Franklin Templeton Funds & ETFs Commentary

The US Federal Reserve (Fed) continues to be the driver for global markets in the short to medium term as higher interest rates support a stronger US Dollar and weaker, more volatile stock markets around the world.

The 10-year US Treasury note has risen to 4.15%, pricing another 0.75% rate hike in December as the October CPI report showed inflation was still higher than anticipated. High inflation, resilient GDP growth and low US unemployment (currently at 3.7%) continue to support the Fed's case for raising rates as it would minimize impact to jobs and businesses. US Fed chair Jerome Powell also signalled to markets that the peak Fed Funds rate would top 5% from the current 3.75% to 4% level. The Chairman also said that the Fed had "a ways" to go before it finished raising rates, even as he suggested smaller rate hikes going forward.

As a result, we expect fixed income, especially US and Global High Yield funds to outperform equities in the near to medium-term. There are also opportunities to earn above average market rates in Emerging Markets Dollar denominated debt.

The Year-to-Date equities market decline has also created opportunities to purchase shares at discounted valuations, especially for Technology, US Opportunities funds where valuations are below their March 2020 levels. There are also opportunities in Natural Resources funds, where raw material inflation can be passed on to the end consumer. Going forward, we recommend that conservative and moderate investors "Buy the market" through both funds and ETFs.

Exchange Traded Funds

Category	Fund	AUM	Top Holdings	Commentary
Conservative Risk	SPDR S&P 500 ETF	$356 billion	Apple Inc Microsoft Corporation Amazon.com Inc Alphabet Inc (Google) Tesla Inc	• Broad based exposure to the US stock market • It is one of the most heavily traded ETFs providing high levels of liquidity at very low spreads. • SPY provides an investor the opportunity to gain exposure to the best and biggest companies in the U.S. stock market, most of which are secure and sure to still be around for years to come.
	iShares Russell 2000 ETF	$51.5 billion	Shockwave Medical Inc Chart Industries Inc Matador Resources Kinsale Capital Group Inc Murphy Oil Corp	• The ETF provides an investor a great opportunity to diversify further into the U.S. stock market by tapping into smaller companies with both high growth and value characteristics.

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				• It has 1,963 holdings, with every sector of the U.S. economy well represented within its portfolio. • The high level of diversity provided by this fund reduces the risk exposure to investors, and when combined with a Large-cap ETF such as SPY, it would provide investors with a well-balanced portfolio.
	iShares Core High Dividend ETF	$12.03 billion	Exxon Mobil Corp Chevron Corp AbbVie Inc Verizon Inc Merck & Co Inc	• Provides exposure to dividend paying Large-cap companies that exhibit value characteristics in the U.S. equity market • HDV provides investors with a form of income investing, which is a powerful strategy to employ into an investment portfolio as it provides reliable dividend income that can help to hedge against modest declines in the markets
	SPDR Gold Shares	$48.8 billion	Gold bullion	• This ETF seeks to reflect the performance of the price of gold bullion and is a cheaper option than buying, storing, and insuring physical gold. • Gold is a unique asset class since its price is relatively uncorrelated to other asset classes such as equities, fixed income, or real estate. • As such it offers investors a great opportunity to diversify their portfolios further.
Moderate Risk	SPDR S&P 500 ETF	See Conservative category above	See Conservative category above	See Conservative category above
	Vanguard Financials ETF	$8.61 billion	Berkshire Hathaway JP Morgan Chase & Co Bank of America Corp Wells Fargo & Co	• This ETF provides an investor with the opportunity to potentially benefit from the rising interest rate environment in the U.S. as companies in the financial

