

This document contains key information you should know about Franklin Strategic Income Fund. 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: TML173	Fund manager:	Franklin Templeton Investments Corp.
Date series started:	February 17, 2003	Portfolio manager(s):	Franklin Templeton Investments Corp.
Total value of the fund on March 31, 2018:	\$454.3 million	Sub-advisor:	Franklin Advisers, Inc.
Management expense ratio (MER):	Management and administration fee is paid directly by you and may be negotiated by institutional investors	Distributions:	Monthly; distributions are reinvested unless you choose cash
		Minimum investment:	\$200,000 initial [§] , PACs no minimum

[§] Except for certain managed accounts

What does the fund invest in?

The fund invests primarily in fixed income securities issued in the U.S. and throughout the world. This fund is typically hedged to reduce the impact of currency fluctuations relative to the Canadian dollar.

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. Cash and cash equivalents	5.39%
2. PowerShares Senior Loan Portfolio ETF	4.64%
3. Federal Home Loan Mortgage Corporation, 4.00%, 4/1/2048	2.31%
4. Federal Home Loan Mortgage Corporation, 3.50%, 4/1/2048	2.26%
5. United Kingdom Treasury Bond, 2.00%, 9/7/2025	1.36%
6. U.S. Treasury Note, Index Linked, 0.125%, 7/15/2024	1.17%
7. iShares iBoxx \$ High Yield Corporate Bond ETF	1.14%
8. U.S. Treasury Bond, 3.00%, 11/15/2045	1.14%
9. Fieldwood Energy LLC, Loans, Floating Rate Note, 10/1/2018	0.98%
10. Federal National Mortgage Association, 3.50%, 4/1/2048	0.97%

Total percentage of top 10 Investments 21.36%

Total number of investments 508

Investment mix (March 31, 2018)

Asset Class	
Foreign Corporate Bonds	72.19%
Foreign Government Bonds	20.65%
Exchange-Traded Funds	5.79%
Municipal Bonds	1.21%
Canadian Corporate Bonds	0.53%
Common Stocks	0.21%
Preferred Stocks	0.03%
Short-term securities and all other assets, net	-0.61%

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 to medium**.

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

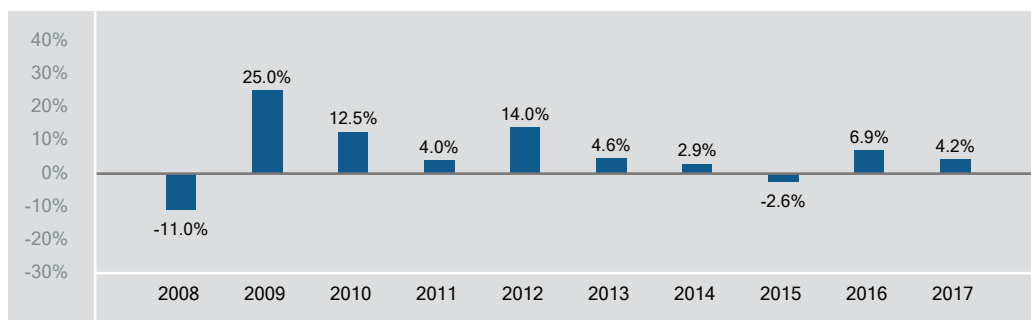
Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

How has the fund performed?

This section tells you how Series 0 securities of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the series' returns.

YEAR-BY-YEAR RETURNS

This chart shows how Series 0 securities of the fund have performed in each of the past 10 years. The series dropped in value in 2 of the 10 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	9.5%	June 30, 2009	Your investment would rise to \$1,095.
Worst return	-15.7%	November 30, 2008	Your investment would drop to \$843.

AVERAGE RETURN

The annual compounded return of Series 0 securities of the fund was 5.48% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would be now worth \$1,705.

Who is this fund for?

Investors who:

- want a higher level of current income with some capital gains
- want to lower their exposure to the impact of currency fluctuations relative to the Canadian dollar
- invest for a medium to long term
- want regular monthly cash flows (if any)

Since this fund invests in global and high yield fixed income instruments, it may be subject to additional risks that may not be suitable for more conservative investors.

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 O 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 O securities of the fund.

2. FUND EXPENSES

You don't pay these expenses directly. They affect you because they reduce the fund's returns. As of December 31, 2017, the expenses of Series O were 0.00% of the value of this series. This equals \$0.00 for every \$1,000 invested.

	Annual rate (as a % of the series' value)
Management expense ratio (MER)	All fees and expenses are paid directly by you, see "Management and administration fee" below.
This is the total of the management and administration fee and operating expenses for this series.	
Trading expense ratio (TER)	0.00%
These are the fund's trading costs for this series.	
Series Expenses	0.00%

More about the trailing commission

No trailing commission is paid by Franklin Templeton to your representative's firm in respect of Series O securities.

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
Management and administration fee	<p>The fund does not pay a management or administration fee to Franklin Templeton for this series. Instead, a management and administration fee is paid directly by you to Franklin Templeton as follows:</p> <ul style="list-style-type: none"> • First C\$200,000 to under \$2.5M – 0.80% • Next C\$2.5M to under \$5M – 0.70% • C\$5M and over – 0.65% <p>Certain institutional investors may negotiate the management and administration fee by written agreement with Franklin Templeton.</p>
Investment advisory services fee	<p>You pay your representative's firm an investment advisory services fee, which you negotiate directly with your representative. This fee is paid for as long as you own this series of the fund. Franklin Templeton will collect the investment advisory services 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. The maximum annual investment advisory services fee that we collect on behalf of your representative's firm is 1.50%.</p>

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.