

SEMIANNUAL REPORT

# FRANKLIN TEMPLETON ETF TRUST

September 30, 2019



FRANKLIN  
TEMPLETON

Franklin LibertyQ U.S. Equity ETF

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Franklin LibertyQ U.S. Mid Cap Equity ETF

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Franklin LibertyQ U.S. Small Cap Equity ETF

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**Internet Delivery of Fund Reports Unless You Request Paper Copies:** Effective January 1, 2021, as permitted by the SEC, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request them from the Fund or your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you have not signed up for electronic delivery, we would encourage you to join fellow shareholders who have. You may elect to receive shareholder reports and other communications electronically from the Fund by calling (800) 632-2301 or by contacting your financial intermediary.

You may elect to continue to receive paper copies of all your future shareholder reports free of charge by contacting your financial intermediary or, if you invest directly with a Fund, calling (800) 632-2301 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.

# Franklin Templeton

Successful investing begins with ambition. And achievement only comes when you reach for it. That's why we continually strive to deliver better outcomes for investors. No matter what your goals are, our deep, global investment expertise allows us to offer solutions that can help.

During our more than 70 years of experience, we've managed through all kinds of markets—up, down and those in between. We're always preparing for what may come next. It's because of this, combined with our strength as one of the world's largest asset managers that we've earned the trust of millions of investors around the world.

## Contents

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### Semiannual Report

|  |    |
|--|----|
| Economic and Market Overview .....                       | 2  |
| Franklin LibertyQ U.S. Equity ETF .....                  | 3  |
| Franklin LibertyQ U.S. Mid Cap Equity ETF .....          | 8  |
| Franklin LibertyQ U.S. Small Cap Equity ETF .....        | 13 |
| Financial Highlights and Statements of Investments ..... | 18 |
| Financial Statements .....                               | 42 |
| Notes to Financial Statements .....                      | 46 |
| Shareholder Information .....                            | 54 |

Visit [franklintempleton.com/investor/investments-and-solutions/investment-options/etfs/](https://franklintempleton.com/investor/investments-and-solutions/investment-options/etfs/) for fund updates and documents.

Not FDIC Insured | May Lose Value | No Bank Guarantee

# SEMIANNUAL REPORT

## Economic and Market Overview

The U.S. economy expanded during the six months ended September 30, 2019. However, the economy moderated in 2019's second and third quarters, due partly to weakness in inventory and business investment. The manufacturing sector expanded during the period's first four months, but contracted in August and September 2019. The services sector continued to expand throughout the period, although the rate of expansion slowed in September. The unemployment rate decreased from 3.8% in March 2019 to 3.5% at period-end.<sup>1</sup> The annual inflation rate, as measured by the Consumer Price Index, decreased from 1.9% in March 2019 to 1.7% at period-end.<sup>1</sup>

At its July 2019 meeting, the U.S. Federal Reserve (Fed) lowered its target range for the federal funds rate for the first time since December 2008, to 2.00%–2.25%, citing muted inflation pressures and the potential effects of global trade tensions on economic growth. Furthermore, the Fed ended its balance sheet normalization program earlier than previously indicated. In September, the Fed further lowered the federal funds target rate range to 1.75%–2.00%, reiterating the rationale cited at the July 2019 meeting.

U.S. equity markets overall rose during the period, benefiting from upbeat economic data and U.S. corporate earnings, the Fed's rate cuts and investor optimism about further monetary easing. However, markets reflected concerns about political uncertainties in the U.S. (including the impeachment inquiry into President Donald Trump), geopolitical tensions in certain regions, and the impact of U.S. trade disputes with China and other trading partners on global growth and corporate earnings. These concerns were partly alleviated at certain points during the period by easing trade tensions and optimism about a potential U.S.-China trade deal. The broad U.S. stock market, as measured by the Standard & Poor's® 500 Index (S&P 500®), generally trended higher in the period's first four months, reaching a new all-time high in July. Stocks retreated in August, due to escalating trade tensions and heightened concerns about U.S. and global economic growth, but recovered in September amid easing trade tensions and investor optimism about the upcoming U.S.-China trade negotiations in October 2019. Overall, the S&P 500 posted a +6.08% total return for the six-month period.<sup>2</sup>

1. Source: Bureau of Labor Statistics.

2. Source: Morningstar.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

# Franklin LibertyQ U.S. Equity ETF

This semiannual report for Franklin LibertyQ U.S. Equity ETF covers the period ended September 30, 2019.

## Top 10 Sectors/Industries

9/30/19

|                        | % of Total<br>Net Assets |
|------------------------|--------------------------|
| Information Technology | 18.9%                    |
| Consumer Discretionary | 16.7%                    |
| Consumer Staples       | 15.7%                    |
| Industrials            | 12.7%                    |
| Health Care            | 9.9%                     |
| Utilities              | 7.6%                     |
| Communication Services | 5.9%                     |
| Real Estate            | 4.7%                     |
| Energy                 | 3.0%                     |
| Financials             | 2.8%                     |

## Your Fund's Goal and Main Investments

The Fund seeks to provide investment results that closely correspond, before fees and expenses, to the performance of the LibertyQ U.S. Large Cap Equity Index (the Underlying Index).<sup>1</sup> Under normal market conditions, the Fund invests at least 80% of its assets in the component securities of the Underlying Index. The Underlying Index seeks to achieve a lower level of risk and higher risk-adjusted performance than the Russell 1000® Index over the long term by applying a multi-factor selection process, which is designed to select equity securities from the Russell 1000® Index that have favorable exposure to four investment style factors: quality, value, momentum and low volatility.

## Performance Overview

For the six months under review, the Fund posted cumulative total returns of +6.16% based on market price and +6.03% based on net asset value (NAV). In comparison, the LibertyQ U.S. Large Cap Equity Index posted a +6.16% total return for the same period, while the Russell 1000® Index posted a +5.73% total return.<sup>2</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 5.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

## Investment Strategy

The Fund, using a passive or indexing investment approach, seeks investment results that closely correspond, before fees and expenses, to the performance of the LibertyQ U.S. Large Cap Equity Index. The investment manager seeks to achieve, over time, a correlation between the Fund's performance, before fees and expenses, and that of the Underlying Index of 0.95 or better. A figure of 1.00 would indicate perfect correlation. The Fund's intention is to replicate the component securities of the Underlying Index as closely as possible. However, under various circumstances, it may not be possible or practicable to replicate the Underlying Index. In these circumstances, the Fund may use a "representative sampling" strategy whereby the Fund would invest in what it believes to be a representative sample of the component securities of the Underlying Index, but may not track the Underlying Index with the same degree of accuracy as would an investment vehicle replicating the entire Underlying Index. The Fund's portfolio is reconstituted semiannually following the semiannual reconstitution of the Underlying Index.

1. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. The LibertyQ U.S. Large Cap Equity Index is a systematic, rules-based proprietary index maintained and calculated by FTSE Russell (Russell) based on the Russell 1000® Index using a methodology developed with Franklin Templeton to reflect Franklin Templeton's desired investment strategy. Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

2. Source: FactSet.

The indexes are unmanaged and include reinvestment of any income or distributions (after the deduction of certain withholding taxes). They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 19.**

**Top 10 Holdings**

9/30/19

| <b>Company<br/>Sector/Industry</b>               | <b>% of Total<br/>Net Assets</b> |
|--|----------------------------------|
| Apple Inc.<br>Information Technology             | 1.2%                             |
| AT&T Inc.<br>Communication Services              | 1.1%                             |
| Texas Instruments Inc.<br>Information Technology | 1.1%                             |
| Target Corp.<br>Consumer Discretionary           | 1.1%                             |
| The Home Depot Inc.<br>Consumer Discretionary    | 1.1%                             |
| NIKE Inc., B<br>Consumer Discretionary           | 1.1%                             |
| The Procter & Gamble Co.<br>Consumer Staples     | 1.1%                             |
| Costco Wholesale Corp.<br>Consumer Staples       | 1.1%                             |
| Ross Stores Inc.<br>Consumer Discretionary       | 1.1%                             |
| Intel Corp.<br>Information Technology            | 1.1%                             |

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

Thank you for your participation in Franklin LibertyQ U.S. Equity ETF. We look forward to serving your future investment needs.



Dina Ting, CFA



Louis Hsu, CFA

Portfolio Management Team

## Performance Summary as of September 30, 2019

Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not include brokerage commissions that may be payable on secondary market transactions. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares.

Net asset value or "NAV" is the value of one share of a fund as calculated in accordance with the standard formula for valuing mutual fund shares. The price used to calculate market return (Market Price) is determined by using the midpoint between the highest bid and the lowest offer on the primary stock exchange on which shares of a fund are listed for trading, as of the time that such fund's NAV is calculated. Since shares of the Fund did not trade in the secondary market until after the Fund's inception, for the period from inception to the first day of secondary trading (4/28/17), the NAV of the Fund is used as a proxy for the Market Price to calculate market returns. Market and NAV returns assume that dividends and capital gain distributions have been reinvested at Market Price and NAV.

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

### Performance as of 9/30/19<sup>1</sup>

|                           | Cumulative Total Return <sup>2</sup> |                                    | Average Annual Total Return <sup>2</sup> |                                    |
|---------------------------|--------------------------------------|------------------------------------|--|------------------------------------|
|                           | Based on NAV <sup>3</sup>            | Based on market price <sup>4</sup> | Based on NAV <sup>3</sup>                | Based on market price <sup>4</sup> |
| 6-month                   | +6.03%                               | +6.16%                             | +6.03%                                   | +6.16%                             |
| 1-Year                    | +7.28%                               | +7.31%                             | +7.28%                                   | +7.31%                             |
| Since Inception (4/26/17) | +35.16%                              | +35.32%                            | +13.20%                                  | +13.26%                            |

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

**Distributions** (4/1/19–9/30/19)

**Net Investment  
Income**

\$0.311624

**Total Annual Operating Expenses<sup>5</sup>**

0.15%

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. To the extent the Fund concentrates in a specific industry or group of industries, the Fund will carry much greater risks of adverse developments and price movements in such industries than a fund that invests in a wider variety of industries; there is also the risk that the Fund will perform poorly during a slump in demand for securities of companies in such industries. There can be no assurance that the Fund's multi-factor stock selection process will enhance performance. Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. Performance of the Fund may vary significantly from the performance of an index, as a result of transactions costs, expenses and other factors. The Fund's prospectus also includes a description of the main investment risks.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below their net asset value. Brokerage commissions and ETF expenses will reduce returns.

1. Effective December 1, 2017, the Fund adopted a unified fee structure whereby Management has agreed to reimburse the Fund's acquired fund fees and expenses (if any) and pay all of the ordinary operating expenses of the Fund, including custody, transfer agency, and Trustee fees and expenses, among others, but excluding: (i) payments under the Fund's Rule 12b-1 plan (if any); (ii) brokerage expenses (including any costs incidental to transactions in portfolio securities or instruments); (iii) taxes; (iv) interest (including borrowing costs and dividend expenses on securities sold short and overdraft charges); (v) litigation expenses (including litigation to which the Trust or a Fund may be a party and indemnification of the Trustees and officers with respect thereto); and (vi) other non-routine or extraordinary expenses.
2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
3. Assumes reinvestment of distributions based on net asset value.
4. Assumes reinvestment of distributions based on market price.
5. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.



## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares; and (2) ongoing Fund costs, including management fees and other Fund expenses. All funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

| Beginning<br>Account<br>Value 4/1/19 | Actual<br>(actual return after expenses) |  | Hypothetical<br>(5% annual return before expenses) |  | Net Annualized<br>Expense Ratio <sup>2</sup> |
|--------------------------------------|--|--|--|--|--|
|                                      | Ending<br>Account<br>Value 9/30/19       | Expenses<br>Paid During<br>Period<br>4/1/19–9/30/19 <sup>1,2</sup> | Ending<br>Account<br>Value 9/30/19                 | Expenses<br>Paid During<br>Period<br>4/1/19–9/30/19 <sup>1,2</sup> |  |
| \$1,000.00                           | \$1,060.30                               | \$1.13   | \$1,023.90   | \$1.11   | 0.22% <sup>3</sup>                           |

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 183/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements.

3. Effective 08/01/19, the unified management fee changed to 0.15%. Had such unified management fee been in effect for the full period, the expenses paid would have been \$0.77 based upon the Fund's actual performance and \$0.76 based upon a hypothetical 5% return.

# Franklin LibertyQ U.S. Mid Cap Equity ETF

This semiannual report for Franklin LibertyQ U.S. Mid Cap Equity ETF covers the period ended September 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks to provide investment results that closely correspond, before fees and expenses, to the performance of the LibertyQ U.S. Mid Cap Equity Index (the Underlying Index).<sup>1</sup> Under normal market conditions, the Fund invests at least 80% of its assets in the component securities of the Underlying Index. The Underlying Index seeks to achieve a lower level of risk and higher risk-adjusted performance than the Russell Midcap<sup>®</sup> Index over the long term by applying a multi-factor selection process, which is designed to select equity securities from the Russell Midcap<sup>®</sup> Index that have favorable exposure to four investment style factors: quality, value, momentum and low volatility.

## Performance Overview

For the six months under review, the Fund posted cumulative total returns of +4.46% based on market price and +4.43% based on net asset value (NAV). In comparison, the LibertyQ U.S. Mid Cap Equity Index posted a +4.57% total return for the same period, while the Russell Midcap<sup>®</sup> Index posted a +4.63% total return for the same period.<sup>2</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 10.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

## Top 10 Sectors/Industries

9/30/19

|                        | % of Total<br>Net Assets |
|------------------------|--------------------------|
| Consumer Discretionary | 20.5%                    |
| Industrials            | 17.7%                    |
| Information Technology | 14.3%                    |
| Financials             | 13.0%                    |
| Real Estate            | 9.4%                     |
| Consumer Staples       | 8.4%                     |
| Health Care            | 7.6%                     |
| Utilities              | 3.9%                     |
| Communication Services | 3.2%                     |
| Materials              | 1.5%                     |

## Investment Strategy

The Fund, using a passive or indexing investment approach, seeks investment results that closely correspond, before fees and expenses, to the performance of the LibertyQ U.S. Mid Cap Equity Index. The investment manager seeks to achieve, over time, a correlation between the Fund's performance, before fees and expenses, and that of the Underlying Index of 0.95 or better. A figure of 1.00 would indicate perfect correlation. The Fund's intention is to replicate the component securities of the Underlying Index as closely as possible. However, under various circumstances, it may not be possible or practicable to replicate the Underlying Index. In these circumstances, the Fund may use a "representative sampling" strategy whereby the Fund would invest in what it believes to be a representative sample of the component securities of the Underlying Index, but may not track the Underlying Index with the same degree of accuracy as would an investment vehicle replicating the entire Underlying Index. The Fund's portfolio is reconstituted semiannually following the semiannual reconstitution of the Underlying Index.

1. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell<sup>®</sup> is a trademark of Frank Russell Company. The LibertyQ U.S. Mid Cap Equity Index is a systematic, rules-based proprietary index that is maintained and calculated by FTSE Russell (Russell). It is based on the Russell Midcap<sup>®</sup> Index using a methodology developed with Franklin Templeton to reflect Franklin Templeton's desired investment strategy. Russell Midcap<sup>®</sup> Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000<sup>®</sup> Index, which represents a modest amount of the Russell 1000<sup>®</sup> Index's total market capitalization.

2. Source: FactSet.

The indexes are unmanaged and include reinvestment of any income or distributions (after the deduction of certain withholding taxes). They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 26.**

**Top 10 Holdings**

9/30/19

| <b>Company<br/>Sector/Industry</b>             | <b>% of Total<br/>Net Assets</b> |
|--|----------------------------------|
| KLA Corp.<br>Information Technology            | 1.5%                             |
| Lam Research Corp.<br>Information Technology   | 1.2%                             |
| Dollar General Corp.<br>Consumer Discretionary | 1.2%                             |
| Cintas Corp.<br>Industrials                    | 1.1%                             |
| CDW Corp.<br>Information Technology            | 1.1%                             |
| Entergy Corp.<br>Utilities                     | 1.2%                             |
| Synopsys Inc.<br>Information Technology        | 1.1%                             |
| The Hershey Co.<br>Consumer Staples            | 1.1%                             |
| The Kroger Co.<br>Consumer Staples             | 1.1%                             |
| Essex Property Trust Inc.<br>Real Estate       | 1.0%                             |

The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Thank you for your participation in Franklin LibertyQ U.S. Mid Cap Equity ETF. We look forward to serving your future investment needs.



Dina Ting, CFA



Louis Hsu, CFA

Portfolio Management Team

## Performance Summary as of September 30, 2019

Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not include brokerage commissions that may be payable on secondary market transactions. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares.

Net asset value or "NAV" is the value of one share of a fund as calculated in accordance with the standard formula for valuing mutual fund shares. The price used to calculate market return (Market Price) is determined by using the midpoint between the highest bid and the lowest offer on the primary stock exchange on which shares of a fund are listed for trading, as of the time that such fund's NAV is calculated. Since shares of the Fund did not trade in the secondary market until after the Fund's inception, for the period from inception to the first day of secondary trading (4/28/17), the NAV of the Fund is used as a proxy for the Market Price to calculate market returns. Market and NAV returns assume that dividends and capital gain distributions have been reinvested at Market Price and NAV.

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

### Performance as of 9/30/19<sup>1</sup>

|                           | Cumulative Total Return <sup>2</sup> |                                    | Average Annual Total Return <sup>2</sup> |                                    |
|---------------------------|--------------------------------------|------------------------------------|--|------------------------------------|
|                           | Based on NAV <sup>3</sup>            | Based on market price <sup>4</sup> | Based on NAV <sup>3</sup>                | Based on market price <sup>4</sup> |
| 6-month                   | +4.43%                               | +4.46%                             | +4.43%                                   | +4.46%                             |
| 1-Year                    | +5.07%                               | +5.13%                             | +5.07%                                   | +5.13%                             |
| Since Inception (4/26/17) | +27.51%                              | +27.66%                            | +10.52%                                  | +10.57%                            |

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

See page 11 for Performance Summary footnotes.

**Distributions** (4/1/19–9/30/19)**Net Investment  
Income**

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\$0.211465**Total Annual Operating Expenses<sup>5</sup>**

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0.30%

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Historically, mid-size company securities have been more volatile in price than larger company securities, especially over the short term. Mid-size companies may be more susceptible to particular economic events or competitive factors than are larger, more broadly diversified companies. There can be no assurance that the Fund's multi-factor stock selection process will enhance performance. Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. Performance of the Fund may vary significantly from the performance of an index, as a result of transactions costs, expenses and other factors. The Fund's prospectus also includes a description of the main investment risks.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below their net asset value. Brokerage commissions and ETF expenses will reduce returns.

