

Franklin International Aggregate Bond ETF

FLIA

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Global aggregate bond indexes registered positive total returns in US-dollar terms over the fourth quarter of 2025.
- **Contributors:** Security selection, duration and yield-curve positioning.
- **Detractors:** Currency positioning.
- **Outlook:** We expect to see growth in both the United States and eurozone in 2026.

Performance Review

- In the fourth quarter of 2025, the fund's security selection contributed to relative returns, while its sector allocation had a broadly neutral impact. Selection in Italian and Chinese sovereign debt, as well as hard-currency emerging market bonds, added relative value. However, selection in both Spanish and Belgian government issues weighed on relative results. Meanwhile, a lack of exposure to German Bunds lifted relative performance slightly.
- Its duration and yield-curve positioning bolstered relative fund results a little. Duration positioning in Japanese bonds added relative value, as did our duration exposures to South Korean and Australian bonds. However, the fund's duration stances on eurozone, UK and Chinese bonds had a detrimental bearing on relative performance.
- Overall currency positioning had a small detrimental influence on the fund's relative performance.

Outlook

- In the United States, we expect growth to remain supported by stronger consumer spending in early 2026.
- If our growth and inflation views unfold, and the US Federal Reserve cuts fewer times than markets have priced, we believe US Treasury yields should drift higher from here.
- We anticipate a sequential growth pickup in the eurozone in 2026, supported by domestic demand, and believe the European Central Bank is likely to wait for more data before making any moves.

Fund Characteristics

Fund

Distribution Frequency	Monthly
30-Day SEC Yield (Fund)—With Waiver	2.66%
30-Day SEC Yield (Fund)—Without Waiver	2.65%

Average annual total returns and fund expenses (%) - as of December 31, 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	FLIA	Cboe	0.62	0.74	2.12	2.12	3.87	0.29	—	1.09	0.25	0.25	5/30/2018
NAV Returns	—	—	0.62	0.89	2.38	2.38	3.87	0.35	—	1.11	0.25	0.25	5/30/2018
Benchmark 1	—	—	0.52	1.02	2.80	2.80	5.34	0.79	—	1.29	—	—	—
Benchmark 2	—	—	0.52	1.02	2.80	2.80	5.34	0.79	—	2.32	—	—	—

*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. 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. Please read it carefully.