

Franklin LibertyShares ICAV

Franklin Metaverse UCITS ETF

8 July 2022

(A sub-fund of Franklin LibertyShares ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C167746 authorised by the Central Bank of Ireland pursuant to the UCITS Regulations).

This Supplement (the “Supplement”) forms part of the Prospectus dated 3 December 2021 (the “Prospectus”) in relation to Franklin LibertyShares ICAV (the “Fund”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the Franklin Metaverse UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the Fund.

The Sub-Fund is an Index Tracking Sub-Fund and all Shares in this Sub-Fund are designated as ETF Shares.

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser.

An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The Directors, as listed in the “*Management*” section of the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

Base Currency	USD.
Business Day	As stated in the Prospectus, a day on which markets in the United Kingdom are open and/or such other day or days as the Directors may determine and notify in advance to Shareholders.
Dealing Day	Every Business Day excluding any day on which a market on which securities included in the relevant Index are listed or traded is closed and/or the day preceding any such day, and/or such other day or days as the Directors may determine and notify to the Administrator and to Shareholders in advance, provided there shall be at least one Dealing Day per fortnight.
Dealing Deadline	For cash subscriptions and redemptions, 4 pm (Irish time) on each Dealing Day. For in-kind subscriptions and redemptions, 4 pm (Irish time) on each Dealing Day.
Dealing NAV	The Net Asset Value per Share calculated as at the Valuation Point on the Business Day following the relevant Dealing Day.
Distributions	It is not the current intention of the Directors to declare a dividend in respect of the Accumulation Shares.
Index	Solactive Global Metaverse Innovation Index-NR.
Index Provider	Solactive.
Investment Manager	Franklin Advisory Services LLC and Franklin Templeton Investment Management Limited.
ISIN	IE000IM4K4K2
Settlement Deadline	For cash and in kind subscriptions, appropriate cleared subscription monies/securities must be received by the first Business Day after the Dealing Day, or such earlier or later date as may be determined by the Fund and notified to Shareholders from time to time.
Shares Available	Currently one class of ETF Shares is available for subscription.
TER	Up to 0.30% per annum of the Net Asset Value. Further information is set out in the “ <i>Fees and Expenses</i> ” section of the Prospectus.
Valuation	The Net Asset Value per Share is calculated in accordance with the “ <i>Determination of Net Asset Value</i> ” section of the Prospectus, using the official closing price published by the exchange. Equities which are not denominated in the Base Currency will be converted into the Base Currency based on the 4 pm London FX rate.
Valuation Point	The Sub-Fund calculates its Net Asset Value at 4 pm New York time on each Business Day.
Website	www.franklintempleton.com

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective. The Sub-Fund seeks to provide equity exposure to listed companies around the world that are involved in the metaverse.

Investment Policy. The investment policy of the Sub-Fund is to track the performance of the Index (or such other index determined by the Directors from time to time as being able to track substantially the same market as the Index and which is considered by the Directors to be an appropriate index for the Sub-Fund to track, in accordance with the Prospectus) as closely as possible, regardless of whether the Index level rises or falls, while seeking to minimise as far as possible the tracking error between the Sub-Fund's performance and that of the Index. Any determination by the Directors that the Sub-Fund should track another index at any time shall be subject to the provision of reasonable notice to Shareholders to enable any Shareholders who wish to do so to redeem their Shares prior to implementation of this change and the Supplement will be updated accordingly.

The Index is comprised of global equity securities issued by companies that have or are expected to have significant exposure to the provision of products and/or services that contribute to the metaverse and supporting blockchain technologies. The metaverse is a shared virtual 3D world that connects digital technologies. A development beyond the internet where users experience an interactive and immersive world. It is expected to influence many aspects of people's lives from how they interact, socialise, learn, shop, work and play virtually. Index Securities are selected from the Solactive GBS Global Markets All Cap Index, a global all-cap free-float market capitalisation index consisting of developed and emerging market listed equities. The selection of Index Securities from this universe is based on screening publicly available information such as financial news, business profiles and company publications using ARTIS®, the Index Provider's proprietary natural language processing algorithm. ARTIS® screens the publicly available information for key words that the Index Provider has selected to describe the Index's theme, to identify companies that have or are expected to have significant exposure to the metaverse. These include companies engaged in metaverse technology; metaverse platforms; metaverse devices; interchange standards; data processing; blockchain technology and digital asset platforms.