1. Effective December 1, 2017, the Fund adopted a unified fee structure whereby Management has agreed to reimburse the Fund's acquired fund fees and expenses (if any) and pay all of the ordinary operating expenses of the Fund, including custody, transfer agency, and Trustee fees and expenses, among others, but excluding: (i) payments under the Fund's Rule 12b-1 plan (if any); (ii) brokerage expenses (including any costs incidental to transactions in portfolio securities or instruments); (iii) taxes; (iv) interest (including borrowing costs and dividend expenses on securities sold short and overdraft charges); (v) litigation expenses (including litigation to which the Trust or a Fund may be a party and indemnification of the Trustees and officers with respect thereto); and (vi) other non-routine or extraordinary expenses.
2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
3. Assumes reinvestment of distributions based on net asset value.
4. Assumes reinvestment of distributions based on market price.
5. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares; and (2) ongoing Fund costs, including management fees and other Fund expenses. All funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

| Beginning<br>Account<br>Value 4/1/19 | Actual<br>(actual return after expenses) |  | Hypothetical<br>(5% annual return before expenses) |  | Net Annualized<br>Expense Ratio <sup>2</sup> |
|--------------------------------------|--|--|--|--|--|
|                                      | Ending<br>Account<br>Value 9/30/19       | Expenses<br>Paid During<br>Period<br>4/1/19–9/30/19 <sup>1,2</sup> | Ending<br>Account<br>Value 9/30/19                 | Expenses<br>Paid During<br>Period<br>4/1/19–9/30/19 <sup>1,2</sup> |  |
| \$1,000.00                           | \$1,044.30                               | \$1.53   | \$1,023.50   | \$1.52   | 0.30%  |

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 183/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements.

# Franklin LibertyQ U.S. Small Cap Equity ETF

This semiannual report for Franklin LibertyQ U.S. Small Cap Equity ETF covers the period ended September 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks to provide investment results that closely correspond, before fees and expenses, to the performance of the LibertyQ U.S. Small Cap Equity Index (the Underlying Index).<sup>1</sup> Under normal market conditions, the Fund invests at least 80% of its assets in the component securities of the Underlying Index. The Underlying Index seeks to achieve a lower level of risk and higher risk-adjusted performance than the Russell 2000® Index over the long term by applying a multi-factor selection process, which is designed to select equity securities from the Russell 2000® Index that have favorable exposure to four investment style factors: quality, value, momentum and low volatility.

## Performance Overview

For the six-month period, the Fund posted cumulative total returns of +1.11% based on market price and +1.07% based on net asset value (NAV).<sup>2</sup> In comparison, the LibertyQ U.S. Small Cap Equity Index posted a +1.24% total return for the same period, while the Russell 2000® Index posted a -0.36% total return.<sup>3</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 15.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

## Top 10 Sectors/Industries

9/30/19

|                        | % of Total<br>Net Assets |
|------------------------|--------------------------|
| Consumer Discretionary | 23.5%                    |
| Industrials            | 20.4%                    |
| Information Technology | 11.0%                    |
| Health Care            | 10.4%                    |
| Financial              | 9.3%                     |
| Utilities              | 7.1%                     |
| Consumer Staples       | 6.8%                     |
| Real Estate            | 6.0%                     |
| Communication Services | 3.2%                     |
| Materials              | 1.7%                     |

## Investment Strategy

The Fund, using a passive or indexing investment approach, seeks investment results that closely correspond, before fees and expenses, to the performance of the LibertyQ U.S. Small Cap Equity Index. The investment manager seeks to achieve, over time, a correlation between the Fund's performance, before fees and expenses, and that of the Underlying Index of 0.95 or better. A figure of 1.00 would indicate perfect correlation. The Fund's intention is to replicate the component securities of the Underlying Index as closely as possible. However, under various circumstances, it may not be possible or practicable to replicate the Underlying Index. In these circumstances, the Fund may use a "representative sampling" strategy whereby the Fund would invest in what it believes to be a representative sample of the component securities of the Underlying Index, but may not track the Underlying Index with the same degree of accuracy as would an investment vehicle replicating the entire Underlying Index. The Fund's portfolio is reconstituted semiannually following the semiannual reconstitution of the Underlying Index.

1. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. The LibertyQ U.S. Small Cap Equity Index is a systematic, rules-based proprietary index that is maintained and calculated by FTSE Russell (Russell). It is based on the Russell 2000® Index using a methodology developed with Franklin Templeton to reflect Franklin Templeton's desired investment strategy. Russell 2000® Index is market capitalization weighted and measures performance of the 2,000 smallest companies in the Russell 3000® Index, which represent a small amount of the total market capitalization of the Russell 3000® Index.

2. Source: FactSet.

The indexes are unmanaged and include reinvestment of any income or distributions (after the deduction of certain withholding taxes). They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 32.**

**Top 10 Holdings**

9/30/19

| <b>Company<br/>Sector/Industry</b>                  | <b>% of Total<br/>Net Assets</b> |
|---|----------------------------------|
| Haemonetics Corp.<br>Health Care                    | 1.0%                             |
| Essent Group Ltd.<br>Financials                     | 1.0%                             |
| Trex Co, Inc,<br>Industrials                        | 0.9%                             |
| Deckers Outdoor Corp.<br>Consumer Discretionary     | 0.9%                             |
| Performance Food Group Co.<br>Consumer Staples      | 0.9%                             |
| J2 Global Inc.<br>Information Technology            | 0.9%                             |
| Southwest Gas Holdings Inc.<br>Utilities            | 0.9%                             |
| Silicon Laboratories Inc.<br>Information Technology | 0.8%                             |
| Amedisys Inc.<br>Health Care                        | 0.8%                             |
| Texas Roadhouse Inc., A<br>Consumer Discretionary   | 0.8%                             |

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

Thank you for your participation in Franklin LibertyQ U.S. Small Cap Equity ETF. We look forward to serving your future investment needs.



Dina Ting, CFA



Louis Hsu, CFA

Portfolio Management Team



## Performance Summary as of September 30, 2019

Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not include brokerage commissions that may be payable on secondary market transactions. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares.

Net asset value or "NAV" is the value of one share of a fund as calculated in accordance with the standard formula for valuing mutual fund shares. The price used to calculate market return (Market Price) is determined by using the midpoint between the highest bid and the lowest offer on the primary stock exchange on which shares of a fund are listed for trading, as of the time that such fund's NAV is calculated. Since shares of the Fund did not trade in the secondary market until after the Fund's inception, for the period from inception to the first day of secondary trading (4/28/17), the NAV of the Fund is used as a proxy for the Market Price to calculate market returns. Market and NAV returns assume that dividends and capital gain distributions have been reinvested at Market Price and NAV.

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

### Performance as of 9/30/19<sup>1</sup>

|                           | Cumulative Total Return <sup>2</sup> |                                    | Average Annual Total Return <sup>2</sup> |                                    |
|---------------------------|--------------------------------------|------------------------------------|--|------------------------------------|
|                           | Based on NAV <sup>3</sup>            | Based on market price <sup>4</sup> | Based on NAV <sup>3</sup>                | Based on market price <sup>4</sup> |
| 6-month                   | +1.07%                               | +1.11%                             | +1.07%                                   | +1.11%                             |
| 1-Year                    | -6.22%                               | -5.81%                             | -6.22%                                   | -5.81%                             |
| Since Inception (4/26/17) | +12.90%                              | +13.03%                            | +5.12%                                   | +5.17%                             |

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

See page 16 for Performance Summary footnotes.

**Distributions** (4/1/19–9/30/19)

**Net Investment  
Income**

\$0.207995

**Total Annual Operating Expenses<sup>5</sup>**

0.35%

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometime rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Smaller, mid-sized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have experienced more price volatility than larger company stocks, especially over the short term. Smaller companies may be more susceptible to particular events or economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. There can be no assurance that the Fund's multi-factor stock selection process will enhance performance. Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. Performance of the Fund may vary significantly from the performance of an index, as a result of transactions costs, expenses and other factors. The Fund's prospectus also includes a description of the main investment risks.

**ETFs trade like stocks, fluctuate in market value and may trade at prices above or below their net asset value. Brokerage commissions and ETF expenses will reduce returns.**

1. Effective December 1, 2017, the Fund adopted a unified fee structure whereby Management has agreed to reimburse the Fund's acquired fund fees and expenses (if any) and pay all of the ordinary operating expenses of the Fund, including custody, transfer agency, and Trustee fees and expenses, among others, but excluding: (i) payments under the Fund's Rule 12b-1 plan (if any); (ii) brokerage expenses (including any costs incidental to transactions in portfolio securities or instruments); (iii) taxes; (iv) interest (including borrowing costs and dividend expenses on securities sold short and overdraft charges); (v) litigation expenses (including litigation to which the Trust or a Fund may be a party and indemnification of the Trustees and officers with respect thereto); and (vi) other non-routine or extraordinary expenses.
2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
3. Assumes reinvestment of distributions based on net asset value.
4. Assumes reinvestment of distributions based on market price.
5. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares; and (2) ongoing Fund costs, including management fees and other Fund expenses. All funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

| Beginning<br>Account<br>Value 4/1/19 | Actual<br>(actual return after expenses) |  | Hypothetical<br>(5% annual return before expenses) |  | Net Annualized<br>Expense Ratio <sup>2</sup> |
|--------------------------------------|--|--|--|--|--|
|                                      | Ending<br>Account<br>Value 9/30/19       | Expenses<br>Paid During<br>Period<br>4/1/19–9/30/19 <sup>1,2</sup> | Ending<br>Account<br>Value 9/30/19                 | Expenses<br>Paid During<br>Period<br>4/1/19–9/30/19 <sup>1,2</sup> |  |
| \$1,000.00                           | \$1,010.70                               | \$1.76   | \$1,023.25   | \$1.77   | 0.35%  |

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 183/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements.

## Financial Highlights

### Franklin LibertyQ U.S. Equity ETF

|  | Six Months Ended<br>September 30, 2019<br>(unaudited) | Year Ended March 31, |                    |
|--|---|----------------------|--------------------|
|  |   | 2019                 | 2018 <sup>a</sup>  |
| <b>Per share operating performance</b><br>(for a share outstanding throughout the period)  |   |                      |                    |
| Net asset value, beginning of period   | \$31.41   | \$28.51              | \$25.44            |
| Income from investment operations <sup>b</sup> :   |   |                      |                    |
| Net investment income <sup>c</sup>   | 0.36  | 0.66                 | 0.53               |
| Net realized and unrealized gains (losses)   | 1.53  | 2.71                 | 2.98               |
| Total from investment operations   | 1.89  | 3.37                 | 3.51               |
| Less distributions from net investment income  | (0.31)  | (0.47)               | (0.44)             |
| Net asset value, end of period   | \$32.99   | \$31.41              | \$28.51            |
| <br>   |   |                      |                    |
| Total return <sup>d</sup>  | 6.03%   | 11.97%               | 13.84%             |
| <b>Ratios to average net assets<sup>e</sup></b>  |   |                      |                    |
| Expenses before waiver and payments by affiliates  | 0.22%   | 0.25%                | 0.32% <sup>f</sup> |
| Expenses net of waiver and payments by affiliates  | 0.22%   | 0.25%                | 0.25% <sup>f</sup> |
| Net investment income  | 2.24%   | 2.20%                | 2.10%              |
| <b>Supplemental data</b>   |   |                      |                    |
| Net assets, end of period (000's)  | \$1,219,100   | \$1,008,255          | \$108,326          |
| Portfolio turnover rate <sup>g</sup>   | 11.16%  | 18.04%               | 20.80%             |
| Portfolio turnover rate excluding portfolio transactions that are executed as a result of the Fund offering and redeeming Creation Units solely or in part for cash <sup>g,h</sup> | 11.16%  | —%                   | —%                 |

<sup>a</sup>For the period April 26, 2017 (commencement of operations) to March 31, 2018.

<sup>b</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of Creation Unit Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>c</sup>Based on average daily shares outstanding.

<sup>d</sup>Total return is not annualized for periods less than one year. Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption at net asset value on the last day of the period.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Effective December 1, 2017, the Fund replaced the prior fee structure with a unified management fee. See Note 3(a).

<sup>g</sup>Portfolio turnover rate excludes the value of portfolio securities received or delivered as a result of processing capital share transactions in Creation Units, if any.

<sup>h</sup>Effective September 30, 2019.

## Statement of Investments, September 30, 2019 (unaudited)

## Franklin LibertyQ U.S. Equity ETF

|  | Shares  | Value      |
|--|---------|------------|
| <b>Common Stocks 99.8%</b>               |         |            |
| <b>Communication Services 5.9%</b>       |         |            |
| <sup>a</sup> AMC Networks Inc., A        | 9,607   | \$ 472,280 |
| AT&T Inc.                                | 366,544 | 13,870,025 |
| Cable One Inc.                           | 525     | 658,718    |
| CBS Corp., B                             | 26,604  | 1,074,004  |
| Cinemark Holdings Inc.                   | 13,302  | 513,989    |
| Comcast Corp., A                         | 271,952 | 12,259,596 |
| <sup>a</sup> Facebook Inc., A            | 62,815  | 11,186,095 |
| <sup>b</sup> Match Group Inc.            | 11,085  | 791,913    |
| Omnicom Group Inc.                       | 56,164  | 4,397,641  |
| The Interpublic Group of Cos. Inc.       | 63,554  | 1,370,224  |
| The Walt Disney Co.                      | 84,985  | 11,075,245 |
| Verizon Communications Inc.              | 205,442 | 12,400,479 |
| Viacom Inc., B                           | 62,076  | 1,491,686  |
|  |         | 71,561,895 |
| <b>Consumer Discretionary 16.7%</b>      |         |            |
| <sup>a</sup> AutoZone Inc.               | 4,618   | 5,008,775  |
| Best Buy Co. Inc.                        | 69,466  | 4,792,459  |
| <sup>a</sup> Capri Holdings Ltd.         | 43,601  | 1,445,809  |
| Carnival Corp.                           | 93,114  | 4,070,013  |
| Carter's Inc.                            | 11,824  | 1,078,467  |
| Choice Hotels International Inc.         | 9,607   | 854,639    |
| Darden Restaurants Inc.                  | 37,689  | 4,455,594  |
| Dick's Sporting Goods Inc.               | 22,909  | 934,916    |
| Dollar General Corp.                     | 54,686  | 8,691,793  |
| Domino's Pizza Inc.                      | 11,824  | 2,892,032  |
| <sup>a</sup> Five Below Inc.             | 3,695   | 465,940    |
| Foot Locker Inc.                         | 39,167  | 1,690,448  |
| <sup>a</sup> frontdoor Inc.              | 6,651   | 323,039    |
| Garmin Ltd.                              | 36,950  | 3,129,296  |
| General Motors Co.                       | 99,026  | 3,711,495  |
| Gentex Corp.                             | 72,422  | 1,994,140  |
| Genuine Parts Co.                        | 39,167  | 3,900,642  |
| <sup>a</sup> Grand Canyon Education Inc. | 8,129   | 798,268    |
| H&R Block Inc.                           | 65,771  | 1,553,511  |
| Hanesbrands Inc.                         | 26,604  | 407,573    |
| Hasbro Inc.                              | 31,038  | 3,683,900  |
| Kohl's Corp.                             | 50,991  | 2,532,213  |
| Kontoor Brands Inc.                      | 1       | 35         |
| L Brands Inc.                            | 70,205  | 1,375,316  |
| Las Vegas Sands Corp.                    | 70,944  | 4,097,725  |
| Lear Corp.                               | 16,258  | 1,916,818  |
| Leggett & Platt Inc.                     | 33,994  | 1,391,714  |
| <sup>a</sup> Lululemon Athletica Inc.    | 28,821  | 5,548,907  |
| Macy's Inc.                              | 84,246  | 1,309,183  |
| McDonald's Corp.                         | 56,164  | 12,058,972 |
| NIKE Inc., B                             | 144,844 | 13,603,749 |
| <sup>b</sup> Nordstrom Inc.              | 32,516  | 1,094,814  |
| <sup>a</sup> NVR Inc.                    | 739     | 2,747,122  |
| <sup>a</sup> O'Reilly Automotive Inc.    | 22,909  | 9,129,466  |
| Penske Automotive Group Inc.             | 6,651   | 314,459    |
| Pool Corp.                               | 9,607   | 1,937,732  |
| PulteGroup Inc.                          | 20,692  | 756,293    |
| Ralph Lauren Corp.                       | 8,129   | 776,076    |
| Ross Stores Inc.                         | 120,457 | 13,232,201 |
| Six Flags Entertainment Corp.            | 12,563  | 638,075    |
| Tapestry Inc.                            | 84,246  | 2,194,608  |
| Target Corp.                             | 129,325 | 13,826,136 |

