Franklin Quotential Portfolios

Monthly Review and Strategy

The following commentary is based on Franklin Quotential Balanced Growth Portfolio.[1]

Market Review

The Bank of Canada maintained its policy rate at 2.25% in September, balancing improving domestic economic activity against persistent inflationary pressures and heightened geopolitical uncertainty. Elevated energy prices and renewed trade tensions with the United States increased risks to the inflation and growth outlook, prompting the Bank to maintain a cautious approach to monetary policy.

Canadian economic activity continued to recover, with second-quarter gross domestic product (GDP) expanding at an annualised rate of 3.3%, supported by stronger consumption, exports and business investment. However, uncertainty surrounding US tariffs, subdued labour demand and excess capacity continued to weigh on the outlook.

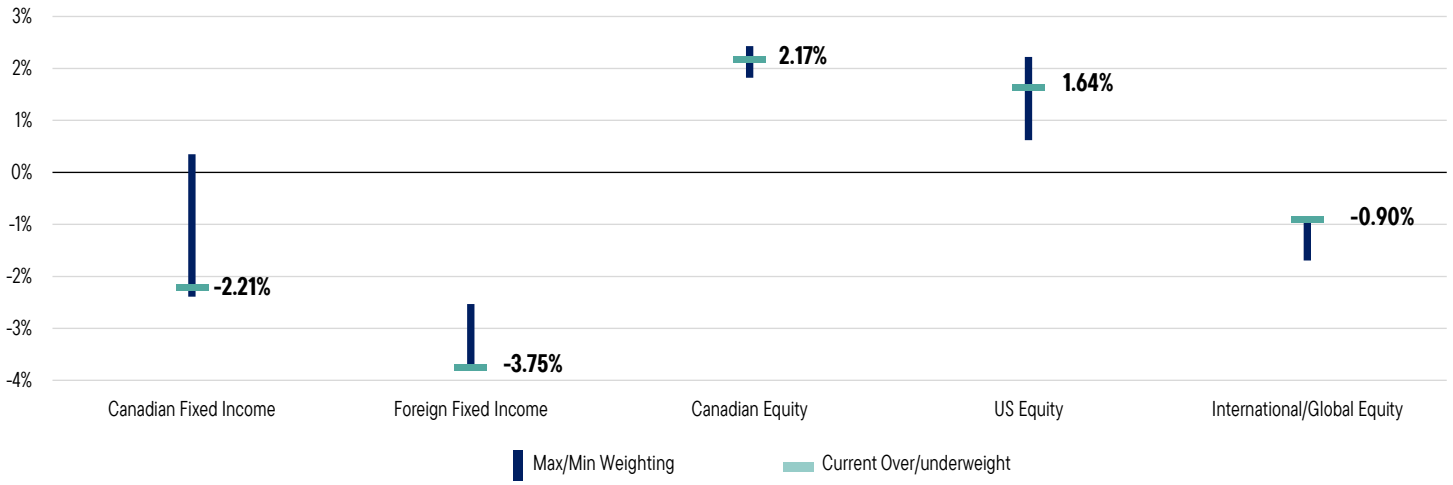
Annual consumer price index (CPI) inflation remained at 3.0% in August, unchanged from July. Elevated gasoline prices continued to exert upward pressure, although their annual rate of increase moderated. Excluding gasoline, inflation rose to 2.4% from 2.2%, while the Bank of Canada's preferred measures of core inflation remained close to its 2% target.

Canadian government bond yields rose in September, reflecting persistent inflation concerns, elevated energy prices and higher global bond yields. Longer-duration bonds were particularly affected, while shorter-duration securities demonstrated greater resilience. The FTSE Canada Universe Bond Index declined by 1.22% during the month, as rising yields weighed on returns.

Canadian equities retreated in September following several months of gains. The S&P/TSX Composite Index declined by approximately 2.9%, reflecting increased investor caution amid rising bond yields, persistent inflation and geopolitical uncertainty. Despite the monthly decline, Canadian equities remained positive for the third quarter overall.

The Canadian dollar weakened against the US dollar in September, supporting returns from US-dollar-denominated assets when translated into Canadian dollars.

Tactical Positioning[2]



1. Franklin Quotential Balanced Growth Portfolio's blended benchmark consists of 28% FTSE Canada Universe Bond Index (Canadian fixed income), 12% Bloomberg Multiverse TR Index (100% Hedged into CAD) (foreign fixed income), 15% S&P/TSX Composite Total Return Index (Canadian equity), and 45% MSCI All Country World Index-NR (international/global equity). Net Returns (NR) include income net of tax withholding when dividends are paid. Benchmarks are rebalanced monthly and returns are in Canadian dollars.

2. Includes emerging markets. Reported changes in asset class weightings may be influenced by both buy/sell decisions as well as fluctuations in asset values. The percentage number and solid teal line represent the current under/overweighting. Blue line represents the over/underweighting minimum and maximum over the last 12 months.

