

# Why Franklin’s Low Volatility High Dividend ETF (LVHD)?

Navigate market volatility with confidence

March 2026

**LVHD**

**Franklin U.S. Low Volatility High Dividend Index ETF**

**Total Expense Ratio (%)** 0.27

**30-day SEC yield (%)** 3.43

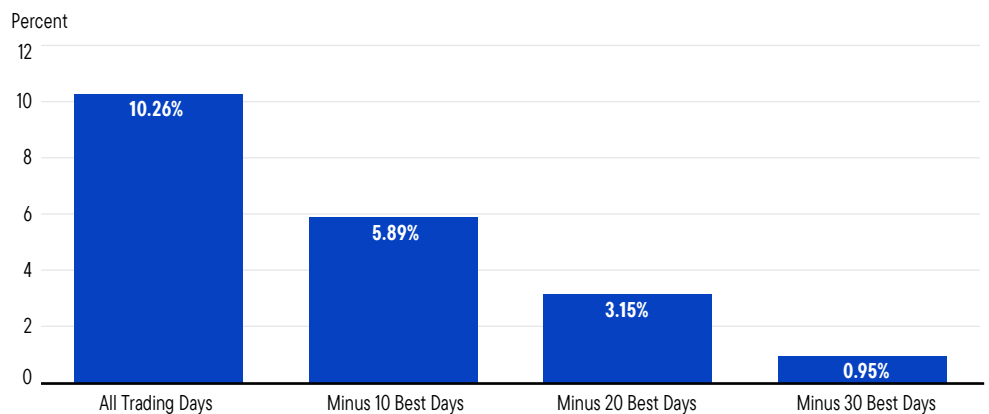
**Objective** Screens for stocks of profitable companies in the United States with relatively high dividend yields or anticipated dividend yields and lower price and earnings volatility.

## Why stay invested? History shows there is a cost to waiting

Investors may be hesitant to stay invested during periods of heightened volatility. However, even missing a few of the best days could have a significant impact on long-term returns.

### Exhibit 1: Annualized Russell 3000 Returns, with Best Days Missed

March 31, 2006–March 31, 2026



Sources: Bloomberg, Russell. “Best days” were identified and removed to calculate index performance “minus” those days. For illustrative purposes only to show the effect of missing a handful of positive days over the long term. Returns would reflect better performance if the worst days were missed. Please see end of document for further disclosures.

## What role can dividend investing play? The power of dividends over time

Companies that grew or initiated a dividend have experienced the highest returns relative to other stocks since 1973—with significantly less volatility. By contrast, dividend cutters and eliminators had the worst relative performance and volatility, followed by dividend non-payers.

### Exhibit 2: Annualized Returns and Volatility by Dividend Type

February 1973–March 2026

S&P 500 Stocks by Dividend Policy	Returns	Beta	Standard Deviation
Dividend Growers & Initiators	10.21%	0.89	16.28%
Dividend Payers	9.20%	0.95	16.96%
Dividend Payers with No Change	6.88%	1.02	18.61%
Dividend Non-Payers	3.97%	1.17	21.96%
Dividend Cutters & Eliminators	-0.90%	1.20	24.76%
S&P 500 Equal-Weighted Total Return	7.70%	1.00	17.73%

Sources: Ned Davis Research, Morningstar Direct, S&P Dow Jones Indices. Please see end of document for methodology notes and further disclosures. Return and volatility measures are annualized.

**Not FDIC Insured | No Bank Guarantee | May Lose Value**

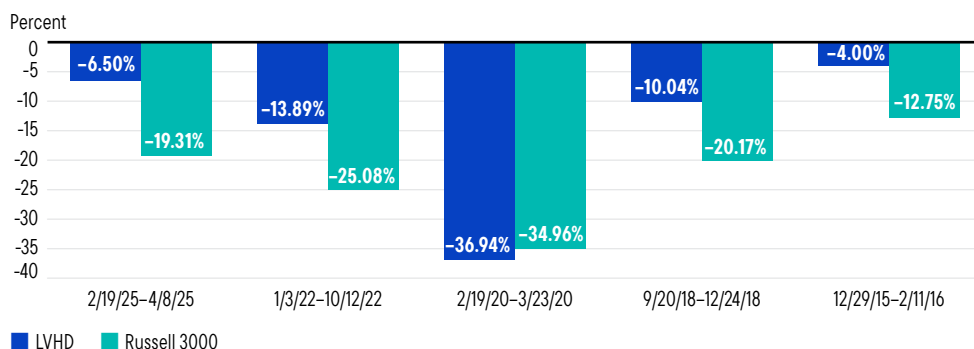
## Why LVHD? Designed to seek sustainable dividend payers and avoid dividend cutters/eliminators.

- **Lower long-term (5+ years) volatility** (see Exhibit 4)
- **72.07%** down capture versus its investment universe<sup>1</sup>
- **Higher dividend yield: 3.66%** LVHD versus 1.21% Russell 3000<sup>2</sup>

1. Since inception, through 3/31/26. Investment universe: Russell 3000 Index. Please see end for further disclosures

2. As of 3/31/26. Dividend yield for the fund and benchmark represents the weighted average of the trailing 12-month yields of the underlying holdings.