**Franklin LibertyQ U.S. Equity ETF (continued)**

|   | Shares  | Value              |
|---|---------|--------------------|
| <b>Common Stocks (continued)</b>              |         |                    |
| <b>Consumer Discretionary (continued)</b>     |         |                    |
| The Gap Inc. ....                             | 74,639  | \$ 1,295,733       |
| The Home Depot Inc. ....                      | 59,120  | 13,717,022         |
| The TJX Cos. Inc. ....                        | 222,439 | 12,398,750         |
| Thor Industries Inc. ....                     | 13,302  | 753,425            |
| Tractor Supply Co. ....                       | 33,994  | 3,074,417          |
| <sup>a</sup> Ulta Beauty Inc. ....            | 16,258  | 4,075,068          |
| <sup>a</sup> Urban Outfitters Inc. ....       | 21,431  | 601,997            |
| VF Corp. ....                                 | 86,463  | 7,694,342          |
| Williams-Sonoma Inc. ....                     | 25,126  | 1,708,065          |
| Wyndham Destinations Inc. ....                | 15,519  | 714,184            |
| Yum! Brands Inc. ....                         | 101,982 | 11,567,818         |
|   |         | <u>203,965,184</u> |
| <b>Consumer Staples 15.7%</b>                 |         |                    |
| Altria Group Inc. ....                        | 227,612 | 9,309,331          |
| Brown-Forman Corp., A ....                    | 15,519  | 927,260            |
| Casey's General Stores Inc. ....              | 8,129   | 1,310,070          |
| Church & Dwight Co. Inc. ....                 | 66,510  | 5,004,212          |
| Clorox Co. ....                               | 41,384  | 6,284,988          |
| Colgate-Palmolive Co. ....                    | 160,363 | 11,788,284         |
| Costco Wholesale Corp. ....                   | 46,557  | 13,413,537         |
| Estee Lauder Cos. Inc., A ....                | 62,076  | 12,350,020         |
| Flowers Foods Inc. ....                       | 47,296  | 1,093,956          |
| General Mills Inc. ....                       | 160,363 | 8,839,209          |
| Hormel Foods Corp. ....                       | 79,073  | 3,457,862          |
| Ingredion Inc. ....                           | 16,258  | 1,328,929          |
| Kellogg Co. ....                              | 31,038  | 1,997,295          |
| Kimberly-Clark Corp. ....                     | 50,252  | 7,138,297          |
| Lamb Weston Holdings Inc. ....                | 33,994  | 2,472,044          |
| <sup>a</sup> Monster Beverage Corp. ....      | 78,334  | 4,548,072          |
| Nu Skin Enterprises Inc., A ....              | 14,041  | 597,164            |
| PepsiCo Inc. ....                             | 87,202  | 11,955,394         |
| Philip Morris International Inc. ....         | 144,844 | 10,998,005         |
| <sup>a</sup> Sprouts Farmers Market Inc. .... | 20,692  | 400,183            |
| Sysco Corp. ....                              | 130,064 | 10,327,082         |
| The Coca-Cola Co. ....                        | 227,612 | 12,391,197         |
| The Hershey Co. ....                          | 46,557  | 7,215,869          |
| The J. M. Smucker Co. ....                    | 18,475  | 2,032,620          |
| The Kroger Co. ....                           | 108,633 | 2,800,559          |
| The Procter & Gamble Co. ....                 | 108,633 | 13,511,773         |
| Tyson Foods Inc. ....                         | 73,900  | 6,365,746          |
| Walgreens Boots Alliance Inc. ....            | 144,105 | 7,970,448          |
| Walmart Inc. ....                             | 110,111 | 13,067,973         |
|   |         | <u>190,897,379</u> |
| <b>Energy 3.0%</b>                            |         |                    |
| Cabot Oil & Gas Corp., A ....                 | 32,516  | 571,306            |
| Cimarex Energy Co. ....                       | 12,563  | 602,270            |
| ConocoPhillips ....                           | 82,768  | 4,716,121          |
| Exxon Mobil Corp. ....                        | 158,146 | 11,166,689         |
| HollyFrontier Corp. ....                      | 12,563  | 673,879            |
| Occidental Petroleum Corp. ....               | 56,164  | 2,497,613          |
| Phillips 66 ....                              | 74,639  | 7,643,034          |
| Valero Energy Corp. ....                      | 101,243 | 8,629,953          |
|   |         | <u>36,500,865</u>  |
| <b>Financials 2.8%</b>                        |         |                    |
| American National Insurance Co. ....          | 2,217   | 274,309            |

Franklin LibertyQ U.S. Equity ETF (continued)

|   | Shares  | Value       |
|---|---------|-------------|
| <b>Common Stocks (continued)</b>                    |         |             |
| <b>Financials (continued)</b>                       |         |             |
| Assured Guaranty Ltd. ....                          | 14,041  | \$ 624,263  |
| Erie Indemnity Co., A ....                          | 5,912   | 1,097,563   |
| Evercore Inc. ....                                  | 6,651   | 532,745     |
| Everest Re Group Ltd. ....                          | 6,651   | 1,769,765   |
| FactSet Research Systems Inc. ....                  | 9,607   | 2,334,213   |
| Invesco Ltd. ....                                   | 49,513  | 838,750     |
| Lazard Ltd., A ....                                 | 32,516  | 1,138,060   |
| MarketAxess Holdings Inc. ....                      | 9,607   | 3,146,292   |
| Mercury General Corp. ....                          | 7,390   | 412,953     |
| Moody's Corp. ....                                  | 13,302  | 2,724,649   |
| Morningstar Inc. ....                               | 5,173   | 755,982     |
| MSCI Inc. ....                                      | 19,953  | 4,344,766   |
| Navient Corp. ....                                  | 28,082  | 359,450     |
| People's United Financial Inc. ....                 | 87,941  | 1,374,957   |
| RenaissanceRe Holdings Ltd. ....                    | 2,959   | 572,419     |
| Santander Consumer USA Holdings Inc. ....           | 27,343  | 697,520     |
| SEI Investments Co. ....                            | 24,387  | 1,445,052   |
| The Progressive Corp. ....                          | 123,413 | 9,533,654   |
|   |         | 33,977,362  |
| <b>Health Care 9.9%</b>                             |         |             |
| AbbVie Inc. ....                                    | 145,583 | 11,023,545  |
| Amgen Inc. ....                                     | 67,249  | 13,013,354  |
| <sup>a</sup> Biogen Inc. ....                       | 40,645  | 9,462,969   |
| Bristol-Myers Squibb Co. ....                       | 246,087 | 12,479,072  |
| <sup>a</sup> Celgene Corp. ....                     | 51,730  | 5,136,789   |
| Cerner Corp. ....                                   | 64,293  | 4,382,854   |
| Chemed Corp. ....                                   | 2,956   | 1,234,337   |
| <sup>a</sup> Exelixis Inc. ....                     | 59,859  | 1,058,607   |
| Gilead Sciences Inc. ....                           | 179,577 | 11,381,590  |
| HCA Holdings Inc. ....                              | 42,862  | 5,161,442   |
| Johnson & Johnson ....                              | 84,985  | 10,995,359  |
| Merck & Co. Inc. ....                               | 141,149 | 11,881,923  |
| <sup>a</sup> Mettler-Toledo International Inc. .... | 6,651   | 4,684,964   |
| Pfizer Inc. ....                                    | 268,996 | 9,665,026   |
| ResMed Inc. ....                                    | 36,211  | 4,892,468   |
| Universal Health Services Inc., B ....              | 9,607   | 1,429,041   |
| <sup>a</sup> Varian Medical Systems Inc. ....       | 23,648  | 2,816,240   |
|   |         | 120,699,580 |
| <b>Industrials 12.7%</b>                            |         |             |
| 3M Co. ....   | 70,205  | 11,541,702  |
| Alaska Air Group Inc. ....                          | 33,994  | 2,206,551   |
| Allison Transmission Holdings Inc. ....             | 15,519  | 730,169     |
| C.H. Robinson Worldwide Inc. ....                   | 40,645  | 3,445,883   |
| Cintas Corp. ....                                   | 21,431  | 5,745,651   |
| <sup>a</sup> Copart Inc. ....                       | 51,730  | 4,155,471   |
| Cummins Inc. ....                                   | 39,906  | 6,491,509   |
| Delta Air Lines Inc. ....                           | 149,278 | 8,598,413   |
| Emerson Electric Co. ....                           | 158,146 | 10,573,642  |
| Expeditors International of Washington Inc. ....    | 45,818  | 3,403,819   |
| Fastenal Co. ....                                   | 167,753 | 5,480,491   |
| Graco Inc. ....                                     | 42,123  | 1,939,343   |
| GrafTech International Ltd. ....                    | 4,434   | 56,755      |
| Honeywell International Inc. ....                   | 53,208  | 9,002,794   |
| Huntington Ingalls Industries Inc. ....             | 10,346  | 2,191,179   |
| Illinois Tool Works Inc. ....                       | 24,387  | 3,816,322   |
| J.B. Hunt Transport Services Inc. ....              | 24,387  | 2,698,422   |

**Franklin LibertyQ U.S. Equity ETF** (continued)

|   | Shares  | Value        |
|---|---------|--------------|
| <b>Common Stocks</b> (continued)              |         |              |
| <b>Industrials</b> (continued)                |         |              |
| Landstar System Inc. ....                     | 9,607   | \$ 1,081,556 |
| Lennox International Inc. ....                | 2,956   | 718,219      |
| Lockheed Martin Corp. ....                    | 33,255  | 12,971,445   |
| MSC Industrial Direct Co. Inc., A ....        | 10,346  | 750,395      |
| PACCAR Inc. ....                              | 27,343  | 1,914,283    |
| Raytheon Co. ....                             | 62,076  | 12,178,690   |
| Robert Half International Inc. ....           | 37,689  | 2,097,770    |
| Rockwell Automation Inc. ....                 | 33,255  | 5,480,424    |
| Rollins Inc. ....                             | 42,862  | 1,460,308    |
| Schneider National Inc., B ....               | 8,868   | 192,613      |
| Snap-on Inc. ....                             | 7,390   | 1,156,831    |
| Southwest Airlines Co. ....                   | 130,803 | 7,064,670    |
| Toro Co. ....                                 | 31,777  | 2,329,254    |
| Union Pacific Corp. ....                      | 67,249  | 10,892,993   |
| United Parcel Service Inc., B ....            | 52,469  | 6,286,836    |
| W.W. Grainger Inc. ....                       | 14,041  | 4,172,283    |
| <sup>a</sup> WABCO Holdings Inc. ....         | 5,912   | 790,730      |
| Watsco Inc. ....                              | 6,651   | 1,125,216    |
|   |         | 154,742,632  |
| <b>Information Technology 18.9%</b>           |         |              |
| Accenture PLC, A ....                         | 62,815  | 12,082,465   |
| Amdocs Ltd. ....                              | 39,167  | 2,589,330    |
| Apple Inc. ....                               | 64,293  | 14,399,703   |
| Applied Materials Inc. ....                   | 240,914 | 12,021,609   |
| <sup>a</sup> Aspen Technology Inc. ....       | 8,868   | 1,091,473    |
| Automatic Data Processing Inc. ....           | 69,466  | 11,213,202   |
| Booz Allen Hamilton Holding Corp. ....        | 11,085  | 787,257      |
| Broadridge Financial Solutions Inc. ....      | 33,994  | 4,229,873    |
| <sup>a</sup> Cadence Design Systems Inc. .... | 22,909  | 1,513,827    |
| Cisco Systems Inc. ....                       | 215,049 | 10,625,571   |
| Citrix Systems Inc. ....                      | 10,346  | 998,596      |
| Cognizant Technology Solutions Corp., A ....  | 91,636  | 5,522,444    |
| <sup>a</sup> F5 Networks Inc. ....            | 18,475  | 2,594,260    |
| HP Inc. ....                                  | 461,136 | 8,724,693    |
| Intel Corp. ....                              | 254,216 | 13,099,750   |
| International Business Machines Corp. ....    | 87,941  | 12,788,380   |
| Intuit Inc. ....                              | 45,818  | 12,184,839   |
| Jack Henry & Associates Inc. ....             | 21,431  | 3,128,283    |
| KLA Corp. ....                                | 38,428  | 6,127,345    |
| Lam Research Corp. ....                       | 33,994  | 7,856,353    |
| <sup>a</sup> Manhattan Associates Inc. ....   | 5,912   | 476,921      |
| Mastercard Inc., A ....                       | 44,340  | 12,041,414   |
| Maxim Integrated Products Inc. ....           | 70,944  | 4,108,367    |
| <sup>a</sup> Micron Technology Inc. ....      | 235,002 | 10,069,836   |
| Microsoft Corp. ....                          | 90,158  | 12,534,667   |
| Motorola Solutions Inc. ....                  | 39,167  | 6,674,448    |
| NetApp Inc. ....                              | 58,381  | 3,065,586    |
| Paychex Inc. ....                             | 98,287  | 8,135,215    |
| Skyworks Solutions Inc. ....                  | 53,947  | 4,275,300    |
| Texas Instruments Inc. ....                   | 107,155 | 13,848,712   |
| Ubiquiti Inc. ....                            | 2,956   | 349,577      |
| <sup>a</sup> VeriSign Inc. ....               | 27,343  | 5,157,710    |
| Xilinx Inc. ....                              | 69,466  | 6,661,789    |
|   |         | 230,978,795  |



Franklin LibertyQ U.S. Equity ETF (continued)

|  | Shares  | Value         |
|--|---------|---------------|
| <b>Common Stocks (continued)</b>                       |         |               |
| <b>Materials 1.9%</b>                                  |         |               |
| Air Products and Chemicals Inc. ....                   | 16,997  | \$ 3,770,954  |
| Celanese Corp., A .....                                | 9,607   | 1,174,840     |
| Domtar Corp. ....                                      | 4,434   | 158,782       |
| Eastman Chemical Co. ....                              | 22,909  | 1,691,371     |
| Huntsman Corp. ....                                    | 26,604  | 618,809       |
| LyondellBasell Industries NV, A .....                  | 100,504 | 8,992,093     |
| NewMarket Corp. ....                                   | 2,217   | 1,046,624     |
| Nucor Corp. ....                                       | 24,387  | 1,241,542     |
| Packaging Corp. of America .....                       | 17,736  | 1,881,790     |
| Sonoco Products Co. ....                               | 26,604  | 1,548,619     |
| Steel Dynamics Inc. ....                               | 29,560  | 880,888       |
| Valvoline Inc. ....                                    | 14,041  | 309,323       |
|  |         | 23,315,635    |
| <b>Real Estate 4.7%</b>                                |         |               |
| American Tower Corp. ....                              | 34,733  | 7,680,508     |
| EPR Properties .....                                   | 19,214  | 1,476,788     |
| Gaming and Leisure Properties Inc. ....                | 46,557  | 1,780,340     |
| Kimco Realty Corp. ....                                | 87,941  | 1,836,208     |
| National Retail Properties Inc. ....                   | 46,557  | 2,625,815     |
| OMEGA Healthcare Investors Inc. ....                   | 57,642  | 2,408,859     |
| Public Storage .....                                   | 47,296  | 11,600,290    |
| Realty Income Corp. ....                               | 83,507  | 6,403,317     |
| Simon Property Group Inc. ....                         | 62,076  | 9,662,129     |
| Spirit Realty Capital Inc. ....                        | 26,604  | 1,273,267     |
| STORE Capital Corp. ....                               | 48,774  | 1,824,635     |
| Ventas Inc. ....                                       | 43,601  | 3,184,181     |
| VEREIT Inc. ....                                       | 268,996 | 2,630,781     |
| WP Carey Inc. ....                                     | 31,777  | 2,844,042     |
|  |         | 57,231,160    |
| <b>Utilities 7.6%</b>                                  |         |               |
| Alliant Energy Corp. ....                              | 54,686  | 2,949,216     |
| Ameren Corp. ....                                      | 31,777  | 2,543,749     |
| Atmos Energy Corp. ....                                | 27,343  | 3,114,094     |
| Consolidated Edison Inc. ....                          | 78,334  | 7,400,213     |
| Dominion Energy Inc. ....                              | 59,120  | 4,791,085     |
| DTE Energy Co. ....                                    | 48,774  | 6,484,991     |
| Evergy Inc. ....                                       | 31,777  | 2,115,077     |
| Eversource Energy .....                                | 66,510  | 5,684,610     |
| Exelon Corp. ....                                      | 232,785 | 11,245,843    |
| Hawaiian Electric Industries Inc. ....                 | 26,604  | 1,213,409     |
| NextEra Energy Inc. ....                               | 56,164  | 13,085,650    |
| OGE Energy Corp. ....                                  | 46,557  | 2,112,757     |
| Pinnacle West Capital Corp. ....                       | 30,299  | 2,941,124     |
| PPL Corp. ....   | 96,809  | 3,048,515     |
| Public Service Enterprise Group Inc. ....              | 143,366 | 8,900,161     |
| The Southern Co. ....                                  | 133,759 | 8,262,293     |
| UGI Corp. ....   | 20,692  | 1,040,187     |
| WEC Energy Group Inc. ....                             | 62,076  | 5,903,428     |
|  |         | 92,836,402    |
| <b>Total Investments before Short Term Investments</b> |         |               |
| <b>(Cost \$1,145,588,555)</b> .....                    |         | 1,216,706,889 |

**Franklin LibertyQ U.S. Equity ETF** (continued)

|   | Shares    | Value                  |
|---|-----------|------------------------|
| <b>Short Term Investments (Cost \$1,434,325) 0.1%</b>                       |           |                        |
| <b>Investments from Cash Collateral Received for Loaned Securities 0.1%</b> |           |                        |
| <b>Money Market Funds 0.1%</b>  |           |                        |
| <sup>c,d</sup> Institutional Fiduciary Trust Portfolio, 1.71% .....         | 1,434,325 | \$ 1,434,325           |
| <b>Total Investments (Cost \$1,147,022,880) 99.9%</b> .....                 |           | 1,218,141,214          |
| <b>Other Assets, less Liabilities 0.1%</b> .....                            |           | 958,637                |
| <b>Net Assets 100.0%</b> .....  |           | <u>\$1,219,099,851</u> |

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at September 30, 2019 Note 1(c).

<sup>c</sup>See Note 3(c) regarding investments in affiliated management investment companies.

<sup>d</sup>The rate shown is the annualized seven-day effective yield at period end.

At September 30, 2019, the Fund had the following futures contracts outstanding. See Note 1(c).

**Futures Contracts**

| Description            | Type | Number of Contracts | Notional Amount* | Expiration Date | Value/Unrealized Appreciation (Depreciation) |
|------------------------|------|---------------------|------------------|-----------------|--|
| <b>Index Contracts</b> |      |                     |                  |                 |  |
| S&P 500 E-Mini .....   | Long | 11                  | \$1,638,175      | 12/20/19        | \$(16,683)                                   |

\*As of period end.

## Financial Highlights

### Franklin LibertyQ U.S. Mid Cap Equity ETF

|  | Six Months Ended<br>September 30, 2019<br>(unaudited) | Year Ended March 31, |                    |
|--|---|----------------------|--------------------|
|  |   | 2019                 | 2018 <sup>a</sup>  |
| <b>Per share operating performance</b><br>(for a share outstanding throughout the period)  |   |                      |                    |
| Net asset value, beginning of period   | \$30.32   | \$27.70              | \$25.51            |
| Income from investment operations <sup>b</sup> :   |   |                      |                    |
| Net investment income <sup>c</sup>   | 0.26  | 0.47                 | 0.38               |
| Net realized and unrealized gains (losses)   | 1.08  | 2.53                 | 2.18               |
| Total from investment operations   | 1.34  | 3.00                 | 2.56               |
| Less distributions from net investment income  | (0.21)  | (0.38)               | (0.37)             |
| Net asset value, end of period   | \$31.45   | \$30.32              | \$27.70            |
| <br>   |   |                      |                    |
| Total return <sup>d</sup>  | 4.43%   | 10.92%               | 10.09%             |
| <br>   |   |                      |                    |
| <b>Ratios to average net assets<sup>e</sup></b>  |   |                      |                    |
| Expenses before waiver and payments by affiliates  | 0.30%   | 0.30%                | 0.99% <sup>f</sup> |
| Expenses net of waiver and payments by affiliates  | 0.30%   | 0.30%                | 0.30% <sup>f</sup> |
| Net investment income  | 1.65%   | 1.65%                | 1.58%              |
| <br>   |   |                      |                    |
| <b>Supplemental data</b>   |   |                      |                    |
| Net assets, end of period (000's)  | \$14,151  | \$10,612             | \$2,770            |
| Portfolio turnover rate <sup>g</sup>   | 12.25%  | 23.49%               | 36.21%             |
| Portfolio turnover rate excluding portfolio transactions that are executed as a result of the Fund offering and redeeming Creation Units solely or in part for cash <sup>g,h</sup> | 12.25%  | —%                   | —%                 |

<sup>a</sup>For the period April 26, 2017 (commencement of operations) to March 31, 2018.

