

SEMIANNUAL REPORT

# FRANKLIN TEMPLETON ETF TRUST

September 30, 2019



FRANKLIN  
TEMPLETON

Franklin Liberty International Opportunities ETF

Franklin Liberty Investment Grade Corporate ETF

Franklin Liberty U.S. Core Bond ETF

Franklin Liberty U.S. Low Volatility ETF

**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 Investments

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

---

### Semiannual Report

Franklin Liberty International Opportunities ETF .....	2
Franklin Liberty Investment Grade Corporate ETF .....	9
Franklin Liberty U.S. Core Bond ETF .....	15
Franklin Liberty U.S. Low Volatility ETF .....	21
Financial Highlights and Statements of Investments .....	27
Financial Statements .....	50
Notes to Financial Statements .....	54
Tax Information .....	64
Shareholder Information .....	65

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

## Franklin Liberty International Opportunities ETF

This semiannual report for Franklin Liberty International Opportunities ETF covers the period ended September 30, 2019.

### Your Fund's Goal and Main Investments

The Fund seeks long-term capital appreciation. Under normal market conditions, the Fund invests predominantly in equity securities in developed, developing and frontier markets outside of the U.S. across the entire market capitalization spectrum, including small- and mid-capitalization companies.

### Performance Overview

During the six-month period, the Fund posted cumulative total returns of -0.36% based on market price and -0.36% based on net asset value (NAV). In comparison, the MSCI All Country World Index (ACWI) ex USA Index, which measures stock performance in global developed and emerging markets excluding the U.S., posted a +1.47% total return for the same period.<sup>1</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 6.

*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.*

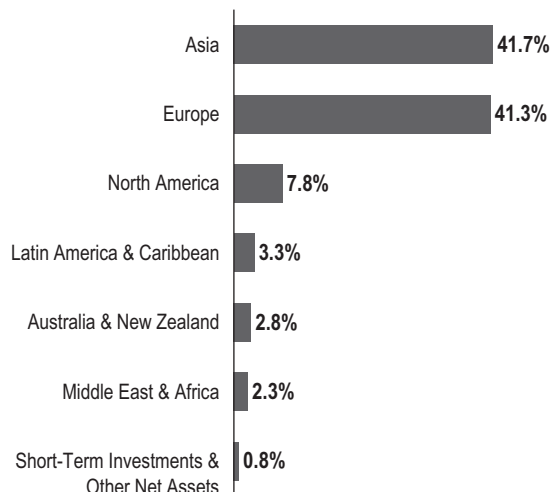
### Economic and Market Overview

The global economy expanded during the six months ended September 30, 2019, despite weakness in certain regions. Global stocks were aided by upbeat economic data in some regions, encouraging corporate earnings reports, periods of optimism about a potential U.S.-China trade deal and monetary policy easing by major central banks. The U.S. Federal Reserve's (Fed's) patient approach to its monetary policy early in the period, rate cuts in July and September, and indications it will act appropriately to sustain U.S. economic expansion and achieve its inflation objective aided market sentiment.

However, markets also reflected concerns about political uncertainties in the U.S. (including the impeachment inquiry into U.S. President Donald Trump), geopolitical tensions in

### Geographic Composition

Based on Total Net Assets as of 9/30/19



the eurozone and other regions, and the impact of U.S. trade disputes with China and other trading partners on global growth and corporate earnings. In this environment, global developed and emerging market stocks, as measured by the MSCI All Country World Index, posted a +3.91% total return for the six months under review.<sup>1</sup>

The U.S. economy grew during the six-month period. 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>2</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>2</sup>

At its July 2019 meeting, the 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

1. Source: Morningstar.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. Source: U.S. Bureau of Labor Statistics.

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 28.

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.

In Europe, the U.K.'s quarterly gross domestic product (GDP) growth contracted in 2019's second quarter, as Brexit uncertainties weighed on business sentiment. The Bank of England kept its key policy rate unchanged during the six-month period and lowered its GDP forecasts for 2019 and 2020. The eurozone's quarterly GDP growth moderated in 2019's second quarter and stabilized in the third quarter. The bloc's annual inflation rate ended the period lower. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period. In September, the ECB announced it will start a new bond-buying program in November in an effort to boost the economy and increase inflation.

In Asia, Japan's quarterly GDP growth moderated in 2019's second quarter. The Bank of Japan (BOJ) left its benchmark interest rate unchanged and continued its stimulus measures during the six-month period. At its July and September meetings, the BOJ expressed its openness to increase stimulus in an effort to sustain economic growth and achieve its inflation goal.

In larger emerging markets, Brazil's quarterly GDP growth accelerated in 2019's second quarter. The Central Bank of Brazil lowered its benchmark interest rate twice during the six-month period. Russia's annual GDP growth accelerated in 2019's second quarter. The Bank of Russia cut its key interest rate three times during the period. China's annual GDP growth moderated in 2019's second and third quarters. The People's Bank of China implemented an interest-rate reform in August, designating the loan prime rate as the new benchmark for household and business loans, effectively lowering interest rates in August and September. Overall, global emerging market stocks, as measured by the MSCI Emerging Markets Index, posted a -3.40% total return during the six months under review.<sup>1</sup>

## Investment Strategy

The Fund's individual country and sector weightings may vary significantly from its benchmark index, and investments will not necessarily be in the securities that comprise its benchmark index. The Fund's exposure to various regions and markets will vary from time to time according to the investment manager's opinions as to the prevailing conditions and prospects for these markets. In seeking to outperform the relevant market of each region, the investment manager consults with various local asset managers based in certain regions around the world (Sub-Advisors). Although the Sub-Advisors assist the investment manager in the selection of local securities, the

## Top 10 Countries

9/30/19

	% of Total Net Assets
Japan	13.7%
China	12.7%
United Kingdom	12.5%
Canada	6.6%
Spain	5.2%
Switzerland	4.7%
Italy	4.5%
India	4.3%
Germany	3.1%
Australia	2.8%

investment manager retains the sole discretion with respect to portfolio security selection. The Fund may enter into certain derivative transactions to seek to enhance Fund returns, increase liquidity, gain exposure to certain instruments or markets in a more efficient or less expensive way and/or hedge risks associated with its other portfolio investments.

When choosing equity investments for the Fund, we apply a research-driven, bottom-up, fundamental long-term approach, focusing on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. We seek to invest in companies that we consider to be financially strong with favorable growth potential and sustainable competitive advantages. We may also consider, among other factors, a company's price/earnings ratio, profit margins and liquidation value.

## Manager's Discussion

During the reporting period, the Fund underperformed its benchmark, the MSCI ACWI ex USA Index, as stock selection in the consumer staples and consumer discretionary sectors detracted from relative results. Security selection in the energy and financials sectors contributed.

In the consumer staples sector, Ireland-based nutritional supplement manufacturer Glanbia was weak, after reporting disappointing first-half earnings, largely in its non-U.S. performance nutrition business. The company also cut its full-year guidance following the results. The U.S. business remains strong, however, and its SlimFast product continues to show strong momentum.

Several China-based internet stocks detracted from relative performance during the period. Detractors included travel service provider CTrip.com International, which has seen slower use of its travel services, given the greater economic uncertainty.

**Top 10 Sectors/Industries**

9/30/19

	<b>% of Total Net Assets</b>
Banks	12.4%
Pharmaceuticals	6.1%
Internet & Direct Marketing Retail	5.5%
Insurance	5.0%
Auto Components	4.0%
Interactive Media & Services	3.9%
Semiconductors & Semiconductor Equipment	3.7%
Trading Companies & Distributors	2.9%
Oil, Gas & Consumable Fuels	2.8%
Capital Markets	2.6%

Italian multi-channel lender FinecoBank detracted, as political concerns in Italy and general worries about the regional economy weighed on the bank. Additionally, Italian bank Unicredit (not a Fund holding) sold a large stake in FinecoBank and took additional steps to make FinecoBank fully independent. Elsewhere in the sector, Norwegian online bank Sbanken hurt relative performance due to a selloff in European bank stocks amid concerns about the impact the low or negative interest-rate environment will have on the industry. Concerns about a slowdown in Sbanken's loan growth also weighed on the stock following weaker mortgage lending in recent quarters.

In contrast, in the information technology sector, Taiwan-listed integrated circuit manufacturer Silergy and chip foundry Taiwan Semiconductor Manufacturing contributed to relative returns. Silergy has reported robust results recently, based on improving demand from its industrial and consumer end markets. Taiwan Semiconductor has also seen improving demand in recent quarters, which we believe could feed through to faster earnings growth.

Italy-based wealth manager Banca Generali contributed to relative returns as political uncertainties in Italy eased during the third calendar quarter and as it continues to take business away from structurally challenged Italian banks. The company has reported solid inflows in recent quarters, as more Italians look to generate higher investment returns in a low or negative interest-rate environment.

**Top 10 Holdings**

9/30/19

<b>Company Sector/Industry, Country</b>	<b>% of Total Net Assets</b>
Alibaba Group Holding Ltd., ADR <i>Internet &amp; Direct Marketing Retail, China</i>	2.9%
Roche Holding AG <i>Pharmaceuticals, Switzerland</i>	2.4%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	2.4%
Tencent Holdings Ltd. <i>Interactive Media &amp; Services, China</i>	2.2%
Novartis AG <i>Pharmaceuticals, Switzerland</i>	2.0%
AIA Group Ltd. <i>Insurance, Hong Kong</i>	1.5%
Ping An Insurance (Group) Co. of China Ltd., H <i>Insurance, China</i>	1.5%
Vinci SA <i>Construction &amp; Engineering, France</i>	1.5%
Silergy Corp. <i>Semiconductors &amp; Semiconductor Equipment, China</i>	1.3%
Brookfield Asset Management Inc., A <i>Capital Markets, Canada</i>	1.3%

In the industrials sector, Italy-based electric cable manufacturer Prysmian bolstered relative returns after winning a large contract and as earnings growth has been robust in recent quarters. Prysmian has continued to see solid demand for its undersea electrical and telecommunications cables. Furthermore, we believe Prysmian could benefit from long-term secular trends such as the growing use of alternative energy sources and smart grid adoption.

The ETF did not use derivatives during the period.

Thank you for your participation in Franklin Liberty International Opportunities ETF. We look forward to serving your future investment needs.



A handwritten signature in black ink that reads "Purav A. Jhaveri". The signature is fluid and cursive.

Purav A. Jhaveri, CFA,<sup>®</sup> FRM  
Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. 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.*

## 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 (1/27/17), 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	-0.36%	-0.36%	-0.36%	-0.36%
1-Year	-3.14%	-3.26%	-3.14%	-3.26%
Since Inception (1/25/17)	+16.50%	+16.23%	+5.87%	+5.77%

*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**

---

\$0.425161

---

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

<b>With Waiver</b>	<b>Without Waiver</b>
0.60%	2.34%

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. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks or adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries or sectors, or investments. Smaller and midsize-company stocks have historically experienced more price volatility than larger-company stocks, especially over the short term. Investments in derivatives involve costs and create economic leverage, which may result in significant volatility and cause the Fund to participate in losses (as well as gains) that significantly exceed the Fund's initial investment. 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. The Fund has a fee waiver and/or expense reimbursement contractually guaranteed through 7/31/20. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
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 ETFs. In addition, if transactional costs were included, your total costs would have been higher.

Beginning Account Value 4/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>1,2</sup>	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>1,2</sup>	
\$1,000.00	\$996.40	\$2.99	\$1,022.00	\$3.03	0.60%

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 Liberty Investment Grade Corporate ETF

This semiannual report for Franklin Liberty Investment Grade Corporate ETF covers the period ended September 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks a high level of current income as is consistent with prudent investing, while seeking preservation of capital. Under normal market conditions, the Fund invests at least 80% of its net assets in investment-grade corporate debt securities and investments.

## Performance Overview

During the six-month period, the Fund posted cumulative total returns of +7.92% based on market price and +7.88% based on net asset value (NAV).<sup>1</sup> In comparison, the Bloomberg Barclays U.S. Corporate Investment Grade Index posted a +7.66% total return for the same period.<sup>1</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 12.

*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.*

## 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>2</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>2</sup>

1. Source: Morningstar.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. Source: Bureau of Labor Statistics.

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 34.**

## Top 10 Sectors/Industries

9/30/19

	% of Total Net Assets
Banks	25.0%
Electric Utilities	7.0%
Oil, Gas & Consumable Fuels	5.9%
Insurance	5.3%
Health Care Providers & Services	4.9%
Pharmaceuticals	2.8%
Beverages	2.6%
Media	2.4%
Food Products	2.3%
Biotechnology	2.2%

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.

The 10-year Treasury yield, which moves inversely to its price, decreased during the period. The yield rose briefly at the start of the period, but fell to multi-year lows in 2019's third quarter. Political uncertainties in the U.S. (including the impeachment inquiry into U.S. President Donald Trump), geopolitical tensions in certain regions, slower domestic and global economic growth, the Fed's more accommodative monetary policy stance and expectations of more stimulus from global central banks weighed on the Treasury yield at certain points during the period. However, several better-than-expected U.S. economic reports and periods of optimism about a potential U.S.-China trade deal supported the yield. The 10-year yield persistently fell below certain short-term yields due to weaker economic data, escalating U.S. trade tensions with China and other trading partners, and the Fed's recent monetary policy easing. Overall, the 10-year Treasury yield declined from 2.41% at the beginning of the period to 1.68% at period-end.

## Investment Strategy

The Fund invests primarily in U.S. dollar-denominated corporate debt securities issued by U.S. and foreign companies. The Fund may invest in debt securities of any maturity or duration.

The Fund's focus on the credit quality of its portfolio is intended to reduce credit risk and help to preserve the Fund's capital. The Fund may also invest a portion of its assets in convertible securities, preferred securities and U.S. Treasury securities, and generally expects to invest a portion of its assets in cash, cash equivalents and high quality money market securities, including commercial paper, repurchase agreements and affiliated or unaffiliated money market funds. The Fund may invest up to 40% of its net assets in foreign securities, including those in developing markets, and up to 15% of its net assets in non-U.S. dollar-denominated securities. The Fund may enter into certain derivative transactions to seek to enhance Fund returns, increase liquidity, gain exposure to certain instruments or markets in a more efficient or less expensive way and/or hedge risks associated with its other portfolio investments.

In choosing investments, we select securities in various market sectors based on our assessment of changing economic, market, industry and issuer conditions. We use a top-down analysis of macroeconomic trends, combined with a bottom-up fundamental analysis of market sectors, industries and issuers, to try to take advantage of varying sector reactions to economic events. The Fund's portfolio is constructed by taking into account our desired duration and yield curve exposure, total return potential, as well as the appropriate diversification and risk profile at the issue, company and industry level. We may utilize quantitative models to identify investment opportunities in order to construct a portfolio of investments for the Fund. Quantitative trading models are proprietary systems that rely on mathematical computations to identify trading opportunities.

## Manager's Discussion

The investment-grade corporate bond market performed well during the period, driven mostly by lower U.S. Treasury yields. Corporate bond spreads ended slightly tighter than their ending levels in March, but there was significant volatility within the period.

Slowing economic data, increasingly accommodative central banks and headlines about global trade disputes drove the market. S&P 500 corporate earnings were weaker compared to the previous year, but corporate credit metrics remained broadly stable. Government bond yields fell during the period, with the 10-year U.S. Treasury yield decreasing from 2.41% to 1.68%.

## Top 10 Holdings

9/30/19

	% of Total Net Assets
U.S. Treasury 30 Yr. Bond, 12/19/2019	7.1%
<i>Government Bonds</i>	
Bank of America Corp., sub. bond, 4.183%, 11/25/2027	3.0%
<i>Banks</i>	
Citigroup Inc., senior note, FRN, sub. note, 4.05%, 7/30/2022	2.7%
<i>Banks</i>	
Morgan Stanley, senior bond, FRN thereafter, 3.591%, 7/22/2028	2.7%
<i>Capital Markets</i>	
Credit Suisse Group Funding Guernsey Ltd., senior note, 3.80%, 9/15/2022	2.6%
<i>Banks</i>	
HSBC Holdings PLC, senior note, 4.30%, 3/08/2026	2.5%
<i>Banks</i>	
Marsh & McLennan Cos. Inc., senior bond, senior note, 3.875%, 3/15/2024	2.5%
<i>Insurance</i>	
BB&T Corp., sub. bond, 3.875%, 3/19/2029	2.5%
<i>Banks</i>	
JPMorgan Chase & Co., senior bond, FRN thereafter, sub. note, 3.375%, 5/01/2023	2.1%
<i>Banks</i>	
Standard Chartered PLC, senior note, 144A, FRN thereafter, 3.885%, 3/15/2024	2.0%
<i>Banks</i>	

Lower government bond yields globally increased demand for investment-grade corporate bonds, a higher yielding alternative. Corporate issuance remained below last year's level, despite some companies taking advantage of low overall financing costs.

