

Exchange Traded Funds & Franklin Templeton Mutual Funds Recommendations & Commentary

Exchange Traded Funds:

Conservative Risk Portfolio

Commentary

(SPY)
SPDR S&P 500 ETF

- SPY tracks the performance of the S&P 500 Index, widely considered to be a proxy for the stock market overall.
- Gives investors exposure to over 500 of the strongest companies in the United States, as well as instant diversification across numerous sectors and industries.
- Since inception, the S&P 500 has posted average annualized returns of 10.15%.
- As a major benchmark for stock market performance and even the economic performance of the United States, the S&P 500 should be a staple in any investor's portfolio.
- SPY has returned more than 14% in H1 2023, following a rally driven by increased consumer confidence and the advancement of Artificial Intelligence.

(RSP)
Invesco S&P 500 Equal Weight ETF

- RSP also tracks the performance of the S&P 500 Index, however it uses a different strategy called equal weighting.
- RSP provides greater diversification by giving equal weight to all 500 holdings in the S&P 500, reducing reliance on mega-cap tech stocks.
- RSP avoids overexposure to specific stocks or sectors, resulting in more balanced returns, and reduced concentration risk.
- Suitable for investors who hold the belief that the current market rally lacks broad participation and seek to reduce exposure to sectors that have shown excessive performance.

(GLD)
SPDR Gold Shares

- GLD invests in gold bullion and offers investors an innovative, cost-efficient, and secure way to access the gold market.
- GLD offers numerous advantages over buying physical gold, such as low investment minimums, low annual expenses, and no storage or insurance costs.
- GLD should make up a part of every investor's portfolio, since gold as an alternative asset class, exhibits low correlations with traditional asset classes, presenting investors with an opportunity to diversify their investment portfolios.

(SPHY)
SPDR Portfolio High Yield Bond ETF

- The primary objective of SPHY is to generate a high current income stream by strategically investing in high-yield bonds issued by entities in the United States and some parts of Europe.
- The fund's investment portfolio is diversified across more than 1,900 bond issues, with an average duration of 3.5 years. The average credit quality of these bonds ranges from B to BB+.
- Investors in SPHY can benefit from a competitive Dividend Yield of 6.9%. This provides an advantageous opportunity for individuals to earn substantial income, particularly in the prevailing high interest rate environment.

Moderate Risk Portfolio

Commentary

(SPY)

SPDR S&P 500 ETF

- See Conservative Risk category above.

(IWM)

iShares Russell 2000 ETF

- IWM replicates the Russell 2000 Index, which tracks a broad range of small-cap stocks. This essentially offers investors exposure to smaller companies with favourable growth and value characteristics.
- IWM boasts a highly diversified portfolio, effectively representing all sectors across the market.
- When combined with a large-cap ETF such as SPY, this contributes to the construction of a well-balanced portfolio and enables investors to achieve a more holistic investment strategy.
- The current market's expanding performance, including small-cap stocks, presents an ideal opportunity to capitalize on a potentially broader rally through IWM.

(HDV)

*iShares Core High Dividend
ETF*

- HDV is a dividend ETF designed to invest in large-cap U.S. companies that exhibit a consistent history of paying relatively high dividends and demonstrate robust financial health.
- HDV offers investors an avenue to engage in income investing, a powerful strategy aimed at generating reliable dividend income that can serve to hedge against moderate market declines.
- HDV boasts an attractive Dividend Yield of 4.2% and strategically invests in a portfolio of 75 high-quality companies.

(SPHY)

*SPDR Portfolio High Yield
Bond ETF*

- See Conservative Risk category above.

(VIS)

*Vanguard Industrials Index
Fund*

- VIS is a sector-specific ETF that focuses on investing in prominent players within the United States Industrials sector.
- The Industrials sector comprises companies engaged in the production of machinery, equipment, and supplies used in construction, manufacturing, and transportation, as well as engineering and consulting.
- Anticipated to grow at a rate of 5.2% over the next five years, the Industrials sector is experiencing favorable conditions driven by heightened demand for infrastructure development, high order backlogs, increasing demand for renewable energy infrastructure, and the adoption of manufacturing automation.
- VIS provides investors with an opportunity to access a thriving industry that is currently exhibiting strong performance and is expected to deliver robust results in the foreseeable future.

Aggressive Risk Portfolio

(SPY)

SPDR S&P 500 ETF

Commentary

- See Conservative Risk category above.

(VGT)

*Vanguard Information
Technology Index Fund*

- VGT focuses on investing in leading companies within the Technology sector.
- The Technology sector has demonstrated significant performance this year, with the Nasdaq Index experiencing a gain of over 30% during the first half of 2023.
- This impressive performance can be attributed in large part to rapid advancements and widespread adoption of Artificial Intelligence (AI) innovations, which have had a transformative impact on the market.
- Prominent players in the industry have already achieved substantial gains, with some recording double and even triple-digit growth rates. It is expected that the AI revolution will persist and continue to drive the sector's growth in the foreseeable future.
- VGT presents investors with an opportunity to ride the AI and technology wave and position themselves to benefit from the thriving sector's exponential growth potential in the years ahead.