<sup>b</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of Creation Unit Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>c</sup>Based on average daily shares outstanding.

<sup>d</sup>Total return is not annualized for periods less than one year. Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption at net asset value on the last day of the period.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Effective December 1, 2017, the Fund replaced the prior fee structure with a unified management fee. See Note 3(a).

<sup>g</sup>Portfolio turnover rate excludes the value of portfolio securities received or delivered as a result of processing capital share transactions in Creation Units, if any.

<sup>h</sup>Effective September 30, 2019.

## Statement of Investments, September 30, 2019 (unaudited)

## Franklin LibertyQ U.S. Mid Cap Equity ETF

|   | Shares | Value            |
|---|--------|------------------|
| <b>Common Stocks 99.8%</b>                        |        |                  |
| <b>Communication Services 3.2%</b>                |        |                  |
| <sup>a</sup> AMC Networks Inc., A                 | 387    | \$ 19,025        |
| CBS Corp., B                                      | 2,457  | 99,189           |
| Cinemark Holdings Inc.                            | 828    | 31,994           |
| John Wiley & Sons Inc., A                         | 414    | 18,191           |
| <sup>b</sup> Match Group Inc.                     | 468    | 33,434           |
| Omnicom Group Inc.                                | 1,575  | 123,323          |
| The Interpublic Group of Cos. Inc.                | 3,474  | 74,899           |
| Viacom Inc., B                                    | 2,304  | 55,365           |
|   |        | <u>455,420</u>   |
| <b>Consumer Discretionary 20.5%</b>               |        |                  |
| <sup>a</sup> AutoNation Inc.                      | 207    | 10,495           |
| <sup>a</sup> AutoZone Inc.                        | 130    | 141,001          |
| Best Buy Co. Inc.                                 | 2,124  | 146,535          |
| BorgWarner Inc.                                   | 1,539  | 56,450           |
| <sup>a</sup> Burlington Stores Inc.               | 621    | 124,088          |
| <sup>a</sup> Capri Holdings Ltd.                  | 1,314  | 43,572           |
| Carter's Inc.                                     | 405    | 36,940           |
| Dick's Sporting Goods Inc.                        | 711    | 29,016           |
| Dollar General Corp.                              | 1,044  | 165,933          |
| Expedia Group Inc.                                | 477    | 64,113           |
| <sup>a</sup> Five Below Inc.                      | 198    | 24,968           |
| Foot Locker Inc.                                  | 1,134  | 48,943           |
| <sup>a</sup> frontdoor Inc.                       | 558    | 27,102           |
| Garmin Ltd.                                       | 1,008  | 85,367           |
| Gentex Corp.                                      | 891    | 24,534           |
| Genuine Parts Co.                                 | 1,242  | 123,691          |
| H&R Block Inc.                                    | 1,827  | 43,154           |
| Hanesbrands Inc.                                  | 2,952  | 45,225           |
| Hasbro Inc.                                       | 981    | 116,435          |
| <sup>a</sup> Hilton Grand Vacations Inc.          | 666    | 21,312           |
| Kohl's Corp.                                      | 1,647  | 81,790           |
| L Brands Inc.                                     | 2,151  | 42,138           |
| <sup>a</sup> Lululemon Athletica Inc.             | 756    | 145,553          |
| Macy's Inc.                                       | 3,240  | 50,350           |
| Nordstrom Inc.                                    | 1,206  | 40,606           |
| <sup>a</sup> NVR Inc.                             | 25     | 92,934           |
| <sup>a</sup> O'Reilly Automotive Inc.             | 360    | 143,463          |
| <sup>a</sup> Ollie's Bargain Outlet Holdings Inc. | 189    | 11,083           |
| Penske Automotive Group Inc.                      | 270    | 12,766           |
| Pool Corp.  | 441    | 88,950           |
| Ralph Lauren Corp.                                | 432    | 41,243           |
| Six Flags Entertainment Corp.                     | 621    | 31,540           |
| <sup>a</sup> Skechers USA Inc., A                 | 1,035  | 38,657           |
| Tapestry Inc.                                     | 2,583  | 67,287           |
| <sup>a</sup> Tempur Sealy International Inc.      | 324    | 25,013           |
| The Gap Inc.                                      | 2,358  | 40,935           |
| The Wendy's Co., A                                | 657    | 13,127           |
| Tiffany & Co.                                     | 927    | 85,868           |
| Tractor Supply Co.                                | 1,323  | 119,652          |
| <sup>a</sup> Ulta Beauty Inc.                     | 396    | 99,257           |
| <sup>a</sup> Urban Outfitters Inc.                | 621    | 17,444           |
| Williams-Sonoma Inc.                              | 801    | 54,452           |
| Wyndham Destinations Inc.                         | 936    | 43,075           |
| Yum China Holdings Inc.                           | 3,042  | 138,198          |
|   |        | <u>2,904,255</u> |

Franklin LibertyQ U.S. Mid Cap Equity ETF (continued)

|  | Shares | Value            |
|--|--------|------------------|
| <b>Common Stocks (continued)</b>         |        |                  |
| <b>Consumer Staples 8.5%</b>             |        |                  |
| Brown-Forman Corp., A                    | 414    | \$ 24,736        |
| Brown-Forman Corp., B                    | 1,782  | 111,874          |
| Campbell Soup Co.                        | 1,404  | 65,876           |
| Church & Dwight Co. Inc.                 | 1,791  | 134,755          |
| Clorox Co.                               | 891    | 135,316          |
| Coty Inc., A                             | 2,367  | 24,877           |
| Flowers Foods Inc.                       | 2,025  | 46,838           |
| <sup>a</sup> Herbalife Ltd.              | 909    | 34,415           |
| Kellogg Co.                              | 2,052  | 132,046          |
| McCormick & Co. Inc.                     | 855    | 133,636          |
| Nu Skin Enterprises Inc., A              | 513    | 21,818           |
| <sup>a</sup> Sprouts Farmers Market Inc. | 1,143  | 22,106           |
| The Hershey Co.                          | 1,008  | 156,230          |
| The Kroger Co.                           | 5,841  | 150,581          |
|  |        | <u>1,195,104</u> |
| <b>Energy 0.2%</b>                       |        |                  |
| <sup>a</sup> Chesapeake Energy Corp.     | 4,608  | 6,497            |
| PBF Energy Inc.                          | 819    | 22,269           |
|  |        | <u>28,766</u>    |
| <b>Financials 13.0%</b>                  |        |                  |
| Ally Financial Inc.                      | 2,745  | 91,024           |
| American National Insurance Co.          | 72     | 8,909            |
| <sup>a</sup> Arch Capital Group Ltd.     | 3,150  | 132,237          |
| Arthur J. Gallagher & Co.                | 918    | 82,225           |
| <sup>a</sup> Brighthouse Financial Inc.  | 774    | 31,324           |
| Brown & Brown Inc.                       | 1,053  | 37,971           |
| Cincinnati Financial Corp.               | 1,224  | 142,804          |
| CNA Financial Corp.                      | 252    | 12,411           |
| <sup>a</sup> Credit Acceptance Corp.     | 99     | 45,670           |
| Discover Financial Services              | 1,782  | 144,502          |
| Evercore Inc.                            | 252    | 20,185           |
| Everest Re Group Ltd.                    | 342    | 91,003           |
| FactSet Research Systems Inc.            | 306    | 74,349           |
| First American Financial Corp.           | 846    | 49,922           |
| First Republic Bank                      | 612    | 59,180           |
| Globe Life Inc.                          | 774    | 74,118           |
| Janus Henderson Group PLC                | 594    | 13,341           |
| Lazard Ltd., A                           | 891    | 31,185           |
| Legg Mason Inc.                          | 720    | 27,497           |
| MarketAxess Holdings Inc.                | 279    | 91,372           |
| Mercury General Corp.                    | 225    | 12,573           |
| MSCI Inc.                                | 306    | 66,632           |
| Nasdaq Inc.                              | 1,017  | 101,039          |
| Navient Corp.                            | 1,611  | 20,621           |
| Prosperity Bancshares Inc.               | 531    | 37,505           |
| Santander Consumer USA Holdings Inc.     | 1,008  | 25,714           |
| SEI Investments Co.                      | 1,341  | 79,461           |
| Synchrony Financial                      | 2,583  | 88,054           |
| Umpqua Holdings Corp.                    | 873    | 14,370           |
| Unum Group                               | 1,836  | 54,566           |
| W.R. Berkley Corp.                       | 1,116  | 80,609           |
|  |        | <u>1,842,373</u> |
| <b>Health Care 7.6%</b>                  |        |                  |
| <sup>a</sup> Acadia Healthcare Co. Inc.  | 648    | 20,140           |
| <sup>a</sup> Align Technology Inc.       | 468    | 84,670           |

**Franklin LibertyQ U.S. Mid Cap Equity ETF (continued)**

|   | Shares | Value      |
|---|--------|------------|
| <b>Common Stocks (continued)</b>                    |        |            |
| <b>Health Care (continued)</b>                      |        |            |
| Cerner Corp. ....                                   | 1,899  | \$ 129,455 |
| Encompass Health Corp. ....                         | 792    | 50,118     |
| <sup>a</sup> Exelixis Inc. ....                     | 1,044  | 18,463     |
| <sup>a</sup> Henry Schein Inc. ....                 | 1,242  | 78,867     |
| <sup>a</sup> IDEXX Laboratories Inc. ....           | 531    | 144,395    |
| <sup>a</sup> Masimo Corp. ....                      | 324    | 48,208     |
| <sup>a</sup> MEDNAX Inc. ....                       | 792    | 17,915     |
| <sup>a</sup> Mettler-Toledo International Inc. .... | 180    | 126,792    |
| <sup>a</sup> Molina Healthcare Inc. ....            | 351    | 38,512     |
| Universal Health Services Inc., B ....              | 756    | 112,455    |
| <sup>a</sup> Varian Medical Systems Inc. ....       | 666    | 79,314     |
| <sup>a</sup> Waters Corp. ....                      | 585    | 130,589    |
|   |        | 1,079,893  |
| <b>Industrials 17.7%</b>                            |        |            |
| Allegion PLC ....                                   | 783    | 81,158     |
| Allison Transmission Holdings Inc. ....             | 846    | 39,804     |
| American Airlines Group Inc. ....                   | 3,078  | 83,014     |
| BWX Technologies Inc. ....                          | 684    | 39,132     |
| C.H. Robinson Worldwide Inc. ....                   | 1,179  | 99,956     |
| Cintas Corp. ....                                   | 603    | 161,664    |
| Copa Holdings SA ....                               | 234    | 23,107     |
| Cummins Inc. ....                                   | 882    | 143,475    |
| Donaldson Co. Inc. ....                             | 1,017  | 52,965     |
| Expeditors International of Washington Inc. ....    | 1,404  | 104,303    |
| Fastenal Co. ....                                   | 4,356  | 142,311    |
| Graco Inc. ....                                     | 1,539  | 70,856     |
| GrafTech International Ltd. ....                    | 288    | 3,686      |
| Hubbell Inc., B ....                                | 405    | 53,217     |
| <sup>a</sup> IAA Inc. ....                          | 909    | 37,933     |
| IDEX Corp. ....                                     | 279    | 45,723     |
| Ingersoll-Rand PLC ....                             | 846    | 104,236    |
| KAR Auction Services Inc. ....                      | 909    | 22,316     |
| Landstar System Inc. ....                           | 261    | 29,383     |
| Lennox International Inc. ....                      | 279    | 67,789     |
| Lincoln Electric Holdings Inc. ....                 | 216    | 18,740     |
| ManpowerGroup Inc. ....                             | 531    | 44,731     |
| MSC Industrial Direct Co. Inc., A ....              | 387    | 28,069     |
| Nordson Corp. ....                                  | 216    | 31,592     |
| Old Dominion Freight Line Inc. ....                 | 558    | 94,843     |
| Robert Half International Inc. ....                 | 1,269  | 70,633     |
| Rockwell Automation Inc. ....                       | 891    | 146,837    |
| Rollins Inc. ....                                   | 1,449  | 49,367     |
| Schneider National Inc., B ....                     | 405    | 8,797      |
| Snap-on Inc. ....                                   | 198    | 30,995     |
| <sup>a</sup> Teledyne Technologies Inc. ....        | 126    | 40,571     |
| Toro Co. ....                                       | 945    | 69,268     |
| <sup>a</sup> United Airlines Holdings Inc. ....     | 1,332  | 117,762    |
| <sup>a</sup> United Rentals Inc. ....               | 297    | 37,018     |
| W.W. Grainger Inc. ....                             | 405    | 120,346    |
| <sup>a</sup> WABCO Holdings Inc. ....               | 297    | 39,724     |
| Watsco Inc. ....                                    | 297    | 50,246     |
| Xylem Inc. ....                                     | 1,323  | 105,337    |
|   |        | 2,510,904  |
| <b>Information Technology 14.3%</b>                 |        |            |
| <sup>a</sup> Aspen Technology Inc. ....             | 405    | 49,847     |
| Booz Allen Hamilton Holding Corp. ....              | 1,431  | 101,630    |

Franklin LibertyQ U.S. Mid Cap Equity ETF (continued)

|   | Shares | Value      |
|---|--------|------------|
| <b>Common Stocks (continued)</b>              |        |            |
| <b>Information Technology (continued)</b>     |        |            |
| <sup>a</sup> Cadence Design Systems Inc. .... | 2,097  | \$ 138,570 |
| CDW Corp. ....                                | 1,305  | 160,828    |
| Citrix Systems Inc. ....                      | 486    | 46,909     |
| <sup>a</sup> F5 Networks Inc. ....            | 630    | 88,465     |
| <sup>a</sup> Fair Isaac Corp. ....            | 198    | 60,097     |
| Genpact Ltd. ....                             | 1,080  | 41,850     |
| Jack Henry & Associates Inc. ....             | 675    | 98,530     |
| Juniper Networks Inc. ....                    | 2,493  | 61,702     |
| KLA Corp. ....                                | 1,296  | 206,647    |
| Lam Research Corp. ....                       | 765    | 176,799    |
| <sup>a</sup> Manhattan Associates Inc. ....   | 621    | 50,096     |
| National Instruments Corp. ....               | 1,071  | 44,971     |
| NetApp Inc. ....                              | 2,124  | 111,531    |
| Paychex Inc. ....                             | 1,557  | 128,873    |
| Pegasystems Inc. ....                         | 234    | 15,924     |
| <sup>a</sup> Synopsys Inc. ....               | 1,143  | 156,877    |
| Ubiquiti Inc. ....                            | 117    | 13,836     |
| <sup>a</sup> VeriSign Inc. ....               | 369    | 69,604     |
| Western Union Co. ....                        | 3,357  | 77,782     |
| Xilinx Inc. ....                              | 1,305  | 125,149    |
|   |        | 2,026,517  |
| <b>Materials 1.5%</b>                         |        |            |
| Ardagh Group SA ....                          | 117    | 1,834      |
| Avery Dennison Corp. ....                     | 675    | 76,660     |
| RPM International Inc. ....                   | 1,017  | 69,980     |
| Sonoco Products Co. ....                      | 351    | 20,432     |
| Steel Dynamics Inc. ....                      | 756    | 22,529     |
| The Chemours Co. LLC ....                     | 1,080  | 16,135     |
|   |        | 207,570    |
| <b>Real Estate 9.4%</b>                       |        |            |
| Alexandria Real Estate Equities Inc. ....     | 846    | 130,318    |
| Apple Hospitality REIT Inc. ....              | 1,764  | 29,247     |
| Camden Property Trust ....                    | 369    | 40,963     |
| Coresite Realty Corp. ....                    | 261    | 31,803     |
| EPR Properties ....                           | 648    | 49,805     |
| Equity Lifestyle Properties Inc. ....         | 585    | 78,156     |
| Essex Property Trust Inc. ....                | 450    | 146,993    |
| Federal Realty Investment Trust ....          | 540    | 73,516     |
| Highwoods Properties Inc. ....                | 792    | 35,592     |
| Hospitality Properties Trust ....             | 1,476  | 38,066     |
| Host Hotels & Resorts Inc. ....               | 5,013  | 86,675     |
| Lamar Advertising Co., A ....                 | 765    | 62,676     |
| Liberty Property Trust ....                   | 540    | 27,718     |
| National Retail Properties Inc. ....          | 1,530  | 86,292     |
| Realty Income Corp. ....                      | 1,908  | 146,305    |
| Retail Properties of America Inc., A ....     | 1,386  | 17,076     |
| Ventas Inc. ....                              | 1,539  | 112,393    |
| Welltower Inc. ....                           | 1,467  | 132,984    |
|   |        | 1,326,578  |
| <b>Utilities 3.9%</b>                         |        |            |
| Ameren Corp. ....                             | 1,458  | 116,713    |
| Consolidated Edison Inc. ....                 | 1,548  | 146,240    |
| Entergy Corp. ....                            | 1,368  | 160,548    |

**Franklin LibertyQ U.S. Mid Cap Equity ETF** (continued)

|  | Shares | Value               |
|--|--------|---------------------|
| <b>Common Stocks</b> (continued)   |        |                     |
| <b>Utilities</b> (continued)   |        |                     |
| PPL Corp. ....   | 3,888  | \$ 122,433          |
|  |        | <u>545,934</u>      |
| <b>Total Investments before Short Term Investments</b><br><b>(Cost \$12,992,971)</b> ..... |        | <u>14,123,314</u>   |
| <b>Short Term Investments (Cost \$22,200) 0.2%</b>   |        |                     |
| <b>Investments from Cash Collateral Received for Loaned Securities 0.2%</b>                |        |                     |
| <b>Money Market Funds 0.2%</b>   |        |                     |
| <sup>c,d</sup> Institutional Fiduciary Trust Portfolio, 1.71% .....                        | 22,200 | <u>22,200</u>       |
| <b>Total Investments (Cost \$13,015,171) 100.0%</b> .....                                  |        | <u>14,145,514</u>   |
| <b>Other Assets, less Liabilities 0.0%</b> <sup>†</sup> .....                              |        | <u>5,090</u>        |
| <b>Net Assets 100.0%</b> .....   |        | <u>\$14,150,604</u> |

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at September 30, 2019. See Note 1(c).

<sup>c</sup>See Note 3(c) regarding investments in affiliated management investment companies.

<sup>d</sup>The rate shown is the annualized seven-day effective yield at period end.



