

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to US persons except pursuant to an exemption from the registration requirements of those laws.*



# FRANKLIN TEMPLETON INVESTMENTS

## PROSPECTUS

*Continuous Offering*

April 6, 2018

**Franklin LibertyQT U.S. Equity Index ETF (FLUS)**  
**Franklin LibertyQT International Equity Index ETF (FLDM)**  
**Franklin LibertyQT Global Dividend Index ETF (FLGD)**  
**Franklin LibertyQT Emerging Markets Index ETF (FLEM)**

This prospectus qualifies the distribution of units (the “Units”) of the following exchange-traded funds (each a “Franklin ETF” and together the “Franklin ETFs”):

**Franklin LibertyQT U.S. Equity Index ETF (FLUS)**  
**Franklin LibertyQT International Equity Index ETF (FLDM)**  
**Franklin LibertyQT Global Dividend Index ETF (FLGD)**  
**Franklin LibertyQT Emerging Markets Index ETF (FLEM)**

The Franklin ETFs are exchange-traded funds established as trusts under the laws of the Province of Ontario. The Franklin ETFs are a part of a group of exchange-traded funds referred to as the Franklin LibertyShares offered by the Manager and its affiliates. Each Franklin ETF seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of a specified market index (each an “Index”). See “Investment Objectives”.

Franklin Templeton Investments Corp. (the “Manager”), a registered portfolio manager and investment fund manager, is the trustee and manager of the Franklin ETFs and is responsible for the administration of the Franklin ETFs. See “Organization and Management Details of the Franklin ETFs – Manager of the Franklin ETFs”. The Manager has retained Franklin Advisers, Inc. (the “Portfolio Advisor”) to act as portfolio advisor to it in respect of the Franklin ETFs. See “Organization and Management Details of the Franklin ETFs – Portfolio Advisor”.

### **Listing of Units**

Each Franklin ETF issues Units on a continuous basis and there is no maximum number of Units that may be issued.

Units of each Franklin ETF are listed on the Toronto Stock Exchange (“TSX”) and a holder of Units (“Unitholder”) may buy or sell Units of the Franklin ETFs on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the Unitholder resides.

Unitholders may incur customary brokerage commissions in buying or selling Units. No fees are paid by a Unitholder to the Manager or the Franklin ETFs in connection with the buying or selling of Units on the TSX or another exchange or marketplace. Unitholders may redeem Units in any number for cash for a redemption price per Unit of 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per Unit (defined below), or may exchange a minimum of a Prescribed Number of Units (defined below) (and any additional multiple thereof) for, in the discretion of the Manager, securities and cash or only cash. Unitholders are advised to consult their brokers or investment advisers, and their tax advisers, before redeeming Units for cash. See “Redemption of Units”.

The Franklin ETFs will issue Units directly to Designated Broker and Dealers (each defined below).

### **Additional Consideration**

**No Dealer or Designated Broker has been involved in the preparation of the prospectus or has performed any review of the contents of the prospectus and, as such, the Dealers and the Designated Brokers do not perform many of the usual underwriting activities in connection with the distribution by the Franklin ETFs of their Units under this prospectus.**

**For a discussion of the risks associated with an investment in Units of the Franklin ETFs, see “Risk Factors”.**

Registration of interests in, and transfer of, the Units will be made only through CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

Each Franklin ETF is a mutual fund under the securities legislation of certain provinces and territories of Canada.

In the opinion of the Manager, Units of the Franklin ETFs are index participation units within the meaning of National Instrument 81-102 - *Investment Funds* (“**NI 81-102**”). A mutual fund wishing to invest in Units of a Franklin ETF should make its own assessment of its ability to do so after careful consideration of the relevant provisions of NI 81-102.

The Units are not and will not be registered under the U.S. *Securities Act of 1933*, as amended. Subject to certain exceptions, the Units may not be offered or sold in the U.S. or offered or sold to U.S. persons. The Franklin ETFs are not and will not be registered under, and the Manager is not registered under, the U.S. *Investment Company Act of 1940*, as amended.

### **Documents Incorporated by Reference**

Additional information about each Franklin ETF is available in the most recently filed ETF Facts, in the most recently filed annual financial statements, if any, any interim financial statements filed after those annual financial statements, the most recently filed annual management report of fund performance (“**MRFP**”), if any, and any interim MRFP filed after that annual MRFP. These documents are incorporated by reference into, and legally form an integral part of, this prospectus. These documents are publicly available on the Manager’s website at [www.franklintempleton.ca](http://www.franklintempleton.ca) and may be obtained upon request, at no cost, by calling 1.800.387.0830 or by contacting a registered dealer. These documents and other information about the Franklin ETFs are also publicly available at [www.sedar.com](http://www.sedar.com). See “Documents Incorporated by Reference” for further details.

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## IMPORTANT TERMS

*Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars and all references to times in this prospectus are to Toronto time.*

***Basket of Securities*** – in relation to a particular Franklin ETF means: (i) the Constituent Securities of the applicable Index held, to the extent reasonably possible, in approximately the same proportion as they are reflected in the applicable Index; or (ii) a subset of the Constituent Securities and/or other securities selected by the Portfolio Advisor from time to time that collectively reflect the aggregate investment characteristics of the applicable Index.

***business day*** – a day on which the TSX is open for trading.

***Canadian securities legislation*** – the securities legislation in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities, as the same may be amended, restated or replaced from time to time.

***CDS*** – CDS Clearing and Depository Services Inc.

***CDS Participant*** – a registered dealer or other financial institution that is a participant in CDS and that holds Units on behalf of beneficial owners of Units.

***Constituent Issuers*** – in relation to a particular Index, the issuers that are included from time to time in that Index as selected by the Index Provider.

***Constituent Securities*** – in relation to a particular Index, the specific class or series of securities of the Constituent Issuers included in that Index, and may include American Depository Receipts and other negotiable financial instruments that represent such securities.

***CRA*** – the Canada Revenue Agency.

***Custodian*** – State Street Trust Company Canada.

***Custodian Agreement*** – the master custodian agreement dated April 18, 2017 between the Manager, on behalf of, among others, the Franklin ETFs, and the Custodian, as the same may be amended or restated from time to time.

***Cut-Off Time*** – in the case of Franklin LibertyQT U.S. Equity Index ETF is 4:00 p.m. (Toronto time) on the Trading Day, and in the case of Franklin LibertyQT International Equity Index ETF, Franklin LibertyQT Global Dividend Index ETF and Franklin LibertyQT Emerging Markets Index ETF, the cut-off time is 5:30 p.m. (Toronto time) on the prior Trading Day or, in any case, such later time as the Manager may agree to.

***Dealer*** – a registered dealer (that may or may not be a Designated Broker) that has entered into a continuous distribution dealer agreement with the Manager, on behalf of one or more Franklin ETFs, and that subscribes for and purchases Units from such Franklin ETFs as described under “Purchases of Units – Issuance of Units”.

***Declaration of Trust*** – the master declaration of trust establishing the Franklin ETFs dated April 18, 2017, as amended and restated as of November 8, 2017, as the same may be further amended or restated from time to time.

***Designated Broker*** – a registered dealer that has entered into a designated broker agreement with the Manager, on behalf of one or more Franklin ETFs, pursuant to which the Designated Broker agrees to perform certain duties in relation to those Franklin ETFs.

***distribution payment date*** – a date, which is no later than the tenth business day following the applicable distribution record date, on which a Franklin ETF pays a distribution to its Unitholders.

***distribution record date*** – a date designated by the Manager as a record date for the determination of Unitholders entitled to receive a distribution from a Franklin ETF.

**ETF Facts** – a document that summarizes certain features of Units of a Franklin ETF.

**Franklin ETFs** – collectively, Franklin LibertyQT U.S. Equity Index ETF, Franklin LibertyQT International Equity Index ETF, Franklin LibertyQT Global Dividend Index ETF and Franklin LibertyQT Emerging Markets Index ETF, each an exchange-traded fund established as a trust under the laws of Ontario pursuant to the Declaration of Trust.

**Fund Administration Services Agreement** – the agreement dated 18, 2017 between the Manager and the Fund Administrator, as the same may be amended or restated from time to time.

**Fund Administrator** – State Street Fund Services Toronto Inc. or its successor.

**HST** – the harmonized sales tax imposed under the *Excise Tax Act* (Canada) that is applicable in certain provinces of Canada.

**Index/Indices** – a benchmark or index, provided by an Index Provider, that is used by a Franklin ETF in relation to the Franklin ETF's investment objective and includes, as required, a replacement or alternative benchmark or index that applies substantially similar criteria to those currently used by an Index Provider for the benchmark or index and/or a successor index that is generally comprised of, or would be generally comprised of, the same Constituent Securities as the benchmark or index.

**Index License Agreement** – the agreement pursuant to which the Manager licenses or sublicenses one or more Indices for use by the Franklin ETFs.

**Index Provider** – a provider of an Index, including but not limited to, MSCI and Russell, with which, or in respect of which, the Manager has entered into licensing arrangements pursuant to the Index License Agreement to use the relevant Index and certain trademarks in connection with the operation of the applicable Franklin ETF.

**IRC** – the Independent Review Committee of the Franklin ETFs.

**Management Agreement** – the management agreement dated April 18, 2017 between Franklin Templeton Investments Corp., as trustee of the Franklin ETFs, and the Manager, as the same may be amended or restated from time to time.

**Manager** – Franklin Templeton Investments Corp., a corporation amalgamated under the laws of Ontario, or its successor.

**MRF** – management report of fund performance as defined in NI 81-106.

**MSCI** – MSCI Inc. or its successor, the Index Provider of the LibertyQ International Equity Index, the LibertyQ Global Dividend Index and the LibertyQ Emerging Markets Index.

**NAV** and **NAV per Unit** – in relation to a particular Franklin ETF, the aggregate net asset value of the Units of the Franklin ETF and the net asset value per Unit, respectively, calculated by the Fund Administrator as described in "Calculation of Net Asset Value".

**NI 81-102** – National Instrument 81-102 – *Investment Funds*, as the same may be amended, restated or replaced from time to time.

**NI 81-106** – National Instrument 81-106 – *Investment Fund Continuous Disclosure*, as the same may be amended, restated or replaced from time to time.

**NI 81-107** – National Instrument 81-107 – *Independent Review Committee for Investment Funds*, as the same may be amended, restated or replaced from time to time.

**Portfolio Advisor** – Franklin Advisers, Inc., a corporation established under the laws of California, or its successor.

**Portfolio Advisory Agreement** – the portfolio advisory agreement dated April 18, 2017 between the Manager and the Portfolio Advisor, as the same may be amended or restated from time to time.

**Prescribed Number of Units** – in relation to a particular Franklin ETF, the number of Units determined by the Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

**Registered Plans** – registered retirement savings plans, registered retirement income funds, registered education savings plans, tax-free savings accounts, deferred profit sharing plans and registered disability savings plans.

**Registrar and Transfer Agent** – State Street Trust Company Canada or its successor.

**Russell** – FTSE International Limited and Frank Russell Company or their successors, the Index Provider of the LibertyQ U.S. Large Cap Equity Index.

**Securities Lending Agent** – State Street Bank and Trust Company or its successor.

**Securities Lending Agreement** – the agreement that may be entered into between the Manager and the Securities Lending Agent, as the same may be amended or restated from time to time.

**securities regulatory authorities** – the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such province or territory.

**Tax Act** – the *Income Tax Act* (Canada) and the regulations issued thereunder, as amended, restated or replaced from time to time.

**Tax Proposals** – all specific proposals to amend the Tax Act that have been publicly announced in writing by the Minister of Finance (Canada) prior to the date of this prospectus.

**Trading Day** – for each Franklin ETF, unless otherwise agreed by the Manager, a day on which: (i) a session of the TSX is held; (ii) the primary market or exchange for the securities held by the Franklin ETF is open for trading; and (iii) the Index Provider calculates and publishes data relating to the Index of the Franklin ETF.

**TSX** – the Toronto Stock Exchange.

**Unit** – in relation to a particular Franklin ETF, a redeemable, transferable unit of the Franklin ETF, which represents an equal, undivided interest in a proportionate share of the assets of the Franklin ETF.

**Unitholder** – a holder of Units of a Franklin ETF.

**Valuation Date** – each business day or any other day designated by the Manager on which the NAV and NAV per Unit of a Franklin ETF is calculated.

**Valuation Time** – 4:00 p.m. (Toronto time) or such other time that the Manager deems appropriate on each Valuation Date.

**PROSPECTUS SUMMARY**

*The following is a summary of the principal features of the Units of the Franklin ETFs and should be read together with the more detailed information and statements contained elsewhere in this prospectus or incorporated by reference in this prospectus.*

**Issuers:** **Franklin LibertyQT U.S. Equity Index ETF**  
**Franklin LibertyQT International Equity Index ETF**  
**Franklin LibertyQT Global Dividend Index ETF**  
**Franklin LibertyQT Emerging Markets Index ETF**  
 (each, a “Franklin ETF” and, collectively, the “Franklin ETFs”).

Each Franklin ETF is an exchange-traded fund established as a trust under the laws of Ontario. Franklin Templeton Investments Corp. is the trustee and manager of the Franklin ETFs. The Franklin ETFs are a part of a group of exchange-traded funds referred to as the Franklin LibertyShares offered by the Manager and its affiliates.

**Units:** Each Franklin ETF offers units under this prospectus (the “Units”).

**Continuous Distribution:** Units of the Franklin ETFs are being offered on a continuous basis and there is no maximum number of Units that may be issued.

The Units of each Franklin ETF are listed on the TSX and Unitholders are able to buy or sell Units of the Franklin ETFs on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the Unitholder resides.

Unitholders may incur customary brokerage commissions in buying or selling Units. No fees are paid by a Unitholder to the Manager or the Franklin ETFs in connection with the buying or selling of Units on the TSX or another exchange or marketplace. Unitholders may trade Units in the same way as other securities listed on the TSX, including by using market orders and limit orders.

Units may not be purchased by nor transferred to US Persons, as defined in Regulation S under the United States Securities Act of 1933, as amended.

The Franklin ETFs will issue Units directly to Designated Brokers and Dealers.

See “Purchases of Units – Issuance of Units” and “Purchases of Units – Buying and Selling Units”.

**Investment Objectives:**

<b>Franklin ETF</b>	<b>Investment Objectives</b>
Franklin LibertyQT U.S. Equity Index ETF	Seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ U.S. Large Cap Equity Index, or any successor thereto. It invests primarily in equity securities of large- and mid-capitalization U.S. issuers.
Franklin LibertyQT International Equity Index ETF	Seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ International Equity Index, or any successor thereto. It invests primarily in equity securities of issuers located in developed markets, excluding the United States and Canada.
Franklin LibertyQT Global Dividend Index ETF	Seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ Global Dividend Index, or any successor thereto. It invests primarily in dividend-paying equity securities of issuers located in developed and emerging markets.
Franklin LibertyQT Emerging Markets Index ETF	Seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ Emerging Markets Index, or

	any successor thereto. It invests primarily in equity securities of issuers located in emerging markets.
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See “Investment Objectives”.

**The Indices:**

<b>Franklin ETF</b>	<b>Index</b>
Franklin LibertyQT U.S. Equity Index ETF	LibertyQ U.S. Large Cap Equity Index
Franklin LibertyQT International Equity Index ETF	LibertyQ International Equity Index
Franklin LibertyQT Global Dividend Index ETF	LibertyQ Global Dividend Index
Franklin LibertyQT Emerging Markets Index ETF	LibertyQ Emerging Markets Index

See “Investment Objectives – The Indices”.

**Investment Strategies:**

In order to achieve its investment objective, each Franklin ETF may hold: (i) the Constituent Securities of the applicable Index, to the extent reasonably possible, in approximately the same proportion as they are reflected in that Index, and/or (ii) a subset of the Constituent Securities and/or other securities selected by the Portfolio Advisor from time to time that collectively reflect the aggregate investment characteristics of the applicable Index.

See “Investment Strategies”.

**Special Considerations for Purchasers:**

The provisions of the so-called “early warning” reporting requirements in Canadian securities legislation do not apply if a person or company acquires 10% or more of the Units of a Franklin ETF. The Franklin ETFs have obtained exemptive relief to permit Unitholders to acquire more than 20% of the Units of any Franklin ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation. In addition, the Franklin ETFs have obtained relief to permit a Franklin ETF to borrow cash in an amount not exceeding 5% of the net assets of the Franklin ETF for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to Unitholders that represents amounts that have not yet been received by the Franklin ETF.

In the opinion of the Manager, Units of the Franklin ETFs are index participation units within the meaning of NI 81-102. A mutual fund wishing to invest in Units of a Franklin ETF should make its own assessment of its ability to do so after careful consideration of the relevant provisions of NI 81-102.

See “Purchases of Units – Special Considerations for Unitholders”.

**Risk Factors:**

There are certain general risk factors inherent in an investment in the Franklin ETFs, including:

- (i) market risk;
- (ii) fluctuations in NAV risk;
- (iii) foreign currency risk;
- (iv) regional risk;
- (v) calculation and termination of the Indices risk;
- (vi) tracking error risk;
- (vii) trading price of Units risk;
- (viii) concentration risk;
- (ix) midsize company risk;
- (x) passive investment strategy risk;
- (xi) sampling methodology risk;

- (xii) calculation and termination of the Indices risk;
- (xiii) legislation risk;
- (xiv) illiquidity risk;
- (xv) absence of active market and performance risk;
- (xvi) Designated Broker and Dealer concentration risk;
- (xvii) taxation risk;
- (xviii) rebalancing and subscription risk;
- (xix) cease trading of Constituent Securities risk;
- (xx) securities lending transaction, repurchase transaction and reverse repurchase transaction risk;
- (xxi) halted trading of Units risk;
- (xxii) series risk;
- (xxiii) borrowing risk;
- (xxiv) derivatives risk; and
- (xxv) cyber security risk.

In addition to the general risk factors, the following additional risk factor is inherent in an investment in a Franklin ETF as indicated in the table below.

Franklin ETF	Additional Risks
Franklin LibertyQT Global Dividend Index ETF	dividend-oriented companies risk emerging markets risk foreign markets risk
Franklin LibertyQT Emerging Markets Index ETF	emerging markets risk foreign markets risk

See “Risk Factors”.

**Income Tax Considerations:**

Each year a Unitholder (other than a Registered Plan) is generally required to include in computing income for tax purposes the amount of any income and the taxable portion of any capital gains of a Franklin ETF distributed to the Unitholder in the year, whether such amounts are paid in cash or reinvested in additional Units. A Unitholder will generally realize a capital gain (or loss) on the sale, redemption, exchange or other disposition of a Unit to the extent that the proceeds of disposition for the Unit exceed (or are less than) the total of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition.

See “Income Tax Considerations”.

**Exchanges and Redemptions:**

In addition to the ability to sell Units on the TSX or other exchange or marketplace, Unitholders may (i) redeem Units in any number for cash for a redemption price per Unit of 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per Unit, or (ii) exchange a minimum of a Prescribed Number of Units (and any additional multiple thereof) for, in the discretion of the Manager, Baskets of Securities and cash or only cash.

See “Redemption of Units”.

**Distributions:**

Cash distributions on Units of Franklin LibertyQT U.S. Equity Index ETF will be paid quarterly and cash distributions on Units of Franklin LibertyQT International Equity Index ETF and Franklin LibertyQT Emerging Markets Index ETF will be paid on a semi-annual basis. Cash distributions on Units of Franklin LibertyQT Global Dividend Index ETF will be paid quarterly and, effective July 1, 2018, will instead be paid monthly. The Manager may, in its discretion, change the frequency of cash distributions, and will issue a press release if such a change is made. Cash distributions may consist of income, capital gains and/or returns of capital.

Each Franklin ETF distributes a sufficient amount of its net income and net realized capital gains to Unitholders for each taxation year so that the Franklin ETF will not be liable for ordinary income tax. To the extent that a Franklin ETF has not otherwise distributed a sufficient amount of its net income or net realized capital gains, it will pay a distribution to Unitholders at the end of the year and that distribution will be automatically reinvested in additional Units. Immediately following such reinvestment, the number of Units outstanding will be consolidated so that the NAV per Unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid. The tax treatment to Unitholders of distributions is discussed under the heading “Income Tax Considerations”.

See “Distribution Policy”.

**Termination:** The Franklin ETFs do not have a fixed termination date but may be terminated by the Manager upon not less than 60 days’ written notice to Unitholders.

See “Termination of the Franklin ETFs”.

If the Index Provider ceases to calculate an Index or the Index License Agreement in respect of an Index is terminated, the Manager may: (i) terminate the applicable Franklin ETF on not less than 60 days’ notice to Unitholders; (ii) change the investment objective of the applicable Franklin ETF or seek to replicate an alternative index (subject to any Unitholder approval in accordance with Canadian securities legislation); or (iii) make such other arrangement as the Manager considers appropriate and in the best interests of Unitholders of the Franklin ETF in the circumstances.

See “Investment Objectives – The Indices – Termination of the Indices”.

**Documents Incorporated by Reference:**

Additional information about each Franklin ETF is available in the most recently filed ETF Facts, in the most recently filed annual financial statements, if any, any interim financial statements filed after those annual financial statements, the most recently filed annual MRFP, if any, and any interim MRFP filed after that annual MRFP. These documents are incorporated by reference into, and legally form an integral part of, this prospectus. These documents are publicly available on the Manager’s website at [www.franklintempleton.ca](http://www.franklintempleton.ca) and may be obtained upon request, at no cost, by calling 1.800.387.0830 or by contacting a registered dealer. These documents and other information about the Franklin ETFs are also publicly available at [www.sedar.com](http://www.sedar.com).

See “Documents Incorporated by Reference”.

**Eligibility for Investment:**

The Units of a Franklin ETF will be a qualified investment under the Tax Act for a Registered Plan at any time that the Franklin ETF qualifies or is deemed to qualify as a “mutual fund trust” under the Tax Act or that the Units are listed on the TSX.