- **Metaverse Technology:** Companies that are involved in the provision of technologies, infrastructure or hardware used to develop or operate the metaverse, including technologies for virtual and augmented reality.
- **Metaverse Platforms:** Companies engaged in the provision and development of a non-physical, virtual environment or digital world where users and businesses can interact through various kinds of virtual technologies.
- **Metaverse Devices:** Companies that are involved in the provision of devices used to access or interact with the metaverse. This includes the production of wearable devices and specialised visuals and audio or gaming equipment used for interacting in virtual and augmented reality.
- **Interchange Standards:** Companies engaged in the development and distribution of tools, formats, services and engines that facilitates the creation of the metaverse by setting actual or de facto standards for interoperability.

- Data processing: Companies involved in providing computing power to support the metaverse. This includes high-intensity data processing services such as rendering, data matching and synchronisation or motion capturing.
- Blockchain Technology: Companies involved in the development, distribution or integration of hardware, infrastructure, software and other applications related to digital assets or blockchain technologies.
- Digital Asset Platforms: Companies involved in the operation of digital asset exchanges, platforms, wallets or payment gateways.

Each company identified by ARTIS® receives a score that reflects the extent of its exposure to the Index theme which, in turn, is based on a combination of the frequency the relevant key word is used in respect of that company and the weighting applied to the key word. Key words that are considered to be particularly relevant for the theme, such as "metaverse" or "virtual reality" are weighted more heavily, so that the more frequently that such words are identified in respect of a company, the more the score for that company will increase. Companies are then reviewed by the Index Provider to ensure their relevance to the metaverse, based on their actual business operations and companies that do not have relevant business exposure to the theme are removed from the selection process. Additionally, the Index Provider excludes companies that do not comply with the United Nations Global Compact principles or are involved in controversial weapons. The remaining companies are ranked by their score with the top 60 ranked securities selected for the Index.

The Index is modified market capitalisation weighted. Constituent weights for the Index Securities are determined by their score and their market capitalisation. The Index is rebalanced on a semi-annual basis.

Further details on the Index and weights are available at: <https://www.solactive.com/indices/>

In order to seek to achieve the Sub-Fund's investment objective, the Investment Manager will aim to replicate the Index by holding all of the Index Securities in a similar proportion to their weighting in the Index. However, where full replication of the Index is not reasonably possible (for example as a result of the number of securities or the liquidity of certain securities within the Index), the Sub-Fund will use the optimisation methodology to select Index Securities in order to build a representative portfolio that provides a return that is comparable to that of the Index but which may not track the Index with the same degree of accuracy as an investment vehicle replicating the entire Index may. Consequently, the Sub-Fund may, over certain periods, only hold a sub-set of the Index Securities. Further information on the use of the replication and optimisation methodologies can be found under "*Index Tracking Sub-Funds*" in the "*Investment Techniques*" section of the Prospectus.

Where such securities provide similar exposure (with similar risk profiles) to certain Index Securities, the Sub-Fund may hold the securities of the following types which are not constituents of the Index: (i) equities (such as common stock or preferred stock); and (ii) depositary receipts (which are securities issued by financial institutions which evidence ownership interests in a security or a pool of securities deposited with the financial institution). Such securities, which are not Index Securities, are selected by virtue of the fact that they provide substantively the same exposure by industry and by company characteristics in the case of liquidity considerations or corporate actions to certain Index Securities.

