

Franklin Templeton Digital Assets Core SMA

Q4 2024 | Product Commentary

FRANKLIN TEMPLETON®
digital assets

Performance

Average Annual Total Returns (%)

As of December 31, 2024

	3-mo*	6-mo*	1-yr	Since Inception (06/30/22)
Gross of Fees (USD)	42.66	40.44	96.30	80.50
Net of Fees (USD)	41.72	38.46	90.80	75.42
S&P Cryptocurrency LargeCap Index (Benchmark)	41.59	39.65	92.49	73.92

Past performance is not a guarantee of future results. An investment in this strategy can lose value. Please, visit www.franklintempleton.com for the latest performance figures. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Note: Performance calculations reflect business day performance and does not reflect any weekend performance data.

Periods less than one year are not annualized. Performance results are for the composite which includes all actual, fully discretionary accounts with substantially similar investment policies and objectives managed to the composite's investment strategy. Composite returns are stated in U.S. dollars and assume reinvestment of any dividends, interest income, capital gains, or other earnings. The composite may include account(s) that are gross of fees and pure gross of fees. "Pure" gross-of-fee returns do not reflect the deduction of any expenses, including transaction costs. A traditional (or "true") gross-of-fee return reflects performance after the reduction of transaction costs but before the reduction of the investment advisory fee. The gross-of-fee return may include a blend of "true" gross-of-fee returns for non-wrap accounts and "pure" gross-of-fee returns for wrap accounts. Net-of-fee returns is reduced by a model "wrap fee" (3.0% is the maximum anticipated wrap fee), which includes trading expenses as well as investment management, administrative and custodial fees. The model wrap fee used represents the highest anticipated wrap fee applicable to the strategy. Actual fees and account minimums may vary.

For fee schedules, contact your financial professional, or if you enter into an agreement directly with Franklin Templeton Private Portfolio Group, LLC ("FTPPG"), refer to FTPPG's Form ADV Part 2A disclosure document. Management and performance of individual accounts may vary for reasons that include the existence of different implementation practices and model requirements in different investment programs.

To obtain specific information on available products and services or a GIPS® Report, contact your Franklin Templeton separately managed account sales team at (800) DIAL BEN/342-5236. Franklin Templeton claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

*Cumulative Total Returns

Key Takeaways

- Portfolio performance was positive over the last quarter, driven by greater regulatory certainty across both traditional finance (TradFi) and the digital asset markets. An increased risk appetite among investors was primarily influenced by the election of a pro-crypto and pro-business administration.
- Over the course of the quarter, the market-capitalization weighted portfolio saw an increase in currency, infrastructure, and decentralized finance (DeFi) focused digital assets and a reduction in assets within the smart contract platform sector.

S&P 500 Index, Dow Jones Industrial Average (DJIA) and NASDAQ Composite Index reaching new record highs. However, some investors expressed concerns about the potential impacts of threatened tariffs on various industries and trade relationships with other countries, as well as on inflation and the US Federal Reserve's (Fed's) interest-rate easing path. During the quarter, the Fed lowered the federal funds target rate by 25 basis points (bps) in November and another 25 bps in December. However, Fed Chair Jerome Powell's statement following the December meeting that policymakers can be more cautious about future rate cuts and the Fed's projection of two rate cuts in 2025—a decrease from the four cuts projected in September—weighed on stocks.

Annual inflation, as measured by the core personal consumption expenditures price index—which excludes volatile food and energy prices and is the Fed's preferred inflation gauge—accelerated in October and stayed at the same rate in November as it remained above the Fed's target. Meanwhile, the core Consumer

Market Overview

US stocks collectively rose in the fourth quarter of 2024 despite retreating in December. Donald Trump's victory in the presidential election and the Republican Party's success in gaining a majority in both chambers of the US Congress led to investor optimism about a more market-friendly and economic growth-focused administration. Consequently, US stocks rose significantly following the election in early November and through the first two weeks of December, with the

Not FDIC Insured | No Bank Guarantee | May Lose Value

Price Index (CPI) rose in November at the same annual rate as in the prior two months. Headline CPI rose at a faster month-over-month rate in November after increasing at the same pace in the previous four months, while the annual rate accelerated in October and November after dipping in September to the lowest level since February 2021.