The Fund outperformed its benchmark on a net basis for the period. The Fund's security selection was a major contributor to positive Fund performance, with quality and industry allocations also boosting results. In contrast, yield curve positioning was a slight detractor.

The Fund's industry outperformance was driven by our holdings of government-related bonds. Major contributors on an individual company basis included AB Inbev, Enel and Verizon Communications. Detractors included Caterpillar, Duke Energy and British American Tobacco.

News stories continued to create volatility for the bond prices of some individual issuers held in the Fund. For example, news about fundamental developments and the reduction of debt by selling assets at companies including General

Electric, Kraft Heinz Foods and AB Inbev caused significant spread movements during the period.

The Fund's overweight position in BBB-rated bonds helped performance. This position was based on our view that these bonds offered what we considered attractive yields based on current valuations and economic conditions. We kept the Fund's duration positioning close to neutral relative to the benchmark for most of the period.

#### What is the yield curve?

The yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates. The most frequently reported yield curve compares three-month, two-year and 30-year U.S. Treasury debt.

#### What is duration?

Duration is a measure of a bond's price sensitivity to interest-rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest-rate changes than a portfolio with a higher duration.

The Fund held primarily cash bonds during the period, but used credit index derivatives to gain market exposure on a temporary, tactical basis. The Fund also used interest rate futures contracts to manage duration exposure.

Effective October 15, 2019, after period-end, Thomas Runkel, CFA, and Pururav Thoutireddy, Ph.D., were added as co-lead portfolio managers, joining current co-lead portfolio managers Marc Kremer, CFA, and Shawn Lyons, CFA.

Thank you for your participation in Franklin Liberty Investment Grade Corporate ETF. We look forward to serving your future investment needs.



Marc Kremer, CFA  
Co-Lead Portfolio Manager



Shawn Lyons, CFA  
Co-Lead Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. 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.*

## 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 tables do 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 (10/5/16), 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	+7.88%	+7.92%	+7.88%	+7.92%
1-Year	+12.54%	+12.77%	+12.54%	+12.77%
Since Inception (10/3/16)	+13.26%	+13.43%	+4.25%	+4.30%

Distribution Rate <sup>5</sup>	30 Day Standardized Yield <sup>6</sup>	
	(with fee waiver)	(without fee waiver)
3.17%	2.70%	2.44%

*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 13 for Performance Summary footnotes.

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

---

**\$0.407158**

---

**Total Annual Operating Expenses<sup>7</sup>**

<b>With Fee Waiver</b>	<b>Without Fee Waiver</b>
0.35%	1.07%

All investments involve risks, including possible loss of principal. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The Fund's investments in foreign securities involve certain risks including currency fluctuations, and economic and political uncertainties. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Investing in derivative securities and the use of foreign currency techniques involve special risks as such may not achieve the anticipated benefits and/or may result in losses to the Fund. 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. The Fund has a fee waiver and/or expense reimbursement contractually guaranteed through 7/31/20. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
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. Distribution rate is based on an annualization of the September dividend and the NAV per share on 9/30/19.
6. The Fund's 30-day standardized yield is calculated over a trailing 30-day period using the yield to maturity on bonds and/or the dividends accrued on stocks. It may not equal the Fund's actual income distribution rate, which reflects the Fund's past dividends paid to shareholders.
7. 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 Account Value 4/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>1,2</sup>	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>1,2</sup>	
\$1,000.00	\$1,078.80	\$1.82	\$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.



# Franklin Liberty U.S. Core Bond ETF

This semiannual report for Franklin Liberty U.S. Core Bond ETF covers the period since the Fund's inception on September 17, 2019, through September 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks total return. Under normal market conditions, the Fund invests at least 80% of its net assets in bonds of U.S. issuers.

## Performance Overview

For the period since inception on September 17, 2019, through September 30, 2019, the Fund posted cumulative total returns of +0.86% based on market price and +0.74% based on net asset value (NAV). In comparison, the Bloomberg Barclays U.S. Aggregate Bond Index, which tracks the U.S. investment-grade, taxable bond market, posted a +0.97% total return.<sup>1</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 18.

*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.*

## Economic and Market Overview

The U.S. economy expanded at a moderate pace during the period since the Fund's inception. The unemployment rate and the annual inflation rate, as measured by the Consumer Price Index, were 3.5% and 1.7% at period-end, respectively.<sup>2</sup> At its September 2019 meeting, the U.S. Federal Reserve lowered its target range from 2.00%–2.25% to 1.75%–2.00%, citing muted inflation pressures and the potential effects of global trade tensions on economic growth. The 10-year Treasury yield, which moves inversely to its price, decreased during the period from 1.81% to 1.68%.

1. Source: Morningstar.

2. Source: Bureau of Labor Statistics.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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 45.**

## Portfolio Composition

Based on Total Net Assets as of 9/30/19

U.S. Government & Agency Securities	31.3%
Corporate Bonds & Notes	29.0%
Mortgage-Backed Securities	25.0%
Municipal Bonds	4.4%
Long Futures	2.3%
Foreign Government and Agency Securities	0.9%

## Investment Strategy

The Fund invests predominantly in investment-grade bonds of U.S. issuers, including government, corporate-debt, mortgage-backed and asset-backed securities. The Fund's investments in mortgage-backed securities include securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities, and private issuers, including commercial mortgage-backed securities. Under normal market conditions, the Fund is generally expected to have sector, credit and duration exposures comparable to its benchmark index. However, we make investment decisions based upon our own fundamental analysis, which affects the Fund's sector, credit and duration exposures so that they may vary from the benchmark index.

In addition, the Fund may purchase or sell mortgage-backed securities on a delayed delivery or forward commitment basis through the to-be-announced (TBA) market. With TBA transactions, the particular securities to be delivered must meet specified terms and conditions.

For purposes of pursuing its investment goal, the Fund may enter into various interest-rate and credit-related derivatives, principally U.S. Treasury futures, interest-rate swaps and credit default swaps. The use of these derivative transactions may allow the Fund to obtain net long or short exposures to select interest rates, durations or credit risks. The Fund may enter into certain derivative transactions to seek to enhance Fund returns, increase liquidity, gain exposure to certain instruments or markets in a more efficient or less expensive way and/or hedge risks associated with its other portfolio investments.

In choosing investments, we select securities in various market sectors based on our assessment of changing economic, market, industry and issuer conditions. We use a top-down analysis of macroeconomic trends, combined with a bottom-up fundamental analysis of market sectors, industries and issuers, to try to take advantage of varying sector reactions to economic events. We may consider selling a security when we believe the security has become fully valued due to either its price appreciation or changes in the issuer's fundamentals, or when we believe another security is a more attractive investment opportunity.

## Manager's Discussion

During the short period since the Fund's inception on September 17, 2019, through September 30, 2019, the portfolio slightly underperformed the benchmark Bloomberg Barclays U.S. Aggregate Bond Index. We invested the portfolio during a period of inflows, and the major detractor was our slightly underweighted duration positioning in a declining rate environment. In contrast, security selection within our investment-grade corporate credit exposure contributed to performance, although this effect was slightly offset by negative security selection within our fixed-rate agency mortgage-backed securities bucket.

In terms of derivatives, we utilized Treasury futures for duration management of the portfolio.

## Top 10 Fund Holdings

9/30/19

	<b>% of Total Net Assets</b>
U.S. Treasury Note , 2.75%, 9/15/2021	25.4%
Federal National Mortgage Association , 4.50%, 10/01/2049	24.5%
U.S. Treasury Bond , 2.75%, 11/15/2042	5.9%
U.S. Treasury 5 Yr. Note , 12/31/2019	2.3%
Contra Costa Community College District GO, Refunding, 2.926%, 8/01/2038	1.8%
S E Alabama State Gas Supply District Gas Supply, Revenue, Libor-Project #2, Series B, 2.25%, 6/01/2049	0.9%
California State GO, Various Purpose, 3.00%, 10/01/2037	0.9%
Texas State Water Development Board Revenue, State Water Implementation Fund, Master Trust, Series A, 4.00%, 10/15/2044	0.8%
Capital One Financial Corp., senior bond, senior note, 3.75%, 3/09/2027	0.7%
Bank of America Corp., senior note, senior sub. bond, 4.25%, 10/22/2026	0.6%

Thank you for your participation in Franklin Liberty U.S. Core Bond ETF. We look forward to serving your future investment needs.



David Yuen, CFA, FRM  
Co-Lead Portfolio Manager



Amy Cooper, CFA  
Co-Lead Portfolio Manager

Patrick Klein, Ph.D.  
Co-Lead Portfolio Manager

Tina Chou  
Co-Lead Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. 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.*

## 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 tables do not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale or redemption 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 (9/19/19), 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>
Since Inception (9/17/19)	+0.74%	+0.86%	+0.74%	+0.86%

Distribution Rate <sup>5</sup>	30 Day Standardized Yield <sup>6</sup>	
	(with fee waiver)	(without fee waiver)
0.00% <sup>7</sup>	—	—

*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** (9/17/19–9/30/19)**Net Investment  
Income**

---

\$0.003862

---

**Total Annual Operating Expenses<sup>8</sup>**

<b>With Fee Waiver</b>	<b>Without Fee Waiver</b>
0.15%	0.19%

All investments involve risks, including possible loss of principal. Interest rate movements, unscheduled mortgage prepayments and other risk factors will affect the Fund's share price and yield. Bond prices, and thus a Fund's share price, generally move in the opposite direction of interest rates. Therefore, as the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. 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. The Fund has a fee waiver and/or expense reimbursement contractually guaranteed through 7/31/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
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. Distribution rate is based on an annualization of the September dividend and the NAV per share on 9/30/19.
6. The Fund's 30-day standardized yield is calculated over a trailing 30-day period using the yield to maturity on bonds and/or the dividends accrued on stocks. It may not equal the Fund's actual income distribution rate, which reflects the Fund's past dividends paid to shareholders. The Fund launched on 9/17/19 and yields cannot be produced until the Fund has been in existence for 30 days. This value will not be calculated until 10/31/19.
7. Amount rounds to less than 0.01% per share.
8. 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 Account Value <sup>1</sup>	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>3</sup>
	Ending Account Value 9/30/19	Expenses Paid During Period 9/17/19–9/30/19 <sup>2,3</sup>	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>2,3</sup>	
\$1,000.00	\$1,007.40	\$0.05	\$1,024.25	\$0.76	0.15%

1. 9/17/19 for Actual; 4/1/19 for Hypothetical.

2. 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. For Actual expenses, the multiplier is 13/366 to reflect the number of days since commencement of operations.

3. Reflects expenses after fee waivers and expense reimbursements.

# Franklin Liberty U.S. Low Volatility ETF

This semiannual report for Franklin Liberty U.S. Low Volatility ETF covers the period ended September 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks capital appreciation with an emphasis on lower volatility. Under normal market conditions, the Fund invests at least 80% of its net assets in U.S. investments.

## Performance Overview

During the six-month period, the Fund posted cumulative total returns of +9.42% based on market price and +9.52% based on net asset value (NAV). In comparison, the Russell 1000® Index posted a +5.73% total return for the same period.<sup>1</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 24.

*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.*

## 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 investment 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>2</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>2</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

## Top 10 Sectors/Industries

9/30/19

	% of Total Net Assets
Information Technology	21.8%
Health Care	13.2%
Financials	13.0%
Consumer Discretionary	10.7%
Communication Services	9.9%
Industrials	9.6%
Consumer Staples	7.1%
Energy	4.1%
Real Estate	4.0%
Utilities	3.3%

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 U.S. 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>3</sup>

1. Source: Morningstar. 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 index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. Source: Bureau of Labor Statistics.

3. Source: Morningstar.

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 41.

## Investment Strategy

The Fund invests primarily in equity securities (principally common stocks) of U.S. companies.<sup>4</sup> The Fund seeks capital appreciation, while providing a lower level of volatility than the broader equity market as measured by the Russell 1000® Index, meaning the Fund seeks returns that fluctuate less than the returns of the Russell 1000® Index. We apply a fundamentally driven “bottom-up” research process to create a starting universe of eligible securities across a large number of sectors derived from the holdings of a number of Franklin Templeton equity funds. The investment manager screens that universe on a quarterly basis in order to identify those securities with the lowest realized volatility relative to their corresponding sectors. The Fund’s sector weightings generally are based on the current sector weightings within the Russell 1000® Index. Individual securities in the Fund’s portfolio are generally weighted equally within each sector. The investment manager may, from time to time, make adjustments to the Fund’s portfolio as a result of corporate actions, changes to the volatility profile of the Fund’s holdings, or for risk management related purposes.

## Manager’s Discussion

During the period, the Fund outperformed the Russell 1000® Index benchmark. Most sectors contributed to relative performance with key contributors in the information technology (IT), health care and financials sectors. Conversely, the energy sector was a detractor during the period.

In the IT sector, electronic payment processor Total System Services was a major contributor. Shares of the company appreciated following its acquisition by a global payments provider. Strong sales growth and raised guidance was a boost for the shares of Synopsys, a software provider to the semiconductor industry. We believe the company is uniquely positioned to address the growing need and demand for complex chip designs. Semiconductor manufacturer Texas Instruments reported financial results over the period that were solidly ahead of consensus estimates. We believe analog is the most attractive product segment in the semiconductor industry, and Texas Instruments is a leading market share analog semiconductor company. In contrast, underweightings in strong performing shares of Microsoft and Apple dampened relative returns.

## Top 10 Holdings

9/30/19

Company Sector/Industry	% of Total Net Assets
Oracle Corp. <i>Information Technology</i>	1.5%
Amphenol Corp., A <i>Information Technology</i>	1.5%
International Business Machines Corp. <i>Information Technology</i>	1.5%
Automatic Data Processing Inc. <i>Information Technology</i>	1.5%
Apple Inc. <i>Information Technology</i>	1.5%
Cisco Systems Inc. <i>Information Technology</i>	1.5%
AT&T Inc. <i>Communication Services</i>	1.4%
Texas Instruments Inc. <i>Information Technology</i>	1.5%
Synopsys Inc. <i>Information Technology</i>	1.5%
Verizon Communications Inc. <i>Communication Services</i>	1.4%

Higher revenue from strong volume growth lifted the shares of diagnostic testing company Quest Diagnostics and boosted results in the health care sector. In the financials sector, insurance company W.R. Berkley contributed to returns. A major contributor in the industrials sector was Lockheed Martin. The defense contractor has been a beneficiary of strong defense spending. In contrast, diversified industrial conglomerate Fortive struggled with slower sales and lowered its guidance. The company announced its intention to separate into two companies, which could help increase its strategic focus. Despite stock weakness, we continue to view Fortive as a high-quality business. Elsewhere, concerns about slowing global growth and its impact on energy demands pressured the energy sector and our positions in Occidental Petroleum, Schlumberger and EOG Resources.

4. “U.S. companies” are those that (i) are organized under the laws of, or have a principal office in, or for whose securities the principal trading market is, the U.S.; (ii) derive 50% or more of their total revenue or profit from either goods or services produced, or sales made, in the U.S.; or (iii) have 50% or more of their assets in the U.S.

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



Thank you for your participation in Franklin Liberty U.S. Low Volatility ETF. We look forward to serving your future investment needs.



A stylized, handwritten signature in black ink, appearing to read 'Todd Brighton'.

Todd Brighton, CFA  
Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. 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.*

## 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 or redemption 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 (9/22/16), 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	+9.52%	+9.42%	+9.52%	+9.42%
1-Year	+13.55%	+13.69%	+13.55%	+13.69%
3-Year	+52.71%	+53.65%	+15.16%	+15.39%
Since Inception (9/20/16)	+54.36%	+54.45%	+15.42%	+15.44%

*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**

---

\$0.217401

---

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

<b>With Waiver</b>	<b>Without Waiver</b>
0.50%	1.12%

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. There can be no guarantee that the Fund's volatility strategy will be successful, and achieving the Fund's volatility strategy does not mean the Fund will achieve a positive or competitive return. The volatility strategy can also be expected to limit the Fund's participation in market price appreciation when compared to similar funds that do not attempt this strategy. Smaller and midsize-company stocks have historically experienced more price volatility than larger company stocks, especially over the short term. 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. The Fund has a fee waiver and/or expense reimbursement contractually guaranteed through 7/31/20. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
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 Account Value 4/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>1,2</sup>	Ending Account Value 9/30/19	Expenses Paid During Period 4/1/19–9/30/19 <sup>1,2</sup>	
\$1,000.00	\$1,095.20	\$2.62	\$1,022.50	\$2.53	0.50%

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 Liberty International Opportunities ETF

	Six Months Ended September 30, 2019 (unaudited)	Year Ended March 31,		
		2019	2018	2017 <sup>a</sup>
<b>Per share operating performance</b> (for a share outstanding throughout the period)				
Net asset value, beginning of period	\$27.09	\$28.89	\$25.58	\$24.50
Income from investment operations <sup>b</sup> :				
Net investment income <sup>c</sup>	0.47	0.51	0.45	0.09
Net realized and unrealized gains (losses)	(0.56)	(1.89)	4.00	0.99
Total from investment operations	(0.09)	(1.38)	4.45	1.08
Less distributions from:				
Net investment income	(0.43)	(0.24)	(0.74)	—
Net realized gains	—	(0.18)	(0.40)	—
Total distributions	(0.43)	(0.42)	(1.14)	—
Net asset value, end of period	\$26.57	\$27.09	\$28.89	\$25.58
Total return <sup>d</sup>	(0.36)%	(4.70)%	17.50%	4.41%
<b>Ratios to average net assets<sup>e</sup></b>				
Expenses before waiver and payments by affiliates	2.34%	2.34%	3.38%	8.50%
Expenses net of waiver and payments by affiliates	0.60%	0.60%	0.59%	0.60%
Net investment income	3.52%	1.89%	1.60%	1.98%
<b>Supplemental data</b>				
Net assets, end of period (000's)	\$9,299	\$9,480	\$5,778	\$5,116
Portfolio turnover rate <sup>f</sup>	19.90%	20.83%	34.08%	2.32%
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</sup>	19.90%	—%	—%	—%

<sup>a</sup>For the period January 25, 2017 (commencement of operations) to March 31, 2017.