Unitholders should consult their own tax advisers for advice on whether Units of a Franklin ETF would be a “prohibited investment” under the Tax Act for their Registered Plan.

See “Income Tax Considerations – Status of the Franklin ETFs”.

#### **ORGANIZATION AND MANAGEMENT OF THE FRANKLIN ETFs**

**Manager:**

Franklin Templeton Investments Corp. is the manager of the Franklin ETFs and is responsible for managing the overall business of each of the Franklin ETFs, including selecting the portfolio management team for each Franklin ETF’s portfolio, providing each Franklin ETF with accounting and administration services and promoting sales of each Franklin ETF’s securities through financial advisers in each province and territory of Canada. The head office of the

Franklin ETFs and the Manager is located at 200 King Street West, Suite 1500, Toronto, Ontario M5H 3T4. The Manager carries on business under the name Franklin Templeton Investments.

See “Organization and Management Details of the Franklin ETFs – Manager of the Franklin ETFs”.

**Trustee:** Franklin Templeton Investments Corp. is the trustee of each Franklin ETF pursuant to the Declaration of Trust and holds title to the assets of each Franklin ETF in trust for the Unitholders.

See “Organization and Management Details of the Franklin ETFs – Trustee”.

**Portfolio Advisor:** Franklin Advisers, Inc., an affiliate of the Manager, has been retained by the Manager to act as portfolio advisor to the Franklin ETFs. The Portfolio Advisor manages the investment portfolios of the Franklin ETFs, provides analysis and makes investment decisions. The Portfolio Advisor is a registered investment advisor in the U.S. with offices based in San Mateo, California. As the Portfolio Advisor is located outside of Canada, it may be difficult to enforce legal rights against it.

See “Organization and Management Details of the Franklin ETFs – Portfolio Advisor”.

**Promoter:** Franklin Templeton Investments Corp. has taken the initiative in founding and organizing the Franklin ETFs and is, accordingly, the promoter of the Franklin ETFs within the meaning of securities legislation of certain provinces and territories of Canada.

See “Organization and Management Details of the Franklin ETFs – Promoter”.

**Custodian:** The Manager has retained the services of State Street Trust Company Canada, at its principal offices in Toronto, Ontario, to act as the Custodian of the assets of the Franklin ETFs and to hold those assets in safekeeping. The Custodian is entitled to receive fees from the Manager as described under “Fees and Expenses” and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Franklin ETFs.

See “Organization and Management Details of the Franklin ETFs – Custodian”.

**Securities Lending Agent:** The Manager may retain the services of State Street Bank and Trust Company, a sub-custodian of the Franklin ETFs, to act as the Securities Lending Agent of the Franklin ETFs.

See “Organization and Management Details of the Franklin ETFs – Securities Lending Agent”.

**Registrar and Transfer Agent:** The Manager has retained the services of State Street Trust Company Canada, at its principal offices in Toronto, Ontario, to act as the registrar and transfer agent for the Units of the Franklin ETFs and to maintain the register of registered Unitholders. The register of the Franklin ETFs is kept in Toronto, Ontario.

See “Organization and Management Details of the Franklin ETFs – Registrar and Transfer Agent”.

**Auditor:** PricewaterhouseCoopers LLP, at its principal offices in Toronto, Ontario, is the auditor of the Franklin ETFs. The auditor audits each Franklin ETF’s annual financial statements and provides an opinion as to whether they present fairly the Franklin ETF’s financial position, financial performance and cash flows. The auditor is independent of the Manager.

See “Organization and Management Details of the Franklin ETFs – Auditor”.

**Fund Administrator:** The Manager has retained the services of State Street Fund Services Toronto Inc., at its principal offices in Toronto, Ontario, to act as the Fund Administrator. The Fund Administrator is responsible for certain aspects of the day-to-day administration of the Franklin ETFs, including

NAV calculations, accounting for net income and net realized capital gains of the Franklin ETFs and maintaining books and records with respect to each Franklin ETF.

See “Organization and Management Details of the Franklin ETFs – Fund Administrator”.

## SUMMARY OF FEES AND EXPENSES

This table lists the fees and expenses that a Unitholder may have to pay if the Unitholder invests in the Franklin ETFs. A Unitholder may have to pay some of these fees and expenses directly. The Franklin ETFs may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the Franklin ETFs.

See “Fees and Expenses”.

### Fees and Expenses Payable by the Franklin ETFs

#### Type of Fee

#### Amount and Description

#### **Management Fee:**

Each Franklin ETF pays a management fee, plus applicable taxes, to the Manager based on the annual rate set forth in the table below and the NAV of the Units of the Franklin ETF. This management fee is calculated and accrued daily and paid monthly and is subject to applicable taxes, such as HST. This management fee covers the Manager’s fees and costs associated with acting as the trustee, manager and the portfolio manager of the applicable Franklin ETF, the fee payable to the Portfolio Advisor for its portfolio management services and other fees and expenses payable by the Manager in connection with each Franklin ETF, which include the custody and safekeeping fees payable to the Custodian and the fees payable to the Registrar and Transfer Agent, the Fund Administrator, the auditor and other service providers retained by the Manager as described under “Organization and Management Details of the Franklin ETFs – Manager of the Franklin ETFs – Duties and Services to be Provided by the Manager”.

Franklin ETF	Management fee (annual rate)
Franklin LibertyQT U.S. Equity Index ETF	0.25% of NAV
Franklin LibertyQT International Equity Index ETF	0.40% of NAV
Franklin LibertyQT Global Dividend Index ETF	0.45% of NAV
Franklin LibertyQT Emerging Markets Index ETF	0.55% of NAV

#### **Certain Operating Expenses:**

In addition to the applicable management fee, the only operating expenses payable by each Franklin ETF are: (i) borrowing and interest costs; (ii) brokerage expenses and related transaction fees, including transaction-related fees payable to the Custodian or its agents; (iii) the fees under any derivative instrument used by the applicable Franklin ETF; (iv) investor meeting costs (as permitted by Canadian securities regulation); (v) the fees and expenses relating to the operation of the IRC; (vi) any costs and expenses associated with litigation for the benefit of a Franklin ETF or brought to pursue rights on behalf of a Franklin ETF; (vii) the costs of complying with governmental or regulatory requirements introduced after the creation of the applicable Franklin ETF, including, without limitation, any new fees or increases in fees, or the costs of complying with any material change to existing governmental or regulatory requirements introduced after the creation of the applicable Franklin ETF, including, without limitation, extraordinary increases to regulatory filing fees; (viii) the fees related to external services that are not commonly charged in the Canadian exchange-traded fund industry as of the creation of the applicable Franklin ETF; (ix) any costs associated with the termination of a Franklin ETF that may be allocated by the Manager to the Franklin ETF; (x) any extraordinary expenses; and (xi) any applicable taxes, including income, withholding or other taxes and also including goods and services or harmonized sales taxes on expenses.

The Manager may decide, in its discretion, to pay for some of these operating expenses that are otherwise payable by a Franklin ETF, rather than having the Franklin ETF incur such operating expenses. The Manager is under no obligation to

do so and, if any operating expenses are reimbursed by the Manager, it may discontinue this practice at any time.

**Fund of Funds:**

A Franklin ETF may, in accordance with applicable securities laws and, if applicable, exemptive relief obtained by the Franklin Templeton mutual funds, including the Franklin ETFs, invest in other Franklin Templeton exchange-traded funds, other investment funds managed by the Manager or its affiliates and other exchange-traded funds managed by third parties. With respect to such investments, no management or incentive fees are payable by the Franklin ETF that, to a reasonable person, would duplicate a fee payable by the other investment funds for the same service. Where a Franklin ETF invests in another exchange-traded fund or other investment fund managed by the Manager or its affiliates and such other fund pays a management fee to the Manager or its affiliates that is higher than the management fee payable by the Franklin ETF, the Manager will adjust the management fee payable by the Franklin ETF to ensure that the total annual fees paid directly or indirectly to the Manager by the Franklin ETF does not exceed the annual management fee set out above for the Franklin ETF. Where a Franklin ETF invests in an exchange-traded fund that is not managed by the Manager or its affiliates, the fees and expenses payable in connection with the management of that exchange-traded fund, including management and incentive fees, are not duplicative and are in addition to those payable by the Franklin ETF. No sales or redemption fees are payable by the Franklin ETF in relation to any purchase or redemption of the securities of such investment funds. Commissions may apply to the purchase or sale of exchange-traded fund securities.

**Fees and Expenses Payable Directly by Unitholders**

**Type of Fee**

**Amount and Description**

**Other Charges:**

An amount may be charged to a Designated Broker or Dealer to offset certain transaction and other costs associated with the listing, issue, exchange and/or redemption of Units of a Franklin ETF. This charge, which is payable to the applicable Franklin ETF, does not apply to Unitholders who buy and sell their Units through the facilities of the TSX or another exchange or marketplace. See “Purchase of Units” and “Redemption of Units”.

See “Fees and Expenses”.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE FRANKLIN ETFs

The Franklin ETFs are exchange-traded funds established as trusts under the laws of the Province of Ontario. The Franklin ETFs have been established pursuant to the Declaration of Trust. The Franklin ETFs are a part of a group of exchange-traded funds referred to as the Franklin LibertyShares offered by the Manager and its affiliates.

While each Franklin ETF is a mutual fund under the securities legislation of certain provinces and territories of Canada, each Franklin ETF has obtained exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds. See “Exemptions and Approvals”.

The head office and the registered office of each of the Franklin ETFs and the Manager is 200 King Street West, Suite 1500, Toronto, Ontario M5H 3T4.

## INVESTMENT OBJECTIVES

### Investment Objectives of the Franklin ETFs

The Franklin ETFs are exchange-traded funds established as trusts under the laws of the Province of Ontario. Each Franklin ETF seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of a specified market index.

#### *Franklin LibertyQT U.S. Equity Index ETF*

Franklin LibertyQT U.S. Equity Index ETF seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ U.S. Large Cap Equity Index, or any successor thereto. It invests primarily in equity securities of large- and mid-capitalization U.S. issuers.

#### *Franklin LibertyQT International Equity Index ETF*

Franklin LibertyQT International Equity Index ETF seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ International Equity Index, or any successor thereto. It invests primarily in equity securities of issuers located in developed markets, excluding the United States and Canada.

#### *Franklin LibertyQT Global Dividend Index ETF*

Franklin LibertyQT Global Dividend Index ETF seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ Global Dividend Index, or any successor thereto. It invests primarily in dividend-paying equity securities of issuers located in developed and emerging markets.

#### *Franklin LibertyQT Emerging Markets Index ETF*

Franklin LibertyQT Emerging Markets Index ETF seeks to replicate, to the extent reasonably possible before fees and expenses, the performance of LibertyQ Emerging Markets Index, or any successor thereto. It invests primarily in equity securities of issuers located in emerging markets.

### Change in an Index

The Manager may, subject to any required Unitholder approval, change the Index tracked by a Franklin ETF to another widely-recognized index in order to provide investors with substantially the same exposure to the asset class to that which the Franklin ETF is currently exposed. If the Manager changes the Index, or any index replaces such Index, the Manager will issue a press release identifying the new Index, describing its constituent securities and specifying the reasons for the change in the Index.

## **The Indices**

Each Index utilizes a multi-factor selection process (the “**Multi-Factor Selection Process**”) that is designed to select equity securities from a specified underlying index that have exposure to quality, value, momentum and low volatility, while seeking a lower level of risk and higher risk-adjusted performance relative to the underlying index over the long term.

The factors are common characteristics that relate to a group of issuers or securities that are important in explaining the returns and risks of those issuers’ securities. The “quality” factor incorporates descriptors such as return on equity, earnings variability, cash return on assets and leverage. The “value” factor incorporates descriptors such as price to earnings, price to forward earnings, price to book value and dividend yield. The “momentum” factor incorporates descriptors such as 6-month risk adjusted price momentum and 12-month risk-adjusted price momentum. The “low volatility” factor incorporates descriptors such as historical beta (i.e., a measure of the volatility of a security relative to the total market).

### ***LibertyQ U.S. Large Cap Equity Index***

LibertyQ U.S. Large Cap Equity Index is a systematic, rules-based index that is based on an underlying index, the Russell 1000 Index, and is calculated by Russell. LibertyQ U.S. Large Cap Equity Index utilizes the Multi-Factor Selection Process to select equity securities from the Russell 1000 Index that have exposure to quality, value, momentum and low volatility, while seeking a lower level of risk and higher risk-adjusted performance relative to the Russell 1000 Index over the long term.

At the time of each semi-annual reconstitution of LibertyQ U.S. Large Cap Equity Index, no company shall comprise more than 1% of the Index. The Index is also constrained in its construction to limit turnover of constituent securities at each semi-annual reconstitution. The Index is comprised of large- and mid-capitalization companies. While the securities of the Constituent Issuers of the Index are denominated in U.S. dollars, the Index is calculated in Canadian dollars.

The Russell 1000 Index is a subset of the Russell 3000 Index and includes approximately 1,000 of the largest securities in the United States based on a combination of their market cap and current index membership. With 1,000 constituents, the Russell 1000 Index covers over 90% of the total market capitalization of all listed U.S. equities.

Russell is an international provider of market indices for a variety of asset classes and benchmarking, analytics and data solutions.

Information about LibertyQ U.S. Large Cap Equity Index’s methodology is available at <http://www.ftse.com/products/indices/libertyq-indexes-for-canadian-investors>.

### ***LibertyQ International Equity Index***

LibertyQ International Equity Index is a systematic, rules-based index that is based on an underlying index, the MSCI EAFE Index, and is calculated by MSCI. LibertyQ International Equity Index utilizes the Multi-Factor Selection Process to select equity securities from the MSCI EAFE Index that have favourable exposure to quality, value, momentum and low volatility, while seeking a lower level of risk and higher risk-adjusted performance relative to the MSCI EAFE Index over the long term.

At the time of each semi-annual reconstitution of LibertyQ International Equity Index, no company shall comprise more than 2% of the Index. The Index is also constrained in its construction to limit turnover of constituent securities at each semi-annual reconstitution. The Index is comprised of large- and mid-capitalization companies. While the securities of the Constituent Issuers of the Index are denominated in local currency, the Index is calculated in Canadian dollars.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. With 930 constituents, the MSCI EAFE Index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Inc. is a U.S.-based provider of equity, fixed income and hedge fund stock market indices, and equity portfolio analysis tools.

Information about LibertyQ International Equity Index's methodology is available at <https://www.msci.com/libertyq-indexes-for-canadian-investors>.

### ***LibertyQ Global Dividend Index***

LibertyQ Global Dividend Index is a systematic, rules-based index calculated by MSCI that is based on an underlying index, the MSCI ACWI ex REITs Index. LibertyQ Global Dividend Index utilizes a multi-factor selection process that is designed to select equity securities from the MSCI ACWI ex REITs Index that have favourable exposure to higher than average and sustainable dividends, and quality, while seeking a lower level of risk and higher risk-adjusted performance relative to the MSCI ACWI ex REITs Index over the long term. First, dividend persistence and yield screens are applied to the equity securities of the MSCI ACWI ex REITs Index in order to (i) exclude securities with negative year-over-year dividend per share growth in any of the last five years (securities with insufficient data to calculate such growth are also excluded) and (ii) exclude securities with a five year average monthly dividend yield of less than 1.2 times the average of the five year average monthly dividend yields of the securities of the MSCI ACWI ex REITs Index. Second, equity securities are then selected based on their favourable exposure to the quality investment style factor, which incorporates measurements such as return on equity, earning variability, cash return on assets and leverage.

At the time of each semi-annual reconstitution of LibertyQ Global Dividend Index, no company shall comprise more than 2% of the Index. The Index is also constrained in its construction to limit turnover of constituent securities at each semi-annual reconstitution. The Index is comprised of large- and mid-capitalization companies. While the securities of the Constituent Issuers of the Index are denominated in local currency, the Index is calculated in Canadian dollars.

The MSCI ACWI ex REITs Index measures the equity market performance of 23 developed and 24 emerging markets. With more than 2400 constituents across large and mid-cap size segments and across style and sector segments (other than real estate), the MSCI ACWI ex REITs Index covers approximately 85% of the global investable equity opportunity set.

MSCI Inc. is a U.S.-based provider of equity, fixed income and hedge fund stock market indices, and equity portfolio analysis tools.

Information about LibertyQ Global Dividend Index's methodology is available at <https://www.msci.com/libertyq-indexes-for-canadian-investors>.

### ***LibertyQ Emerging Markets Index***

LibertyQ Emerging Markets Index is a systematic, rules-based index calculated by MSCI that is based on an underlying index, the MSCI Emerging Markets Index. LibertyQ Emerging Markets Index utilizes a multi-factor selection process that is designed to select equity securities from the MSCI Emerging Markets Index that have favourable exposure to quality, value, momentum and volatility, while seeking a lower level of risk and higher risk-adjusted performance relative to the MSCI Emerging Markets index over the long term.

The factors are common characteristics that relate to a group of issuers or securities that are important in explaining the returns and risks of those issuers' securities. The "quality" factor incorporates descriptors such as return on equity, earnings variability, cash return on assets and leverage. The "value" factor incorporates descriptors such as price to earnings, price to forward earnings, price to book value and dividend yield. The "momentum" factor incorporates descriptors such as 6-month risk adjusted price momentum and 12-month risk-adjusted price momentum. The "low

volatility” factor incorporates descriptors such as historical beta (i.e., a measure of the volatility of a security relative to the total market).

At the time of each semi-annual reconstitution of LibertyQ Emerging Markets Index, no company shall comprise more than 1% of the Index. The Index is also constrained in its construction to limit turnover of constituent securities at each semi-annual reconstitution. The Index is comprised of large- and mid-capitalization companies. While the securities of the Constituent Issuers of the Index are denominated in local currency, the Index is calculated in Canadian dollars.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of 24 emerging markets countries. With 845 constituents, the MSCI Emerging Markets Index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Inc. is a U.S.-based provider of equity, fixed income and hedge fund stock market indices, and equity portfolio analysis tools.

Information about LibertyQ Emerging Markets Index’s methodology is available at <https://www.msci.com/libertyq-indexes-for-canadian-investors>.

### **Termination of the Indices**

The Indices are calculated and maintained by or on behalf of the Index Provider. If the Index Provider ceases to calculate an Index or the Index License Agreement in respect of an Index is terminated, the Manager may: (i) terminate the applicable Franklin ETF on not less than 60 days’ notice to Unitholders; (ii) change the investment objective of the applicable Franklin ETF or seek to replicate an alternative index (subject to any Unitholder approval in accordance with Canadian securities legislation); or (iii) make such other arrangement as the Manager considers appropriate and in the best interests of Unitholders of the Franklin ETF in the circumstances.

### **Use of the Indices**

The Manager and each Franklin ETF are permitted to use the applicable Index and certain related trademarks and trade names pursuant to the applicable Index License Agreement. The initial term of the Index License Agreement in respect of the LibertyQ U.S. Large Cap Equity Index, LibertyQ Global Dividend Index and LibertyQ Emerging Markets Index is twelve months and is automatically renewed for successive twelve month periods unless either party takes steps to terminate. The initial term of the Index License Agreement in respect of the LibertyQ International Equity Index is three years, and is automatically renewed for successive one year periods unless either party to the agreement takes steps to terminate. The Manager and the Franklin ETFs do not accept responsibility for, or guarantee the accuracy and/or completeness of, the Indices or any data included in the Indices.

## **INVESTMENT STRATEGIES**

### **Investment Strategies**

In order to achieve its investment objective, each Franklin ETF may hold: (i) the Constituent Securities of the applicable Index, to the extent reasonably possible, in approximately the same proportion as they are reflected in that Index, and/or (ii) a subset of the Constituent Securities and/or other securities selected by the Portfolio Advisor from time to time that collectively reflect the aggregate investment characteristics of the applicable Index. Securities regulators may allow index mutual funds, such as the Franklin ETFs, to exceed the normal investment concentration limits if required to allow such mutual funds to track the relevant index. In accordance with the regulatory requirements, each Franklin ETF may track the applicable Index in this manner.

### *Franklin LibertyQT U.S. Equity Index ETF*

In order to achieve its investment objective, Franklin LibertyQT U.S. Equity Index ETF employs a “passive” or indexing investment approach designed to track, before fees and expenses, the performance of LibertyQ U.S. Large Cap Equity Index. The Portfolio Advisor seeks to achieve, over time, a correlation between this Franklin ETF’s performance, before fees and expenses, and that of the Index, of 95% or better. This Franklin ETF invests all, or substantially all, of its assets in the U.S. equity securities that make up the Index, holding each of the Constituent Securities of the Index in approximately the same proportion as its weighting in the Index. However, under various circumstances, it may not be possible or practicable to purchase all of the Constituent Securities in their respective weightings in the Index. In these circumstances, this Franklin ETF may use a “representative sampling” strategy, whereby the Franklin ETF invests in what the Portfolio Advisor believes to be a representative sample of the Constituent Securities of the Index and/or other securities that collectively reflect the aggregate investment characteristics of the Index, including securities that resemble those included in the Index in terms of risk factors, performance attributes and other characteristics such as market capitalization and industry weightings. In certain circumstances, the Portfolio Advisor may obtain exposure to one or more securities through the use of derivatives as part of the representative sampling strategy. This representative sampling strategy may not track the Index with the same degree of accuracy as would a strategy of holding each of the Constituent Securities of the Index in the same proportion as its weighting in the Index.