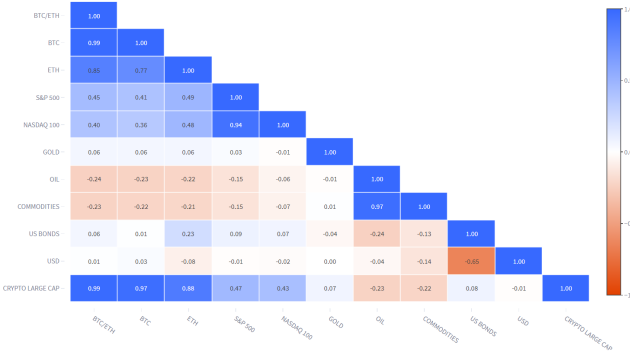
In the US labor market, new jobs rose significantly in November, recovering from October’s underwhelming levels that reflected the impact of hurricanes and a labor strike, while November’s unemployment rate ticked higher after remaining at the same level in the prior two months. The country’s gross domestic product expanded in 2024’s third quarter at a modestly higher annualized rate than in the previous quarter as growth in consumer spending, exports, business investment and federal government spending was countered by declines in housing investment and inventory investment. Manufacturing activity contracted for the ninth consecutive month in December, though the overall reading showed a slight improvement over the prior month as production rebounded and new orders increased, while employment continued to decline. Conversely, generally strong services activity was supported in part by business activity, new orders and employment.

Although major US indices made new record highs during the three-month period, quarterly returns were more subdued, with the S&P 500 Index, DJIA and NASDAQ Composite Index returning 2.41%, 0.93% and 6.35%, respectively. Equity market performance was mixed, with four out of the eleven S&P 500 sectors rising, led by consumer discretionary and communication services. In contrast, materials and health care saw the largest declines. By market capitalization and investment style, large-cap equities generally outpaced their mid- and small-cap counterparts, with growth stocks outperforming value stocks in all three capitalization tiers.

In Q4 2024, the cryptocurrency market experienced exciting and groundbreaking moments, reflected in the performance of key indices. The quarter was marked by increased confidence in the cryptocurrency market, with the market capitalization rising between October and early December—mirroring trends in the broader stock market—before reaching a peak at \$3.68 trillion on December 17th. Overall, the total crypto market capitalization increased by 40.83%, closing Q4 at \$3.25 trillion. Another important indicator for the asset class is Total Value Locked (TVL), which measures the amount of capital engaged across all decentralized finance (DeFi) protocols. TVL began Q4 at \$87.3 billion, substantially grew from \$85.6 billion on November 4th to \$90.4 billion on November 6th following the election results. TVL rose and peaked at \$140.74 billion in early December, and remained steady, ending the quarter at

\$119.7 billion.¹ This overall growth was driven by similar factors affecting the traditional finance (TradFi) market, as the election and greater economic activity increased investor’s appetite for riskier assets. The correlation between most traditional finance (TradFi) sectors and leading digital assets declined over the quarter, whereas the correlation between digital assets and both US Bonds and the USD saw a slight increase.

TradFi and Digital Asset Correlation Matrix
10/01/2024 – 12/31/2024



Sources: Santiment, Seeking Alpha, FTDA Resources.
Representative benchmarks: USD (Bloomberg Dollar Spot Index), Oil (Dow Jones Commodity Crude Oil Total Return Index), Commodities (S&P GSCI Total Return CME), ETH (S&P Ethereum Index), BTC (S&P Bitcoin Index), Crypto Large Cap (S&P Cryptocurrency LargeCap Index), BTC/ETH (S&P Cryptocurrency MegaCap Index), S&P 500 (S&P 500 Index), NASDAQ 100 (NASDAQ 100 Index), US Bonds (Bloomberg U.S. Aggregate Index), Gold (Bloomberg Composite Gold Index).
For illustrative purposes only.
Diversification does not guarantee a profit nor protect against loss.

The fourth quarter of 2024 also brought positive results for cryptocurrencies and broader digital assets in general. The S&P Cryptocurrency LargeCap Index, which tracks the largest and most liquid cryptocurrencies, rose by 41.59%; while the S&P Cryptocurrency MegaCap Index, focused on the two largest cryptocurrencies by market capitalization, namely Bitcoin and Ethereum, surged by 43.49%. These gains highlight a broader market rally that has captured global attention, fueled by a mix of political developments and institutional adoption.

