

SEMIANNUAL REPORT

FRANKLIN ETF TRUST

September 30, 2020



FRANKLIN
TEMPLETON

Franklin Equity Portfolio Fund

Franklin Fixed Income Portfolio Fund

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SEMIANNUAL REPORT

Franklin Equity Portfolio Fund

This inaugural semiannual report for Franklin Equity Portfolio Fund covers the period since the Fund's inception on July 15, 2020, through September 30, 2020.

Your Fund's Goal and Main Investments

The Fund seeks to achieve its investment goal of long-term capital appreciation by investing primarily in other Franklin Templeton mutual funds and Franklin Templeton and third-party exchange-traded funds (ETFs) (together, the "underlying funds"). Through the Fund's investments in these underlying funds, the Fund normally invests at least 80% of its net assets in equity securities and other instruments that have economic characteristics similar to equity securities.

Performance Overview

During the period from July 15, 2020, through September 30, 2020, the Fund posted a +1.70% cumulative total return. For comparison, the MSCI All Country World Index-NR, which measures equity market performance in global developed and emerging markets, posted a +3.14% total return for the same period.¹ You can find more of the Fund's performance data in the Performance Summary beginning on page 4.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

Economic and Market Overview

U.S. equities, as measured by the Standard & Poor's[®] 500 Index (S&P 500[®]), advanced during the period since the Fund's inception on July 15, 2020, through September 30, 2020, as markets continued to recover from the disruption created by the novel coronavirus (COVID-19). Despite the impact of the virus and ongoing restrictions on travel, gatherings and economic activity, a steady equity market recovery amid unprecedented monetary and fiscal support

Portfolio Composition 9/30/20

	% of Total Net Assets*
Domestic Equity	76.6%
Foreign Equity	32.6%
Short-Term Investments & Other Net Assets	-9.2%

*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

led stocks, as measured by the S&P 500, to reach all-time price highs in early September 2020. Nonetheless, several risks tempered investors' enthusiasm in the period's final month, including persistent COVID-19 infection rates, fading hopes for additional stimulus, and uncertainties surrounding the upcoming presidential election.

In March 2020, a few months before the beginning of the reporting period, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% and implemented a policy of unlimited, open-ended purchasing of government-backed and corporate bonds to help keep markets functioning. Additionally, the Fed announced in August 2020 that future interest rates could potentially remain low, even if inflation persistently exceeded the Fed's 2% target. Before the reporting period, the federal government also passed several rounds of fiscal stimulus, providing aid to businesses, state and local governments and individuals.

The monetary and fiscal stimulus measures helped equities gain during the period, even as the economy continued to struggle. The longest U.S. economic expansion in history ended in February (before the reporting period), according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) declining at a record pace. Social distancing requirements hindered businesses that require in-person contact, particularly brick-and-mortar retailers and travel and leisure companies. As a result, the unemployment rate surged as many businesses announced mass layoffs, but conditions began to improve as stimulus measures helped support consumer spending, and unemployment fell from 10.2% in July 2020 to 7.9% by

1. Source: Morningstar.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

2. Source: Bureau of Labor Statistics.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 13.

period-end.² Economic growth resumed in the third quarter at the fastest annualized rate on record as many businesses reopened, but the GDP remained below its pre-pandemic level.

The improving economic conditions buoyed stocks, and many investors were optimistic the economy would continue to improve as restrictions eased and potential COVID-19 vaccines and treatments were developed. Near period-end, however, some signs emerged that the economic recovery was stalling, including persistently high unemployment claims and low consumer confidence, leading stocks to reverse some of their earlier gains.

Investment Strategy

The Fund primarily invests in underlying funds that provide exposure to U.S. and international equity securities, including emerging markets securities, of any market capitalization. In choosing underlying funds, the investment manager considers the underlying funds' foreign and domestic exposure and market capitalization ranges. In addition, the investment manager evaluates the risk level of each underlying fund by analyzing factors such as: (a) the underlying fund's performance, including comparative performance against its benchmark indices and its Morningstar peer group, (b) the correlation of the underlying fund's performance with other underlying funds and their corresponding benchmark indices, and (c) volatility.