### *Franklin LibertyQT International Equity Index ETF*

In order to achieve its investment objective, Franklin LibertyQT International Equity Index ETF employs a “passive” or indexing investment approach designed to track, before fees and expenses, the performance of LibertyQ International Equity Index. The Portfolio Advisor seeks to achieve, over time, a correlation between this Franklin ETF’s performance, before fees and expenses, and that of the Index, of 95% or better. This Franklin ETF invests all, or substantially all, of its assets in equity securities from the developed market countries in Europe, Australasia and the Far East that make up the Index, holding each of the Constituent Securities of the Index in approximately the same proportion as its weighting in the Index. However, under various circumstances, it may not be possible or practicable to purchase all of the Constituent Securities in their respective weightings in the Index. In these circumstances, this Franklin ETF may use a “representative sampling” strategy, whereby the Franklin ETF invests in what the Portfolio Advisor believes to be a representative sample of the Constituent Securities of the Index and/or other securities that collectively reflect the aggregate investment characteristics of the Index, including securities that resemble those included in the Index in terms of risk factors, performance attributes and other characteristics such as market capitalization and industry weightings. In certain circumstances, the Portfolio Advisor may obtain exposure to one or more securities through the use of derivatives as part of the representative sampling strategy. This representative sampling strategy may not track the Index with the same degree of accuracy as would a strategy of holding each of the Constituent Securities of the Index in the same proportion as its weighting in the Index.

### *Franklin LibertyQT Global Dividend Index ETF*

In order to achieve its investment objective, Franklin LibertyQT Global Dividend Index ETF employs a “passive” or indexing investment approach designed to track, before fees and expenses, the performance of LibertyQ Global Dividend Index. The Portfolio Advisor seeks to achieve, over time, a correlation between this Franklin ETF’s performance, before fees and expenses, and that of the Index, of 95% or better. This Franklin ETF invests all, or substantially all, of its assets in equity securities in developed and emerging market countries that make up the Index, holding each of the Constituent Securities of the Index in approximately the same proportion as its weighting in the Index. However, under various circumstances, it may not be possible or practicable to purchase all of the Constituent Securities in their respective weightings in the Index. In these circumstances, this Franklin ETF may use a “representative sampling” strategy, whereby the Franklin ETF invests in what the Portfolio Advisor believes to be a representative sample of the Constituent Securities of the Index and/or other securities that collectively reflect the aggregate investment characteristics of the Index, including securities that resemble those included in the Index in terms of risk factors, performance attributes and other characteristics such as market capitalization and industry weightings. In certain circumstances, the Portfolio Advisor may obtain exposure to one or more securities through the use of derivatives as part of the representative sampling strategy. This representative sampling strategy may not track the Index with the same degree of accuracy as would a strategy of holding each of the Constituent Securities of the Index in the same proportion as its weighting in the Index.

### *Franklin LibertyQT Emerging Markets Index ETF*

In order to achieve its investment objective, Franklin LibertyQT Emerging Markets Index ETF employs a “passive” or indexing investment approach designed to track, before fees and expenses, the performance of LibertyQ Emerging Markets Index. The Portfolio Advisor seeks to achieve, over time, a correlation between this Franklin ETF’s performance, before fees and expenses, and that of the Index, of 95% or better. This Franklin ETF invests all, or substantially all, of its assets in equity securities from emerging market countries that make up the Index, holding each of the Constituent Securities of the Index in approximately the same proportion as its weighting in the Index. However, under various circumstances, it may not be possible or practicable to purchase all of the Constituent Securities in their respective weightings in the Index. In these circumstances, this Franklin ETF may use a “representative sampling” strategy, whereby the Franklin ETF invests in what the Portfolio Advisor believes to be a representative sample of the Constituent Securities of the Index and/or other securities that collectively reflect the aggregate investment characteristics of the Index, including securities that resemble those included in the Index in terms of risk factors, performance attributes and other characteristics such as market capitalization and industry weightings. In certain circumstances, the Portfolio Advisor may obtain exposure to one or more securities through the use of derivatives as part of the representative sampling strategy. This representative sampling strategy may not track the Index with the same degree of accuracy as would a strategy of holding each of the Constituent Securities of the Index in the same proportion as its weighting in the Index.

In the event that a Franklin ETF invests in another investment fund managed by the Manager or one of its affiliates, the management fee payable by the Franklin ETF may be reduced in order to ensure that the aggregate fees paid directly or indirectly to the Manager by the Franklin ETF does not exceed the management fee of the Franklin ETF. See “Fees and Expenses – Fees and Expenses Payable by the Franklin ETFs – Management Fee – Fund of Funds”.

The underlying securities of a Franklin ETF will change from time to time as the Constituent Securities held in the applicable Index change. This Franklin ETF’s portfolio is reconstituted semi-annually following the semi-annual reconstitution of the Index. When there are frequent changes to the securities held by a Franklin ETF, the Franklin ETF is more likely to realize net capital gains and to make distributions of capital gains or income to Unitholders.

### **Securities Lending and Repurchase and Reverse Repurchase Transactions**

A Franklin ETF may, in compliance with NI 81-102, lend securities to securities borrowers acceptable to it pursuant to the terms of a securities lending agreement between the Franklin ETF’s securities lending agent and any such borrower under which: (i) the borrower will pay to the Franklin ETF a negotiated securities lending fee and will make compensation payments to the Franklin ETF equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) the Franklin ETF will receive collateral security.

Securities lending transactions may be utilized by a Franklin ETF to provide incremental return to the Franklin ETF or to generate income for the purposes of meeting its current obligations. Any securities lending transaction entered into by a Franklin ETF must be consistent with the investment objectives of the Franklin ETF.

Under applicable securities legislation, the collateral posted by the securities borrower is required to have an aggregate value of not less than 102% of the market value of the loaned securities. The total value of the securities loaned by a Franklin ETF at any time is not permitted to exceed 50% of the net asset value of the Franklin ETF (excluding any collateral received from securities lending activities). Any cash collateral acquired by a Franklin ETF may be invested only in the securities permitted under NI 81-102 that have a remaining term to maturity of no longer than 90 days. The securities lending agent is responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

A Franklin ETF may also enter into repurchase and reverse repurchase transactions. In a repurchase transaction, a Franklin ETF sells its securities for cash through an authorized agent, while, at the same time, it assumes an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, a Franklin ETF buys securities for cash while at the same time it agrees to resell the same securities for cash (usually at a higher price) at a later date. Any such transactions must be in compliance with the requirements of NI 81-102.

## **Use of Derivative Instruments**

A Franklin ETF may use derivative instruments from time to time for hedging or investment purposes. Any use of derivative instruments by a Franklin ETF must be in compliance with NI 81-102 and any exemptive relief obtained by the Franklin ETF from the requirements of NI 81-102 and must be consistent with the investment objectives and investment strategies of the Franklin ETF.

For example, a Franklin ETF may use futures or other derivative instruments to gain exposure to a particular Constituent Security or other security, to a class of Constituent Securities and/or other securities or to the applicable Index in circumstances where the Portfolio Advisor has determined that synthetic exposure would be preferable to a direct investment. Derivatives also may be used for a variety of purposes that do not constitute speculation, such as risk management, seeking to stay fully invested, seeking to equitize any cash and dividend receivables, seeking to reduce transaction costs, seeking to simulate investment in equity securities or other investments, seeking to add value by using derivatives to more efficiently implement portfolio positions when derivatives are favourably priced relative to equity securities or other investments and for other purposes. In connection with its use of derivatives, a Franklin ETF may purchase or hold cash and/or fixed-income and other instruments that it may pledge or transfer as collateral or margin to its counterparties or futures commission merchants.

The derivatives most likely to be used by the Franklin ETFs are options, forwards, futures or swaps. If a Franklin ETF purchases an option, it has the right, but not the obligation, to buy or sell the underlying interest at an agreed price within a certain time period. A purchased call option gives the Franklin ETF the right to buy; a purchased put option gives the Franklin ETF the right to sell. If a Franklin ETF writes an option, it has the obligation, at the election of the holder of the option, to buy or sell the underlying interest at an agreed price within a certain time period. A written call option obliges the Franklin ETF to sell if the option is exercised; a written put option obliges the Franklin ETF to purchase if the option is exercised. A forward is a commitment to buy or sell the underlying interest for an agreed price on a future date. A future is similar to a forward, except that futures are traded on exchanges. A swap is a commitment to exchange one set of payments for another set of payments.

## **Surplus Cash Management**

From time to time, a Franklin ETF may receive or hold surplus cash. The Franklin ETF may temporarily hold this cash or invest it in money market instruments or other cash management investment vehicles managed by the Manager or an affiliate of the Manager. Alternatively, the Franklin ETF may use the cash to pay those operating expenses that the Franklin ETF is responsible for paying, to purchase additional Baskets of Securities or portions thereof or to increase the notional amount under its derivative instruments, as applicable.

## **Rebalancing Events**

Whenever an Index Provider rebalances or adjusts an Index, including by adding securities to or subtracting securities from that Index, or whenever the Portfolio Advisor determines that there should be a change to the representative sample of the Index, a Franklin ETF will acquire and/or dispose of the appropriate number of securities, either through one or more Designated Brokers or Dealers or through other brokers in the open market. If the rebalancing is done through a Designated Broker and if the value of all securities purchased by a Franklin ETF exceeds the value of all securities disposed of by that Franklin ETF as part of the rebalancing process, the Franklin ETF may issue to the Designated Broker Units with an aggregate NAV per Unit equal to the excess value or, in the alternative, may pay a cash amount equal to such excess amount. Conversely, if the value of all securities disposed of by the Franklin ETF exceeds the value of all securities acquired by that Franklin ETF, the Franklin ETF may receive the excess value in cash and will manage this cash as described above under “Surplus Cash Management”.

If a cash dividend or distribution is paid on a Constituent Security of an Index held by a Franklin ETF, the dividend or distribution will be managed as described above under “Surplus Cash Management”.

## **Actions Affecting Constituent Issuers**

From time to time, certain corporate or other actions may be taken or proposed by a Constituent Issuer or by a third party that could affect a Constituent Issuer of an Index. An example of such an action would be if a takeover bid or an issuer bid is made for a Constituent Security. In each such case, the Portfolio Advisor will determine, in its discretion, what steps, if any, the Franklin ETF will take to address the action. In exercising such discretion, the Portfolio Advisor will generally take those steps necessary to ensure that the Franklin ETF continues to seek to replicate, to the extent reasonably possible and before fees and expenses, the applicable Index or, if a sampling methodology is being used, that the Franklin ETF continues to have, in the aggregate, the investment characteristics that are similar to the applicable Index.

### *Extraordinary Events*

For purposes of a merger or other transaction involving a Franklin ETF, a Franklin ETF may hold all or a significant portion of its assets in cash, money market instruments or securities of money market funds. As a result, in these limited circumstances, the Franklin ETF may not be fully invested in accordance with its investment objective and, in a rising market, there could be a negative impact on performance relative to other fully invested exchange-traded funds with a similar objective.

## **OVERVIEW OF THE SECTORS IN WHICH THE FRANKLIN ETFS INVEST**

The Franklin ETFs invest in large- and mid-capitalization equity securities. There are many factors that can impact the market price of an equity security. These factors include specific developments relating to the company that issued the securities, conditions in the market where the securities are traded, and general economic, financial and political conditions in the country or countries where the company operates. The value of equity securities generally tends to change more frequently and varies more widely than the value of fixed-income securities.

There is a chance that returns from large- and mid-capitalization companies will trail returns from the overall stock market. Large- and mid-capitalization companies tend to go through cycles of doing better - or worse - than the stock market in general. These periods have, in the past, lasted for several years.

### *Franklin LibertyQT U.S. Equity Index ETF*

Franklin LibertyQT U.S. Equity Index ETF invests in equity securities of large and mid-capitalization U.S. issuers. This Franklin ETF may concentrate its investments (i.e., hold 25% or more of its net assets) in a particular industry or group of industries to approximately the same extent that the applicable Index is concentrated.

### *Franklin LibertyQT International Equity Index ETF*

Franklin LibertyQT International Equity Index ETF invests in equity securities of large and mid-capitalization issuers in developed markets, excluding the United States and Canada. All major industry sectors in these countries are represented in the Index.

### *Franklin LibertyQT Global Dividend Index ETF*

Franklin LibertyQT Global Dividend Index ETF invests in equity securities of large and mid-capitalization issuers in developed and emerging markets across all market sectors other than real estate and related sectors, such as REITs and real estate investment and services, that pay both higher than average and sustainable dividends.

### *Franklin LibertyQT Emerging Markets Index ETF*

Franklin LibertyQT Emerging Markets Index ETF invests in equity securities of large and mid-capitalization issuers in emerging markets. There is a chance that securities of companies located in emerging markets will be more volatile and less liquid than the securities of companies located in more developed markets.

Please see “Investment Objectives” and “Investment Strategies” for additional information on the sectors applicable to each Franklin ETF.

## **INVESTMENT RESTRICTIONS**

The Franklin ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102. The Franklin ETFs are managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions obtained from the Canadian securities regulatory authorities (see “Exemptions and Approvals”). A change to the investment objective of a Franklin ETF would require the approval of the Unitholders. Please see “Unitholder Matters – Matters Requiring Unitholders Approval”.

Each Franklin ETF is also restricted from making an investment or undertaking an activity that would result in such Franklin ETF failing to qualify as a “mutual fund trust” for the purposes of the Tax Act. In addition, no Franklin ETF may invest in any property or engage in any undertaking that would cause the Franklin ETF to be a SIFT trust (as defined in the Tax Act).

### **Exemptions and Approvals**

The Franklin ETFs have obtained exemptive relief from the Canadian securities regulatory authorities to permit:

- (i) the purchase by a Unitholder of more than 20% of the Units of any Franklin ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation;
- (ii) a Franklin ETF to borrow cash in an amount not exceeding 5% of the net assets of the Franklin ETF for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to Unitholders that represents amounts that have not yet been received by the Franklin ETF; and
- (iii) a Franklin ETF to invest in another Franklin ETF or another exchange-traded fund managed by the Manager or one of its affiliates.

In addition, each Franklin ETF has obtained exemptive relief from the Canadian securities regulatory authorities from the requirement to include in the prospectus a certificate of an underwriter and a prescribed statement respecting purchasers’ statutory rights of withdrawal and remedies of rescission or damages, provided that, among other things, the Manager has filed an ETF Facts for the Units of the applicable Franklin ETF.

## **FEES AND EXPENSES**

This section details the fees and expenses that a Unitholder may have to pay if the Unitholder invests in the Franklin ETFs. A Unitholder may have to pay some of these fees and expenses directly. The Franklin ETFs may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the Franklin ETFs.

### **Fees and Expenses Payable by the Franklin ETFs**

#### ***Management Fee***

Each Franklin ETF pays a management fee to the Manager based on the annual rate set forth in the table below and the NAV of the Units of the Franklin ETF. This management fee is calculated and accrued daily and paid monthly and is subject to applicable taxes, such as HST. This management fee covers the Manager’s fees and costs associated with acting as the trustee, manager and the portfolio manager of the applicable Franklin ETF, the fee payable to the Portfolio Advisor for its portfolio management services and other fees and expenses payable by the Manager in connection with each Franklin ETF, which include the custody and safekeeping fees payable to the Custodian and the fees payable to the Registrar and Transfer Agent, the Fund Administrator, the auditor and other service providers retained by the Manager as described under “Organization and Management Details of the Franklin ETFs – Manager of the Franklin ETFs – Duties and Services to be Provided by the Manager”.

<b>Franklin ETF</b>	<b>Management fee (annual rate)</b>
Franklin LibertyQT U.S. Equity Index ETF	0.25% of NAV
Franklin LibertyQT International Equity Index ETF	0.40% of NAV
Franklin LibertyQT Global Dividend Index ETF	0.45% of NAV
Franklin LibertyQT Emerging Markets Index ETF	0.55% of NAV

### ***Management Fee Distributions***

In respect of large investments in a Franklin ETF by a particular Unitholder or for other purposes, the Manager may, in its discretion, agree to charge the Franklin ETF a reduced management fee as compared to the management fee that it otherwise would be entitled to receive, provided that an amount equal to the reduction in the management fee is distributed periodically by the Franklin ETF to the Unitholder as a management fee distribution. The availability and amount of these management fee distributions is determined by the Manager in its sole discretion. The Manager reserves the right to discontinue or change this management fee distribution program at any time. Management fee distributions are paid first out of income and capital gains of the Franklin ETF, and then out of capital. The tax consequences of a management fee distribution will generally be borne by the Unitholder who receives the distribution.

### ***Certain Operating Expenses***

In addition to the applicable management fee, the operating expenses payable by each Franklin ETF are: (i) borrowing and interest costs; (ii) brokerage expenses and related transaction fees, including transaction-related fees payable to the Custodian or its agents; (iii) the fees under any derivative instrument used by the applicable Franklin ETF; (iv) investor meeting costs (as permitted by Canadian securities regulation); (v) the fees and expenses relating to the operation of the IRC; (vi) any costs and expenses associated with litigation for the benefit of a Franklin ETF or brought to pursue rights on behalf of a Franklin ETF; (vii) the costs of complying with governmental or regulatory requirements introduced after the creation of the applicable Franklin ETF, including, without limitation, any new fees or increases in fees, or the costs of complying with any material change to existing governmental or regulatory requirements introduced after the creation of the applicable Franklin ETF, including, without limitation, extraordinary increases to regulatory filing fees; (viii) the fees related to external services that are not commonly charged in the Canadian exchange-traded fund industry as of the creation of the applicable Franklin ETF; (ix) any costs associated with the termination of a Franklin ETF that may be allocated by the Manager to the Franklin ETF; (x) any extraordinary expenses; and (xi) any applicable taxes, including income, withholding or other taxes and also including goods and services or harmonized sales taxes on expenses.

The Manager may decide, in its discretion, to pay for some of these operating expenses that are otherwise payable by a Franklin ETF, rather than having the Franklin ETF incur such operating expenses. The Manager is under no obligation to do so and, if any operating expenses are reimbursed by the Manager, it may discontinue this practice at any time.

### ***Fund of Funds***

A Franklin ETF may, in accordance with applicable securities laws and, if applicable, exemptive relief obtained by the Franklin Templeton mutual funds, including the Franklin ETFs, invest in other Franklin Templeton exchange-traded funds, other investment funds managed by the Manager or its affiliates and other exchange-traded funds managed by third parties. With respect to such investments, no management or incentive fees are payable by the Franklin ETF that, to a reasonable person, would duplicate a fee payable by the other investment funds for the same service. Where a Franklin ETF invests in another exchange-traded fund or other investment fund managed by the Manager or its affiliates and such other fund pays a management fee to the Manager that is higher than the management fee payable by the Franklin ETF, the Manager will adjust the management fee payable by the Franklin ETF to ensure that the total annual fees paid directly or indirectly to the Manager by the Franklin ETF does not exceed the annual management fee set out above for the Franklin ETF. Where a Franklin ETF invests in an exchange-traded fund that is not managed by the Manager or its affiliate, the fees and expenses payable in connection with the management of that exchange-traded fund, including management and incentive fees, are not duplicative and are in addition to those payable by the Franklin ETF. No sales or redemption fees are payable by the Franklin ETF in relation to any purchase

or redemption of the securities of such investment funds. Commissions may apply to the purchase or sale of exchange-traded fund securities.

## **Fees and Expenses Payable Directly by Unitholders**

### ***Other Charges***

An amount may be charged to a Designated Broker or Dealer to offset certain transaction and other costs associated with the listing, issue, exchange and/or redemption of Units of a Franklin ETF. This charge, which is payable to the applicable Franklin ETF, does not apply to Unitholders who buy and sell their Units through the facilities of the TSX or another exchange or marketplace. See “Purchase of Units” and “Redemption of Units”.

## **ANNUAL RETURNS, MANAGEMENT EXPENSE RATIOS AND TRADING EXPENSE RATIOS**

The indicated rates of return below are historical total returns. These returns assume the reinvestment of distributions which increases returns, but do not take into account customary brokerage commissions for buying or selling Units on the TSX, administrative fees or income taxes payable by any Unitholder that would have reduced the returns. Where a Franklin ETF was in distribution for less than a full financial year, the management expense ratio indicated has been annualized.

Franklin LibertyQT Global Dividend Index ETF and Franklin LibertyQT Emerging Markets Index ETF have not been included in this table because they have not yet filed an annual MRFP. The returns and management expense ratio information for Franklin LibertyQT Global Dividend Index ETF and Franklin LibertyQT Emerging Markets Index ETF will be disclosed in their semi-annual MRFPs filed after the date of this prospectus.

The management expense ratio is calculated based on the total expenses of the Franklin ETF (including goods and services tax, harmonized sales tax and interest, but excluding brokerage commissions and other portfolio transaction costs), and, if applicable, the Franklin ETF allocated percentage of any underlying fund’s expenses, and is expressed as an annualized percentage of daily average NAV of the Franklin ETF during the period.

The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV of the Franklin ETF during the period, and relates to the Franklin ETF as a whole. Fixed-income investments are generally traded on a net basis and do not normally involve brokerage commissions.

### **Franklin LibertyQT U.S. Equity Index ETF**

	2017
Annual returns on NAV <sup>(1)</sup>	-4.50%
Management Expense Ratio	0.28%
Trading Expense Ratio	0.00%

### **Franklin LibertyQT International Equity Index ETF**

	2017
Annual returns on NAV <sup>(1)</sup>	-5.30%
Management Expense Ratio	0.45%
Trading Expense Ratio	0.57%

<sup>(1)</sup> Returns for the period April 18, 2017 to September 30, 2017

## **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units.

### **Risks Relating to an Investment in the Franklin ETFs**

#### ***Market Risk***

There are risks associated with being invested in the equity markets generally. The market value of a Franklin ETF's investments will rise and fall based on specific company developments and broader equity market conditions. Market value will also vary with changes in the general economic and financial conditions in countries where the investments are based. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise. Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a Franklin ETF.

