

Franklin Lexington Private Markets Fund

December 2025 | Quarterly Update

Fund Overview

Summary

Franklin Lexington Private Markets Fund (the “Fund”) provides simplified access to a portfolio of private equity through secondaries, co-investments, and primaries,¹ designed for investors seeking long-term growth opportunities.

Strategy

The Fund’s investment objective is to seek long-term capital appreciation. In pursuing its investment objective, the Fund intends to invest in a portfolio of private equity and other private assets (collectively, “Private Assets”). The Fund has the flexibility to invest in Private Assets across asset types, including but not limited to buyout, growth, venture, credit, mezzanine, infrastructure, energy and other real assets (i.e., assets that have physical properties, such as natural resources, infrastructure and commodities), subject to compliance with its investment strategies and restrictions and applicable law, including the 1940 Act. The Fund expects to principally invest in Private Assets by acquiring assets through secondary private equity transactions and through private equity co-investments and, to a lesser degree, primary commitments to private equity funds. During normal market conditions, it is generally not expected that the Fund will hold more than 20% of its net assets in liquid assets for extended periods of time.

Fund Snapshot

Fund Structure	A 1933 & 1940 Act-registered, continuously offered fund
Fund Inception Date	12/20/2024
Management Fee	1.25% annualized, on net assets of the fund
NAV Frequency	Monthly
Subscriptions	Monthly
Tax Reporting	1099 tax treatment
Liquidity ²	Quarterly tender offer of up to 5% of total outstanding shares
Investor Eligibility	Must be a qualified client

Fund Highlights

We are pleased to provide quarterly commentary on Franklin Lexington Private Markets Fund (the “Fund”), highlighting a high-quality portfolio of private equity investments across asset types acquired through secondary transactions and co-investments alongside leading sponsors. Since the Fund’s first close on December 20, 2024, we are proud to share that:

- The constructed portfolio consists of 209 interests with exposure to over 1,950 companies, totaling \$1.8 billion of net asset value (“NAV”), which has been compiled across 63 transactions;
- Partnership transactions account for 57% of the Fund’s investment portfolio while general partner (“GP”)-led transactions account for 33% and co-investments comprise the remaining 10%;
- The Fund is diversified across investment styles with 76% in buyout, 13% in venture, and 11% in growth capital and geographies with 67% in North America, 27% in U.K./Europe, 4% in Asia-Pacific, and 2% in Latin America.
- As of December 31, 2025, based on NAV plus unfunded commitments, Lexington Advisors LLC’s (“Lexington”) private asset portfolio is 100% of the total investment exposure in the Fund. The Fund’s portfolio is 86% private assets and 14% liquid assets.

¹ Please refer to important disclosures for descriptions.

² Franklin Templeton intends to recommend that the Fund conduct quarterly tender offers of up to 5% of the Fund’s net assets, subject to the approval of the Fund’s board in its sole discretion. There can be no assurance that the Fund will conduct tender offers in any particular period and shareholders may be unable to tender any or all shares for repurchase for an indefinite period of time. Shareholders should not expect to be able to sell their shares regardless of how the fund performs.

Market Commentary¹

2025 was an environment in which the secondary private equity market played an increasingly important role, helping bridge the gap between long-term investment horizons and evolving liquidity needs for both investors and sponsors. The year unfolded against a backdrop of heightened macro and policy uncertainty, shaped by the introduction of so-called “Liberation Day” tariffs, rapid advances in artificial intelligence, currency volatility, and shifting geopolitical dynamics. While public markets reflected these developments with immediate and often pronounced reactions, private markets adjusted more gradually. This divergence highlighted the growing importance of private capital as companies continue to stay private longer and rely on deeper pools of long-term capital.

Following the transition to a new U.S. administration, expectations rose for a more constructive backdrop for private equity-related M&A activity. While dealmaking improved modestly from 2024 levels, persistent volatility and constrained exit markets limited a broader recovery in primary transactions. Against this backdrop, secondary market activity accelerated, as investors and sponsors increasingly turned to the secondary market as a practical and established mechanism to generate liquidity, manage portfolios, and reallocate capital. We believe this dynamic underscores the growing maturity of the secondary market and its role as an essential component of today’s private market ecosystem.

Private equity fundraising remained challenging across most strategies in 2025, largely due to a prolonged and constrained distribution environment. While exit activity improved modestly during the year, distributions remained well below pre-2022 levels, limiting the ability of many institutional investors to recycle capital and fund new commitments. As a result, overall private equity fundraising activity stayed muted. At the same time, areas of the market more closely aligned with liquidity management and access – particularly secondary-focused strategies – continued to attract interest. In addition, the wealth channel emerged as a relative bright spot, reflecting its historical under-allocation to private markets and growing demand for diversified, professionally managed access to private investments.