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

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

## Franklin Liberty International Opportunities ETF

	Industry	Shares	Value
<b>Common Stocks 98.5%</b>			
<b>Australia 2.8%</b>			
BHP Group Ltd. ....	Metals & Mining	798	\$ 19,763
Commonwealth Bank of Australia .....	Banks	425	23,169
CSL Ltd. ....	Biotechnology	753	118,682
Ramsay Health Care Ltd. ....	Health Care Providers & Services	684	29,926
Rio Tinto Ltd. ....	Metals & Mining	1,171	73,189
			264,729
<b>Austria 0.5%</b>			
Lenzing AG .....	Chemicals	443	42,669
<b>Brazil 1.4%</b>			
Ambev SA .....	Beverages	2,500	11,554
<sup>a</sup> Azul SA .....	Airlines	1,000	11,934
<sup>a</sup> B2W Cia Digital .....	Internet & Direct Marketing Retail	800	9,286
<sup>a</sup> B2W Cia Digital, SCR .....	Internet & Direct Marketing Retail	112	1,288
B3 SA-Brasil Bolsa Balcao .....	Capital Markets	2,500	26,186
CCR SA .....	Transportation Infrastructure	4,900	20,292
Companhia Energetica de Minas Gerais .....	Electric Utilities	4,600	17,559
Energisa SA .....	Electric Utilities	900	10,792
<sup>a</sup> Vale SA .....	Metals & Mining	2,100	24,073
			132,964
<b>Canada 6.6%</b>			
Alimentation Couche-Tard Inc., B .....	Food & Staples Retailing	2,150	65,929
Brookfield Asset Management Inc., A .....	Capital Markets	2,282	121,253
Canadian National Railway Co. ....	Road & Rail	1,025	92,095
Dollarama Inc. ....	Multiline Retail	963	34,498
Enbridge Inc. ....	Oil, Gas & Consumable Fuels	1,575	55,315
Nutrien Ltd. ....	Chemicals	700	34,894
Peyto Exploration & Development Corp. ....	Oil, Gas & Consumable Fuels	2,975	7,505
Royal Bank of Canada .....	Banks	1,105	89,694
TELUS Corp. ....	Diversified Telecommunication Services	1,338	47,660
The Toronto-Dominion Bank .....	Banks	1,192	69,548
			618,391
<b>China 12.7%</b>			
<sup>a</sup> Alibaba Group Holding Ltd., ADR .....	Internet & Direct Marketing Retail	1,593	266,398
Bank of Ningbo Co. Ltd., A .....	Banks	17,500	61,779
Brilliance China Automotive Holdings Ltd. ....	Automobiles	48,000	51,555
China Merchants Bank Co. Ltd., A .....	Banks	6,700	32,603
China Merchants Bank Co. Ltd., H .....	Banks	15,500	73,749
<sup>a</sup> Ctrip.com International Ltd., ADR .....	Internet & Direct Marketing Retail	2,870	84,062
Kweichow Moutai Co. Ltd., A .....	Beverages	100	16,104
<sup>a</sup> New Oriental Education & Technology Group Inc., ADR .....	Diversified Consumer Services	175	19,383
Ping An Insurance (Group) Co. of China Ltd., H .....	Insurance	12,000	137,842
<sup>a</sup> Prosus NV .....	Internet & Direct Marketing Retail	560	41,118
Silergy Corp. ....	Semiconductors & Semiconductor Equipment	5,000	123,934
Sunny Optical Technology Group Co. Ltd. ....	Electronic Equipment, Instruments & Components	1,800	26,451
Tencent Holdings Ltd. ....	Interactive Media & Services	4,800	202,179
Yum China Holdings Inc. ....	Hotels, Restaurants & Leisure	900	40,887
			1,178,044
<b>Denmark 0.7%</b>			
ISS AS .....	Commercial Services & Supplies	2,756	68,210
<b>Egypt 0.2%</b>			
<sup>a</sup> Ezz Steel Co. SAE .....	Metals & Mining	37,815	21,946

Franklin Liberty International Opportunities ETF (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Finland 0.7%</b>			
Tieto OYJ .....	IT Services	2,703	\$ 69,250
<b>France 2.6%</b>			
Maisons du Monde SA .....	Specialty Retail	3,406	53,842
Schneider Electric SE .....	Electrical Equipment	584	51,252
Vinci SA .....	Construction & Engineering	1,258	135,529
			240,623
<b>Germany 3.1%</b>			
1&1 Drillisch AG .....	Wireless Telecommunication Services	2,414	75,268
GEA Group AG .....	Machinery	3,600	97,215
Hella GmbH & Co. KGaA .....	Auto Components	2,052	91,765
Rational AG .....	Machinery	39	27,977
			292,225
<b>Hong Kong 2.4%</b>			
AIA Group Ltd. ....	Insurance	15,200	143,577
IMAX China Holding Inc. ....	Entertainment	14,000	33,038
Samsonite International SA .....	Textiles, Apparel & Luxury Goods	23,100	48,915
			225,530
<b>India 4.3%</b>			
Bharti Airtel Ltd. ....	Wireless Telecommunication Services	8,965	46,432
HDFC Bank Ltd. ....	Banks	6,954	120,443
ICICI Bank Ltd. ....	Banks	7,364	45,066
Infosys Ltd. ....	IT Services	4,055	46,098
Kotak Mahindra Bank Ltd. ....	Banks	3,418	79,312
<sup>a</sup> MakeMyTrip Ltd. ....	Internet & Direct Marketing Retail	1,225	27,795
UltraTech Cement Ltd. ....	Construction Materials	554	33,937
			399,083
<b>Indonesia 0.7%</b>			
ACE Hardware Indonesia Tbk PT .....	Specialty Retail	87,800	10,948
Bank Central Asia Tbk PT .....	Banks	24,800	53,024
			63,972
<b>Ireland 0.8%</b>			
Glanbia PLC .....	Food Products	6,036	75,017
<b>Italy 4.5%</b>			
Banca Generali SpA .....	Capital Markets	3,111	95,982
FinecoBank Banca Fineco SpA .....	Banks	8,380	88,728
Freni Brembo SpA .....	Auto Components	8,325	81,139
Prysmian SpA .....	Electrical Equipment	3,883	83,395
Technogym SpA .....	Leisure Equipment & Products	6,147	68,355
			417,599
<b>Japan 13.7%</b>			
Aica Kogyo Co. Ltd. ....	Building Products	900	26,482
Central Japan Railway Co. ....	Road & Rail	200	41,120
COMSYS Holdings Corp. ....	Construction & Engineering	1,900	53,796
Daikin Industries Ltd. ....	Building Products	600	78,723
Denso Corp. ....	Auto Components	1,900	83,489
Fast Retailing Co. Ltd. ....	Specialty Retail	100	59,412
Hoya Corp. ....	Health Care Equipment & Supplies	700	57,121
Idemitsu Kosan Co. Ltd. ....	Oil, Gas & Consumable Fuels	1,200	33,921
Japan Airlines Co. Ltd. ....	Airlines	800	23,776
Keyence Corp. ....	Electronic Equipment, Instruments & Components	100	61,901
Mitsubishi Corp. ....	Trading Companies & Distributors	1,700	41,700

**Franklin Liberty International Opportunities ETF** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Japan</b> (continued)			
Mitsubishi UFJ Financial Group Inc. ....	Banks	10,100	\$ 51,250
Mitsui Fudosan Co. Ltd. ....	Real Estate Management & Development	1,300	32,225
Murata Manufacturing Co. Ltd. ....	Electronic Equipment, Instruments & Components	1,200	57,571
Nidec Corp. ....	Electrical Equipment	600	80,611
Nintendo Co. Ltd. ....	Entertainment	100	37,030
Nippon Telegraph & Telephone Corp. ....	Diversified Telecommunication Services	1,600	76,332
Pola Orbis Holdings Inc. ....	Personal Products	2,600	58,195
Shimadzu Corp. ....	Electronic Equipment, Instruments & Components	1,300	32,814
Sony Corp. ....	Household Durables	1,100	64,600
Taiyo Nippon Sanso Corp. ....	Chemicals	2,200	44,438
Takeda Pharmaceutical Co. Ltd. ....	Pharmaceuticals	2,200	75,114
The Dai-ichi Life Holdings Inc. ....	Insurance	700	10,551
Toyota Motor Corp. ....	Automobiles	800	53,415
Z Holdings Corp. ....	Interactive Media & Services	12,200	34,317
			1,269,904
<b>Mexico 1.2%</b>			
America Movil SAB de CV, L ....	Wireless Telecommunication Services	70,000	51,904
Fomento Economico Mexicano SAB de CV ....	Beverages	6,650	60,980
			112,884
<b>Netherlands 0.9%</b>			
ASR Nederland NV ....	Insurance	2,392	88,325
<b>Norway 1.9%</b>			
Atea ASA ....	IT Services	6,216	80,043
Sbanken ASA ....	Banks	13,020	94,147
			174,190
<b>Philippines 0.7%</b>			
BDO Unibank Inc. ....	Banks	11,730	32,363
Security Bank Corp. ....	Banks	8,680	32,992
			65,355
<b>Portugal 0.9%</b>			
Corticeira Amorim SGPS SA ....	Containers & Packaging	7,654	83,194
<b>Russia 1.3%</b>			
Gazprom PJSC ....	Oil, Gas & Consumable Fuels	20,720	72,140
<sup>a</sup> Yandex NV, A ....	Interactive Media & Services	1,400	49,014
			121,154
<b>Singapore 0.5%</b>			
DBS Group Holdings Ltd. ....	Banks	2,500	45,195
<b>South Africa 1.1%</b>			
<sup>a</sup> MultiChoice Group Ltd. ....	Media	560	4,357
Naspers Ltd., N ....	Internet & Direct Marketing Retail	560	84,764
Redefine Properties Ltd. ....	Equity Real Estate Investment Trusts (REITs)	21,308	11,003
			100,124
<b>South Korea 2.7%</b>			
Lotte Chemical Corp. ....	Chemicals	298	58,795
Naver Corp. ....	Interactive Media & Services	578	75,865
Samsung Electronics Co. Ltd. ....	Technology Hardware, Storage & Peripherals	2,800	114,819
			249,479
<b>Spain 5.2%</b>			
Applus Services SA ....	Professional Services	8,866	115,022
Cia de Distribucion Integral Logista Holdings SA ....	Air Freight & Logistics	4,961	96,704



**Franklin Liberty International Opportunities ETF (continued)**

	Industry	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Spain (continued)</b>			
Ebro Foods SA .....	Food Products	4,691	\$ 93,793
Merlin Properties Socimi SA .....	Equity Real Estate Investment Trusts (REITs)	7,339	102,492
<sup>a</sup> Tecnicas Reunidas SA .....	Energy Equipment & Services	2,472	60,745
Viscofan SA .....	Food Products	257	12,048
			<u>480,804</u>
<b>Sweden 1.0%</b>			
Dometic Group AB .....	Auto Components	11,438	89,832
<b>Switzerland 4.7%</b>			
<sup>a</sup> Alcon Inc. ....	Health Care Equipment & Supplies	440	25,681
Novartis AG .....	Pharmaceuticals	2,202	191,106
Roche Holding AG .....	Pharmaceuticals	754	219,625
			<u>436,412</u>
<b>Taiwan 2.7%</b>			
Ennoconn Corp. ....	Technology Hardware, Storage & Peripherals	4,000	28,300
Taiwan Semiconductor Manufacturing Co. Ltd. ....	Semiconductors & Semiconductor Equipment	25,000	219,182
			<u>247,482</u>
<b>Thailand 1.3%</b>			
Kasikornbank PCL, fgn. ....	Banks	5,000	25,666
Minor International PCL, fgn. ....	Hotels, Restaurants & Leisure	38,500	47,204
The Siam Cement PCL, fgn. ....	Construction Materials	3,300	44,022
			<u>116,892</u>
<b>United Arab Emirates 1.0%</b>			
Emirates NBD PJSC .....	Banks	27,076	95,459
<b>United Kingdom 12.5%</b>			
Associated British Foods PLC .....	Food Products	2,013	57,129
AstraZeneca PLC .....	Pharmaceuticals	910	81,424
Bodycote PLC .....	Machinery	9,157	80,851
BP PLC .....	Oil, Gas & Consumable Fuels	11,103	70,573
British American Tobacco PLC .....	Tobacco	2,704	100,214
Bunzl PLC .....	Trading Companies & Distributors	3,519	92,150
Derwent London PLC .....	Equity Real Estate Investment Trusts (REITs)	1,628	67,608
DS Smith PLC .....	Containers & Packaging	13,231	58,762
Ferguson PLC .....	Trading Companies & Distributors	802	58,745
Howden Joinery Group PLC .....	Trading Companies & Distributors	11,593	80,059
<sup>b</sup> Ibstock PLC, Reg S .....	Construction Materials	18,347	53,403
Imperial Brands PLC .....	Tobacco	31	698
National Grid PLC .....	Multi-Utilities	9,087	98,754
Prudential PLC .....	Insurance	4,448	80,849
Reckitt Benckiser Group PLC .....	Household Products	578	45,186
RELX PLC .....	Professional Services	2,779	66,180
Restore PLC .....	Commercial Services & Supplies	73	367
Smith & Nephew PLC .....	Health Care Equipment & Supplies	3,042	73,436
			<u>1,166,388</u>
<b>United States 1.2%</b>			
Amcor PLC, IDR .....	Containers & Packaging	8,567	82,337
Autoliv Inc., SDR .....	Auto Components	355	27,693
			<u>110,030</u>
<b>Total Common Stocks (Cost \$9,371,858) .....</b>			<u>9,163,355</u>

**Franklin Liberty International Opportunities ETF** (continued)

	Industry	Shares	Value
<b>Preferred Stocks 0.7%</b>			
<b>Brazil 0.7%</b>			
◦ Banco Bradesco SA, 2.969%, pfd. ....	Banks	3,180	\$ 25,896
◦ Itau Unibanco Holding SA, 4.930%, pfd. ....	Banks	2,000	16,819
◦ Petroleo Brasileiro SA, 4.123%, pfd. ....	Oil, Gas & Consumable Fuels	2,900	19,181
<b>Total Preferred Stocks (Cost \$53,847)</b> .....			<u>61,896</u>
<b>Warrants (Cost \$—) 0.0%†</b>			
<b>Thailand 0.0%†</b>			
<sup>a</sup> Minor International PCL, wts., 9/30/21 .....	Hotels, Restaurants & Leisure	1,925	251
<b>Total Investments (Cost \$9,425,705) 99.2%</b> .....			9,225,502
<b>Other Assets, less Liabilities 0.8%</b> .....			<u>73,843</u>
<b>Net Assets 100.0%</b> .....			<u>\$9,299,345</u>

See Abbreviations on page 63.

†Rounds to less than 0.1% of net assets.

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

<sup>b</sup>Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At September 30, 2019, the value of this security was \$53,403, representing 0.6% of net assets.

<sup>c</sup>Variable rate security. The rate shown represents the yield at period end.