On December 4th, Bitcoin reached a historic milestone, hitting \$100,000 for the first time and hitting an all-time high on December 17th of \$108,000. Ethereum followed suit, surpassing \$4,000 a few times throughout the quarter. Despite growing at a slower pace than Bitcoin, Ethereum's strong performance highlights sustained investor interest in its ecosystem. However, the market dominance of both Bitcoin and Ethereum – the ratio of Bitcoin and Ethereum’s market caps to that of alternative coins (altcoins) – declined during this period, with Bitcoin’s dominance slightly dropping from 58.52% to 58.01%, and Ethereum’s dominance dropping from 15.32% to 12.59%. The decline in market dominance of Ethereum can be attributed to the growth of market share of altcoins. Institutional investment reached record levels during Q4. On December 16th, 2024, the

net assets in BTC ETPs in the U.S. surpassed the net assets of all gold ETFs in the U.S. – with gold having a 20-year head start. Throughout the quarter, Spot Bitcoin ETPs attracted \$16.4 billion in net inflows.² Ethereum ETPs, while more modest, still saw \$3.2 billion in inflows during the same period.³

Additionally, another sector, meme coins saw a significant resurgence, with market capitalization and trading volume soaring 63.35% and 103.76%, respectively, driven largely by the usage of artificial intelligence. AI-driven entities, known as Crypto AI Agents, represent a novel intersection of AI and cryptocurrency that gained traction over the quarter. These agents operate within the crypto ecosystem, managing tokens, engaging in social media, and influencing market dynamics. Their potential applications include transforming social media content creation and launching brands, products, music, and movies. While still in their infancy, AI Agents hold significant promises and warrant close attention as the technology evolves.

The exceptional market performance for digital assets over the last quarter was largely fueled by Donald Trump's reelection as President of the United States on November 5th, 2024. His proposed administration, which includes pro-crypto figures, such as Paul Atkins as the new SEC chair, Scott Bessent as Treasury Secretary, and Howard Lutnick as Commerce Secretary, sparked widespread optimism.⁴ Trump's pledges to end the "anti-crypto crusade," make the U.S. the "crypto capital of the planet," and establish a Strategic Bitcoin Reserve have further catalyzed enthusiasm across the industry.⁵

Excitement for digital assets also extended to institutional and state-level adoption. Over the quarter, MicroStrategy—a public technology company that is one of the largest holders of Bitcoin—purchased 194,180 Bitcoin, owning approximately 450,000 Bitcoin.⁶ States like Wyoming are also taking proactive steps, with plans to launch a project to issue a state-backed stablecoin, WYST, in Q1 2025.⁷ Wisconsin and Michigan State Pension funds have invested in Bitcoin ETFs, while Florida⁸ and Pennsylvania introduced legislation to incorporate Bitcoin into their pension funds.⁹ Louisiana also made headlines by implementing a system allowing citizens to pay government agencies using cryptocurrencies.¹⁰

Portfolio Positioning

Franklin Templeton Digital Assets Core seeks to provide capital appreciation through market capitalization weighted exposure to digital assets that pass our selection process, excluding stablecoins and meme coins. In terms of sector allocation, we saw a decrease in smart contract platforms, and an increase in currency-focused tokens, infrastructure and decentralized finance sectors.

Portfolio Highlights

For the fourth quarter of 2024, Franklin Templeton Digital Assets Core performance was 41.72% (net of fees). On a relative basis, the currency, smart contract platforms, decentralized finance, and infrastructure sectors had a positive impact on the portfolio during the quarter.

Sector Performance Contribution

	Asset Symbol	Avg. Weight (%)
Currency	BTC	76.04
Smart Contracts Platforms	ATOM, AVAX, DOT, ETH, INJ, MATIC, SOL	22.78
Infrastructure	AAVE, MKR, UNI	0.45
Decentralized Finance (DeFi)	FIL, GRT, LINK, RNDR	0.75

Overall digital asset selection contributed to positive performance in Q4. Bitcoin remained the top contributor this quarter, and Ethereum rebounded from a bottom contributor last quarter to emerge as a top contributor. Most alternative assets had positive contributions during this period, with the exceptions of Polygon, Injective, MakerDAO, and The Graph. Render rounded out the quarter in the bottom five contributors despite its positive impact on the overall performance.