## Financial Highlights

### Franklin LibertyQ U.S. Small Cap Equity ETF

|  | Six Months Ended<br>September 30, 2019<br>(unaudited) | Year Ended March 31, |                    |
|--|---|----------------------|--------------------|
|  |   | 2019                 | 2018 <sup>a</sup>  |
| <b>Per share operating performance</b>   |   |                      |                    |
| (for a share outstanding throughout the period)  |   |                      |                    |
| Net asset value, beginning of period   | \$27.66   | \$26.66              | \$25.36            |
| Income from investment operations <sup>b</sup> :   |   |                      |                    |
| Net investment income <sup>c</sup>   | 0.23  | 0.47                 | 0.33               |
| Net realized and unrealized gains (losses)   | 0.07  | 0.87                 | 1.27               |
| Total from investment operations   | 0.30  | 1.34                 | 1.60               |
| Less distributions from net investment income  | (0.21)  | (0.34)               | (0.30)             |
| Net asset value, end of period   | \$27.75   | \$27.66              | \$26.66            |
| <br>   |   |                      |                    |
| Total return <sup>d</sup>  | 1.07%   | 5.05%                | 6.34%              |
| <br>   |   |                      |                    |
| <b>Ratios to average net assets<sup>e</sup></b>  |   |                      |                    |
| Expenses before waiver and payments by affiliates  | 0.35%   | 0.35%                | 1.15% <sup>f</sup> |
| Expenses net of waiver and payments by affiliates  | 0.35%   | 0.35%                | 0.35% <sup>f</sup> |
| Net investment income  | 1.65%   | 1.69%                | 1.40%              |
| <br>   |   |                      |                    |
| <b>Supplemental data</b>   |   |                      |                    |
| Net assets, end of period (000's)  | \$20,816  | \$17,979             | \$2,666            |
| Portfolio turnover rate <sup>g</sup>   | 13.28%  | 22.17%               | 23.99%             |
| Portfolio turnover rate excluding portfolio transactions that are executed as a result of the Fund offering and redeeming Creation Units solely or in part for cash <sup>g,h</sup> | 13.28%  | —%                   | —%                 |

<sup>a</sup>For the period April 26, 2017 (commencement of operations) to March 31, 2018.

<sup>b</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of Creation Unit Fund shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>c</sup>Based on average daily shares outstanding.

<sup>d</sup>Total return is not annualized for periods less than one year. Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption at net asset value on the last day of the period.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Effective December 1, 2017, the Fund replaced the prior fee structure with a unified management fee. See Note 3(a).

<sup>g</sup>Portfolio turnover rate excludes the value of portfolio securities received or delivered as a result of processing capital share transactions in Creation Units, if any.

<sup>h</sup>Effective September 30, 2019.

## Statement of Investments, September 30, 2019 (unaudited)

## Franklin LibertyQ U.S. Small Cap Equity ETF

|  | Shares | Value          |
|--|--------|----------------|
| <b>Common Stocks 99.9%</b>                   |        |                |
| <b>Communication Services 3.2%</b>           |        |                |
| AMC Entertainment Holdings Inc., A           | 1,740  | \$ 18,618      |
| <sup>a</sup> Cardlytics Inc.                 | 330    | 11,062         |
| <sup>a</sup> Care.com Inc.                   | 690    | 7,210          |
| Cogent Communications Holdings Inc.          | 1,620  | 89,262         |
| <sup>a</sup> Cumulus Media Inc., A           | 255    | 3,708          |
| Gannett Co. Inc.                             | 4,830  | 51,874         |
| <sup>a</sup> IDT Corp., B                    | 360    | 3,791          |
| <sup>a</sup> Lee Enterprises Inc.            | 1,230  | 2,509          |
| <sup>a</sup> Liberty Latin America Ltd.      | 3,630  | 62,055         |
| <sup>a</sup> Liberty Latin America Ltd., A   | 1,425  | 24,325         |
| Marcus Corp.                                 | 795    | 29,423         |
| Meredith Corp.                               | 1,530  | 56,090         |
| National CineMedia Inc.                      | 2,685  | 22,017         |
| <sup>b</sup> New Media Investment Group Inc. | 2,685  | 23,655         |
| <sup>a</sup> Rosetta Stone Inc.              | 765    | 13,311         |
| Scholastic Corp.                             | 1,245  | 47,011         |
| Spok Holdings Inc.                           | 660    | 7,880          |
| TEGNA Inc.                                   | 3,900  | 60,567         |
| <sup>a</sup> The Meet Group Inc.             | 1,320  | 4,323          |
| <sup>a</sup> Travelzoo                       | 165    | 1,764          |
| <sup>a</sup> TrueCar Inc.                    | 2,955  | 10,047         |
| <sup>a</sup> WideOpenWest Inc.               | 945    | 5,821          |
| <sup>a</sup> Yelp Inc.                       | 3,060  | 106,335        |
|  |        | <u>662,658</u> |
| <b>Consumer Discretionary 23.5%</b>          |        |                |
| Dine Brands Global Inc.                      | 645    | 48,930         |
| <sup>a</sup> 1-800-FLOWERS.Com Inc.          | 1,140  | 16,866         |
| Aaron's Inc.                                 | 1,980  | 127,235        |
| Abercrombie & Fitch Co., A                   | 3,375  | 52,650         |
| Acushnet Holdings Corp.                      | 1,365  | 36,036         |
| <sup>a</sup> Adtalem Global Education Inc.   | 1,995  | 75,990         |
| <sup>a</sup> America's Car-Mart Inc.         | 270    | 24,759         |
| American Eagle Outfitters Inc.               | 7,275  | 118,000        |
| <sup>a</sup> American Public Education Inc.  | 555    | 12,399         |
| <sup>a</sup> Asbury Automotive Group Inc.    | 930    | 95,167         |
| <sup>a,b</sup> Ascena Retail Group Inc.      | 7,050  | 1,862          |
| <sup>a,b</sup> At Home Group Inc.            | 1,425  | 13,709         |
| <sup>a</sup> Barnes & Noble Education Inc.   | 1,125  | 3,510          |
| Bassett Furniture Industries Inc.            | 435    | 6,656          |
| Bed Bath & Beyond Inc.                       | 5,070  | 53,945         |
| Big Lots Inc.                                | 2,145  | 52,552         |
| BJ's Restaurants Inc.                        | 840    | 32,626         |
| Bloomin' Brands Inc.                         | 4,665  | 88,308         |
| Brinker International Inc.                   | 1,245  | 53,124         |
| <sup>b</sup> Buckle Inc.                     | 1,425  | 29,355         |
| Caleres Inc.                                 | 1,830  | 42,840         |
| Callaway Golf Co.                            | 2,865  | 55,610         |
| <sup>b</sup> Camping World Holdings Inc., A  | 1,335  | 11,882         |
| <sup>a</sup> Career Education Corp.          | 2,880  | 45,763         |
| <sup>a</sup> Carrols Restaurant Group Inc.   | 990    | 8,207          |
| Chico's FAS Inc.                             | 5,535  | 22,306         |
| <sup>a</sup> Chuy's Holdings Inc.            | 825    | 20,427         |
| Citi Trends Inc.                             | 555    | 10,157         |
| Collectors Universe Inc.                     | 195    | 5,554          |
| Cooper Tire & Rubber Co.                     | 1,725  | 45,057         |
| Core-Mark Holding Co. Inc.                   | 915    | 29,385         |
| Cracker Barrel Old Country Store Inc.        | 1,005  | 163,463        |

Franklin LibertyQ U.S. Small Cap Equity ETF (continued)

|  | Shares | Value     |
|--|--------|-----------|
| <b>Common Stocks</b> (continued)                     |        |           |
| <b>Consumer Discretionary</b> (continued)            |        |           |
| <sup>a</sup> Crocs Inc. ....                         | 2,580  | \$ 71,621 |
| Dana Inc. ....                                       | 5,160  | 74,510    |
| Dave & Buster's Entertainment Inc. ....              | 1,740  | 67,773    |
| <sup>a</sup> Deckers Outdoor Corp. ....              | 1,297  | 191,126   |
| <sup>a</sup> Del Taco Restaurants Inc. ....          | 645    | 6,595     |
| <sup>a</sup> Denny's Corp. ....                      | 2,730  | 62,148    |
| Designer Brands Inc., A ....                         | 2,910  | 49,819    |
| <sup>b</sup> Dillard's Inc., A ....                  | 435    | 28,758    |
| <sup>a</sup> Dorman Products Inc. ....               | 1,140  | 90,676    |
| <sup>a,b</sup> Duluth Holdings Inc. ....             | 450    | 3,816     |
| Escalade Inc. ....                                   | 390    | 4,247     |
| Ethan Allen Interiors Inc. ....                      | 1,230  | 23,493    |
| <sup>a</sup> Fiesta Restaurant Group Inc. ....       | 1,125  | 11,723    |
| Flexsteel Industries Inc. ....                       | 285    | 4,224     |
| <sup>a</sup> Fossil Group Inc. ....                  | 900    | 11,259    |
| <sup>a</sup> Genesco Inc. ....                       | 900    | 36,018    |
| Group 1 Automotive Inc. ....                         | 810    | 74,771    |
| Guess? Inc. ....                                     | 2,565  | 47,529    |
| Hamilton Beach Brands Holding Co., A ....            | 270    | 4,366     |
| Haverty Furniture Cos. Inc. ....                     | 975    | 19,763    |
| <sup>a</sup> Helen of Troy Ltd. ....                 | 908    | 143,155   |
| <sup>a</sup> Hibbett Sports Inc. ....                | 765    | 17,519    |
| Hooker Furniture Corp. ....                          | 390    | 8,362     |
| International Speedway Corp., A ....                 | 765    | 34,433    |
| <sup>a</sup> iRobot Corp. ....                       | 1,020  | 62,903    |
| <sup>b</sup> J. Jill Inc. ....                       | 765    | 1,454     |
| Jack in the Box Inc. ....                            | 1,095  | 99,776    |
| Johnson Outdoors Inc., A ....                        | 210    | 12,298    |
| <sup>a</sup> K12 Inc. ....                           | 1,155  | 30,492    |
| Kontoor Brands Inc. ....                             | 915    | 32,116    |
| La-Z-Boy Inc. ....                                   | 1,905  | 63,989    |
| LCI Industries ....                                  | 915    | 84,043    |
| <sup>a</sup> LGI Homes Inc. ....                     | 660    | 54,991    |
| Lifetime Brands Inc. ....                            | 525    | 4,646     |
| <sup>a</sup> Lindblad Expeditions Holdings Inc. .... | 420    | 7,039     |
| Lithia Motors Inc. ....                              | 859    | 113,714   |
| M.D.C Holdings Inc. ....                             | 900    | 38,790    |
| Marine Products Corp. ....                           | 315    | 4,460     |
| <sup>a</sup> MasterCraft Boat Holdings Inc. ....     | 330    | 4,925     |
| <sup>a</sup> Modine Manufacturing Co. ....           | 975    | 11,086    |
| <sup>a</sup> Monarch Casino & Resort Inc. ....       | 345    | 14,383    |
| Monro Inc. ....                                      | 1,320  | 104,293   |
| Movado Group Inc. ....                               | 735    | 18,272    |
| Office Depot Inc. ....                               | 22,125 | 38,829    |
| Oxford Industries Inc. ....                          | 825    | 59,152    |
| Papa John's International Inc. ....                  | 825    | 43,189    |
| <sup>b</sup> PetMed Express Inc. ....                | 945    | 17,029    |
| <sup>a</sup> Potbelly Corp. ....                     | 750    | 3,270     |
| <sup>a</sup> Regis Corp. ....                        | 1,035  | 20,928    |
| Rent-A-Center Inc. ....                              | 2,130  | 54,933    |
| Rocky Brands Inc. ....                               | 240    | 7,975     |
| <sup>a</sup> RTW RetailWinds Inc. ....               | 1,095  | 1,500     |
| Ruth's Hospitality Group Inc. ....                   | 1,185  | 24,192    |
| <sup>a</sup> Sally Beauty Holdings Inc. ....         | 4,725  | 70,355    |
| <sup>b</sup> Shoe Carnival Inc. ....                 | 495    | 16,043    |
| <sup>a</sup> Shutterstock Inc. ....                  | 660    | 23,839    |
| Signet Jewelers Ltd. ....                            | 1,800  | 30,168    |

**Franklin LibertyQ U.S. Small Cap Equity ETF (continued)**

|   | Shares | Value     |
|---|--------|-----------|
| <b>Common Stocks (continued)</b>                          |        |           |
| <b>Consumer Discretionary (continued)</b>                 |        |           |
| <sup>a</sup> Sleep Number Corp. ....                      | 1,335  | \$ 55,162 |
| Sonic Automotive Inc. ....                                | 1,065  | 33,452    |
| <sup>a</sup> Sonos Inc. ....                              | 1,515  | 20,316    |
| <sup>a</sup> Sportsman's Warehouse Holdings Inc. ....     | 1,860  | 9,635     |
| <sup>a</sup> Stamps.com Inc. ....                         | 720    | 53,604    |
| Standard Motor Products Inc. ....                         | 855    | 41,510    |
| Steven Madden Ltd. ....                                   | 3,585  | 128,307   |
| <sup>a,b</sup> Stitch Fix Inc., A ....                    | 975    | 18,769    |
| Strategic Education Inc. ....                             | 900    | 122,292   |
| Sturm Ruger & Co. Inc. ....                               | 675    | 28,188    |
| Superior Group of Cos. Inc. ....                          | 405    | 6,529     |
| <sup>b</sup> Tailored Brands Inc. ....                    | 2,370  | 10,428    |
| Tenneco Inc., A ....                                      | 1,950  | 24,414    |
| Texas Roadhouse Inc., A ....                              | 3,315  | 174,104   |
| The Cato Corp., A ....                                    | 960    | 16,906    |
| The Cheesecake Factory Inc. ....                          | 2,220  | 92,530    |
| <sup>b</sup> The Children's Place Inc. ....               | 720    | 55,433    |
| <sup>a</sup> The Container Store Group Inc. ....          | 720    | 3,182     |
| <sup>a</sup> The Habit Restaurants Inc., A ....           | 960    | 8,390     |
| <sup>a</sup> The Lovesac Co. ....                         | 105    | 1,960     |
| <sup>a,b</sup> The Michaels Cos. Inc. ....                | 1,860  | 18,209    |
| Tile Shop Holdings Inc. ....                              | 1,995  | 6,364     |
| Tilly's Inc., A ....                                      | 945    | 8,921     |
| Tupperware Brands Corp. ....                              | 2,160  | 34,279    |
| Twin River Worldwide Holdings Inc. ....                   | 480    | 10,958    |
| <sup>a</sup> Vera Bradley Inc. ....                       | 885    | 8,939     |
| Weyco Group Inc. ....                                     | 270    | 6,105     |
| Wingstop Inc. ....  | 855    | 74,624    |
| Winmark Corp. ....  | 90     | 15,875    |
| Wolverine World Wide Inc. ....                            | 3,870  | 109,366   |
| <sup>a</sup> Zumiez Inc. ....                             | 780    | 24,707    |
|   |        | 4,890,564 |
| <b>Consumer Staples 6.8%</b>                              |        |           |
| <sup>b</sup> B&G Foods Inc., A ....                       | 2,340  | 44,249    |
| <sup>a</sup> Boston Beer Inc., A ....                     | 408    | 148,545   |
| <sup>a</sup> Bridgford Foods Corp. ....                   | 30     | 905       |
| <sup>a</sup> Central Garden & Pet Co. ....                | 375    | 10,961    |
| <sup>a</sup> Central Garden & Pet Co., A ....             | 1,350  | 37,429    |
| Coca-Cola Consolidated Inc. ....                          | 180    | 54,697    |
| <sup>a</sup> Freshpet Inc. ....                           | 585    | 29,115    |
| Ingles Markets Inc., A ....                               | 615    | 23,899    |
| Inter Parfums Inc. ....                                   | 690    | 48,279    |
| J & J Snack Foods Corp. ....                              | 660    | 126,720   |
| John B. Sanfilippo & Son Inc. ....                        | 360    | 34,776    |
| Lancaster Colony Corp. ....                               | 735    | 101,908   |
| <sup>a</sup> Lifevantage Corp. ....                       | 315    | 4,316     |
| Medifast Inc. ....  | 510    | 52,851    |
| <sup>b</sup> National Beverage Corp. ....                 | 495    | 21,958    |
| <sup>a</sup> Natural Grocers by Vitamin Cottage Inc. .... | 345    | 3,447     |
| <sup>a</sup> Natures Sunshine Products Inc. ....          | 405    | 3,357     |
| <sup>a</sup> Performance Food Group Co. ....              | 4,035  | 185,650   |
| PriceSmart Inc. ....                                      | 1,020  | 72,522    |
| Sanderson Farms Inc. ....                                 | 705    | 106,688   |
| SpartanNash Co. ....                                      | 735    | 8,695     |
| <sup>a</sup> The Chefs' Warehouse Inc. ....               | 900    | 36,288    |
| Tootsie Roll Industries Inc. ....                         | 495    | 18,384    |
| <sup>b</sup> Turning Point Brands Inc. ....               | 285    | 6,572     |

