

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: TML389 (Deferred Sales Charge), TML387 (Front-Load), TML391 (Low-Load)	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 September 30, 2018:	\$194.6 million	Sub-advisor:	Franklin Advisers, Inc.
Management expense ratio (MER):	1.63%	Distributions:	Monthly; distributions are reinvested unless you choose cash
		Minimum investment:	\$500 initial, \$100 additional, PACs \$50

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 September 30, 2018. The fund's investments will change.

Top 10 investments (September 30, 2018)

1. Cash and cash equivalents	16.35%
2. Invesco Senior Loan ETF	6.20%
3. Federal Home Loan Mortgage Corporation, 4.00%, 10/1/2048	2.71%
4. Federal Home Loan Mortgage Corporation, 3.50%, 10/1/2048	2.40%
5. Fieldwood Energy LLC, Closing Date Loans, Floating Rate Note, 4/11/2022	2.30%
6. Federal National Mortgage Association, 3.50%, 10/1/2048	2.15%
7. U.S. Treasury Bond, 3.00%, 11/15/2045	1.92%
8. U.S. Treasury Note, Index Linked, 0.125%, 7/15/2024	1.66%
9. U.S. Treasury Note, 1.50%, 3/31/2023	1.31%
10. Catamaran Collateralized Loan Obligations Ltd., 2014-2A, BR, Floating Rate Note, 10/18/2026	1.08%

Total percentage of top 10 Investments 38.08%

Total number of investments 360

Investment mix (September 30, 2018)

Asset Class	
Foreign Corporate Bonds	62.12%
Foreign Government Bonds	17.59%
Exchange-Traded Funds	6.20%
Municipal Bonds	1.71%
Common Stocks	1.49%
Canadian Corporate Bonds	0.78%
Short-term securities and all other assets, net	10.11%

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

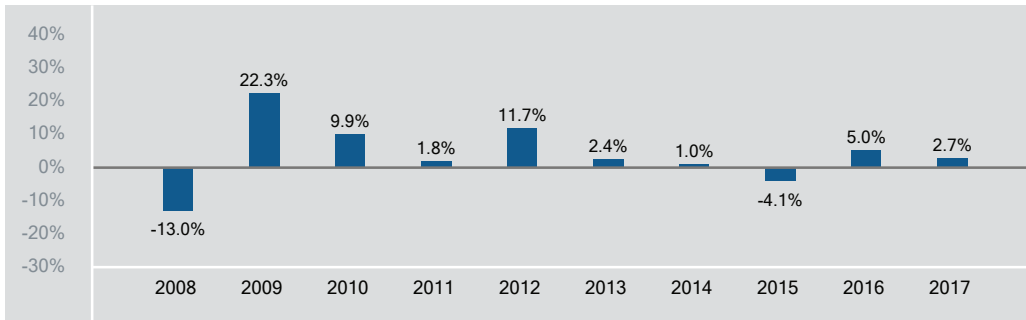
Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you invest.

How has the fund performed?

This section tells you how Series A 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 A 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	8.9%	June 30, 2009	Your investment would rise to \$1,089.
Worst return	-16.0%	November 30, 2008	Your investment would drop to \$840.

AVERAGE RETURN

The annual compounded return of Series A securities of the fund was 4.16% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would be now worth \$1,504.

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 A 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.

Effective January 25, 2019, we will switch your Series A securities into Series PA securities of the fund (bearing lower combined management and administration fees) upon your account(s) meeting the minimum investment threshold of \$200,000 in qualifying Franklin Templeton funds. If you no longer meet the eligibility requirements for Series PA, we will switch your securities back to Series A securities which have a higher combined management and administration fee. For more information on the fees for the applicable series, see the “Fund Expenses” section below and the “Fees and Expenses” section in the fund's simplified prospectus and speak to your representative for additional details.

1. SALES CHARGES

You have to choose a sales charge option when you buy this series of the fund. Ask about the pros and cons of each option.