Top Contributors

	Avg. Weight (%)
Bitcoin (BTC)	76.04
Ethereum (ETH)	17.24
Solana (SOL)	4.25
Chainlink (LINK)	0.46
Uniswap (UNI)	0.29

Bitcoin (BTC), in the currency sector, is the original cryptocurrency. Originally proposed by the alias Satoshi Nakamoto in a paper in 2008, Bitcoin is the first application of blockchain's peer-to-peer network and distributed digital ledger to create a network for decentralized digital currency. The protocol uses the proof-of-work (PoW) consensus mechanism to secure its network through a cryptographic mathematical puzzle that validates transaction data on the chain.¹¹ In Q4 2024, Bitcoin attracted the attention of both retail and institutional investors, as well as governments worldwide. The primary catalyst was the re-election of Donald Trump, which drove greater regulatory clarity and adoption globally. Donald Trump's pro-crypto promises shot Bitcoin's price up, reaching an all-time high of \$108,000 on December 17th.¹² MicroStrategy also continued to buy Bitcoin through Q4 2024, buying

194,180 Bitcoin.¹³ Bitcoin was a positive contributor this quarter.

Ethereum (ETH), in the smart contract sector, is a decentralized, smart contract blockchain with its own cryptocurrency. Founded in 2013, Ethereum allows for the use of smart contracts and the ability to build decentralized applications. Ethereum, unlike Bitcoin's PoW, is a proof-of-stake (PoS) blockchain. PoS is a consensus mechanism that uses validators to produce and approve blocks of transactions.¹⁴ Over the quarter, Ethereum's Layer 2 (L2) solutions, which aim to scale Ethereum via reducing transaction costs and increasing TPS without compromising decentralization, experienced substantial growth. Consequently, much of Ethereum's activity migrated to L2 blockchains, which leverage Ethereum's base layer for security and settlement but reduce direct demand for ETH on the mainnet network. Although L2 networks pay fees in ETH, this dynamic affected Ethereum's revenues and overall demand. Nonetheless, the expansion of Ethereum L2s attracted significant attention, contributing positively to Ethereum's performance.¹⁵ Ethereum was a positive contributor this quarter.

Solana (SOL), in the smart contract sector, is a Proof-of-Stake (PoS) blockchain with its own cryptocurrency and implements a new timestamp system called Proof-of-History that improves the time to consensus finality. Over the quarter, Solana's network activity surged, primarily driven by meme coin trading.¹⁷ This growth was initiated in October by Andy Ayrey's AI chatbot on Truth Terminal, which promoted the meme coin \$GOAT, built on Solana. Additional growth drivers included the popularity of the Pump.fun DApp for meme trading, Robinhood's relisting of Solana¹⁸, and increased demand for the Magic Eden NFT platform, which anticipated high-value airdrops.¹⁹ These factors collectively positioned Solana as a positive contributor for the quarter.

Chainlink (LINK), in the infrastructure sector, is a decentralized blockchain oracle network. Its decentralized oracle network guarantees secure and reliable data transfer from off-chain sources to on-chain smart contracts. The platform's off-chain data aggregation feature consolidates information from multiple sources to deliver accurate and tamper-proof data. Furthermore, the Cross-Chain Interoperability Protocol (CCIP) facilitates seamless communication between different blockchains.²⁰ Over the quarter, Chainlink's innovations, partnerships, and growing adoption drove its growth. Chainlink unveiled an upgrade called the Chainlink Runtime Environment (CRE), designed to make building decentralized applications faster and easier²¹, and introduced Smart Value Recapture (SVR), a solution for recapturing non-toxic Maximal Extractable Value (MEV).²² Moreover,

Chainlink partnered with major institutions such as Swift, the Australia and New Zealand Banking Group, and UBS Asset Management, showcasing its ability to tokenize real-world assets.²³ Finally, Chainlink was expanding adoption through collaborations with Ronin, a leading web3 gaming ecosystem and Ethereum-compatible blockchain, and Coinbase's Project Diamond, an institutional-grade digital assets platform.²⁴ Chainlink was a top contributor to the portfolio this quarter.

Uniswap (UNI), in the decentralized finance sector, is a decentralized cryptocurrency exchange that utilizes smart contracts to execute trades. Uniswap's native utility token is UNI, which is classified as a financial token.²⁵ During Q4, Uniswap announced its new blockchain, Unichain.²⁶ Unichain is a new layer 2 chain designed for fast and interoperable DeFi. UNI will be the native token on Unichain, enhancing its utility. Furthermore, Unichain will be 95% cheaper than Ethereum while maintaining high decentralization.²⁷ Uniswap made a positive contribution to the portfolio this quarter, landing in the top five assets ranked by contribution.

