FRANKLIN TEMPLETON

BofA SECURITIES

Frequently asked questions

Franklin BofA World Index

Index overview

Why consider the Franklin BofA World Index?

The Franklin BofA World Index (the "Index") is designed to unlock the long-term growth potential of some of the world's most forward-looking companies and preserve capital during periods of market volatility.

What is the asset allocation mix for the Index?

The Index has a flexible asset allocation. It systematically allocates to four underlying components with the goal of generating as much equity exposure as possible within the 5% volatility target:

- Franklin World Equity Index (the "equity component")
- Merrill Lynch 10Y US Treasury Total Return Futures Index implemented using a risk mitigating stop loss mechanism (the "fixed income component")
- BofA Intra-Day Equity Risk Management Overlay (the "risk management overlay")
- A notional cash exposure ("cash")

How does the Index work?

The Franklin BofA World Index has three main features:

1. **Dynamic asset allocation:** Each day, the Index systematically allocates between the equity component, fixed income component, and cash. If recent equity market risk, as measured by volatility, is relatively high, the Index increases allocation to the fixed income component. Similarly, if recent equity market risk is relatively low, the mathematical formula decreases allocation to the fixed income component. Each day, Index exposure can reach up to 150% to target 5% realized annualized volatility.
2. **BofA stop loss mechanism:** To guard against rising interest rates, the Index includes a stop-loss mechanism embedded in the fixed income component. When US Treasury prices trend lower, the Index will shift from the fixed income component to cash with the goal of drawdown mitigation.
3. **BofA equity risk management overlay.** The Index employs a proprietary equity risk management overlay designed to hedge equity exposure throughout the trading day. By reacting to market risk, the overlay aims to reduce the impact of sudden equity market drawdowns.

What exposure is the Index designed to provide?

The Franklin BofA World Index is designed to capture long-term growth by allocating to equities, fixed income and cash. The Index aims to maximize exposure to developed-market equities while targeting 5% volatility per annum.

The proprietary framework of the underlying global equity component is designed to focus on stocks that emphasize quality, value and momentum factors. A systematic volatility control mechanism in the Index seeks to provide diversification by allocating between fixed income and cash. In low volatility environments, the Index applies up to 150% leverage.

Equity exposure

What is the Franklin World Equity Index?

The equity "engine" of the Franklin BofA World Index is a smart beta equity component developed by Franklin Templeton—the Franklin World Equity Index. Starting from nearly 1,700 global stocks, it systematically selects those that are attractive from Quality, Value and Momentum perspectives—three factors that Franklin's research shows are the key contributors to stock performance. The equity component rebalances quarterly.

What is the anticipated average exposure in the Index to the equity component?

In historical backtests, the average equity component allocation in the Index was 40%.[1]

What is the geographic exposure of the equity component?

The Franklin World Equity Index's investment universe includes mid- and large-cap equities from developed equity markets across North America, Europe, and Asia.

Under what conditions might the Index perform differently than the broader equity market?

The amount of equity component exposure is dictated by a systematic formula balancing estimates of equity risk with fixed income risk. The Index has historically had lower equity exposure in periods when equity market risk is high. Conversely, in periods when equity market risk is low, the Index systematically increases its equity exposure.

- During periods of rapid decline and high equity market volatility—such as those experienced in 2001, 2002 and 2008—equity component exposure would have systematically been reduced. These conditions may favor the Index over broad equity markets.
- During periods of a broad market rally accompanied by high volatility—such as the 2009 recovery—relatively high volatility would have caused reduced exposure to the equity component. These conditions may favor broad equity markets over the Index.

Risk management

How does BofA's proprietary risk management overlay work?

The risk management overlay monitors US equity market momentum during each trading day. When the overlay determines the US equity market is likely to continue declining throughout the trading day, the overlay hedges US equity exposure. The risk management overlay aims to limit losses due to equity market downturns.

How often is cash used to reduce volatility?

How frequently the Index will allocate to cash depends on market volatility. The Index will allocate to cash in greater amounts during highly volatile markets. In historical backtests, the average cash allocation was 16%[1] on an absolute value basis.

