

Franklin Factors US Index

Game planning for
a winning retirement



A dynamic index designed to seek growth with a smoother ride

Stock market and interest rate uncertainties call for an innovative investment approach. Introducing the Franklin Factors US Index—a daily blended index that seeks growth by constantly adapting to changing market conditions. Utilizing a mix of stocks, bonds and cash, the index relies on 2 components to achieve its goal: a sophisticated stock screen and a dynamic asset allocation tool.



The Elite Tier stock screen

Approximately 250
US stocks selected
through a proprietary
methodology

+



Dynamic Shift Technology

Allows the index to
react to changing
market conditions in
an effort to create
a smoother ride over time

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Franklin Factors US Index

Daily blended index



The Elite Tier stock screen

The equity component of the Franklin Factors US Index starts with a stock screen based on a proprietary quantitative methodology: The Elite Tier.

The screen starts with a list of 1,000 well-recognized US stocks and assigns a score to each based on a combination of three key factors: quality, value and momentum. Our research has determined that these factors can be the most reliable indicators of a stock's future performance. Once each stock has been scored, the index ranks them and focuses on only those in the top 250. These stocks are selected to act as the growth engine of the index.

The screening process is repeated periodically, ensuring the index always allocates to the stocks that best reflect the Elite Tier screening methodology.



FRANKLIN FACTORS US INDEX EQUITY COMPONENT

Factor weights

Quality **40%**
Factor role: May help drive stock performance and reduce portfolio volatility

Value **30%**
Factor role: May help identify companies that are attractively valued and poised for strong performance

Momentum **30%**
Factor role: May help identify trends, avoid value traps and is negatively correlated with value

The index selects only the top-ranked stocks in order to put together the strongest possible starting lineup.



Quality **95%**

Value **90%**

Momentum **85%**



Quality **85%**

Value **95%**

Momentum **90%**



Quality **90%**

Value **85%**

Momentum **95%**

For illustrative purposes only. Does not represent the actual rankings of any stock screened by the index.



Dynamic Shift Technology

Asset allocation is key to adapting to changing markets.

That's why Dynamic Shift Technology plays a pivotal role within the Franklin Factors US Index. The Index allocates to stocks when market conditions appear favorable to boost growth potential. Our research has shown that stocks have historically provided the strongest growth potential over time, which is why the Index shifts towards them as much as possible in the long term. We know, however, that markets do not always go up...

...this is where Dynamic Shift Technology comes into play.

During periods of **less volatility**, it shifts into an "offensive formation" by allocating to stocks to help boost performance.

During periods of **heightened volatility**, it becomes more defensive by shifting from stocks to bonds, which are used as a shock absorber.

During periods of **extreme volatility**, cash is used as a safety net. When markets become too volatile, Dynamic Shift Technology shifts more to cash, helping with downside protection.

Market volatility can change quickly and there can be no assurance that Dynamic Shift Technology will be successful. During times of extreme market volatility, the index will not be able to eliminate investment losses or capture all investment gains.



Franklin Factors US Index

What is it, why does it matter, how do we do it

What is it?	Why does it matter?	How do we do it?
A rules-based, quantitative index built to deliver growth with a smoother ride by constantly adapting to changing market conditions.	Informed by the proprietary research of the Franklin Systematic™ team, the index is designed to unlock the growth potential of US large-cap equities while delivering downside protection.	By targeting select time-tested factors, such as quality and value, the index employs a sophisticated stock screen while also dynamically allocating across asset classes.



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TEMPLETON

For more information about the Franklin Factors US Index:



(800) DIAL BEN/342-5236



www.franklinfactorsusindex.com

Disclosure

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Investment 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 adjust to a rise in interest rates, the performance of the Index may decline. During times of extreme market volatility, the Index will not be able to eliminate market losses or capture all market gains.