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			S&P Global Inc	sector can profit more from higher rates by increasing their own rates charged to borrowers. • VFH gives investors access to this potential in a low-cost form that is well diversified across the industry.
	Vanguard Healthcare ETF	$17.9 billion	United Health Group Inc Johnson & Johnson Eli Lily & Co Pfizer Inc AbbVie Inc	• This ETF provides an investor exposure to an industry which has long been resilient and defensive and has historically exhibited low volatility. • These companies often have consistent demand that protect their margins and competitive advantages, and a fund such as VHT would allow investors to tap into this industry at lower costs and high levels of diversification.
	Vanguard Energy ETF	$8.8 billion	Exxon Mobil Corp Chevron Corp ConocoPhillips EOG Resources Inc Occidental Petroleum Corp	• The Energy sector has been the most profitable sector this year at a return of 48%. • Much is to be said about the future of oil & gas prices as OPEC production cuts raise prices while the U.S. releases of oil reserves slightly lower prices, however it cannot be denied that the global economy continues to run on oil. • Energy companies have reported strong profits this year and are forecasted to do so for the near term. • VDE is one of the most competitive energy ETFs from a cost perspective and gives investors an opportunity to tap into this profitable sector.
Aggressive Risk	Vanguard Energy ETF	See Moderate Category above	See Moderate Category above	See Moderate Category above

DRY
ASSOCIATES
INVESTMENT BANK

Franklin Templeton Funds

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Conservative Risk	Franklin High Yield	$944.93 million	Jaguar Land Rover Auto Plc 5.5% JPMorgan Chase & Co 6.0% Martin Midstream Partners LP 11.5% The Michaels Cos Inc 7.9% Netflix Inc 5.4% Occidental Petroleum Corp 8.9% Royal Caribbean Cruises Ltd 11.6%	• High Yield (HY) credit fundamentals are entering this turbulent period from a position of financial strength, with healthy net leverage and robust interest coverage as readily accessible capital markets in the past several years enabled most issuers to build up liquidity reserves. • With the Fed actively seeking to slow the economy to combat inflation, we expect increased dispersion of individual name returns as some are better positioned than others to weather challenging conditions. • HY spreads have widened during the month amidst persistent volatility, yields have headed higher to levels that could present attractive return opportunities for patient investors.
	Franklin Income Fund	$51.5 billion	Shockwave Medical Inc Chart Industries Inc Matador Resources Kinsale Capital Group Inc Murphy Oil Corp	• The ETF provides an investor a great opportunity to diversify further into the U.S. stock market by tapping into smaller companies with both high growth and value characteristics. • It has 1,963 holdings, with every sector of the U.S. economy well represented within its portfolio. • The high level of diversity provided by this fund reduces the risk exposure to investors, and when combined with a Large-cap ETF such as SPY, it would provide investors with a well-balanced portfolio.

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	Templeton Global High Yield	$12.03 billion	Exxon Mobil Corp Chevron Corp AbbVie Inc Verizon Inc Merck & Co Inc	• Provides exposure to dividend paying Large-cap companies that exhibit value characteristics in the U.S. equity market • HDV provides investors with a form of income investing, which is a powerful strategy to employ into an investment portfolio as it provides reliable dividend income that can help to hedge against modest declines in the markets
Moderate Risk	Franklin Natural Resources	$383.49 million	Conocophillips Chevron Corp Exxon Mobil Corp EOG Resources Inc Shell Plc Schlumberger NV Marathon Petroleum Corp Canadian Natural Resources Ltd Pioneer Natural Resources Co Suncor Energy Inc	• Large-capitalisation energy bellwethers such as Exxon Mobil, Chevron and TotalEnergies posted their highest-ever profits, reaping the rewards from elevated energy prices amidst supply disruptions and rising demand. While they have been increasing oil and natural gas supplies during this year's challenges in global energy markets, most have also been investing in new, low-carbon energy business lines.
	Franklin U.S. Opportunities	$5.31 billion	Amazon.com Inc Microsoft Corp Apple Inc Mastercard Inc Alphabet Inc Unitedhealth Group Inc SBA Communications Corp Danaher Corp Servicenow Inc	• The U.S. Opportunities fund outperformed the broader Standard &Poor's 500 Index, which returned -4.88% for the quarter. • The fund also opportunities to discover high-quality growth companies at attractive valuations
	Franklin Japan Fund	¥6.21 billion	Sumitomo Mitsui Financial Group Inc KDDI Corp Mitsubishi UFJ Financial Group Softbank Corp ASICS Corp Toyota Motor Corp	• Even as recessionary risks continue to mount globally, Japan has shown and should continue to demonstrate better economic resilience, compared to other developed economies. This outlook is

