FRANKLIN TEMPLETON | ClearBridge

# Franklin ClearBridge Enhanced Income ETF

**YLDE** **Commentary | as of June 30, 2026**

## Key Takeaways

- **Markets:** After a challenging first quarter that saw the S&P 500 Index decline 4.3%, markets rebounded sharply in the second quarter. The S&P 500 climbed 15.2%, driven by a surge in information technology (IT) stocks, particularly semiconductor stocks, which soared 44.0%.
- **Contributors:** Stock selection in energy and consumer staples along with an underweight to consumer discretionary proved beneficial.
- **Detractors:** An underweight to IT and overweights to energy, materials, consumer staples and financials detracted; stock selection in industrials, IT and communication services also weighed on relative results. Our underweight to Micron and a select group of other non-dividend-paying data center plays, like Advanced Micro Devices, Intel and SanDisk, were the largest drivers of our relative underperformance. The options overlay also detracted.
- **Outlook:** We have measured investments in several of the companies at the heart of the AI ecosystem, but we are also focused on finding overlooked gems in other corners of the market. In a world where change is increasingly constant, our steadfast approach to diversified portfolio management should serve us well.

## Performance Review

- Semiconductor memory stocks were the standout performers. Shares of Micron, the largest producer of storage chips, skyrocketed 240%, adding over $900 billion of market cap—more than the entire market capitalization of Exxon Mobil, Johnson & Johnson or JPMorgan Chase. Our underweight to Micron and a select group of other non-dividend-paying data center plays, like Advanced Micro Devices, Intel and SanDisk, were the largest drivers of our relative underperformance. We previously owned Intel but sold it in 2024 when the company eliminated its dividend.
- While the market's leading contributors were concentrated in IT, our top contributors were diffuse. Shares of CVS Health rose as earnings recovered significantly in its health insurance segment. Public Storage shares ascended as rental trends bottomed and the company announced a compelling acquisition of National Storage. MetLife's stock gained due, in part, to improved variable investment income.
- The options overlay also detracted.
- Our underweight to IT reflects a long-standing emphasis on broad-based diversification. We have rarely had more than 20% in one sector, whereas IT currently represents 38% of the S&P 500 — the highest a single sector has ever represented in the composite. Healthy markets are typified by broad stock participation, whereas recent gains have been very narrow.
- We currently have about 9% of the portfolio in semiconductor-related stocks. We believe this gives us enough exposure to benefit from the wonderful growth that chip stocks enjoy without overly exposing the portfolio to a highly volatile sector currently trading at cyclical highs. During the quarter, we initiated a meaningful position in NVIDIA, after the company announced a 25-fold increase in its dividend, taking its yield from almost zero to 0.5%.
- We also increased our exposure to Taiwan Semiconductor, which, as the largest producer of computer chips in the world, should prosper regardless of whose chips are used for AI computing.
- We funded these purchases, in part, through pruning Broadcom and Texas Instruments, both of whose stocks soared during the quarter and were strong contributors. By remixing our semiconductor holdings, we gained exposure to GPUs and cutting-edge production, while limiting our overall exposure and reducing positions in equities that have been substantially revalued higher.

## Outlook

- The case for dividend stocks is as strong as ever. Our portfolio delivers an attractive upfront yield, robust dividend growth and conservative risk management. With record market concentration despite uncertainty introduced by profound technological change, diversification is paramount in our opinion. We have measured investments in several of the companies at the heart of the AI ecosystem, but we are also focused on finding overlooked gems in other corners of the market. We believe the seeds we are planting today will bear fruit that we will be harvesting for years to come. In a world where change is increasingly constant, we believe our steadfast approach to diversified portfolio management should serve us well.

## Top Equity Issuers (% of Total)

| Holding | Fund |
|---|---|
| Williams Cos Inc | 4.53 |
| Exxon Mobil Corp | 3.96 |
| Alphabet Inc. Class A | 3.52 |
| NVIDIA Corp. | 2.97 |
| Nestle S.A. Sponsored ADR | 2.88 |
| Air Products and Chemicals, Inc. | 2.77 |
| Apollo Global Management Inc | 2.71 |
| Microsoft Corp | 2.61 |
| UNILEVER PLC-SPONSORED ADR | 2.58 |
| Public Storage (PSA) | 2.53 |



Not FDIC Insured | No Bank Guarantee | May Lose Value

## Average annual total returns and fund expenses (%) - as of June 30, 2026

| Product | Ticker | Listed Exchange | 3-Mo* | 6-Mo* | YTD* | 1-Yr | 3-Yr | 5-Yr | 10-Yr | Inception | Gross Expenses | Net Expenses | Inception Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Market Price Return | YLDE | NASDAQ - XNMS | 4.76 | 5.42 | 5.42 | 13.50 | 13.65 | 10.07 | — | 11.78 | 0.47 | 0.47 | 5/22/2017 |
| NAV Returns | — | — | 4.70 | 5.47 | 5.47 | 13.75 | 13.67 | 10.09 | — | 11.78 | 0.47 | 0.47 | 5/22/2017 |
| Benchmark 1 | — | — | 15.20 | 10.21 | 10.21 | 22.32 | 20.61 | 13.41 | — | 15.22 | — | — | — |
| Benchmark 2 | — | — | 7.38 | 6.39 | 6.39 | 17.34 | 12.11 | 8.39 | — | 7.25 | — | — | — |

*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.

## 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.

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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.

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



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