(IBB)

iShares Biotechnology ETF

- IBB is designed to invest in pioneering companies within the Biotechnology industry.
- Biotechnology is a dynamic sector that is primarily dedicated to the development and research of new treatments and cures for various diseases. It represents a rapidly growing field with significant potential for expansion.
- The industry houses top innovators that have changed the landscape of medicine and healthcare. By investing in IBB, investors gain the opportunity to access this area of groundbreaking advancements.
- Forecasts indicate that the Biotechnology industry is projected to experience a robust annual growth rate of 13% from 2023 to 2030, highlighting its potential for continued expansion and innovation.

(QTUM)

Defiance Quantum ETF

- QTUM is a specialized technology ETF that focuses on Artificial Intelligence, including companies at the forefront of cloud computing, quantum computing, machine learning and other transformative technologies.
- QTUM is suitable for investors seeking specific exposure to the next generation of computing and technology, as well as the transformative impact of AI across various industries.
- The ETF portfolio consists of more than 70 global stocks, representing frontrunners in future technologies. This includes well-established brands such as Nvidia, Microsoft, and IBM, alongside other innovative companies operating in Europe, Asia, and other regions.
- The AI market is forecasted to grow at an exceptional annual rate of 37% through 2030.

Franklin Templeton Funds:

Conservative Risk Portfolio

Commentary

Franklin Income Fund

- This multi-asset fund offers a diversified investment approach, with exposure to both equities and fixed income securities, effectively mitigating overall volatility.
- Designed to provide an ideal blend for both income needs and potential capital appreciation.
- The historical income stream of this fund surpasses that of U.S. Treasury Bonds and U.S. Stock dividends, with an impressive current distribution yield of 7.94%.
- Fund is well-suited for investors seeking to capitalize on potential capital gains in the prevailing stock market rallies, while also benefiting from the high yield environment by generating high current income.

Franklin High Yield Fund

- This fixed income fund emphasizes generating high current income by investing in debt securities primarily issued by U.S. entities, with some exposure to non-U.S. issuers.
- The prevailing high yield environment presents a favourable opportunity for income-focused investors, while long-term holders can potentially avoid capital losses and potentially realize capital gains in a future environment characterized by lower interest rates.
- The fund maintains an average portfolio credit quality of B+, accompanied by an average Yield to Maturity of 8.98% and a Distribution Yield of 6.45%.

Franklin Gold and Precious Metals Fund

- This fund focuses on investing in the equity securities of companies engaged in the mining, trading, and processing of precious metals, including gold.
- Gold, as an alternative asset class, exhibits low correlations with traditional asset classes, presenting investors with an opportunity to diversify their investment portfolios.
- The fund allocates a significant portion of its assets to gold mining enterprises, thereby positioning itself to capitalize on the prevailing appreciation in the price of gold.
- In the context of a rising interest rate environment and potential banking crises, this fund serves as a good alternative to equities and bonds.

Moderate Risk Portfolio

Commentary

Franklin Income Fund

- See Conservative Risk category above.

Franklin U.S. Opportunities Fund

- This equity fund specifically targets high-growth companies that exhibit reasonable valuations, aligning with a prudent investment strategy.
- The fund's portfolio comprises fundamentally sound companies characterized by effective business models, prominent market positions, robust cash flows, high profitability, and solid balance sheets.
- Furthermore, the fund ensures diversification by investing across significant high-growth industries.
- Demonstrated a 5-year return of 43%.
- Key holdings include industry leaders such as Mastercard, Amazon, Microsoft, Apple, and United Health.

Franklin Japan Fund

- This fund focuses on investing in the equity of companies primarily located or conducting business within Japan.
- Japan's stock market has shown remarkable performance this year, rebounding from 30-year lows.
- The growing optimism stems from Japan's corporate governance reforms, indications of rising inflation and wages, as well as a weakened yen, all contributing to the positive trajectory of Japanese stocks.
- Anticipations for enhanced shareholder returns are high, as companies are implementing measures such as increased dividend payouts, strengthened stock buybacks, and elevated investments in new technologies.
- The TOPIX (Tokyo Stock Price Index) is perceived as undervalued, presenting a good opportunity for exposure to potential long-term gains.

Aggressive Risk Portfolio

Commentary

Franklin Income Fund

- See Conservative Risk category above.

Franklin Technology Fund

- This fund strategically invests in prominent technology companies that are recognized as leaders in driving digital disruption and facilitating the global economy's digital transformation.
- With the recent surge in Artificial Intelligence innovations, the fund is well-positioned to capitalize on the widespread adoption of AI by companies, enabling them to enhance efficiency, reduce costs, and refine product offerings.
- The technology sector currently demonstrates robust profitability and strong cash flow positions, with a significant number of companies achieving enhanced cost efficiency following recent workforce adjustments.
- Demonstrating a 5-year return of 75%.
- Notable holdings within the portfolio include industry giants such as Microsoft, Nvidia, Alphabet, Amazon, and Apple.

Franklin MENA Fund

- This fund strategically invests in equity and fixed income securities of companies operating within the Middle East and North Africa (MENA) region.
- The MENA region is anticipated to exhibit strong performance, with estimated economic growth of 6.7%.
- The projected economic expansion in the region is fueled by factors such as increased oil production, additional government investment initiatives, and amplified household and business spending.