FRANKLIN TEMPLETON

Franklin Focused Growth ETF

FFOG | **Commentary | as of March 31, 2026**

Key Takeaways

- **Markets:** Global equity markets generally declined during the first quarter of 2026 (1Q26) amid heightened volatility, as geopolitical tensions and shifting macroeconomic dynamics weighed on investor sentiment. The conflict in the Middle East emerged as a key destabilizing factor, disrupting energy markets and amplifying inflationary pressures globally. Value stocks outperformed their growth-oriented peers, reflecting a rotation away from high-valuation-multiple sectors amid rising inflation concerns. Large-capitalization equities generally underperformed those in the mid- and small-cap tiers, as investors sought opportunities in more cyclically sensitive areas of the market. Sector rotation saw commodity-linked industries benefit from higher energy prices, while the information technology (IT) and consumer discretionary sectors faced pressure amid concerns over AI-driven disruptions to established business models.
- **Detractors:** Unfavorable stock selection in the industrials, consumer discretionary, financials and health care sectors, plus a lack of exposure to consumer staples, materials, real estate and utilities companies, all of which fared better than the fund's benchmark index.
- **Contributors:** Effective security selection and overweighting among semiconductor companies; an underweighted exposure to poor-performing software stocks; and beneficial stock selection among pharmaceuticals companies.
- **Outlook:** We are enthusiastic about current and potential productivity gains from AI as its use cases evolve. Generative and agentic AI continue to advance, with returns on investment increasingly visible as deployments scale beyond experimentation toward scaled implementation. We think these developments, alongside progress in other innovation-driven areas, could support a durable backdrop for long-term growth, even as markets experience periodic volatility.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	13.05
AMAZON.COM INC	9.06
ALPHABET INC	7.82
MICROSOFT CORP	7.48
BROADCOM INC	5.57
APPLE INC	5.39
META PLATFORMS INC	4.91
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	4.42
TESLA INC	3.46
MASTERCARD INC	2.69

Performance Review

- Although Franklin Focused Growth ETF (Market Price return) fared better than the Russell 1000 Growth Index with its core IT sector holdings (averaging 52.5% of total net assets), it underperformed the benchmark across nearly all of the 10 other major equity sectors.
- Industrials holdings (averaging 4.3% of the portfolio) offered a mix of contributors and detractors but still fell sharply, while industrials stocks tracked by the index appreciated. Aerospace and defense industry declines for Axon Enterprise (overweight) and off-index Kratos Defense & Security Solutions were partially offset by sharp rally in GE Vernova (electrical equipment industry), which saw heightened demand from data center, energy grid and power generation projects.
- Consumer discretionary stocks were weak in both absolute and relative terms. All related holdings traded lower, with the key detractors focused on e-commerce companies such as Amazon.com (overweight) and an off-index consumer internet firm (sold by period-end), though positions in app-based delivery platform providers such as DoorDash (overweight) and an online used car sales platform provider Carvana also sustained substantial losses. In the absence of any serious company-specific setbacks, these stocks were broadly impacted by investors rotating away from high-multiple consumer internet names into those perceived as safer, more predictable earnings plays—particularly after a long run of growth stocks outperforming. A surprise announcement of new US tariffs on imported goods further drove broad selling in consumer-facing stocks that rely on global supply chains, as investors began modeling higher costs and lower profit margins. That overall shift from momentum/optimism to fundamental valuation discipline impacted e-commerce and online services disproportionally in the selloff. We're still generally positive on these holdings for the longer term, and Amazon in particular.
- Despite solid rallies for Ascendis Pharma and Jazz Pharmaceuticals, the fund's health care sector allocation (averaging 6.8% of the portfolio) declined overall, with results versus the index hindered primarily by adverse security selection in the biotechnology industry, mainly due to a lack of portfolio exposure to Amgen, AbbVie and other index components.
- Most of the other major detractors reduced our measure of outperformance in the IT sector, including an underweighted stake in Apple as its share price fell less than the index; substantial losses for Shopify (not an index component) in IT services; and double-digit percentage declines for AppLovin and other overweighted or off-index software stocks.
- Semiconductor and semi equipment holdings (averaging 27.4% of total net assets) were a source of strength in relative terms, as the fund's 3.7% decline compared well to the index's 4.8% drop in the same industry. Some semi stocks posted robust gains, including key contributors Taiwan Semiconductor Manufacturing, ASML Holding and Monolithic Power Systems. The semi space was still seeing vigorous structural demand tied to AI infrastructure and advanced computing. Chipmakers with visible 4Q25 earnings "beats," strong 2026 guidance, or clear demand paths linked to AI or data center build-outs tended to separate themselves from selective weakness across the broader IT sector. We also maintained a large yet underweight exposure to Microsoft, which aided results in the software industry as it fell much further than the index. There were a few other, smaller offsetting tech-related contributors, including gains for Cloudflare (overweight) in IT services.
- Aside from the strategy's active investments, its 1.5% cash position also had a positive impact on relative performance given the breadth of stock market declines in 1Q26.

Outlook

- **We believe the increasing focus on generative and agentic AI is warranted, as adoption continues to broaden across industries.** At the same time, innovation remains diverse, with advances occurring across areas such as space and defense, robotics, health care, genomics and energy. We view technology, including AI, robotics and hyperscale cloud computing, as inherently disinflationary, with the potential to drive productivity gains across the broader economy.
- **We expect continued technological transformation driven by advances in data, automation and life sciences.** While short-term market movements may reflect valuation shifts or changing sentiment, these do not alter our long-term perspective. As long-term investors, we remain focused on identifying innovative companies whose growth potential and pace of adoption may be underappreciated, consistent with the portfolio's objective of long-term capital growth.

Average annual total returns and fund expenses (%) - as of March 31, 2026

Product	Ticker	Listed Exchange	3-Mo*	6-Mo*	YTD*	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross Expenses	Net Expenses	Inception Date
Market Price Return	FFOG	Cboe	-12.20	-13.62	-12.20	17.61	21.29	8.53	—	16.19	0.55	0.55	4/13/2016
NAV Returns	—	—	-12.26	-13.68	-12.26	17.50	21.24	8.50	—	16.17	0.55	0.55	4/13/2016
Benchmark	—	—	-9.78	-8.76	-9.78	18.81	21.18	12.76	—	16.77	—	—	—

*Cumulative total returns

Benchmark(s)

Benchmark =Russell 1000 Growth Index

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 visit franklintempleton.com.*
The NAV returns include returns of the Advisor Class shares of the predecessor mutual fund prior to the ETF's commencement of operations on 11/3/2023. Prior to the ETF's listing on 11/6/2023, the NAV performance for the Advisor Class shares of the predecessor mutual fund is used as a proxy for market price returns.
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. Performance for the ETF and its benchmark index are as of the ETF's last trading day before the end of the period.
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 are the Risks?

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. The **investment style** may become out of favor, which may have a negative impact on performance. **Active management** does not ensure gains or protect against market declines. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks could be magnified in **Emerging Markets**. Because the Fund is **non-diversified**, it may be more sensitive to economic, business, political or other changes affecting individual issuers or investments than a diversified fund. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Important Information

Effective November 3, 2023, Franklin Focused Growth Fund reorganized into this ETF. This fund has an identical investment goal and substantially similar investment strategies as its predecessor fund.

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

ETFs and 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 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. **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. U.S. securities laws generally limit a non-U.S. fund's purchase of a U.S. registered mutual fund or ETF/ETP (a "U.S. Fund") to no more than 3% of the U.S. Fund's voting stock. You should consult your legal counsel prior to investing in a U.S. Fund.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe.

Source: FTSE.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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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.

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