Fund Holdings

9/30/20

	% of Total Net Assets
Franklin US Core Equity (IU) Fund	76.6%
Franklin International Core Equity (IU) Fund	23.9%
Franklin Emerging Market Core Equity (IU) Fund	8.7%

Manager's Discussion

Franklin Equity Portfolio Fund launched on July 15, 2020, with an objective of long-term capital appreciation, while providing diversified equity exposures across capitalization sizes and investment styles. The Fund's performance can be attributed to its allocation among domestic and foreign equity securities and to the actual performance of the underlying funds' investments.

At period-end, Franklin Equity Portfolio Fund allocated 76.6% of total net assets to domestic equity and 32.6% to foreign equity. The Fund was diversified across capitalization sizes as the Fund's managers sought to achieve a core investment style, having characteristics of both growth and value. Franklin U.S. Core Equity (IU) Fund, which seeks to outperform the Russell 1000® Index benchmark by utilizing a blended fundamental and quantitative approach, was the largest equity underlying fund allocation at 76.6%.³ Franklin International Core Equity (IU) Fund was the second largest equity underlying fund allocation at 23.9%, and Franklin Emerging Market Core Equity (IU) Fund had an allocation of 8.7%.

Thank you for your participation in Franklin Equity Portfolio Fund. We look forward to serving your future investment needs.

Thomas A. Nelson, CFA

May Tong, CFA

Portfolio Management Team

The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2020, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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See www.franklintempletondatasources.com for additional data provider information.

Performance Summary as of September 30, 2020

The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

Performance as of 9/30/20¹

	Cumulative Total Return ²	Average Annual Total Return ³
Since Inception (7/15/20)	+1.70%	+1.70%

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

See page 5 for Performance Summary footnotes.

Total Annual Operating Expenses⁴

	With Fee Waiver	Without Fee Waiver
	0.50%	3.21%

All investments involve risks, including possible loss of principal. Because this Fund invests in underlying funds, it is subject to the same risks, and indirectly bears the fees and expenses, of the underlying funds. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Securities issued by small and mid-capitalization companies may be more volatile in price than larger company securities and may involve additional risks. Large companies may underperform relative to small and mid-capitalization companies because they may be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes, and may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. U.S. securities can be volatile in response to various forces including political and economic events, federal and state budget deficits; unpredictability of U.S. legislation on financial reform, health care, tax reform and infrastructure; risks of "trade wars;" and persistently low interest rates. Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with internal and external political and economic developments, trading practices, availability of information, limited markets and currency exchange rate fluctuations and policies. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has an expense reduction and a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 7/31/21. Fund investment results reflect the expense reduction and fee waiver; without these waivers, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
4. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See www.franklintempletondatasources.com for additional data provider information.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number in the row under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*). In this illustration, the actual expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Beginning Account Value 7/15/20 ¹	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Annualized Expense Ratio ³
	Ending Account Value 9/30/20	Expenses Paid During Period 7/15/20–9/30/20 ^{2,3}	Ending Account Value 9/30/20	Expenses Paid During Period 4/1/20–9/30/20 ^{2,3}	
\$1,000	\$1,017.00	\$1.03	\$1,009.53	\$1.03	0.48%

1. July 15, 2020 for Actual; April 1, 2020 for Hypothetical.

2. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 183/365 to reflect the one-half year period. Non-recurring expenses are not annualized. For Actual expenses, the multiplier is 77/365 to reflect the number of days since effective date.

3. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Franklin Fixed Income Portfolio Fund

This inaugural semiannual report for Franklin Fixed Income Portfolio Fund covers the period since the Fund's inception on July 15, 2020, through September 30, 2020.

Your Fund's Goal and Main Investments

The Fund seeks current income with long-term capital appreciation as a secondary goal, by investing primarily in other Franklin Templeton mutual funds and Franklin Templeton and third-party exchange-traded funds (ETFs) (together, the "underlying funds"). Through the Fund's investments in these underlying funds, the Fund normally invests at least 80% of its net assets in fixed income securities and other instruments that have economic characteristics similar to fixed income securities.