Franklin LibertyQ U.S. Small Cap Equity ETF (continued)

|  | Shares | Value     |
|--|--------|-----------|
| <b>Common Stocks</b> (continued)                   |        |           |
| <b>Consumer Staples</b> (continued)                |        |           |
| Universal Corp. ....                               | 990    | \$ 54,262 |
| Vector Group Ltd. ....                             | 3,856  | 45,922    |
| Village Super Market Inc., A ....                  | 435    | 11,506    |
| WD-40 Co. ....                                     | 615    | 112,877   |
| Weis Markets Inc. ....                             | 450    | 17,163    |
|  |        | 1,423,941 |
| <b>Energy 0.5%</b>                                 |        |           |
| Arch Coal Inc. ....                                | 315    | 23,373    |
| <sup>a</sup> CONSOL Mining Corp. ....              | 1,020  | 15,943    |
| <sup>a</sup> Contura Energy Inc. ....              | 345    | 9,646     |
| CVR Energy Inc. ....                               | 525    | 23,116    |
| <sup>a</sup> FTS International Inc. ....           | 960    | 2,150     |
| Liberty Oilfield Services Inc., A ....             | 1,275  | 13,808    |
| <sup>a</sup> Penn Virginia Corp. ....              | 240    | 6,977     |
| <sup>a</sup> SilverBow Resources Inc. ....         | 240    | 2,326     |
|  |        | 97,339    |
| <b>Financials 9.3%</b>                             |        |           |
| 1st Source Corp. ....                              | 540    | 24,694    |
| AMERISAFE Inc. ....                                | 360    | 23,800    |
| Ames National Corp. ....                           | 360    | 10,300    |
| Apollo Commercial Finance Inc. ....                | 4,575  | 87,703    |
| Arrow Financial Corp. ....                         | 263    | 8,770     |
| Banco Latinoamericano de Comercio Exterior SA .... | 900    | 17,946    |
| Bank7 Corp. ....                                   | 75     | 1,410     |
| Bankwell Financial Group Inc. ....                 | 120    | 3,300     |
| Bar Harbor Bankshares. ....                        | 270    | 6,731     |
| Cadence Bancorp. ....                              | 2,400  | 42,096    |
| Capitol Federal Financial Inc. ....                | 4,470  | 61,597    |
| Capstead Mortgage Corp. ....                       | 3,255  | 23,924    |
| Central Pacific Financial Corp. ....               | 510    | 14,484    |
| Citizens & Northern Corp. ....                     | 465    | 12,220    |
| <sup>a,b</sup> Citizens Inc., A ....               | 1,815  | 12,469    |
| Codorus Valley Bancorp Inc. ....                   | 165    | 3,838     |
| Cohen & Steers Inc. ....                           | 885    | 48,613    |
| Colony Bankcorp Inc. ....                          | 150    | 2,302     |
| Colony Credit Real Estate Inc., A ....             | 2,760  | 39,910    |
| Crawford & Co., A ....                             | 375    | 4,080     |
| DNB Financial Corp. ....                           | 60     | 2,671     |
| Donegal Group Inc. ....                            | 405    | 5,937     |
| Dynex Capital Inc. ....                            | 825    | 12,193    |
| ESSA Bancorp Inc. ....                             | 165    | 2,709     |
| Essent Group Ltd. ....                             | 4,215  | 200,929   |
| <sup>a</sup> EZCORP Inc., A ....                   | 1,635  | 10,554    |
| Federated Investors Inc., B ....                   | 3,750  | 121,537   |
| Financial Institutions Inc. ....                   | 615    | 18,561    |
| First Bancorp Inc. ....                            | 360    | 9,896     |
| First Bancorp Puerto Rico ....                     | 3,945  | 39,371    |
| First Citizens Bancorp ....                        | 495    | 10,756    |
| Franklin Financial Services Corp. ....             | 75     | 2,666     |
| <sup>a</sup> Genworth Financial Inc., A ....       | 14,115 | 62,106    |
| Greene County Bancorp Inc. ....                    | 120    | 3,288     |
| Hawthorn Bancshares Inc. ....                      | 135    | 3,217     |
| Heritage Financial Corp. ....                      | 1,245  | 33,565    |
| Horace Mann Educators Corp. ....                   | 1,770  | 82,004    |
| International Bancshares Corp. ....                | 1,095  | 42,289    |
| Invesco Mortgage Capital ....                      | 4,275  | 65,450    |

**Franklin LibertyQ U.S. Small Cap Equity ETF** (continued)

|   | Shares | Value     |
|---|--------|-----------|
| <b>Common Stocks</b> (continued)                  |        |           |
| <b>Financials</b> (continued)                     |        |           |
| James River Group Holdings Ltd. ....              | 1,020  | \$ 52,265 |
| LCNB Corp. ....                                   | 435    | 7,717     |
| Midwestone Financial Group Inc. ....              | 465    | 14,192    |
| <sup>a</sup> Mr Cooper Group Inc. ....            | 1,530  | 16,249    |
| National Western Life Group Inc., A ....          | 105    | 28,179    |
| Nelnet Inc., A ....                               | 720    | 45,792    |
| Northfield Bancorp Inc. ....                      | 1,710  | 27,463    |
| Northwest Bancshares Inc. ....                    | 3,735  | 61,217    |
| Norwood Financial Corp. ....                      | 180    | 5,690     |
| <sup>a</sup> On Deck Capital Inc. ....            | 1,905  | 6,401     |
| <sup>a</sup> Palomar Holdings Inc. ....           | 105    | 4,139     |
| Penns Woods Bancorp Inc. ....                     | 180    | 8,325     |
| Peoples Financial Services Corp. ....             | 135    | 6,114     |
| Piper Jaffray Cos. ....                           | 240    | 18,115    |
| Premier Financial Bancorp Inc. ....               | 510    | 8,757     |
| Protective Insurance Corp., B ....                | 375    | 6,544     |
| Provident Financial Services Inc. ....            | 2,520  | 61,816    |
| Pzena Investment Management Inc., A ....          | 675    | 6,021     |
| <sup>a</sup> Regional Management Corp. ....       | 465    | 13,094    |
| Silvercrest Asset Management Group Inc., A ....   | 360    | 4,428     |
| Southern Missouri Bancorp Inc. ....               | 210    | 7,650     |
| Stewart Information Services Corp. ....           | 750    | 29,092    |
| Territorial Bancorp Inc. ....                     | 360    | 10,289    |
| Tiptree Inc.,A ....                               | 420    | 3,058     |
| Tompkins Financial Corp. ....                     | 555    | 45,027    |
| TrustCo Bank Corp. NY ....                        | 3,555  | 28,973    |
| United Bankshares Inc. ....                       | 1,785  | 67,598    |
| United Fire Group Inc. ....                       | 825    | 38,758    |
| United Security Bancshares ....                   | 255    | 2,683     |
| Universal Insurance Holdings Inc. ....            | 1,155  | 34,638    |
| Value Line Inc. ....                              | 45     | 1,024     |
| Waddell & Reed Financial Inc., A ....             | 1,515  | 26,028    |
| <sup>a,b</sup> Watford Holdings Ltd. ....         | 375    | 10,106    |
| West Bancorp ....                                 | 555    | 12,066    |
| Westwood Holdings Group Inc. ....                 | 360    | 9,961     |
| <sup>a</sup> World Acceptance Corp. ....          | 240    | 30,602    |
|   |        | 1,939,957 |
| <b>Health Care 10.4%</b>                          |        |           |
| <sup>a</sup> Addus Homecare Corp. ....            | 375    | 29,730    |
| <sup>a</sup> Amedisys Inc. ....                   | 1,350  | 176,863   |
| <sup>a</sup> AMN Healthcare Services Inc. ....    | 1,725  | 99,291    |
| <sup>a</sup> AngioDynamics Inc. ....              | 1,095  | 20,170    |
| <sup>a</sup> AtriCure Inc. ....                   | 1,350  | 33,669    |
| Atrion Corp. ....                                 | 64     | 49,867    |
| <sup>a</sup> Biospecifics Technologies Corp. .... | 225    | 12,042    |
| <sup>a</sup> Cardiovascular Systems Inc. ....     | 1,380  | 65,577    |
| <sup>a</sup> Community Health Systems Inc. ....   | 3,210  | 11,556    |
| CONMED Corp. ....                                 | 1,020  | 98,073    |
| <sup>a</sup> Corcept Therapeutics Inc. ....       | 4,110  | 58,095    |
| <sup>a</sup> CorVel Corp. ....                    | 330    | 24,981    |
| <sup>a</sup> Cross Country Healthcare Inc. ....   | 1,080  | 11,124    |
| <sup>a</sup> Eagle Pharmaceuticals Inc. ....      | 315    | 17,819    |
| <sup>a</sup> Enanta Pharmaceuticals Inc. ....     | 660    | 39,653    |
| <sup>a</sup> Genomic Health Inc. ....             | 1,065  | 72,228    |
| <sup>a</sup> Glaukos Corp. ....                   | 960    | 60,010    |
| <sup>a</sup> Globus Medical Inc., A ....          | 3,225  | 164,862   |
| <sup>a</sup> Haemonetics Corp. ....               | 1,605  | 202,455   |

Franklin LibertyQ U.S. Small Cap Equity ETF (continued)

|   | Shares | Value     |
|---|--------|-----------|
| <b>Common Stocks (continued)</b>                        |        |           |
| <b>Health Care (continued)</b>                          |        |           |
| <sup>a</sup> Hanger Inc. ....                           | 705    | \$ 14,368 |
| <sup>a</sup> Inogen Inc. ....                           | 615    | 29,465    |
| <sup>a</sup> iRadimed Corp. ....                        | 135    | 2,838     |
| <sup>a</sup> Lantheus Holdings Inc. ....                | 720    | 18,047    |
| LeMaitre Vascular Inc. ....                             | 660    | 22,559    |
| <sup>a</sup> LHC Group Inc. ....                        | 1,095  | 124,348   |
| Meridian Bioscience Inc. ....                           | 1,965  | 18,648    |
| <sup>a</sup> Merit Medical Systems Inc. ....            | 2,010  | 61,225    |
| Mesa Laboratories Inc. ....                             | 60     | 14,266    |
| <sup>a</sup> Misonix Inc. ....                          | 150    | 3,015     |
| <sup>a</sup> Myriad Genetics Inc. ....                  | 2,415  | 69,141    |
| National Healthcare Corp. ....                          | 525    | 42,971    |
| National Research Corp., A ....                         | 525    | 30,319    |
| <sup>a</sup> NextGen Healthcare Inc. ....               | 2,205  | 34,552    |
| <sup>a</sup> NuVasive Inc. ....                         | 1,785  | 113,133   |
| <sup>a</sup> Orthofix International NV ....             | 765    | 40,560    |
| <sup>a</sup> OrthoPediatrics Corp. ....                 | 165    | 5,818     |
| Patterson Cos. Inc. ....                                | 2,835  | 50,520    |
| Phibro Animal Health Corp. ....                         | 825    | 17,597    |
| <sup>a</sup> Prestige Consumer Healthcare Inc. ....     | 1,785  | 61,922    |
| Simulations Plus Inc. ....                              | 435    | 15,094    |
| <sup>a</sup> Supernus Pharmaceuticals Inc. ....         | 2,085  | 57,296    |
| <sup>a</sup> Tactile Systems Technology Inc. ....       | 690    | 29,201    |
| <sup>a</sup> The Joint Corp. ....                       | 270    | 5,025     |
| Utah Medical Products Inc. ....                         | 135    | 12,938    |
| <sup>a</sup> Vocera Communications Inc. ....            | 1,155  | 28,471    |
|   |        | 2,171,402 |
| <b>Industrials 20.4%</b>                                |        |           |
| ABM Industries Inc. ....                                | 2,715  | 98,609    |
| ACCO Brands Corp. ....                                  | 1,860  | 18,358    |
| <sup>a</sup> Advanced Disposal Services Inc. ....       | 2,190  | 71,328    |
| Aircastle Ltd. ....                                     | 2,055  | 46,094    |
| Alamo Group Inc. ....                                   | 345    | 40,613    |
| Allegiant Travel Co. ....                               | 495    | 74,082    |
| Allied Motion Technologies Inc. ....                    | 255    | 9,004     |
| Altra Industrial Motion Corp. ....                      | 1,845  | 51,097    |
| Applied Industrial Technologies Inc. ....               | 1,770  | 100,536   |
| <sup>a</sup> Axon Enterprise Inc. ....                  | 1,755  | 99,649    |
| BG Staffing Inc. ....                                   | 360    | 6,880     |
| <sup>a</sup> BMC Stock Holdings Inc. ....               | 1,275  | 33,380    |
| Brady Corp., A ....                                     | 2,100  | 111,405   |
| <sup>a</sup> Builders FirstSource Inc. ....             | 2,160  | 44,442    |
| <sup>a</sup> Casella Waste Systems Inc., A ....         | 795    | 34,137    |
| <sup>a</sup> Cimpress NV ....                           | 870    | 114,701   |
| CompX International Inc. ....                           | 45     | 645       |
| <sup>a</sup> Covenant Transportation Group Inc., A .... | 480    | 7,891     |
| CSW Industrials Inc. ....                               | 270    | 18,638    |
| Deluxe Corp. ....                                       | 2,100  | 103,236   |
| Douglas Dynamics Inc. ....                              | 765    | 34,096    |
| Ennis Inc. ....   | 1,020  | 20,614    |
| EnPro Industries Inc. ....                              | 720    | 49,428    |
| Exponent Inc. ....                                      | 2,295  | 160,420   |
| Forrester Research Inc. ....                            | 480    | 15,427    |
| Forward Air Corp. ....                                  | 1,290  | 82,199    |
| <sup>a</sup> Foundation Building Materials Inc. ....    | 555    | 8,597     |
| <sup>a</sup> Franklin Covey Co. ....                    | 375    | 13,125    |
| <sup>a</sup> FTI Consulting Inc. ....                   | 735    | 77,903    |

**Franklin LibertyQ U.S. Small Cap Equity ETF** (continued)

|   | Shares | Value            |
|---|--------|------------------|
| <b>Common Stocks</b> (continued)                      |        |                  |
| <b>Industrials</b> (continued)                        |        |                  |
| <sup>a</sup> Generac Holdings Inc. ....               | 1,185  | \$ 92,833        |
| H&E Equipment Services Inc. ....                      | 585    | 16,883           |
| Hawaiian Holdings Inc. ....                           | 1,800  | 47,268           |
| Healthcare Services Group Inc. ....                   | 2,595  | 63,033           |
| Heartland Express Inc. ....                           | 1,380  | 29,684           |
| Heidrick & Struggles International Inc. ....          | 840    | 22,932           |
| <sup>a</sup> Heritage-Crystal Clean Inc. ....         | 690    | 18,285           |
| Herman Miller Inc. ....                               | 2,445  | 112,690          |
| Hillenbrand Inc. ....                                 | 2,430  | 75,038           |
| HNI Corp. ....  | 1,860  | 66,030           |
| Hurco Cos. Inc. ....                                  | 120    | 3,860            |
| Hyster-Yale Materials Handling Inc. ....              | 360    | 19,703           |
| ICF International Inc. ....                           | 795    | 67,154           |
| Insperity Inc. ....                                   | 1,665  | 164,202          |
| Interface Inc. ....                                   | 2,040  | 29,458           |
| John Bean Technologies Corp. ....                     | 585    | 58,167           |
| Kadant Inc. ....                                      | 450    | 39,505           |
| Kaman Corp., A ....                                   | 1,035  | 61,541           |
| Kelly Services Inc., A ....                           | 1,320  | 31,970           |
| Kforce Inc. ....                                      | 1,125  | 42,564           |
| Kimball International Inc., B ....                    | 1,440  | 27,792           |
| Knoll Inc. ....                                       | 1,965  | 49,813           |
| Korn Ferry ....                                       | 2,175  | 84,042           |
| <sup>a</sup> Lawson Products Inc. ....                | 255    | 9,876            |
| Lindsay Corp. ....                                    | 390    | 36,211           |
| McGrath RentCorp ....                                 | 915    | 63,675           |
| <sup>a</sup> Meritor Inc. ....                        | 1,545  | 28,583           |
| Miller Industries Inc. ....                           | 390    | 12,987           |
| Mobile Mini Inc. ....                                 | 1,905  | 70,218           |
| Moog Inc., A ....                                     | 1,230  | 99,778           |
| MSA Safety Inc. ....                                  | 1,485  | 162,028          |
| National Presto Industries Inc. ....                  | 180    | 16,036           |
| Omega Flex Inc. ....                                  | 135    | 13,804           |
| <sup>a</sup> P.A.M. Transportation Services Inc. .... | 75     | 4,433            |
| Prefomed Line Products Co. ....                       | 105    | 5,732            |
| <sup>a</sup> Radiant Logistics Inc. ....              | 735    | 3,800            |
| Resources Connection Inc. ....                        | 1,425  | 24,211           |
| Rush Enterprises Inc., B ....                         | 165    | 6,588            |
| <sup>a</sup> SAIA Inc. ....                           | 1,125  | 105,412          |
| Simpson Manufacturing Co. Inc. ....                   | 1,710  | 118,623          |
| Standex International Corp. ....                      | 450    | 32,823           |
| Steelcase Inc., A ....                                | 3,795  | 69,828           |
| Systemax Inc. ....                                    | 405    | 8,914            |
| Tennant Co. ....                                      | 660    | 46,662           |
| <sup>a</sup> Transcat Inc. ....                       | 150    | 3,842            |
| <sup>a</sup> Trex Co. Inc. ....                       | 2,130  | 193,681          |
| <sup>a</sup> TriNet Group Inc. ....                   | 795    | 49,441           |
| UniFirst Corp. ....                                   | 555    | 108,292          |
| Universal Logistics Holdings Inc. ....                | 315    | 7,333            |
| <sup>a</sup> US Xpress Enterprises Inc., A ....       | 720    | 3,470            |
| <sup>a</sup> Vicor Corp. ....                         | 525    | 15,498           |
| Watts Water Technologies Inc., A ....                 | 960    | 89,981           |
| Werner Enterprises Inc. ....                          | 1,980  | 69,894           |
| <sup>a</sup> Willis Lease Fin Corp. ....              | 60     | 3,323            |
|   |        | <u>4,255,958</u> |
| <b>Information Technology 11.0%</b>                   |        |                  |
| <sup>a</sup> A10 Networks Inc. ....                   | 1,635  | 11,347           |



