

This document contains key information you should know about Franklin Quotential Diversified Income Portfolio. You can find more detailed information in the fund's simplified prospectus. Ask your representative for a copy, contact Franklin Templeton Investments Corp. (Franklin Templeton) at 1.800.387.0830 or service@franklintempleton.ca or visit www.franklintempleton.ca.

Before you invest in any fund, consider how it would work with your other investments and your tolerance for risk.

Quick facts

| | | | |
|---------------------------------------------------|------------------------------|------------------------------|--------------------------------------------|
| Fund codes: | CAD: TML3253, TML5008 (ADM)* | Fund manager: | Franklin Templeton Investments Corp. |
| Date series started: | June 26, 2008 | Portfolio manager(s): | Fiduciary Trust Company of Canada |
| Total value of the fund on March 31, 2018: | \$1.2 billion | Minimum investment: | \$500 initial, \$100 additional, PACs \$50 |
| Management expense ratio (MER): | 1.03% | | |

* The effective date of availability of this purchase fee option is August 7, 2018.

What does the fund invest in?

The portfolio invests primarily in a diversified mix of income and bond mutual funds managed by Franklin Templeton. Under normal market conditions, the portfolio has an optimal asset mix of 70-95% fixed income and 5-30% equities.

The charts below give you a snapshot of the fund's investments on March 31, 2018. The fund's investments will change.

Top 10 investments (March 31, 2018)

| | |
|-------------------------------------------------------------|--------|
| 1. Franklin Bissett Core Plus Bond Fund, Series O | 23.41% |
| 2. Franklin Bissett Canadian Government Bond Fund, Series O | 14.97% |
| 3. Franklin Strategic Income Fund, Series O | 9.90% |
| 4. Franklin Bissett Canadian Short Term Bond Fund, Series O | 8.69% |
| 5. Templeton Global Bond Fund, Series O | 7.33% |
| 6. Franklin Bissett Canadian Dividend Fund, Series O | 5.66% |
| 7. Cash and cash equivalents | 5.54% |
| 8. Franklin U.S. Rising Dividends Fund, Series O | 3.64% |
| 9. Franklin U.S. Low Duration Fund, Series I | 3.58% |
| 10. Franklin ActiveQuant Canadian Fund, Series O | 2.84% |

Total percentage of top 10 Investments **85.56%**

Total number of investments **19**

Investment mix (March 31, 2018)

Asset Class

| | |
|-------------------------------------------------------------------------|--------|
| Fixed Income (Exchange Traded Funds and exposure from Underlying Funds) | 64.90% |
| Equity (Exchange Traded Funds and exposure from Underlying Funds) | 26.59% |
| Other assets (of Underlying Funds) | 2.98% |
| Short-term securities and all other assets, net | 5.53% |

How risky is it?

The value of the fund can go down as well as up. You could lose money. One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating

Franklin Templeton has rated the volatility of this fund as **low**.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the fund's returns, see the Investment risk classification methodology section of the fund's simplified prospectus.

No guarantees

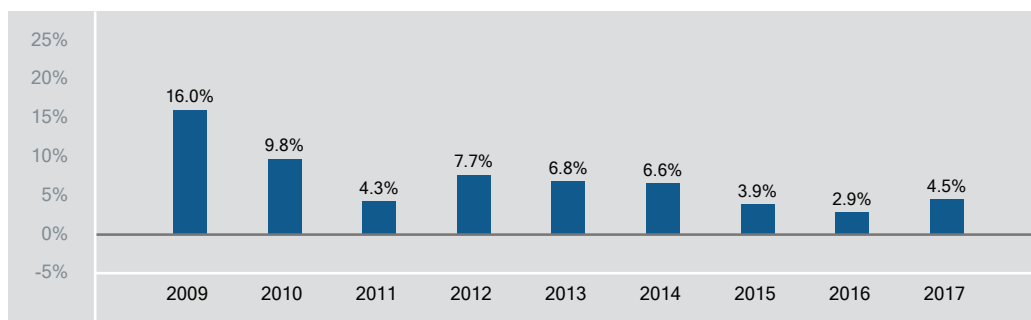
Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

How has the fund performed?

This section tells you how Series F securities of the fund have performed over the past 9 years. Returns are after expenses have been deducted. These expenses reduce the series' returns.