Sales charge option	What you pay		How it works
	in per cent (%)	in dollars (\$)	
Initial sales charge	0% to 6% of the amount you buy	\$0 to \$60 on every \$1,000 you buy	<ul style="list-style-type: none"> You and your representative decide on the rate. The initial sales charge is deducted from the amount you buy. It goes to your representative's firm as a commission.
Low-load sales charge	If you sell within: 1 year of buying 3.0% 2 years of buying 2.5% 3 years of buying 2.0% After 3 years Nothing	\$0 to \$30 on every \$1,000 you sell	<ul style="list-style-type: none"> The low-load sales charge is a set rate and is based on the cost of your securities at the time you buy. It is deducted from the value of the securities when you redeem. When you buy the fund, Franklin Templeton pays your representative's firm a commission of 2.5%. If you trigger a low-load sales charge when you redeem, you pay it to Franklin Templeton. You can sell up to 10% of your securities each calendar year without paying a low-load sales charge. A distribution paid to you in cash will reduce your free redemption entitlement for the following calendar year by the amount of that distribution. You cannot carry forward this privilege from one year to the next. You can switch to another Franklin Templeton fund without paying this charge if you switch to low-load sales charge securities of the other fund. The low-load sales charge schedule will be based on the date you first bought the original securities.
Deferred sales charge	If you sell within: 1 year of buying 6.0% 2 years of buying 5.5% 3 years of buying 5.0% 4 years of buying 4.5% 5 years of buying 4.0% 6 years of buying 3.0% After 6 years Nothing	\$0 to \$60 on every \$1,000 you sell	<ul style="list-style-type: none"> The deferred sales charge is a set rate and is based on the cost of your securities at the time you buy. It is deducted from the value of the securities when you redeem. When you buy the fund, Franklin Templeton pays your representative's firm a commission of 5%. If you trigger a deferred sales charge when you redeem, you pay it to Franklin Templeton. You can sell up to 10% of your securities each calendar year without paying a deferred sales charge. A distribution paid to you in cash will reduce your free redemption entitlement for the following calendar year by the amount of that distribution. You cannot carry forward this privilege from one year to the next. You can switch to another Franklin Templeton fund without paying this charge if you switch to deferred sales charge securities of the other fund. The deferred sales charge schedule will be based on the date you first bought the original securities.

2. FUND EXPENSES

You don't pay these expenses directly. They affect you because they reduce the series' returns. As of June 30, 2018, the expenses of Series A were 1.63% of the value of this series. This equals \$16.30 for every \$1,000 invested.

Effective January 25, 2019, the combined management and administration fee decrease from Series A to Series PA is 0.16%.

	Annual rate (as a % of the series' value)
Management expense ratio (MER)	1.63%
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.	
Trading expense ratio (TER)	0.00%
These are the fund's trading costs for this series.	
Series Expenses	1.63%

More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and/or advice that your representative and/or their firm provide to you.

Franklin Templeton pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate depends on the sales charge option you choose:

- **Initial sales charge** – 0.500% of the value of your investment each year. This equals \$5.00 each year for every \$1,000 invested.
- **Low-load sales charge** – 0.250% of the value of your investment each year for securities outstanding for less than three years. 0.500% of the value of your investment each year for securities outstanding for more than three years. This equals \$2.50 and \$5.00, respectively, each year for every \$1,000 invested.
- **Deferred sales charge** – 0.250% of the value of your investment each year for securities outstanding for less than six years. 0.500% of the value of your investment each year for securities outstanding for more than six years. This equals \$2.50 and \$5.00, respectively, each year for every \$1,000 invested.

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
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. Your representative's firm may charge you a switch fee for the following: <ul style="list-style-type: none"> • switches from securities bought under the initial sales charge option to securities without a sales charge option or under the initial sales charge option • switches from securities bought under the low-load sales charge option to securities under the low-load sales charge option • switches from securities bought under the deferred sales charge option to securities under the deferred sales charge option.

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.