

Franklin U.S. Mid Cap Multifactor Index ETF

Commentary | as of September 30, 2025

Key Takeaways

- Markets: US stocks delivered strong performance over the third quarter of 2025, buoyed, in part, by easing trade
 tensions and optimism surrounding artificial intelligence (AI). The US Federal Reserve's (Fed's) interest-rate cut in
 September also supported market sentiment, as did generally robust corporate earnings. Both the S&P 500 Index and
 the Nasdaq Composite Index ended the quarter at new record highs, while returns for the Dow Jones Industrial Average
 were more muted. In this environment, growth investing surpassed value in the large-capitalization tier while it was the
 reverse in the mid- and small-capitalization segments, with small-cap stocks overall performing better than their largeand mid-cap counterparts.
- **Contributors:** There were no style factors that contributed to relative returns; however, certain outcomes of the investment process, not derived through the lens of factor analysis, contributed to returns in aggregate.
- Detractors: The quality, low volatility and momentum factors detracted from relative returns.

Performance Review

- There were no style factors that lifted relative performance this quarter.
- Detractors from performance included the quality, low volatility and momentum factors. The quality factor delivered mixed
 returns during the quarter, as many investors focused on riskier growth stocks, driven by AI enthusiasm and the Fed's rate
 cut. Low-volatility stocks underperformed market indexes for the quarter, as positive returns from the AI-focused market
 leaders boosted the major stock indexes to record highs. Volatility remained low during most of the quarter due to optimism
 about US economic growth and easing interest rates. The momentum factor continued to show mostly positive returns, as
 growth and technology/AI-focused stocks led equity markets higher.
- A high exposure to the quality factor marginally detracted from relative returns, as did low exposures to the low-volatility and momentum factors. Minimal exposure to the value factor had no significant impact on relative returns.
- Exposure to sectors, stocks and industries reflects the indirect influence of our multi-factor investment approach rather than
 any explicit preferences for particular segments. These outcomes of the investment process, not derived through the lens of
 factor analysis, contributed to returns in aggregate.
- Overweight exposures to the insurance and commercial and professional services industries detracted from relative returns.
 Conversely, underweight allocations to the consumer services and media industries contributed to performance. Our index methodology caps individual security weights at 1% at the time of each semiannual reconstitution of the underlying index, in an effort to deconcentrate the portfolio and minimize the risk of one individual security.

Top Equity Issuers (% of Total)

Holding	Fund
ELECTRONIC ARTS INC	1.34
CUMMINS INC	1.26
IDEXX LABORATORIES INC	1.20
EBAY INC	1.19
FERGUSON ENTERPRISES INC	1.18
GARMIN LTD	1.10
FASTENAL CO	1.14
SYNCHRONY FINANCIAL	1.13
TRACTOR SUPPLY CO	1.12
DELTA AIR LINES INC	1.12

Average annual total returns and fund expenses (%) - as of September 30, 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	FLQM	Cboe	4.29	7.29	4.94	2.77	16.25	12.74	_	11.37	0.30	0.30	4/26/2017
NAV Returns	_	_	4.34	7.53	5.23	3.05	16.30	12.81	_	11.38	0.30	0.30	4/26/2017
Investment Universe	_	_	5.33	14.31	10.42	11.11	17.69	12.66	_	10.60	_	_	_
Underlying Index	_	_	4.44	7.71	5.47	3.35	16.64	13.13	_	11.70	_	_	_

^{*}Cumulative total returns

Benchmark(s)

Investment Universe = Russell Midcap Index

Underlying Index =LibertyQ U.S. Mid 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 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. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. 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. 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. Mid Cap Index methodology utilizes a custom factor weighting (50% Quality, 30% Value, 10% Momentum, 10% Low Volatility) and custom factor definitions. The methodology targets the top 25% of securities from the parent index with the highest combined factor score. **Quality** is measured by return on equity, gross profit over asset, 5 year gross margin sustainability (ex. Financials and REITs), Cash ROA and 5 year ROA sustainability (Financials and REITs). **Value** is measured by EBITDA to Enterprise Value Ratio (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. **Low Volatility** is measured by the historical beta of at least 104 weeks.

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

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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.