Secondary market deal flow reached another record year, with transaction volume exceeding \$240 billion. This represented a 48% year-over-year increase, driven by a broad-based rise in selling activity across both limited partner (“LP”)-led and GP-led transactions as market participants sought to manage liquidity needs in the absence of traditional exit pathways.²

LP-led transactions grew 44% year-over-year, surpassing \$125 billion in volume, as investors increasingly utilized the secondary market as a proactive portfolio management tool.² While overall pricing remained resilient, dispersion increased meaningfully across strategies, vintages, and portfolio maturity. Following a brief pricing softening after “Liberation Day,” outcomes stabilized, with high-quality buyout portfolios often trading at tighter discounts, while an increased supply of more mature buyout and venture/growth portfolios created attractive entry points for disciplined secondary buyers.

General Partner (GP-led) transactions, which represented approximately 45% of total secondary market activity, remained robust, reflecting the continued adoption of continuation vehicles as a flexible alternative to traditional exit routes. GP-led transaction volume reached \$115 billion in 2025, representing a 53% year-over-year increase. Single-asset continuation vehicles accounted for approximately 40% of GP-led volume, underscoring their position as the fastest-growing segment of the market.² As sponsors face continued pressure to generate DPI and manage growing fund NAVs, we expect continuation vehicles to remain a core portfolio management tool in the years ahead.

Recent high-profile university endowment sales, including transactions by Yale University and Harvard University, have drawn significant attention. In our view, these institutions have historically constructed high-quality portfolios managed by leading GPs. While broader political considerations may have influenced transaction timing, these sales appear consistent with active portfolio management and reflect strategic use of the secondary market to address rebalancing and liquidity objectives. Importantly, these transactions highlight the depth and maturity of today’s secondary market, which is increasingly capable of absorbing large, complex portfolios with regularity.

Lexington has consistently pursued a disciplined and flexible investment strategy, maintaining a defensive portfolio construction philosophy that we believe has served us well. With traditional exit routes likely to remain constrained for an extended period, we believe our experience and scale position us well to capitalize on opportunities across both LP-led and GP-led transactions.

We also believe the current co-investment environment remains attractive. Capital constraints and private equity overallocation have led many LPs to reduce co-investment activity, while a challenging fundraising environment and elevated cost of debt have increased sponsor demand for third-party equity. Despite ongoing market uncertainty, we believe conditions remain compelling for experienced and disciplined co-investors.

¹ Source: Lexington estimates derived from proprietary market study of global secondary transactions completed each year.

² Jefferies – Global Secondary Market Review (January 2026).

Performance Summary

As of December 31, 2025, the Fund delivered an annualized total return of 22.8% (Class I shares) since inception. The Fund's performance is driven by a combination of purchase discount and asset appreciation. While the initial performance of the Fund was largely driven by discount, asset appreciation now comprises nearly half of the return attribution from inception to date. Over time, we expect that purchase discount will represent approximately 20-35% of the Fund's gross portfolio gain with the remaining 65-80% attributable to asset appreciation, which resembles what we have achieved in our global secondary funds. Lexington adheres to a rigorous and disciplined investment process focused on identifying and acquiring high-quality assets that are poised for future growth. By acquiring high-quality assets, we believe the Fund's portfolio is constructed to weather market volatility and provide our investors with strong, long-term, risk-adjusted return potential.

Total Return (% as of December 31, 2025)

	NAV	1-Mth	3-Mth	6-Mth	1-Yr ²	Since Inception ^{1,2}
Class I	\$30.89	1.05	4.57	8.88	17.36	22.80
Class D	\$30.82	1.02	4.47	8.71	17.10	22.53
Class S	\$30.61	0.96	4.33	8.39	16.34	22.44
Class M	\$30.75	1.02	4.45	8.62	16.83	22.26

Case Studies

Project Millennium – Partnership Deal

Transaction Summary

Seller	U.S. Institution
# of Interests / Sponsors	22 / 2
# of Companies	400+
Closing Date (est.)	December 2025
Deal Size (FLEX)	\$87M

Key Deal Highlights

Lexington Angle

- ✓ Curated portfolio as a part of a mosaic solution consisting of high-quality venture exposure

GP Track Record

- ✓ High-quality venture and growth sponsors

Transaction Dynamics

- ✓ Bilateral negotiation with seller
- ✓ Negotiated meaningful purchase discount

Portfolio Characteristics

- ✓ Majority enterprise software exposure
- ✓ Primarily late-stage venture & growth exposure with significant cash runway

Project Cavalier – Partnership Deal

Transaction Summary

Seller	U.S. Public Pension
# of Interests / Sponsors	12 / 10
# of Companies	150+
Closing Date (est.)	December 2025
Deal Size (FLEX)	\$31M

Key Deal Highlights

Lexington Angle

- ✓ Strong sponsor and fund coverage; ability to negotiate an optimal subset of assets with the seller at an attractive discount

Transaction Dynamics

- ✓ Bilateral negotiation with seller
- ✓ Negotiated meaningful purchase discount

Portfolio Characteristics

- ✓ Diversified portfolio across sector and geography
- ✓ Exposure to over 150 companies across 10 industries
- ✓ Vintage diversification across fund and company vintage

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. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit www.flexpe.com. Expense Ratios (Gross/Net): Class I: 4.79% / 4.76%, Class D: 4.91% / 4.88%, Class S: 5.64% / 5.61%, Class M: 5.18% / 5.15%. See important disclosures for more details.