Forward-looking Investment Strategy

We see heightened volatility in fixed-income markets, as higher energy prices and resilient growth push up bond yields.

This has put pressure on equity valuations and resulted in an increasingly positive correlation between stocks and bonds, while also highlighting the importance of additional diversifiers within investment portfolios.

Strong global economic growth and corporate earnings support a constructive stance toward risk, despite uncertainty surrounding geopolitical developments, persistent inflation and monetary policy tightening.

As our constructive view on equities holds firm, we also see increasing value in government bonds as markets price in multiple interest rate hikes, pushing yields to attractive levels.

Within equities, we maintain an artificial intelligence (AI) tilt in our portfolios, with a preference for emerging market, US and Japanese equities.

We are also increasing duration across our portfolios heading into October, as developed-market government bonds look increasingly attractive at current yields.

We have improved our view of US Treasuries and remain overweight Canada. While global growth remains resilient, weaker Canadian economic conditions could constrain the Bank of Canada's ability to tighten monetary policy.

Trades

We maintained a preference for equities in September, holding overweight positions in emerging market, Canadian and US equities and retaining an underweight position in international equities.

We maintained an underweight position in fixed income while retaining exposure to alternative investments, including private credit and real estate. Within fixed income, we continued to favour Canadian bonds.

Results of Positioning

Cross-asset positioning between equity and fixed income contributed to relative performance, as our overweight to equities and underweight to bonds proved positive.

Our off-benchmark allocation to alternatives added value.

Regional equity allocation proved positive, notably through an overweight position in emerging market equities and an underweight position in international equities.

Underlying US and emerging market funds added value, particularly growth-oriented exposures amid a modest revival of the AI trade in September.

Franklin Canadian Core Equity Fund beat the broad Canadian equity benchmark, helped by selection among materials and energy stocks.

Fixed-income selection had a broadly neutral impact on relative performance. Positive contributions from short-duration Canadian bonds were offset by the negative impact of longer-duration securities and credit exposures amid rising yields and widening spreads.

Performance vs. Morningstar Peers[3]

1st Quartile | 2nd Quartile | 3rd Quartile | 4th Quartile

As of September 30, 2026

Fund Name (Series F)	3 M	YTD	1 Y	3 Y*	5 Y*	10 Y*	Since Inception*	Inception
Franklin Quotential Diversified Income Portfolio	**-1.77**	**2.89**	**3.65**	**8.65**	**3.17**	**3.46**	**4.57**	**26-Jun-08**
Percentile Rank	62	67	61	58	62	57		
Franklin Quotential Balanced Income Portfolio	**-1.11**	**5.49**	**6.66**	**11.26**	**5.14**	**5.07**	**5.66**	**19-Aug-02**
Percentile Rank	21	10	7	11	17	9		
Global Fixed Income Balanced Category	-1.61	3.54	4.09	9.07	3.64	3.78	4.34	
Category Size	868	858	850	789	730	433		
Franklin Quotential Balanced Growth Portfolio	-0.24	8.95	10.70	14.81	7.75	7.01	6.59	**19-Aug-02**
Percentile Rank	29	14	14	17	20	24		
Global Neutral Balanced Category	-0.73	6.83	7.86	12.53	6.25	6.05	5.47	
Category Size	1,625	1,602	1,579	1,451	1,308	792		
Franklin Quotential Growth Portfolio	**0.64**	**12.54**	**14.92**	**18.48**	**10.46**	**8.99**	**7.09**	**19-Aug-02**
Percentile Rank	17	14	15	15	15	17		
Global Equity Balanced Category	-0.38	9.58	10.95	15.42	8.06	7.53	6.19	
Category Size	1,146	1,135	1,114	1,041	910	608		
Franklin Quotential Diversified Equity Portfolio	**0.94**	**16.38**	**18.31**	**21.27**	**12.11**	**10.85**	**8.41**	**9-Jun-03**
Percentile Rank	52	18	24	26	26	34		
Global Equity Category	0.44	12.40	13.33	18.36	9.74	10.08	7.75	
Category Size	1,919	1,871	1,835	1,620	1,411	827		

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Regional equity/bond returns are based on the following indices: S&P/TSX Composite, S&P 500, MSCI Emerging Markets, MSCI AC World ex. USA, Credit Suisse High Yield, Barclays Multiverse–Hedged and FTSE Canada Universe. All Portfolio commentary herein is based on Franklin Quotential Balanced Growth Portfolio, used as a proxy for the entire Program. Over/underweights and portfolio outperformance are based on Franklin Quotential Balanced Growth Portfolio's blended benchmark, For full custom benchmark history, please refer to our website.

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Franklin Templeton Canada
(800) 897-7280
franklintempleton.ca

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