In addition, the Sub-Fund may from time to time hold securities which are not Index Securities in certain circumstances, such as where securities, such as shares, bonds or warrants are issued to the Sub-

Fund following corporate actions in respect of Index Securities or where securities have been removed from the Index but, due to market conditions, it is not possible for the Sub-Fund to sell such securities at the time of their removal from the Index. The Sub-Fund will seek to sell such securities as soon as practicable in the best interests of Shareholders.

The Sub-Fund may concentrate its investments in a particular industry or group of industries where the Index is similarly concentrated.

The Sub-Fund may for efficient portfolio management purposes, and in accordance with the conditions and limits imposed by the Central Bank, use forward foreign currency exchange contracts (both deliverable and non-deliverable), currency futures, equity futures and equity index futures for hedging or in order to gain efficient exposure to an Index or its constituents for the purpose of assisting the Sub-Fund in tracking the performance of the Index for example in managing large subscriptions. Equity index futures and equity futures will be used to provide exposure to the Index and / or its constituents. Forwards and futures and their use for these purposes are described under "*Use of Financial Derivative Instruments*" in the "*Investment Techniques*" section of the Prospectus. Global exposure relating to FDIs will not exceed 100% of the Sub-Fund's Net Asset Value.

The securities in which the Sub-Fund invests will be primarily listed or traded on Recognised Markets globally in accordance with the limits set out in the UCITS Regulations. The Sub-Fund may hold ancillary liquid assets (deposits and commercial paper) in accordance with the UCITS Regulations. The Sub-Fund may also invest in other regulated, open-ended collective investment schemes as described under "*Investment in Collective Investment Schemes*" in the "*Investment Techniques*" section of the Prospectus where the objectives of such funds are consistent with the objective of the Sub-Fund.

The Sub-Fund will use the replication and optimisation methodologies and may also invest in other regulated open-ended funds as described above in order to seek to track as closely as possible the returns of the Index after deduction of fees and expenses. It is currently anticipated that the tracking error of the Sub-Fund will be in the range of 1% under normal market conditions, where the tracking error is defined as the standard deviation of the delivered excess returns over an annual period. The causes of tracking error for ETFs can include but are not limited to the following: holdings/size of the Sub-Fund, cash flows, such as any delays in investing subscription proceeds into the Sub-Fund or realising investments to meet redemptions, fees, and where undertaken, any currency hedging activity and the frequency of rebalancing against the Index. For information in relation to the difficulties associated with tracking indices, please refer to "*Index Tracking Risk*" in the "*Risk Considerations*" section of the Prospectus.

The anticipated tracking error figure is an estimate only and the actual percentage may vary over time depending on various factors, such as, but not limited to, any deviation from normal market conditions.

As at the date of this Supplement, the Sub-Fund does not routinely enter into total return swaps. The expected proportion of the Net Asset Value of the Sub-Fund that could be subject to such transactions is 20%. The expected proportion is an estimate only and the actual percentage may vary over time depending on various factors such as, but not limited to, any deviation from normal market conditions. The maximum proportion of the Net Asset Value of the Sub-Fund that could be subject to such transactions is 20%.

SUSTAINABLE FINANCE

The nature of the Index means that Sustainability Risks will be taken into account in making investment decisions to the extent of the exclusions described above. The Manager's assessment of the potentially adverse impact of these Sustainability Risks on the returns of the Fund highlighted the possibility of significant volatility in the performance of the Index where investee companies were the subject of serious environmental or social controversies, which could, in turn, have had a materially negative impact on the returns of the Fund. This resulted in the Index Provider excluding violators of the UN Global Compact from the Index, which the Manager believes will reduce the potential for volatility in the Index through the exclusion of companies which are most likely to be involved in such serious controversies which could adversely affect the value of their securities. Further, in accordance with its asset stewardship programme, the Manager will engage with issuers whose securities are held by the Sub-Fund on sustainability matters as a shareholder. Investors should refer to the "*Sustainable Finance*" section of the Prospectus for further details with respect to Sustainability Risk and ESG Integration for the Sub-Fund.

