FRANKLIN TEMPLETON

Franklin Focused Dynamic Growth ETF

FFOG | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Robust corporate earnings helped US and global equities edge higher in the third quarter of 2026 (3Q26) and set several records despite a volatile backdrop: war-related trade risks sent Brent crude oil back above $100 per barrel, more than 80% of developed market central banks raised interest rates, and Washington announced a new round of US tariffs, while US Treasury yields climbed to multidecade highs. Stock market gains were modest and narrowly driven among the 11 major equity sectors, with only energy, information technology (IT), health care and communication services finishing in positive territory as rallying AI- and energy-related names masked declines across most industries.
- **Contributors:** Relative outperformance in nine out of 11 equity sectors, with consumer discretionary, industrials, health care and communication services providing the greatest benefit, mostly due to strong stock selection.
- **Detractors:** Security selection drags in IT, especially for tech hardware, memory and semiconductor holdings, though a lighter-than-benchmark stake in rallying software stocks also had a negative impact.
- **Outlook:** From semiconductors and memory to networking, power architecture and advanced cooling, companies are investing heavily to support burgeoning demand for AI compute. We believe these investments are laying the groundwork for a new era of productivity growth, much as railroads, electricity and the internet enabled prior waves of economic transformation. As AI capabilities continue to improve and adoption broadens, we expect the infrastructure supporting this ecosystem to remain an important area of innovation and investment opportunity.

Top Equity Issuers (% of Total)

Holding	Fund
NVIDIA CORP	10.00
AMAZON.COM INC	8.57
ALPHABET INC	8.13
APPLE INC	5.59
META PLATFORMS INC	5.06
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	4.22
SANDISK CORP	4.04
MICROSOFT CORP	3.94
BROADCOM INC	3.48
SK HYNIX INC	2.95

Performance Review

- Overall stock selection caused Franklin Focused Dynamic Growth ETF (Market Price return) to slightly lag the Russell 1000 Growth Index in 3Q26. The fund nonetheless benefited broadly from its exposures to rallying IT (averaging 56.5% of total assets) and health care (7.7% of the portfolio) companies, with notable relative strength in the IT services, communications equipment and biotechnology industries. The consumer discretionary sector was another source of stock selection alpha as the fund's holdings fell 0.7%, versus a steep decline of more than 11% on the index.
- Idiosyncratic weakness in overweighted or off-index semiconductor and memory storage names—KLA, SK Hynix, ASML Holding, Taiwan Semiconductor Manufacturing and SanDisk—were headwinds in IT, as elevated investor expectations, competitive pressures from Chinese entrants and sector-specific volatility weighed on returns despite broadly constructive fundamental backdrops. And while the fund's underweightings in Broadcom boosted relative returns as it sold off, other semi holdings beat the benchmark by wide margins, including underweight detractor NVIDIA (+14%). Notably, semi companies came into July at the tail end of an extended rally. While the group was supported by ongoing vigorous AI-driven demand for advanced chips, memory and manufacturing equipment, some were contending with elevated valuations, uneven earnings and concerns about the sustainability of AI capital spending. Underweighted exposure to Apple's 3Q26 rally further dented relative returns in the tech hardware space, while all three holdings in the electronic equipment and instruments industry depreciated, including key detractor Advanced Energy Systems (sold by period-end).
- Despite an impressive absolute return of nearly 31% in the software industry, the fund's results were pressured by underweightings in Microsoft and Palantir Technologies as they returned 38% and 59%, respectively. Palantir, a data analytics and AI software company that builds platforms for governments and enterprises, posted solid financial results and raised its full-year guidance as booming demand for its AI platform fueled 149% annualized growth in US commercial revenue and 90% growth in US government revenue.
- In the out-of-favor industrials sector, the fund outperformed the index with a combination of beneficial underweighting and stock selection. However, the downside was anchored by losses for all five related holdings, including overweighted positions in electrical and energy equipment specialists such as Bloom Energy; power grid and network construction/engineering firm Quanta Services; and Rocket Lab, an aerospace company focused on spacecraft manufacturing, space systems and satellite launch services.
- Some of the most significant individual contributions came from concentrated positions in Natera, Cloudflare, Shopify and Amazon.com—each benefiting from distinct catalysts including genetic testing and diagnostics expansion, AI-driven network security demand, strong merchant sales and increased confidence in AI-powered e-commerce platform advances, and Amazon Web Services (cloud computing) acceleration. Natera, offering noninvasive prenatal, oncology and transplant diagnostics, showed regulatory momentum and solid business execution. Biotech holdings were supported by a combination of positive clinical-trial and regulatory developments, accelerating merger-and-acquisition activity, improved biotech funding and a broader investor rotation toward health care.
- Aside from its active holdings, the portfolio's lack of exposure to consumer staples, utilities, real estate and materials sector stocks also had a positive impact as they fared poorly within the benchmark universe.

Outlook

- **Many of the most important innovations across the economy continue to depend on advances in computing power, semiconductors, networking and digital infrastructure.** Periods of volatility in these areas can create valuation dislocations, even as demand for advanced computing, automation and intelligent systems keeps growing. The strategy continues to invest in businesses that sit at the foundation of this ecosystem and help enable innovation across industries, from AI workloads and data center expansion to industrial modernization and connected devices. And while technology remains an important area of exposure, the strategy is broader and seeks to invest across areas of innovation where we believe the duration and pace of growth may be underestimated. This includes opportunities within the IT sector, but also across health care, industrials, power infrastructure, space, defense, robotics and other areas tied to long-term technological transformation.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 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	0.76	26.36	10.94	9.15	27.59	10.45	17.83	17.96	0.41	0.41	4/13/2016
NAV Returns	—	—	0.66	26.45	10.95	9.15	27.56	10.44	17.82	17.96	0.41	0.41	4/13/2016
Benchmark	—	—	0.92	17.82	6.30	7.50	24.26	13.66	18.16	17.73	—	—	—

*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.

Glossary

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

Earnings per share (EPS) is defined as a company's net income divided by the number of outstanding shares of its common stock.

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. Effective 30 June 2026, the Franklin Focused Growth ETF changed its name to the Franklin Focused Dynamic Growth ETF.

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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