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Franklin Templeton Investment Solutions

Scaling Cost-effective Portfolio Solutions to Drive Client Engagement across Low Balance Clients

Centrepoint Alliance

March 2024

Agenda

Topic
Franklin Templeton Investment Solutions
Challenges delivering cost-effective solutions across low balance clients
Portfolio management team
Franklin Templeton’s Approach
Summary

Challenges Delivering Cost-Effective Solutions Across Low Balance Clients

The Small Balance Challenge

As SMAs emerge as best practice, this model is best suited to higher net worth clients

For the Small Balance client	For the Adviser
The cost of advice can exceed the rate of return achievable on their assets.	Serving small clients can consume capacity for paraplanners and associate Advisers.
Maintaining precise allocations can be challenging and switching costs can be more material.	Despite the need for simpler solutions for lower balances, Advisers need to provide sufficient rigor in investment process to ensure they meet fiduciary obligations and PI insurance requirement.

Multi Asset Fund of Funds can offer an Alternative for Low Balance Clients

Allows Advisers the opportunity to deliver high quality, appropriate solutions at scale

- Aligned with Risk profile.
- A single line-item solution can simplify administration and limit transactions costs.
- Sufficient choice exists across
  - fully passive
  - passive / active blended
  - fully active
- Additionally, products featuring dynamic asset allocation can add alpha and added opportunity to engage clients with market events.

Portfolio Construction Options for Low-Balance Clients

Portfolio Construction Options for Low Balance Clients

Sample Asset Allocations

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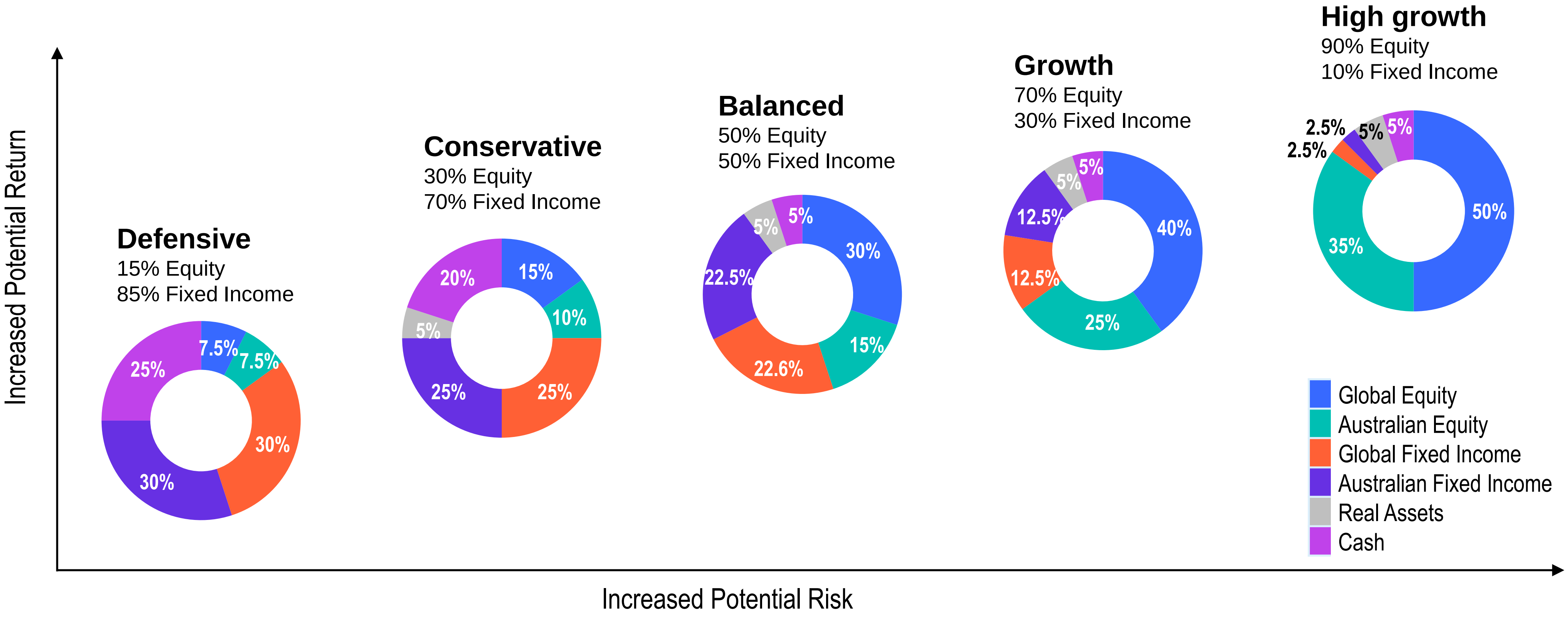
Typically, providers deliver a range of asset allocations that map closely to Client Risk Profile provided by well known Consultants