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			TIS Inc Fast Retailing Co Ltd	underpinned by the potential tailwinds generated by Japan's COVID re-opening; monetary and fiscal policies should also remain supportive. • Notably, we think the current inflationary pressure may help Japan to finally break out of its deflationary economy. This is a potential seismic shift with long-term benefits for corporates and financial institutions
Aggressive Risk	Franklin Technology Fund	$6.93 billion	Microsoft Corp Apple Inc Amazon.com Inc Nvidia Corp Alphabet Inc Servicenow Inc Mastercard Inc Visa Inc Snowflake Inc	• In the current environment, we think quality secular growth is more valuable than cyclical growth, and that investors will want to own high-quality, well-capitalised, highly profitable secular growth businesses with pricing power in a potential recession. This is the very definition of many of the world's largest technology-centric businesses. • Relative to the other nine major equity sectors, IT and communication services are amongst the best-capitalised sectors in the market. These sectors are net cash positive, with generally self-financing business models. • We believe the strongest businesses in these sectors are unlikely to need to return to the capital markets to fund their business models going forward. These sectors also have some of the most profitable business models across the market. • In general, the fund held up better than its benchmark over the July–September period as activity in the enterprise technology buying centre industries, in

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				which the vast majority of the fund’s assets are invested, suggested sales and earnings reports and outlooks have been largely resilient. Enterprises are continuing many of the digital transformation (DT) initiatives they started during the pandemic and are now extending these initiatives into other parts of their businesses.
	Franklin MENA Fund	$66.26 million	Saudi National Bank Qatar National Bank QPJSC Emirates NBD Bank PJSC Industries of Qatar Co Saudi British Bank Mabanee Company SAKC Emaar Properties PJSC	• MENA stocks have performed better than their emerging market peers. Network International, the Dubai-headquartered payments group announced first-half profits that doubled the year prior, reiterated strong full-year guidance, and launched a share buyback programme. • Kuwait-based real estate developer Mabanee Company’s stock advanced as a return of customers to near pre-pandemic levels, higher leasing activity and occupancy levels drove strong profit growth for the first half of 2022. • Gulf countries have fiscal discipline and continue to make efforts at fiscal reform despite strong oil revenues. Oil prices will likely continue to relieve fiscal pressure and help provide new fiscal stimulus, in tandem with off-budget investment and sovereign wealth funds. • The combination of high oil prices and ongoing reforms will likely continue to help position the region well to deal with inflation.
	Franklin India Fund	$1.19 billion	ICICI Bank Ltd Kotak Mahindra Bank Ltd Infosys Ltd	• Indian equity markets haves performed very strongly as commodities prices, particularly oil, have cooled due to fears

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			HDFC Bank Ltd Larsen & Toubro Ltd Hindustan Unilever Ltd Tata Motors Ltd Reliance Industries Ltd	of a global slowdown. Indian equities will likely continue to outperform other Emerging Markets amidst expectations for continued strong economic growth • Indian stocks advanced during the third quarter of 2022 and outperformed broader emerging market (EM) equities, benefitting from a decline in oil prices. • India's gross domestic product (GDP) grew at a 13.5% annual rate in the June-end quarter, boosted by domestic demand. The country's manufacturing activity expanded in September for the 15th consecutive month amidst increases in new orders, international sales and output. • Inflation remained high, but below the eight-year high of 7.79% in April. The Reserve Bank of India raised its key policy rate by a total of 100 basis points in August and September but indicated that it expects inflation to moderate as the government unveils more subsidies.
	Franklin K2 Electron Global UCITS	$197.15 million	S&P 500 Index Nextera Energy Inc Constellation Energy Corp AES Corp Quanta Services Inc Enovix STEM	• On 16 August, President Biden signed the Inflation Reduction Act into law—the most ambitious climate action ever undertaken by the US. The Inflation Reduction Act—previously known as Build Back Better—will have a substantial positive impact on Electron's portfolio and materially increase the opportunity set for clean energy, utility, and infrastructure companies.

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				• Renewables are the lowest source cost of energy generation in the US, and will likely stay that way as scale and technology advancements continue to lower costs. Once installed, these assets will provide more than 25 years of power generation with high certainty, as the fuel cost of wind and solar is zero. • The long-term nature of the tax credits is incredibly important as it provides visibility for industry players to invest in the supply chain in the US. This enhances US energy security and employment.