by a gain of 50%, leaves an investor much worse off than where they started (a net 25% decline to be exact). A 50% decline requires a full 100% gain to regain lost ground. By extension, for an active manager a percentage point (or 100 basis points "bps") of excess return in a down market is worth considerably more than a percentage point of excess return in an up market.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all [dividends or distributions] and does [do] not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

1. Source: Morningstar Direct. As of June 30, 2025.

© 2025 Franklin Templeton. All rights reserved.

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

2541-DPFLE-0625