The below are Sample asset allocations that are targeted at investors with differing risk profiles



Portfolio Construction Choices

All choices have implications for fees and service levels

- Active vs passive vs blend?
- Extent of foreign assets?
- Approach to FX Hedging?
- Inclusion of Real Assets?
- Inclusion of Liquid / Illiquid Alternatives?
- Constant vs Dynamic asset allocation.

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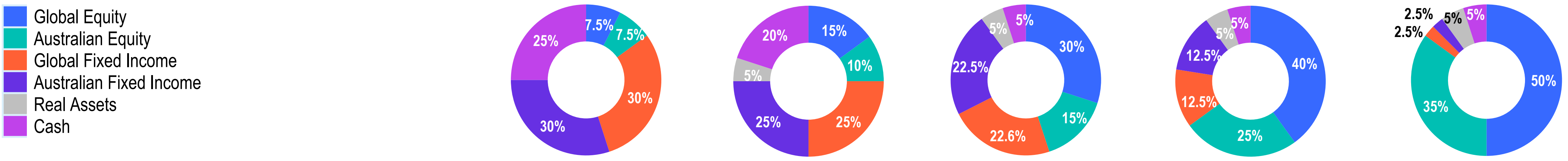
Franklin Templeton's approach is to blend Active and Passive Strategies

Defensive | Conservative | Balanced | Growth | High growth



Equity Funds	Region	15.0%	25.0%	45.0%	65.0%	85.0%
Passive International Equities (H)	Global	3.8%	7.5%	15.0%	20.0%	25.0%
Passive International Equities	Global	3.8%	5.5%	11.0%	15.0%	19.0%
Passive Australian Equities	Aust	3.8%	6.0%	9.0%	15.0%	15.0%
Active Australian Equity	Aust	3.8%	4.0%	6.0%	10.0%	20.0%
Active Emerging Markets Equity*	EM		2.0%	4.0%	5.0%	6.0%
Real Assets		—	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Passive Australian Listed Property	Aust	—	5.0%	5.0%	5.0%	5.0%
Fixed Income Funds		**60.0%**	**50.0%**	**45.0%**	**25.0%**	**5.0%**
Passive Fixed Income	Global	20.0%	15.0%	11.3%	3.8%	
Active Global Bond	Global	10.0%	10.0%	11.3%	8.8%	2.5%
Passive Australian Fixed Income	Aust	16.5%	12.5%	13.5%	6.3%	
Active Core Australian Fixed Income	Aust	13.5%	6.3%	4.5%		
Absolute Return Fixed Income	Aust		6.3%	4.5%	6.3%	2.5%
Cash		**25.0%**	**20.0%**	**5.0%**	**5.0%**	**5.0%**
Cash	Aust	12.5%	10.0%	5.0%	5.0%	5.0%
Active Floating Rate Fund	Global	12.5%	10.0%			

