

# Franklin International Aggregate Bond ETF

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

## Key Takeaways

- **Markets:** The first quarter of 2026 saw heightened financial market volatility, particularly in March, amid uncertainty stemming from the Iran conflict, which saw oil prices surge, and the consequent impact this would have on inflation. In this unpredictable environment, global aggregate bond indexes, such as the fund's benchmark, registered negative total returns in US-dollar terms.
- **Contributors:** Duration and yield-curve positioning, security selection.
- **Detractors:** Local market allocation, currency positioning.
- **Outlook:** The US Federal Reserve (Fed) could be forced to keep rates higher for longer or even consider renewed tightening, given the inflationary impact of the conflict in the Middle East.

## Fund Characteristics

	<b>Fund</b>
Distribution Frequency	Monthly
30-Day SEC Yield (Fund)—With Waiver	2.68%
30-Day SEC Yield (Fund)—Without Waiver	2.67%

## Performance Review

- In the first quarter of 2026, the fund's duration and yield-curve positioning contributed to relative returns, particularly in Japanese, South Korean, UK, eurozone and Australian bonds.
- Its security selection lifted relative fund performance slightly, notably in Austrian government bonds. However, selection in Italian sovereign debt weighed on relative results.
- Local market allocation detracted from the fund's relative performance, principally through an overweight position in the underperforming UK market and an underweight exposure to the outperforming Chinese market. Conversely, a lack of exposure to the underperforming Thai market added relative value.

## Outlook

- In the United States, higher energy prices will likely cause a net drag on growth through weaker consumer spending. However, given the inflation concerns sparked by the ongoing disruptions to tanker traffic through the Strait of Hormuz, the Fed could be forced to keep rates higher for longer or even consider renewed tightening.
- Even though the combination of hawkish growth projections and dovish guidance implies a low threshold for at most one more rate cut later this year, we expect the Fed to remain on hold through the end of Fed Chair Jerome Powell's term and potentially through the year given rising upside risks to inflation.
- The Middle East conflict has reintroduced an energy shock into the eurozone macroeconomic outlook, raising inflation risks and weakening the near-term growth profile. On balance, we expect eurozone growth to remain subtrend but resilient, averaging around 1% in 2026, with downside risks increasing if the persistence of higher energy prices extends into the second half of the year. (There is no assurance that any projection, estimate or forecast will be realized.)

## 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	FLIA	Cboe	0.40	1.02	0.40	2.83	3.17	0.73	—	1.11	0.25	0.25	5/30/2018
NAV Returns	—	—	-0.10	0.52	-0.10	2.58	3.18	0.72	—	1.06	0.25	0.25	5/30/2018
Benchmark 1	—	—	-0.19	0.32	-0.19	2.77	4.28	1.13	—	1.22	—	—	—
Benchmark 2	—	—	-0.19	0.32	-0.19	2.77	4.28	1.13	—	2.22	—	—	—

\*Cumulative total returns

## Benchmark(s)

Benchmark 1=Linked Bloomberg Global Aggregate ex-USD Index Hedged USD

Benchmark 2=Bloomberg Global Aggregate ex-USD Index Hedged USD

**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](http://franklintempleton.com). 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. Since shares of the Fund did not trade in the secondary market until after the Fund's inception, for the period from inception to the first day of secondary trading June 1, 2018, the NAV of the Fund is used as a proxy for the Market Price to calculate market 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.** Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Changes in the credit rating** of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the performance and result in greater fluctuation in value. 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.

## Important Information

**Effective 3/1/2020, the fund's benchmark changed to Bloomberg Global Aggregate ex-USD Index Hedged USD from Bloomberg Global Aggregate ex-USD Index due to a strategy change whereby the fund will seek to hedge substantially all of its non-U.S. dollar exposure.**

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 **Linked Bloomberg Global Aggregate ex-USD Index Hedged USD** reflects performance of the Bloomberg Global Aggregate ex-USD Index from the fund's inception through 2/29/2020 and the Bloomberg Global Aggregate ex-USD Index Hedged USD thereafter. The Bloomberg Global Aggregate Bond ex-USD Index is a global investment-grade debt index including Treasury, government-related, corporate and securitized fixed-rate bonds. This multicurrency benchmark is 100% hedged to the U.S. dollar. The **Bloomberg Global Aggregate Index** is a global investment-grade debt index including treasury, government-related, corporate and securitized fixed-rate bonds.

Source: Bloomberg Indices.

The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

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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](http://www.franklintempleton.com). Please read it carefully.**