Bottom Contributors

	Avg. Weight (%)
Render (RNDR)	0.16
Polygon (MATIC)	0.01
Injective (INJ)	0.10
MakerDAO (MKR)	0.01
The Graph (GRT)	0.01

Render (RNDR), in the infrastructure sector, is a peer-to-peer GPU marketplace, initially developed by OTOY Inc. in 2016. It leverages a decentralized graphics processing unit (GPU) model to deliver near real-time rendering, catering to the growing computational needs for both current and emerging 3D applications. This innovative network enhances rendering speed while simultaneously reducing costs and expanding scalability. By utilizing idle GPU capabilities, it improves capital efficiency and rewards GPU providers with RENDER tokens for their contributions.²⁸ During Q4, Render added Redshift, a 3D rendering software, support in their Cinema 4D Wizard, which is a recent upgrade that allows seamless rendering experiences. This allows motion graphics and VFX artists access top GPU rendering tools.²⁹ In addition, the Render Network approved three Render updates. The three updates are RNP-016, which is an Arnold Render Integration to support complex visual effects workflows, RNP-017, which is an OctaneRender support for Blender users, and RNP-018, which is a funding allocation to grow the network through initiatives like Artist Rewards and AI Scout programs.³⁰ Render was a slightly negative contributor this quarter.

Polygon (MATIC), in the smart contract sector, is a blockchain network providing scaling solutions for the Ethereum ecosystem. Founded in October 2017 as “Ethereum’s internet of blockchains,” the multi-chain system provides a variety of solutions that act as scaling aggregators for Ethereum with layer two blockchains, side chains and sovereign blockchains. The most popular scaling solution in the network is Polygon PoS, which acts as an Ethereum side chain by running its own validator set and utilizing Ethereum’s security.³¹ Over the quarter, Polygon continued to rebrand. In October, Polygon launched the new POL token, which is designed to be a “hyper-productive token”, on the Ethereum mainnet. However, more ambitious changes have caused Polygon to decline. Recently Polygon unveiled a new proposal called the pre-Polygon Improvement Proposal (Pre-Pip) designed to activate the \$1.3 billion of idle stablecoins that have been sitting on Polygon’s PoS Bridge. The proposal was faced with backlash and criticism, citing risks to safety.³² Furthermore, DAO’s founder proposed removing Polygon from Aave’s lending protocol to mitigate risks on bridge assets and incentivize users to migrate from the Polygon network.³³ Polygon was a bottom contributor this quarter.

Injective (INJ), in the smart contract sector, is an interoperable Layer 1 (L1) blockchain network optimized for building financial applications. It is an application specific app chain utilizing the Cosmos SDK and provides trading services on its own execution layers. Due to Injective’s interoperability, it supports cross-chain transactions across multiple blockchain networks, including Ethereum, Cosmos, Solana, and Avalanche. INJ is the native token of the Injective protocol, used to pay gas and staking governance.³⁴ In Q4, Injective was integrated with Fetch.ai and the Artificial Superintelligence Alliance (ASI). The arrangement allows Fetch.ai to plug its ML and AI capabilities into Injective, allowing users to use AI-enabled tools when trading. Injective and ASI will continue operating independently, as Injective taps into ASI’s AI capabilities.³⁵ Injective was a slightly negative.

MakerDAO (MKR), in the decentralized finance sector, is a peer-to-contract lending platform enabling overcollateralized loans by locking Ether and other crypto assets in a smart contract and minting DAI, a collateralized USD stablecoin. MakerDAO has historically dominated the DeFi. The MKR token is used for governance of the protocol.³⁶ Following the recent rebrand of MakerDAO to Sky at the end of Q3, in Q4, MakerDAO voted to maintain the rebrand despite backlash and skepticism from community members. The rebrand is part of a larger plan to remake MakerDAO.³⁷ MKR was a bottom contributor this quarter.

The Graph (GRT), in the infrastructure sector, is an open-source protocol founded by Jannis Pohlmann,

Yaniv Tal, and Brandon Ramirez in 2018. It serves as a decentralized indexing protocol, enabling developers to efficiently query and access blockchain data for building DApps. Using subgraphs—open-source APIs specifically designed for efficient data indexing and querying—The Graph streamlines the process of working with blockchain data.³⁸ In Q4, The Graph introduced GRT-20, which is a proposed standard for organizing and sharing information. GRT-20 helps create “knowledge graphs”, which connects pieces of information like a web, making it easier for apps to work together and share data.³⁹ Furthermore, The Graph supported Uniswap’s launch of Unichain.⁴⁰ GRT was a bottom contributor this quarter.

