

FOR REPRESENTATIVES ONLY

## DFS GIF – DIVERSIFIED INCOME – FRANKLIN QUOTENTIAL

### QUARTERLY COMMENTARY AS OF DECEMBER 31, 2017

PERFORMANCE	3 months
Series 6	1.50
Series 7	1.65

**Portfolio Manager:** Franklin Templeton Investments Corp.

**Inception Date:** February 24, 2014

#### CONTRIBUTORS TO PERFORMANCE

- Overall allocations benefitted relative returns, including an equity overweight and a fixed income underweight.
- Selection in Canadian bond funds lifted relative returns.

#### DETRACTORS FROM PERFORMANCE

- Fund selection weighed on performance and more than offset contributions from allocations.
- On a regional basis, fund selection in Canadian and global stock funds, and in global bonds, detracted from relative results.

#### MAJOR CHANGES TO PORTFOLIO

- From an asset allocation perspective, we continue to hold a cautious view of global government bonds outside of Canada, and we remained underweight to these bonds. We found valuations especially expensive, particularly in the eurozone, where term premiums were the lowest amongst government bonds. Improving global growth with inflation trending higher also warranted lower exposure to government bonds.
- We increased exposure to Canadian bonds in the fourth quarter. We also lowered exposure to global bond funds. Amongst underlying bond funds, we increased our allocation to Franklin Bissett Canadian Government Bond Fund. With regards to corporate bonds, we found the continued global recovery and positive corporate outlook supportive, and technical factors and proposed fiscal measures also represented potential tailwinds. Other portfolio adjustments were relatively minor.

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