SECURITIES LENDING

The expected proportion of the Net Asset Value of the Sub-Fund that could be subject to securities lending transactions is 25% and is subject to a maximum of 45%. The expected proportion is an estimate only and the actual percentage may vary over time depending on various factors such as, but not limited to, any deviation from normal market conditions.

INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the "*Risk Considerations*" section of the Prospectus. The "*General Risks*" section describes the risks that relate generally to the Sub-Fund, whereas the "*Specific Risks*" section describes the risks associated with the investment strategy and techniques that may be employed by a given Sub-Fund. For this Sub-Fund, the Specific Risks that are relevant to the investment objective and strategy of this Sub-Fund include the following:

Concentration Risk.

Counterparty Risk.

Currency Risk.

Foreign Exchange Hedging Risk.

Futures Contracts and Other Exchange-Traded Derivatives Risk.

Index License Risk.

Index-Related Risk.

Index Tracking Risk.

Over-the-Counter Derivatives Risk.

Passive Investment Risk.

Sustainability Risk.

These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares.

The Sub-Fund is not expected to have an above average risk profile or high volatility as a result of its use of FDIs. For information in relation to risks associated with the use of financial derivative instruments, please refer to “*Derivatives Risk*” in the “*Risk Considerations*” section of the Prospectus.

INVESTOR PROFILE

Typical investors in the Sub-Fund are expected to be institutional and retail investors who want to gain exposure to the markets covered by the Index by way of an exchange traded fund.

SUBSCRIPTIONS – PRIMARY MARKET

Accumulation Shares, denominated in USD, are available in the Sub-Fund (the “**Shares**”).

Shares will be available from 9am to 5pm (Irish time) on 11 July 2022 or such earlier or later date as the Directors may determine and notify the Central Bank (the “**Initial Offer Period**”). During the Initial Offer Period Shares will be available at approximately USD 25 per Share.

Following the Initial Offer Period, Shares will be issued on each Dealing Day at the Dealing NAV with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Authorised Participants may subscribe for Shares for cash or in kind on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the “*Purchase and Sale Information*” section of the Prospectus. Consideration, in the form of cleared subscription monies/securities, must be received by the applicable Settlement Deadline.

REDEMPTIONS

Shareholders may effect a redemption of Shares on any Dealing Day at the appropriate Dealing NAV, subject to an appropriate provision for Duties and Charges, provided that a written redemption request is signed by the Shareholder and received by the Administrator by the Dealing Deadline on the relevant Dealing Day, in accordance with the provisions set out in this section and at the “*Purchase and Sale Information*” section of the Prospectus. Settlement will normally take place within three Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

CONVERSIONS

Shares in the Sub-Fund may not be converted for shares in another Sub-Fund.

LISTING

Application has been or will be made for the Shares to be admitted to the Deutsche Börse Xetra and the London Stock Exchange.

INDEX DISCLAIMERS

Solactive AG (“Solactive”) is the licensor of Solactive Global Metaverse Innovation Index-NR (the “Index”). The financial instruments that are based on the Index are not sponsored, endorsed, promoted

or sold by Solactive in any way and Solactive makes no express or implied representation, guarantee or assurance with regard to: (a) the advisability in investing in the financial instruments; (b) the quality, accuracy and/or completeness of the Index; and/or (c) the results obtained or to be obtained by any person or entity from the use of the Index. Solactive does not guarantee the accuracy and/or the completeness of the Index and shall not have any liability for any errors or omissions with respect thereto. Notwithstanding Solactive's obligations to its licensees, Solactive reserves the right to change the methods of calculation or publication with respect to the Index and Solactive shall not be liable for any miscalculation of or any incorrect, delayed or interrupted publication with respect to the Index. Solactive shall not be liable for any damages, including, without limitation, any loss of profits or business, or any special, incidental, punitive, indirect or consequential damages suffered or incurred as a result of the use (or inability to use) of the Index.