#### ***Fluctuations in NAV Risk***

The NAV per Unit of a Franklin ETF will vary according to, among other things, the value of the securities held by the Franklin ETF. The Manager and the Franklin ETF have no control over the factors that affect the value of the securities held by the Franklin ETF, including factors that affect the equity markets generally, such as general economic and political conditions and factors unique to each issuer of the securities held by the Franklin ETF, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution and dividend policies and other events.

#### ***Foreign Currency Risk***

The NAV of each Franklin ETF is calculated in Canadian dollars. Foreign investments are generally purchased in currencies other than Canadian dollars. The value of securities issued in foreign currencies, or of securities that pay income in foreign currencies, is affected by changes in the value of the Canadian dollar relative to those currencies. As a result, currency fluctuations may indirectly adversely affect the value of a Franklin ETF's investments and, in turn, may also affect the value of Units held by an investor. The value of the currency of the countries in which the Franklin ETF has invested (directly or indirectly) could decline relative to the Canadian dollar.

#### ***Regional Risk***

A Franklin ETF will invest in specific countries or geographic regions to approximately the same extent as its Index. To the extent that a Franklin ETF invests a significant portion of its assets in a specific geographic region or a particular country, the Franklin ETF will generally have more exposure to the specific regional or country economic risks. In the event of economic or political turmoil or a deterioration of diplomatic relations in a region or country where a substantial portion of the Franklin ETF's assets are invested, the Franklin ETF may experience substantial illiquidity or reduction in the value of its investments. Adverse conditions in a certain region or country can also adversely affect securities of issuers in other countries whose economies appear to be unrelated.

#### ***Tracking Error Risk***

Each Franklin ETF will not replicate exactly the performance of the applicable Index because the total return generated by the Units will be reduced by the management fee paid or payable by the Franklin ETF, the brokerage and commission costs incurred in acquiring and rebalancing the portfolio of securities held by the Franklin ETF and the other expenses paid or payable by the Franklin ETF. These fees and expenses are not included in the calculation of the performance of the applicable Index.

Deviations in the tracking of the applicable Index by a Franklin ETF could occur for a variety of other reasons. For example, where a Franklin ETF tenders securities under a successful takeover bid for less than all securities of a

Constituent Issuer and the Constituent Issuer is not removed from the applicable Index, the Franklin ETF may be required to buy replacement securities at a purchase price that may be more than the takeover bid price due to timing variances. Other reasons for tracking error include the Franklin ETF's holding of cash, differences in timing of the accrual of dividends or interest, the temporary unavailability of certain Constituent Securities in the secondary market due to market disruptions and regulatory restrictions, the particular investment strategies used by the Franklin ETF such as the sampling methodology, and any investment restrictions applicable to the Franklin ETF. In addition, a Franklin ETF's NAV may deviate from that of its Index if the Franklin ETF fair values a portfolio security of a Constituent Issuer at a price other than the price used by the Index for that security or if there is a difference between a security's price at the local market close and the Franklin ETF's valuation of that security at the time of calculation of the Franklin ETF's NAV. This risk may be heightened during times of increased market volatility or other unusual market conditions.

### ***Trading Price of Units Risk***

Units of the Franklin ETFs may trade in the market at a premium or a discount to the NAV per Unit. There can be no assurance that Units will trade at prices that reflect their NAV per Unit. The trading price of the Units will fluctuate in accordance with changes in a Franklin ETF's NAV, as well as market supply and demand on the TSX or another exchange or marketplace. Thus, you may pay more (or less) than NAV when you buy Units of a Franklin ETF in the secondary market, and you may receive less (or more) than NAV when you sell those Units in the secondary market. The Manager cannot predict whether Units will trade above (premium), below (discount) or at NAV. However, as Designated Brokers and Dealers subscribe for and exchange Prescribed Number of Units of a Franklin ETF at the NAV per Unit, large discounts or premiums to NAV should not be sustained.

### ***Concentration Risk***

To the extent a Franklin ETF concentrates its investments in a specific issuer, industry or a group of industries, the Franklin ETF will carry much greater risks of adverse developments and price movements in such issuer or industries than an investment fund that invests in a wider variety of issuers and industries; there is also the risk that a Franklin ETF will perform poorly during a slump in demand for securities of the issuer or companies in such industries.

### ***Midsized Company Risk***

A Franklin ETF may invest in securities issued by mid-capitalization companies. Securities issued by midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development, and limited or less developed product lines and markets. In addition, midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

### ***Passive Investment Strategy Risk***

The value of the applicable Index of a Franklin ETF may fluctuate in accordance with the financial condition of the Constituent Issuers that are represented in such Index (particularly those that are more heavily weighted), the value of the securities generally and other factors.

Because the investment objective of each Franklin ETF is to replicate the performance of the applicable Index, the Franklin ETFs are not actively managed by traditional methods and the Manager will not attempt to take defensive positions in declining markets. Therefore, a Constituent Issuer with an adverse financial condition may not be removed from the portfolio of a Franklin ETF until that Constituent Issuer is removed from the applicable Index.

### ***Sampling Methodology Risk***

The Franklin ETFs may employ a sampling methodology. A sampling methodology involves seeking to replicate the performance of the applicable Index by holding a smaller number of securities than are in the applicable Index or in the Franklin ETF holding securities not included in the applicable Index such that the aggregate investment

characteristics of the portfolio are reflective of the aggregate investment characteristics of, or a representative sample of, the applicable Index. In certain circumstances, exposure to one or more securities may be obtained through the use of derivatives. As a result, an adverse development respecting an issuer of securities held by the Franklin ETF could result in a greater decline in the Franklin ETF's NAV than would be the case if all of the Constituent Securities in the applicable Index were held. The Franklin ETF's use of a representative sampling strategy may also include the risk that it may not track the return of the applicable Index as well as it would have if the Franklin ETF used a replication strategy in which only the Constituent Securities are held in the portfolio in approximately the same proportions as they are represented in the applicable Index.

### ***Calculation and Termination of the Indices Risk***

The Indices are calculated and maintained by or on behalf of the Index Provider. The Indices were not created by the Index Provider for the exclusive use of the Franklin ETFs. The Index Provider has the right to make adjustments to the Indices without regard to the particular interests of the Manager, the Franklin ETFs or the Unitholders. The Index Provider may also cease to calculate the Indices in certain circumstances.

In addition, errors in respect of an Index may occur, including errors in respect of the quality, accuracy and completeness of the data, and these errors will affect the applicable Franklin ETF and its Unitholders.

If the electronic or other facilities of the Index Provider or the TSX malfunction for any reason, calculation of value of one or more Indices and the determination by the Manager of the Prescribed Number of Units and Baskets of Securities for the applicable Franklin ETF may be delayed, and trading in Units may be suspended, for a period of time.

The Manager is not responsible for the Indices and does not provide any warranty or guarantee in respect of the Indices or the activities of the Index Provider.

With respect to a Franklin ETF, if the Index Provider ceases to calculate the applicable Index or the Index License Agreement in respect of the applicable Index is terminated, the Manager may: (i) terminate the applicable Franklin ETF on not less than 60 days' notice to Unitholders; (ii) change the investment objective of the applicable Franklin ETF or seek to replicate generally an alternative index (subject to any Unitholder approval in accordance with Canadian securities legislation); or (iii) make such other arrangement as the Manager considers appropriate and in the best interests of Unitholders of the Franklin ETF in the circumstances.

### ***Legislation Risk***

Securities, tax or other regulators make changes to legislation, rules and administrative practice. Those changes may have an adverse impact on the value of a Franklin ETF.

### ***Illiquidity Risk***

A security is illiquid if it cannot be sold at an amount that at least approximates the amount at which the security is valued. Illiquidity can occur if the securities have sale restrictions, if the securities do not trade through normal market facilities, if there is simply a shortage of buyers or for other reasons. In highly volatile markets, such as in periods of sudden interest rate changes or severe market disruptions, securities that were previously liquid may suddenly and unexpectedly become illiquid. Illiquid securities are more difficult to sell, and a Franklin ETF may be forced to accept a discounted price.

### ***Absence of Active Market and Performance Risk***

The Franklin ETFs are newly organized exchange-traded funds with no previous operating history. Although the Franklin ETFs are, or will be, listed on the TSX, there can be no assurance that an active public market for the Units will develop or be sustained. A Franklin ETF's past performance (before and after taxes) is not necessarily an indication of how the Franklin ETF will perform in the future.

### ***Designated Broker and Dealer Concentration Risk***

Only the Designated Broker and Dealers may engage in subscription or redemption transactions for Prescribed Number of Units directly with a Franklin ETF. Each Franklin ETF has a limited number of institutions that act as the Designated Broker and as Dealers. To the extent that these institutions exit the business or are unable to proceed with subscription and/or redemption orders for Prescribed Number of Units with respect to the Franklin ETF and no other Designated Broker or Dealers are able to step forward to subscribe for or redeem a Prescribed Number of Units, the Units of the Franklin ETF may trade at a discount to NAV and possibly face trading halts and/or delisting. This risk may be more pronounced in volatile markets, potentially where there are significant redemptions in ETFs generally.

### ***Taxation Risk***

The Franklin ETFs will be subject to certain tax risks generally applicable to Canadian investment funds, including the following.

Each Franklin ETF is expected to qualify or be deemed to qualify at all material times as a mutual fund trust under the Tax Act. If a Franklin ETF does not qualify or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” could be materially and adversely different in some respects.

There can be no assurance that the CRA will agree with the tax treatment adopted by a Franklin ETF in filing its tax return. The CRA could reassess a Franklin ETF on a basis that results in tax being payable by the Franklin ETF or in an increase in the taxable component of distributions considered to have been paid to Unitholders. A reassessment by the CRA may result in a Franklin ETF being liable for unremitted withholding tax on prior distributions to non-resident Unitholders. Such liability may reduce the NAV of, or trading prices of, Units of the Franklin ETF.

A Franklin ETF would be a SIFT trust (as defined in the Tax Act) if it held a “non-portfolio property” (as defined in the Tax Act). A Franklin ETF that is a SIFT trust will generally be subject to tax at rates applicable to a Canadian corporation on income from a non-portfolio property and net taxable capital gains realized on the disposition of a non-portfolio property. Unitholders who receive distributions from a Franklin ETF of this type of income and capital gains are deemed to receive an eligible dividend from a Canadian corporation for tax purposes. The total of the tax payable by a Franklin ETF on its non-portfolio earnings and the tax payable by a Unitholder on the distribution of those earnings will generally be more than the tax that would have been payable in the absence of the tax rules that apply to a SIFT trust. The Declaration of Trust requires each Franklin ETF to restrict its investments and activities so that it will not be a SIFT trust (as defined in the Tax Act).

### ***Rebalancing and Subscription Risk***

Adjustments to Baskets of Securities held by a Franklin ETF to reflect rebalancing events, including adjustments to the applicable Index or as otherwise determined by the Manager, will depend on the ability of the Manager and the Designated Brokers to perform their respective obligations under the designated broker agreement(s). If a Designated Broker fails to perform, the Franklin ETF may be required to sell or purchase, as the case may be, Constituent Securities of the applicable Index in the market. If this happens, the Franklin ETF would incur additional transaction costs, which would cause the performance of the Franklin ETF to deviate more significantly from the performance of the applicable Index than would otherwise be expected.

Adjustments to the Basket of Securities necessitated by a rebalancing event could affect the underlying market for the Constituent Securities of the applicable Index, which in turn would affect the value of that Index. Similarly, subscriptions for Units by Designated Brokers and Dealers may impact the market for the Constituent Securities of the Index, as the Designated Broker or the Dealer seeks to buy or to borrow the Constituent Securities to constitute the Baskets of Securities to be delivered to the Franklin ETF as payment for the Units to be issued.

### ***Cease Trading of Constituent Securities Risk***

If Constituent Securities of an Index are cease traded at any time by a securities regulatory authority or other relevant regulator or stock exchange, the Manager may suspend the exchange or redemption of Units of the Franklin ETF until such time as the transfer of the securities is permitted. As a result, each Franklin ETF that holds securities traded on an exchange or other organized market bears the risk of cease trading orders against any security held by the Franklin ETF.

### ***Securities Lending Transaction, Repurchase Transaction and Reverse Repurchase Transaction Risk***

The Franklin ETFs are eligible to enter into securities lending transactions, repurchase transactions and reverse repurchase transactions. In a securities lending transaction, a Franklin ETF lends its securities through an authorized agent to another party in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, a Franklin ETF sells a security at one price and simultaneously agrees to buy it back at a fixed price. In a reverse repurchase transaction, a Franklin ETF buys a security at one price and simultaneously agreeing to sell it back at a higher price. Some of the general risks associated with these transactions include: (i) when entering into these transactions, a Franklin ETF is subject to the credit risk that the other party to the transaction may go bankrupt or may default under the agreement and the Franklin ETF would be forced to make a claim in order to recover its investment; (ii) in the case of a securities lending transaction, when recovering its investment on a default, a Franklin ETF could incur a loss if the value of the securities loaned has increased in value relative to the value of the collateral held by the Franklin ETF; and (iii) in the case of a repurchase transaction or a reverse repurchase transaction, the value of the purchased securities may drop or the value of the sold securities may rise between the time the other party becomes insolvent and the time the Franklin ETF recovers its investment.

### ***Halted Trading of Units Risk***

Trading of Units on the TSX may be halted by the activation of individual or market-wide “circuit breakers” (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of Units may also be halted if: (i) the Units are delisted from the TSX without first being listed on another exchange; or (ii) TSX officials determine that such action is appropriate in the interest of a fair and orderly market or to protect Unitholders.

### ***Series Risk***

Each Franklin ETF may offer more than one series of units. If one series of a Franklin ETF is unable to pay its expenses or satisfy its liabilities, then the assets of the other series of that Franklin ETF will be used to pay the expense or satisfy the liability. This could lower the investment returns of the other series.

### ***Borrowing Risk***

From time to time, a Franklin ETF may borrow cash as a temporary measure to fund the portion of a distribution payable to its Unitholders that represents amounts that have not yet been received by the Franklin ETF. Each Franklin ETF is limited to borrowing up to the amount of the unpaid distribution and, in any event, not more than 5% of the net assets of that Franklin ETF. There is a risk that a Franklin ETF will not be able to repay the borrowed amount because it is unable to collect the distribution from the applicable issuer. Under these circumstances, the Franklin ETF would repay the borrowed amount by disposing of portfolio assets.

### ***Derivatives Risk***

The Franklin ETFs may use derivatives to pursue their investment objectives. Generally, a derivative is a contract between two parties whose value is determined with reference to the market price of an asset, such as a currency, commodity or stock, or the value of an index or an economic indicator, such as a stock market index or a specified interest rate (the “**underlying interest**”).

Some derivatives are settled by one party’s delivery of the underlying interest to the other party; others are settled by a cash payment representing the value of the contract.

The use of derivatives carries several risks, including: (i) there is no guarantee that a market will exist for some derivatives, which could prevent a Franklin ETF from selling or exiting the derivative prior to the maturity of the contract. The risk may restrict a Franklin ETF’s ability to realize its profits or limit its losses; (ii) it is possible that the other party to the derivative contract (“**counterparty**”) will fail to perform its obligations under the contract, resulting in a loss to the Franklin ETF; (iii) when entering into a derivative contract, the Franklin ETF may be required to provide margin or collateral to the counterparty. If the counterparty becomes insolvent, the Franklin ETF could lose its margin or its collateral or incur expenses to recover it; (iv) some Franklin ETFs may use derivatives to reduce certain risks associated with investments in foreign markets, currencies or specific securities. Using derivatives for these purposes is called hedging. Hedging may not be effective in preventing losses. Hedging may also reduce the opportunity for gain if the value of the hedged investment rises, because the derivative could incur an offsetting loss. Hedging may also be costly or difficult to implement; and (v) securities and commodities exchanges could set daily trading limits on options and futures. Such rule changes could prevent a Franklin ETF from completing a futures or options transaction, causing the Franklin ETF to realize a loss because it cannot hedge properly or limit a loss.

### ***Cyber Security Risk***

As the use of technology has become more prevalent in the course of business, the Franklin ETFs have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause a Franklin ETF to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause the Franklin ETF to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cyber security breaches may involve unauthorized access to a Franklin ETF’s digital information systems (e.g., through “hacking” or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber security breaches of a Franklin ETF’s third party service providers (e.g., Custodian, Fund Administrator and Securities Lending Agent) or issuers that the Franklin ETF invests in can also subject the Franklin ETF to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the Manager has established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will succeed, especially since the Manager does not directly control the cyber security systems of issuers or third party service providers.

### **Additional Risks Relating to an Investment in one or more Franklin ETFs**

In addition to the above risk factors, the following additional risk factor is inherent in an investment in one or more of the Franklin ETFs, as indicated in the table below. A description of this risk follows the table.

<b>Franklin ETF</b>	<b>Additional Risks</b>
Franklin LibertyQT International Equity Index ETF	foreign markets risk
Franklin LibertyQT Global Dividend Index ETF	dividend-oriented companies risk emerging markets risk foreign markets risk
Franklin LibertyQT Emerging Markets Index ETF	emerging markets risk foreign markets risk

### ***Foreign Markets Risk***

The value of foreign securities may be influenced by the policies of foreign governments and by political, economic or social instability. There may be less information about foreign companies than North American firms and there may be lower standards of government supervision and regulation in foreign financial markets. The legal systems of some foreign countries may not adequately protect Unitholders’ rights. Some or all of these factors could make a

foreign investment more or less volatile than a North American investment. A Franklin ETF that holds these securities may have difficulty enforcing legal rights in jurisdictions outside Canada.

***Dividend Oriented Companies Risk***

Companies that have historically paid regular dividends to shareholders may decrease or eliminate dividend payments in the future. A decrease in dividend payments by an issuer may result in a decrease in the value of the issuer’s stock and less available income for a Franklin ETF.

***Emerging Market Risk***

A Franklin ETF’s investments in emerging market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation.

**RISK CLASSIFICATION METHODOLOGY**

The investment risk level of each Franklin ETF is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the Franklin ETF, as measured by the 10-year standard deviation of the returns of the Franklin ETF. As the Franklin ETFs have less than 10 years of performance history, the Manager calculates the investment risk level of each Franklin ETF using a reference index that is expected to reasonably approximate the standard deviation of the Franklin ETF. Once a Franklin ETF has 10 years of performance history, the methodology will calculate the standard deviation of the Franklin ETF using the return history of the Franklin ETF rather than that of the reference index. In each case, the Franklin ETFs are assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk.

The following chart sets out a description of the reference index used for each Franklin ETF:

<b>Franklin ETF</b>	<b>Reference Index</b>
Franklin LibertyQT U.S. Equity Index ETF	Russell 1000 Index – An index of approximately 1,000 of the largest companies in the U.S. equity markets, the Russell 1000 is a subset of the Russell 3000 Index. The Russell 1000 (maintained by the Russell Investment Group) comprises over 90% of the total market capitalization of all listed U.S. stocks.
Franklin LibertyQT International Equity Index ETF	MSCI EAFE Index – The MSCI EAFE Index is an equity index which captures large- and mid-capitalization issuers across developed markets, excluding the United States and Canada. With 930 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.
Franklin LibertyQT Global Dividend Index ETF	MSCI All Country World Index ex REITS – The MSCI All Country World Index ex REITS is an equity index which captures issuers across all sources of equity in 23 developed and 24 emerging markets.
Franklin LibertyQT Emerging Markets Index ETF	MSCI Emerging Markets Index – The MSCI Emerging Markets Index is an equity index which captures issuers across emerging markets. With 24 countries represented, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Unitholders should know that other types of risks, both measurable and non-measurable, exist. Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The risk ratings of the Franklin ETFs set out below are reviewed annually and anytime it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk ratings of

the Franklin ETFs is available on request, at no cost, by calling toll-free 1-800-387-0830 or by writing to Franklin Templeton Investments Corp., 200 King Street West, Suite 1500, Toronto, Ontario, M5H 3T4.

<b>Franklin ETF</b>	<b>Risk Rating</b>
Franklin LibertyQT U.S. Equity Index ETF	low to medium
Franklin LibertyQT International Equity Index ETF	medium
Franklin LibertyQT Global Dividend Index ETF	low to medium
Franklin LibertyQT Emerging Markets Index ETF	medium

## **DISTRIBUTION POLICY**

### **Distributions**

Cash distributions on Units of Franklin LibertyQT U.S. Equity Index ETF will be paid quarterly and cash distributions on Units of Franklin LibertyQT International Equity Index ETF and Franklin LibertyQT Emerging Markets Index ETF will be paid on a semi-annual basis. Cash distributions on Units of Franklin LibertyQT Global Dividend Index ETF will be paid quarterly and, effective July 1, 2018, will instead be paid monthly. The Manager may, in its discretion, change the frequency of cash distributions, and will issue a press release if such a change is made or the Manager may make additional distributions if determined to be appropriate. Cash distributions are may consist of income, capital gains and/or returns of capital. Distributions are not fixed or guaranteed.

Each Franklin ETF distributes a sufficient amount of its net income and net realized capital gains to Unitholders for each taxation year so that the Franklin ETF will not be liable for ordinary income tax. To the extent that a Franklin ETF has not otherwise distributed a sufficient amount of its net income or net realized capital gains, it will pay a distribution to Unitholders at the end of the year and that distribution will be automatically reinvested in additional Units. Immediately following such reinvestment, the number of Units outstanding will be consolidated so that the NAV per Unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid.

A Unitholder that subscribes for Units during the period that is one business day before a distribution record date until that distribution record date will not be entitled to receive the applicable distribution in respect of those Units. Income and/or capital gains of a Franklin ETF may be distributed to a Unitholder as part of the price paid to the Unitholder on the exchange or redemption of Units.

Management fee distributions, if any, will be paid generally first out of the net income and net realized capital gains of a Franklin ETF and then out of capital.

The tax treatment to Unitholders of distributions is discussed under the heading “Income Tax Considerations”.