For illustration purposes only

Dynamic Asset Allocation example – Variation from SAA

		Defensive	Conservative	Balanced	Growth	High growth
Equity Funds	**Region**	2.0%	2.0%	2.0%	2.0%	2.0%
Passive International Equities (H)	Global					
Passive International Equities	Global					
Passive Australian Equities	Aust					
Active Australian Equity	Aust					
Active Emerging Markets Equity*	EM	2.0%	2.0%	2.0%	2.0%	2.0%
Real Assets		**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Passive Australian Listed Property	Aust					
Fixed Income Funds		-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Passive Fixed Income	Global					
Active Global Bond	Global	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Passive Australian Fixed Income	Aust	0.5%				1.0%
Active Australian Fixed Income	Aust	-0.5%				-1.0%
Cash		-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Cash	Aust	-1.5%	-1.5%	-1.0%	-1.0%	-1.0%
Active Floating Rate Fund	Global	0.5%	0.5%			

For Illustration purposes only

Table Discussion

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Questions:

1. How do you presently service low balance clients?

2. Would a suite of multi asset funds be suitable for your low balance clients? If not, why not?

3. What are the key attributes that you would seek in a suite of multi asset funds?

Franklin Templeton’s Approach

Portfolio Construction Choices

We have built portfolios across 5 risk levels.

Dynamic asset allocation is a key feature.

We invest across active and passive underlying funds and ETFs.

Assets are all in public markets (debt and equity).

We target the delivery of these solutions at a comparable price to fully passive options.

With growing signs of Interest Rates having peaked, we moved to prefer Equities in Q4 2023

Macro views overview

We moved overweight equities, funding from fixed income and cash

We see value in EM equities

Recessions in DM are, however, still a possibility

Defensive approach within Fixed Income

Mild preference for Australian Fixed Income

Underweight cash with better return opportunities available

Learning Outcomes

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SMAs can prove costly to manage Small Balance clients and time consuming for Advisers

Multi Asset Fund of Funds can offer an Alternative for Low Balance Clients

Franklin Templeton's approach offers **a mix of passive and active managers** together with **dynamic asset allocation**

Appendix

Franklin Templeton: Global Strength, Investment Specialisation

Franklin Templeton

JENNY JOHNSON
President &
Chief Executive Officer

75+ Years of Asset Management Experience

1,400+ Investment Professionals

$1.5T (USD) Total Assets Under Management

25 Countries with Investment Professionals

Franklin Templeton Investment Solutions $72B[1] USD Total Assets

ADAM PETRYK, CFA
Head of Franklin Templeton Investment Solutions

Risk-based Asset Allocation

Systematic and Active Quant

Hedged Strategies[2]

Leverages the Insights of Franklin Templeton's Investment Teams

Alcentra • Benefit Street Partners • Brandywine Global • Clarion Partners • Clearbridge Investments • Fiduciary Trust • Franklin Equity Group • Franklin Income Investors • Franklin Mutual Series • Franklin Templeton Global Private Equity • Franklin Templeton Emerging Markets Equity • Franklin Templeton Fixed Income • Franklin Venture Partners • Lexington Partners • Martin Currie • Putnam Investments • Royce Investment Partners • Templeton Global Equity Group • Templeton Global Macro • Western Asset

1. Data as of January 1, 2024. Franklin Templeton Investment Solutions (FTIS) total assets combine assets under management (AUM) and assets under Advisery (AUA). Total Assets include investments in other products managed by other Franklin Templeton and external investment teams but exclude investments within other FTIS managed products to eliminate double counting. Includes AUM from K2 Advisers and Putnam Investments Global Asset Allocation, which joined FTIS on December 31, 2023 and January 1, 2024, respectively.
2. Hedged Strategies managed by K2 Advisers, who joined FTIS on December 31, 2023.