¹ Since inception date is December 20, 2024.

² Annualized.

Please see important disclosures at the end of this document for further information.

Important disclosures

Project Millennium represents 3% and Project Cavalier represents 1% of the holdings of the entire portfolio (100%), calculated as NAV plus unfunded at closing as a percentage of 12/31/25 NAV of \$1.8B. Selected case studies in this document may not be representative of all transactions of a given type or of investments generally and are intended to be illustrative of some investment techniques or transaction types that may be used by FLEX or a Lexington fund. Each deal size is estimated based on NAV plus unfunded commitments at close. There can be no assurances that the deal sizes shown will not change. **Past performance is not indicative of future results.**

References to Specific Investments: Any case studies (or other selected transactions) in this Presentation are presented for informational purposes only and are intended to be illustrative of the types of investments that have been made by the Lexington funds and/or that may be made by the Fund. However, there can be no assurances that any investments of the type included in the case studies or otherwise featured herein will be available to or approved by the investment committee of the Lexington Secondary Funds.

BEFORE INVESTING, CAREFULLY CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES. YOU CAN FIND THIS AND OTHER INFORMATION IN ITS PROSPECTUS AT WWW.FLEXPE.COM. PLEASE READ THE PROSPECTUS CAREFULLY.

Secondaries: Private equity secondaries are transactions that offer liquidity solutions to owners of interests in private equity and other alternative investment funds.

Co-investment: Direct equity co-investment refers to an investment structure in which a private equity firm (General Partner) and direct co-investors collectively invest in portfolio companies. **Primaries:** Investments are made directly in newly formed private equity funds to gain exposure to privately held companies.

Redemptions/tender offers: Franklin Templeton intends to recommend that the Fund conduct quarterly tender offers of up to 5% of the Fund's net assets, subject to the approval of the Fund's board in its sole discretion. There can be no assurance that the Fund will conduct tender offers in any particular period and shareholders may be unable to tender any or all shares for repurchase in a periodic repurchase offer or for an indefinite period of time. Shareholders should not expect to be able to sell their shares regardless of how the Fund performs.

Gross expense ratio: The gross expense ratio reflects the total annual operating expenses for the share class shown, prior to the deduction of any waiver or reimbursement. Actual expenses may be higher and may impact portfolio returns.

Net expense ratio: The net expense ratio reflects total expenses after any fee waivers, implemented expense caps or reimbursements and also incentive fees. Management fee payable by the Fund as of October 2, 2025 will be at the annual rate of 1.25%. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice. Expense ratios are as of the most recent prospectus or annual report please see the prospectus for additional details.

Incentive fee: The incentive fee will be charged on a quarterly basis (and at certain other times). The incentive fee is equal to 12.50% of the excess, if any, of (i) the net profits of the Fund for the relevant period over (ii) the then balance, if any, of the sum of the hurdle amount and the loss recovery account. Incentive fees are accrued monthly and paid quarterly. For purposes of calculating incentive fees, such accruals are not deducted from net asset value. Because the incentive fee is speculative, no incentive fee is presented for the initial year of operations.

Early repurchase fee: A 2.00% early repurchase fee payable to the Fund may be charged with respect to the repurchase of shares at any time prior to the day immediately preceding the one-year anniversary of a shareholder's purchase of the shares (on a "first in-first out" basis). The early repurchase fee will be retained by the Fund for the benefit of the remaining shareholders.

Sales load: No upfront sales load will be paid with respect to Class S Shares, Class D Shares, Class I Shares or Class M Shares, however, if you buy Class S Shares, Class D Shares or Class M Shares through certain financial intermediaries, they may directly charge you transaction or other fees, including upfront placement fees or brokerage commissions, in such amount as they may determine, provided that selling agents limit such charges to a 3.0% cap on NAV for Class D Shares, a 3.0% cap on NAV Class S Shares and a 3.0% cap on NAV for Class M Shares.

Investment risk: Past performance is no guarantee of future results. All investments involve risk, including loss of principal. Franklin Lexington Private Markets Fund (the "Fund") is subject to a high degree of risk; specific risk considerations are listed below.

Concentration risk: An investment should be considered long-term within a multi-asset portfolio and should not be viewed individually as a complete investment program.

Liquidity risks: The Fund should be viewed as a long-term investment, as it is inherently illiquid and suitable only for investors who can bear the risks associated with the limited liquidity of the Fund. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no more than 5% of the Fund's shares outstanding at net asset value. There is no guarantee these repurchases will occur as scheduled, or at all. Shareholders may not be able to sell their shares in the Fund at all or at a favorable price.

Fund distributions: Distributions are not guaranteed and are subject to change.

Private market investment risks: The Fund may be able to invest in private securities that are illiquid and thinly traded, which may limit the manager's ability to sell such securities at their fair market value or when necessary to meet the portfolio's liquidity needs. To the extent the Fund invests in privately held companies, they present certain challenges and involve incremental risks as opposed to investments in public companies, such as dealing with the lack of available information about these companies as well as their general lack of liquidity. There also can be no assurance that companies will list their securities on a securities exchange, as such, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on an investor's ability to dispose of them at a favorable time or price.



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