

# Why Franklin's Systematic Style Premia ETF (FLSP)?

Complete your portfolio with a low cost,\*  
liquid alternative ETF

March 2025

FLSP

Franklin Systematic  
Style Premia ETF

Total Expense Ratio (%) 0.65

**Overview:** Employs a quantitative, multi-factor approach across asset classes – including equities, fixed income, currencies and commodities – in a long/short strategy.

**Objective:** Seeks to provide absolute return while managing risk.

**Use case 1: Investors wish to gain access to an affordable alternative investment without sacrificing daily liquidity.**

As an ETF, FLSP possesses certain benefits.

**\* FLSP is nearly one-third the cost of the average fee in its Morningstar category**

**0.65%** – FLSP Total Expense Ratio

1.92% – Average Morningstar Category Fee (US Multistrategy Fund)<sup>2</sup>

**Other FLSP features:**

**Liquid** – trades during market hours

**Transparent** – full portfolio holdings disclosed each business day

**Tax Efficient** – ETFs typically have fewer taxable events than mutual funds

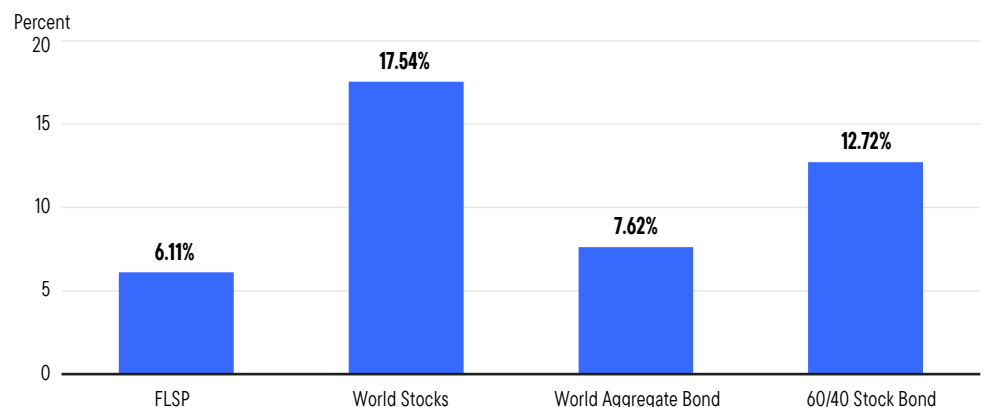
Sources: Franklin Templeton Investment Solutions, Morningstar.

2. Represents the average of each fund's share class in the category. Each expense ratio was determined by the fund's prospectus, per Morningstar. This information was pulled on 04/07/25.

**Use case 2: Investors, with money on the sidelines, nervous about increasing stock exposure (long-only).**

## FLSP Annualized Volatility Comparison

January 2020–March 2025



Consider the volatility we have seen post-COVID and future unknowns – policy uncertainty, brewing contention amongst nations and the risk for broadening conflict, social unrest, cyberattacks – the list goes on. FLSP aims to maintain a relatively low correlation to traditional asset classes, keep risk within pre-determined bounds, and deliver positive returns in rising or falling markets. This has historically resulted in a volatility profile even lower than bonds and low correlations to stocks and bonds. These considerations make it a potentially effective hedge against long-only equity risk.

Use case 3: Investors hesitant to place more money in markets concentrated in the Magnificent 7,<sup>2</sup> and looking for a way to feel more comfortable with these allocations.

FLSP can be used to implement a barbell approach, allowing the investor to keep or increase risk on their long-only side while leaning on the lower risk profile of FLSP.

2. Alphabet (parent company of Google), Amazon, Apple, Meta (formerly Facebook), Microsoft, Nvidia, Tesla. These stocks were dubbed the Magnificent 7 (2023) for their strong performance and resulting increased index concentration in recent years.

FLSP Correlation Comparison

January 2020–March 2025

|                      | FLSP | World Stocks | World Aggregate Bond | 60/40 Stock Bond |
|----------------------|------|--------------|----------------------|------------------|
| FLSP                 | 1    | 0.22         | -0.05                | 0.17             |
| World Stocks         | —    | 1            | 0.65                 | 0.98             |
| World Aggregate Bond | —    | —            | 1                    | 0.78             |
| 60/40 Stock Bond     | —    | —            | —                    | 1                |

Sources: Bloomberg, MSCI. Calculations by Franklin Templeton Investment Solutions, based on monthly index returns. World stocks: represented by the MSCI World Index. World Aggregate Bond: represented by the Bloomberg Aggregate Bond Index. 60/40 Stock Bond: 60% MSCI World Index, 40% Bloomberg Aggregate Bond Index. Volatility: represented by annualized standard deviation. Correlations: a number closer to 1 signifies a higher correlation, whereas a number closer to 0 is the result of a lower correlation, with a negative number being negatively correlated. See glossary for definitions.