Performance Overview

During the period from July 15, 2020, through September 30, 2020, the Fund posted a +0.00% cumulative total return. For comparison, the Bloomberg Barclays U.S. Aggregate Bond Index, which measures the performance of the U.S. investment-grade, fixed-rate, taxable bond markets, posted a -0.06% total return for the same period.¹ Also for comparison, the Bloomberg Barclays Global Aggregate Bond Index, which measures the performance of the global investment-grade, fixed-rate, taxable bond markets, posted a +1.57% total return for the same period.¹ You can find more of the Fund's performance data in the Performance Summary beginning on page 9.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

Economic and Market Overview

Global aggregate bond markets posted positive returns during the period since the Fund's inception on July 15, 2020, through September 30, 2020. Before the reporting period, the U.S. government announced three new packages of economic relief in April 2020, which brought total fiscal stimulus since the start of the COVID-19 outbreak to around US\$3 trillion. In May, U.S. Federal Reserve (Fed) Chair Jerome Powell stated that the U.S. economy's recovery

Portfolio Composition

9/30/20

	% of Total Net Assets*
Domestic Fixed Income	119.2%
Foreign Fixed Income	21.0%
Short-Term Investments & Other Net Assets	-40.2%

*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

from the coronavirus crisis would probably be slow, and the central bank soon initiated some of the measures announced in March by beginning to purchase investment-grade corporate bonds. According to the U.S. Bureau of Economic Analysis, U.S. gross domestic product (GDP) had fallen at an annualized rate of -31.4% in the second quarter, the most significant single-quarter contraction on record for the world's largest economy. After a lengthy review of its policy framework, the Fed also announced that it would tolerate inflation moving above its longer-term goal of 2% to help boost the U.S. economy. This announcement precipitated a selloff in bonds, especially in longer-dated Treasuries, with a subsequent sharp steepening of the U.S. yield curve. In September, the Fed kept its policy largely unchanged but announced that it would consider extending the restrictions on dividends and share buybacks for large banks. Mr. Powell commented that economic activity, led by increased household spending and an improving U.S. housing market, had been resilient. Indeed, the central bank revised upward its projection for 2020 GDP growth, although it also highlighted the need for Congress to agree on additional fiscal stimulus. Against this backdrop, benchmark U.S. Treasury yields declined slightly over the reporting period.

In Europe, before the reporting period, the European Central Bank (ECB) decided at its end-of-April meeting not to expand its asset purchase program, a sign that major central banks were taking stock of the considerable measures launched in response to the COVID-19 crisis. Nonetheless, the ECB did expand its program of loans to banks at record-low rates. In May, the European Commission proposed a further €750 billion recovery package, including the issuance of new bonds, to help member states of the European Union (EU) combat the economic impact of the virus. Macroeconomic data released towards the end of the second quarter was upbeat. During the reporting period, the outlook for the eurozone was bolstered considerably in July when EU leaders finally reached an agreement

1. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. See www.franklintempletondatasources.com for additional data provider information.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 15.

on the rescue plan put forward in May. August saw signs of recovery, although headline consumer inflation in the eurozone fell from 0.4% in July to -0.2% in August, the first time in four years that the eurozone had entered a period of deflation. In September, the ECB stated that, like the Fed, it would consider allowing eurozone inflation to overshoot its target. The ECB also urged the EU to contemplate making its pandemic recovery fund permanent. In this environment, benchmark yields on German bunds were broadly flat for the period, though they remained well in negative territory at the end of September.

Investment Strategy

The Fund primarily invests in underlying funds that provide exposure to U.S. and international fixed income securities, including emerging markets securities, of any maturity or duration, including government debt, corporate debt, municipal securities and mortgage-backed and asset-backed securities (including those that are issued on a when-issued or delayed delivery basis). Certain underlying funds may hold securities across the credit quality spectrum, including below investment grade or “junk” bonds. In addition, some underlying funds may have exposure to certain derivative instruments.

In choosing underlying funds, the investment manager considers the underlying funds’ foreign and domestic exposure, duration and maturity. In addition, the investment manager evaluates the risk level of each underlying fund by analyzing factors such as: (a) the underlying fund’s performance, including comparative performance against its benchmark indices and its Morningstar peer group, (b) the correlation of the underlying fund’s performance with other underlying funds and their corresponding benchmark indices, and (c) volatility.