Franklin LibertyQ U.S. Small Cap Equity ETF (continued)

|   | Shares | Value     |
|---|--------|-----------|
| <b>Common Stocks</b> (continued)                    |        |           |
| <b>Information Technology</b> (continued)           |        |           |
| <sup>a</sup> ACI Worldwide Inc. ....                | 1,935  | \$ 60,614 |
| ADTRAN Inc. ....                                    | 1,530  | 17,358    |
| <sup>a</sup> Alarm.com Holdings Inc. ....           | 1,140  | 53,170    |
| <sup>a</sup> Altair Engineering Inc. ....           | 1,110  | 38,428    |
| American Software Inc., A ....                      | 1,095  | 16,447    |
| Astro-Med Inc. ....                                 | 150    | 2,425     |
| <sup>a</sup> Avid Technology Inc. ....              | 1,155  | 7,149     |
| Badger Meter Inc. ....                              | 1,050  | 56,385    |
| Cabot Microelectronics Corp. ....                   | 960    | 135,562   |
| <sup>a</sup> Casa Systems Inc. ....                 | 885    | 6,952     |
| <sup>a</sup> CEVA Inc. ....                         | 780    | 23,291    |
| <sup>a</sup> ChannelAdvisor Corp. ....              | 840    | 7,837     |
| <sup>a</sup> Cirrus Logic Inc. ....                 | 2,250  | 120,555   |
| <sup>a</sup> Coda Octopus Group Inc. ....           | 105    | 862       |
| <sup>a</sup> CommVault Systems Inc. ....            | 1,590  | 71,089    |
| CSG Systems International Inc. ....                 | 1,440  | 74,419    |
| Daktronics Inc. ....                                | 1,365  | 10,081    |
| <sup>a</sup> eGain Corp. ....                       | 660    | 5,283     |
| <sup>a</sup> ePlus Inc. ....                        | 465    | 35,382    |
| EVERTEC Inc. ....                                   | 2,235  | 69,777    |
| Hackett Group Inc. ....                             | 1,020  | 16,789    |
| <sup>a</sup> Immersion Corp. ....                   | 1,200  | 9,180     |
| <sup>a</sup> Information Services Group Inc. ....   | 1,080  | 2,684     |
| <sup>a</sup> Insight Enterprises Inc. ....          | 1,500  | 83,535    |
| <sup>a</sup> Iteris Inc. ....                       | 930    | 5,343     |
| J2 Global Inc. ....                                 | 1,995  | 181,186   |
| <sup>a</sup> Majesco ....                           | 180    | 1,519     |
| ManTech International Corp., A ....                 | 960    | 68,554    |
| MAXIMUS Inc. ....                                   | 1,155  | 89,235    |
| <sup>a</sup> MicroStrategy Inc. ....                | 315    | 46,737    |
| <sup>a</sup> Mitek Systems Inc. ....                | 1,335  | 12,883    |
| <sup>a</sup> MobileIron Inc. ....                   | 1,815  | 11,879    |
| Monotype Imaging Holdings Inc. ....                 | 1,830  | 36,252    |
| <sup>a</sup> Napco Security Technologies Inc. ....  | 405    | 10,336    |
| NIC Inc. ....                                       | 2,805  | 57,923    |
| <sup>a</sup> Novanta Inc. ....                      | 1,095  | 89,483    |
| NVE Corp. ....                                      | 180    | 11,943    |
| <sup>a</sup> OSI Systems Inc. ....                  | 300    | 30,468    |
| PC Connection Inc. ....                             | 435    | 16,921    |
| <sup>a</sup> Priority Technology Holdings Inc. .... | 135    | 651       |
| Progress Software Corp. ....                        | 810    | 30,829    |
| QAD Inc., A ....                                    | 375    | 17,317    |
| <sup>a</sup> Qualys Inc. ....                       | 1,350  | 102,019   |
| <sup>a</sup> ScanSource Inc. ....                   | 945    | 28,870    |
| <sup>a</sup> Semtech Corp. ....                     | 1,185  | 57,603    |
| <sup>a</sup> Silicon Laboratories Inc. ....         | 1,590  | 177,046   |
| <sup>a</sup> SMART Global Holdings Inc. ....        | 390    | 9,937     |
| <sup>a</sup> Sonim Technologies Inc. ....           | 75     | 220       |
| <sup>a</sup> SPS Commerce Inc. ....                 | 1,245  | 58,602    |
| <sup>a</sup> Tenable Holdings Inc. ....             | 720    | 16,114    |
| Tessco Technologies Inc. ....                       | 135    | 1,940     |
| Vishay Intertechnology Inc. ....                    | 4,470  | 75,677    |
| <sup>a</sup> Vishay Precision Group Inc. ....       | 345    | 11,295    |
| <sup>a</sup> Workiva Inc. ....                      | 1,215  | 53,253    |
| Xperi Corp. ....                                    | 870    | 17,992    |
| <sup>a</sup> Zix Corp. ....                         | 2,415  | 17,485    |
|   |        | 2,284,113 |

**Franklin LibertyQ U.S. Small Cap Equity ETF** (continued)

|  | Shares | Value            |
|--|--------|------------------|
| <b>Common Stocks</b> (continued)                     |        |                  |
| <b>Materials 1.7%</b>                                |        |                  |
| Advanced Emissions Solutions Inc. ....               | 585    | \$ 8,681         |
| Greif Inc., A .....                                  | 975    | 36,943           |
| Greif Inc., B .....                                  | 225    | 10,251           |
| Innophos Holdings Inc. ....                          | 675    | 21,910           |
| Myers Industries Inc. ....                           | 1,215  | 21,445           |
| Quaker Chemical Corp. ....                           | 345    | 54,558           |
| Schweitzer-Mauduit International Inc. ....           | 1,170  | 43,805           |
| Sensient Technologies Corp. ....                     | 1,635  | 112,243          |
| Valhi Inc. ....                                      | 930    | 1,767            |
| Warrior Met Coal Inc. ....                           | 1,635  | 31,915           |
|  |        | <u>343,518</u>   |
| <b>Real Estate 6.0%</b>                              |        |                  |
| Agree Realty Corp. ....                              | 1,230  | 89,974           |
| American Assets Trust Inc. ....                      | 900    | 42,066           |
| Cedar Realty Trust Inc. ....                         | 3,045  | 9,135            |
| CoreCivic Inc. ....                                  | 3,915  | 67,651           |
| DiamondRock Hospitality Co. ....                     | 3,810  | 39,052           |
| First Industrial Realty Trust Inc. ....              | 4,110  | 162,592          |
| Franklin Street Properties Corp. ....                | 4,035  | 34,136           |
| Lexington Realty Trust .....                         | 9,000  | 92,250           |
| LTC Properties Inc. ....                             | 1,425  | 72,988           |
| Monmouth Real Estate Investment Corp., A .....       | 2,955  | 42,582           |
| National Health Investors Inc. ....                  | 1,530  | 126,057          |
| One Liberty Properties Inc. ....                     | 570    | 15,692           |
| Preferred Apartment Communities Inc., A .....        | 1,890  | 27,311           |
| PS Business Parks Inc. ....                          | 885    | 161,026          |
| QTS Realty Trust Inc., A .....                       | 1,020  | 52,438           |
| RE/MAX Holdings Inc., A .....                        | 810    | 26,050           |
| Realty Holdings Corp. ....                           | 2,505  | 16,733           |
| RPT Realty .....                                     | 3,240  | 43,902           |
| Summit Hotel Properties Inc. ....                    | 1,905  | 22,098           |
| <sup>b</sup> Tanger Factory Outlet Centers Inc. .... | 1,845  | 28,561           |
| Universal Health Realty Income Trust .....           | 360    | 37,008           |
| Urstadt Biddle Properties, A .....                   | 1,095  | 25,952           |
| Whitestone REIT .....                                | 1,215  | 16,718           |
|  |        | <u>1,251,972</u> |
| <b>Utilities 7.1%</b>                                |        |                  |
| American States Water Co. ....                       | 1,545  | 138,834          |
| Artesian Resources Corp., A .....                    | 270    | 9,990            |
| Avista Corp. ....                                    | 2,385  | 115,529          |
| Black Hills Corp. ....                               | 1,995  | 153,076          |
| California Water Service Group .....                 | 1,965  | 104,008          |
| Clearway Energy Inc., A .....                        | 1,335  | 23,149           |
| Clearway Energy Inc., C .....                        | 2,520  | 45,990           |
| El Paso Electric Co. ....                            | 1,530  | 102,632          |
| Genie Energy Ltd., B .....                           | 300    | 2,238            |
| Global Water Resources Inc. ....                     | 375    | 4,440            |
| MGE Energy Inc. ....                                 | 1,275  | 101,834          |
| New Jersey Resources Corp. ....                      | 3,015  | 136,338          |
| NorthWestern Corp. ....                              | 1,590  | 119,330          |
| PNM Resources Inc. ....                              | 2,670  | 139,054          |
| SJW Group .....                                      | 765    | 52,242           |
| Southwest Gas Holdings Inc. ....                     | 1,980  | 180,259          |
| <sup>b</sup> Spark Energy Inc., A .....              | 465    | 4,906            |
| Unitil Corp. ....                                    | 555    | 35,209           |

Franklin LibertyQ U.S. Small Cap Equity ETF (continued)

|  | Shares  | Value               |
|--|---------|---------------------|
| <b>Common Stocks</b> (continued)   |         |                     |
| <b>Utilities</b> (continued)   |         |                     |
| York Water Co. ....  | 270     | \$ 11,788           |
|  |         | <u>1,480,846</u>    |
| <b>Total Investments before Short Term Investments (Cost \$20,461,561)</b> ..... |         | <u>20,802,268</u>   |
| <b>Short Term Investments (Cost \$236,610) 1.2%</b>                              |         |                     |
| <b>Investments from Cash Collateral Received for Loaned Securities 1.2%</b>      |         |                     |
| <b>Money Market Funds 1.2%</b>   |         |                     |
| <sup>c,d</sup> Institutional Fiduciary Trust Portfolio, 1.71% .....              | 236,610 | <u>236,610</u>      |
| <b>Total Investments (Cost \$20,698,171) 101.1%</b> .....                        |         | 21,038,878          |
| <b>Other Assets, less Liabilities (1.1)%</b> .....                               |         | <u>(223,284)</u>    |
| <b>Net Assets 100.0%</b> .....   |         | <u>\$20,815,594</u> |

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at September 30, 2019. See Note 1(c).

<sup>c</sup>See Note 3(c) regarding investments in affiliated management investment companies.

<sup>d</sup>The rate shown is the annualized seven-day effective yield at period end.

Statements of Assets and Liabilities  
September 30, 2019 (unaudited)

|   | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|---|---|--|--|
| Assets:                                     |   |  |  |
| Investments in securities:                  |   |  |  |
| Cost – Unaffiliated issuers                 | \$1,145,588,555                         | \$12,992,971                                       | \$20,461,561   |
| Cost – Non-controlled affiliates (Note 3c)  | 1,434,325                               | 22,200   | 236,610  |
| Value – Unaffiliated issuers+               | \$1,216,706,889                         | \$14,123,314                                       | \$20,802,268   |
| Value – Non-controlled affiliates (Note 3c) | 1,434,325                               | 22,200   | 236,610  |
| Cash  | 1,013,030                               | 12,688   | —  |
| Receivables:                                |   |  |  |
| Capital shares sold                         | 1,649,660                               | —  | —  |
| Dividends                                   | 1,446,779                               | 17,700   | 27,158   |
| Variation margin on futures contracts       | 8,091                                   | —  | —  |
| Deposits with brokers for:                  |   |  |  |
| Futures contracts                           | 69,300                                  | —  | —  |
| Total assets                                | 1,222,328,074                           | 14,175,902   | 21,066,036   |
| Liabilities:                                |   |  |  |
| Payables:                                   |   |  |  |
| Investment securities purchased             | 1,645,261                               | —  | 452  |
| Management fees                             | 148,637                                 | 3,098  | 5,865  |
| Funds advanced by custodian                 | —                                       | —  | 7,515  |
| Payable upon return of securities loaned    | 1,434,325                               | 22,200   | 236,610  |
| Total liabilities                           | 3,228,223                               | 25,298   | 250,442  |
| Net assets, at value                        | \$1,219,099,851                         | \$14,150,604                                       | \$20,815,594   |
| Net assets consist of:                      |   |  |  |
| Paid-in capital                             | \$1,123,600,139                         | \$12,922,925                                       | \$20,619,947   |
| Total distributable earnings (loss)         | 95,499,712                              | 1,227,679  | 195,647  |
| Net assets, at value                        | \$1,219,099,851                         | \$14,150,604                                       | \$20,815,594   |
| Shares outstanding                          | 36,950,000                              | 450,000  | 750,000  |
| Net asset value per share                   | \$ 32.99                                | \$ 31.45   | \$ 27.75   |

+Includes securities loaned 1,400,230 21,723 226,451

## Statements of Operations

for the period ended September 30, 2019 (unaudited)

|   | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|---|---|--|--|
| Investment income:  |   |  |  |
| Dividends:  |   |  |  |
| Unaffiliated issuers  | \$14,365,007                            | \$ 108,156   | \$ 196,071   |
| Interest:   |   |  |  |
| Unaffiliated issuers  | —                                       | 41   | 57   |
| Interest from securities loaned:                                |   |  |  |
| Unaffiliated issuers (net of fees and rebates)                  | —                                       | 173  | —  |
| Non-Controlled affiliates (Note 3c)                             | 86,660                                  | 176  | 2,143  |
| Total investment income   | 14,451,667                              | 108,546  | 198,271  |
| Expenses:   |   |  |  |
| Management fees (Note 3a)                                       | 1,273,582                               | 16,700   | 34,749   |
| Total expenses  | 1,273,582                               | 16,700   | 34,749   |
| Expenses waived/paid by affiliates (Note 3c)                    | (893)                                   | (24)   | (375)  |
| Net expenses  | 1,272,689                               | 16,676   | 34,374   |
| Net investment income   | 13,178,978                              | 91,870   | 163,897  |
| Realized and unrealized gains (losses):                         |   |  |  |
| Net realized gain (loss) from:                                  |   |  |  |
| Investments:  |   |  |  |
| Unaffiliated issuers  | (6,413,011)                             | (157,708)  | (502,725)  |
| In-kind redemptions   | 32,545,997                              | 334,228  | 655,683  |
| Futures contracts   | 320,997                                 | —  | —  |
| Net realized gain (loss)  | 26,453,983                              | 176,520  | 152,958  |
| Net change in unrealized appreciation (depreciation) on:        |   |  |  |
| Investments:  |   |  |  |
| Unaffiliated issuers  | 30,789,773                              | 215,689  | (87,238)   |
| Futures contracts   | (122,143)                               | —  | —  |
| Net change in unrealized appreciation (depreciation)            | 30,667,630                              | 215,689  | (87,238)   |
| Net realized and unrealized gain (loss)                         | 57,121,613                              | 392,209  | 65,720   |
| Net increase (decrease) in net assets resulting from operations | \$70,300,591                            | \$ 484,079   | \$ 229,617   |

## Statements of Changes in Net Assets

|  | Franklin LibertyQ U.S.<br>Equity ETF                  |                              | Franklin LibertyQ U.S. Mid Cap<br>Equity ETF          |                              |
|--|---|------------------------------|---|------------------------------|
|  | Six Months Ended<br>September 30, 2019<br>(unaudited) | Year Ended<br>March 31, 2019 | Six Months Ended<br>September 30, 2019<br>(unaudited) | Year Ended<br>March 31, 2019 |
| Increase (decrease) in net assets:                                       |   |                              |   |                              |
| Operations:  |   |                              |   |                              |
| Net investment income .....  | \$ 13,178,978   | \$ 7,322,781                 | \$ 91,870   | \$ 121,894                   |
| Net realized gain (loss) .....   | 26,453,983  | 9,804,269                    | 176,520   | 106,914                      |
| Net change in unrealized appreciation<br>(depreciation) .....            | 30,667,630  | 31,328,794                   | 215,689   | 734,943                      |
| Net increase (decrease) in net assets<br>resulting from operations ..... | 70,300,591  | 48,455,844                   | 484,079   | 963,751                      |
| Distributions to shareholders .....                                      | (11,519,158)  | (6,162,655)                  | (82,732)  | (106,377)                    |
| Capital share transactions: (Note 2) .....                               | 152,063,869   | 857,635,782                  | 3,137,250   | 6,984,672                    |
| Net increase (decrease) in net assets .....                              | 210,845,302   | 899,928,971                  | 3,538,597   | 7,842,046                    |
| Net assets:  |   |                              |   |                              |
| Beginning of period .....  | 1,008,254,549   | 108,325,578                  | 10,612,007  | 2,769,961                    |
| End of period .....  | \$1,219,099,851                                       | \$1,008,254,549              | \$14,150,604  | \$10,612,007                 |

Statements of Changes in Net Assets (continued)

|   | <b>Franklin LibertyQ U.S. Small Cap<br/>Equity ETF</b>         |                                      |
|---|--|--------------------------------------|
|   | <b>Six Months Ended<br/>September 30, 2019<br/>(unaudited)</b> | <b>Year Ended<br/>March 31, 2019</b> |
| Increase (decrease) in net assets:                                    |  |                                      |
| Operations:   |  |                                      |
| Net investment income .....   | \$ 163,897   | \$ 158,146                           |
| Net realized gain (loss) .....  | 152,958  | (169,234)                            |
| Net change in unrealized appreciation (depreciation) .....            | (87,238)   | 302,305                              |
| Net increase (decrease) in net assets resulting from operations ..... | 229,617  | 291,217                              |
| Distributions to shareholders .....                                   | (153,888)  | (121,259)                            |
| Capital share transactions: (Note 2) .....                            | 2,760,728  | 15,142,986                           |
| Net increase (decrease) in net assets .....                           | 2,836,457  | 15,312,944                           |
| Net assets:   |  |                                      |
| Beginning of period .....   | 17,979,137   | 2,666,193                            |
| End of period .....   | \$20,815,594   | \$17,979,137                         |

# Notes to Financial Statements (unaudited)

## 1. Organization and Significant Accounting Policies

Franklin Templeton ETF Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of thirty-nine separate funds, three of which are included in this report (Funds) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Each of the Funds are an exchange traded fund (ETF) and seek to provide the investment results that closely correspond, before fees and expenses, to the performance of each Fund's corresponding underlying index .

The following summarizes the Funds' significant accounting policies

### a. Financial Instrument Valuation

The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Funds calculate the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Funds may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Funds' pricing services use various techniques including industry standard option pricing

models and proprietary discounted cash flow models to determine the fair value of those instruments. The Funds' net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Funds primarily employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

### b. Derivative Financial Instruments

Certain or all Funds invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statements of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statements of Operations.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

Certain or all Funds entered into exchange traded futures contracts primarily to manage and/or gain exposure to equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified



price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statements of Assets and Liabilities.

See Note 6 regarding other derivative information.

### **c. Securities Lending**

Certain or all Funds participate in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Funds. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statements of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

### **d. Income Taxes**

It is each Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

Each Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of September 30, 2019, each Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax

years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

### **e. Security Transactions, Investment Income, Expenses and Distributions**

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Certain Fund specific expenses are allocated directly to the Fund that incurred the expense. These expenses are paid by the Funds or by the investment manager, as applicable, according to the terms of the unified management fee agreement.

### **f. Accounting Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### **g. Guarantees and Indemnifications**

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Funds, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

## 2. Shares of Beneficial Interest

Shares of the Funds are issued and redeemed at their respective NAV only in aggregations of a specified number of shares or multiples thereof (Creation Units). Only certain large institutional investors (Authorized Participants) may engage in creation or redemption transactions directly with the Funds. Once created, shares of the Funds generally trade in the secondary market in amounts less than one Creation Unit. The market price of the Funds' shares will be based on the price in the secondary market which may be at, above or below the most recent NAV. Creation Units may be issued and redeemed in exchange for a designated portfolio of securities and/or cash (which may include cash in lieu of certain securities).

Authorized participants pay a standard transaction fee to the shareholder servicing agent when purchasing or redeeming Creation Units of the Funds regardless of the number of Creation Units that are being created or redeemed on the same day by the Authorized Participant. The standard transaction fee is imposed to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units and is not charged to or paid by the Funds.

In addition, for cash Creation Unit transactions, a variable fee for creation transactions and redemption transactions may be charged to the Authorized Participant to cover certain brokerage, tax, foreign exchange, execution, market impact and other costs and expenses related to the execution of trades. Variable fees, if any, are included in capital share transactions in the Statements of Changes in Net Assets.