Portfolio team supported by multi-asset specialists around the globe

Portfolio management team

Subash Pillai
Lead Portfolio Manager
Singapore
Over 25 years of investment experience
6 years with firm, 18 years prior experience with Goldman Sachs Asset Management

Siddharth Chatterjee, CFA
Portfolio Manager
Singapore
Over 13 years of investment experience
8 years with firm, 5 years prior experience with HSBC and CRISIL

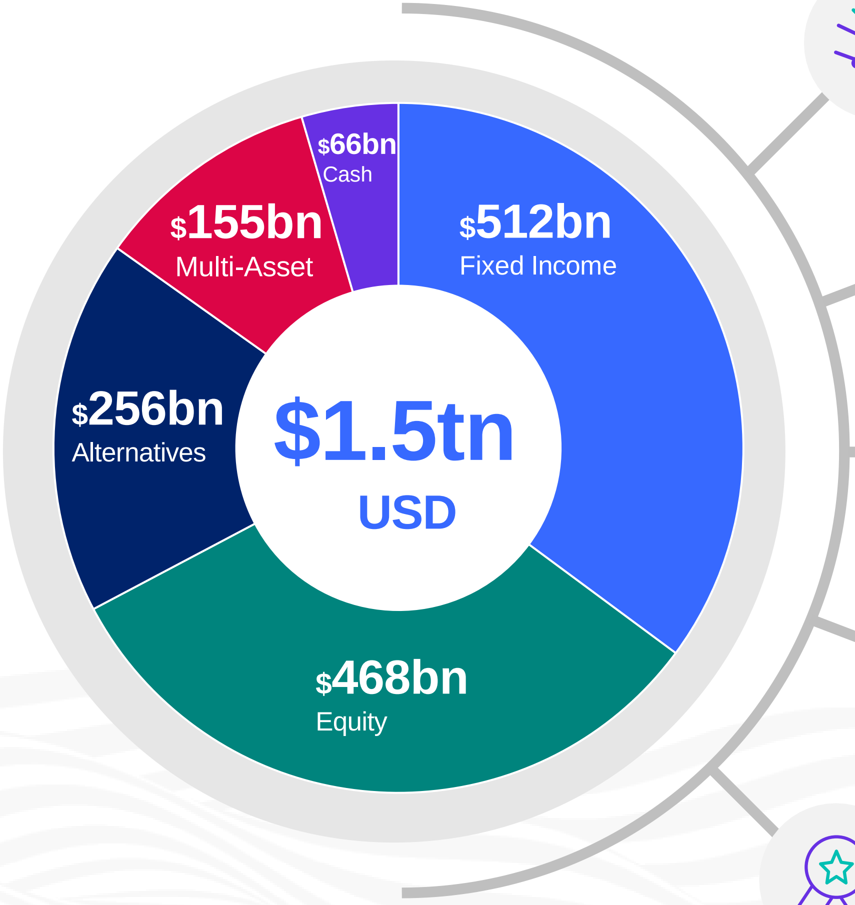
Thomas Nelson, CFA
Head of Asset Allocation Portfolio Management
Florida
Over 30 years investment experience
17 years with firm, 16 years prior experience with Bloomberg LP

Part of a team of 70+ investment professionals specializing in multi-asset disciplines		
Macro research	Fixed income research	Equity research
Strategic asset allocation	Manager selection	Factor investing
Dynamic asset allocation	Quantitative research	ESG integration

Leveraging the global footprint of Franklin Templeton	
Investment risk management group	Investment compliance

Extensive range of specialised capabilities

$1.5 trillion in assets under management[1]



10
investment managers added to our platform since 2019

$695bn
of institutional AUM

1,400+
investment professionals in 25 countries

$6.9bn
of total cash and investments[2]

75
years of client-focused traditions

Product innovation

Cutting edge technology

Thought leadership

Clients in 150+ countries

1. AUM is in USD as of 31 December 2023 and does not include AUM from Putnam Investments ($148bn). Franklin Templeton completed its acquisition of Putnam Investments on 1 January 2024.
2. Total cash and investments is as of 30 September 2023 includes approximately $300 million of employee-owned and other third-party investments made through partnerships.