## Exhibit 3: LVHD Performance in Down Markets



Sources: Bloomberg, FTSE Russell. LVHD results based on market price total returns. The top 5 Russell 3000 drawdowns by magnitude, since LVHD inception (December 28, 2015) were graphed. Please see end of document for further disclosures.

## Exhibit 4: Returns and Volatility

As of March 31, 2026

Time Period	Returns (%)			Volatility (%)	
	LVHD (NAV Return)	LVHD (Market Price Return)	Russell 3000	LVHD	Russell 3000
YTD	6.93	6.93	-3.96	—	—
1-Year	7.42	7.44	18.09	11.56	10.23
3-Year	8.48	8.52	17.86	13.13	12.58
5-Year	7.69	7.68	10.87	13.96	15.54
7-Year	7.81	7.82	13.81	15.38	17.11
10-Year	8.24	8.24	13.72	13.68	15.50
Since Inception (12/28/15)	8.90	8.90	13.38	13.69	15.57

Volatility is represented by standard deviation. All figures greater than one year are annualized. Please see end of document for glossary and further disclosures.

**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 1 p.m. Pacific 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. Prior to July 1, 2020, market price returns generally were based upon the mid-point between the bid and ask on the Fund's principal trading market when the Fund's NAV was determined. Market price performance reported for periods prior to July 1, 2020 will continue to reflect market prices calculated based upon the mid-point between the bid and ask on the Fund's principal trading market close. These returns do not represent investors' returns had they traded shares at other times. 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.

The Ned Davis Research (NDR) study (Exhibit 2) shows historical total returns of S&P 500 component stocks based on their dividend policies. Return indices are created for five categories of dividend policies: Dividend-paying stocks, non-dividend-paying stocks, dividend growers and initiators, dividend cutters and eliminators and dividend payers with no change in dividends. The methodology in creating this chart is as follows:

- **Dividend paying vs. non-paying:** Each stock's dividend policy is determined by its indicated annual dividend. NDR classifies a stock as a dividend-paying stock if the company indicates that it is going to be paying a dividend within the year. This is determined programmatically using indicated annual dividend data. A stock is classified as a non-payer if the stock's indicated annual dividend is zero. The index returns are calculated using monthly equal-weighted geometric averages of the total returns of all dividend-paying (or non-paying) stocks. A stock's return is only included during the period it is a component of the S&P 500 Index. The dividend figure used to categorize the stock is the company's indicated annual dividend, which may be different from the actual dividends paid in a particular month.

- **Dividend growing, no-change-in-dividend and dividend cutting:** Each dividend-paying stock is further classified into one of the three categories based on changes to their dividend policy over the previous 12 months. Dividend growers and initiators include stocks that increased their dividend anytime in the last 12 months. Once an increase occurs, it remains classified as a grower for 12 months or until another change in dividend policy. No-change stocks are those that maintained their existing indicated annual dividend for the last 12 months (i.e., companies that have a static, non-zero dividend). Dividend cutters and eliminators are companies that have lowered or eliminated their dividend anytime in the last 12 months. Once a decrease occurs, it remains classified as a cutter for 12 months or until another change in dividend policy.

Regarding the NDR study (Exhibit 2), all data is hypothetical, not based on actual trading, and thus not net of any fees that would result from actual trading. This chart offers historical perspective on how stock returns and company dividend policy have been related over time. The chart is for perspective purposes only.

## 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. **Dividends** may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **Real estate investment trusts (REITs)** are closely linked to the performance of the real estate markets. REITs are subject to illiquidity, credit and interest rate risks, and risks associated with small- and mid-cap investments. Performance of the fund may vary significantly from the performance of an **index**, as a result of transaction costs, expenses and other factors. **Derivative instruments** can be illiquid, may disproportionately increase losses and have a potentially large impact on performance. These and other risks are discussed in the fund's prospectus.

## GLOSSARY

The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders. **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. **Beta:** A measure of the fund's volatility relative to the market, as represented by the stated Index. A beta greater than 1.00 indicates volatility greater than the market. **Down capture:** A measure of performance in down markets, relative to an index. For example, 100% down capture means a strategy performed equal to the benchmark in down markets, whereas a percentage less than 100% means it outperformed (captured less of a down market). A value more than 100% means it underperformed the down market (captured more).

## IMPORTANT INFORMATION

**ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.** ETF 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 are tradable on secondary markets and may trade either at a premium or a discount to their NAV on the secondary market. Retail investors buy and sell shares of ETFs at market price (not NAV) in the secondary market throughout the trading day. These shares are not individually available for purchase or redemption directly from the ETF.

**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.

**Fund benchmark and index methodology:** The **Franklin Low Volatility High Dividend Index** is based on a proprietary methodology created and sponsored by Franklin Templeton Investment Solutions, LLC, the subadvisor. The methodology calculates a composite "stable yield" score, with the yield of stocks with relatively high price and earnings volatility adjusted downward and the yield of stocks with relatively low price and earnings volatility adjusted upward. The composition of the Index after annual reconstitution and rebalancing may fluctuate and exceed the aforementioned limits due to market movements. The components of the Underlying Index, and the degree to which these components represent certain sectors and industries, may change over time. The **Russell 3000 Index** measures the performance of the 3,000 largest US companies based on total market capitalization. Source: FTSE. Net returns (NR) include income net of tax withholding when dividends are paid. 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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