Franklin Templeton Digital Assets Core Capped

Separately Managed Accounts

March 31, 2025 | Factsheet

FRANKLIN TEMPLETON
digital assets

Why Invest in Digital Assets?

Both Web1 and Web2 brought innovation that led to new companies that have become standard names in investor portfolios. Web3 marks the next iteration of how businesses use new tech-driven capabilities to deliver goods and services to clients.

- Digital assets are part of the emerging Web3 universe and are the vehicles that allow investors to **obtain exposure to the entire set of new technologies** emerging in this space.
- Digital assets are the next **Frontier Risk Alternative**: a new investible opportunity that seeks to capture the return streams of novel business models where the compounded annual growth rate is on a trajectory to make holding these investments an important allocation for portfolios looking to capture potentially significant, differentiated returns.

Investment Team

Anthony Pecore
Senior Vice President
Director, Digital Asset Management

Twelve investment team members who are involved in fundamental and quantitative research, data science, and trading.

Strategy Overview

At Franklin Templeton, our dedicated independent group has been building digital assets expertise since 2018, developing platforms, product expertise and strategy differentiation to help clients achieve investment in the digital assets ecosystem. Franklin Templeton Digital Assets Core Capped seeks to provide capital appreciation through a typical exposure of 10-15 digital assets weighted by market capitalization that pass Franklin Templeton's selection process. This strategy caps two of the largest non-stablecoin digital assets at approximately 25% each of the overall portfolio. The rest of the portfolio is allocated to other selected digital assets based on their market capitalization, while distributing risk across these digital assets.

The Franklin Templeton Digital Assets investment team reviews digital assets based on various factors including market capitalization, protocol type and volume. The team includes digital assets based on our proprietary tokenomics scoring system, which excludes stablecoins and meme coins. The resulting portfolio typically targets 10-15 digital assets and is ordinarily rebalanced monthly.

Methodology

The Franklin Templeton Digital Assets investment team does the following:

- ✓ Selects potential digital assets for inclusion based on market capitalization, volume and liquidity thresholds
- ✓ Conducts further analysis on this set of digital assets through our proprietary tokenomics scoring system
- ✓ Synthesizes research and identifies high quality digital assets for investment

Key Terms

Investment Strategy	Franklin Templeton Digital Assets Core Capped
Structure	Separately Managed Account
Ownership	Direct ownership (The client is the sole legal owner of the digital assets).

Portfolio Characteristics

As of March 31, 2025

Top 10 Holdings

Ticker	Name	Description	Weight
BTC	Bitcoin	The original cryptocurrency	26.32%
ETH	Ethereum	Decentralized, smart contract blockchain with its own cryptocurrency	22.95%
SOL	Solana	Decentralized, smart contract blockchain with its own cryptocurrency	16.57%
LINK	Chainlink	Decentralized storage and data retrieval network	6.02%
AVAX	Avalanche	Decentralized blockchain for dApp scaling and interoperability	5.81%
DOT	Polkadot	Blockchain designed to scale, connect, and secure application-specific blockchains known as parachains	5.13%
UNI	Uniswap	A blockchain-native, decentralized crypto exchange	3.75%
RNDR	Render	A decentralized compute network utilizing token incentives to source GPU compute	2.92%
ATOM	Cosmos	Designed to enable blockchain interoperability and often referred to as the "internet of blockchains"	2.89%
AAVE	Aave	DeFi lending protocol	2.87%

Sector Allocation

- Smart Contract Platforms – 55.40%
- Currency – 26.32%
- Infrastructure– 11.66%
- Decentralized Finance (DeFi) – 6.62%

Market Capitalization

Large Cap ($100B+)	**49.26%**
Medium Cap ($10 - $100B)	**16.57%**
Small Cap (<$10B)	**34.17%**

What to Know About Web3 Investing

- **New User and Ownership Dynamics:** The Web2 formula elevated powerful platform providers who were able to leverage their connectivity and access to data and network effects to build a proprietary edge. Web3 offerings must generate and deliver “crowd” benefits; because token-based economics fuel Web3 engagement, incentivization occurs by rewarding the most active users of a network, positioning them to also become the owner/operators of these protocols. This changes the profit motive and success drivers used to inform value.
- **New Ways of Monetizing Investments:** Participants in Web3 issue tokens that are available to any potential investor, professional or novice. This requires an experienced investment manager to 1) sift through opportunities and identify those that offer the best potential for capital appreciation, and 2) understand the supply, demand, management and concentration of the token pool to ensure that the investment is well-managed for a long-term growth trajectory.
- **New Market Dynamics:** The tokens and coins involved in Web3 trade 24 hours a day, 7 days a week, 365 days a year. This requires an entirely new approach to risk management that searches for new types of signals to indicate possible stressors in the portfolio, using the unprecedented transparency of the blockchain to create new risk analytics to inform the portfolio’s construction, management and oversight.

The investment process may change over time.
The characteristics set forth above are intended as a general illustration of some of the criteria the strategy team considers in selecting assets for client portfolios. There is no guarantee that investment objectives will be achieved. Allocations are subject to change. Actual underlying allocations may vary over time as markets change.
Portfolio characteristics are based on a representative account taken from the Franklin Templeton Digital Assets Core Capped SMA Composite. A representative portfolio may vary significantly from other similarly managed separate accounts, depending on a variety of factors, such as portfolio size, specific investment guidelines and inception date of the account. Weight based on market cap as of March 31, 2025. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

Performance

As of March 31, 2025

Average Annual Total Returns

	3-mo*	6-mo*	1-Yr	Since Inception (06/30/22)
Gross of Fees (USD)	-35.49	-11.06	-38.32	27.77
Net of Fees (USD)	-36.05	-12.43	-40.23	24.05
S&P Cryptocurrency Large Cap Index (Benchmark)	-20.75	12.21	-5.84	51.98

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please. visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Note: Performance calculations reflect business day performance and does not reflect any weekend performance data.

Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. “Pure” gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure” gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model “wrap fee” (3.0% is the maximum anticipated wrap fee), which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

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*Cumulative Total Returns

Benchmark Description

The **S&P Cryptocurrency Large Cap Index** reflects the largest and most liquid cryptocurrencies into one index that is weighted by the equivalent of market capitalization for cryptocurrencies (coin supply multiplied by coin price).

Indexes are unmanaged and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

The investment process may change over time. Note: Performance calculations reflect business day performance and does not reflect any weekend performance data.

Glossary

Stablecoin: A digital asset where the value is tied, to that of another currency, commodity or financial instrument.

Tokenomics: The topic of understanding the supply, demand and economics characteristics of digital assets.

Meme coins: A digital asset that's inspired by an internet meme or viral image.

What should I know before investing?

All investments involve risks, including possible loss of principal. Digital assets are subject to risks relating to immature and rapidly developing technology, security vulnerabilities of this technology, credit risk of digital asset exchanges, regulatory uncertainty, high volatility in their value/price, unclear acceptance by users and global marketplaces, and manipulation or fraud. **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. **Active management** does not ensure gains or protect against market declines. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the performance and result in greater fluctuation in value.

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