Fund Holdings

9/30/20

	% of Total Net Assets
Franklin Liberty U.S. Core Bond ETF	88.4%
Franklin Liberty U.S. Treasury Bond ETF	22.5%
Franklin Liberty Investment Grade Corporate ETF	18.2%
Franklin Liberty Federal Tax-Free Bond ETF	8.3%
Franklin Liberty High Yield Corporate ETF	2.8%

diversified fixed income exposures across rates and credit sectors. The Fund’s performance can be attributed to its allocation among fixed income securities and to the actual performance of the underlying funds’ investments.

At period-end, Franklin Fixed Income Portfolio Fund was invested predominantly in domestic fixed income securities. Franklin Liberty U.S. Core Bond ETF, which seeks to obtain broad exposure to the Bloomberg Barclays U.S. Aggregate Bond Index, was the largest position with an allocation of 88.4%. Franklin Liberty U.S. Treasury Bond ETF is the second largest position with an allocation of 22.5%, and Franklin Liberty Investment Grade Corporate ETF is the third largest position with an allocation of 18.2%.

Thank you for your participation in Franklin Fixed Income Portfolio Fund. We look forward to serving your future investment needs.

Thomas A. Nelson, CFA

May Tong, CFA

Portfolio Management Team

The foregoing information reflects our analysis, opinions and portfolio holdings as of September 30, 2020, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Manager’s Discussion

Franklin Fixed Income Portfolio Fund launched on July 15, 2020, with an objective of current income and long-term capital appreciation as a secondary goal, while providing

Performance Summary as of September 30, 2020

The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

Performance as of 9/30/20¹

	Cumulative Total Return ²	Average Annual Total Return ³
Since Inception (7/15/20)	+0.00%	+0.00%

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

See page 10 for Performance Summary footnotes.

Total Annual Operating Expenses⁴

	With Fee Waiver	Without Fee Waiver
	0.40%	3.35%

All investments involve risks, including possible loss of principal. Because this Fund invests in underlying funds, it is subject to the same risks, and indirectly bears the fees and expenses, of the underlying funds. The Fund's investments in ETFs may subject the Fund to additional risks than if the Fund would have invested directly in the ETFs' underlying securities. The market values of securities or other investments owned by the Fund will go up or down, sometimes rapidly or unpredictably. When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. An issuer of debt securities may fail to make interest payments or repay principal when due, in whole or in part. Changes in an issuer's financial strength or in a security's or government's credit rating may affect a security's value. Because of prepayments, mortgage securities may be less effective than some other types of debt securities as a means of "locking in" long-term interest rates and may have less potential for capital appreciation during periods of falling interest rates. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds. The prices of high-yield debt securities generally fluctuate more than those of higher credit quality. Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with internal and external political and economic developments, trading practices, availability of information, limited markets, currency exchange rate fluctuations and policies. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has an expense reduction and a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 7/31/21. Fund investment results reflect the expense reduction and fee waiver; without these waivers, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
4. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See www.franklintempletondatasources.com for additional data provider information.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number in the row under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*). In this illustration, the actual expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Beginning Account Value 7/15/20 ¹	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Annualized Expense Ratio ³
	Ending Account Value 9/30/20	Expenses Paid During Period 7/15/20–9/30/20 ^{2,3}	Ending Account Value 9/30/20	Expenses Paid During Period 4/1/20–9/30/20 ^{2,3}	
\$1,000	\$1,000.00	\$0.42	\$1,010.12	\$0.43	0.20%

1. July 15, 2020 for Actual; April 1, 2020 for Hypothetical.

2. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 183/365 to reflect the one-half year period. Non-recurring expenses are not annualized. For Actual expenses, the multiplier is 77/365 to reflect the number of days since effective date.

3. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Financial Highlights

Franklin Equity Portfolio Fund

	Period Ended September 30, 2020^a (unaudited)
Per share operating performance	
(for a share outstanding throughout the period)	
Net asset value, beginning of period	\$10.00
Income from investment operations ^b :	
Net investment (loss) ^{c,d}	(0.01)
Net realized and unrealized gains (losses)	0.18
Total from investment operations	0.17
Net asset value, end of period	\$10.17
Total return ^e	1.70%
Ratios to average net assets^f	
Expenses before waiver and payments by affiliates ^g	78.92%
Expenses net of waiver and payments by affiliates ^g	0.48%
Net investment (loss)	(0.48)%
Supplemental data	
Net assets, end of period (000's)	\$303
Portfolio turnover rate	0.61%

^aFor the period July 15, 2020 (effective date) to September 30, 2020.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

^gDoes not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.01% for the period ended September 30, 2020.

Statement of Investments (unaudited), September 30, 2020

Franklin Equity Portfolio Fund

	Shares	Value
Investments In Underlying Funds and Exchange Traded Funds		
109.2%		
Domestic Equity 76.6%		
^a Franklin US Core Equity (IU) Fund	20,218	\$232,508
Foreign Equity 32.6%		
^a Franklin Emerging Market Core Equity (IU) Fund	2,503	26,253
^a Franklin International Core Equity (IU) Fund	6,879	72,503
		98,756
Total Investments In Underlying Funds and Exchange Traded Funds (Cost \$335,329)		331,264
Total Investments (Cost \$335,329) 109.2%		\$331,264
Other Assets, less Liabilities (9.2%)		(27,905)
Net Assets 100.0%		\$303,359

See Abbreviations on page 23.

^aSee Note 3(c) regarding investments in FT Underlying Funds.

Financial Highlights

Franklin Fixed Income Portfolio Fund

	Period Ended September 30, 2020^a (unaudited)
Per share operating performance	
(for a share outstanding throughout the period)	
Net asset value, beginning of period	\$10.00
Income from investment operations ^b :	
Net investment income ^{c,d}	0.08
Net realized and unrealized gains (losses)	(0.08)
Net asset value, end of period	\$10.00
Total return ^e	—%
Ratios to average net assets^f	
Expenses before waiver and payments by affiliates ^g	334.05%
Expenses net of waiver and payments by affiliates ^g	0.20%
Net investment income	3.76%
Supplemental data	
Net assets, end of period (000's)	\$68
Portfolio turnover rate	—%

^aFor the period July 15, 2020 (effective date) to September 30, 2020.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

^gDoes not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.19% for the period ended September 30, 2020.

Statement of Investments (unaudited), September 30, 2020

Franklin Fixed Income Portfolio Fund

	Shares	Value
Investments In Underlying Funds and Exchange Traded Funds		
140.2%		
Domestic Fixed Income 119.2%		
^a Franklin Liberty Federal Tax-Free Bond ETF	210	\$5,634
^a Franklin Liberty U.S. Core Bond ETF	2,284	59,932
^a Franklin Liberty U.S. Treasury Bond ETF	605	15,261
		<u>80,827</u>
Foreign Fixed Income 21.0%		
^a Franklin Liberty High Yield Corporate ETF	74	1,872
^a Franklin Liberty Investment Grade Corporate ETF	465	12,379
		<u>14,251</u>
Total Investments In Underlying Funds and Exchange Traded Funds (Cost \$95,736)		<u>95,078</u>
Total Investments (Cost \$95,736) 140.2%		\$95,078
Other Assets, less Liabilities (40.2%)		<u>(27,259)</u>
Net Assets 100.0%		<u>\$67,819</u>

See Abbreviations on page 23.

^aSee Note 3(c) regarding investments in FT Underlying Funds.

Statements of Assets and Liabilities

September 30, 2020 (unaudited)

	Franklin Equity Portfolio Fund	Franklin Fixed Income Portfolio Fund
Assets:		
Investments in securities:		
Cost - Non-controlled affiliates (Note 3c)	335,329	95,736
Value - Non-controlled affiliates (Note 3c)	331,264	95,078
Cash	327	295
Receivables:		
Investment securities sold	106	725
Dividends	—	199
Affiliates	63	19
Offering costs	51,752	51,474
Other assets	8,690	8,763
Total assets	392,202	156,553
Liabilities:		
Payables:		
Investment securities purchased	106	726
Management fees	62	15
Transfer agent fees	241	232
Professional fees	6,863	6,863
Offering costs	80,019	79,347
Accrued expenses and other liabilities	1,552	1,551
Total liabilities	88,843	88,734
Net assets, at value	\$303,359	\$67,819
Net assets consist of:		
Paid-in capital	\$307,628	\$68,156
Total distributable earnings (losses)	(4,269)	(337)
Net assets, at value	\$303,359	\$67,819
Shares outstanding	29,817	6,784
Net asset value per share	\$10.17	\$10.00