Top 10 Holdings MSCI World Index

December 2004–March 2025

|              | March 2025                        | December 2024                     | December 2020                     | December 2010                         | December 2004         |
|--------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|-----------------------|
| 1            | Apple Inc.                        | Apple Inc.                        | Apple Inc.                        | Exxon Mobil Corp.                     | GE Aerospace          |
| 2            | Nvidia Corp.                      | Nvidia Corp.                      | Microsoft Corp.                   | Apple Inc.                            | Exxon Mobil Corp.     |
| 3            | Microsoft Corp.                   | Microsoft Corp.                   | Amazon.com, Inc.                  | Microsoft Corp.                       | Microsoft Corp.       |
| 4            | Amazon.com, Inc.                  | Amazon.com, Inc.                  | Alphabet Inc. (Class A + Class C) | Nestlé S.A.                           | Citigroup Inc.        |
| 5            | Alphabet Inc. (Class A + Class C) | Alphabet Inc. (Class A + Class C) | Meta Platforms Inc. (Class A)     | GE Aerospace                          | BP PLC                |
| 6            | Meta Platforms Inc.               | Meta Platforms Inc.               | Tesla, Inc.                       | International Business Machines Corp. | Pfizer Inc.           |
| 7            | Tesla, Inc.                       | Tesla, Inc.                       | Johnson & Johnson                 | Chevron Corp.                         | Bank of America Corp. |
| 8            | Broadcom Inc.                     | Broadcom Inc.                     | J.P. Morgan Chase & Co.           | Procter & Gamble Company              | Johnson & Johnson     |
| 9            | Berkshire Hathaway Inc.           | J.P. Morgan Chase & Co.           | Visa Inc. (Class A)               | HSBC Holdings PLC                     | HSBC Holdings PLC     |
| 10           | J.P. Morgan Chase & Co.           | Eli Lilly & Co.                   | Procter & Gamble Company          | AT&T Inc.                             | Vodafone Group PLC    |
| Total Weight | 23.91%                            | 27.20%                            | 17.54%                            | 9.00%                                 | 11.77%                |

Sources: Bloomberg (for December 2024 and March 2025), FactSet (for dates prior to 2024), MSCI. Alphabet Inc. weight is the sum of weights of classes A and C that are both in top 10; therefore, the 11th ranked holding is included as number 10 from December 2020 through March 2025.

## FLSP Results

## Annualized Returns

As of 03/31/25

|  | YTD  | 1-Yr | 3-Yr | 5-Yr | Since Inception | Inception Date |
|--|------|------|------|------|-----------------|----------------|
| FLSP<br>(Market Price Return)              | 2.68 | 3.68 | 6.63 | 3.88 | 2.26            | 12/18/2019     |
| FLSP<br>(NAV Return)                       | 3.37 | 3.86 | 6.51 | 3.96 | 2.26            | 12/18/2019     |
| ICE BofA US 3-Month<br>Treasury Bill Index | 1.02 | 4.97 | 4.23 | 2.56 | 2.54            | —              |

All performance figures greater than one year are annualized.

**Performance data quoted represents past performance, which does not guarantee future results.** Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expense or sales charges. Returns for periods of less than one year are not annualized. For current month-end performance, please call Franklin Templeton at (800) DIAL BEN/342-5236 or visit [www.franklintempleton.com](http://www.franklintempleton.com).

Net asset value (NAV) returns are based on the NAV of the ETF; market price returns are based upon the official closing price of the ETF's shares. Returns are average annualized total returns, except for those periods of less than one year, which are cumulative. Market price returns are calculated using the closing price as of 4 p.m. Eastern time on each trading day (when NAV is normally determined for most funds), and do not represent the returns you would receive if you traded shares at other times. 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 December 20, 2019, the NAV of the Fund is used as a proxy for the market price to calculate market returns. The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

## WHAT SHOULD I KNOW BEFORE INVESTING?

**All investments involve risks, including possible loss of principal.** **Equity securities** are subject to price fluctuation and possible loss of principal. The fund is actively managed and could experience losses if the manager's judgment about particular investments, or its evaluation of the risks, potential returns and correlation properties of the various **risk premia** in which the fund invests, prove to be incorrect. The **allocation** of assets among different strategies, asset classes and investments may not prove beneficial or produce the desired results. There is no assurance that the **quantitative methodology** used will achieve its intended results. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Currency management** strategies could result in losses to the fund if currencies do not perform as expected. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. These and other risks are discussed in the fund's prospectus.

## GLOSSARY

**Standard deviation:** Measure of the degree to which a fund's return varies from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that a fund's performance will fluctuate from the average return.

**Correlation** describes the linear relationship between two variables, or the co-movement of asset prices over time, and is calculated as the ratio of covariance to the product of the variables' standard deviations. It is a concept to describe the tendency of two asset prices to change in parallel or opposite directions. Importantly, correlation does not equate to or infer causation.

## IMPORTANT INFORMATION

**ETFs/ETPs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs/ETPs net asset value. Brokerage commissions and ETF/ETP expenses will reduce returns.** ETF/ETP shares may be bought or sold throughout the day at their market price, not their Net Asset Value (NAV), on the exchange on which they are listed. Shares of ETFs/ETPs are tradable on secondary markets and may trade either at a premium or a discount to their NAV on the secondary market.

ETF tax efficiency can be derived from certain structural elements, including: turnover in passive strategies are typically lower than that in active; and there can be structural tax benefits from in-kind redemptions. When assets are delivered from the ETF via an in-kind transfer, no capital gains are realized. This can allow investors more control on the timing of their tax liabilities based on when they generally sell their position. Please consult your own tax advisor or financial professional for more detailed information on tax issues as they related to your specific situation.

**Canada:** This content is intended only for Canadian institutional investors that qualify as "permitted clients" as defined in National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations. US securities laws generally limit a non-US fund's purchase of a US-registered mutual fund or ETF (a "US Fund") to no more than 3% of the US Fund's voting stock. You should consult your legal counsel prior to investing in a US Fund.

**The ICE BofA 3-Month US Treasury Bill Index** is an unmanaged index that comprises a single US Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). All data is subject to change.

**Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at [www.franklintempleton.com](http://www.franklintempleton.com). Please read it carefully.**



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