## Financial Highlights

### Franklin Liberty Investment Grade Corporate ETF

	Six Months Ended September 30, 2019 (unaudited)	Year Ended March 31,		
		2019	2018	2017 <sup>a</sup>
<b>Per share operating performance</b> (for a share outstanding throughout the period)				
Net asset value, beginning of period	\$24.09	\$23.97	\$24.21	\$25.00
Income from investment operations <sup>b</sup> :				
Net investment income <sup>c</sup>	0.38	0.82	0.80	0.32
Net realized and unrealized gains (losses)	1.51	0.21	(0.22)	(0.78)
Total from investment operations	1.89	1.03	0.58	(0.46)
Less distributions from net investment income	(0.41)	(0.91)	(0.82)	(0.33)
Net asset value, end of period	\$25.57	\$24.09	\$23.97	\$24.21
Total return <sup>d</sup>	7.88%	4.46%	2.38%	(1.83)%
<b>Ratios to average net assets<sup>e</sup></b>				
Expenses before waiver and payments by affiliates	0.65%	1.07%	1.04%	1.06%
Expenses net of waiver and payments by affiliates	0.35%	0.35%	0.37%	0.40%
Net investment income	3.08%	3.49%	3.27%	2.76%
<b>Supplemental data</b>				
Net assets, end of period (000's)	\$232,717	\$18,065	\$39,554	\$53,268
Portfolio turnover rate <sup>f</sup>	13.70%	22.02%	63.14%	17.85%
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</sup>	13.70%	—%	—%	—%

<sup>a</sup>For the period October 3, 2016 (commencement of operations) to March 31, 2017.

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

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

## Franklin Liberty Investment Grade Corporate ETF

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes 97.2%</b>			
<b>Aerospace &amp; Defense 1.8%</b>			
<sup>a</sup> L3Harris Technologies Inc., senior note, 144A, 3.85%, 6/15/23 .....	United States	500,000	\$ 527,118
Lockheed Martin Corp., senior bond, 3.55%, 1/15/26 .....	United States	2,300,000	2,467,772
United Technologies Corp., senior bond, 4.50%, 6/01/42 .....	United States	1,000,000	1,199,700
			<u>4,194,590</u>
<b>Air Freight &amp; Logistics 0.6%</b>			
FedEx Corp.,			
senior bond, 4.75%, 11/15/45 .....	United States	800,000	862,097
senior bond, 5.10%, 1/15/44 .....	United States	500,000	560,812
			<u>1,422,909</u>
<b>Banks 25.0%</b>			
<sup>a</sup> ANZ New Zealand International Ltd. of London, senior note, 144A,			
2.875%, 1/25/22 .....	New Zealand	200,000	203,216
Bank of America Corp., sub. bond, 4.183%, 11/25/27 .....	United States	6,350,000	6,860,244
Barclays PLC, senior note, 4.375%, 1/12/26 .....	United Kingdom	1,400,000	1,480,410
BB&T Corp., sub. bond, 3.875%, 3/19/29 .....	United States	5,300,000	5,748,846
<sup>a</sup> BPCE SA, sub note, 144A, 5.15%, 7/21/24 .....	France	1,800,000	1,972,276
Citigroup Inc.,			
senior note, FRN, 3.352%, 4/24/25 .....	United States	5,700,000	5,909,818
sub. note, 4.05%, 7/30/22 .....	United States	345,000	361,437
<sup>a</sup> Commonwealth Bank of Australia, sub. note, 144A, 4.50%, 12/09/25 .....	Australia	390,000	421,439
Credit Suisse Group Funding Guernsey Ltd., senior note,			
3.80%, 9/15/22 .....	Switzerland	5,900,000	6,137,430
Danske Bank A/S, senior note, FRN, 3.244%, 12/20/24 .....	Denmark	2,600,000	2,622,768
HSBC Holdings PLC, senior note, 4.30%, 3/08/26 .....	United Kingdom	5,400,000	5,836,962
JPMorgan Chase & Co.,			
senior bond, 3.54% to 5/01/27, FRN thereafter, 5/01/28, 3.54%,			
5/01/28 .....	United States	4,150,000	4,379,518
sub. note, 3.375%, 5/01/23 .....	United States	425,000	439,828
Regions Financial Corp., senior note, 3.80%, 8/14/23 .....	United States	2,900,000	3,058,584
Santander UK Group Holdings PLC, senior note, 2.875%, 8/05/21 .....	United Kingdom	230,000	231,066
<sup>a</sup> Standard Chartered PLC, senior note, 144A, 3.885% to 3/15/23, FRN			
thereafter, 3/15/24 .....	United Kingdom	4,425,000	4,570,271
Sumitomo Mitsui Banking Corp., senior note, 2.514%, 1/17/20 .....	Japan	450,000	450,493
SunTrust Bank, sub. note, 3.30%, 5/15/26 .....	United States	1,500,000	1,557,712
The Toronto-Dominion Bank, Sr. Unsecured, GMTN, 3.25%, 3/11/24 .....	Canada	3,200,000	3,346,481
Wells Fargo & Co., sub. bond, 4.75%, 12/07/46 .....	United States	185,000	218,722
Wells Fargo Bank NA, senior note, FRN, 2.082%, 9/09/22 .....	United States	2,300,000	2,295,353
			<u>58,102,874</u>
<b>Beverages 2.6%</b>			
Anheuser-Busch Cos. LLC/Anheuser-Busch InBev Worldwide Inc., senior			
bond, 4.70%, 2/01/36 .....	Belgium	340,000	393,344
Anheuser-Busch InBev Worldwide Inc., senior bond, 5.80%, 1/23/59 .....	Belgium	2,000,000	2,704,565
Coca-Cola Femsa SAB de CV, senior note, 3.875%, 11/26/23 .....	Mexico	2,700,000	2,857,480
			<u>5,955,389</u>
<b>Biotechnology 2.3%</b>			
Biogen Inc., senior bond, 5.20%, 9/15/45 .....	United States	1,685,000	2,000,516
Celgene Corp., senior bond, 5.00%, 8/15/45 .....	United States	1,000,000	1,255,668
Gilead Sciences Inc., senior bond, 4.80%, 4/01/44 .....	United States	1,700,000	2,036,052
			<u>5,292,236</u>
<b>Building Products 0.5%</b>			
<sup>a</sup> CRH America Finance Inc., senior note, 144A, 3.95%, 4/04/28 .....	United States	1,000,000	1,070,151

Franklin Liberty Investment Grade Corporate ETF (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Capital Markets 4.9%</b>			
Morgan Stanley, senior bond, 3.591% to 7/22/27, FRN thereafter, 3.591%, 7/22/28 .....	United States	5,880,000	\$ 6,203,404
The Goldman Sachs Group Inc., senior note, 3.50%, 1/23/25 .....	United States	2,500,000	2,607,830
sub. note, 4.25%, 10/21/25 .....	United States	1,475,000	1,579,668
<sup>a</sup> UBS Group Funding Switzerland AG, senior note, 144A, 4.125%, 9/24/25 .....	Switzerland	1,000,000	1,081,201
			<u>11,472,103</u>
<b>Chemicals 1.3%</b>			
LYB International Finance BV, senior note, 4.00%, 7/15/23 .....	United States	2,900,000	3,068,355
<b>Communications Equipment 0.8%</b>			
Juniper Networks Inc., senior bond, 4.50%, 3/15/24 .....	United States	1,800,000	1,934,091
<b>Consumer Finance 1.3%</b>			
Capital One Financial Corp., senior bond, 3.80%, 1/31/28 .....	United States	1,400,000	1,478,290
senior note, 3.30%, 10/30/24 .....	United States	1,450,000	1,501,765
			<u>2,980,055</u>
<b>Containers &amp; Packaging 1.1%</b>			
International Paper Co., senior bond, 3.80%, 1/15/26 .....	United States	1,400,000	1,488,310
WRKCo. Inc., senior note, 3.90%, 6/01/28 .....	United States	1,000,000	1,056,034
			<u>2,544,344</u>
<b>Diversified Financial Services 1.1%</b>			
<sup>a</sup> Ashtead Capital Inc., second lien, 144A, 4.125%, 8/15/25 .....	United Kingdom	1,770,000	1,809,825
GE Capital International Funding Co., senior bond, 4.418%, 11/15/35 .....	United States	825,000	864,829
			<u>2,674,654</u>
<b>Diversified Telecommunication Services 1.7%</b>			
AT&T Inc., senior note, 3.60%, 7/15/25 .....	United States	225,000	237,149
Koninklijke KPN NV, 8.375%, 10/01/30 .....	Netherlands	700,000	957,766
Telefonica Emisiones SA, senior bond, 5.52%, 3/01/49 .....	Spain	1,650,000	2,011,734
senior bond, 7.045%, 6/20/36 .....	Spain	185,000	255,747
Verizon Communications Inc., senior bond, 5.50%, 3/16/47 .....	United States	355,000	469,168
			<u>3,931,564</u>
<b>Electric Utilities 7.0%</b>			
Duke Energy Corp., senior bond, 4.80%, 12/15/45 .....	United States	2,565,000	3,079,359
<sup>a</sup> Electricite de France SA, senior note, 144A, 4.50%, 9/21/28 .....	France	2,200,000	2,458,385
<sup>a</sup> Enel Finance International NV, senior note, 144A, 4.25%, 9/14/23 .....	Italy	3,300,000	3,506,954
Georgia Power Co., senior bond, 4.30%, 3/15/42 .....	United States	245,000	269,832
senior bond, 4.75%, 9/01/40 .....	United States	1,950,000	2,264,876
PSEG Power LLC, senior note, 3.85%, 6/01/23 .....	United States	4,100,000	4,333,566
<sup>a</sup> Saudi Electricity Global Sukuk Co. 2, senior bond, 144A, 5.06%, 4/08/43 ..	Saudi Arabia	300,000	341,164
			<u>16,254,136</u>
<b>Electronic Equipment, Instruments &amp; Components 0.8%</b>			
Tech Data Corp., senior bond, 4.95%, 2/15/27 .....	United States	1,700,000	1,826,005
<b>Energy Equipment &amp; Services 2.2%</b>			
Baker Hughes a GE Co. LLC/Baker Hughes Co-obligator Inc., senior bond, 4.08%, 12/15/47 .....	United States	2,485,000	2,505,342
<sup>a</sup> Schlumberger Holdings Corp., senior note, 144A, 3.75%, 5/01/24 .....	United States	2,400,000	2,529,155
			<u>5,034,497</u>

**Franklin Liberty Investment Grade Corporate ETF** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Entertainment 2.4%</b>			
<sup>a</sup> Tencent Holdings Ltd., senior note, 144A, 3.595%, 1/19/28 .....	China	3,200,000	\$ 3,343,590
<sup>a</sup> TWDC Holdco 613 Corp., senior bond, 144A, 6.40%, 12/15/35 .....	United States	1,603,000	2,312,291
			<u>5,655,881</u>
<b>Equity Real Estate Investment Trusts (REITs) 1.6%</b>			
American Tower Corp., senior bond, 3.55%, 7/15/27 .....	United States	3,300,000	3,477,924
Realty Income Corp., senior bond, 3.00%, 1/15/27 .....	United States	250,000	257,818
			<u>3,735,742</u>
<b>Food &amp; Staples Retailing 2.1%</b>			
<sup>a</sup> CK Hutchison International 19 Ltd., senior note, 144A, 3.25%, 4/11/24 .....	Hong Kong	1,725,000	1,779,265
The Kroger Co.,			
senior bond, 3.50%, 2/01/26 .....	United States	2,100,000	2,189,862
senior bond, 5.40%, 1/15/49 .....	United States	700,000	829,823
			<u>4,798,950</u>
<b>Food Products 2.3%</b>			
Bunge Ltd. Finance Corp., senior note, 4.35%, 3/15/24 .....	United States	1,700,000	1,791,835
Kraft Heinz Foods Co.,			
senior bond, 5.20%, 7/15/45 .....	United States	185,000	194,790
senior bond, 6.50%, 2/09/40 .....	United States	1,100,000	1,304,161
Tyson Foods Inc., senior bond, 5.10%, 9/28/48 .....	United States	1,680,000	2,044,197
			<u>5,334,983</u>
<b>Health Care Equipment &amp; Supplies 0.7%</b>			
Abbott Laboratories, senior bond, 3.75%, 11/30/26 .....	United States	1,500,000	1,635,466
<b>Health Care Providers &amp; Services 2.8%</b>			
Anthem Inc.,			
senior bond, 5.10%, 1/15/44 .....	United States	570,000	664,865
senior note, 4.101%, 3/01/28 .....	United States	1,085,000	1,172,849
Cigna Corp., senior bond, 4.90%, 12/15/48 .....	United States	1,750,000	2,010,281
CVS Health Corp., senior bond, 5.30%, 12/05/43 .....	United States	2,300,000	2,682,288
			<u>6,530,283</u>
<b>Hotels, Restaurants &amp; Leisure 0.6%</b>			
Marriott International Inc., senior note, 3.60%, 4/15/24 .....	United States	1,400,000	1,469,973
<b>Household Products 0.1%</b>			
Kimberly-Clark Corp., senior bond, 3.95%, 11/01/28 .....	United States	290,000	329,387
<b>Industrial Conglomerates 0.8%</b>			
General Electric Capital Corp., senior note, A, 6.15%, 8/07/37 .....	United States	1,500,000	1,849,349
<b>Insurance 5.3%</b>			
Aflac Inc., senior bond, 4.75%, 1/15/49 .....	United States	1,250,000	1,528,722
AXA SA, 8.60%, 12/15/30 .....	France	1,000,000	1,445,900
Marsh & McLennan Cos. Inc.,			
senior bond, 3.50%, 3/10/25 .....	United States	3,100,000	3,279,306
senior note, 3.875%, 3/15/24 .....	United States	2,400,000	2,557,390
MetLife Inc., junior sub. bond, 6.40%, 12/15/66 .....	United States	1,710,000	2,030,625
Prudential Financial Inc., junior sub. bond, 5.20% to 3/15/24, FRN thereafter, 3/15/44 .....	United States	230,000	240,527
The Allstate Corp., senior bond, 4.20%, 12/15/46 .....	United States	1,000,000	1,163,008
			<u>12,245,478</u>
<b>Internet &amp; Direct Marketing Retail 1.3%</b>			
Alibaba Group Holding Ltd.,			
senior note, 2.50%, 11/28/19 .....	China	615,000	615,111
senior note, 3.125%, 11/28/21 .....	China	2,300,000	2,336,699
			<u>2,951,810</u>

Franklin Liberty Investment Grade Corporate ETF (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Machinery 0.5%</b>			
Caterpillar Inc., senior bond, 4.75%, 5/15/64 .....	United States	1,000,000	\$ 1,260,099
<b>Media 2.3%</b>			
Charter Communications Operating LLC / Charter Communications Operating Capital, senior bond, first lien, 4.50%, 2/01/24 .....	United States	1,500,000	1,612,516
Charter Communications Operating LLC/Charter Communications Operating Capital Corp., senior secured note, first lien, 4.464%, 7/23/22 .....	United States	170,000	179,038
Comcast Corp., senior bond, 4.95%, 10/15/58 .....	United States	2,900,000	3,691,148
			<u>5,482,702</u>
<b>Metals &amp; Mining 1.7%</b>			
Glencore Funding LLC, <sup>a</sup> senior note, 144A, 4.125%, 5/30/23 .....	United States	1,925,000	2,015,847
<sup>a</sup> senior note, 144A, 4.625%, 4/29/24 .....	United States	1,800,000	1,927,365
			<u>3,943,212</u>
<b>Multi-Utilities 0.9%</b>			
Dominion Energy Inc., senior note, 4.25%, 6/01/28 .....	United States	1,800,000	1,994,553
<b>Multiline Retail 1.0%</b>			
Dollar General Corp., senior bond, 3.875%, 4/15/27 .....	United States	900,000	965,409
Dollar Tree Inc., senior note, 3.70%, 5/15/23 .....	United States	150,000	155,663
senior note, 4.00%, 5/15/25 .....	United States	1,100,000	1,166,445
			<u>2,287,517</u>
<b>Oil, Gas &amp; Consumable Fuels 5.9%</b>			
Canadian Natural Resources Ltd., senior bond, 3.90%, 2/01/25 .....	Canada	1,450,000	1,529,215
Chevron Corp., senior note, 2.954%, 5/16/26 .....	United States	545,000	570,366
Ecopetrol SA, senior bond, 5.875%, 5/28/45 .....	Colombia	135,000	157,951
Energy Transfer Operating LP, senior bond, 6.05%, 6/01/41 .....	United States	1,100,000	1,259,842
senior bond, 6.50%, 2/01/42 .....	United States	150,000	180,227
Enterprise Products Operating LLC, senior bond, 5.10%, 2/15/45 .....	United States	1,270,000	1,497,324
senior bond, 6.125%, 10/15/39 .....	United States	700,000	910,460
Kinder Morgan Inc., senior bond, 5.55%, 6/01/45 .....	United States	2,100,000	2,478,874
MPLX LP, senior bond, 5.50%, 2/15/49 .....	United States	1,175,000	1,364,666
Occidental Petroleum Corp., senior note, 2.60%, 8/13/21 .....	United States	1,700,000	1,711,693
Shell International Finance BV, senior note, 2.125%, 5/11/20 .....	Netherlands	500,000	501,284
TC PipeLines LP, senior note, 3.90%, 5/25/27 .....	United States	400,000	417,388
Valero Energy Corp., senior note, 4.35%, 6/01/28 .....	United States	1,100,000	1,195,035
			<u>13,774,325</u>
<b>Pharmaceuticals 2.7%</b>			
AstraZeneca PLC, senior bond, 4.375%, 11/16/45 .....	United Kingdom	2,900,000	3,412,260
Shire Acquisitions Investments Ireland Designated Activity Co., senior note, 3.20%, 9/23/26 .....	Ireland	2,900,000	2,994,650
			<u>6,406,910</u>
<b>Professional Services 0.2%</b>			
IHS Markit Ltd., senior bond, 4.125%, 8/01/23 .....	Bermuda	500,000	526,775
<b>Real Estate Management &amp; Development 0.6%</b>			
Healthcare Trust of America Holdings LP, senior bond, 3.75%, 7/01/27 .....	United States	1,300,000	1,362,129
<b>Road &amp; Rail 0.9%</b>			
Burlington Northern Santa Fe LLC, senior bond, 3.25%, 6/15/27 .....	United States	235,000	250,820