Statements of Operations

for the period ended September 30, 2020 (unaudited)

	Franklin Equity Portfolio Fund	Franklin Fixed Income Portfolio Fund
Investment income:		
Dividends:		
Non-controlled affiliates (Note 3c)	\$—	\$338
Expenses:		
Management fees (Note 3a)	90	21
Transfer agent fees	305	300
Reports to shareholders	1,074	1,074
Professional fees	6,863	6,863
Organization costs	14,202	13,884
Amortization of offering costs	14,065	13,989
Other	478	478
Total expenses	37,077	36,609
Expenses waived/paid by affiliates (Note 3c and 3d)	(36,899)	(36,592)
Net expenses	178	17
Net investment income (loss)	(178)	321
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments:		
Non-controlled affiliates (Note 3c)	(26)	—
Net change in unrealized appreciation (depreciation) on:		
Investments:		
Non-controlled affiliates (Note 3c)	(4,065)	(658)
Net realized and unrealized gain (loss)	(4,091)	(658)
Net increase (decrease) in net assets resulting from operations	\$(4,269)	\$(337)

Statements of Changes in Net Assets

	Franklin Equity Portfolio Fund	Franklin Fixed Income Portfolio Fund
	Period Ended September 30, 2020 (unaudited) ^a	Period Ended September 30, 2020 (unaudited) ^a
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(178)	\$321
Net realized gain (loss)	(26)	—
Net change in unrealized appreciation (depreciation)	(4,065)	(658)
Net increase (decrease) in net assets resulting from operations	(4,269)	(337)
Capital share transactions (Note 2)	307,628	68,156
Net increase (decrease) in net assets	303,359	67,819
Net assets:		
End of period	\$303,359	\$67,819

^aFor the period July 15, 2020 (effective date) to September 30, 2020.

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin ETF Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of two separate funds, two of which are included in this report (Funds) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The Funds invest primarily in mutual funds (Underlying Funds) and exchange traded funds (ETFs), including affiliated funds managed by Franklin Templeton (FT Underlying Funds).

The accounting policies of the Underlying Funds are outlined in their respective shareholder reports. A copy of the Underlying Funds' shareholder reports in which each Fund invests is available on the U.S. Securities and Exchange Commission (SEC) website at sec.gov. The Underlying Funds' shareholder reports are not covered by this report.

Effective March 25, 2020, the Trust began offering shares of the Franklin Equity Portfolio Fund and Franklin Fixed Income Portfolio Fund.

The following summarizes the Funds' significant accounting policies.

a. Financial Instrument Valuation

The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Funds calculate the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Funds may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Investments in the Underlying Funds are valued at their closing NAV each trading day. Exchange traded funds (ETFs) listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively.

b. Income Taxes

It is each Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

c. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income and capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Funds. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Certain Fund specific expenses are allocated directly to the Fund that incurred the expense.

The Funds indirectly bear their proportionate share of expenses from the Underlying Funds and ETFs. Since the Underlying Funds and ETFs have varied expense levels and the Funds may own different proportions of the Underlying Funds and ETFs at different times, the amount of expenses incurred indirectly by the Funds will vary.

d. Organization and Offering Costs

Organization costs were expensed as incurred. Offering costs are amortized on a straight line basis over twelve months.

1. Organization and Significant Accounting Policies
 (continued)

e. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

f. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Funds, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At September 30, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	Franklin Equity Portfolio Fund		Franklin Fixed Income Portfolio Fund	
	Shares	Amount	Shares	Amount
Six Months ended September 30, 2020 ^a				
Shares sold	30,088	\$310,366	6,931	\$69,630
Shares redeemed	(271)	(2,738)	(147)	(1,474)
Net increase (decrease)	29,817	\$307,628	6,784	\$68,156

^aFor the period July 15, 2020 (effective date) to September 30, 2020.