1. Back-test range: July 10, 2006 through November 1, 2021.

For more information about the Franklin BofA World Index:

(800) DIAL BEN/342-5236

www.franklinbofaworldindex.com

How often is leverage used?

How frequently the Index uses leverage depends on market conditions. During times of low market volatility, the Index may use leverage (up to 150% maximum) to target 5% annualized volatility. In historical backtests, on 48%[1] of trading days the sum of the equity allocation and bond allocation was greater than 100%.

How often does the Index rebalance?

The Franklin BofA World Index rebalances each day between the underlying components with the goal of reacting to ever-changing markets.

Partnership

Who is administering the Index?

The Index is administered by BofA Securities (www.franklinbofaworldindex.com).

How did Franklin Templeton and Bank of America work together to create this Index?

Quantitative experts at both Franklin Templeton and BofA designed the Franklin BofA World Index. The teams created a new, complementary strategy that draws on the strengths of both firms. The Index harnesses the combined history and expertise of Franklin Templeton and Bank of America—two of the industry's leading brands in asset management and banking.

Disclosure

It is not possible to invest directly in an index. There is no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. There is no guarantee that any strategies utilizing the Index will be effective or successful. Multi-asset indices and diversification do not promise any level of performance, success, or guarantee against loss of principal. This does not serve as an offer to sell or a solicitation of an offer to buy any product or security or the use or suitability of the Index. This information should not be relied upon as investment advice, research, or a recommendation by Franklin or BofAS regarding (i) any products tied to the Index, (ii) the use or suitability of the Index or (iii) any security in particular. BofA Securities, Inc. is not affiliated with Franklin Templeton.

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Index information

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The Index is an excess return index. The Index levels represent performance in excess of the US Fed Funds Rate.

There are risks relating to the Index discussed herein. Please request a copy of the applicable Index rulebook for additional information and disclosure.

Index-linked annuities are insurance contracts issued by an insurance company. Index-linked annuities are not invested in the Index itself, but rather interest is credited based on the performance of the Index and the rules prescribed in the insurer's Index crediting strategy. Index-linked annuities are not issued by Franklin or BofAS.

Hypothetical and live performance

Any data for the period prior to index inception consists of pre-inception data calculated by retroactively applying the Index methodology. Simulated returns and pre-inception data are hypothetical and included for illustrative purposes only. Performance is based on hypothetical returns prior to index inception and actual returns thereafter.

The Index was created on November 1, 2021. Levels for the Index prior to November 1, 2021 represent hypothetical data determined by retroactive application of a back-tested model, itself designed with the benefit of hindsight. Actual performance will vary, perhaps materially, from the performance set forth herein.

The performance of the Index may include certain embedded transaction costs but does not include fees or costs of any financial instrument referencing the Index.

Hypothetical performance results may have other inherent risks. No representation is being made that any account will or is likely to achieve profit or loss. The relevant market and economic conditions that prevailed will not necessarily reoccur. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be accounted for. All hypothetical results are presented for illustrative purposes only.

Hypothetical and past performance is no guarantee of future performance.

Back-testing and other statistical analysis material that is provided in connection with the Index use simulated analysis and hypothetical circumstances to estimate how it may have performed prior to its actual existence. The results obtained from "back-testing" information should not be considered indicative of the actual results that might be obtained from an investment or participation in a financial instrument or transaction referencing the Index. Neither Franklin nor BofAS provide assurance or guarantee that the products linked to the Index will operate or would have operated in the past in a manner consistent with these materials. The hypothetical historical levels have inherent limitations. Alternative simulations, techniques, modeling or assumptions might produce significantly different results and prove to be more appropriate. Actual results will vary, perhaps materially, from the simulated returns presented in this document.

The hypothetical performance information presented herein does not reflect the results of actual trading and calculation of the Index levels and performance do not reflect the fees and expenses that an investor would pay. These fees and expenses would cause the actual and back-tested performance of the Index to be lower.

Investment risks

Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds adjust to a rise in interest rates, the performance of the Index may decline. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. During times of extreme market volatility, the Index will not be able to eliminate market losses or capture all market gains.