

Franklin Sustainable International Equity ETF

Commentary | as of September 30, 2025

Key Takeaways

- Markets: Global equities registered strong gains in the third quarter of 2025, maintaining the upward momentum seen since the recovery from April's tariff-related selloff. Despite some volatility during the quarter, particularly following US economic data releases, investors welcomed easing trade tensions and remained optimistic about artificial intelligence (AI) advancements. Central bank actions—notably the US Federal Reserve's (Fed's) policy interest-rate cut and its signaling of possible further monetary easing—supported market sentiment, while generally robust corporate earnings bolstered investor confidence. US stocks outperformed overall and both the S&P 500 and Nasdaq Composite climbed to new highs by the end of the period. In contrast, European equities lagged, hindered by political uncertainties. Emerging markets outperformed developed markets, largely due to significant gains in the Chinese technology sector, while globally growth stocks outpaced their value counterparts, reflecting heightened investor enthusiasm for technology-related stocks.
- Contributors: The largest contributors to performance included ASML, Taiwan Semiconductor Manufacturing Company (TSMC) and Alibaba.
- Detractors: The portfolio's largest detractors from performance included Constellation Software, Sartorius Stedim Biotech and Novo Nordisk.
- Outlook: The macroeconomic outlook remains uncertain with potential slowdowns and mixed indicators. US inflation is
 expected to rise due to tariffs, potentially creating a scenario of lower growth and higher inflation. The Fed's dovish
 stance on rate cuts may be limited by inflation concerns. We anticipate positive earnings momentum in technology and
 financials, though cyclical sectors face tariff-related risks, possibly leading to profit warnings. Valuations are high in the
 United States, more attractive in Europe and supportive in China.

Performance Review

- Netherlands-based chip-making technology supplier ASML rallied sharply towards the end of the period on improving sentiment around memory spending for 2026 as well as diminishing concerns about Intel, one of ASML's major customers.
- Taiwanese semiconductor giant TSMC benefited from strong demand for its AI products and advanced manufacturing capabilities, with the company's robust earnings underscoring its resilience and leading market position.
- In contrast, technology conglomerate Constellation Software's shares fell on concerns about the potentially negative impact
 of Al on its business as well as the retirement of its CEO/founder.

Outlook

- The Trump administration's 'Liberation Day' tariffs caused market volatility, but a 90-day pause allowed recovery, fueled by hopes of US-China de-escalation. Policy changes continue to affect corporate earnings, emphasizing business-friendly measures
- The macroeconomic outlook remains uncertain with potential slowdowns and mixed indicators. US inflation is expected to
 rise due to tariffs, potentially creating a scenario of lower growth and higher inflation. The Fed's dovish stance on rate cuts
 may be limited by inflation concerns.
- We anticipate positive earnings momentum is seen in technology and financials, though cyclical sectors face tariff-related
 risks, possibly leading to profit warnings. US earnings growth is projected at 9%, down from 11%, while European earnings
 growth is expected at 8%, up from 6%, driven by Germany's fiscal policies. Valuations are high in the US, more attractive in
 Europe, and supportive in China.
- Structural growth opportunities include energy transition, aging population, and Al. We continue to see our three seismic
 thematic opportunities as providing key areas of structural opportunities, although dynamics could change during the Trump
 presidency.

Top Holdings (% of Total)

Holding	Fund
Ferrari NV	8.63
RESMED INC-CDI	7.18
Atlas Copco	5.8
Linde PLC	5.57
Taiwan Semiconductor Manufacturing Company	4.97
ASML Holding NV	4.95
L'oreal SA	4.75
Mettler-Toledo International Inc.	4.73
Moncler S.p.A. NpV	4.70
Kingspan Group plc	4.66

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	MCSE	NASDAQ - XNAS	-0.21	8.63	8.96	-6.24	9.08	0.75	-	5.40	0.59	0.59	11/30/2015
NAV Returns	_	_	0.07	9.24	8.49	-6.44	8.98	0.70	_	5.37	0.59	0.59	11/30/2015
Benchmark	_	_	6.89	19.75	26.02	16.45	20.67	10.26	_	7.81	_	_	_

^{*}Cumulative total returns

Benchmark(s)

Benchmark = MSCI All Country World ex-US Index-NR

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 October 31, 2022, the NAV of the Fund is used as a proxy for the Market Price to calculate market returns.

The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. 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 fund invests in companies in a specific country or region, the fund may experience greater volatility than a fund that is more broadly diversified geographically. The managers' environmental, social and governance (ESG) strategies may limit the types and number of investments available and, as a result, may forgo favorable market opportunities or underperform strategies that are not subject to such criteria. There is no guarantee that the strategy's ESG directives will be successful or will result in better performance. The portfolio is non-diversified and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. When the fund's size is small, the fund may experience low trading volume and wide bid/ask spreads. These and other risks 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 **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

Important Information

Effective June 30, 2025, the Martin Currie Sustainable International Equity ETF was renamed Franklin Sustainable International Equity ETF. Effective October 28, 2022, Martin Currie International Sustainable Equity Fund reorganized into this ETF. This fund has an identical investment goal and substantially similar investment strategies as its predecessor fund.

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 MSCI All Country World Index ex US (MSCI ACWI Index ex US) is a market capitalization-weighted index designed to measure equity market performance of developed and emerging markets, excluding the U.S. 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. 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. Net Returns (NR) include income net of tax withholding when dividends are paid.

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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.

