Franklin US Index

Charting a course toward growth

It is not possible to invest directly in an index.

A “smart index” starts with a “smart screen”

The Franklin US Index is a daily blended index. Built on a factor-based **“smart screen” foundation** and focused on **US Large Cap stocks**, the Franklin US Index is enhanced by its **MarketNav Technology**, which reacts to changing market conditions in an effort to create a **smoother ride** over time.

Smart screen
250 US stocks selected to seek growth

+

MarketNav Technology
Reacts to changing conditions in an effort to create a smoother ride over time

=

Franklin US Index
Daily blended index

Smart screen

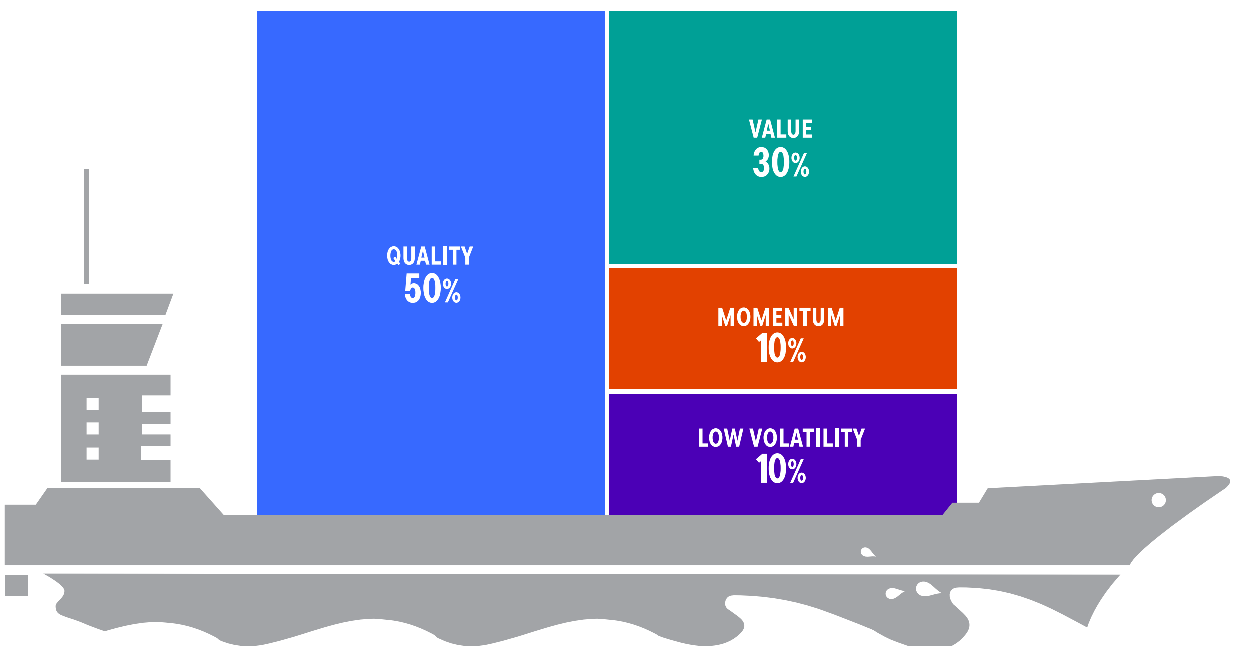
The equity component of the Franklin US Index starts with a “smart screen” approach to stock selection.

The smart screen starts with a list of 1,000 well-recognized US stocks and looks for those that demonstrate financial quality and value—two factors our research shows are important contributors to stock performance.

We also look at technical signals such as momentum and low volatility. All four factors are then strategically combined to seek to achieve a lower level of risk and higher risk-adjusted performance over to the long-term, when compared to traditional market-cap weighted indexes.

Approximately the top 250 stocks are then selected to act as the growth engine of the index.

Franklin US Index—equity weights



> **Planning for the future would be easy if stock markets only went up. But we are all well aware that it can feel more like sailing on the ocean—calmer one moment, stormier the next. That’s where the index’s MarketNav Technology comes in.**

MarketNav Technology

The Franklin US Index was designed to react daily to changing market dynamics and provide a smoother ride over time.