At September 30, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

|                         | Franklin LibertyQ U.S. Equity ETF      |                |                              |               |
|-------------------------|--|----------------|------------------------------|---------------|
|                         | Six Months Ended<br>September 30, 2019 |                | Year Ended<br>March 31, 2019 |               |
|                         | Shares                                 | Amount         | Shares                       | Amount        |
| Shares sold             | 10,200,000                             | \$ 324,704,399 | 31,000,000                   | \$938,802,146 |
| Shares redeemed         | (5,350,000)                            | (172,640,530)  | (2,700,000)                  | (81,166,364)  |
| Net increase (decrease) | 4,850,000                              | \$ 152,063,869 | 28,300,000                   | \$857,635,782 |

  

|                         | Franklin LibertyQ U.S. Mid Cap Equity ETF |              |                              |              |
|-------------------------|---|--------------|------------------------------|--------------|
|                         | Six Months Ended<br>September 30, 2019    |              | Year Ended<br>March 31, 2019 |              |
|                         | Shares                                    | Amount       | Shares                       | Amount       |
| Shares sold             | 150,000                                   | \$ 4,696,992 | 300,000                      | \$ 8,425,958 |
| Shares redeemed         | (50,000)                                  | (1,559,742)  | (50,000)                     | (1,441,286)  |
| Net increase (decrease) | 100,000                                   | \$ 3,137,250 | 250,000                      | \$ 6,984,672 |

  

|                         | Franklin LibertyQ U.S. Small Cap Equity ETF |              |                              |               |
|-------------------------|---|--------------|------------------------------|---------------|
|                         | Six Months Ended<br>September 30, 2019      |              | Year Ended<br>March 31, 2019 |               |
|                         | Shares                                      | Amount       | Shares                       | Amount        |
| Shares sold             | 200,000                                     | \$ 5,531,473 | 600,000                      | \$ 16,620,824 |
| Shares redeemed         | (100,000)                                   | (2,770,745)  | (50,000)                     | (1,477,838)   |
| Net increase (decrease) | 100,000                                     | \$ 2,760,728 | 550,000                      | \$ 15,142,986 |

### 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Funds are also officers and/or directors of the following subsidiaries:

| Subsidiary   | Affiliation            |
|--|------------------------|
| Franklin Advisers, Inc. (Advisers)                   | Investment manager     |
| Franklin Advisory Services, LLC (FASL)               | Investment manager     |
| Franklin Templeton Services, LLC (FT Services)       | Administrative manager |
| Franklin Templeton Distributors, Inc. (Distributors) | Principal underwriter  |

#### a. Management Fees

The Funds pay a unified management fee to Advisers whereby Advisers has agreed to reimburse the Funds' acquired fund fee and expenses (if any) and pay all of the ordinary operating expenses of the Funds, including custody, transfer agency, and Trustee fees and expenses, among others, but excluding payments under the Funds' Rule 12b-1 plan (if any), brokerage expenses (including any costs incidental to transactions in portfolio securities or instruments), taxes, interest (including borrowing costs and dividend expenses on securities sold short and overdraft charges), litigation expenses (including litigation to which the Trust or a Fund may be a party and indemnification of the Trustees and officers with respect thereto), and other non-routine or extraordinary expenses. The fees are based on the average daily net assets of each of the Funds as follows:

|   | Annualized Fee Rate |
|---|---------------------|
| Franklin LibertyQ U.S. Equity ETF           | 0.15%               |
| Franklin LibertyQ U.S. Mid Cap Equity ETF   | 0.30%               |
| Franklin LibertyQ U.S. Small Cap Equity ETF | 0.35%               |

Prior to August 1, 2019, Franklin LibertyQ U.S. Equity ETF paid fees to Franklin Advisers, Inc. of 0.25% per year based on the average daily net assets of the Fund.

#### b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Funds. The fee is paid by Advisers based on the Funds' average daily net assets, and is not an additional expense of the Funds.

#### c. Investments in Affiliated Management Investment Companies

Certain or all Funds invest in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Funds are waived on assets invested in the affiliated management investment companies, as noted in the Statements of Operations, in an amount not to exceed the

**3. Transactions with Affiliates** (continued)

**c. Investments in Affiliated Management Investment Companies** (continued)

management and administrative fees paid directly or indirectly by each affiliate. During the period ended September 30, 2019, investments in affiliated management investment companies were as follows:

|  | Value at<br>Beginning<br>of Period | Purchases    | Sales          | Realized<br>Gain<br>(Loss) | Net Change<br>in Unrealized<br>Appreciation<br>(Depreciation) | Value at<br>End of<br>Period | Number<br>of Shares<br>Held at<br>End of<br>Period | Investment<br>Income                 |
|--|------------------------------------|--------------|----------------|----------------------------|---|------------------------------|--|--------------------------------------|
| <b>Franklin LibertyQ U.S. Equity ETF</b>           |                                    |              |                |                            |   |                              |  |                                      |
|  |                                    |              |                |                            |   |                              |  | <b>Income from securities loaned</b> |
| <b>Non-Controlled Affiliates</b>                   |                                    |              |                |                            |   |                              |  |                                      |
| Institutional Fiduciary Trust                      |                                    |              |                |                            |   |                              |  |                                      |
| Money Market                                       |                                    |              |                |                            |   |                              |  |                                      |
| Portfolio 1.71% .....                              | \$ —                               | \$ 8,696,235 | \$ (7,261,910) | \$ —                       | \$ —  | \$ 1,434,325                 | 1,434,325  | \$ 86,660                            |
| <b>Franklin LibertyQ U.S. Mid Cap Equity ETF</b>   |                                    |              |                |                            |   |                              |  |                                      |
| <b>Non-Controlled Affiliates</b>                   |                                    |              |                |                            |   |                              |  |                                      |
| Institutional Fiduciary Trust                      |                                    |              |                |                            |   |                              |  |                                      |
| Money Market                                       |                                    |              |                |                            |   |                              |  |                                      |
| Portfolio 1.71% .....                              | \$ 27,777                          | \$ 238,896   | \$ (244,473)   | \$ —                       | \$ —  | \$ 22,200                    | 22,200   | \$ 176                               |
| <b>Franklin LibertyQ U.S. Small Cap Equity ETF</b> |                                    |              |                |                            |   |                              |  |                                      |
| <b>Non-Controlled Affiliates</b>                   |                                    |              |                |                            |   |                              |  |                                      |
| Institutional Fiduciary Trust                      |                                    |              |                |                            |   |                              |  |                                      |
| Money Market                                       |                                    |              |                |                            |   |                              |  |                                      |
| Portfolio 1.71% .....                              | \$ 102,580                         | \$ 3,739,408 | \$ (3,605,378) | \$ —                       | \$ —  | \$ 236,610                   | 236,610  | \$ 2,143                             |

**d. Other Affiliated Transactions**

At September 30, 2019, the shares of the Funds were owned by the following entities:

| Funds   | Shares     | Percentage of<br>Outstanding Shares <sup>a</sup> |
|---|------------|--|
| Franklin Conservative Allocation Fund .....                   | 2,670,638  | 7.2%   |
| Franklin Moderate Allocation Fund .....                       | 6,596,229  | 17.9%  |
| Franklin Growth Allocation Fund .....                         | 5,782,006  | 15.7%  |
| Franklin LifeSmart™ 2020 – 2055 Retirement Target Funds ..... | 2,561,565  | 6.9%   |
| Franklin 529 Portfolios .....                                 | 11,399,544 | 30.9%  |
|   | 29,009,982 | 78.6%  |

<sup>a</sup>Investment activities of significant shareholders could have a material impact on the Funds.

#### 4. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At September 30, 2019, the capital loss carryforwards were as follows:

|  | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|--|---|--|--|
| Capital loss carryforwards:            |   |  |  |
| Short term .....                       | \$3,709,258                             | \$ 67,247  | \$219,018  |
| Long term .....                        | 1,150,711                               | 34,322   | 90,479   |
| Total capital loss carryforwards ..... | <u>\$4,859,969</u>                      | <u>\$101,569</u>                                   | <u>\$309,497</u>                                     |

At September 30, 2019, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

|  | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|--|---|--|--|
| Cost of investments .....                        | \$1,147,022,880                         | \$13,015,171                                       | \$20,698,171   |
| Unrealized appreciation .....                    | \$ 108,886,880                          | \$ 1,552,700                                       | \$ 1,877,310   |
| Unrealized depreciation .....                    | (37,768,546)                            | (422,357)  | (1,536,603)  |
| Net unrealized appreciation (depreciation) ..... | <u>\$ 71,118,334</u>                    | <u>\$ 1,130,343</u>                                | <u>\$ 340,707</u>                                    |

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of corporate actions, passive foreign investment company shares and wash sales.

#### 5. Investment Transactions

Purchases and sales of investments (excluding short term securities and in-kind transactions, if any) for the period ended September 30, 2019, were as follows:

|                 | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|-----------------|---|--|--|
| Purchases ..... | \$134,879,063                           | \$1,387,565  | \$2,872,492  |
| Sales .....     | \$128,931,125                           | \$1,376,561  | \$2,640,037  |

In-kind transactions associated with creation and redemptions for the period ended September 30, 2019, were as follows:

|                                     | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|-------------------------------------|---|--|--|
| Cost of Securities Received .....   | \$319,536,400                           | \$4,668,702  | \$5,520,224  |
| Value of Securities Delivered ..... | \$169,659,867                           | \$1,541,416  | \$2,757,008  |

## 5. Investment Transactions (continued)

At September 30, 2019, in connection with securities lending transactions, certain or all Funds loaned investments and received cash collateral as follows:

|   | Franklin<br>LibertyQ U.S.<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Mid Cap<br>Equity ETF | Franklin<br>LibertyQ U.S.<br>Small Cap<br>Equity ETF |
|---|---|--|--|
| <b>Securities lending transactions<sup>a</sup>:</b> |   |  |  |
| Equity investments <sup>b</sup> .....               | \$1,434,325                             | \$22,200   | \$236,610  |

<sup>a</sup>The agreements can be terminated at any time.

<sup>b</sup>The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statements of Assets and Liabilities.

## 6. Other Derivative Information

At September 30, 2019, the Funds' investments in derivative contracts are reflected in the Statements of Assets and Liabilities as follows:

|  | Asset Derivatives                                |            | Liability Derivatives                            |                         |
|--|--|------------|--|-------------------------|
|  | Statements of Assets and<br>Liabilities Location | Fair Value | Statements of Assets and<br>Liabilities Location | Fair Value              |
| <b>Franklin LibertyQ U.S. Equity ETF</b> |  |            |  |                         |
| Equity contracts .....                   | Variation margin on futures contracts            | \$—        | Variation margin on futures contracts            | \$(16,683) <sup>a</sup> |

<sup>a</sup>This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/at year end is separately reported within the Statements of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended September 30, 2019, the effect of derivative contracts in the Funds' Statements of Operations was as follows:

| Derivative Contracts<br>Not Accounted for as<br>Hedging Instruments | Statements of<br>Operations Locations | Net Realized<br>Gain (Loss)<br>for the Period | Statements of<br>Operations Locations                       | Net Change in<br>Unrealized<br>Appreciation<br>(Depreciation)<br>for the Period |
|---|---------------------------------------|---|---|---|
| <b>Franklin LibertyQ U.S. Equity ETF</b>                            |                                       |   |   |   |
|   | Net realized gain (loss) from:        |   | Net change in unrealized<br>appreciation (depreciation) on: |   |
| Equity Contracts .....  | Futures Contracts                     | \$320,997                                     | Futures Contracts   | \$(122,143)   |

For the period ended September 30, 2019, the average month end notional amount of futures contracts was \$1,840,436.

See Note 1(b) regarding derivative financial instruments.

## 7. Fair Value Measurements

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

At September 30, 2019, all of the Funds' investments in financial instruments carried at fair value were valued using Level 1 inputs.

## **8. Subsequent Events**

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

## **Abbreviations**

### **Selected Portfolio**

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**REIT** Real Estate Investment Trust

## Shareholder Information

### Board Approval of Investment Management Agreements

**FRANKLIN TEMPLETON ETF TRUST**  
**Franklin LibertyQ U.S. Equity ETF**  
**Franklin LibertyQ U.S. Mid Cap Equity ETF**  
**Franklin LibertyQ U.S. Small Cap Equity ETF**  
 (each a Fund)

At an in-person meeting held on May 29, 2019 (Meeting), the Board of Trustees (Board) of Franklin Templeton ETF Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Franklin Advisory Services, LLC (Manager) and the Trust, on behalf of each Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by the Manager; (ii) the investment performance of each Fund and each Fund’s tracking error against a specified benchmark index as of a recent period; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of each Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the best interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

**NATURE, EXTENT AND QUALITY OF SERVICES.** The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the Manager; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the Manager and its affiliates to US funds and other accounts, including management’s explanation of differences among accounts where relevant. The Board noted management’s continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the registered fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management’s commitment to facilitating Board oversight of liquidity through the designation of a liquidity/risk administrator and the development of reports that highlight the amount of illiquid investments for each Fund.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the Franklin Templeton family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager’s parent, and its commitment to the registered fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton (FT) organization.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by the Manager and its affiliates to the Funds and their shareholders.



**FUND PERFORMANCE.** The Board reviewed and considered the performance results of each Fund for the one-year period ended February 28, 2019. The Board considered the performance returns for each Fund in comparison to the performance returns of registered funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the registered funds included in a Performance Universe. The Board also considered the performance returns for the Franklin LibertyQ U.S. Mid Cap Equity ETF in comparison to the performance returns of a customized peer group (Performance Customized Peer Group) selected by the Manager. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. The Board noted its ongoing discussions with the Manager about the performance of the Funds to date and the importance of performance to asset growth. Specifically, the Board referenced earlier discussions with management on matters related to, among other things, the strategy behind the overall product line-up, the design and construction of the Manager's proprietary indices, the comparability of peer data, the nature of the Manager's research, the potential use of innovative data and technology, and investments in marketing and distribution. A summary of each Fund's performance results is below.

Franklin LibertyQ U.S. Equity ETF and Franklin LibertyQ U.S. Small Cap Equity ETF – The Performance Universe for the Franklin LibertyQ U.S. Equity ETF included the Fund and all retail and institutional multi-cap core funds. The Performance Universe for the Franklin LibertyQ U.S. Small Cap Equity ETF included the Fund and all retail and institutional small-cap core funds. The Funds commenced operations on April 26, 2017, and thus have been in operation for less than three years. The Board noted that the Funds' annualized total returns for the one-year period were above the medians and in the first quintile of their respective Performance Universes. The Board further noted that, in light of the Funds' use of a "passive" or indexing investment approach, management evaluates the Funds based on their tracking error against a specified benchmark. The Board noted that for the one-year period ended February 28, 2019, each Fund's tracking error was within the tolerance anticipated for such Fund. The Board concluded that the Funds' performance was satisfactory.

Franklin LibertyQ U.S. Mid Cap Equity ETF – The Performance Universe for the Fund included the Fund and all retail and institutional mid-cap growth funds. The Performance

Customized Peer Group for the Fund consisted of the Fund and all retail and institutional mid-cap core funds. The Fund commenced operations on April 26, 2017, and thus has been in operation for less than three years. The Board noted that the Fund's annualized total return for the one-year period was above the medians of its Performance Universe and Performance Customized Peer Group. The Board further noted that, in light of the Fund's use of a "passive" or indexing investment approach, management evaluates the Fund based on its tracking error against a specified benchmark. The Board noted that for the one-year period ended February 28, 2019, the Fund's tracking error was within the tolerance anticipated for such Fund. The Board concluded that the Fund's performance was satisfactory.

**COMPARATIVE FEES AND EXPENSES.** The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other exchange-traded funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the exchange-traded funds included in an Expense Group.

Franklin LibertyQ U.S. Equity ETF – The Expense Group for the Fund was comprised of pure-index exchange-traded funds, which included the Fund and eight other multi-cap core funds. The Board noted that the Management Rate for the Fund was below and the actual total expense ratio for the Fund was equal to the medians of its Expense Group. The Board also noted that effective December 1, 2017, the Fund implemented a unified management fee (Unified Fee). The

Board further noted that pursuant to the Unified Fee arrangement the Manager reimburses the Fund for all of its acquired fund fees and expenses (if any) and pays all of the ordinary operating expenses of the Fund, except for (i) the Fund's investment management fee, (ii) payments under the Fund's Rule 12b-1 plan (if any), (iii) brokerage expenses, (iv) taxes, (v) interest (including borrowing costs and dividend expenses on securities sold short and overdraft charges), (vi) litigation expenses (including litigation to which the Trust or the Fund may be a party and indemnification of the Trustees and officers with respect thereto), and (vii) other non-routine or extraordinary expenses (Unified Fee Arrangement). The Board concluded that the Management Rate charged to the Fund is reasonable.

*Franklin LibertyQ U.S. Mid Cap Equity ETF* – The Expense Group for the Fund was comprised of pure-index exchange-traded funds, which included the Fund and five other mid-cap growth funds. The Board noted that the Management Rate and actual total expense ratio for the Fund were below the medians of its Expense Group. The Board also noted that effective December 1, 2017, the Fund implemented a Unified Fee. The Board further noted the terms of the Unified Fee Arrangement. The Board concluded that the Management Rate charged to the Fund is reasonable.

*Franklin LibertyQ U.S. Small Cap Equity ETF* – The Expense Group for the Fund was comprised of pure-index exchange-traded funds, which included the Fund and nine other small-cap core funds. The Board noted that the Management Rate for the Fund was slightly above and the actual total expense ratio for the Fund was above the medians of its Expense Group. The Board also noted that effective December 1, 2017, the Fund implemented a Unified Fee and the terms of the Unified Fee Arrangement. The Board also noted the first quintile (best) performance of the Fund for the one-year period ended February 28, 2019. The Board concluded that the Management Rate charged to the Fund is reasonable.

**PROFITABILITY.** The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2018, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies

used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to FRI and certain Franklin Templeton funds, has been engaged to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent SEC and other regulatory requirements.

The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

**ECONOMIES OF SCALE.** The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. The Board considered that each Fund would likely experience benefits from the Unified Fee at the Fund's projected asset levels because of the Manager's contractual requirement to bear most of the Fund's ordinary operating expenses. The Board noted that, under the Unified Fee, it is not anticipated that any of the Funds will generate significant, if any, profit for the Manager and/or its affiliates for some time. The Board also considered the Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Manager incurs across the Franklin Templeton family of funds as

a whole. The Board also noted that the Funds commenced operations on April 26, 2017 and that, as of December 31, 2018, the net assets of the Franklin LibertyQ U.S. Mid Cap Equity ETF and the Franklin LibertyQ U.S. Small Cap Equity ETF were approximately \$8-9 million, while the net assets of the Franklin LibertyQ U.S. Equity ETF were approximately \$384 million. The Board recognized that there would not likely be any economies of scale for these Funds until each Fund's assets grow.

**CONCLUSION.** Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

## Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

## Premium/Discount Information

Information about the differences between the daily market price on the secondary market for the shares of the Funds and the Funds' net asset value may be found on the Funds' website at [franklintempleton.com](http://franklintempleton.com).

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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



**Semiannual Report**  
**Franklin Templeton ETF Trust**

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