

Why Franklin's International Low Volatility High Dividend ETF (LVHI)?

Navigate market volatility with confidence

December 2025

LVHI	Franklin International Low Volatility High Dividend Index ETF
Total Expense Ratio (%)	0.40
Morningstar Rating™	★ ★ ★ ★
Overall Rating as of December 31, 2025¹	
Objective	Screens for stocks of profitable companies in developed markets outside of the United States with relatively high dividend yields or anticipated dividend yields and lower price and earnings volatility, while mitigating exposure to exchange-rate fluctuations between the US dollar and other international currencies.

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 MSCI World ex-USA IMI Returns, with Best Days Missed

December 31, 2005–December 31, 2025

Percent



Sources: Bloomberg, MSCI. "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.

LVHI has performed strongly since inception, through tenuous market volatility.

- **Lower** volatility (see Exhibit 3 on the next page) and **74.64%** down capture versus its investment universe²
- **3.74%** LVHI 30-Day SEC Yield versus 2.66% MSCI World ex-USA IMI Index dividend yield (weighted average) as of 12/31/25

1. As of 12/31/25 the fund's shares received a 4-star overall Morningstar Rating™, measuring risk-adjusted returns against 336 and 318 Foreign Large Value funds over the 3- and 5-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.
 2. Since inception, through 12/31/25. Investment universe: MSCI World ex-USA IMI Index. Please see end for further disclosures.

LVHI historically outperforms in down markets, and over time, has produced returns in-line with market cap indexes with less volatility.

Exhibit 2: LVHI Performance in Down Markets



Sources: Bloomberg, MSCI. LVHI results based on market price total returns. The top 5 MSCI World ex-USA IMI drawdowns by magnitude were graphed from the inception of LVHI (July 27, 2016) through September 30, 2025. Please see end of document for further disclosures.

Exhibit 3: Returns and Volatility

As of December 31, 2025

Time Period	Returns(%)			Volatility(%)	
	LVHI (NAV Return)	LVHI (Market Price Return)	MSCI World ex-USA IMI	LVHI	MSCI World ex-USA IMI
1-year	27.77	27.10	22.20	5.40	6.80
3-year	20.06	20.05	16.47	6.69	7.97
5-year	16.30	16.22	11.62	8.45	9.95
7-year	12.67	12.58	11.57	11.62	12.59
Since Inception (7/27/16)	10.53	10.48	9.60	10.71	11.70

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.

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.

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. **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**. While the **fund's currency hedging** approach is designed to minimize the impact of currency fluctuations on fund returns, it does not necessarily eliminate the fund's exposure to the currencies. The return of the currency-related derivatives will not perfectly offset the actual fluctuations between the currencies and the US dollar. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **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. **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 International Low Volatility High Dividend** Hedged Index is based on a proprietary methodology created and sponsored by Franklin Templeton Investment Solutions, LLC. The methodology calculates a composite "stable yield" score, with the yield of stocks with relatively higher price and/or earnings volatility adjusted downward and the yield of stocks with relatively lower price and/or earnings volatility adjusted upward. In addition, the stable yield score of stocks from countries with relatively high interest rates compared to the US is adjusted downward and the score of stocks with relatively low interest rates is adjusted upward, so as to reflect the implicit cost of currency hedging. The index weights are then calculated to maximize its stable yield score subject to concentration limits, liquidity requirements and turnover restraints. The index includes stocks with a high stable yield score, with weightings taking into account liquidity requirements and concentration limits on sector exposures, country exposures, and individual stock holdings. The components of the Underlying Index, and the degree to which these components represent certain sectors and industries, may change over time. **MSCI World ex US IMI (Local)-NR** captures large-, mid- and small-cap representation across developed market countries, excluding the US. Performance reflects the local-currency returns. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Net returns (NR) include income net of tax withholding when dividends are paid. Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Morningstar Rating™: Source: Morningstar®, 12/31/25. The Morningstar Rating™ for funds, or "star rating," is calculated for managed products with at least a three-year history, and subject to change monthly. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with its three-, five- and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36–59 months of total return, 60% five-year rating/40% three-year rating for 60–119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total return. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads. Morningstar Rating is for the specified share class(es) only; other classes may have different performance characteristics.

© 2026 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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. Please read it carefully.



franklintempleton.com