**Franklin Liberty Investment Grade Corporate ETF** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Road &amp; Rail</b> (continued)			
CSX Corp., senior bond, 4.25%, 11/01/66 .....	United States	1,800,000	\$ 1,912,706
			<u>2,163,526</u>
<b>Semiconductors &amp; Semiconductor Equipment 1.3%</b>			
Maxim Integrated Products Inc., senior note, 3.375%, 3/15/23 .....	United States	2,900,000	2,987,065
<b>Software 1.1%</b>			
Microsoft Corp., senior note, 2.65%, 11/03/22 .....	United States	2,500,000	2,564,230
<b>Specialty Retail 0.7%</b>			
AutoZone Inc., senior note, 3.75%, 4/18/29 .....	United States	1,300,000	1,395,117
<sup>a</sup> Michael Kors USA Inc., senior note, 144A, 4.00%, 11/01/24 .....	United States	190,000	194,475
			<u>1,589,592</u>
<b>Textiles, Apparel &amp; Luxury Goods 0.1%</b>			
NIKE Inc., senior bond, 3.875%, 11/01/45 .....	United States	225,000	257,534
<b>Tobacco 1.1%</b>			
<sup>a</sup> Imperial Brands Finance PLC, senior note, 144A, 4.25%, 7/21/25 .....	United Kingdom	1,065,000	1,116,440
Reynolds American Inc., senior bond, 5.85%, 8/15/45 .....	United Kingdom	1,305,000	1,446,269
			<u>2,562,709</u>
<b>Trading Companies &amp; Distributors 0.7%</b>			
Aircastle Ltd., senior note, 4.25%, 6/15/26 .....	Bermuda	1,500,000	1,538,737
<b>Wireless Telecommunication Services 0.5%</b>			
<sup>a</sup> Sprint Spectrum Co. LLC/Sprint Spectrum Co. II LLC, first lien, 144A, 3.36%, 3/20/23 .....	United States	1,250,000	1,257,813
			<u>226,254,683</u>
<b>Total Corporate Bonds &amp; Notes (Cost \$215,792,979) .....</b>			
<b>U.S. Government &amp; Agency Securities 1.0%</b>			
U.S. Treasury Bond, 3.75%, 8/15/41 .....	United States	1,800,000	2,346,258
			<u>2,346,258</u>
<b>Total U.S. Government &amp; Agency Securities (Cost \$2,387,538) .....</b>			
<b>Total Investments before Short Term Investments (Cost \$218,180,517) .....</b>			
<b>Short Term Investments 1.0%</b>			
<b>U.S. Government &amp; Agency Securities (Cost \$2,340,000) 1.0%</b>			
<sup>b</sup> FHLB, 1.602%, 10/01/19 .....	United States	2,340,000	2,340,000
			<u>2,340,000</u>
<b>Total Short-Term Investment (Cost \$2,340,000) .....</b>			
<b>Total Investments (Cost \$220,520,517) 99.2% .....</b>			
<b>Other Assets, less Liabilities 0.8% .....</b>			
			1,776,216
<b>Net Assets 100.0% .....</b>			
			<u>\$232,717,157</u>

See Abbreviations on page 63.

\*The principal amount is stated in U.S. dollars unless otherwise indicated.

<sup>a</sup>Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At September 30, 2019, the aggregate value of these securities was \$34,438,241, representing 14.8% of net assets.

<sup>b</sup>The security was issued on a discount basis with no stated coupon rate.



**Franklin Liberty Investment Grade Corporate ETF** (continued)

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>					
U.S. Treasury 30 Yr. Bond .....	Long	102	\$ 16,555,875	12/19/19	\$(278,254)
U.S. Treasury 5 Yr. Note .....	Short	(22)	(2,621,266)	12/31/19	24,206
CME Ultra Long Term U.S. Treasury Bond .....	Short	(15)	(2,878,594)	12/19/19	95,603
Ultra 10 Yr. U.S. Treasury Note .....	Short	(38)	(5,411,438)	12/19/19	94,770
U.S. Treasury 10 Yr. Note .....	Short	(124)	(16,158,750)	12/19/19	230,393
Total Futures Contracts .....					<u>\$ 166,718</u>

\*As of period end.

## Financial Highlights

### Franklin Liberty U.S. Low Volatility ETF

	Six Months Ended September 30, 2019 (unaudited)	Year Ended March 31,		
		2019	2018	2017 <sup>a</sup>
<b>Per share operating performance</b> (for a share outstanding throughout the period)				
Net asset value, beginning of period	\$33.61	\$30.03	\$26.97	\$25.05
Income from investment operations <sup>b</sup> :				
Net investment income <sup>c</sup>	0.28	0.52	0.45	0.23
Net realized and unrealized gains (losses)	2.92	3.88	3.06	1.87
Total from investment operations	3.20	4.40	3.51	2.10
Less distributions from:				
Net investment income	(0.22)	(0.47)	(0.45)	(0.18)
Net realized gains	—	(0.35)	—	—
Total distributions	(0.22)	(0.82)	(0.45)	(0.18)
Net asset value, end of period	\$36.59	\$33.61	\$30.03	\$26.97
Total return <sup>d</sup>	9.52%	14.98%	13.08%	8.40%
<b>Ratios to average net assets<sup>e</sup></b>				
Expenses before waiver and payments by affiliates	0.99%	1.12%	2.11%	2.96%
Expenses net of waiver and payments by affiliates	0.50%	0.50%	0.50%	0.50%
Net investment income	1.61%	1.64%	1.56%	1.69%
<b>Supplemental data</b>				
Net assets, end of period (000's)	\$56,716	\$13,443	\$6,005	\$5,393
Portfolio turnover rate <sup>f</sup>	9.67%	46.90%	65.68%	12.55%
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</sup>	9.67%	—%	—%	—%

<sup>a</sup>For the period September 20, 2016 (commencement of operations) to March 31, 2017.

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

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

## Franklin Liberty U.S. Low Volatility ETF

	Shares	Value
<b>Common Stocks 99.4%</b>		
<b>Communication Services 9.8%</b>		
<sup>a</sup> Alphabet Inc., A .....	653	\$ 797,405
AT&T Inc. ....	21,895	828,507
<sup>a</sup> Charter Communications Inc., A .....	1,895	780,967
Comcast Corp., A .....	17,428	785,654
TELUS Corp. ....	22,140	788,627
The Walt Disney Co. ....	6,107	795,864
Verizon Communications Inc. ....	13,555	818,180
		<u>5,595,204</u>
<b>Consumer Discretionary 10.7%</b>		
Lowe's Cos. Inc. ....	6,703	737,062
Marriott International Inc., A .....	5,798	721,097
McDonald's Corp. ....	3,566	765,656
NIKE Inc., B .....	8,558	803,767
<sup>a</sup> O'Reilly Automotive Inc. ....	1,923	766,335
Ross Stores Inc. ....	6,915	759,613
The Home Depot Inc. ....	3,288	762,882
Tractor Supply Co. ....	8,155	737,538
		<u>6,053,950</u>
<b>Consumer Staples 7.1%</b>		
Mondelez International Inc., A .....	14,478	800,923
PepsiCo Inc. ....	5,866	804,229
The Coca-Cola Co. ....	14,635	796,729
The Procter & Gamble Co. ....	6,519	810,833
Walmart Inc. ....	6,822	809,635
		<u>4,022,349</u>
<b>Energy 4.1%</b>		
Chevron Corp. ....	3,944	467,759
Exxon Mobil Corp. ....	6,761	477,394
Kinder Morgan Inc. ....	23,657	487,571
Occidental Petroleum Corp. ....	10,673	474,628
Schlumberger Ltd. ....	12,961	442,877
		<u>2,350,229</u>
<b>Financials 13.0%</b>		
Aflac Inc. ....	12,775	668,388
Arthur J. Gallagher & Co. ....	7,504	672,133
BB&T Corp. ....	12,715	678,600
Chubb Ltd. ....	4,223	681,761
Intercontinental Exchange Inc. ....	7,168	661,391
JPMorgan Chase & Co. ....	5,616	660,947
S&P Global Inc. ....	2,608	638,908
The Progressive Corp. ....	8,844	683,199
The Travelers Cos. Inc. ....	4,561	678,175
U.S. Bancorp .....	12,031	665,796
W.R. Berkley Corp. ....	9,309	672,389
		<u>7,361,687</u>
<b>Health Care 13.2%</b>		
Abbott Laboratories .....	8,280	692,788
Baxter International Inc. ....	7,874	688,739
Becton Dickinson and Co. ....	2,672	675,909
Danaher Corp. ....	4,716	681,132
Johnson & Johnson .....	5,278	682,868
Medtronic PLC .....	6,201	673,553
Merck & Co. Inc. ....	8,190	689,434

**Franklin Liberty U.S. Low Volatility ETF (continued)**

	Shares	Value
<b>Common Stocks (continued)</b>		
<b>Health Care (continued)</b>		
Pfizer Inc. ....	18,854	\$ 677,424
Quest Diagnostics Inc. ....	6,512	696,979
Stryker Corp. ....	3,105	671,611
UnitedHealth Group Inc. ....	2,949	640,877
		<u>7,471,314</u>
<b>Industrials 9.6%</b>		
General Dynamics Corp. ....	3,228	589,852
Honeywell International Inc. ....	3,635	615,042
Ingersoll-Rand PLC ....	4,903	604,099
Lockheed Martin Corp. ....	1,528	596,012
Raytheon Co. ....	3,043	597,006
Republic Services Inc. ....	7,072	612,081
Roper Technologies Inc. ....	1,706	608,360
United Technologies Corp. ....	4,410	602,053
Verisk Analytics Inc. ....	3,821	604,253
		<u>5,428,758</u>
<b>Information Technology 21.8%</b>		
Accenture PLC, A ....	4,224	812,486
Amphenol Corp., A ....	8,747	844,086
Apple Inc. ....	3,725	834,288
Automatic Data Processing Inc. ....	5,178	835,833
Cisco Systems Inc. ....	16,774	828,803
<sup>a</sup> Fiserv Inc. ....	7,851	813,285
Global Payments Inc. ....	5,060	804,540
International Business Machines Corp. ....	5,768	838,783
Intuit Inc. ....	3,044	809,521
Mastercard Inc., A ....	2,981	809,550
Microsoft Corp. ....	5,835	811,240
Oracle Corp. ....	15,447	850,049
<sup>a</sup> Synopsys Inc. ....	6,016	825,696
Texas Instruments Inc. ....	6,393	826,231
Visa Inc., A ....	4,684	805,695
		<u>12,350,086</u>
<b>Materials 2.8%</b>		
Air Products and Chemicals Inc. ....	2,364	524,477
Ecolab Inc. ....	2,675	529,757
Linde PLC ....	2,706	524,206
		<u>1,578,440</u>
<b>Real Estate 4.0%</b>		
Alexandria Real Estate Equities Inc. ....	3,691	568,562
American Tower Corp. ....	2,488	550,171
Equity Residential ....	6,641	572,853
UDR Inc. ....	11,788	571,482
		<u>2,263,068</u>
<b>Utilities 3.3%</b>		
Dominion Energy Inc. ....	5,767	467,358
DTE Energy Co. ....	3,536	470,146
Duke Energy Corp. ....	4,960	475,465
Xcel Energy Inc. ....	7,257	470,907
		<u>1,883,876</u>
<b>Total Investments before Short Term Investments (Cost \$53,052,223) .....</b>		<u>56,358,961</u>

Franklin Liberty U.S. Low Volatility ETF (continued)

	Shares	Value
<b>Short Term Investments 0.5%</b>		
U.S. Government & Agency Securities 0.5%		
<sup>b</sup> FHLB, 1.602%, 10/01/19 .....	295,000	\$ 295,000
<b>Total Short-Term Investment (Cost \$295,000)</b> .....		295,000
<b>Total Investments (Cost \$53,347,223) 99.9%</b> .....		56,653,961
<b>Other Assets, less Liabilities 0.1%</b> .....		62,092
<b>Net Assets 100.0%</b> .....		\$56,716,053

See Abbreviations on page 63.

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

<sup>b</sup>The security was issued on a discount basis with no stated coupon rate.

## Financial Highlights

### Franklin Liberty U.S. Core Bond ETF

**Period ending  
September 30, 2019  
(unaudited)<sup>a</sup>**

#### Per share operating performance

(for a share outstanding throughout the period)

Net asset value, beginning of period	\$25.00
Income from investment operations <sup>b</sup> :	
Net investment income <sup>c</sup>	0.02
Net realized and unrealized gains (losses)	0.16
Total from investment operations	0.18
Less distributions from net investment income	0.00 <sup>d</sup>
Net asset value, end of period	\$25.18

Total return <sup>e</sup>	0.74%
---------------------------	-------

#### Ratios to average net assets<sup>f</sup>

Expenses before waiver and payments by affiliates	0.20%
Expenses net of waiver and payments by affiliates	0.15%
Net investment income	1.70%

#### Supplemental data

Net assets, end of period (000's)	\$538,905
Portfolio turnover rate <sup>g</sup>	7.99%
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>	7.99%

<sup>a</sup>For the period September 17, 2019 (commencement of operations) to September 30, 2019.

<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>Amount rounds to less than \$0.01 per share.

