

FLQS

Franklin U.S. Small Cap Multifactor Index ETF Analyst Report

Franklin LibertyQ U.S. Small Cap Equity ETF (FLQS) tracks an index of small cap U.S. stocks based on quality, value, momentum, and low volatility. The index tilts more heavily toward quality and value, with a lesser emphasis on momentum and low-vol.

The investment thesis behind a small cap investment is the growth factor that comes along with these securities. While mega cap firms have already hit their peak, smaller companies may become the next juggernaut. The downside to small cap investing is additional risk. Changes in regulation, credit availability, or product viability could send share prices plummeting. While some exposure to these small companies is healthy for a portfolio, the allocation should be kept relatively low since this market segment experiences extreme volatility. Investors in total-market ETFs already have some allocation to small caps and should make sure that they're not unintentionally overweighting a risky space. Conversely, investors with strong convictions about small caps might want to augment a total market fund with SPSM to boost their exposure.

FLQS is reasonably priced for a smart-beta approach, but it trails rivals in size and liquidity. Investors can compare it to rival factor fund iShares Edge MSCI Multifactor U.S.A. Small-Cap ETF (SMLF), or to the low-cost and highly liquid iShares Core S&P Small Cap ETF (IJR), a plain vanilla index fund.

ESG Themes and Scores

5.52/10

ESG Rate

30.59%

Global Percentile

27.6%

Peer Percentile

Performance Data

	FLQS	ETF Database Category Average	Factset Segment Average
1 Month	7.17%	6.97%	5.53%
3 Month	3.45%	-0.39%	1.57%
YTD Return	13.11%	7.79%	6.05%
1 Year Return	9.86%	5.18%	4.00%
3 Year Return	7.07%	1.21%	3.56%
5 Year Return	7.78%	5.78%	3.82%

Top 5 Holdings

Symbol	Holding	% Assets
QLYS	Qualys, Inc.	1.21%
SSD	Simpson Manufacturing Co., Inc.	1.17%
AIT	Applied Industrial Technologies, Inc.	1.08%
SPSC	SPS Commerce, Inc.	1.07%
UFPI	UFP Industries, Inc.	1.00%

Vitals

Issuer	Franklin Templeton
Brand	Franklin
Structure	ETF
Expense Ratio	0.35%
Inception	Apr 26, 2017
Index Tracked	LibertyQ US Small Cap Equity

ETF Database Themes

Category	Small Cap Growth Equities
Asset Class	Equity
Asset Class Size	Small-Cap
Asset Class Style	Blend
Region (General)	North America
Region (Specific)	U.S.

FactSet Classifications

Segment	Equity: U.S. - Small Cap
Category	Size and Style
Focus	Small Cap
Niche	Broad-based
Strategy	Multi-factor
Weighting	Multi-Factor