## **PURCHASES OF UNITS**

### **Continuous Distribution**

Units of the Franklin ETFs are being offered on a continuous basis and there is no maximum number of Units that may be issued.

### **Designated Brokers**

The Manager, on behalf of each Franklin ETF, has entered into a designated broker agreement with a Designated Broker pursuant to which the Designated Broker has agreed to perform certain duties relating to the Franklin ETF including, without limitation: (i) to subscribe for a sufficient number of Units to satisfy the TSX’s original listing requirements; (ii) to subscribe for Units on an ongoing basis in connection with any rebalancing event or other action as described under “Investment Strategies – Rebalancing Events” and “Investment Strategies – Actions Affecting Constituent Issuers” and when cash redemptions of Units occur as described under “Redemption of Units”; and (iii) to post a liquid two-way market for the trading of Units on the TSX.

In accordance with the designated broker agreement, the Manager may from time to time require the Designated Broker to subscribe for Units of a Franklin ETF for cash.

## **Issuance of Units**

### ***To Designated Brokers and Dealers***

Generally, orders to purchase Units directly from a Franklin ETF must be placed by the Designated Broker or a Dealer. Each Franklin ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or a Dealer. No fees will be payable by a Franklin ETF to the Designated Broker or a Dealer in connection with the issuance of Units. On the issuance of Units of a Franklin ETF, an amount may be charged to the Designated Broker or a Dealer to offset the expenses incurred in issuing the Units.

After the issuance of Units of a Franklin ETF to the Designated Broker to satisfy the TSX's original listing requirements, on any Trading Day, a Dealer (who may also be a Designated Broker) may place a subscription order for a Prescribed Number of Units (and any additional multiple thereof) of a Franklin ETF. If a subscription order is received by the Franklin ETF by the applicable Cut-Off Time on a Trading Day, the Franklin ETF will issue to the Dealer a Prescribed Number of Units (and any additional multiple thereof) based on the NAV per Unit determined on the applicable Trading Day. In the case of Franklin LibertyQT International Equity Index ETF and Franklin LibertyQT Emerging Markets Index ETF, subject to the discretion of the Manager: (i) any subscription order received by the applicable Cut-Off Time will be deemed to be received on the next Trading Day and will be based on the NAV per Unit determined on such next Trading Day; and (ii) any subscription order received after the applicable Cut-Off Time on a Trading Day but before the Cut-Off Time on the next Trading Day will be deemed to be received on the Trading Day following the next Trading Day and will be based on the NAV per Unit determined on such following Trading Day. In the case of Franklin LibertyQT U.S. Equity Index ETF and Franklin LibertyQT Global Dividend Index ETF, if a subscription order is not received by the applicable Cut-Off Time on a Trading Day, subject to the discretion of the Manager, the subscription order will be deemed to be received only on the next Trading Day.

For each Prescribed Number of Units issued, a Dealer must deliver payment consisting of, depending on the terms of the agreement with the Dealer or in the Manager's discretion: (i) one Basket of Securities and cash in an amount sufficient so that the value of the securities and the cash received is equal to the aggregate NAV per Unit of the Prescribed Number of Units next determined following the receipt of the subscription order; or (ii) cash in an amount equal to the aggregate NAV per Unit of the Prescribed Number of Units next determined following the receipt of the subscription order.

The Manager will make available to the Designated Brokers and the Dealers information as to the Prescribed Number of Units and any Basket of Securities for each Franklin ETF for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Units from time to time.

### ***To Designated Brokers in Special Circumstances***

Units may also be issued by a Franklin ETF to the Designated Broker in certain special circumstances, including the following: (i) when the Manager has determined that the Franklin ETF should acquire Constituent Securities or other securities in connection with a rebalancing event as described under "Investment Strategies – Rebalancing Events"; and (ii) when cash redemptions of Units occur as described under "Redemption of Units – Redemption of Units for Cash".

### ***To Unitholders***

Units may be issued by a Franklin ETF to Unitholders on the automatic reinvestment of certain distributions as described under "Distribution Policy – Distributions", and "Income Tax Considerations — Taxation of the Franklin ETFs".

## **Buying and Selling Units**

The Units of the Franklin ETFs are listed on the TSX and a Unitholder may buy or sell Units of the Franklin ETFs on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the Unitholder resides.

Unitholders may incur customary brokerage commissions in buying or selling Units. No fees are paid by a Unitholder to the Manager or the Franklin ETFs in connection with the buying or selling of Units on the TSX or another exchange or marketplace. Unitholder may trade Units in the same way as other securities listed on the TSX, including by using market orders and limit orders.

Units may not be purchased by nor transferred to U.S. Persons, as defined in Regulation S under the United States Securities Act of 1933, as amended.

## **Special Considerations for Unitholders**

The provisions of the so-called “early warning” reporting requirements in Canadian securities legislation do not apply if a person or company acquires 10% or more of the Units of a Franklin ETF. The Franklin ETFs have obtained exemptive relief to permit Unitholders to acquire more than 20% of the Units of any Franklin ETF through purchases on the TSX or another marketplace without regard to the takeover bid requirements of applicable Canadian securities legislation. In addition, the Franklin ETFs have obtained relief to permit a Franklin ETF to borrow cash in an amount not exceeding 5% of the net assets of the Franklin ETF for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to Unitholders that represents amounts that have not yet been received by the Franklin ETF.

In the opinion of the Manager, Units of the Franklin ETFs are index participation units within the meaning of NI 81-102. A mutual fund wishing to invest in Units of a Franklin ETF should make its own assessment of its ability to do so after careful consideration of the relevant provisions of NI 81-102.

## **Non-Resident Unitholders**

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units of a Franklin ETF at any time during which more than 10% of the property of the Franklin ETF consists of certain “taxable Canadian property” (as defined in the Tax Act). The Manager shall inform the Registrar and Transfer Agent of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units of a Franklin ETF then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of such Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager reasonably determines that the failure to take any such action would not adversely impact the status of the Franklin ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Franklin ETF as a mutual fund trust for purposes of the Tax Act.

Such action may include, without limitation, causing the Franklin ETF to redeem the Units of that Unitholder for a redemption price equal to their net asset value on the redemption date.

### **Registration and Transfer through CDS**

Registration of interests in, and transfers of, the Units will be made only through the book-entry only system of CDS. Units must be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation. All distributions and redemption proceeds in respect of Units will be made or paid initially to CDS, which payments will be forwarded by CDS to the CDS Participants and, thereafter, by such CDS Participants to the applicable Unitholders. References in this prospectus to a holder of Units means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the Franklin ETFs nor the Manager will have any liability for: (i) any aspect of the records maintained by CDS relating to the beneficial interests in the Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS, whether contained in this prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants. The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Units must look solely to CDS Participants for payment made by the Franklin ETFs to CDS.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Franklin ETFs have the option to terminate registration of the Units through the book-entry only system, in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

## **REDEMPTION OF UNITS**

### **Redemption of Units in any Number for Cash**

On any Trading Day, Unitholders may redeem Units of any Franklin ETF in any number for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per Unit. Because Unitholders will generally be able to sell Units at the market price on the TSX or another exchange or marketplace through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisers before redeeming their Units for cash.

For such cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered through a CDS Participant by 9:00 a.m. (Toronto time) on that day to the applicable Franklin ETF at its head office or as the Manager may otherwise direct. If a cash redemption request is received after 9:00 a.m. (Toronto time) on a Trading Day, the cash redemption request will be effective only on the next Trading Day. Payment of the redemption price will be made by no later than the second Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from the Manager.

A Unitholder that exercises this cash redemption right during the period that is one business day before a distribution record date until that distribution record date will be entitled to receive the applicable distribution in respect of those Units.

In connection with the redemption of Units, a Franklin ETF will generally dispose of securities or other assets in order to fund the required redemption proceeds. The redemption price paid to a Unitholder may include income and/or

capital gains realized by the Franklin ETF. The remaining portion of the exchange or redemption price will be proceeds of redemption.

The Manager reserves the right to cause a Franklin ETF to redeem the Units held by a Unitholder at a price equal to the NAV per Unit on the effective date of such redemption if the Manager believes it is in the best interests of the Franklin ETF to do so.

### **Exchange of Prescribed Number of Units**

On any Trading Day, Unitholders may exchange a minimum of a Prescribed Number of Units (and any additional multiple thereof) for, in the discretion of the Manager, Baskets of Securities and cash or only cash. To effect an exchange of Units, a Unitholder must submit an exchange request in the form prescribed by the Manager from time to time to the applicable Franklin ETF at its head office or as the Manager may otherwise direct by the applicable Cut-Off Time on a Trading Day. The exchange price will be equal to the aggregate NAV per Unit of the Prescribed Number of Units on the effective day of the exchange request, payable by delivery of Baskets of Securities (constituted prior to the receipt of the exchange request) and cash or only cash, depending on the terms of any agreement with the Unitholder or with the consent of the Manager. If the Unitholder receives only cash, the Manager may, in its discretion, require the Unitholder to reimburse the applicable Franklin ETF for the trading expenses incurred or expected to be incurred by the Franklin ETF in connection with the sale by such Franklin ETF of securities in order to obtain the necessary cash to fund the exchange price. On an exchange, the applicable Units will be redeemed.

In the case of Franklin LibertyQT International Equity Index ETF and Franklin LibertyQT Emerging Markets Index ETF, subject to the discretion of the Manager: (i) any exchange request received by the applicable Cut-Off Time will be deemed to be received on the next Trading Day and will be based on the NAV per Unit determined on such next Trading Day; and (ii) any exchange request received after the applicable Cut-Off Time on a Trading Day but before the Cut-Off Time on the next Trading Day will be deemed to be received on the Trading Day following the next Trading Day and will be based on the NAV per Unit determined on such following Trading Day. In the case of Franklin LibertyQT U.S. Equity Index ETF and Franklin LibertyQT Global Dividend Index ETF if an exchange request is not received by the applicable Cut-Off Time on a Trading Day, subject to the discretion of the Manager, the exchange request will be deemed to be received only on the next Trading Day. Settlement of exchanges for Baskets of Securities and cash or only cash, as the case may be, will be made by no later than the second Trading Day after the effective day of the exchange request.

The Manager will make available to the Designated Broker and the Dealers information as to the Prescribed Number of Units and any Basket of Securities for each Franklin ETF for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Units from time to time.

A Unitholder that exchanges or redeems Units during the period that is one business day before a distribution record date until that distribution record date will be entitled to receive the applicable distribution in respect of those Units.

If Constituent Securities or other securities are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of such securities to a Unitholder on an exchange may be postponed until such time as the transfer of the securities is permitted by law.

### **Characterization of Redemption or Exchange Amount**

The exchange or redemption price paid to a Unitholder may include income and/or capital gains realized by the Franklin ETF. The remaining portion of the exchange or redemption price will be proceeds of disposition.

### **Suspension of Exchanges and Redemptions**

The Manager may suspend the exchange and/or redemption of Units or the payment of the exchange or redemption price of a Franklin ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the Franklin ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the Franklin ETF, without allowance for liabilities, and if

these securities are not traded on any other exchange that represents a reasonably practical alternative for the Franklin ETF; or (ii) with the prior permission of the securities regulatory authorities. The suspension shall apply to all requests for exchange or redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for exchange or redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the official rules and regulations promulgated by any government body having jurisdiction over the Franklin ETFs, any declaration of suspension made by the Manager shall be conclusive.

### Exchange and Redemption of Units through CDS Participants

The exchange and redemption rights described above must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold Units sufficiently in advance of the cut-off times set by CDS Participants to allow such CDS Participants to notify the Manager or as the Manager may direct prior to the relevant cut-off time.

### Short-Term Trading

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the Franklin ETFs at this time, as the Franklin ETFs are exchange-traded funds that are primarily traded in the secondary market.

### TRADING PRICE AND VOLUME

The following tables set forth the market price range and trading volume of the Units of the Existing Franklin ETFs for the periods indicated. The greatest volume of trading of the Existing Franklin ETFs generally occurs on the TSX.

Franklin LibertyQT U.S. Equity Index ETF				Franklin LibertyQT International Equity Index ETF			
	Price				Price		
2017	High	Low	Volume	2017	High	Low	Volume
June	20.22	19.86	30,975	June	20.30	19.33	66,274
July	19.29	19.24	4,420	July	19.20	18.86	51,000
August	19.30	19.04	2,705	August	19.43	19.05	52,050
September	19.70	18.75	44,230	September	19.23	18.72	80,501
October	20.68	19.82	13,235	October	19.96	19.50	40,200
November	21.61	20.59	14,920	November	20.10	19.53	120,950
December	22.07	21.48	1,339,480	December	20.23	19.63	56,521
<b>2018</b>				<b>2018</b>			
January	22.15	21.40	19,029	January	20.12	19.59	29,391
February	22.06	20.74	257,762	February	20.00	18.75	49,660
Franklin LibertyQT Global Dividend Index ETF				Franklin LibertyQT Emerging Markets Index ETF			
	Price				Price		
2017	High	Low	Volume	2017	High	Low	Volume
June	n/a	n/a	n/a	June	n/a	n/a	n/a
July	n/a	n/a	n/a	July	n/a	n/a	n/a
August	n/a	n/a	n/a	August	n/a	n/a	n/a
September	n/a	n/a	n/a	September	n/a	n/a	n/a
October	n/a	n/a	n/a	October	n/a	n/a	n/a
November	n/a	n/a	n/a	November	n/a	n/a	n/a
December	n/a	n/a	n/a	December	n/a	n/a	n/a

<b>2018</b>				<b>2018</b>			
January	20.36	20.26	1,003	January	20.28	20.10	550
February	20.09	18.75	198,428	February	20.61	19.25	37,174

## INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act for the Franklin ETFs and for a prospective Unitholder in a Franklin ETF who is an individual (other than a trust) and who, for the purpose of the Tax Act, is resident in Canada, holds Units of the Franklin ETF either directly as capital property or in a Registered Plan, is not affiliated with the Franklin ETF and deals at arm's length with the Franklin ETF. This summary is based on the current provisions of the Tax Act and regulations thereunder, the Tax Proposals and counsel's understanding of the current published administrative policies and assessing practices of the CRA. This summary does not take into account or anticipate any other changes in law whether by legislative, administrative or judicial action and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the considerations described below.

**This summary is of a general nature only and is not exhaustive of all possible income tax considerations. Prospective Unitholders should therefore consult their own tax advisers about their individual circumstances.**

This summary is based on the assumption that each Franklin ETF will: (i) qualify or be deemed to qualify as a "mutual fund trust" under the Tax Act at all material times; (ii) not be a "SIFT trust" as defined in section 122.1 of the Tax Act at any time; (iii) not invest in any "offshore investment fund property" as defined in section 94.1 of the Tax Act; (iv) not invest 10% or more in an "exempt foreign trust" as described in section 94.2 of the Tax Act; (v) not invest in securities of an issuer that would be treated as a "foreign affiliate" or a "controlled foreign affiliate" of the Franklin ETFs; and (vi) not enter into any arrangement where the result would be a dividend rental arrangement under the Tax Act. The Manager has advised counsel that it expects this to be the case and that these assumptions are reasonable.

### Status of the Franklin ETFs

This summary is based on the assumption that each Franklin ETF will qualify as a "mutual fund trust" under the Tax Act effective at all material times. If a Franklin ETF were not to so qualify as a mutual fund trust under the Tax Act throughout a taxation year, the Franklin ETF, among other things (i) may become liable for alternative minimum tax under the Tax Act in such year, (ii) would not be eligible for capital gains refunds under the Tax Act for such year, (iii) may be subject to the "mark-to-market" rules described below and (iv) may be subject to a special tax under Part XII.2 of the Tax Act in such year.

If a Franklin ETF does not qualify as a mutual fund trust and more than 50% (based on fair market value) of the Units of the Franklin ETF are held by one or more Unitholders that are considered "financial institutions" for the purposes of certain mark-to-market rules in the Tax Act, then the Franklin ETF itself will be treated as a financial institution under those rules. As a result, the Franklin ETF will be required to recognize income for each taxation year during which it is a financial institution on the full amount of any gains and losses accruing on certain types of securities that it holds, and also will be subject to special rules with respect to income inclusion on these securities. Any income arising from such treatment will be included in amounts to be distributed to Unitholders. If more than 50% of the Units of the Franklin ETF cease to be held by financial institutions, the tax year of the Franklin ETF will be deemed to end immediately before that time and any gains or losses accrued before that time will be deemed realized by the Franklin ETF and will be distributed to unitholders. A new taxation year for the Franklin ETF will then begin and for that and subsequent taxation years, for so long as not more than 50% of the units of the Franklin ETF are held by financial

institutions, the Franklin ETF will not be subject to these mark-to-market rules. Initially, following the creation of a Franklin ETF, financial institutions will hold all the outstanding Units of the Franklin ETF.

The Units of a Franklin ETF will be a qualified investment for Registered Plans at any time that the Franklin ETF qualifies or is deemed to qualify as a “mutual fund trust” under the Tax Act or that the Units are listed on the TSX.

A Unit of a Franklin ETF that is a qualified investment may nevertheless be a prohibited investment for a Registered Plan that is a tax-free savings account, registered retirement savings plan, registered retirement income fund, registered disability savings plan or registered education savings plan. Generally, the Units of a Franklin ETF will not be a prohibited investment under the Tax Act for such Registered Plan unless the holder/annuitant/subscriber of the Registered Plan (together with non-arm’s length persons and partnerships) directly or indirectly holds Units having a fair market value of 10% or more of all the Units of the Franklin ETF. However, the Units of the Franklin ETFs also will not be a prohibited investment under the Tax Act for such a Registered Plan at any time during the first 24 months of existence if the Franklin ETF is a “mutual fund trust” under the Tax Act and remains in substantial compliance with the requirements of NI 81-102. In addition, Units of the Franklin ETFs will not be prohibited investments if the Units are otherwise “excluded property” under the Tax Act. Unitholders should consult their own tax advisers for advice on whether or not Units would be prohibited investments for their Registered Plans.

In the case of an exchange of Units of a Franklin ETF by a Registered Plan for a Basket of Securities of the Franklin ETF or a distribution in specie on the termination of the Franklin ETF, the Registered Plan will receive securities. The securities so received may or may not be qualified investments for the Registered Plan and may or may not be prohibited investments for the Registered Plan. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments and not prohibited investments for their Registered Plans.

### **Taxation of the Franklin ETFs**

Each Franklin ETF is subject to tax under Part I of the Tax Act on its net income, including net taxable capital gains, as calculated under the Tax Act for a taxation year (after deducting available loss carryforwards) to the extent that it is not paid or payable to Unitholders. A Franklin ETF is entitled to a refund (“**capital gains refund**”) of its tax liability on its net realized capital gains equal to an amount determined by formula under the Tax Act based on the redemption of Units during the year and accrued gains on the Franklin ETF’s assets. The Declaration of Trust requires each Franklin ETF to distribute a sufficient amount of its net income and net realized capital gains, if any, for each taxation year to Unitholders so that the Franklin ETF will not be liable in any taxation year for income tax under Part I of the Tax Act after taking into account any entitlement to a capital gains refund.

Each Franklin ETF is required to calculate its net income, including net taxable capital gains, for each taxation year according to the rules in the Tax Act. Net income, including net taxable capital gains, is affected by fluctuations in the value of the Canadian dollar relative to foreign currency where amounts of income, expense, cost or proceeds of disposition are denominated in foreign currency. A Franklin ETF is generally required to include in the calculation of its income interest as it accrues, dividends when they are received and capital gains and losses when they are realized. Foreign source income received by a Franklin ETF is generally received net of any taxes withheld in the foreign jurisdiction. The foreign taxes so withheld are included in the calculation of the Franklin ETF’s income. Trust income that is paid or becomes payable to a Franklin ETF in a calendar year is generally included in income for the taxation year of the Franklin ETF that ends in the calendar year. Trust income paid or payable to a Franklin ETF by a Canadian-resident trust may have the character of ordinary property income, foreign source income, dividends received from a taxable Canadian corporation or capital gains.

Gains or losses realized by a Franklin ETF on the disposition of securities held as capital property constitute capital gains or capital losses. Securities will generally be considered to be held by a Franklin ETF as capital property unless the Franklin ETF is considered to be trading or dealing in securities, or otherwise carrying on a business of buying and selling securities, or has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. The Manager has advised counsel that each Franklin ETF purchases securities (other than derivative instruments) with the objective of earning income thereon and takes the position that gains and losses realized on the disposition of these securities are capital gains and capital losses. Generally, a gain or loss from a cash settled option, futures contract, forward contract, total return swap and other derivative instrument is treated on account

of income rather than as a capital gain or loss unless the derivative is used by a Franklin ETF as a hedge to limit its gain or loss on a specific capital asset or group of capital assets held by the Franklin ETF.

A Franklin ETF that invests in foreign denominated securities must calculate its adjusted cost base and proceeds of disposition in Canadian dollars based on the conversion rate on the date the securities were purchased and sold, as applicable. Capital gains realized during a taxation year are reduced by capital losses realized during the year. In certain circumstances, a capital loss realized by a Franklin ETF may be denied or suspended and, therefore, may not be available to offset capital gains. For example, a capital loss realized by a Franklin ETF will be suspended if, during the period that begins 30 days before and ends 30 days after the date on which the capital loss was realized, the Franklin ETF (or a person affiliated with the Franklin ETF for the purposes of the Tax Act) acquires a property that is the same as or is identical to the particular property on which the loss was realized and owns that property at the end of the period.