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Funds are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager

a. Asset Allocation Fees

The Funds pay an asset allocation fee to Advisers of 0.25% per year of the average daily net assets of each of the Funds for investment advisory services, consisting principally of determining the allocation of assets of the Funds among the Underlying Funds and ETFs.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Funds. The fee is paid by Advisers based on the Funds' average daily net assets, and is not an additional expense of the Funds.

3. Transactions with Affiliates (continued)

c. Investments in FT Underlying Funds

The Funds invest primarily in FT Underlying Funds which are managed by Advisers (or by an affiliate of Advisers). The Funds do not invest in FT Underlying Funds for the purpose of exercising a controlling influence over the management or policies. Asset allocation fees paid by the Funds are waived on assets invested in Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), as noted in the Statements of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund.

Investments in FT Underlying Funds for the period ended September 30, 2020, were as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Dividend Income
Franklin Equity Portfolio Fund								
Non-Controlled Affiliates								
Franklin Emerging Market Core Equity (IU) Fund	\$—	\$26,991	\$(321)	\$(10)	\$(407)	\$26,253	2,503	\$—
Franklin International Core Equity (IU) Fund	—	74,522	(955)	(16)	(1,048)	72,503	6,879	—
Franklin US Core Equity (IU) Fund	—	235,118	—	—	(2,610)	232,508	20,218	—
Total Non-Controlled Affiliates	\$—	\$336,631	\$(1,276)	\$(26)	\$(4,065)	\$331,264		\$—
Total Affiliated Securities	\$—	\$336,631	\$(1,276)	\$(26)	\$(4,065)	\$331,264		\$—
Franklin Fixed Income Portfolio Fund								
Non-Controlled Affiliates								
Franklin Liberty Federal Tax-Free Bond ETF	\$—	\$5,686	\$—	\$—	\$(52)	\$5,634	210	\$16
Franklin Liberty High Yield Corporate ETF	—	1,894	—	—	(22)	1,872	74	16
Franklin Liberty Investment Grade Corporate ETF	—	12,536	—	—	(157)	12,379	465	51
Franklin Liberty U.S. Core Bond ETF	—	60,281	—	—	(349)	59,932	2,284	213
Franklin Liberty U.S. Treasury Bond ETF	—	15,339	—	—	(78)	15,261	605	42
Total Non-Controlled Affiliates	\$—	\$95,736	\$—	\$—	\$(658)	\$95,078		\$338
Total Affiliated Securities	\$—	\$95,736	\$—	\$—	\$(658)	\$95,078		\$338

d. Waiver and Expense Reimbursements

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each of the Funds does not exceed 0.50% and 0.40%, respectively, based on the average net assets of each Fund until July 31, 2021.

4. Income Taxes

At September 30, 2020, the cost of investments, net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

4. Income Taxes (continued)

	Franklin Equity Portfolio Fund	Franklin Fixed Income Portfolio Fund
Cost of investments	\$335,329	\$95,736
Unrealized appreciation	\$—	\$—
Unrealized depreciation	(4,065)	(658)
Net unrealized appreciation (depreciation)	\$(4,065)	\$(658)

5. Investment Transactions

Purchases and sales (excluding short term securities) for the period ended September 30, 2020, were as follows:

	Franklin Equity Portfolio Fund	Franklin Fixed Income Portfolio Fund
Purchases	\$326,642	\$—
Sales	\$1,276	\$—

6. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Funds, their ability to buy and sell fund investments at appropriate valuations and their ability to achieve their investment objectives.

7. Fair Value Measurements

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

At September 30, 2020, all of the Funds' investments in financial instruments carried at fair value were valued using Level 1 inputs. For detailed categories, see the accompanying Statement(s) of Investments.

8. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract

8. New Accounting Pronouncements (continued)

modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

9. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Selected Portfolio

ETF Exchange-Traded Fund

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN ETF TRUST

Franklin Equity Portfolio Fund

Franklin Fixed Income Portfolio Fund

(each a Fund)

At a meeting held on May 14, 2020 (Meeting), the Board of Trustees (Board) of Franklin ETF Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved an investment management agreement between Franklin Advisers, Inc. (Manager) and the Trust, on behalf of each Fund (each a Management Agreement) for an initial two-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate.