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

<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 Liberty U.S. Core Bond ETF

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes 29.0%</b>			
<b>Aerospace &amp; Defense 0.5%</b>			
Lockheed Martin Corp., senior bond, 4.09%, 9/15/52 .....	United States	1,100,000	\$ 1,295,715
United Technologies Corp., senior bond, 3.75%, 11/01/46 .....	United States	1,300,000	1,432,835
			<u>2,728,550</u>
<b>Air Freight &amp; Logistics 0.3%</b>			
FedEx Corp., senior bond, 4.05%, 2/15/48 .....	United States	1,400,000	1,375,425
<b>Banks 4.2%</b>			
Bank of America Corp.,			
senior note, 2.881%, 4/24/23 .....	United States	1,000,000	1,015,120
senior sub. bond, 4.25%, 10/22/26 .....	United States	2,250,000	2,431,417
BB&T Corp., sub. bond, 3.875%, 3/19/29 .....	United States	2,250,000	2,440,548
<sup>a</sup> BNP Paribas SA, senior note, FRN thereafter, 144A, 4.705%, 1/10/25 .....	France	3,050,000	3,298,708
BPCE SA,			
<sup>a</sup> 144A, 4.875%, 4/01/26 .....	France	1,800,000	1,960,767
<sup>a</sup> senior note, 144A, 5.70%, 10/22/23 .....	France	1,100,000	1,213,594
Branch Banking & Trust Co., sub. note, 3.625%, 9/16/25 .....	France	800,000	850,973
Citigroup Inc.,			
senior note, 2.876%, 7/24/23 .....	United States	3,100,000	3,141,058
Subordinated, 3.875%, 3/26/25 .....	United States	100,000	105,299
JPMorgan Chase & Co., sub. note, 3.375%, 5/01/23 .....	United States	3,100,000	3,208,156
SunTrust Bank Atlanta GA, senior note, 2.75%, 5/01/23 .....	United States	3,100,000	3,156,866
			<u>22,822,506</u>
<b>Biotechnology 0.9%</b>			
Biogen Inc.,			
senior note, 3.625%, 9/15/22 .....	United States	2,650,000	2,756,229
senior note, 4.05%, 9/15/25 .....	United States	500,000	542,075
Gilead Sciences Inc., senior bond, 4.15%, 3/01/47 .....	United States	1,400,000	1,559,986
			<u>4,858,290</u>
<b>Building Products 0.4%</b>			
CRH America Finance Inc., senior note, 3.40%, 5/09/27 .....	Ireland	1,850,000	1,912,454
<b>Capital Markets 1.8%</b>			
<sup>a</sup> Credit Suisse Group AG, senior note, FRN thereafter,			
144A, 2.997%, 12/14/23 .....	Switzerland	3,350,000	3,385,557
Morgan Stanley,			
senior note, 2.625%, 11/17/21 .....	United States	200,000	201,971
senior note, 3.70%, 10/23/24 .....	United States	800,000	847,644
sub. bond, 3.95%, 4/23/27 .....	United States	2,000,000	2,117,281
The Goldman Sachs Group Inc.,			
senior bond, 4.411%, 4/23/39 .....	United States	1,400,000	1,583,957
senior note, 2.908%, 6/05/23 .....	United States	1,400,000	1,418,795
			<u>9,555,205</u>
<b>Chemicals 0.6%</b>			
LYB International Finance II BV, senior note, 3.50%, 3/02/27 .....	United States	3,300,000	3,402,305
<b>Commercial Services &amp; Supplies 0.3%</b>			
Boardwalk Pipelines LP, senior note, 4.80%, 5/03/29 .....	United States	1,450,000	1,541,273
<b>Construction Materials 0.1%</b>			
<sup>a</sup> CRH America Inc., senior note, 144A, 3.875%, 5/18/25 .....	Ireland	500,000	528,932
<b>Consumer Finance 0.7%</b>			
Capital One Financial Corp.,			
senior bond, 3.50%, 6/15/23 .....	United States	1,450,000	1,511,096
senior note, 3.75%, 3/09/27 .....	United States	2,050,000	2,153,744
			<u>3,664,840</u>

**Franklin Liberty U.S. Core Bond ETF** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Containers &amp; Packaging 0.2%</b>			
WRKCo Inc., Sr. Unsecured, 4.00%, 3/15/28 .....	United States	1,100,000	\$ 1,172,517
<b>Diversified Telecommunication Services 0.9%</b>			
AT&T Inc.,			
senior note, 3.875%, 1/15/26 .....	United States	2,050,000	2,176,545
Sr. Unsecured, 3.80%, 2/15/27 .....	United States	1,000,000	1,059,986
Telefonica Emisiones SA, senior bond, 4.895%, 3/06/48 .....	Spain	900,000	1,006,341
Time Warner Entertainment Co. LP, senior bond, 8.375%, 3/15/23 .....	United States	700,000	829,234
			<u>5,072,106</u>
<b>Electric Utilities 2.0%</b>			
Alabama Power Co., senior note, 2.45%, 3/30/22 .....	United States	300,000	303,190
Baltimore Gas & Electric Co., senior bond, 3.50%, 8/15/46 .....	United States	1,400,000	1,456,006
Duke Energy Carolinas LLC, secured bond, 3.70%, 12/01/47 .....	United States	1,400,000	1,522,290
Georgia Power Co., senior bond, 4.75%, 9/01/40 .....	United States	1,400,000	1,626,065
MidAmerican Energy Co., secured bond, 3.65%, 8/01/48 .....	United States	1,100,000	1,200,773
PSEG Power LLC, senior note, 3.85%, 6/01/23 .....	United States	300,000	317,090
Public Service Electric & Gas Co., secured bond, 3.80%, 3/01/46 .....	United States	1,100,000	1,228,715
<sup>a</sup> State Grid Overseas Investment 2016 Ltd., senior note, 144A, 3.50%, 5/04/27 .....	China	1,700,000	1,796,442
Virginia Electric & Power Co., Sr. Unsecured, B, 3.80%, 9/15/47 .....	United States	1,100,000	1,192,754
			<u>10,643,325</u>
<b>Electronic Equipment, Instruments &amp; Components 0.8%</b>			
Keysight Technologies Inc., senior note, 4.60%, 4/06/27 .....	United States	1,100,000	1,211,445
Tech Data Corp., senior note, 3.70%, 2/15/22 .....	United States	3,100,000	3,170,553
			<u>4,381,998</u>
<b>Energy Equipment &amp; Services 0.8%</b>			
Baker Hughes a GE Co. LLC/Baker Hughes Co-obligator Inc., senior bond, 4.08%, 12/15/47 .....	United States	1,100,000	1,109,005
<sup>a</sup> Schlumberger Holdings Corp., Sr. Unsecured, 144A, 3.90%, 5/17/28 .....	United States	2,750,000	2,913,318
Total Capital International SA, Sr. Unsecured, 3.461%, 7/12/49 .....	France	400,000	422,823
			<u>4,445,146</u>
<b>Equity Real Estate Investment Trusts (REITs) 1.0%</b>			
Essex Portfolio LP, Sr. Unsecured, 4.00%, 3/01/29 .....	United States	2,250,000	2,459,079
Kimco Realty Corp.,			
senior note, 3.30%, 2/01/25 .....	United States	2,250,000	2,322,035
Sr. Unsecured, 4.25%, 4/01/45 .....	United States	750,000	809,171
			<u>5,590,285</u>
<b>Food &amp; Staples Retailing 0.4%</b>			
The Kroger Co., senior bond, 4.45%, 2/01/47 .....	United States	950,000	981,622
Walgreens Boots Alliance Inc., senior note, 3.45%, 6/01/26 .....	United States	800,000	826,816
Walgreens Boots Alliance, Inc., senior bond, 4.80%, 11/18/44 .....	United States	400,000	423,109
			<u>2,231,547</u>
<b>Food Products 0.6%</b>			
BAT Capital Corp., senior bond, 4.54%, 8/15/47 .....	United Kingdom	750,000	720,223
Bunge Ltd. Finance Corp., senior note, 3.75%, 9/25/27 .....	United States	1,450,000	1,488,193
Kraft Heinz Foods Co., senior bond, 4.375%, 6/01/46 .....	United States	950,000	908,607
			<u>3,117,023</u>
<b>Health Care Providers &amp; Services 1.3%</b>			
Anthem Inc.,			
senior bond, 3.65%, 12/01/27 .....	United States	2,250,000	2,366,305
senior note, 4.101%, 3/01/28 .....	United States	800,000	864,774



Franklin Liberty U.S. Core Bond ETF (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Health Care Providers &amp; Services</b> (continued)			
Cigna Corp., senior bond, 3.875%, 10/15/47 .....	United States	1,400,000	\$ 1,387,121
CVS Health Corp., senior bond, 4.875%, 7/20/35 .....	United States	1,400,000	1,561,970
HCA Inc., senior secured bond, first lien, 5.50%, 6/15/47 .....	United States	900,000	1,013,353
			7,193,523
<b>Industrial Conglomerates 0.6%</b>			
General Electric Co.,			
senior bond, 3.10%, 1/09/23 .....	United States	3,000,000	3,041,632
senior bond, 4.125%, 10/09/42 .....	United States	200,000	200,555
			3,242,187
<b>Insurance 2.1%</b>			
Aflac Inc., senior bond, 4.75%, 1/15/49 .....	United States	400,000	489,191
MetLife Inc., senior bond, 5.875%, 2/06/41 .....	United States	1,100,000	1,501,202
<sup>a</sup> Metropolitan Life Global Funding I, secured note, 144A, 2.40%, 6/17/22 .....	United States	1,100,000	1,109,688
Reinsurance Group of America Inc., Sr. Unsecured, 3.90%, 5/15/29 .....	United States	2,250,000	2,396,090
<sup>a</sup> Swiss Re Treasury US Corp., senior bond, 144A, 4.25%, 12/06/42 .....	Switzerland	750,000	862,731
The Allstate Corp., senior bond, 5.55%, 5/09/35 .....	United States	1,800,000	2,335,599
Willis North America Inc., Sr. Unsecured, 3.60%, 5/15/24 .....	United States	2,250,000	2,339,587
			11,034,088
<b>Internet &amp; Direct Marketing Retail 0.6%</b>			
Alibaba Group Holding Ltd.,			
senior note, 3.125%, 11/28/21 .....	China	2,050,000	2,082,710
senior note, 3.40%, 12/06/27 .....	China	1,100,000	1,145,881
			3,228,591
<b>Interactive Media &amp; Services 0.2%</b>			
<sup>b</sup> Tencent Holdings Ltd., senior note, Reg S, 3.28%, 4/11/24 .....	China	1,250,000	1,285,342
<b>IT Services 0.3%</b>			
Fiserv Inc., senior bond, 4.40%, 7/01/49 .....	United States	1,400,000	1,568,844
<b>Media 0.5%</b>			
Charter Communications Operating LLC / Charter Communications Operating Capital, senior bond, first lien, 4.50%, 2/01/24 .....	United States	800,000	860,009
Comcast Corp., senior bond, 3.30%, 2/01/27 .....	United States	300,000	317,192
NBCUniversal Media LLC, senior bond, 4.45%, 1/15/43 .....	United States	1,100,000	1,277,573
			2,454,774
<b>Metals &amp; Mining 1.3%</b>			
ArcelorMittal, senior note, 4.55%, 3/11/26 .....	France	2,500,000	2,617,873
Reliance Steel & Aluminum Co., senior note, 4.50%, 4/15/23 .....	United States	3,000,000	3,171,114
Southern Copper Corp., senior bond, 5.25%, 11/08/42 .....	Mexico	1,000,000	1,130,552
			6,919,539
<b>Oil, Gas &amp; Consumable Fuels 2.2%</b>			
Enable Midstream Partners LP, senior note, 3.90%, 5/15/24 .....	United States	2,650,000	2,702,957
Energy Transfer Operating LP, senior bond, 5.15%, 3/15/45 .....	United States	850,000	893,558
Enterprise Products Operating LLC, senior bond, 4.25%, 2/15/48 .....	United States	650,000	703,581
Kinder Morgan Inc., Sr. Unsecured, 4.30%, 3/01/28 .....	United States	3,000,000	3,256,239
MPLX LP, senior bond, 4.70%, 4/15/48 .....	United States	950,000	993,174
Sabine Pass Liquefaction LLC, senior secured bond, first lien, 4.20%, 3/15/28 .....	United States	400,000	423,588
TC PipeLines LP, senior note, 3.90%, 5/25/27 .....	United States	2,550,000	2,660,848
			11,633,945
<b>Pharmaceuticals 1.2%</b>			
Activas Funding SCS, senior bond, 4.75%, 3/15/45 .....	United States	1,400,000	1,485,697

**Franklin Liberty U.S. Core Bond ETF** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds &amp; Notes</b> (continued)			
<b>Pharmaceuticals</b> (continued)			
Bristol-Myers Squibb Co.,			
senior bond, 3.25%, 8/01/42 .....	United States	1,400,000	\$ 1,419,220
<sup>a</sup> sr. Unsecured, 144A, 3.20%, 6/15/26 .....	United States	100,000	104,995
Shire Acquisitions Investments Ireland Designated Activity Co., senior			
note, 3.20%, 9/23/26 .....	Ireland	200,000	206,528
<sup>a</sup> Takeda Pharmaceutical Co. Ltd., senior note, 144A, 2.45%, 1/18/22 .....	Japan	3,100,000	3,108,634
			<u>6,325,074</u>
<b>Real Estate Management &amp; Development 0.1%</b>			
Healthcare Trust of America Holdings LP, senior bond, 3.75%, 7/01/27 ...	United States	650,000	681,065
<b>Road &amp; Rail 0.2%</b>			
CSX Corp., senior bond, 4.25%, 11/01/66 .....	United States	750,000	796,961
<b>Semiconductors &amp; Semiconductor Equipment 0.9%</b>			
Maxim Integrated Products Inc.,			
senior note, 3.375%, 3/15/23 .....	United States	800,000	824,018
senior note, 3.45%, 6/15/27 .....	United States	2,450,000	2,533,628
Xilinx Inc., senior note, 2.95%, 6/01/24 .....	United States	1,400,000	1,438,800
			<u>4,796,446</u>
<b>Software 0.6%</b>			
VMware Inc.,			
senior note, 2.95%, 8/21/22 .....	United States	3,100,000	3,144,514
Sr. Unsecured, 3.90%, 8/21/27 .....	United States	100,000	102,936
			<u>3,247,450</u>
<b>Tobacco 0.0%<sup>ct</sup></b>			
<sup>a</sup> BAT International Finance PLC, Sr. Unsecured, 144A, 3.95%, 6/15/25 .....	United Kingdom	200,000	208,374
<b>Trading Companies &amp; Distributors 0.4%</b>			
Aircastle Ltd., senior note, 4.25%, 6/15/26 .....	United States	2,250,000	2,308,105
			<u>155,968,035</u>
<b>Total Corporate Bonds &amp; Notes (Cost \$155,579,161) .....</b>			
<b>U.S. Government &amp; Agency Securities 31.3%</b>			
U.S. Treasury Bond,			
2.25%, 8/15/46 .....	United States	14,500,000	14,872,979
2.25%, 8/15/49 .....	United States	500,000	514,346
2.50%, 2/15/45 .....	United States	3,800,000	4,089,973
2.75%, 11/15/42 .....	United States	10,650,000	11,954,625
U.S. Treasury Note,			
1.375%, 8/31/23 .....	United States	92,500,000	91,831,583
1.50%, 3/31/23 .....	United States	22,000,000	21,953,164
1.625%, 8/15/29 .....	United States	9,800,000	9,755,976
1.875%, 6/30/26 .....	United States	5,200,000	5,286,328
2.75%, 9/15/21 .....	United States	8,100,000	8,274,498
			<u>168,533,472</u>
<b>Total U.S. Government &amp; Agency Securities (Cost \$167,791,690) .....</b>			
<b>Municipal Bonds 4.4%</b>			
<b>Alabama 0.9%</b>			
S E Alabama State Gas Supply District Gas Supply, Revenue, Labor- Project #2, Series, 2.25%, 6/01/49 .....		5,000,000	4,970,250
<b>California 2.7%</b>			
California State GO, Various Purpose, 3.00%, 10/01/37 .....		4,500,000	4,720,050
Contra Costa Community College District GO, Refunding, 2.926%, 8/01/38 .....		10,000,000	9,899,400
			<u>14,619,450</u>

Franklin Liberty U.S. Core Bond ETF (continued)

	Country	Principal Amount*	Value
<b>Municipal Bonds (continued)</b>			
<b>Texas 0.8%</b>			
°Texas State Water Development Board Revenue, State Water Implementation Fund, Master Trust, Series A, 4.00%, 10/15/44		3,750,000	\$ 4,250,062
<b>Total Municipal Bonds (Cost \$23,732,135)</b>			<u>23,839,762</u>
<b>Mortgage-Backed Securities 25.0%</b>			
<b>Freddie Mac 20.9%</b>			
Federal National Mortgage Association,			
2.50%, 09/01/49	United States	4,200,000	4,180,805
3.00%, 09/01/49	United States	44,100,000	44,764,945
3.50%, 10/01/48	United States	45,230,000	46,396,086
4.00%, 10/01/48	United States	16,920,000	17,557,805
			<u>112,899,641</u>
<b>Ginnie Mae 4.1%</b>			
FNMA, 4.50%, 9/01/48		18,180,000	19,145,556
GNMA, II, SF, 3.50%, 10/01/48		2,600,000	2,693,692
			<u>21,839,248</u>
<b>Total Mortgage-Backed Securities (Cost \$134,481,569)</b>			<u>134,738,889</u>
<b>Foreign Government and Agency Securities 0.9%</b>			
<b>Colombia 0.3%</b>			
Government of Colombia, senior bond, 5.00%, 6/15/45		1,350,000	1,584,563
<b>Indonesia 0.2%</b>			
ªGovernment of Indonesia, senior bond, 144A, 4.35%, 1/08/27		1,250,000	1,358,872
<b>Mexico 0.4%</b>			
Government of Mexico, senior note, 4.15%, 3/28/27		2,000,000	2,122,020
<b>Total Foreign Government and Agency Securities (Cost \$5,082,620)</b>			<u>5,065,455</u>
<b>Total Investments (Cost \$486,667,175) 90.6%</b>			<u>488,145,613</u>
<b>Other Assets, less Liabilities 9.4%</b>			<u>50,759,516</u>
<b>Net Assets 100.0%</b>			<u>\$538,905,129</u>

See Abbreviations on page 63.

\*The principal amount is stated in U.S. dollars unless otherwise indicated.

†Rounds to less than 0.1% of net assets.

ªSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At September 30, 2019, the aggregate value of these securities was \$21,850,612, representing 4.1% of net assets.

ºSecurity was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At September 30, 2019, the value of this security was \$1,285,342, representing 0.2% of net assets.

°Security purchased on a when-issued basis. See Note 1(b)

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>Interest Rate Contracts</b>					
U.S. Treasury 5 Yr. Note	Long	105	\$12,510,586	12/31/19	\$690

\*As of period end.

