

FLJH

Franklin FTSE Japan Hedged ETF

Analyst Report

The Franklin FTSE Japan Hedged ETF (FLJH) tracks an index of large and mid-size companies in Japan. It is distinct from other Japanese equity ETFs in that it hedges out the currency exposure that an investment in international stocks brings. This delivers isolated exposure to the performance of the underlying equities in local prices. Currency fluctuations can be a significant driver of gains and losses, and some investors may prefer the potential diversification benefit of exposure to non-U.S. dollar investments.

FLJH offers hedged international stock exposure at a reasonable price but it still trails the iShares Currency Hedged MSCI Japan ETF (HEWJ) in assets and liquidity. FLJH provides broadly similar sector exposure, with a deeper portfolio of mid cap stocks. Investors who expect the U.S. dollar to appreciate relative to the yen might prefer this fund to bet on the performance of Japanese stocks. FLJH should outperform the unhedged iShares MSCI Japan ETF (EWJ) when the U.S. currency strengthens. Those expecting the dollar to lose value relative to the yen will probably prefer to leave currency exposure unhedged, utilizing a fund such as EWJ instead. Those investors without a strong view in either direction might use a mix of both hedged and unhedged Japanese equity ETFs (e.g., 50% EWJ and 50% FLJH).

The fund is part of a series of single-country ETFs that Franklin Templeton began rolling out in 2017. The funds debuted with significantly lower management fees than rival iShares funds, which have long dominated the single-country ETF space. Many of the stocks in the fund's portfolio are likely to be found in diversified international ETFs, and investors should be careful not to take on an unintentional overweight. Single-country funds are typically not appropriate for investors seeking a diversified portfolio and are more appealing to short-term traders placing tactical bets on specific markets.



ESG Themes and Scores

7.41/10

ESG Rate

83.7%

Global Percentile

50.49%

Peer Percentile

Performance Data

	FLJH	ETF Database Category Average	Factset Segment Average
1 Month	2.00%	1.41%	1.12%
3 Month	10.75%	7.06%	8.01%
YTD Return	21.04%	16.31%	16.44%
1 Year Return	52.09%	35.76%	34.05%
3 Year Return	28.37%	21.17%	17.01%
5 Year Return	22.15%	13.82%	11.59%

Top 5 Holdings

Symbol	Holding	% Assets
8306	Mitsubishi UFJ Financial Group, Inc.	3.55%
8035	Tokyo Electron Ltd.	3.18%
7203	Toyota Motor Corp.	2.96%
285A	Kioxia Holdings Corporation	2.55%
8316	Sumitomo Mitsui Financial Group, Inc.	2.36%

Vitals

Issuer	Franklin Templeton
Brand	Franklin
Structure	ETF
Expense Ratio	0.09%
Inception	Nov 02, 2017
Index Tracked	FTSE Japan RIC Capped Hedged to USD Net Tax Index

ETF Database Themes

Category	Japan Equities
Asset Class	Equity
Asset Class Size	Large-Cap
Asset Class Style	Blend
Region (General)	Developed Asia Pacific
Region (Specific)	Japan

FactSet Classifications

Segment	Equity: Japan - Total Market
Category	Size and Style
Focus	Total Market
Niche	Broad-based
Strategy	Vanilla
Weighting	Market Cap