FRANKLIN TEMPLETON

ClearBridge

Franklin ClearBridge Enhanced Income ETF

YLDE | **Commentary | as of December 31, 2025**

Key Takeaways

- **Markets:** 2025 marked the third consecutive year of this AI-driven cycle. The market-cap-weighted S&P 500 Index rose 17.9% in the year, while the equal-weighted S&P 500 Index gained just 11.4%. The Magnificent Seven, this market's nucleus, rose 24.9% in 2025. While performance comparisons will vary based on the time period, cap-weighted and equal-weighted indexes have produced similar returns over long periods of time.
- **Contributors:** Stock selection in consumer staples, a health care overweight and IT underweight proved beneficial. The options overlay also made positive contributions.
- **Detractors:** Quarterly underperformance was driven primarily by stock selection in the communication services, IT, materials and real estate sectors.
- **Outlook:** We anticipate the AI debate will carry over in 2026 and we will continue to participate in AI in a measured and disciplined way. Yet, as other investors continue to myopically focus on AI, we expect to find additional idiosyncratic opportunities in overlooked corners of the market. We believe these seeds will bear fruit in the years to come.

Top Equity Issuers (% of Total)

Holding	Fund
Microsoft Corp	4.13
Exxon Mobil Corp	3.85
Broadcom Inc.	3.80
Williams Cos Inc	3.33
Alphabet Inc. Class A	3.24
Nestle S.A. Sponsored ADR	2.90
Becton Dickinson & Co.	2.73
Texas Instruments Incorporated	2.66
JPMorgan Chase & Co.	2.53
Air Products and Chemicals, Inc.	2.45

Performance Review

- On the plus side, consumer staples holdings such as Nestle, Coca-Cola and Unilever and a health care overweight shined as concerns of a tech bubble grew.
- The options overlay also made positive contributions.
- On the downside, we are underweight Alphabet and Apple, two Magnificent Seven stocks that performed well, and overweight Oracle, which gave back some of its large gains from earlier in 2025. Increasing competitive dynamics in the wireless industry also weighed on T-Mobile.
- 2025 marked the third consecutive year of this AI-driven cycle. The market-cap-weighted S&P 500 Index rose 17.9% in the year, while the equal-weighted S&P 500 Index gained just 11.4%. The Magnificent Seven, this market's nucleus, rose 24.9% in 2025. Since ChatGPT launched three years ago, the cap-weighted S&P 500 has delivered nearly twice the gains of its equal weighted peer. The Magnificent Seven, meanwhile, has surged a staggering 332%.
- While performance comparisons will vary based on the time period, cap-weighted and equal-weighted indexes have produced similar returns over long periods of time.
- Market conditions in 2025 provided opportunities in companies we have long followed and admired such as: Automatic Data Processing (a fourth-quarter addition), Inditex, L3Harris, Marsh & McLennan, Old Dominion Freight Lines and TE Connectivity. We also took advantage of situations in select existing holdings to significantly increase our positions in Air Products, Exxon Mobil and Union Pacific. All represent high-quality franchises in attractive industries underwritten based on reasonable cash returns. It is an eclectic bunch, sourced from bottom-up analysis, not a trend-following, top-down approach.
- Given our approach to investing — conservative, diversified and risk-averse — AI is not central to our portfolio. Indeed, no one sector or trend will ever be central to the Fund.
- In momentum-driven, concentrated markets, diversification inherently impacts relative performance comparisons. Of course, it also limits losses when that trade, inevitably, unwinds.

Outlook

- We anticipate the AI debate will carry over in 2026 and we will continue to participate in AI in a measured and disciplined way. Yet, as other investors continue to myopically focus on AI, we expect to find additional idiosyncratic opportunities in overlooked corners of the market. We believe these seeds will bear fruit in the years to come. The Fund, meanwhile, continues to trade at a significant discount to the broader market while exhibiting robust dividend growth on average. With market concentration and valuations at or near all-time highs, we remain committed to diversification[1] and valuation discipline. These principles have served investors well in the past; we believe they will continue to serve us well in the years ahead.

1. **Diversion** does not guarantee a profit or protect against a loss.

Average annual total returns and fund expenses (%) - as of December 31, 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	YLDE	NASDAQ - XNMS	1.75	7.68	13.10	13.10	15.07	11.26	—	11.81	0.47	0.47	5/22/2017
NAV Returns	—	—	1.74	7.86	12.96	12.96	15.03	11.22	—	11.80	0.47	0.47	5/22/2017
Benchmark 1	—	—	2.66	11.00	17.88	17.88	23.01	14.42	—	14.86	—	—	—
Benchmark 2	—	—	6.53	10.29	8.91	8.91	13.52	9.33	—	6.91	—	—	—

*Cumulative total returns

Benchmark(s)

Benchmark 1=S&P 500 Index

Benchmark 2=CBOE S&P 500 BuyWrite 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.Prior to July 1, 2020, market price returns generally were based upon the mid-point between the bid and ask on the Fund's principal trading market when the Fund's NAV was determined. Market price performance reported for periods prior to July 1, 2020 will continue to reflect market prices calculated based upon the mid-point between the bid and ask on the Fund's principal trading market close. These returns do not represent investors' returns had they traded shares at other times.
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. **Options (call writing)** may limit the opportunity to participate fully from an increase in the market value of stocks and premiums received from option writing may not protect against market declines. **Dividends** may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time. **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**. 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. These and other risks are discussed in the fund's prospectus.

Glossary

The **Magnificent Seven** stocks are Apple, Amazon, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla.

Important Information

Effective February 28, 2025, ClearBridge Dividend Strategy ESG ETF changed its name to Franklin ClearBridge Enhanced Income ETF and modified its investment objective, principal investment strategy and dividend policy. Refer to the prospectus for more information.

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

ETFs and ETPs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs/ETPs net asset value. Brokerage commissions and ETF expenses will reduce returns. ETF/ETP shares may be bought or sold throughout the day at their market price, not their Net Asset Value (NAV), on the exchange on which they are listed. Shares of ETFs/ETPs are tradable on secondary markets and may trade either at a premium or a discount to their NAV on the secondary market. **Canada:** This content is intended only for Canadian institutional investors that qualify as "permitted clients" as defined in National Instrument 31-103 - Registration Requirements, Exemptions and Ongoing Registrant Obligations. U.S. securities laws generally limit a non-U.S. fund's purchase of a U.S. registered mutual fund or ETF/ETP (a "U.S. Fund") to no more than 3% of the U.S. Fund's voting stock. You should consult your legal counsel prior to investing in a U.S. Fund.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. The **Cboe S&P 500 BuyWrite Index** ℠ measures the total return of a covered call strategy applied to the S&P 500 Index. This strategy consists of a long position indexed to the S&P 500 Index, which is deemed sold with a succession of one month, at-the-money call options on the S&P 500 Index. Source: Cboe Global Indices, LLC.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

ClearBridge Investments, LLC, and Franklin Distributors, LLC, are Franklin Templeton companies.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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