A trust is generally subject to a “loss restriction event” for the purposes of the Tax Act each time a person or partnership becomes a “majority-interest beneficiary” of the trust for the purposes of the Tax Act. Generally, a majority-interest means more than 50% of the fair market value of the trust held by the person or partnership and affiliates. However, no person or partnership will be or become a “majority-interest beneficiary” of a Franklin ETF if the Franklin ETF satisfies certain requirements and qualifies as an “investment fund” under the relevant rules in the Tax Act. No assurance can be given that a Franklin ETF will satisfy these requirements. If a Franklin ETF experiences a loss restriction event, the taxation year of the Franklin ETF will be deemed to end and the Franklin ETF will be deemed to realize its capital losses. The Franklin ETF may elect to realize capital gains in order to offset its capital losses and non-capital losses, including undeducted losses from prior years. Any undeducted losses will generally expire and may not be deducted by the Franklin ETF in future years. The Declaration of Trust provides for the automatic distribution to Unitholders of a sufficient amount of income and capital gains of the Franklin ETF for each taxation year (including a taxation year that is deemed to end by virtue of a loss restriction event) so that the Franklin ETF will not be liable for ordinary income tax. The Declaration of Trust provides that any such distribution is automatically reinvested in Units of a Franklin ETF and the Units of the Franklin ETF are immediately consolidated to the pre-distribution NAV.

## **Taxation of Unitholders (other than Registered Plans)**

### ***Distributions***

A Unitholder (other than a Registered Plan) is required to include in computing income for tax purposes, the amount of any income and the taxable portion of any capital gains of a Franklin ETF that is paid or payable to the Unitholder in the year (including by way of management fee distribution), whether such amounts are paid in cash or reinvested in additional Units. The non-taxable portion of any capital gains of a Franklin ETF that is paid or payable to the Unitholder in the year is not included in the Unitholder’s income and, provided the Franklin ETF makes the appropriate designation on its tax return, does not reduce the adjusted cost base of the Unitholder’s Units of that Franklin ETF. Any other non-taxable distribution, such as a return of capital, reduces the Unitholder’s adjusted cost base. A Unitholder is deemed to realize a capital gain to the extent that the adjusted cost base of the Unitholder’s Units would otherwise become a negative amount and the adjusted cost base is nil immediately thereafter.

Each Franklin ETF may, and is expected to, designate to the extent permitted by the Tax Act, the portion of the net income of the Franklin ETF distributed to Unitholders that may reasonably be considered to consist of: (i) taxable dividends (including eligible dividends) received or considered to be received by the Franklin ETF on shares of taxable Canadian corporations; and (ii) net taxable capital gains realized or considered to be realized by the Franklin ETF. Any amount so designated is deemed for tax purposes to be received or realized by Unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. The dividend gross-up and tax credit treatment normally applicable to taxable dividends (including eligible dividends) paid by a taxable Canadian corporation applies to amounts designated as taxable dividends. Taxable capital gains so designated are subject to the general rules relating to the taxation of capital gains described below. In addition, a Franklin ETF may make designations in respect of its foreign source income so that Unitholders may be able to claim a foreign tax credit (in accordance with and subject to the general limitations under the Tax Act) for foreign taxes, paid (and not deducted) by the Franklin ETF. A loss realized by a Franklin ETF may not be allocated to, and may not be treated as a loss of, the Unitholders of the Franklin ETF.

Individuals and certain trusts may be subject to an alternative minimum tax in respect of taxable dividends (including eligible dividends) received or considered to be received from taxable Canadian corporations and realized capital gains.

### ***Tax Implications of the Franklin ETFs' Distribution Policy***

A portion of the value of a Unit of a Franklin ETF may reflect income and capital gains accrued or realized by the Franklin ETF before the Unit was acquired by a Unitholder. In particular, this may be the case when Units are acquired shortly before a distribution or in the year a Franklin ETF is terminated. The income and taxable portion of capital gains paid or payable to a Unitholder must be included in the calculation of the Unitholder's income in the manner described above, even if it relates to a period before the Unitholder owned the Units.

### ***Disposition of Units***

Generally, a Unitholder (other than a Registered Plan) realizes a capital gain (or loss) on the sale, redemption, exchange or other disposition of a Unit to the extent that the proceeds of disposition for the Unit exceed (or are less than) the total of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. In general, the adjusted cost base of all Units of a particular Franklin ETF held by the Unitholder at a particular time is the total amount paid for all Units of the Franklin ETF currently and previously held by the Unitholder (including brokerage commissions paid and the amount of reinvested distributions) less any distributions of capital and less the adjusted cost base of any Units of the Franklin ETF previously disposed of by the Unitholder. The adjusted cost base to a Unitholder of one Unit is the average adjusted cost base of all Units owned by the Unitholder as capital property at that time.

When a Unitholder redeems Units of a Franklin ETF, the Franklin ETF may distribute income and capital gains to the Unitholder as partial payment of the redemption price. Any income or capital gains so distributed must be included in the calculation of the Unitholder's income in the manner described above. Any amount so distributed should be deducted from the redemption price for the Units in determining the Unitholder's proceeds of disposition. Where Units of a Franklin ETF are exchanged by a Unitholder for a Basket of Securities, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Basket of Securities, plus the amount of any cash, received by the Unitholder on the exchange, less any capital gain realized by the Franklin ETF as a result of the transfer of that Basket of Securities that has been designated by the Franklin ETF to the Unitholder. The cost of any securities acquired by the Unitholder from the Franklin ETF on the exchange of Units will generally be the fair market value of the securities at that time. Where, on an exchange of Units for a Basket of Securities, a Unitholder receives a bond with interest accrued on it, the Unitholder will generally include such interest in income in accordance with the Tax Act but will be entitled to offset such amount by a deduction for such accrued interest. The Unitholder's adjusted cost base of the bond will be reduced by the amount of the deduction. Unitholders who redeem or exchange Units are advised to confirm with the Manager the details of any distributions paid at the time of redemption and the fair market value of any securities received from the Franklin ETF, and are also advised to consult with their own tax advisers.

### ***Taxation of Capital Gains and Capital Losses***

One-half of any capital gain realized by a Unitholder (other than a Registered Plan), and the amount of any net taxable capital gains realized or considered to be realized by a Franklin ETF and designated by the Franklin ETF in respect of the Unitholder, is included in the Unitholder's income as a taxable capital gain. One-half of a capital loss may be deducted from taxable capital gains subject to and in accordance with detailed rules in the Tax Act.

### ***International Information Reporting***

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the United States (the "IGA"), and related Canadian legislation, the Franklin ETFs and the dealers through which unitholders hold their Units are required to report certain information, including certain financial information (e.g. account balances), with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding Registered Plans), to the Canada Revenue Agency. The Canada Revenue Agency

will then exchange the information with the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Tax Convention.

In addition, pursuant to rules in the Tax Act implementing the Organisation for Economic Co-operation and Development Common Reporting Standard (the “**CRS Rules**”) a Franklin ETF and the dealer through which unitholders hold their Units will be required under Canadian legislation to identify and report (commencing in May 2018) to the Canada Revenue Agency certain information, including financial information (e.g. account balances), relating to unitholders of the Franklin ETFs (other than Registered Plans) who are individual residents in a country outside Canada and the U.S. Such information would be exchanged by the Canada Revenue Agency with the countries where such unitholders are resident if those countries have adopted the CRS Rules.

### **Taxation of Registered Plans**

A Registered Plan that holds Units of a Franklin ETF and the holder/annuitant of that Registered Plan will generally not be subject to tax on the value of the Units, income or capital gains distributed by the Franklin ETF to the Registered Plan or a gain realized by the Registered Plan on the disposition of the Units (whether payment is received in cash, by reinvestment in additional Units or *in specie*), provided the Units are qualified investments for the Registered Plan and, in the case of certain Registered Plans, are not prohibited investments for the Registered Plan.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FRANKLIN ETFs**

### **Manager of the Franklin ETFs**

Franklin Templeton Investments Corp., a registered portfolio manager and investment fund manager, is the trustee and manager of the Franklin ETFs. The head office and the registered office of each of the Franklin ETFs and the Manager is located at 200 King Street West, Suite 1500, Toronto, Ontario M5H 3T4. The Manager carries on business under the name Franklin Templeton Investments.

### ***Duties and Services Provided by the Manager***

Pursuant to the Management Agreement, the Manager has been appointed as the investment fund manager of the Franklin ETFs and has the exclusive authority to manage the business and affairs of the Franklin ETFs, to make all decisions regarding the business of the Franklin ETFs and to bind the Franklin ETFs. The Manager may delegate certain of its powers to its affiliates and to third parties where, in the discretion of the Manager, it would be in the best interests of the Franklin ETFs to do so.

The Manager is also responsible for providing management, administrative and portfolio advisory and investment management services to the Franklin ETFs. The Manager’s duties include, without limitation:

- (i) authorizing the payment of, and paying, the operating expenses incurred on behalf of the Franklin ETFs that are the responsibility of the Franklin ETFs;
- (ii) providing office space, facilities and personnel;
- (iii) preparing financial statements, financial and accounting information and tax returns as required by the Franklin ETFs;
- (iv) ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time;
- (v) ensuring that the Franklin ETFs comply with regulatory requirements and applicable stock exchange listing requirements;
- (vi) preparing the Franklin ETFs’ reports, including interim and annual MRFPs, and delivering such reports to Unitholders and the securities regulatory authorities;

- (vii) determining the amount of distributions to be made by the Franklin ETFs;
- (viii) communicating with Unitholders and calling meetings of Unitholders as required;
- (ix) ensuring that the NAV per Unit is calculated and published;
- (x) administering the purchase, exchange and redemption of Units;
- (xi) negotiating contractual agreements with third party service providers, including the Portfolio Advisor, the Designated Brokers, the Dealers, the Index Provider, the Custodian, the Registrar and Transfer Agent, the Fund Administrator, the auditor, legal counsel and printers; and
- (xii) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Franklin ETFs.

### ***Details of the Management Agreement***

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders and each Franklin ETF and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in any of the securities held by a Franklin ETF if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, breach of the Manager's standard of care or any material breach or default by it of its obligations under the Management Agreement.

The Management Agreement may be terminated by any of the Franklin ETFs or by the Manager upon 60 days' prior written notice. The Manager is deemed to have resigned if it becomes bankrupt or insolvent, if its assets are seized or confiscated by a public or government authority, in the event that it ceases to be resident in Canada for purposes of the Tax Act or if it no longer holds the necessary registrations to enable it to carry out its obligations under the Management Agreement. If the Manager resigns, it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Management Agreement and such default has not been cured within 30 days after notice of same has been given to the Manager, the Trustee may remove the Manager and appoint a successor manager, subject to any required Unitholder approval.

The Manager is entitled to fees for its services as manager under the Management Agreement as described under "Fees and Expenses – Management Fee". The Manager and each of its directors, officers, employees and agents (the "**Indemnified Parties**") are indemnified by each Franklin ETF for all claims brought against such Indemnified Party in respect of any act or matter done or omitted in relation to the execution of the Manager's duties under the Management Agreement for that Franklin ETF and also from and against all other costs, charges and expenses any Indemnified Party may reasonably sustain or incur in relation to the performance of the Manager's duties under the Management Agreement for that Franklin ETF. However, none of the Indemnified Parties will be entitled to be indemnified under the Management Agreement if the liability results from the Manager's wilful misconduct, bad faith, negligence or breach of its obligations under the Management Agreement or if there has been a failure of the Manager or any person retained by the Manager to meet the standard of care set out in the Management Agreement.

The management services of the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Franklin ETFs) or from engaging in other activities. See "Conflicts of Interest" below.

***Executive Officers and Directors of the Manager of the Franklin ETFs***

The name and municipality of residence of each of the directors and executive officers of the Manager, and their principal occupations, are as follows:

<b>Name and Municipality of Residence</b>	<b>Position and Office</b>	<b>Principal Business Associations During Preceding Five Years</b>
DUANE GREEN Toronto, Ontario	Director, President and Chief Executive Officer	Director, Chairman, President and Chief Executive Officer of the Manager; Director & Chairman of FTC Investor Services Inc.; Director, President & Chief Executive Officer of Fiduciary Trust Company of Canada, Franklin Templeton Corporate Class Ltd. and Templeton Growth Fund, Ltd.; previously, Managing Director, Canada, Senior Vice-President – Head of Institutional Canada & Senior Vice-President, Institutional Services of the Manager.
ANDREW ASHTON San Mateo, California	Director	Director of the Manager; Managing Director and Head of the America’s Region of Franklin Templeton Investments; Director & Chairman of Fiduciary Trust Company of Canada; Director of Franklin Templeton Corporate Class Ltd. and Templeton Growth Fund, Ltd.; previously, Managing Director and Head of the Global Financial Institutions Group of Franklin Templeton Investments; Chief Executive Officer of Franklin Templeton Investments (ME) Ltd.; Chief Executive Officer and President & Senior Director, Franklin Templeton Global Advisory Services of Franklin Templeton Investment Trust Management Co., Ltd.; and Senior Director - Regional Head of Central Eastern Europe, Middle East and Africa of Franklin Templeton Investments Limited U.A.E.
GHION SHEWANGZAW Toronto, Ontario	Director, Senior Vice-President – Head of Canada TA	Director, Senior Vice-President – Head of Canada TA of the Manager; previously, Senior Vice-President, Investor and Dealer Services of the Manager.
BRAD BEUTTENMILLER Freelton, Ontario	Senior Associate General Counsel and Corporate Secretary	Senior Associate General Counsel and Corporate Secretary of the Manager; Vice President, Legal and Secretary of Fiduciary Trust Company of Canada; Secretary of Franklin Templeton Corporate Class Ltd., Templeton Growth Fund, Ltd. and FTC Investor Services Inc.; previously, Senior Vice-President & Chief Counsel, Canada of the Manager; Assistant Secretary of Franklin Templeton Corporate Class Ltd. and Templeton Growth Fund Ltd.
WINSTON CHEN Markham, Ontario	Chief Financial Officer	Chief Financial Officer of the Manager; Vice-President/Controller of Fiduciary Trust Company of Canada and FTC Investor Services Inc.; Controller of Franklin Templeton Corporate Class Ltd. and Templeton Growth Fund, Ltd.; previously, Vice-President, Controller of the Manager.

<b>Name and Municipality of Residence</b>	<b>Position and Office</b>	<b>Principal Business Associations During Preceding Five Years</b>
MICHAEL D'AGROSA Whitby, Ontario	Chief Compliance Officer, Canada	Chief Compliance Officer, Canada and Chief Anti-Money Laundering Officer of the Manager and Fiduciary Trust Company of Canada; Chief Compliance Officer and Chief Anti-Money Laundering Officer of FTC Investor Services Inc., Chief Compliance Officer of Templeton Global Advisors Limited, Templeton Investment Counsel, LLC and Franklin Templeton Investimentos (Brasil) Ltda.
DENNIS TEW Toronto, Ontario	Head of National Sales, Canada	Head of National Sales, Canada of the Manager; Director, President & Chief Executive Officer of FTC Investor Services Inc.; previously, Senior Vice-President, Head of Sales Compliance and Business Operations – North America, Vice-President, Head of Compliance and Business Services – North America and Senior Vice-President & Chief Financial Officer of the Manager; Controller of Templeton Growth Fund, Ltd. & Franklin Templeton Corporate Class Ltd.; Senior Vice-President & Chief Financial Officer of Fiduciary Trust Company of Canada & FTC Investor Services Inc.

#### **Portfolio Advisor**

Franklin Advisers, Inc. has been retained by the Manager pursuant to the Portfolio Advisory Agreement to provide all portfolio management services to the Manager in respect of the Franklin ETFs. The Portfolio Advisor is a registered investment advisor with the U.S. Securities and Exchange Commission (SEC) with offices based in San Mateo, California. The Portfolio Advisor also serves as an investment advisor to the Franklin LibertyQ family of U.S. ETFs, as well as other mutual funds, pooled investment vehicles and other accounts. The Portfolio Advisor is an affiliate of the Manager. Because the Portfolio Advisor is located in the U.S. with all or substantially all of its assets situated outside of Canada, there may be difficulty enforcing any legal rights against it.

The individual principally responsible for providing advice to the Franklin ETFs on behalf of the Portfolio Advisor is as follows:

<b>Name and Title</b>	<b>Franklin ETF</b>	<b>With the Franklin Templeton organization since</b>	<b>Principal Occupation Within Preceding Five Years</b>
Eduardine “Dina” Ting Vice President, Senior Portfolio Manager	Franklin LibertyQT U.S. Equity Index ETF Franklin LibertyQT International Equity Index ETF Franklin LibertyQT Global Dividend Index ETF Franklin LibertyQT Emerging Markets Index ETF	2015	Associated with BlackRock prior to 2015.

## **Brokerage Arrangements**

Investment portfolio brokerage transactions for the Franklin ETFs are arranged by the Portfolio Advisor through a large number of brokerage firms.

## **Selection Criteria for Brokers and Dealers**

In selecting brokers to effect portfolio transactions, the Portfolio Advisor will attempt to obtain the best combination of low commission rates relative to the quality of brokerage and research services received with the view towards maximizing value for the Portfolio Advisor's clients.

The single most significant consideration in brokerage selection is the quality of the execution of the transaction. In assessing execution quality, the following factors, among others, may be considered:

- Market impact cost/willingness of a broker to work an order
- Order size/liquidity considerations
- Willingness to commit capital
- Ability to get best price
- Knowledge of and access to natural contra side
- Commission rate
- Timeliness and quality of looks and reports on markets
- Ability to handle certain trading styles or strategies
- Knowledge of and access to potential market participants
- Block trading and arbitrage capabilities
- Specialized expertise
- Consistency
- Promptness of execution
- Responsiveness
- Back office capabilities/quality of confirmations and account statements
- Sophistication of trading facilities
- Ability and willingness to correct errors
- Confidentiality
- Trustworthiness/reputation
- Experience/past execution history
- Financial condition of broker

When appropriate under its discretionary authority, consistent with its duty to obtain "best execution", and in compliance with the Portfolio Advisor's client commission policy, the Portfolio Advisor may consider the receipt of research and order execution goods and services from brokers when directing brokerage transactions for client accounts.

For most transactions in equity securities, the amount of commissions paid is negotiated between the Portfolio Advisor's trading department and the broker executing the transaction. The Portfolio Advisor endeavours to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. However, the Portfolio Advisor will not select brokers solely on the basis of purported or "posted" commission rates nor generally seek in advance competitive bidding for the most favourable commission rate applicable to any particular portfolio transaction. Although the Portfolio Advisor generally seeks competitive commission rates, it does not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

The Portfolio Advisor may place orders to buy and sell equity securities where the broker is acting on a principal rather than agency basis if the Portfolio Advisor's traders believe that trading on a principal basis will provide best execution.

The Portfolio Advisor may also effect transactions that are placed pursuant to a negotiated agreement with a counterparty, including but not limited to swaps, futures, forwards, options and repurchase agreements. Due to the negotiated nature and limited number of such arrangements, the Portfolio Advisor's ability to achieve and/or demonstrate it has achieved best execution in such transactions may be limited.

To the extent consistent with its duty to seek best execution, the Portfolio Advisor may effect transactions through brokers that have or are expected to refer private account clients to the Portfolio Advisor or an affiliate. To the extent that these practices result in an increase in assets under management, the Portfolio Advisor or its affiliates will benefit. The Portfolio Advisor does not consider the sale of mutual funds in selecting brokers to execute portfolio transactions.

For clients who retain the Portfolio Advisor to provide investment management services through a "wrap fee" or separately managed account program of a dealer sponsor, the Portfolio Advisor may, subject to its and such brokers policies and procedures, execute trades in securities with such broker sponsor without obtaining client's consent to principal transactions where the Portfolio Advisor determines that such broker did not recommend, select, or play a role in the Portfolio Advisor's selection of such securities.

The Portfolio Advisor does not effect portfolio transactions with any related brokers.

### **Nature of Arrangements for Order Execution and Research Goods and Services**

Brokers typically provide a bundle of services including research and order execution. The research provided can be either proprietary (created and provided by the executing broker, including tangible research products as well as access to analysts and traders) or third-party (created by a third-party but provided by the executing broker). To the extent permitted by applicable law, the Portfolio Advisor may use client commissions to obtain both proprietary and third party research as well as certain brokerage products and services. The receipt of research in exchange for client commissions benefits the Portfolio Advisor by allowing the Portfolio Advisor to supplement its own analyses and also gain access to specialists with expertise on certain companies, industries, areas of the economy, and market factors. The Portfolio Advisor believes that such research benefits its clients.

The Portfolio Advisor on behalf of its client may obtain research and order execution goods and services by sending trade instructions and paying trade commissions to brokers ("CCA broker-dealers") who both execute the trades and provide the Portfolio Advisor with research services in the following forms: (1) research reports generated by the broker-dealer, (2) conferences with representatives of issuers, and/or (3) client commission credits that can be used to obtain research reports or services from others. A list of the CCA broker-dealers used in the last year will be available upon request.

If a good or service obtained by the Portfolio Advisor provides both research and non-research benefits, the Portfolio Advisor will generally treat the product or service as a "mixed use" item and will pay for the non-research portion with hard dollars (i.e., cash from its own resources) rather than client commissions. When acquiring a mixed use item, the Portfolio Advisor will allocate the cost of the product between client commissions and hard dollars according to its anticipated use of the product, i.e., how the product or service will be used and by whom. Although the allocation between client commissions and hard dollars will not always be a precise calculation, the Portfolio Advisor will make a good faith effort to reasonably allocate such services. To the extent that any such "mixed use" services/products are obtained, records will be prepared detailing the research, services and products obtained and the allocation between the research and non-research portions, including payments made by client commissions and hard dollars.

While the Portfolio Advisor may negotiate commission rates and prices with certain brokers with the expectation that such brokers will be providing brokerage or research services, the Portfolio Advisor will not enter into any agreement or understanding with any broker that would obligate the Portfolio Advisor to direct a specific amount of brokerage transactions or commissions in return for such services. The provision of research services, however, may be considered as a factor in determining the amount of commissions to be allocated to a specific broker. Also, certain brokers may state in advance the amount of brokerage commissions they require for certain services. If the Portfolio Advisor does not meet the amount required to obtain a particular desired product, it may direct excess research commissions as part of a client commission arrangement with an executing broker to pay the research provider or the Portfolio Advisor may pay hard dollars to make up the difference.