## Statements of Assets and Liabilities

September 30, 2019 (unaudited)

	Franklin Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF	Franklin Liberty U.S. Core Bond ETF
<b>Assets:</b>				
Investments in securities:				
Cost – Unaffiliated issuers .....	\$9,425,705	\$220,520,517	\$53,347,223	\$486,667,175
Value – Unaffiliated issuers .....	\$9,225,502	\$230,940,941	\$56,653,961	\$488,145,613
Cash	102,914	447,921	61,124	185,962,179
Foreign currency, at value (cost \$1,382, \$–, \$– and \$– respectively) .....	1,370	—	—	—
Receivables:				
Dividends and interest .....	34,733	1,970,257	46,133	1,959,852
Affiliates .....	5,136	—	—	—
Closed swap contracts .....	—	—	—	1,688,568
Variation margin on futures contracts .....	—	7,781	—	—
Deposits with brokers for:				
Futures contracts .....	—	93,861	—	84,000
Swap contracts .....	—	—	—	91,163
<b>Total assets .....</b>	<b>9,369,655</b>	<b>233,460,761</b>	<b>56,761,218</b>	<b>677,931,375</b>
<b>Liabilities:</b>				
Payables:				
Investment securities purchased .....	—	—	—	138,844,836
Management fees .....	—	57,101	3,695	10,541
Transfer agent fees .....	7,800	7,800	7,800	557
Trustees' fees and expenses .....	167	—	—	710
Distributions to shareholders .....	—	615,497	—	82,647
Custodian fees .....	8,955	10,345	514	298
Professional fees .....	26,253	26,176	18,425	1,919
Reports to shareholders .....	620	411	353	—
Variation margin on futures contracts .....	—	—	—	83,310
Registration and filing fees .....	4,218	3,764	3,961	498
Pricing fees .....	5,574	—	—	—
Deferred tax .....	2,870	—	—	—
Deposits from brokers for futures contracts ...	—	6,220	—	—
Accrued expenses and other liabilities .....	13,853	16,290	10,417	930
<b>Total liabilities .....</b>	<b>70,310</b>	<b>743,604</b>	<b>45,165</b>	<b>139,026,246</b>
<b>Net assets, at value .....</b>	<b>\$9,299,345</b>	<b>\$232,717,157</b>	<b>\$56,716,053</b>	<b>\$538,905,129</b>
<b>Net assets consist of:</b>				
Paid-in capital .....	\$9,530,691	\$223,044,612	\$53,279,476	\$537,281,299
Total distributable earnings (loss) .....	(231,346)	9,672,545	3,436,577	1,623,830
<b>Net assets, at value .....</b>	<b>\$9,299,345</b>	<b>\$232,717,157</b>	<b>\$56,716,053</b>	<b>\$538,905,129</b>
Shares outstanding .....	350,000	9,100,000	1,550,000	21,400,000
<b>Net asset value per share .....</b>	<b>\$ 26.57</b>	<b>\$ 25.57</b>	<b>\$ 36.59</b>	<b>\$ 25.18</b>

## Statements of Operations

for the six months ended September 30, 2019 (unaudited)

	Franklin Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF	Franklin Liberty U.S. Core Bond ETF
Investment income:				
Dividends: (net of foreign taxes) <sup>a</sup>				
Unaffiliated issuers . . . . .	\$ 193,554	\$ —	\$ 180,868	\$ —
Interest:				
Unaffiliated issuers . . . . .	—	2,836,365	765	190,636
Total investment income . . . . .	193,554	2,836,365	181,633	190,636
Expenses:				
Management fees (Note 3a) . . . . .	28,204	475,437	43,139	15,452
Transfer agent fees . . . . .	7,799	7,799	7,799	557
Custodian fees . . . . .	11,867	10,267	644	298
Reports to shareholders . . . . .	3,784	3,800	3,736	398
Registration and filing fees . . . . .	4,024	3,830	3,849	498
Professional fees . . . . .	43,958	23,030	20,267	1,920
Trustees' fees and expenses . . . . .	650	3,673	853	710
Pricing fees . . . . .	4,297	—	—	—
Other . . . . .	5,526	6,446	4,986	531
Total expenses . . . . .	110,109	534,282	85,273	20,364
Expenses waived/paid by affiliates (Note 3c) . . . . .	(81,905)	(244,638)	(42,134)	(4,911)
Net expenses . . . . .	28,204	289,644	43,139	15,453
Net investment income . . . . .	165,350	2,546,721	138,494	175,183
Realized and unrealized gains (losses):				
Net realized gain (loss) from:				
Investments:				
Unaffiliated issuers . . . . .	(95,303)	572,152	139,702	39,944
Foreign currency transactions . . . . .	(839)	130	41	—
Foreign exchange contracts . . . . .	(24)	—	—	—
Futures contracts . . . . .	—	(224,746)	—	—
Swap contracts . . . . .	—	8,526	—	12,222
Net realized gain (loss) . . . . .	(96,166)	356,062	139,743	52,166
Net change in unrealized appreciation (depreciation) on:				
Investments:				
Unaffiliated issuers . . . . .	(98,204)	10,258,983	1,177,733	1,478,438
Translation of other assets and liabilities denominated in foreign currencies . . . . .	(31)	—	(24)	—
Futures contracts . . . . .	—	166,718	—	690
Change in deferred taxes on unrealized appreciation . . . . .	(2,870)	—	—	—
Net change in unrealized appreciation (depreciation) . . . . .	(101,105)	10,425,701	1,177,709	1,479,128
Net realized and unrealized gain (loss) . . . . .	(197,271)	10,781,763	1,317,452	1,531,294
Net increase (decrease) in net assets resulting from operations . . . . .	\$ (31,921)	\$13,328,484	\$1,455,946	\$1,706,477
<sup>a</sup> Foreign taxes withheld on dividends . . . . .	\$15,762	\$—	\$812	\$—

## Statements of Changes in Net Assets

	Franklin Liberty International Opportunities ETF		Franklin Liberty Investment Grade Corporate ETF	
	Six Months Ended September 30, 2019 (unaudited)	Year Ended March 31, 2019	Six Months Ended September 30, 2019 (unaudited)	Year Ended March 31, 2019
Increase (decrease) in net assets:				
Operations:				
Net investment income .....	\$ 165,350	\$ 191,982	\$ 2,546,721	\$ 941,221
Net realized gain (loss) .....	(96,166)	99,816	356,062	(722,823)
Net change in unrealized appreciation (depreciation) .....	(101,105)	(924,454)	10,425,701	370,103
Net increase (decrease) in net assets resulting from operations .....	(31,921)	(632,656)	13,328,484	588,501
Distributions to shareholders .....	(148,806)	(168,938)	(2,846,393)	(1,010,692)
Capital share transactions: (Note 2) .....	—	4,503,793	204,170,113	(21,066,405)
Net increase (decrease) in net assets .....	(180,727)	3,702,199	214,652,204	(21,488,596)
Net assets:				
Beginning of period .....	9,480,072	5,777,873	18,064,953	39,553,549
End of period .....	\$9,299,345	\$9,480,072	\$232,717,157	\$ 18,064,953

Statements of Changes in Net Assets (continued)

	Franklin Liberty U.S. Low Volatility ETF		Franklin Liberty U.S. Core Bond ETF
	Six Months Ended September 30, 2019 (unaudited)	Year Ended March 31, 2019	Six Months Ended September 30, 2019 (unaudited) <sup>a</sup>
Increase (decrease) in net assets:			
Operations:			
Net investment income .....	\$ 138,494	\$ 188,665	\$ 175,183
Net realized gain (loss) .....	139,743	251,076	52,166
Net change in unrealized appreciation (depreciation) .....	1,177,709	1,276,600	1,479,128
Net increase (decrease) in net assets resulting from operations .....	1,455,946	1,716,341	1,706,477
Distributions to shareholders .....	(106,216)	(321,023)	(82,647)
Capital share transactions: (Note 2) .....	41,923,228	6,042,757	537,281,299
Net increase (decrease) in net assets .....	43,272,958	7,438,075	538,905,129
Net assets:			
Beginning of period .....	13,443,095	6,005,020	—
End of period .....	\$56,716,053	\$13,443,095	\$538,905,129

<sup>a</sup>For the period September 17, 2019 (commencement of operations) to September 30, 2019.

## 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, four 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 are actively managed, thus they are not designed to track an index. The Trust began offering shares of Franklin Liberty U.S. Core Bond ETF.

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 and exchange traded funds 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. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of 4 p.m. Eastern time period. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. London time on the day that the value of the security is determined. 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.

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Funds' pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Funds' business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Funds' portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. The VC monitors price movements for significant events following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if



an event has occurred that may call into question the reliability of the values of the foreign securities held by the Funds. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Funds' NAV is not calculated, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Funds for financial reporting purposes.

### **b. Foreign Currency Translation**

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Funds may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statements of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### **c. 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.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. Certain or all Funds attempt to reduce their exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination.

Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Funds include failure of the Funds to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the nondefaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. Early termination by the counterparty may result in an immediate payment by the Funds of any net liability owed to that counterparty under the ISDA agreement.

The Funds entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the creditworthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered

## 1. Organization and Significant Accounting

### Policies (continued)

exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default swaps, 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. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts are reflected in the Statements of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Statements of Operations.

Collateral requirements differ by type of derivative. Collateral terms are contract specific for OTC derivatives. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Funds' investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

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 7 regarding other derivative information.

### d. Income and Deferred 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.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which the Funds invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply, certain or all Funds record an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

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. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income and capital gain distributions are recorded on the ex-dividend date except for

certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Funds. 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.

## 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:

### 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.

#### Franklin Liberty International Opportunities ETF

	Six Months Ended September 30, 2019 <sup>a</sup>		Year Ended March 31, 2019	
	Shares	Amount	Shares	Amount
Shares sold .....	—	\$—	200,000	\$ 5,852,625
Shares redeemed .....	—	—	(50,000)	(1,348,832)
Net increase (decrease) .....	—	\$—	150,000	\$ 4,503,793

## 2. Shares of Beneficial Interest (continued)

	Franklin Liberty Investment Grade Corporate ETF			
	Six Months Ended September 30, 2019		Year Ended March 31, 2019	
	Shares	Amount	Shares	Amount
Shares sold	8,350,000	\$204,170,113	50,000	\$ 1,200,485
Shares redeemed	—	—	(950,000)	(22,266,890)
Net increase (decrease)	8,350,000	\$204,170,113	(900,000)	\$(21,066,405)

	Franklin Liberty U.S. Low Volatility ETF			
	Six Months Ended September 30, 2019		Year Ended March 31, 2019	
	Shares	Amount	Shares	Amount
Shares sold	1,150,000	\$ 41,923,228	250,000	\$ 7,630,864
Shares redeemed	—	—	(50,000)	(1,588,107)
Net increase (decrease)	1,150,000	\$ 41,923,228	200,000	\$ 6,042,757

	Franklin Liberty U.S. Core Bond ETF			
	Six Months Ended September 30, 2019 <sup>b</sup>		Year Ended March 31, 2019	
	Shares	Amount	Shares	Amount
Shares sold	21,400,000	\$537,281,299	—	\$ —
Shares redeemed	—	—	—	—
Net increase (decrease)	21,400,000	\$537,281,299	—	\$ —

<sup>a</sup>During the period ended September 30, 2019, there were no transactions of the Fund's shares.

<sup>b</sup>For the period September 17, 2019 (commencement of operations) to September 30, 2019.

## 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 Templeton Institutional, LLC (FT Institutional)	Investment manager
Franklin Templeton Investimentos (Brasil) Ltda. (FTI Brasil)	Investment manager
Franklin Templeton Investment Management Limited (FTIML)	Investment manager
Franklin Templeton Investment Trust Management Co., Ltd. (FT Korea)	Investment manager
Franklin Templeton Investments (ME) Limited (FTIME)	Investment manager
Franklin Templeton Investments Corp. (FTIC)	Investment manager
Templeton Asset Management Ltd. (TAML)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter

### a. Management Fees

Franklin Liberty International Opportunities ETF, Franklin Liberty U.S. Low Volatility ETF and Franklin Liberty U.S. Core Bond ETF pay an investment management fee to Advisers of 0.600%, 0.500% and 0.150%, respectively, per year of the average daily net assets of each of the Funds.

Franklin Liberty Investment Grade Corporate ETF pays an investment management fee to Advisers based on the average daily net assets of the fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	Over \$15 billion, up to and including \$17.5 billion
0.380%	Over \$17.5 billion, up to and including \$20 billion
0.360%	Over \$20 billion, up to and including \$35 billion
0.355%	Over \$35 billion, up to and including \$50 billion
0.350%	In excess of \$50 billion

For the year ended March 31, 2019, the gross effective investment management fee rate was 0.625% of the Franklin Liberty Investment Grade Corporate ETF's average daily net assets.

Under a subadvisory agreement, FTI Brasil, FTIML, FTIME, FTIC and TAML, affiliates of Advisers, provide subadvisory services to Franklin Liberty International Opportunities ETF and FT Institutional, an affiliate of Advisers, provides subadvisory services to Franklin Liberty Investment Grade Corporate ETF. The subadvisory fee is paid by Advisers based on each Fund's average daily net assets, and is not an additional expense of the Funds. Prior to March 1, 2019, under a subadvisory agreement, FT Korea, an affiliate of Advisers, provided subadvisory services to Franklin Liberty International Opportunities ETF.

#### **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. Waiver and Expense Reimbursements**

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by Franklin Liberty International Opportunities ETF, Franklin Liberty Investment Grade Corporate ETF, Franklin Liberty U.S. Low Volatility ETF, and Franklin Liberty U.S. Core Bond ETF so that the expenses (including acquired fund fees and expenses) of the Funds do not exceed 0.60%, 0.35%, 0.50%, and 0.15%, respectively, based on the average net assets (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until July 31, 2020. Total expenses waived or paid are not subject to recapture subsequent to the Funds' fiscal year end.

#### **d. Other Affiliated Transactions**

At September 30, 2019, shares of the Funds were owned by the investment companies:

Funds	Shares	Percentage of Outstanding Shares <sup>a</sup>
<b>Franklin Liberty Investment Grade Corporate ETF</b>		
Franklin Total Return Fund .....	8,555,000	94.0%
<b>Franklin Liberty U.S. Low Volatility ETF</b>		
Franklin Managed Income Fund .....	1,000,000	64.5%

### 3. Transactions with Affiliates (continued)

Funds	Shares	Percentage of Outstanding Shares <sup>a</sup>
<b>Franklin Liberty U.S. Core Bond ETF</b>		
Franklin Conservative Allocation Fund .....	10,910,302	51.0%
Franklin Moderate Allocation Fund .....	6,337,507	29.6%
Franklin Growth Allocation Fund .....	2,664,750	12.4%
Franklin LifeSmart™ 2020 – 2055 Retirement Target Funds .....	1,386,830	6.5%
	21,299,389	99.5%

<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 March 31, 2019, the capital loss carryforwards were as follows:

	Franklin Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF
Capital loss carryforwards:			
Short term .....	\$44,687	\$378,345	\$44,747
Long term .....	—	531,347	—
Total capital loss carryforwards .....	\$44,687	\$909,692	\$44,747

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

	Franklin Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF	Franklin Liberty U.S. Core Bond ETF
Cost of investments .....	\$ 9,425,705	\$220,520,517	\$53,347,223	\$486,667,175
Unrealized appreciation .....	\$ 800,253	\$ 10,470,189	\$ 3,529,168	\$ 1,559,394
Unrealized depreciation .....	(1,000,456)	(49,765)	(222,430)	(80,956)
Net unrealized appreciation (depreciation) .....	\$ (200,203)	\$ 10,420,424	\$ 3,306,738	\$ 1,478,438

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 Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF	Franklin Liberty U.S. Core Bond ETF
Purchases .....	\$1,855,601	\$221,382,553	\$2,078,841	\$391,110,179
Sales .....	\$1,937,948	\$ 20,807,942	\$2,057,370	\$ 38,994,646

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

	Franklin Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF	Franklin Liberty U.S. Core Bond ETF
Cost of Securities Received . . . . .	\$—	\$—	\$41,630,661	\$—
Value of Securities Delivered <sup>a</sup> . . . . .	\$—	\$—	\$ —	\$—

<sup>a</sup>Realized gains and losses from in-kind redemptions, as shown on the Statement of Operations, are not recognized by the Funds for tax purposes

## 6. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

## 7. 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 Liabilities Location	Fair Value	Statements of Assets and Liabilities Location	Fair Value
<b>Franklin Liberty Investment Grade Corporate ETF</b>				
Interest Rate Contracts . . . . .	Variation margin on future contracts	\$444,972 <sup>a</sup>	Variation margin on future contracts	\$278,254 <sup>a</sup>
Totals . . . . .		<u>\$444,972</u>		<u>\$278,254</u>
<b>Franklin Liberty U.S. Core Bond ETF</b>				
Interest Rate contracts . . . . .	Variation margin on future contracts	\$ 690 <sup>a</sup>	Variation margin on future contracts	\$ —
Totals . . . . .		<u>\$ 690</u>		<u>\$ —</u>

<sup>a</sup>This amount reflects the cumulative appreciation (depreciation) of future contracts as reported in the Statements of Investments. Only the variation margin receivable/payable at period 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 Not Accounted for as Hedging Instruments	Statements of Operations Locations	Net Realized Gain (Loss) for the Period	Statements of Operations Locations	Net Change in Unrealized Appreciation (Depreciation) for the Period
<b>Franklin Liberty Investment Grade Corporate ETF</b>				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest Rate Contracts . . . . .	Futures Contracts	\$(224,746)	Future Contracts	\$166,718
Credit Default Contracts . . . . .	Swap Contracts	8,526	Swap Contracts	—
		<u>\$(216,220)</u>		<u>\$166,718</u>

**7. Other Derivative Information** (continued)

Derivative Contracts Not Accounted for as Hedging Instruments	Statements of Operations Locations	Net Realized Gain (Loss) for the Period	Statements of Operations Locations	Net Change in Unrealized Appreciation (Depreciation) for the Period
<b>Franklin Liberty U.S. Core Bond ETF</b>				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest Rate Contracts . . . . .	Futures Contracts	\$ —	Futures Contracts	\$690
Credit Default Contracts . . . . .	Swap Contracts	\$12,222	Swap Contracts	\$ —
		<u>\$12,222</u>		<u>\$690</u>

For the period ended September 30, 2019, the average month end notional amount of futures contracts were as follows:

	Franklin Liberty International Opportunities ETF	Franklin Liberty Investment Grade Corporate ETF	Franklin Liberty U.S. Low Volatility ETF	Franklin Liberty U.S. Core Bond ETF
Futures contracts . . . . .	\$—	\$9,759,536	\$—	\$12,510,586
Credit Default Contracts . . . . .	\$—	\$1,028,571	\$—	\$ —

See Note 1(c) regarding derivative financial instruments.

