FRANKLIN TEMPLETON

Franklin U.S. Large Cap Multifactor Index ETF

FLQL | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** US equities advanced over the third quarter, though performance diverged sharply during the period as leadership rotated between value- and growth-oriented areas of the market. Corporate earnings were notably robust, with most S&P 500 companies exceeding both profit and revenue estimates by wide margins. Treasury yields rose sharply as resilient economic growth, persistent inflation, firmer energy prices and heavy government and corporate debt supply weighed on the asset class. The US Federal Reserve (Fed) raised its policy interest rate in September, the first increase since 2023. The Nasdaq Composite Index outperformed the S&P 500 Index, while the Dow Jones Industrial Average fell. By investment style, value investing surpassed growth in each capitalization segment, while across the market as a whole, large-cap stocks performed better than their mid- and small-cap peers.
- **Contributors:** overweight Value
- **Detractors:** underweight Momentum and Quality.

Performance Review

- During the period, Franklin U.S. Large Cap Multifactor Index ETF delivered returns slightly below its underlying benchmark, the LibertyQ U.S. Large Cap Equity Index, on a net asset value (NAV) basis, as measured in US dollar terms, and underperformed its investment universe, the Russell 1000 Index.
- The Fund's overweight exposure to the Value factor contributed to relative performance over the period. Conversely, overweight exposures to the Momentum and Quality factors detracted over the same period.
- Exposure to currencies, sectors, industries and countries reflects the indirect influence of our factor-based investment approach rather than any explicit preferences. These outcomes of the investment process, not derived through the lens of factor analysis, detracted from returns in aggregate.
- In terms of relative performance, a slight underweight exposure to the Information Technology Services and Software industry significantly detracted, whereas a slight overweight exposure to the Gold industry aided performance. Country and currency exposures had little effect on results.

Top Equity Issuers (% of Total)

Holding	Fund
APPLE INC	7.81
NVIDIA CORP	7.38
ALPHABET INC	6.04
MICROSOFT CORP	5.28
AMAZON.COM INC	3.24
BROADCOM INC	2.14
META PLATFORMS INC	2.07
JOHNSON & JOHNSON	1.78
VISA INC	1.73
APPLIED MATERIALS INC	1.58

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 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	FLQL	Cboe	0.44	16.58	14.00	15.93	23.58	14.92	—	14.59	0.15	0.15	4/26/2017
NAV Returns	—	—	0.14	16.38	13.84	15.73	23.56	14.88	—	14.57	0.15	0.15	4/26/2017
Investment Universe	—	—	1.80	17.20	12.30	15.01	22.48	13.01	—	14.70	—	—	—
Underlying Index	—	—	0.18	16.47	13.99	15.93	23.73	15.05	—	14.77	—	—	—

*Cumulative total returns

Benchmark(s)

Investment Universe =Russell 1000 Index

Underlying Index =LibertyQ U.S. Large Cap Equity 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.* 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 April 28, 2017, 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. Equity securities are subject to price fluctuation and 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. In seeking to track its underlying index, the fund **may become non-diversified** as a result of a change in relative market capitalization or index weighting of one or more constituents of the underlying index. There can be no assurance that the fund's **multi-factor stock selection process** will enhance performance. Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. Performance of the fund may vary significantly from the performance of an **index**, as a result of transaction costs, expenses and other factors. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. These and other risks are discussed in the fund's prospectus.

Glossary

Dow Jones Industrial Average (DJIA) is an unmanaged index composed of 30 blue-chip stocks, each with annual sales exceeding $7 billion. The DJIA is price-weighted, reflects large-cap companies representative of U.S. industry, and historically has moved in tandem with other major market indexes such as the S&P 500. Source: © S&P Dow Jones Indices LLC.

Nasdaq Composite Index is a market-capitalization-weighted index that is designed to represent the performance of Nasdaq securities and includes over 3,000 stocks. Source: Nasdaq OMX.

Net asset value (NAV) represents a fund's per share market value.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important Information

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.

The LibertyQ U.S. Large Cap Index methodology utilizes a custom factor weighting (40% Quality, 30% Value, 30% Momentum) and custom factor definitions. This methodology automatically selects securities with wrights of 1% or greater in the Russell 1000 Index. Of the remaining securities in the Russell 1000 Index, those in the top 20% (ranked by their factor score) are selected. All securities are held according to their (Benchmark Weight) x (Composite Factor Score), subject to security constraints. **Quality** is measured by return on equity (ex. REITs), 5-year earnings variability, cash return on assets (ex. REITs and Financials), leverage (ex. Financials and REITs), and operating cash to sales (REITs only) and ROA (REITS and financials only). **Value** is measured by 12-month trailing price-to-earnings (ex. REITs and Financials), 12-month forward price-to-earnings (ex. REITs and Financials), dividend yield (ex. REITs and Financials), 1/3 relative z-score of dividend yield and 2/3 relative z-scores of the price-to-book (REITs and Financials only). **Momentum** is measured by 6-month risk-adjusted price momentum and 12-month risk-adjusted price momentum.

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 **LibertyQ U.S. Large Cap Equity Index** is based on the Russell 1000 Index, its parent index, which measures the performance of the large-cap segment of the U.S. equity universe. The LibertyQ U.S. Large Cap Equity Index is designed to reflect the performance of a Franklin Templeton strategy that seeks exposure to three factors: Quality, Value and Momentum. Source: FTSE Russell. The LibertyQ U.S. Large Cap Equity Index is calculated and maintained by FTSE Russell which, which aims to reflect the performance of a Franklin Templeton strategy. The Franklin U.S. Large Cap Multifactor Index ETF not in any way sponsored, endorsed, sold or promoted by FTSE Russell. The **Russell 1000 Index** measures the performance of the large-cap 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.

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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.

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