In considering the approval of each Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board reviewed and considered all of the factors it deemed relevant in approving each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by the Manager; (ii) the costs of the services to be provided by the Manager; and (iii) the extent to which economies of scale may be realized as each Fund grows. The Board also reviewed and considered the form of each Management Agreement and the terms of each Management Agreement which were explained at the Meeting.

In approving each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of each proposed Management Agreement are fair and reasonable and that such Management Agreement is in the interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services to be provided by the Manager and its affiliates to each Fund and its shareholders. This information included management’s explanation that it expects to offer each Fund initially through an automated investment program designed to provide customized personal financial solutions for retail investors. This information also included, among other things, each Fund’s proposed investment strategies and the ability of the Manager to implement such investment strategies; the qualifications, background and experience of the investment personnel that will be responsible for the day-to-day portfolio management of each Fund; the Manager’s experience as the manager of other funds and accounts, including other series of the Trust and other funds in the FT family of funds; the Manager’s strength and reputation within the industry; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of the Manager; and the Manager’s compliance capabilities, as demonstrated by, among other things, its policies and procedures reasonably designed to prevent violations of the Federal Securities Laws (as defined in Rule 38a-1 of the Investment Company Act of 1940). Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by the Manager and its affiliates to each Fund and its shareholders.

Fund Performance

The Board noted that, as the Funds have not yet commenced investment operations, there was no investment performance for the Funds. The Board also considered the proposed performance benchmark for each Fund and how such benchmark would be utilized to measure performance of the Manager.

Comparative Fees and Expenses

The Board reviewed and considered information regarding each Fund’s proposed total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board considered the proposed total expense ratio and, separately, the proposed contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of a Fund in comparison to the median expense ratio and median Management Rate, respectively, of other funds deemed comparable to and with a similar expense structure as the Fund (Expense Group) as selected

by Broadridge Financial Solutions, Inc. (Broadridge), an independent organization. Broadridge fee and expense data is based upon information taken from each fund's most recent annual report (excluding each Fund), which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the funds included in an Expense Group.

Franklin Equity Portfolio Fund - The Expense Group for the Fund was comprised of actively managed funds-of-funds and funds of exchange-traded funds, which included the Fund, three other global multi-cap core funds, one global multi-cap value fund and one global multi-cap growth fund. The Board noted that the proposed Management Rate was below the median of its Expense Group. The Board also noted that the estimated total expense ratio for the Fund was above the median of its Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted the Fund's estimated total expense ratio reflected a fee waiver from management.

Franklin Fixed Income Portfolio Fund - The Expense Group for the Fund was comprised of actively managed funds-of-funds and funds of exchange-traded funds, which included the Fund, two other general bond funds, three core bond funds and one core plus bond fund. The Board noted that the Fund's proposed Management Rate and estimated total expense ratio were below the medians of its Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted the Fund's estimated total expense ratio reflected a fee waiver from management.

Profitability

The Board then noted that the Manager (and its affiliates) could not report any financial results from their relationships with the Funds because the Funds have not yet commenced investment operations, and thus, the Board could not evaluate the Manager's (or its affiliates') profitability with respect to the Funds.

Economies of Scale

The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale in the future, the Board noted that it is not anticipated that the Funds will generate significant, if any, profit for the Manager and/or its affiliates for some time.

Conclusion

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved each Management Agreement for an initial two-year period.

Liquidity Risk Management Program

Each of the Funds has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the SEC (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis).

The Funds' Board of Trustees approved the appointment of the Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") as the Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity

risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee and Product Management groups.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

The Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2020, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program during the period December 1, 2018 to December 31, 2019. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund. At the same time, the Program Administrator also presented the Fund Board of Trustees an update on liquidity during the first quarter of 2020 in relation to the COVID-19 pandemic.

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at libertyshares.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

Householding of Reports and Prospectuses

You will receive each Fund's financial reports every six months as well as an annual updated summary prospectus (prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



Semiannual Report
Franklin ETF Trust

Investment Manager
Franklin Advisors, Inc.

Distributor
Franklin Templeton Distributors, Inc.
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Shareholder Services
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