

Franklin Focused Growth ETF

Commentary | as of September 30, 2025

Key Takeaways

- Markets: Global equities delivered solid gains in 2025's third quarter (3Q25), buoyed in part by easing trade tensions
 and optimism surrounding artificial intelligence (Al). Central bank actions—notably the US Federal Reserve's interestrate cut and the potential for further monetary easing—supported market sentiment, as did generally robust corporate
 earnings. Global information technology (IT) stocks were volatile but ultimately topped all 10 other major equity sectors,
 supported by robust earnings and forward guidance from many IT and tech-adjacent firms—especially those tied to Al,
 cloud, data infrastructure, semiconductors and software.
- Detractors: Stock selection in communication services, consumer discretionary, industrials and health care.
- Contributors: Stock selection in the software and IT services industries; stock selection in the financials sector; and a supportive stock selection and underweighting in the hotels, restaurants and leisure industry.
- Outlook: While we believe the excitement around the progress in both agentic Al and Generative Al (GenAl) as well as
 data-driven experimentation is merited as a widening array of industries test Al's novel business applications, other
 parts of the economy are also exciting—including aerospace and defense, robotics, genomics and green energy.

Performance Review

- Franklin Focused Growth ETF (Market Price return) had mixed 3Q25 results and lagged the Russell 1000 Growth Index based on overall security selection.
- In the communication services sector, the support from an impressive rally in overweight Roblox was more than offset by a
 much larger investment in key detractor Meta Platforms as its share price fell slightly.
- Relative returns were further curbed by selloffs or subpar gains in several off-benchmark or overweight holdings, including Amazon.com and MercadoLibre (e-commerce), Axon Enterprise (aerospace and defense industry), Intuitive Surgical (health care equipment and supplies), ServiceNow and Constellation Software (software), electronic trading platform operator Tradeweb Markets, and Costco Wholesale (consumer staples).
- Turning to the key contributors, the fund was invested in three IT-related industries (out of six in total), all of which
 contributed to relative performance. In the software industry, heavily-overweighted stakes in AppLovin and Cadence Design
 Systems surpassed the benchmark return, including an outsized gain of more than 100% for AppLovin. An underweighting in
 Microsoft also helped, as it rose less than half as much as the index. In IT services, off-index Shopify more than doubled the
 benchmark return. Most semiconductor and semiconductor equipment stocks also boosted relative returns, led by off-index
 Taiwan Semiconductor Manufacturing and overweight Broadcom.
- NVIDIA, Broadcom and other semiconductor holdings (covering 23.5% of total net assets at September-end) continue to benefit from high demand in AI and data center applications. Rapid AI-related growth boosted their revenues, particularly in areas such as graphics processing units and high-bandwidth memory. We're seeing continued expansion in the foundry and memory markets, underpinned by AI and cloud infrastructure needs, as well as demand for device miniaturization. Semis and the broader IT sector also received US government support through tax incentives and a campaign to boost the country's AI initiatives and tech manufacturing. The United States eased export restrictions on certain AI chips to China, reviving investor confidence in sustained demand and supply continuity. Broader policy support, including America's AI Action Plan (announced in July), reinforced perceptions of the semiconductor industry's strategic importance.
- The other key individual contributors were situated outside the IT sector and posted quarterly gains that surpassed the index by a wide margin, including Robinhood Markets (financials/capital markets) and Argenx (health care/biotechnology).
- Aside from the fund's active equity holdings, returns versus the benchmark were further enhanced by the fund's lack of
 exposure to underperforming real estate, energy, utilities and materials sector companies.

Outlook

- We are enthusiastic about the potential and current productivity gains from AI, as its use cases continue to develop. Large language models (LLMs) and GenAI continue to advance at a fast pace, with the first returns on investment starting to coalesce, notably in digital advertising, where companies have demonstrated an ability to target their ads more effectively. Exciting use cases are also being proven elsewhere, including in e-commerce, finance and health care. We're also seeing progress in manufacturing, where predictive maintenance using "digital twins" (virtual replicas of physical assets or systems that simulate real-world performance) is gaining traction. Additionally, AI developers are focused on achieving agentic AI, which we would argue is already present in at least one instance in the language capability of the models. Other areas where agentic AI is quickly taking shape include software development and deep research.
- We are tracking other bright spots for innovation in the economy beyond AI, including space, defense, cryptocurrency, robotics, genomics and green energy. Space is undergoing a renaissance, with private-public partnerships beginning to dominate. Some longer-term goals include increased satellite efficacy and interplanetary travel. Regarding the aerospace and defense industry, a new class of companies, including Anduril and Palantir Technologies (neither is held by the fund), are challenging the primacy of large, established defense contractors. These nimble companies are developing innovative new technologies, including autonomous drones and sophisticated military software. The cryptocurrency space is maturing, with relevant applications in smart contracts and payment systems coming to the fore. The use cases for robotics are also accelerating as AI improves the software behind the hardware. Genomics is still early in its development, with scientists and managers addressing the complexities of the medicine to achieve regulatory approval. Finally, green energy initiatives continue to advance worldwide, with the cost curve—particularly for solar energy—coming down and with new ideas around nuclear and geothermal energy grabbing attention.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	14.44
MICROSOFT CORP	9.96
AMAZON.COM INC	8.13
META PLATFORMS INC	8.08
BROADCOM INC	5.56
ALPHABET INC	5.53
MASTERCARD INC	3.84
TESLA INC	3.5
APPLOVIN CORP	3.36
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	3.0

Average annual total returns and fund expenses (%) - as of September 30, 2025

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	8.14	36.16	19.02	27.51	34.75	13.94	_	18.94	0.55	0.55	4/13/2016
NAV Returns	_	_	8.17	36.12	18.92	27.43	34.71	13.92	_	18.93	0.55	0.55	4/13/2016
Benchmark	_	_	10.51	30.22	17.24	25.53	31.60	17.58	_	18.87	_	_	_

^{*}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.

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.

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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.

