FRANKLIN TEMPLETON

Franklin Systematic Style Premia ETF

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

Key Takeaways

- **Markets:** Global equities, as measured by the MSCI All Country World Index, advanced during the third quarter of 2026, supported by resilient corporate earnings and continued enthusiasm for artificial intelligence, despite geopolitical tensions, persistent inflation and rising bond yields. The market environment presented varied opportunities across systematic investment styles and asset classes. Within equities, differences in performance across regions and investment characteristics provided a backdrop for equity factor strategies, including Value, Quality, Momentum and Sentiment. In fixed income, rising sovereign bond yields and changing monetary policy expectations influenced the environment for interest rate Carry, Momentum and Value strategies. Currency markets also presented opportunities for systematic positioning, while renewed energy supply disruptions and rising commodity prices created trends relevant to commodity Momentum strategies. Overall, the quarter highlighted the importance of diversification across investment styles and asset classes as different risk premia responded to changing market conditions.
- **Contributors:** The top-down risk premia strategy was the primary contributor to performance during the third quarter. The bottom-up multi-factor equity strategy also contributed, driven by favorable factor exposures, particularly the strategy's proprietary Value factor.
- **Detractors:** Within the bottom-up multi-factor equity strategy, stock-specific returns detracted despite strong factor performance, and the strategy's Sentiment factor also weighed on results.

Performance Review

- Franklin Systematic Style Premia ETF (FLSP) returned 4.91 (NAV) during the third quarter of 2026, and outperformed its benchmark, the ICE BofA U.S. 3-Month Treasury Bill Index, which returned 0.89 (gross of fees).
- The top-down risk premia strategy was the primary contributor to performance during the quarter, with systematic style premia generating gains in each of its interest rates, foreign exchange, commodity and equity sleeves. Within the interest rate sleeve, Carry and Momentum were the strongest-performing style premia, as positions in Germany, France and the United States helped outweigh some weakness in Canada and the United Kingdom. Foreign exchange positioning was a substantial contributor, driven by the Carry and Value premia and US dollar longs against the Swiss franc. The Momentum premium was a key contributor to gains in the commodity sleeve, as positioning in gasoline, Brent crude and heating oil outweighed some agricultural positions. The equity sleeve also contributed to performance, with the Value style premia offsetting some headwinds from Momentum.
- The bottom-up multi-factor equity strategy contributed to performance over the period as well. Favorable factor exposures more than offset weakness from stock-specific returns during the quarter. The strategy's proprietary Value factor was the largest contributor to returns, while the Sentiment factor detracted. Positive country positioning also added value, led by exposures in Japan, Australia and the United States. Micron Technology, Marathon Petroleum and Recruit Holdings were among the largest contributors, while AppLovin, Advanced Micro Devices and Western Digital were among the largest detractors.

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	FLSP	NYSE Arca	3.29	5.15	6.28	10.71	10.12	8.56	—	4.47	0.65	0.65	12/18/2019
NAV Returns	—	—	4.91	5.45	7.54	11.51	10.11	8.63	—	4.51	0.65	0.65	12/18/2019
Benchmark	—	—	0.89	1.79	2.65	3.65	4.49	3.70	—	2.83	—	—	—

*Cumulative total returns

Benchmark(s)

Benchmark =ICE BofA US 3-Month Treasury Bill 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 December 20, 2019, 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. The fund is actively managed and could experience losses if the manager's judgment about particular investments, or its evaluation of the risks, potential returns and correlation properties of the various **risk premia** in which the fund invests, prove to be incorrect. The **allocation** of assets among different strategies, asset classes and investments may not prove beneficial or produce the desired results. There is no assurance that the **quantitative methodology** used will achieve its intended results. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. **Currency management** strategies could result in losses to the fund if currencies do not perform as expected. **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. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **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.** To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. These and other risks are discussed in the fund's prospectus.

Glossary

The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

Risk premia refers to the amount by which the return of a risky asset is expected to outperform the known return on a risk-free asset.

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.

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 **ICE BofA U.S. 3-Month Treasury Bill Index** is an unmanaged index that comprises a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month.

Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use.

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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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