

Franklin Income Focus ETF

Commentary | as of September 30, 2025

Key Takeaways

- Markets: US equities delivered strong performance over 2025's third quarter, buoyed in part by easing trade tensions
 and optimism surrounding artificial intelligence. The US Federal Reserve's (Fed's) interest-rate cut in September also
 supported market sentiment, as did robust corporate earnings. Both the S&P 500 Index and the Nasdaq Composite
 Index ended the guarter at new record highs.
- Contributors: Allocations to both the fixed income and equity sides of the portfolio contributed to the fund's absolute returns. On a relative basis, underweight fixed income and overweight equity positioning assisted returns.
- **Detractors:** Stock selection detracted from relative equity returns.
- Outlook: We maintain a neutral stance on fixed income, while continuing to favor a diversified mix across US Treasuries (USTs), securitized products and corporate issues. Moreover, our preference remains for selective exposure within equities, balancing growth sectors with quality cyclicals and dividend payers.

Performance Review

- Franklin Income Focus ETF (Market Price return) marginally outperformed its benchmark, the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index, for the quarter ended September 30, 2025.
- Over the course of the quarter, the fund decreased its fixed income allocation and increased its equity exposure.
- Fixed income allocations to the consumer discretionary sector, securitized products and USTs had a positive effect on absolute fund performance, while no sectors hindered fixed income returns during the period.
- On an individual issuer basis and in addition to USTs, Freddie Mac, Community Health Systems and Venture Global Partners
 II were the top performers within the fund's fixed income positioning. In contrast, Tronox Holdings detracted from returns.
- In terms of equities, the fund benefited from positions within the health care, financials and utilities sectors. However, the
 consumer staples and information technology sectors weakened absolute returns.
- Johnson & Johnson, AbbVie and Chevron added value within the fund's equity holdings. However, Philip Morris International, Accenture and Honeywell International detracted from returns during the period.

Outlook

- **Economy**: The economic growth outlook continues to be a major area of focus for the fund. The US economy remains resilient, but ongoing uncertainty in monetary, fiscal and trade policy could weigh on investor sentiment and the broader economy throughout the remainder of the year. Moreover, while the labor market has incrementally cooled, unemployment levels are still low on a historical basis. We continue to monitor financial conditions as a leading indicator of future economic performance and Fed policy.
- Equities: Following two years of narrow market breadth, we have seen a broadening out of market leadership in 2025. While index level valuations are elevated, opportunities continue to evolve below the index levels, which we feel favors active management. Ultimately, given current valuations, we remain selective in engaging with equities and continue to focus on broad diversification across sectors while maintaining flexibility to capitalize on potential dislocations.
- Treasuries/Government-Backed Bonds: Interest-rate volatility has declined, despite continued uncertainty regarding
 tariffs and concerns about their ultimate impact on growth, inflation and corporate fundamentals. Government securities
 continue to provide an attractive investment opportunity, in our view, as yields remain elevated based on recent history. We
 believe they continue to offer good diversification potential and can serve as a ballast to help hedge portfolios during market
 volatility.
- Investment-Grade Corporate Bonds: While absolute yield levels are still attractive for an income-generating strategy,
 credit spreads have contracted materially over the past year, which has decreased the attractiveness of investment-grade
 corporate bonds, in our assessment. With credit spreads at historically tight levels, we believe future returns may be driven
 by interest-rate moves and carry rather than further spread compression.
- High-Yield Corporate Bonds: Recent market volatility resulted in a combination of wider spreads and substantially higher
 yields, which has provided attractive investment opportunities, in our view. Unfortunately, this opportunity was short-lived, as
 spreads have returned to cycle tights. While we think the high-yield market offers attractive yields, we remain balanced and
 selective due to the potential for higher refinancing costs impacting companies' fundamentals.

Fund Characteristics	Fund
Distribution Frequency	Monthly
30-Day SEC Yield (Fund)—With Waiver	5.04%
30-Day SEC Yield (Fund)—Without Waiver	5.03%
Top Holdings (% of Total)	
lssuer	Fund
UNITED STATES TREASURY BOND	6.39
GOVT NATL MORTG ASSN	3.44
JOHNSON & JOHNSON	2.47
JPMORGAN CHASE & CO	2.30
FREDDIE MAC POOL	2.16
CHEVRON CORP	2.15
CHS/COMMUNITY HEALTH SYSTEMS INC	2.07
S&P 500 INDEX	1.92
EXXON MOBIL CORP	1.77

1.65

BOEING CO/THE

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	INCM	NYSE Arca	3.87	6.87	10.38	7.37	_	_	_	10.12	0.38	0.38	6/6/2023
NAV Returns	_	_	3.84	6.68	10.03	7.27	_	_	_	10.01	0.38	0.38	6/6/2023
Benchmark	_	_	3.82	5.32	8.66	5.60	_	_	_	10.73	_	_	_

^{*}Cumulative total returns

Benchmark(s)

Benchmark =Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate 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 June 8, 2023, 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. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Investments in equity index-linked notes often have risks similar to their underlying securities, which could include management risk, market risk and, as applicable, foreign securities and currency risks. The allocation of assets among different strategies, asset classes and investments may not prove beneficial or produce the desired results. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. The manager may consider environmental, social and governance (ESG) criteria in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated.

These and other risk considerations are discussed in the fund's prospectus.

Glossary

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 **\$8P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © **\$8P Dow Jones Indices LLC. All rights reserved.**

Important Information

Effective January 1, 2025, the fund changed its benchmark to the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index.

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 **Benchmark:** 50% USA High Div Yield + 25% High Yield Very Liquid + 25% US Agg Index is composed of the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index. The MSCI USA High Dividend Yield Index is designed to reflect the performance of mid- and large-cap equities (excluding REITs) with higher dividend income, which is sustainable and persistent, than average dividend yields of securities in the MSCI USA Index. The Bloomberg US High Yield Very Liquid Index (VLI) is a component of the US Corporate High Yield Index designed to track a more liquid component of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. The Bloomberg US Aggregate Bond Index is comprised of investment-grade, U.S. dollar-denominated government, corporate, and mortgage- and asset-backed issues having at least one year to maturity. 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. Bloomberg Indices.

The **30-day SEC yield** is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

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.