Digital Asset and Strategy Outlook

The fourth quarter of 2024 was an exceptional period for digital assets marked by an Administration change and wide-spread adoption. The digital assets market continues abuzz with anticipation for Donald Trump’s inauguration on January 20th, 2025. The industry continues to wait for further regulatory developments and regulatory clarity with a more pro-crypto Administration. The S&P Cryptocurrency LargeCap Index, which tracks the largest and most liquid cryptocurrencies, surged 41.59% over the quarter, while the S&P Cryptocurrency MegaCap Index, focused on the two largest cryptocurrencies by market capitalization, rose by 43.49%. More potential Federal Reserve rate cuts, continued expansion of the U.S.’s role in global cryptocurrency leadership, and increased embracement of digital assets continue to set the stage for another transformative year.

We have assessed the long-term value of blockchain technology and believe it will be foundational for the future of the asset management industry. Our CEO Jenny Johnson believes that blockchain technology has the potential to be a massive disruptor for traditional finance. In our opinion, digital assets are a major theme on which investors will become increasingly focused on gaining exposure to in their investment portfolios in the years ahead. As regulators grant access to investing in these assets through traditional vehicles, it will allow investors to access digital assets within a regulated framework. The spot Bitcoin and Ethereum ETF approvals this year mark major milestones on the long road to the shifting traditional finance environment. We define digital assets as frontier risk alternatives – new investible opportunities that capture the return streams of novel business models and can generate long-term growth. We believe that as companies continue to develop new technologies on blockchain rails, the economics and value created can be captured through strategic selection of these protocol’s underlying tokens.

Investment Team

Anthony Pecore

Senior Vice President

Director, Digital Asset Management

Twelve investment team members who are involved in fundamental and quantitative research, data science, and trading.

Sources

1. Source: "Total Value Locked." DeFi Llama. December 2024.
2. Source: "US BTC Spot ETF." SoSoValue. December 2024.
3. Source: "US ETH Spot ETF." SoSoValue. December 2024.
4. Source: "See the Fully List of Trump Cabinet Picks and Major White House Appointments." CBS News. December 12, 2024
5. Source: "What Trump's Election Win Could Mean for Bitcoin and Crypto." Investopedia. November 6, 2024.
6. Source: "MicroStrategy Bitcoin Holdings Chart & Purchase History." BitcoinTreasuries.com. December 2024
7. Source: "Wyoming Stable Token Commission Met Today." Wyoming News. November 15, 2024.
8. Source: "Michigan Becomes First State Pension Fund to Invest in Ethereum ETFs with \$11M." Crypto Briefing. November 4, 2024.
9. Source: "2024 Was Big for Bitcoin. States Could See a Crypto Policy Blitz in 2024 in spite of the Risks." December 16, 2024.
10. Source: Ibid
11. Source: "What is Bitcoin? How To Buy, Mine, and Use It". Investopedia. December 5, 2024.
12. Source: "Bitcoin Rally Pauses After Scaling \$108,000 for the First Time." MoneyWeb. December 18, 2024.
13. Source: "MicroStrategy Bitcoin Holdings Chart & Purchase History." BitcoinTreasuries.com. December 2024
14. Source: "What is Ethereum (ETH)?" Kraken. November 26, 2024.
15. Source: "Ethereum's 400% Growth This Year is Hidden in L2 Apps." MSN. December 2024.
16. Source: "Solana Documentation." Solana.
17. Source: "Solana DApp Revenue Soars 15x in 2024, Led by Meme Coins and DeFi." Crypto News. December 19, 2024.
18. Source: "Robinhood Crypto Expands Offering with Solana (SOL), Pepe (PEPE), Cardano (ADA) & XRP (XRP) for U.S. Customers." Robinhood. November 13, 2024.
19. Source: "Magic Eden Traders Rush to Claim Solana Token as Airdrop Value Tops \$700 Million." Decrypt. December 10, 2024.
20. Source: "What is Chainlink? (LINK)." Kraken. July 17, 2024.
21. Source: "October 2024 Recap: Chainlink Launches Chainlink Runtime Environment + Initiative To Standardize Corporate Actions Data With 8 Major Market Participants." Chainlink Today. November 1, 2024.
22. Source: "December 2024 Recap: Chainlink Launches Smart Value Recapture (SVR), CCIP Goes Live On Ronin". Chainlink Today. January 2, 2025.
23. Source: "November 2024 Recap: World Liberty Financial To Adopt Chainlink Standard, New Swift Project Facilitates Tokenized Fund Settlements". Chainlink Today. December 2, 2025.
24. Source: Ibid
25. Source: "What is Uniswap? (UNI)." Kraken. August 13, 2024
26. Source: "Uniswap's Departure: Breaking Down Ethereum's Potential Revenue Crisis." Forbes. December 9, 2024
27. Source: "What's Going on With Uniswap? Here's What You've Missed With UNI While Bitcoin Has Been Ripping New All-Time-Highs." 99 Bitcoins. November 11, 2024
28. Source: "What is Render? (RENDER)." Kraken. August 13, 2024

