FRANKLIN TEMPLETON

FRANKLIN US INDEX (FTUSLX)

Charting a course toward growth

INDEX OVERVIEW

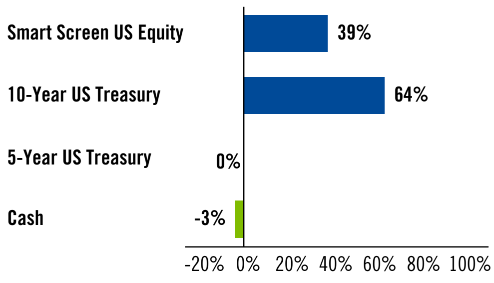
Inception	November 13, 2017
Volatility target	7%
Frequency of rebalancing	Daily
Number of holdings	3
Exchange	FTUSLX

INDEX OBJECTIVE

A US-multi-asset index designed to deliver attractive risk-adjusted returns with an annualized target volatility of 7%.

ALLOCATION SNAPSHOT

As of September 30, 2020



Commentary

US equity markets ascended consistently through July and August before generally trading down from an early September record high, due in part to rotation out of previously top-performing technology bellwether stocks. The US Federal Reserve (Fed) extended its programs designed to provide support to fixed income market through at least the end of the year. The Fed also announced a major change to the central bank's policy framework by indicating it would allow inflation to run above its 2% target if needed to support labor markets. Fixed income market volatility measures continued lower with US Treasury (UST) market volatility hitting all-time lows. The UST yield curve steepened over the quarter with short-term yields moving lower while their longer-term counterparts rose. The Cboe Volatility Index calmed during July and August from previously elevated levels, but September brought increased equity market volatility amid the tech stock selloff, rising coronavirus infections and expectations for an uneasy US election period.

For the period from July 1 to September 30, 2020, the Franklin US Index returned 2.65% with 5.17% annualized volatility of daily returns. Despite a jump in September, equity market volatility mostly leveled off from the elevated levels earlier in the year. To take advantage of the decreasing volatility throughout the quarter, the index increased exposure to equities, starting at 22% on July 1 and closing the period at 39%, with an average allocation of 32%. Meanwhile, the index deceased exposure to 10-year US Treasury notes, opening the quarter with a 93% allocation and closing at 64%, with an average exposure of 78%. Cash usage increased from -16% on July 1 to -2% on September 30, peaking at -1% on September 29.

PERFORMANCE

As of September 30, 2020	Cumulative				Annualized				
	MTD	QTD	YTD	1Y	3Y	5Y	7Y	10Y	Incept
Franklin US Index	-0.46	2.65	-0.20	3.70	6.45	7.34	6.77	8.04	6.81
S&P 500	-3.80	8.93	5.57	15.15	12.28	14.15	12.68	13.74	6.84
10Y US Treasury Futures	0.21	0.39	9.46	8.26	5.46	3.50	3.55	3.44	5.54
5Y US Treasury Futures	0.01	0.17	6.28	5.94	3.87	2.44	2.40	2.29	4.40

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Franklin US Index	-3.02	2.22	15.04	10.58	1.04	5.92	7.47	-0.66	6.56	13.70	11.14	6.69	18.50	8.21	-2.36	5.89	20.83	-2.44	13.67
S&P 500	-13.68	-22.10	28.68	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	-4.38	31.49
10Y US Treasury Futures	6.51	17.95	2.86	5.47	2.85	3.30	10.95	20.56	-4.35	7.60	12.73	3.55	-3.92	6.05	1.27	0.63	1.83	1.29	6.35
5Y US Treasury Futures	7.17	14.08	3.24	3.52	1.50	3.53	9.60	14.80	-0.07	5.85	7.67	1.77	-1.88	2.58	1.36	0.58	0.80	1.48	4.62

Source: Bloomberg. The Franklin US Index is an excess return index. The index levels represent performance in excess of the 3-month US Dollar LIBOR rate. All information for the index prior to its launch date is back-tested, based on the methodology that was in effect on the launch date on November 13, 2017. Back-tested performance, which is hypothetical, is subject to inherent limitations because it reflects application of an index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than back-tested returns. The performance data does not reflect the deduction of any fees/charges and assumes reinvestment of interest or dividends. There can be no assurance that implementation of managed volatility strategies will produce desired results. Hypothetical performance information is not indicative or a guarantee of future results. It is not possible to invest directly in an index.

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NOTES ON PERFORMANCE CALCULATIONS

Performance information in this presentation is for illustrative purposes only and includes hypothetical, back-tested returns as well as post-launch returns of the index.

A target volatility is not total return performance—it should not be expected that the index's total return performance would be any specific level or within any specified range or provide competitive returns. It is possible that the index could meet a target volatility level while having negative performance returns.

There can be no guarantee that the index will reduce volatility or achieve any specific level of volatility. The target volatility may expose the index to negative performance (some of which may be sudden).

The actual volatility that the index experiences may be significantly higher or lower than that sought by the investment manager at any time and for any period of time. The target volatility could limit the index's performance in rising markets and may expose the portfolio to costs to which it would otherwise not have been exposed.

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The hypothetical performance information presented herein does not reflect the results of actual trading and calculation of the index levels and performance do not reflect the fees and expenses that an investor would pay. These fees and expenses would cause the actual and back-tested performance of the index to be lower. For example, if an investor invested $100,000 in an investment product that returned 10% ($10,000 in gains) over a 12-month period and was charged an asset-based fee of 1.5% at the end of the period on the investment plus gains (a $1,650 fee), the investor's net return would be 8.35% ($8,350). Over three years, an annual 1.5% fee taken at the end of each year with the same assumed 10% return per year would result in a cumulative gross return of 33.10% but a net return (after $5,375 in fees) of 27.2%.

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WHAT ARE THE RISKS?

Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in an investment portfolio adjust to a rise in interest rates, the performance of the index may decline.

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