In connection with the purchase of securities in certain fixed-price offerings, the Portfolio Advisor may designate that a portion of the selling concession be paid to a broker that provides research services to the Portfolio Advisor.

To the extent consistent with its duty to seek best execution, the Portfolio Advisor may direct trades to a broker with the instruction that the broker-dealer execute the transaction and that another broker or research provider provide client commission products/services, so long as this broker also performs one or more functions that constitute “effecting” a trade, in accordance with applicable regulations. This type of “commission sharing” arrangement permits the Portfolio Advisor to use a broker that provides best execution to execute the trade while paying part of the commissions on the trade to another broker from which the Portfolio Advisor receives research or other services.

### **Types of Goods and Services**

Research and order execution goods and services acquired with client commissions may include:

- reports, statistical data, publications and other information on the economy, industries, sectors, individual companies or issuers, which may include research provided by proxy voting services;
- software and communications services related to the execution, clearing and settlement of securities transactions;
- quantitative analytical software;
- software that provides analyses of securities portfolios;
- statistical trade analysis;
- accounting and tax law interpretations;
- reports on legal developments affecting portfolio securities;
- registration fees for conferences and seminars;
- consultation with analysts, including research conference calls and access to financial models;
- investment risk analyses, including political and credit risk;
- investment risk measurement systems and software;
- analyses of corporate responsibility issues; and
- market data services, such as those which provide price quotes, last sale prices and trading volumes.

Examples of specific products and services include those provided by Bloomberg, Thomson Reuters, FactSet, Omgeo, MSCI/Barra and Standard and Poor’s Indexes.

### **Determination of Reasonable Benefit**

It is often not possible to place an exact dollar value on the research and order execution goods and services the Portfolio Advisor receives from brokers effecting transactions in portfolio securities. However, the Portfolio Advisor makes a good faith determination that client accounts will receive a reasonable benefit from these goods and services, considering both the use of the goods and services and the amount of commissions paid.

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based to a large degree on the professional opinions and judgments of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type.

Research and order execution goods and services obtained with client commissions may not always be utilized by the Manager for the specific account that generated the client commissions. The Manager does not attempt to allocate the relative costs or benefits of research and order execution goods and services among client accounts because it believes that, in the aggregate, the goods and services it receives assist the Manager in fulfilling its overall duty to its clients. Research and order execution goods and services obtained with client commissions generated by the Manager’s clients may be shared with the Manager’s advisory affiliates. Similarly, the Manager’s client accounts may benefit from research and order execution goods and services obtained with client commissions generated by client accounts of other advisers within Franklin Templeton Investments.

## **Other sales incentives**

We pay for marketing materials we provide to Dealers to help support the sale of the Franklin ETFs. These materials may include reports and commentaries on the financial markets, securities in general or on the Franklin ETFs themselves. In addition, we may organize and present educational conferences for Dealers to attend or pay the registration costs for Dealers to attend conferences hosted by third parties.

We may share with Dealers some of the costs they incur in publishing and distributing sales communications for investors, organizing and presenting seminars to educate investors about mutual funds or organizing and presenting conferences or seminars that Dealers may attend.

We may pay a fee to Dealers and others who we have entered into agreements with to introduce us to clients for our discretionary investment management services.

## **Conflicts of Interest**

The management services of the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Franklin ETFs) or from engaging in other activities.

The portfolio management services of the Portfolio Advisor under the Management Agreement or Portfolio Advisory Agreement, as the case may be, are not exclusive and nothing in such agreement prevents the Portfolio Advisor from providing similar portfolio management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Franklin ETFs) or from engaging in other activities.

Investments in securities purchased by the Portfolio Adviser on behalf of a Franklin ETF will not be aggregated with orders to purchase securities on behalf of other investment funds or other accounts managed by the Manager. In order to minimize tracking error, the Manager will use its reasonable efforts to implement rebalancing trades on a schedule that is consistent with the rebalancing schedule of the Index Provider.

Directors and officers of the Manager and the Portfolio Advisor must obtain the prior approval of an executive committee member of Franklin Resources, Inc. (“**FRI**”) in order to engage in any outside business activities. One of the activities that requires approval is acting as a director or officer of another company (an “**Issuer**”). A Franklin ETF may invest in an Issuer if this transaction is permitted by law and the Portfolio Advisor’s trading desk compliance has approved this transaction. This approval will be given only if the Portfolio Advisor’s trading desk compliance is satisfied that there has been proper resolution of any potential conflicts of interest.

The Management Agreement acknowledges that the Manager may provide services to the Franklin ETFs in other capacities, provided that the terms of any such arrangement are no less favourable to the Franklin ETFs than those that would be obtained from parties that are at arm’s length for comparable services.

No Designated Broker or Dealer has been involved in the preparation of this prospectus nor have they performed any review of the contents of this prospectus and, as such, the Designated Brokers and the Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Franklin ETFs of their Units under this prospectus. Units of a Franklin ETF do not represent an interest or an obligation of any Designated Broker, any Dealer or any affiliate thereof and a Unitholder does not have any recourse against any such parties in respect of amounts payable by a Franklin ETF to such Designated Brokers or Dealers.

One or more registered dealers act or may act as a Designated Broker, a Dealer and/or a market maker. These relationships may create actual or perceived conflicts of interest that Unitholders should consider in relation to an investment in a Franklin ETF. In particular, by virtue of these relationships, these registered dealers may profit from the sale and trading of Units. The Designated Broker, as market maker of a Franklin ETF in the secondary market, may therefore have economic interests that differ from, and may be adverse to, those of Unitholders. Any such registered dealer and its affiliates may, at present or in the future, engage in business with a Franklin ETF, with the

issuers of securities making up the investment portfolio of a Franklin ETF or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between any such registered dealer and its affiliates and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

### **Independent Review Committee**

As required by NI 81-107, the Manager has established an IRC to review all conflicts of interest matters identified and referred to the IRC by the Manager relating to the investment funds managed by the Manager, including the Franklin ETFs. The IRC reviews and gives its approval or recommendations as to the conflict of interests matters referred to it. A conflict of interest matter is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that conflicts with the Manager's ability to act in good faith and in the best interest of the Franklin ETFs. The IRC is also required to approve certain mergers involving the Franklin ETFs and any change of the auditor of the Franklin ETFs.

The IRC must have all independent members. The Manager considers that an individual is independent if the individual is not a director, officer or employee of any of the Manager or an affiliate of the Manager. In addition, the individual must be independent of management and free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the individual's ability to act with the view to the best interest of the Franklin ETFs.

The members of the IRC are:

Gary Norton (Chair of the IRC)  
Stuart Douglas  
Bruce Galloway

The IRC has a written charter that sets out its powers, duties and responsibilities. Additionally, pursuant to NI 81-107, the IRC assesses, at least annually, the adequacy and effectiveness of the following:

- (i) the Manager's policies and procedures regarding conflict of interest matters;
- (ii) any standing instructions that the IRC gave to the Manager for conflict of interest matters related to the Franklin ETFs;
- (iii) the compliance of the Manager and each Franklin ETF with any conditions imposed by the IRC in a recommendation or approval it has provided to the Manager; and
- (iv) the independence and compensation of its members, the IRC's effectiveness as a committee and the contribution of each member to the IRC.

The IRC prepares a report for Unitholders, at least annually, of its activities. Such report is made available on the Manager's website at [www.franklintempleton.ca](http://www.franklintempleton.ca) or, at the request of a Unitholder and at no cost, by contacting the Manager at 200 King Street West, Suite 1500, Toronto, Ontario, M5H 3T4, or by sending an e-mail to [service@franklintempleton.ca](mailto:service@franklintempleton.ca).

Each member of the IRC receives an annual retainer of \$30,000 (\$40,000 for the Chair) plus a fixed fee of \$1,500 and expenses for each meeting of the IRC that the member attends. The costs of the IRC are allocated among the investment funds managed by the Manager, including the Franklin ETFs, in a manner that is considered to be fair and reasonable to the funds.

### **Trustee**

Pursuant to the Declaration of Trust, the Manager is also the trustee of the Franklin ETFs.

The trustee may resign upon 60 days' notice to Unitholders and the Manager. If the trustee resigns or if it becomes incapable of acting as trustee, the trustee may appoint a successor trustee and its resignation shall become effective upon the acceptance of such appointment by its successor. If no successor has been appointed within 60 days, the Franklin ETFs will be terminated.

The Declaration of Trust provides that the trustee shall act honestly, in good faith and in the best interests of each Franklin ETF and shall perform its duties to the standard of care that a reasonably prudent person would exercise in the circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the trustee and indemnifying the trustee in respect of certain liabilities incurred by it in carrying out the trustee's duties.

At any time during which the Manager is the trustee, the Manager will receive no fee in respect of the provision of services as trustee.

### **Custodian**

State Street Trust Company Canada, at its principal offices in Toronto, Ontario, is Custodian of the assets of the Franklin ETFs pursuant to the Custodian Agreement. The Custodian has a qualified foreign sub-custodian in each jurisdiction in which the Franklin ETFs have securities. The initial term of the Custodian Agreement is three years, and after the expiry of the initial term, the Custodian Agreement renews for successive one-year terms unless a written notice of non-renewal is delivered by the non-renewing party no later than sixty (60) days prior to the expiration of the initial term or any renewal term, as the case may be.

The Custodian is entitled to receive fees from the Manager as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Franklin ETFs.

### **Securities Lending Agent**

The Manager, on behalf of the Franklin ETFs, may enter into a securities lending authorization agreement with State Street Bank and Trust Company, a sub-custodian of the Franklin ETFs (the "**Securities Lending Agreement**"). The Securities Lending Agreement will appoint and authorize State Street Bank and Trust Company to act as agent for securities lending transactions for those Franklin ETFs that engage in securities lending and to execute, in the applicable Franklin ETF's name and on its behalf, securities lending agreements with borrowers in accordance with NI 81-102. The Securities Lending Agreement will require that the collateral received by a Franklin ETF in a securities lending transaction must not have a market value of less than 102% of the value of the securities loaned. Under the Securities Lending Agreement, State Street Bank and Trust Company will agree to indemnify the Franklin ETFs from certain losses incurred in connection with its failure to perform any of its obligations under the agreement. The Securities Lending Agreement will permit either party to terminate the agreement at any time upon providing the prescribed advance notice to the other party.

### **Auditor**

The auditor of the Franklin ETFs is PricewaterhouseCoopers LLP, Chartered Accountants, PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2.

### **Registrar and Transfer Agent**

State Street Trust Company Canada, at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the Units of the Franklin ETFs. The register of the Franklin ETFs is kept in Toronto, Ontario.

### **Promoter**

The Manager has taken the initiative in founding and organizing the Franklin ETFs and is, accordingly, the promoter of the Franklin ETFs within the meaning of securities legislation of certain provinces and territories of Canada. The

Manager, in its capacity as manager of the Franklin ETFs, receives compensation from the Franklin ETFs. See “Fees and Expenses”.

### **Fund Administrator**

State Street Fund Services Toronto Inc., at its principal offices in Toronto, Ontario, is the Fund Administrator. The Fund Administrator is responsible for certain aspects of the day-to-day administration of the Franklin ETFs, including NAV calculations, accounting for net income and net realized capital gains of the Franklin ETFs and maintaining books and records with respect to each Franklin ETF.

### **CALCULATION OF NET ASSET VALUE**

The NAV of the Units and the NAV per Unit of a Franklin ETF are calculated by the Fund Administrator as of the Valuation Time on each Valuation Date. The NAV of a Franklin ETF as a whole on a particular date is equal to the aggregate of the market value of that Franklin ETF’s assets less its liabilities. If a Franklin ETF offers more than one series of Units, a separate net asset value is determined for each series. The NAV of the Units is calculated by adding up the Units’ proportionate share of the cash, portfolio securities and other assets of the Franklin ETF, subtracting the liabilities applicable to the Units and dividing the net assets by the total number of Units owned by Unitholders.

The NAV per Unit will generally increase or decrease on each trading day as a result of changes in the value of the portfolio securities owned by the Franklin ETF. When distributions (other than management expense distributions) are declared on the Units, the NAV per Unit will decrease by the per Unit amount of the distributions on the distribution payment date.

### **Valuation Policies and Procedures of the Franklin ETFs**

The value of the portfolio securities and other assets of each Franklin ETF is determined by applying the following rules:

- (i) the value of any cash or its equivalent on hand, on deposit or on call, bills and demand notes and accounts receivable, prepaid expenses, cash dividends declared and interest accrued and not yet received will be its face amount, unless the Manager determines that another value is more appropriate and such deemed value is approved by the board of directors of the Manager;
- (ii) the value of any security or interest in a security which is listed or dealt in upon a stock exchange will be determined by:
  - (a) in the case of a security traded on the day as of which the NAV is being determined, the closing sale price on the principal exchange on which it is traded;
  - (b) in the case of a security not traded on the day as of which the NAV is being determined because such exchange is closed for business on such day, unless decided otherwise by the board of directors of the Manager, the most recent closing sale price; and
  - (c) in the case of any other security not traded on such exchange on the day as of which the NAV is being determined, a price estimated to be the true value thereof by the Manager on such basis and in such manner as may be approved by the board of directors of the Manager, such price being between the closing ask and bid prices for the security or interest therein as reported by any report in common use or authorized as official by a stock exchange;
- (iii) the value of any security or interest therein which is not listed or dealt in upon any stock exchange will be determined as nearly as may be possible in the manner described in paragraph (ii) above, except that there may be used, for the purpose of determining the sale price or the asked and bid prices, any public quotations in common use which may be available;

- (iv) in the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Manager on such basis and in such manner as may be approved by the board of directors of the Manager;
- (v) if an asset cannot be valued under the above rules or under any valuation rules set out in securities legislation or if any of the valuation rules adopted by the Manager but not set out in securities legislation are at any time considered by the Manager to be inappropriate in the circumstances then the Manager shall use a valuation that it considers to be fair in the circumstances;
- (vi) where a Franklin ETF owns securities issued by another investment fund, the securities of the other investment fund are valued at either the price calculated by the manager of the other investment fund for the applicable series of securities of the other investment fund for that Valuation Date in accordance with the constating documents of the other investment fund if such securities are acquired by the Franklin ETF from the other investment fund or at their close price or last sale price reported before the Valuation Time on a Valuation Date if such securities are acquired by the Franklin ETF on a public stock exchange;
- (vii) long positions in options, debt-like securities and warrants are valued at the current market value of their positions;
- (viii) where an option is written by a Franklin ETF, the premium received by the Franklin ETF for the option is reflected as a deferred credit. The deferred credit is valued at an amount equal to the current market value of the option which would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in calculating the net asset value of the Franklin ETF. The Franklin ETF's portfolio securities which are the subject of a written option shall continue to be valued at the current market value as determined by the Manager;
- (ix) foreign currency hedging contracts are valued at their current market value on a Valuation Date, with any difference resulting from revaluation being treated as an unrealized gain or loss on investment;
- (x) the value of a forward contract or swap is the gain or loss on the contract that would be realized if, on that Valuation Date, the position in the forward contract or the swap were to be closed out;
- (xi) the value of a standardized future is: (a) if daily limits imposed by the futures exchange through which the standardized future was issued are not in effect, the gain or loss on the standardized future that would be realized if, on a Valuation Date, the position in the standardized future was closed out; or (b) if daily limits imposed by the futures exchange through which the standardized future was issued are in effect, based on the current market value of the underlying interest of the standardized future;
- (xii) margin paid or deposited on standardized futures or forward contracts is reflected as an account receivable, and margin consisting of assets other than cash is noted as held as margin;
- (xiii) portfolio securities that are quoted in foreign currencies are converted to Canadian dollars using the prevailing rate of exchange as determined by the Manager on the Valuation Date;
- (xiv) portfolio securities, the resale of which are restricted or limited by means of a representation, undertaking or agreement by a Franklin ETF or its predecessor in title or by law, are valued at the lesser of: (a) their value based upon reported quotations in common use on a Valuation Date; (b) that percentage of the market value of portfolio securities of the same class or series of a class, the resale of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage of the Franklin ETF's acquisition cost of the market value of the securities at the time of acquisition, but taking into account, if appropriate, the amount of time remaining until the restricted securities will cease to be restricted securities; and

- (xv) notwithstanding the forgoing, portfolio securities and other assets for which market quotations are, in the opinion of the Manager, inaccurate, unreliable, not reflective of all available material information or not readily available, are valued at their fair value as determined by the Manager.

If a portfolio security cannot be valued under the forgoing rules or under any other valuation rules adopted under applicable securities laws, or if any rule the Manager has adopted is not set out under applicable securities laws but at any time is considered by the Manager to be inappropriate under the circumstances, then the Manager shall use a valuation that the Manager considers to be fair, reasonable and in the interest of Unitholders. In those circumstances, the Manager would typically review current press releases concerning the portfolio security, discuss an appropriate valuation with other portfolio managers and analysts and consult other industry sources to set an appropriate fair valuation. If at any time the foregoing rules conflict with the valuation rules required under applicable securities laws, the Manager will follow the valuation rules required under applicable securities laws.

The constating documents of each of the Franklin ETFs contain details of the liabilities to be included in calculating the NAV for the Units. The liabilities of a Franklin ETF include, without limitation, all bills, notes and accounts payable, all management fees and fund costs payable or accrued, all contractual obligations for the payment of money or property, all allowances authorized or approved by the Manager for taxes (if any) or contingencies and all other liabilities of the Franklin ETF.

### **Reporting of Net Asset Value**

Following the Valuation Time on each Valuation Date, the aggregate net asset value of each Franklin ETF and the NAV per Unit will be available to the public on the Manager's website at [www.franklintempleton.ca](http://www.franklintempleton.ca).

## **ATTRIBUTES OF THE UNITS**

### **Description of the Securities Distributed**

Each Franklin ETF is authorized to issue an unlimited number of Units in an unlimited number of series, each of which represents an equal, undivided interest in the Units' proportionate share of the series net assets of the Franklin ETF.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. Each Franklin ETF is a reporting issuer under the *Securities Act* (Ontario) and each Franklin ETF is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

### **Certain Provisions of the Units**

Each Unit entitles the owner to one vote at all meetings of Unitholders and is entitled to participate equally with all other Units with respect to all distributions made by the Franklin ETF to Unitholders, other than management fee distributions and amounts paid on the exchange or redemption of Units. Units are issued only as fully paid and are non-assessable.

### ***Exchange of Units for Baskets of Securities or Cash***

On any Trading Day, Unitholders may exchange a minimum of a Prescribed Number of Units (and any additional multiple thereof) for, in the discretion of the Manager, Baskets of Securities and cash or only cash. See "Redemption of Units – Exchange of Prescribed Number of Units".

### ***Redemption of Units for Cash***

On any Trading Day, Unitholders may redeem Units in any number for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, subject to a maximum

redemption price of the applicable NAV per Unit. See “Redemption of Units – Redemption of Units in any Number for Cash”.

### **Modification of Terms**

All rights attached to the Units may only be modified, amended or varied in accordance with the terms of the Declaration of Trust. See “Unitholder Matters – Amendments to the Declaration of Trust”.

The Manager may amend the Declaration of Trust from time to time to redesignate the name of a Franklin ETF or to create a new class or series of units of a Franklin ETF without notice to existing Unitholders, unless such amendment in some way affects the existing Unitholders’ rights or the value of their investment.

## **UNITHOLDER MATTERS**

### **Meeting of Unitholders**

Except as otherwise required by law, meetings of Unitholders of a Franklin ETF will be held if called by the Manager upon written notice of not less than 21 days nor more than 50 days before the meeting.

### **Matters Requiring Unitholders Approval**

Under the Declaration of Trust, Unitholders are entitled to vote on any matter that pursuant to Canadian securities legislation must be submitted to Unitholders for approval. NI 81-102 requires that Unitholders of a Franklin ETF approve the following:

- (i) any change to the basis of the calculation of a fee or expense that is charged to the Franklin ETF or directly to its Unitholders if such change could result in an increase in charges to the Franklin ETF or its Unitholders, except where:
  - (a) the Franklin ETF is at arm’s length with the person or company charging the fee or expense;
  - (b) the Unitholders have received at least 60 days’ written notice before the effective date of the change; and
  - (c) the right to notice described in (b) is disclosed in the prospectus of the Franklin ETF;
- (ii) the introduction of a fee or expense, to be charged to a Franklin ETF or directly to its Unitholders by the Franklin ETF or the Manager in connection with the holding of Units of the Franklin ETF that could result in an increase in charges to the Franklin ETF or its Unitholders (which would not include expenses associated with complying with governmental or regulatory requirements introduced after the date the Franklin ETF was created), except where:
  - (a) the Franklin ETF is at arm’s length with the person or company charging the fee or expense;
  - (b) the Unitholders have received at least 60 days’ written notice before the effective date of the change; and
  - (c) the right to notice described in (b) is disclosed in the prospectus of the Franklin ETF;
- (iii) any change to the Manager, unless the new manager of the Franklin ETF is an affiliate of the Manager;
- (iv) any change to the fundamental investment objective of the Franklin ETF;
- (v) the decrease in the frequency of the calculation of the Franklin ETF’s NAV per Unit;

- (vi) the undertaking by the Franklin ETF of a reorganization with, or transfer of its assets to, another issuer, if the Franklin ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the Franklin ETF becoming securityholders in the other issuer, unless:
  - (a) the IRC of the Franklin ETF has approved the change;
  - (b) the Franklin ETF is being reorganized with, or its assets are being transferred to, another mutual fund that is managed by the Manager, or an affiliate of the Manager;
  - (c) the Unitholders have received at least 60 days' written notice before the effective date of the change;
  - (d) the right to notice described in (c) is disclosed in the prospectus of the Franklin ETF; and
  - (e) the transaction complies with certain other requirements of applicable securities legislation; and
- (vii) the undertaking by the Franklin ETF of a reorganization with, or acquisition of assets from, another issuer, if the Franklin ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other issuer becoming Unitholders of the Franklin ETF and the transaction would be a material change to the Franklin ETF.