29. Source: "The Render Network Cinema 4D Wizard with Redshift Support is Live." Medium. October 7, 2024.
30. Source: "RNP-016, RNP-017, and RNP-018 Approved by Render Community." Medium. December 24, 2024.
31. Source: "What is Polygon? (MATIC)." Kraken. July 22, 2024.
32. Source: "Polygon Unveils Ambitious Proposal to Unlock \$1.3B in Stablecoin Reserves for DeFi Yield Program." Coinspeaker. December 12, 2024
33. Source: "Aave DAO Considers Exiting Polygon after Proposed Bridge." CoinTelegraph. December 16, 2024.
34. Source: "What is Injective? (INJ)." Kraken. October 28, 2024.
35. Source: "Injective Integrates Fetch.ai And ASI: Why Is INJ Down?" TradingView. October 31, 2024.
36. Source: "What is MakerDAO? (MKR)." Kraken. Jan 19, 2022.
37. Source: "Just four entities account for nearly all the votes to keep MakerDAO's rebranding to Sky." The Block. November 7, 2024.
38. Source: "What is The Graph? (GRT)." Kraken. January 19, 2022.
39. Source: "Introducing GRC-20: A Knowledge Graph Standard for Web3." The Graph. November 21, 2024.
40. Source: "Unichain Testnet is Live and Integrated with The Graph". The Graph. October 10, 2024.

What should I know before investing?

All investments involve risks, including possible loss of principal. **Digital assets** are subject to risks relating to immature and rapidly developing technology, security vulnerabilities of this technology, credit risk of digital asset exchanges, regulatory uncertainty, high volatility in their value/price, unclear acceptance by users and global marketplaces, and manipulation or fraud. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **Active management** does not ensure gains or protect against market declines. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the performance and result in greater fluctuation in value.

Glossary

Basis Points: A Basis Points: A basis point is one hundredth of one percent (1/100% or 0.01%).

Bloomberg Composite Gold Index: A benchmark index that tracks the performance of gold as a commodity.

Bloomberg Dollar Spot Index: An index that tracks the performance of the U.S. dollar relative to a basket of 10 leading global currencies.

Bloomberg U.S. Aggregate Index: Represents the performance of U.S. investment-grade bonds, covering government, corporate, and mortgage-backed securities.

BTC: The original cryptocurrency and often referred to as "digital gold".

Consumer Price Index: A price index that measures the price of a weighted average market basket of consumer goods and services purchased by households.

Core Personal Consumption Expenditures Price Index: Index that measures the prices paid by people for domestic purchases of goods and services in the United States, excluding prices of food and energy.

Dow Jones Commodity Crude Oil Total Return Index: Tracks the performance of crude oil, reflecting futures returns and movements in oil prices.

ETH: A decentralized, smart contract blockchain with its own cryptocurrency.

Federal Funds Rate: In the U.S., the federal funds rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

Federal Reserve: The central banking system of the United States, responsible for monetary policy, interest rates, and financial stability.

S&P Goldman Sachs Commodity Index (GSCI) Total Return Chicago Mercantile Exchange (CME): A benchmark index that measures the performance of a diverse range of commodities, including energy, agriculture, precious metals, and industrial metal, calculated on a total return basis.

S&P LargeCap Index: An index measuring the performance of U.S. large-cap stocks, generally represented by the largest companies in the S&P 500.

Web2: The current state of the internet that contains user-generated content provided more interactivity for end users.

