FRANKLIN TEMPLETON

# Franklin Focused Dynamic Growth ETF

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

## Key Takeaways

- **Markets:** Global equities delivered robust gains during the second quarter of 2026, buoyed by improving corporate earnings and a decisive rotation into technology-driven growth themes. The de-escalation of geopolitical tensions in the Middle East and the subsequent decline in energy prices provided a constructive backdrop for risk assets, while the AI-driven capital expenditure cycle remained a dominant force, underpinning earnings revisions across sectors.
- **Contributors:** Outperformance versus the benchmark index across 10 out of 11 equity sectors, with effective security selection accounting for nearly all of the fund's excess return.
- **Detractors:** Lagging gains in the IT services industry (due to stock selection); overall declines in aerospace and defense (due to stock selection); and detrimental overweighting and stock selection among e-commerce companies in the broadline retail industry.
- **Outlook:** For the rest of 2026, we expect AI-related business attention to shift further toward application-layer software, as maturing agentic systems begin to drive durable productivity gains across the broader economy.

## Performance Review

- Franklin Focused Dynamic Growth ETF (Market Price return) posted widespread 2Q26 gains and substantially outperformed the Russell 1000 Growth Index, with most of the stock selection-driven benefits arising in the information technology (IT) sector, where roughly 57% of the portfolio was invested (on average). These results underscore the increasing dispersion within the AI investment theme, where leadership is rotating rapidly among memory, foundry and infrastructure names. The concentrated overweight in IT—particularly within the AI memory chip complex—proved rewarding, as top overweight or off-benchmark contributors like Sandisk and SK Hynix delivered extraordinary returns fueled by structural demand for NAND (flash) and high-bandwidth memory in AI data centers, and landmark supply agreements.
- Along with SK Hynix, nearly all other semiconductor and semi equipment holdings rallied well beyond the benchmark average, including key contributors KLA, Taiwan Semiconductor Manufacturing, ASML Holding, Broadcom and Lam Research (purchased during the period). Aside from robust financial metrics and momentum during the 1Q26 earnings season, AI data center buildout remained the dominant narrative, with Broadcom, NVIDIA—a modest underweight contributor and the strategy's largest holding—and other GPU/network names setting new highs as hyperscale capex and AI infrastructure orders remained solid. At the same time, the "old economy" side of semis inflected: earnings from analog and power management names showed evidence that a roughly two-year industrial destocking phase had ended and demand was reaccelerating, especially for industrial and automotive chips. This combination meant the market stopped viewing the rally as a narrow AI trade and started to price in a synchronized upturn across data center, industrial, auto and communications end-markets.
- Outside IT, there was stock selection-based strength in the industrials sector, where Bloom Energy and other overweighted electrical equipment names involved with AI-linked energy infrastructure posted exceptional gains; and in health care, where Natera was a standout contributor in biotechnology. Bloom's order backlog grew as it continued to provide fast-to-deploy clean energy to data centers that are willing to have off-grid power, including Oracle's agreement to purchase up to 2.8 gigawatts of fuel-cell power for its facilities, with an initial 1.2 gigawatts contracted for 2026-2027 (Oracle is not held by the strategy).
- Aside from the portfolio's active investments, a strategic lack of exposure to consumer staples, real estate, utilities and materials companies further enhanced relative returns as all four sectors underperformed the benchmark index.
- Turning to the key detractors, off-index Shopify's guidance-driven selloff and Kratos Defense & Security Solutions' (overweight; sold by period-end) post-offering overhang were among the headwinds. In general, Shopify and other IT services-oriented names were sometimes seen as margin-pressured, potentially disrupted by AI and/or agentic commerce, or "show-me" stories rather than direct winners. Aerospace and defense stocks like Kratos, Axon Enterprise and Elbit Systems (purchased during the period) sold off as they faced concerns about "peak defense" spending and potential overvaluation, and as positive business developments like increased defense budgets and military conflicts had already been priced into their stock valuations. In energy, tech-focused oilfield services provider TechnipFMC sold off, partially in response to falling crude oil prices and weaker 2026 global oil demand growth estimates.
- In the broadline retail industry, e-commerce holdings Amazon.com (overweight) and off-benchmark MercadoLibre underperformed the index. Investors treated them more as cyclical, macro-sensitive consumer and fintech platforms than as pure AI or infrastructure beneficiaries, making them natural funding sources during the AI-led rally. Ongoing investment in logistics, cloud computing and fintech, together with regulatory overhangs (notably in China) and near-term margin and valuation concerns, further tempered appetite even as underlying revenue growth remained robust.
- Aside from the fund's active stock holdings, a lack of portfolio exposure to several exceptionally strong IT-related index component companies—Palo Alto Networks, Applied Materials, CrowdStrike Holdings, Astera Labs, Datadog and others—also had a negative impact.

## 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. We continue 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.

## Top Equity Issuers (% of Total)

| Holding | Fund |
|---|---|
| NVIDIA CORP | 9.96 |
| ALPHABET INC | 8.50 |
| AMAZON.COM INC | 8.26 |
| SANDISK CORP | 5.32 |
| MICROSOFT CORP | 5.09 |
| APPLE INC | 4.89 |
| TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD | 4.41 |
| BROADCOM INC | 4.21 |
| META PLATFORMS INC | 3.36 |
| KLA CORP | 3.32 |

## Average annual total returns and fund expenses (%) - as of June 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 | 25.41 | 10.11 | 10.11 | 17.14 | 25.49 | 10.45 | 18.56 | 18.36 | 0.41 | 0.41 | 4/13/2016 |
| NAV Returns | — | — | 25.62 | 10.22 | 10.22 | 17.30 | 25.50 | 10.46 | 18.56 | 18.36 | 0.41 | 0.41 | 4/13/2016 |
| Benchmark | — | — | 16.74 | 5.33 | 5.33 | 17.71 | 22.57 | 13.72 | 18.58 | 18.10 | — | — | — |

*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

**Capital Expenditure (capex)** are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

**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.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

***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.***



FRANKLIN TEMPLETON