**8. 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.

A summary of inputs used as of September 30, 2019, in valuing the Funds' assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin Liberty International Opportunities ETF</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments <sup>b</sup> . . . . .	\$9,225,502	\$ —	\$—	\$ 9,225,502
<b>Franklin Liberty Investment Grade Corporate ETF</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Corporate Bonds & Notes . . . . .	\$ —	\$226,254,683	\$—	\$226,254,683
U.S. Government & Agency Securities . . . . .	—	2,346,258	—	2,346,258
Short-Term Investments . . . . .	—	2,340,000	—	2,340,000
Total Investments in Securities . . . . .	\$ —	\$230,940,941	\$—	\$230,940,941
Other Financial Instruments:				
Futures Contracts . . . . .	\$ 444,972	\$ —	\$—	\$ 444,972



**8. Fair Value Measurements** (continued)

	Level 1	Level 2	Level 3	Total
<b>Liabilities:</b>				
Other Financial Instruments:				
Futures Contracts .....	\$ 278,254	\$ —	\$—	\$ 278,254
<b>Franklin Liberty U.S. Low Volatility ETF</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments <sup>b</sup> .....	\$56,358,961	\$ —	\$—	\$ 56,358,961
Short-Term Investments .....	—	295,000	—	295,000
Total Investments in Securities .....	\$56,358,961	\$ 295,000	\$—	\$ 56,653,961
<b>Franklin Liberty U.S. Core Bond ETF</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Corporate Bonds & Notes .....	\$ —	\$155,968,035	\$—	\$155,968,035
U.S. Government & Agency Securities .....	—	168,533,472	—	168,533,472
Mortgage-Backed Securities .....	—	134,738,889	—	134,738,889
Foreign Government & Agency Securities .....	—	5,065,455	—	5,065,455
Municipal Bonds .....	—	23,839,762	—	23,839,762
Total Investments in Securities .....	\$ —	\$488,145,613	\$—	\$488,145,613
Other Financial Instruments:				
Futures Contracts .....	\$ 690	\$ —	\$—	\$ 690

<sup>a</sup> For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup> Includes common and convertible preferred stocks, warrants, as well as other equity investments.

**9. 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**

<b>ADR</b>	American Depositary Receipt
<b>IDR</b>	International Depositary Receipt
<b>FHLB</b>	Federal Home Loan Bank
<b>FRN</b>	Floating Rate Note
<b>GO</b>	General Obligation
<b>REIT</b>	Real Estate Investment Trust
<b>SDR</b>	Swedish Depositary Receipt

## Tax Information (unaudited)

At March 31, 2019, more than 50% of the Funds' total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Funds on these investments. As shown in the table below, the Funds hereby report to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on June 12, 2019, to treat their proportionate share of foreign taxes paid by the Funds as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, foreign source income, and foreign source qualified dividends as reported by the Funds to shareholders of record.

Fund	Foreign Tax Paid Per Share	Foreign source Income Per share	Foreign Source Qualified Dividend Per Share
Franklin Liberty International Opportunities ETF . . . . .	\$0.0732	\$0.6078	\$0.4934

Foreign Tax Paid Per Share is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income.<sup>1</sup>

Foreign Source Qualified Dividends Per Share is the amount per share of foreign source qualified dividends, plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income reported to you in column 2 that were derived from qualified foreign securities held by the Fund.<sup>1</sup>

By mid-February 2020, shareholders will receive Form 1099-DIV which will include their share of taxes paid and foreign source income distributed during the calendar year 2019. The Foreign Source Income reported on Form 1099-DIV has not been adjusted for the rate differential on foreign source qualified dividend income. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

1. Qualified dividends are taxed at reduced long term capital gains tax rates. In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

## Shareholder Information

### Board Approval of Investment Management Agreements

**FRANKLIN TEMPLETON ETF TRUST**  
**Franklin Liberty International Opportunities ETF**  
**Franklin Liberty Investment Grade Corporate ETF**  
**Franklin Liberty U.S. Low Volatility 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 Advisers, Inc. (FAI) and the Trust, on behalf of each Fund, the investment sub-advisory agreements between FAI and each of Templeton Asset Management Ltd. (TAML), Franklin Templeton Investment Management Limited (FTIML), Franklin Templeton Investimentos (Brasil) Ltda. (FTI Brasil), Franklin Templeton Investments Corp. (FTIC) and Franklin Templeton Investments (ME) Limited (FTIME), affiliates of FAI, on behalf of the Franklin Liberty International Opportunities ETF and the investment sub-advisory agreement between FAI and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAI, on behalf of the Franklin Liberty Investment Grade Corporate ETF (each a Management Agreement) for an additional one-year period. TAML, FTIML, FTI Brasil, FTIC, FTIME and FTIL are referred to herein individually, as a Sub-Adviser and collectively, as the Sub-Advisers. 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. FAI and the Sub-Advisers are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each 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 FAI 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 each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each 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 each 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 each 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 each Manager and its affiliates; and management fees charged by each 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 Managers' 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 each 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 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 Liberty International Opportunities ETF* – The Performance Universe for the Fund included the Fund and all retail and institutional international multi-cap growth funds. The Fund commenced operations on January 25, 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 0.08% below the median of its Performance Universe. The Board concluded that the Fund's performance was acceptable given its short period of operation.

*Franklin Liberty Investment Grade Corporate ETF* – The Performance Universe for the Fund included the Fund and all retail and institutional BBB-rated corporate debt funds. The Fund commenced operations on October 3, 2016, 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 0.01% below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

*Franklin Liberty U.S. Low Volatility ETF* – The Performance Universe for the Fund included the Fund and all retail and institutional large-cap core funds. The Fund commenced operations on September 20, 2016, 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 median and in the first quintile of its Performance Universe. 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 Liberty International Opportunities ETF* – The Expense Group for the Franklin Liberty International Opportunities ETF was comprised of actively managed exchange-traded funds, which included the Fund, one other international multi-cap growth fund and two international multi-cap core 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 the small size of each Fund's Expense Group and that the Fund's actual total expense ratio reflected a fee waiver from management. The Board further noted that the Sub-Advisers to the Fund are paid by FAI out of the management fee FAI receives from the Fund. The Board concluded that the Management Rate charged to the Fund is reasonable.

*Franklin Liberty Investment Grade Corporate ETF* – The Expense Group for the Fund was comprised of actively managed exchange-traded funds, which included the Fund, two other BBB-rated corporate debt funds, three short investment-grade debt funds, and one core bond fund. The Board noted that the Management Rate for the Fund was above the median and in the fifth quintile (most expensive) of its Expense Group, but its actual total expense ratio was below the median and in the first quintile (least expensive) of its Expense Group. The Board also noted the small size of the Expense Group and that the Fund's actual total expense ratio reflected a fee waiver from management. The Board further noted that the Sub-Adviser to the Fund is paid by FAI out of the management fee FAI receives from the Fund. The Board concluded that the Management Rate charged to the Fund is reasonable.

*Franklin Liberty U.S. Low Volatility ETF* – The Expense Group for the Fund was comprised of actively managed exchange-traded funds, which included the Fund and two multi-cap core 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 the small size of the Fund's Expense Group and that the Fund's actual total expense ratio reflected a fee waiver from management. 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 each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis 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 each 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 each 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 each 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 each 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. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for the Franklin Liberty Investment Grade Corporate ETF, which operates generally to share any economies of scale with the Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the management'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

Managers incur across the Franklin Templeton family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by a Manager and its affiliates, the Franklin Liberty Investment Grade Corporate ETF's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows. The Board noted that at the end of 2018, the net assets of each Fund were less than \$20 million. The Board recognized that there would not likely be any economies of scale until these Funds' 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.

## Board Approval of Investment Management Agreements

### FRANKLIN TEMPLETON ETF TRUST Franklin Liberty Investment Grade Corporate ETF (Fund)

At an in-person meeting held on September 6, 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 an investment sub-advisory agreement between Franklin Advisers, Inc. (FAV) and Franklin Templeton Portfolio Advisors, Inc. (FT Portfolio Advisors), on behalf of the Fund (Sub-Advisory Agreement) for an initial two-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the Sub-Advisory Agreement. FT Portfolio Advisors and FAV are each referred to herein as a Manager.

In considering the approval of the Sub-Advisory Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board reviewed and considered all of the factors it deemed relevant in approving the Sub-Advisory Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by FT Portfolio Advisors as a sub-adviser to the Fund; (ii) the investment performance of the Fund; (iii) the costs of the services to be provided by FT Portfolio Advisors and the profits realized/expected to be realized by the Managers and their affiliates from the relationship with the Fund;

and (iii) the extent to which economies of scale may be realized as the Fund grows. The Board also reviewed and considered the form of Sub-Advisory Agreement and the terms of the Sub-Advisory Agreement which were explained at the Meeting, noting that the terms and conditions of the Sub-Advisory Agreement were substantially identical to the terms and conditions of the sub-advisory agreement previously approved by the Board for the Fund between FAV and Franklin Templeton Institutional, LLC (FT Institutional), the current, sole investment sub-adviser of the Fund.

In approving the Sub-Advisory Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Sub-Advisory Agreement are fair and reasonable and that such Sub-Advisory Agreement is in the best interests of the 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 sub-advisory services to be provided by FT Portfolio Advisors to the Fund and its shareholders. This information included, among other things, management's representation that it was proposing FT Portfolio Advisors to serve as an additional sub-adviser to the Fund to support FAV in providing investment advice to the Fund, with Thomas Runkel being added as a portfolio manager to the Fund. Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by FT Portfolio Advisors to the Fund and its shareholders under the Sub-Advisory Agreement.

**FUND PERFORMANCE.** The Board noted that the Fund commenced investment operations on October 3, 2016. The Board further noted that it reviewed detailed performance information about the Fund at its prior Board meeting in connection with the May 2019 annual contract renewal. In light of the Fund's shorter operating history and the recent annual contract renewal, the Board determined that the conclusions reached regarding the Fund's performance in connection with the annual contract renewal had not changed.

**COMPARATIVE FEES AND EXPENSES.** The Board reviewed and considered information regarding the proposed investment sub-advisory fee. In particular, the Board considered the fact that FAV would compensate FT Portfolio Advisors out of the fee paid to FAV under the investment management agreement between FAV and the Trust, on behalf of the Fund, and that the investment sub-advisory fee would not be an additional fee borne by the Fund. The Board

noted that, in connection with the appointment of FT Portfolio Advisors as an investment sub-adviser to the Fund, management was also proposing that FT Institutional's current investment sub-advisory fee be reduced correspondingly. The Board further noted management's representation that, in light of the above, the addition of FT Portfolio Advisors as a sub-adviser to the Fund will have no impact on the investment management fees paid by the Fund. The Board concluded that the proposed investment sub-advisory fee for the Fund is reasonable.

**MANAGEMENT PROFITABILITY AND ECONOMIES OF SCALE.** The Board reviewed profitability information for FAV and determined that its conclusions regarding profitability and economies of scale reached in connection with the May 2019 annual contract renewal had not changed as a result of the addition of FT Portfolio Advisors to serve as an investment sub-adviser of the Fund because FAV's retained portion of the management fee will not change, and, therefore, the addition of FT Portfolio Advisors as a new sub-adviser is not expected to have an impact on FAV's profitability.

**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 Sub-Advisory Agreement for the Fund for an initial two-year period.

## Board Approval of Investment Management Agreements

### FRANKLIN TEMPLETON ETF TRUST Franklin Liberty U.S. Core Bond ETF (Fund)

At an in-person meeting held on September 6, 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 an investment management agreement between Franklin Advisers, Inc. (Manager) and the Trust, on behalf of the Fund (Management Agreement) for an initial two-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the Management Agreement.

In considering the approval of the 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 reviewed

and considered all of the factors it deemed relevant in approving the Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by the Manager; (ii) the costs of the services to be provided by the Manager; and (iii) the extent to which economies of scale may be realized as the Fund grows. The Board also reviewed and considered the form of Management Agreement and the terms of the Management Agreement which were explained at the Meeting, noting that the form of Management Agreement was substantially the same as the standard forms of investment management agreement (that include administration services) for the other funds in the Franklin Templeton family of funds, including other series of the Trust.

In approving the Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the proposed Management Agreement are fair and reasonable and that such Management Agreement is in the best interests of the 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 to be provided by the Manager and its affiliates to the Fund and its shareholders. This information included, among other things, the Fund's proposed investment strategies and the ability of the Manager to implement such investment strategies; the qualifications, background and experience of the investment personnel that will be responsible for the day-to-day portfolio management of the Fund; the Manager's experience as the manager of other funds and accounts, including other series of the Trust and other funds in the Franklin Templeton family of funds; the Manager's strength and reputation within the industry; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of the Manager; and the Manager's compliance capabilities, as demonstrated by, among other things, its policies and procedures reasonably designed to prevent violations of the Federal Securities Laws (as defined in Rule 38a-1 of the Investment Company Act of 1940). Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by the Manager and its affiliates to the Fund and its shareholders.

**FUND PERFORMANCE.** The Board noted that, as the Fund had not yet commenced investment operations, there was no investment performance for the Fund. The Board also

considered the proposed performance benchmark for the Fund and how such benchmark would be utilized to measure performance of the Manager.

**COMPARATIVE FEES AND EXPENSES.** The Board reviewed and considered information regarding the Fund's proposed 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 proposed total expense ratio and, separately, the proposed contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of the 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 as the Fund (Expense Group) as selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent organization. Broadridge fee and expense data is based upon information taken from each fund's most recent annual report (excluding the Fund), 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.

The Expense Group for the Fund was comprised of actively managed exchange-traded funds, which included the Fund and three other core bond funds. The Board noted that the proposed Management Rate and proposed total expense ratio for the Fund were below the medians of its respective Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted the small size of the Expense Group and that the Fund's proposed total expense ratio reflected a fee waiver from management.

**PROFITABILITY.** The Board then noted that the Manager (and its affiliates) could not report any financial results from their relationships with the Fund because the Fund has not yet commenced investment operations, and thus, the Board could not evaluate the Manager's (or its affiliates') profitability with respect to the Fund.

**ECONOMIES OF SCALE.** The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as the Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale in the future, the Board noted that it is not anticipated that the Fund will generate significant, if any, profit for the Manager and/or its affiliates for some time.

**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 Management Agreement for the Fund for an initial two-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 Fund and the Fund's net asset value may be found on the Fund's website at [franklintempleton.com](http://franklintempleton.com).



This page intentionally left blank

This page intentionally left blank

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**

**Investment Manager**  
Franklin Advisers, Inc.

**Distributor**  
Franklin Templeton Distributors, Inc.  
(800) DIAL BEN®/342-5236  
[franklintempleton.com](http://franklintempleton.com)

**Investor Services**  
Transfer Agent  
State Street Bank and  
Trust Company  
1 Heritage Drive  
Mail Stop OHD0100  
North Quincy, MA 02171