The Franklin US Index shifts exposure to stocks, when market conditions appear favorable, to help drive performance. Stocks have historically shown the strongest growth potential over time. The Franklin US Index is designed to have higher exposure to equities during periods of lower volatility.

MarketNav Technology in different market conditions

In **calmer seas**, the index retains a higher stock allocation which seeks to help boost the engine's performance. When markets are calmer, the index's MarketNav Technology reacts by shifting exposure to stocks in search of long-term growth potential.

In **choppier seas**, the index uses bonds which have the potential to smooth the ride. If interest rates are rising, the index's MarketNav Technology reacts by choosing 5-year US treasuries. In the same way, if interest rates are falling, the index's MarketNav Technology chooses 10-year US treasuries.[1]

In **stormier seas**, cash is used as a safe harbor. When markets become too volatile, the index's MarketNav Technology shifts into cash, helping to manage downside risk.

1. The Franklin US Index limits changes to the fixed income allocation to a maximum of 20% per day in an effort to minimize liquidity constraints. Market volatility can change quickly and there can be no assurance that MarketNav Technology will be successful. During times of extreme market volatility, the index will not be able to eliminate investment losses or capture all investment gains.

The Index reacts to changing market conditions. Given its exposure to US equities, US Treasuries and non-remunerating cash, the Index is impacted by equity performance, changing interest rates and market volatility. The below table describes the market conditions which would generally be expected to impact the Index, both positively and negatively:

General Market Condition		Generally Expected Positive Impact				Generally Expected Negative Impact			
		Direction of Market Condition		Directional Impact on Index	Why?	Direction of Market Condition		Directional Impact on Index	Why?
US Equities	=	↑	≈	↑	When the US equity component goes up, the Index benefits from its equity exposure	↓	≈	↓	When the US equity component goes down, the Index is negatively impacted from its equity exposure
Treasury Rates (5-, 10-Year)*	=	↓	≈	↑	When treasury rates go down, bond values go up and the Index benefits from its bond exposure	↑	≈	↓	When treasury rates go up, bond values go down and the Index is negatively impacted from its bond exposure
Short-Term Rates	=	↓	≈	↑	Lower cash rates decrease the impact of excess return	↑	≈	↓	Higher cash rates increase the impact of excess return
Market Volatility	=	↓	≈	↑	When volatility goes down, the Index can have a higher exposure to equities	↑	≈	↓	When volatility goes up, the Index decreases its exposure to equities

*The Index selects exposure to 5- and 10-year Treasuries depending on the direction of 10-year Treasury Rates. Please see the Index methodology for a further explanation.

A combination of the conditions above can have varying effects on the Index's performance. For example, in 2021, US equities had a positive year, 5- and 10-year treasuries had a negative year, and the Index produced a positive return. To contrast, in 2018, US equities had a negative year, 5- and 10-year treasuries had a positive year, and the Index produced a negative return.

For more information about the Franklin US Index:

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www.franklinusindex.com

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 regarding (i) any products tied to the Index, (ii) the use or suitability of the Index, or (iii) any security in particular.

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Index information

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"Volatility Control" Indices are designed to shift allocations, based on signals in the market, to help keep volatility at or near the stated target. When market volatility is relatively low the index will likely maintain exposure to riskier assets, such as equities. When volatility increases, the index is likely to reallocate so that it is weighted toward low-risk assets, such as cash.

The Franklin US Index is an excess return index. An excess return index deducts the value of cash daily, which is reflected in the index value. Prior to December 3, 2021 the Index used the 3-month US Dollar LIBOR rate as its basis for the daily cash value. From December 3, 2021 on, the Index uses the United States SOFR Secured Overnight Financing Rate plus a constant adjustment of +26 bps as its basis for the daily cash value.

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.

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 in an investment portfolio adjust to a rise in interest rates, the performance of the Index may decline. During times of extreme market volatility, the Index will not be able to eliminate investment losses or capture all investment gains.