YEAR-BY-YEAR RETURNS

This chart shows how Series F securities of the fund have performed in each of the past 9 years. The series did not drop in value in any of those years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



BEST and WORST 3-MONTH RETURNS

| | Return | 3 months ended | If you invested \$1,000 at the beginning of the period |
|--------------|--------|-------------------|--------------------------------------------------------|
| Best return | 7.6% | June 30, 2009 | Your investment would rise to \$1,076. |
| Worst return | -12.0% | November 30, 2008 | Your investment would drop to \$880. |

AVERAGE RETURN

The annual compounded return of Series F securities of the fund was 5.35% since inception. If you had invested \$1,000 in the fund since inception, your investment would be now worth \$1,664.

Who is this fund for?

Investors who:

- want a core high income holding well diversified by asset class, investment style and geography
- invest for a medium term

Series F securities are only available to investors approved by Franklin Templeton for whom Franklin Templeton does not incur distribution costs.

A word about tax

In general, you pay income tax on your share of the fund's earnings and on any gains you realize from redeeming your investment. The amount of tax depends on the tax rules and rates that apply to you, and whether you hold the fund in a registered plan, such as an RRSP or TFSA.

If you hold the fund in a non-registered account, we send a tax slip that shows your share of the fund's earnings. You must calculate your gains on redemption.

How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series F securities of the fund. The fees and expenses – including any commissions – can vary among series of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other series, funds and investments that may be suitable for you at a lower cost.

1. SALES CHARGES

There are no sales charges for Series F securities of the fund.

2. FUND EXPENSES

You don't pay these expenses directly. They affect you because they reduce the series' returns. As of December 31, 2017, the expenses of Series F were 1.05% of the value of this series. This equals \$10.50 for every \$1,000 invested.

We will switch your Series F securities into Series PF securities of the fund (bearing lower combined management and administration fees) upon your investment in related Franklin Templeton accounts meeting the Series PF eligibility requirements of \$100,000. The combined management and administration fee decrease (from Series F to Series PF) is 0.27%. If you no longer meet the eligibility requirements for Series PF, we will switch your securities back to Series F securities, which have a higher combined management and administration fee. See "Fees and Expenses" in the fund's simplified prospectus and speak to your representative for additional details.

| | Annual rate (as a % of the series' value) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Management expense ratio (MER) | 1.03% |
| This is the total of the management fee (including trailing commission), fixed administration fee and any operating expenses not covered by the fixed administration fee. Franklin Templeton waived some of the expenses for this series. If it had not done so, the MER would have been higher. | |
| Trading expense ratio (TER) | 0.02% |
| These are the fund's trading costs for this series. | |
| Series Expenses | 1.05% |

More about the trailing commission

No trailing commission is paid by Franklin Templeton to your representative's firm in respect of Series F securities. Please see "Representative's Firm Fees" below.

3. OTHER FEES

You may have to pay other fees when you buy, hold, sell or switch securities of the fund.

| Fee | What you pay |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative's Firm Fees | No trailing commission is paid by Franklin Templeton to your representative's firm in respect of this series. Instead, you may buy and hold this series of securities in a fee-based account at your representative's firm. If you hold your securities in a fee-based account, you negotiate the fee and pay it directly to your representative's firm. |
| Investment advisory services fee* | If you do not hold this series of securities in a fee-based account at your representative's firm, you may buy this series by opting into our investment advisory services fee option. If this option is chosen by you, Franklin Templeton will collect the fee (plus any applicable taxes) from you on behalf of your representative's firm by redeeming securities of this series of the fund in your account and remitting the amount to your representative's firm. With this fee option, the maximum annual investment advisory services fee that we collect on behalf of your representative's firm is 1.50%. |
| Switch fee | Up to 2% of the value of the switched securities. You negotiate this amount with, and pay it to, your representative's firm. A switch from Series F securities of the fund to Series F securities of another fund will not be subject to switch fees. Your representative's firm may charge you a switch fee for switches from Series F to any other series. |

* The effective date of availability of this purchase fee option is August 7, 2018.

What if I change my mind?

Under the securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund securities within two business days after you receive a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you will also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact Franklin Templeton or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

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To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.