Preserving investment process, philosophy & style

The Franklin Templeton Companies

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Asset management expertise across asset classes, styles, and geographies

Alcentra

European alternative credit lender

BENEFIT STREET PARTNERS

Alternative credit primarily in direct lending

Brandywine GLOBAL

Long-term value investor with a global macro perspective

CLARION PARTNERS

Private real estate strategies across the risk/return spectrum

ClearBridge

Equity manager known for high-active share strategies

K2 Advisors

Hedge fund investor with a risk-centric philosophy

Lexington Partners

Secondary private equity and co-investments

MARTIN CURRIE

Specialises in sustainable and emerging markets equity

Putnam INVESTMENTS

Pursuing stock-driven alpha across equity styles[1]

ROYCE Investment Partners

Pioneer in small-cap investing with a 45-year track record

WESTERN ASSET

Long-term fundamental global fixed-income-only manager

1. On 1 January 2024, Franklin Templeton closed its acquisition of Putnam Investments and launched a strategic partnership with Power Corporation of Canada and Great-West Lifeco.

Focused on Client Outcomes, Investment Advice, and Digital Capabilities

Flexible Client Centric Approach to Customisation with Enhanced Capabilities through Digital Delivery

	Risk-Based Asset Allocation	Systematic and Active Quant	Hedged Strategies
	Portfolios managed according to risk tolerance and return expectations	Quantitative, factor-based approach	Diversified hedge and private strategies
Strategy	Target Date, 529, Target Risk, Goals-Based, SAA	Smart Beta, Active Quant, Fixed Index Annuities	Transparent Hedge Strategies, Custom Portfolios
Delivery	Funds / Sub-advised, CITs, Separate Accounts, Models, Digital, Strategic Advice	Multi-Asset Fulfillment, Index	Liquid and Illiquid, Registered Funds, Private Funds, Bespoke Solutions, Strategic Advisery, Direct Access
Assets	**$47B**	**$20B**	**$10B**

Centralised Research Agenda | Actionable Thought Leadership | MosaiQ™ Investment Platform

Preliminary estimates as of January 1, 2024. Risk Based Asset Allocation represents AUM & AUA total net assets ex intra investing which excludes cross investments and separate account sleeves.
Systematic and Active Quant Equity represents AUM/AUA net assets and includes $5.2 billion in cross investments ($4.5 billion) and separate account sleeves ($0.7 billion) that are included in multi-asset mandates. Both Risk Based Asset Allocation and Systematic and Active Quant include Putnam Investments AUM. Franklin Templeton completed its acquisition of Putnam Investments on January 1, 2024. Hedged Strategies represents AUM managed by K2 Advisers.

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PERFORMANCE STATISTICS DEFINITIONS AND METHODOLOGY

Standard Deviation: A measure of the extent to which observations in a series vary from the arithmetic mean of the series. The Standard Deviation of a product, benchmark or index series measures the volatility and can be used to estimate the risk of the asset. The more volatile the investment returns, the higher the standard deviation will be.

Maximum Drawdown: Defined as the worst "peak to valley" performance of a fund or portfolio. The drawdown period consists of only consecutive months, during some of which the portfolio or fund can have positive performance.

Tracking Error: A measure of the divergence between an investment's returns and its benchmark returns. Mathematically, tracking error is the standard deviation of the difference between an investment's returns and its benchmark returns: Tracking Error = standard deviation (investment returns minus benchmark returns).

Value at Risk (VaR): The highest loss that can be expected for a given level of confidence. The typical confidence levels are set at 95% or 99%. Breaking the VaR means that a realises loss is larger than the VaR.

Expected Tail Loss: The expected loss, conditional on the loss breaking the VaR at that confidence level. It can be used to estimate the magnitude of the worst losses for a portfolio or fund. For ETL 95%, the statistic establishes the worst 5% of the scenarios and calculates the average value of these losses.

The **Market Model of Monte Carlo simulation (Market Model)** assumes that the distribution of returns is non-normal, or non-Gaussian. A non-normal distribution means that returns generally exhibit what is called skewness and kurtosis, and the model attempts to provide a more accurate probability analysis by capturing these types of distributions. The Market Model utilises classical correlations and also allows for modeling extreme positive or negative events, often called "fat tails" and clustering of volatility. The Market Model utilises 10,000 Monte Carlo simulations.

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