Web3: The next wave of the internet which incorporates concepts such as decentralization, blockchain technologies, and token-based economies.

Proof-of-Stake (PoS): A peer-to-peer consensus mechanism for processing transactions and creating new blocks in a blockchain.

Proof-of-Work (PoW): describes a consensus mechanism that requires a significant amount of computing effort from a network of devices.

S&P 500 Index: Index of 500 leading U.S. publicly traded companies, reflecting the performance of the large-cap U.S. stock market.

S&P 500 Price Index: A market index that measures the performance of the 500 largest publicly traded companies in the United States by market capitalization.

S&P GSCI Total Return CME: A broad index tracking the total return of futures contracts on 24 commodities.

S&P Bitcoin Index: An index tracking the value of Bitcoin (BTC), the largest cryptocurrency by market cap.

S&P Cryptocurrency MegaCap Index: Combines Bitcoin and Ethereum to track their collective performance as the two largest crypto assets.

S&P Cryptocurrency LargeCap Index: Measures performance of the largest, most liquid digital assets, providing a snapshot of top cryptocurrencies.

S&P Ethereum Index: An index measuring the performance of Ethereum (ETH), one of the largest cryptocurrencies by market cap.

Layer 1: A foundational blockchain protocol (e.g., Bitcoin, Ethereum) that provides the primary network infrastructure and security.

Layer 2: Secondary protocols or networks built on top of Layer 1 blockchains to enhance scalability, speed, and transaction cost efficiency.

NASDAQ 100 Index: Tracks the 100 largest non-financial companies listed on the NASDAQ, primarily in the technology sector.

NASDAQ Composite Index: A market index that tracks the performance of over 3,000 stocks listed in the NASDAQ stock exchange.

NFT: A Non-Fungible Token is a unique digital identifier that cannot be copied, substituted, or subdivided, that is recorded in a blockchain, and used to certify authenticity and ownership.

Dow Jones Industrial Average: Tracks the performance of 30 large, publicly-owned blue-chip companies in the United States.

Important Information

Any information, statement or opinion set forth herein is general in nature, is not directed to or based on the financial situation or needs of any particular investor, and does not constitute, and should not be construed as, investment advice, forecast of future events, a guarantee of future results, or a recommendation with respect to any particular security or investment strategy or type of retirement account. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies should consult their financial professional.

Separately Managed Accounts (SMAs) are investment services provided by Franklin Templeton Private Portfolio Group, LLC (FTPPG), a federally registered investment advisor. Client portfolios are managed based on investment instructions or advice provided by affiliated subadvisors of Franklin Templeton. Management is implemented by FTPPG, the designated subadvisor or, in the case of certain programs, the program sponsor or its designee.

These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your financial professional or contact your sponsor firm.

Franklin Templeton (FT) is not undertaking to provide impartial advice. Nothing herein is intended to provide fiduciary advice. FT has a financial interest.

FRANKLIN ADVISERS, INC. ("FAV") IS A MEMBER OF NFA AND IS SUBJECT TO NFA'S REGULATORY OVERSIGHT AND EXAMINATIONS. FAV HAS ENGAGED OR MAY ENGAGE IN UNDERLYING OR SPOT VIRTUAL CURRENCY TRANSACTIONS IN A MANAGED ACCOUNT PROGRAM. ALTHOUGH NFA HAS JURISDICTION OVER FAV AND ITS MANAGED ACCOUNT PROGRAM, YOU SHOULD BE AWARE THAT NFA DOES NOT HAVE REGULATORY OVERSIGHT AUTHORITY FOR UNDERLYING OR SPOT MARKET VIRTUAL CURRENCY PRODUCTS OR TRANSACTIONS OR VIRTUAL CURRENCY EXCHANGES, CUSTODIANS OR MARKETS. YOU SHOULD ALSO BE AWARE THAT GIVEN CERTAIN MATERIAL CHARACTERISTICS OF THESE PRODUCTS, INCLUDING LACK OF A CENTRALIZED PRICING SOURCE AND THE OPAQUE NATURE OF THE VIRTUAL CURRENCY MARKET, THERE CURRENTLY IS NO SOUND OR ACCEPTABLE PRACTICE FOR NFA TO ADEQUATELY VERIFY.



One Franklin Parkway
San Mateo, CA 94403-1906
(800) DIAL BEN/342-5236
franklintempleton.com