In addition, the auditor of a Franklin ETF may not be changed unless the IRC has approved the change and Unitholders have received at least 60 days' written notice before the effective date of the change.

Approval of Unitholders of a Franklin ETF of any such matter will be given if a majority of the votes cast at a meeting of Unitholders of the Franklin ETF duly called and held for the purpose of considering the same approve the related resolution.

#### **Amendments to the Declaration of Trust**

The trustee may amend the Declaration of Trust from time to time, but it may not, without the approval of a majority of the votes of Unitholders of the Franklin ETF voting at a meeting of Unitholders duly called for such purpose, make any amendment relating to any matter in respect of which NI 81-102 requires a meeting, as set out above, or any amendment that will adversely affect the voting rights of Unitholders.

Unitholders are entitled to one vote per Unit held on the record date established for voting at any meeting of Unitholders.

#### **Accounting and Reporting to Unitholders**

The fiscal year end of the Franklin ETFs is September 30. The Franklin ETFs will deliver or make available to Unitholders: (i) audited comparative annual financial statements; (ii) unaudited interim financial statements; and (iii) annual and interim MRFPs. Such documents are incorporated by reference into, and form an integral part of, this prospectus. See "Documents Incorporated by Reference".

Each Unitholder will also be mailed annually, by his, her or its broker, no later than March 31, information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by each Franklin ETF owned by such Unitholder in respect of the preceding taxation year of such Franklin ETF.

The Manager will ensure that each Franklin ETF complies with all applicable reporting and administrative requirements. The Manager will also ensure that adequate books and records are kept reflecting the activities of each Franklin ETF. A Unitholder or his, her or its duly authorized representative has the right to examine the books and records of the applicable Franklin ETF during normal business hours at the offices of the Fund Administrator. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Franklin ETFs.

## **Permitted Mergers**

A Franklin ETF may, without Unitholder approval, enter into a merger or other similar transaction that has the effect of combining that Franklin ETF with any other investment fund or funds that have investment objectives, valuation procedures and fee structures that are similar to the Franklin ETF, subject to:

- (i) approval of the merger by the IRC;
- (ii) compliance with certain merger pre-approval conditions set out in section 5.6 of NI 81-102; and
- (iii) written notice being sent to Unitholders at least 60 days before the effective date of the merger.

In connection with any such merger, the merging funds will be valued at their respective net asset values and Unitholders of the Franklin ETF will be offered the right to redeem their Units for cash at the applicable NAV per Unit.

## **TERMINATION OF THE FRANKLIN ETFS**

A Franklin ETF may be terminated by the Manager on at least 60 days' notice to Unitholders of such termination and the Manager will issue a press release in advance thereof. The Manager may also terminate a Franklin ETF if the trustee resigns or becomes incapable of acting and is not replaced or if the Index Provider ceases to calculate the applicable Index or the Index License Agreement in respect of the applicable Index is terminated, as described under "Investment Objectives – The Indices – Termination of the Indices". Upon such termination, the Constituent Securities, cash and other assets remaining after paying or providing for all liabilities and obligations of the Franklin ETF and any termination-related expenses payable by the Franklin ETF shall be distributed *pro rata* among the Unitholders of the Franklin ETF.

The rights of Unitholders to exchange and redeem Units described under "Redemption of Units" will cease as and from the date of termination of that Franklin ETF.

## **RELATIONSHIP BETWEEN THE FRANKLIN ETFS AND DEALERS**

The Manager, on behalf of the Franklin ETFs, may enter into various continuous distribution dealer agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units of one or more of the Franklin ETFs as described under "Purchases of Units – Issuance of Units".

No Designated Broker or Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and, as such, the Designated Brokers and the Dealers do not perform many of the usual underwriting activities in connection with the distribution by the Franklin ETFs of their Units under this prospectus. The Franklin ETFs have obtained exemptive relief from the Canadian securities regulatory authorities to relieve them from the requirement that this prospectus contain a certificate of the underwriter or underwriters.

## **PRINCIPAL HOLDERS OF SECURITIES**

CDS & Co., the nominee of CDS, is the registered holder of the Units of all of the Franklin ETFs, which it holds for various brokers and other persons on behalf of their clients and others.

## **PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

The Manager has adopted the Portfolio Advisor's proxy voting policies and procedures with respect to Constituent Securities and other securities held by the Franklin ETFs and has delegated the management and administration of the policies to the Portfolio Advisor. The Portfolio Advisor has delegated its administrative duties with respect to voting proxies to the Proxy Group within Franklin Templeton Companies, LLC (the "**Proxy Group**"), an affiliate of the Manager and wholly owned subsidiary of FRI.

## **Voting Practices**

The Proxy Group is fully cognizant of its responsibility to process proxies and maintain proxy records pursuant to SEC and Canadian Securities Administrators rules and regulations. In addition, the Portfolio Advisor understands its fiduciary duty to vote proxies and that proxy voting decisions may affect the value of shareholdings. Therefore, the Portfolio Advisor will attempt to process every proxy it receives for all domestic and foreign proxies. However, there may be situations in which the Portfolio Advisor cannot process proxies, for example, where a meeting notice was received too late, or sell orders preclude the ability to vote. In addition, the Portfolio Advisor may abstain from voting under certain circumstances or vote against items such as “Other Business” when the Portfolio Advisor is not given adequate information from the company.

## **Summary of Proxy Voting Policies**

The following is a summary of the proxy voting policies of the Portfolio Advisor:

As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the company's management. Each issue, however, is considered on its own merits, and the Portfolio Advisor will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares. In keeping with its fiduciary obligations to its advisory clients, the Portfolio Advisor reviews all proposals, even those that may be considered routine matters.

The Portfolio Advisor has adopted general proxy voting guidelines that are reviewed periodically by various members of the Portfolio Advisor's organization, including portfolio management, legal counsel and the Portfolio Advisor's officers, and are subject to change. These guidelines cannot provide an exhaustive list of all the issues that may arise nor can the Portfolio Advisor anticipate all future situations. The guidelines cover such agenda items as the election of directors, ratification of auditors, management and director compensation, anti-takeover mechanisms, changes to capital structure, mergers and corporate restructuring, social and corporate policy issues, and global corporate governance. The Portfolio Advisor may deviate from the general policies and procedures when it determines that the particular facts and circumstances warrant such deviation to protect the interests of advisory clients.

## **Conflicts of Interest**

The Portfolio Advisor votes proxies solely in the interests of the client, unitholders or, where employee benefit plan assets are involved, in the interests of plan participants and beneficiaries (collectively “**advisory clients**”). As a matter of policy, the officers, directors and employees of the Portfolio Advisor and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of advisory clients. In situations where the Portfolio Advisor perceives a material conflict of interest, the Portfolio Advisor may: disclose the conflict to the relevant advisory clients; defer to the voting recommendation of the advisory clients, Institutional Shareholder Services, Glass Lewis & Co., LLC, or those of another independent third party provider of proxy services; send the proxy directly to the relevant advisory client for a decision, or take such other action in good faith (in consultation with counsel) which would protect the interests of the advisory clients.

## **Proxy Voting Procedures**

All proxies received by the Proxy Group will be voted based upon the Portfolio Advisor's instructions and/or policies. To assist it in analyzing proxies, the Portfolio Advisor subscribes to Institutional Shareholder Services (“**ISS**”), an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, record keeping and vote disclosure services. In addition, the Portfolio Advisor subscribes to Glass Lewis & Co., LLC (“**Glass Lewis**”), an unaffiliated third party analytical research firm, to receive analyses and vote recommendations on the shareholder meetings of publicly held U.S. companies. Although ISS' and/or Glass Lewis' analyses are thoroughly reviewed and considered in making a final voting decision, the Portfolio Advisor does not consider recommendations from ISS, Glass Lewis, or any other third party to be determinative of the Portfolio Advisor's ultimate decisions.

The Proxy Group is part of the Franklin Templeton Companies, LLC Corporate Legal Department and is overseen by legal counsel. For each shareholder meeting, a member of the Proxy Group will consult with the research analyst that

follows the security and will provide the analyst with the meeting notice, agenda, ISS and/or Glass Lewis analyses, recommendations and any other available information. The Portfolio Advisor's research analyst(s) and relevant portfolio manager(s) are responsible for making the final voting decision based on their review of the agenda, ISS and/or Glass Lewis analyses, their knowledge of the company and any other information readily available. The Proxy Group must obtain voting instructions from the Portfolio Advisor's research analyst(s), relevant portfolio manager(s) and/or legal counsel prior to submitting the vote.

The Proxy Group is responsible for maintaining the documentation that supports the Portfolio Advisor's voting position. The Proxy Group is also responsible for maintaining appropriate proxy voting supporting documentation and records. Such records may include, but are not limited to, a copy of all materials returned to the issuer and/or its agent, the documentation described above, listings of proxies voted by issuer and by client, and any other relevant information. The Proxy Group may use an outside service such as ISS to support this function. All files will be retained for at least five years, the first two of which will be on-site. A complete copy of the proxy voting policies and procedures will be available to clients upon request. In addition, the Proxy Group is responsible for ensuring that the proxy voting policies, procedures and records of the Portfolio Advisor are made available as required by law and is responsible for overseeing the filing of such policies and procedures with the SEC and/or other applicable regulators.

### **Information Requests**

A copy of the policies and procedures that the Franklin ETFs follow when voting proxies relating to portfolio securities is available on request and at no cost by calling toll-free 1-800-387-0830 or by writing to 5000 Yonge Street, Suite 900, Toronto, Ontario M2N 0A7.

A proxy voting record for each of the Franklin ETFs most recent period ended June 30 of each year will be available free of charge to any Unitholder of that Franklin ETF upon request at any time after August 31 of that year and can also be found at [www.franklintempleton.ca](http://www.franklintempleton.ca).

### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (i) Declaration of Trust;
- (ii) Management Agreement;
- (iii) Custodian Agreement; and
- (iv) Index License Agreements.

Copies of the agreements referred to above may be inspected during business hours at the principal office of the Manager.

### **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

A motion to authorize a class action proceeding against the Manager and other mutual fund companies was filed in the Quebec Superior Court on October 25, 2004, claiming damages resulting from an alleged breach of fiduciary duty by permitting or failing to prevent certain market timing practices. The claim, as amended, proposed a class of all Quebec residents who held securities in certain mutual funds managed by the Manager between January 1, 2000 and December 31, 2003. Hearings on the class authorization motion for this claim concluded in May 2009. Before the court issued its decision on that motion, in July 2010, the Manager reached an agreement-in-principle with the plaintiffs to resolve the action (as well as the action described below), subject to certain conditions, including authorization of a class for settlement purposes. In September 2010, the court granted plaintiffs' motion for authorization for settlement purposes and, in December 2010, the court approved the settlement.

A statement of claim was filed with the Superior Court of Justice in Ontario on March 9, 2006 commencing a putative class action proceeding against the Manager and other mutual fund companies, claiming that during the period from February 1, 1999 to February 28, 2003, the Manager “permitted and/or participated in and/or failed to prevent or terminate market timing activity” in certain of its mutual funds allegedly in breach of its fiduciary duty. The class certification motion for this claim was heard in December 2009, and denied by the court in January 2010. Plaintiffs filed a notice of appeal of that decision in February 2010, and the Manager reached an agreement-in-principle with the plaintiffs to resolve the action in July 2010. In September 2010, the court granted plaintiffs’ motion to certify the relevant class for settlement purposes and, in December 2010, the court approved the settlement.

The Manager and the plaintiffs’ agreement to resolve both the Quebec and Ontario actions included the payment by the Manager of \$5,000,000 to certain mutual funds managed by the Manager and specified in the settlement agreement, less (i) any amounts approved by the Quebec and Ontario courts for legal fees and disbursements for Quebec and Ontario plaintiffs’ counsel respectively, and (ii) disbursements incurred in connection with the implementation of the settlement.

Shares of the Canadian company, BlackPearl Resources Inc. (the “**Company**”), are held in funds and separate accounts managed by the Manager and are traded in Canada. As the shares of the Company are categorized as Canadian for reporting purposes, the shareholder reporting rules for Canada require that an Alternative Monthly Report (“**AMR**”) filed once an initial threshold of 10% is reached /exceeded. On December 8, 2014, an AMR report was filed on a timely basis with Canadian securities regulators. It was subsequently filed with the Company on December 11, 2014. The filing reported holdings at just above 10%.

On December 12, 2014, the Company notified the Manager that there are filing obligations in Sweden due to the Company’s additional listing in Sweden. Although the Company is categorized as Canadian and the Manager does not hold any Swedish shares (shares traded in the NASDAQ OMX Stockholm Exchange), Swedish rules require reporting when holdings reach, exceed or fall below any of statutory threshold limits. Thus, Swedish reporting at 5% and 10% was not completed. Once made aware of the obligation to report in Sweden, a notice was promptly sent to the Financial Supervisory Authority of Sweden (“**Swedish FSA**”) and the Company on December 16, 2014 with a letter of explanation, at which point the required filing was 11 trade days late.

On April 23, 2015, the Manager received a letter from Swedish FSA of its decision to impose an administrative fee of SEK 300,000 (approximately USD\$36,000) as a result of the late filing. The Manager appealed the administrative fee to the Stockholm Administrative Court on May 15, 2015.

The Stockholm Administrative Court, in its judgment dated January, 28, 2016, dismissed the Manager’s appeal of the Swedish FSA administrative fee. The Administrative Court found that the changes in shareholdings were not reported within the stipulated time frame and did not find a reason to reduce the proposed administrative fee. The Manager had until March 8, 2016 to appeal the Administrative Court decision, which it chose not to do. The decision is therefore final on March 8, 2016.

## **EXPERTS**

Borden Ladner Gervais LLP, legal counsel to the Franklin ETFs and the Manager, has provided certain legal opinions regarding the principal Canadian federal income tax considerations that apply to an investment in the Units by a Canadian resident individual and by a Registered Plan. See “Income Tax Considerations”.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, the auditor of the Franklin ETFs, has consented to the use of its audit report dated December 21, 2017 to the Unitholders and Trustee of the Franklin LibertyQT U.S. Equity Index ETF and Franklin LibertyQT International Equity ETF on the September 30, 2017 annual financial statements, which comprise the statements of financial position, comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows as at and for the period indicated in Note 1 of the financial statements and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

PricewaterhouseCoopers LLP has also consented to the use of their report dated November 9, 2017 to the Unitholder and Trustee of Franklin LibertyQT Global Dividend Index ETF and Franklin LibertyQT Emerging Markets Index ETF on the statements of financial position as at November 8, 2017 and the related notes.

PricewaterhouseCoopers LLP has confirmed that it is independent with respect to the Franklin ETFs within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

### **EXEMPTIONS AND APPROVALS**

Each Franklin ETF has obtained exemptive relief from the Canadian securities regulatory authorities to permit:

- (i) the purchase by a Unitholder of more than 20% of the Units of any Franklin ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation;
- (ii) a Franklin ETF to borrow cash in an amount not exceeding 5% of the net assets of the Franklin ETF for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to Unitholders that represents amounts that have not yet been received by the Franklin ETF; and
- (iii) a Franklin ETF to invest in another Franklin ETF or another exchange-traded fund managed by the Manager or one of its affiliates.

In addition, each Franklin ETF has obtained exemptive relief from the Canadian securities regulatory authorities from the requirement to include in the prospectus a certificate of an underwriter.

### **OTHER MATERIAL FACTS**

#### **Russell**

##### *Disclaimer*

The LibertyQ U.S. Large Cap Equity Index is calculated and maintained by Russell and aims to reflect the performance of stocks representing a specific set of factor characteristics – quality, value, momentum and low volatility. Franklin LibertyQT U.S. Equity Index ETF is not in any way sponsored, endorsed, sold or promoted by Russell or the London Stock Exchange Group companies (“LSEG”) (together the “Licensor Parties”) and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the Index (upon which Franklin LibertyQT U.S. Equity Index ETF is based), (ii) the figure at which the Index is said to stand at any particular time on any particular day or otherwise, or (iii) the suitability of the Index for the purpose to which it is being put in connection with Franklin LibertyQT U.S. Equity Index ETF. None of the Licensor Parties have provided or will provide any financial or investment advice or recommendation in relation to the Index to the Manager or to its clients. The Index is calculated by Russell or its agent. None of the Licensor Parties shall be (a) liable (whether in negligence or otherwise) to any person for any error in the Index or (b) under any obligation to advise any person of any error therein.

Russell is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell.

#### **MSCI**

##### *Disclaimer*

FRANKLIN LIBERTYQT INTERNATIONAL EQUITY INDEX ETF, FRANKLIN LIBERTYQT GLOBAL DIVIDEND INDEX ETF AND FRANKLIN LIBERTYQT EMERGING MARKETS INDEX ETF ARE NOT SPONSORED, ENDORSED, SOLD OR PROMOTED BY MSCI, ANY OF ITS AFFILIATES, ANY OF ITS INFORMATION PROVIDERS OR ANY OTHER THIRD PARTY INVOLVED IN, OR RELATED TO,

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ALTHOUGH MSCI SHALL OBTAIN INFORMATION FOR INCLUSION OR FOR USE IN THE CALCULATION OF THE MSCI EAFE INDEX, THE MSCI ACWI EX REITS INDEX FROM SOURCES THAT MSCI CONSIDERS RELIABLE, NONE OF THE MSCI PARTIES WARRANTS OR GUARANTEES THE ORIGINALITY, ACCURACY AND/OR THE COMPLETENESS OF THE MSCI EAFE INDEX OR THE MSCI ACWI EX REITS INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY FRANKLIN LIBERTYQT INTERNATIONAL EQUITY INDEX ETF, FRANKLIN LIBERTYQT GLOBAL DIVIDEND INDEX ETF OR FRANKLIN LIBERTYQT EMERGING MARKETS INDEX ETF, THE MANAGER OR ANY OTHER PERSON OR ENTITY, FROM THE USE OF THE MSCI EAFE INDEX OR ANY DATA INCLUDED THEREIN. NONE OF THE MSCI PARTIES SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS OF OR IN CONNECTION WITH THE MSCI EAFE INDEX OR THE MSCI ACWI EX REITS INDEX OR ANY DATA INCLUDED THEREIN. FURTHER, NONE OF THE MSCI PARTIES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, AND THE MSCI PARTIES HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR

PURPOSE, WITH RESPECT TO THE MSCI EAFE INDEX OR THE MSCI ACWI EX REITS INDEX AND ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR ANY OTHER DAMAGES (INCLUDING LOST PROFITS) EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

The LibertyQ International Equity Index is a custom index based on the MSCI EAFE Index and is owned and independently calculated and maintained by MSCI. The methodology for the Index is publicly available on the MSCI website.

The LibertyQ Global Dividend Index is a custom index based on the MSCI All Country World Index ex REITs and the LibertyQ Emerging Markets Index is a custom index based on the MSCI Emerging Markets Index. Each is owned and independently calculated and maintained by MSCI. The methodology for each Index is publicly available on the MSCI website.

### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or if there is non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The Manager has obtained exemptive relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*. As such, purchasers of Units of the Franklin ETFs will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

Purchasers should refer to the applicable provisions of the securities legislation and the decisions referred to above for the particulars of their rights or consult with a legal adviser.

### **DOCUMENTS INCORPORATED BY REFERENCE**

During the period in which the Franklin ETFs are in continuous distribution, additional information is available in:

- (i) the most recently filed ETF Facts of the Franklin ETFs;
- (ii) the most recently filed comparative annual financial statements of the Franklin ETFs, together with the accompanying report of the auditor, if any;
- (iii) any interim financial statements filed after the most recently filed comparative annual financial statements of the Franklin ETFs;
- (iv) any annual MRFP of the Franklin ETFs, if any; and
- (v) any interim MRFP of the Franklin ETFs.

These documents are incorporated by reference into the prospectus, which means that they legally form part of this document just as if they were printed as part of this document. A Unitholder can get a copy of these documents upon request and at no cost by calling 1.800.387.0830 or by contacting a registered dealer.

These documents are available on the Manager's website at [www.franklintempleton.ca](http://www.franklintempleton.ca) or by contacting the Manager at 1.800.387.0830 or via e-mail at [service@franklintempleton.ca](mailto:service@franklintempleton.ca).

These documents and other information about the Franklin ETFs are available on the internet at [www.sedar.com](http://www.sedar.com).

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the Franklin ETFs after the date of this prospectus and before the termination of the distribution of the Franklin ETFs are deemed to be incorporated by reference into this prospectus.

**CERTIFICATE OF THE FRANKLIN ETFS, THE TRUSTEE, MANAGER AND PROMOTER**

Dated: April 6, 2018

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut.

**FRANKLIN TEMPLETON INVESTMENTS CORP.  
as Trustee and Manager of the Franklin ETFs**

*(signed) "Duane Green"*  
\_\_\_\_\_  
Duane Green  
President & Chief Executive Officer

*(signed) "Winston Chen"*  
\_\_\_\_\_  
Winston Chen  
Chief Financial Officer

**On behalf of the Board of Directors of Franklin Templeton Investments Corp.**

*(signed) "Andrew Ashton"*  
\_\_\_\_\_  
Andrew Ashton  
Director

*(signed) "Ghion Shewangzaw"*  
\_\_\_\_\_  
Ghion Shewangzaw  
Director

**FRANKLIN TEMPLETON INVESTMENTS CORP.  
as Promoter of the Franklin ETFs**

*(signed) "Duane Green"*  
\_\_\_\_\_  
Duane Green  
President & Chief Executive Officer