

**Templeton Global Growth Fund Ltd**  
**Annual Results Call**  
**22 August 2017**

# Templeton Global Growth Fund Ltd

TGG Ltd is Listed Investment Company that provides investors with exposure to global companies, with the portfolio managed by the Templeton Global Equity Group following the tenets of Sir John Templeton's value philosophy.

## **NET TANGIBLE ASSET (“NTA”) BACKING**

- Increased from 128 cents per share (“cps”) to 148 cps for the year ended 30 June 2017

## **SHARE PRICE**

- Increased from \$1.155 to \$1.36 for the 12 months ended 30 June 2017

## **TOTAL SHAREHOLDER RETURN**

- 23.2% for the 12 months ended 30 June 2017

## **DIVIDENDS**

A final dividend (in respect of the year ended 30 June 2016) of 4.5 cents per share was paid to shareholders during September 2016, of which 2.5 cents per share was fully franked, and 2.0 cents per share was unfranked.

The Directors declared for the following Dividend for the year ended 30 June 2017

- Rate – 4.5 cents per share, fully franked
- Record Date: 8th September 2017
- Payment Date: 22nd September 2017
- Includes LIC Capital Gains of 4.5 cents per share

# Templeton Global Growth Fund Ltd

## ON-MARKET SHARE BUYBACK

- 13,837,445 purchased during the year ended 30 June 2017
- Average purchase price was \$1.22 per share
- Average discount to NTA was 12%

## MANAGEMENT EXPENSE RATIO (MER)

- MER has decreased slightly from 1.20% to 1.16% for the year ended 30 June 2017

## INVESTMENT PERFORMANCE

- TGG has returned 23.3% for the past 12 months (22.0% net of fees and expenses), compared to the MSCI AC World Index of 15.3%

## CORPORATE TAX RATE

- TGG has adopted a conservative approach, and assumed a 30% tax rate

# Templeton Global Growth Fund Ltd

## SHAREHOLDER ENGAGEMENT INITIATIVES

Directors have implemented an ongoing range of actions as a result, including:

- Investor briefings
- Weekly NTA
- Increased market exposure (for both TGG and Peter Wilmshurst)
- Quarterly reports mail out
- Increased investor engagement
- On-market share buyback

## REMUNERATION REPORT SECOND STRIKE

- Second strike was recorded, and spill motion triggered
- Spill motion did not pass

## ANNUAL GENERAL MEETING

- AGM to be held on the 12<sup>th</sup> of October 2017 at 11.00am
- Venue will be the Windsor Hotel in Melbourne



# Templeton Global Growth Fund

## 2017 Financial Year Results

**PETER WILMSHURST, CFA®**  
EVP/Portfolio Manager/Research Analyst  
Templeton Global Equity Group



All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. To the extent a strategy focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a strategy that invests in a wider variety of countries, regions, industries, sectors or investments.

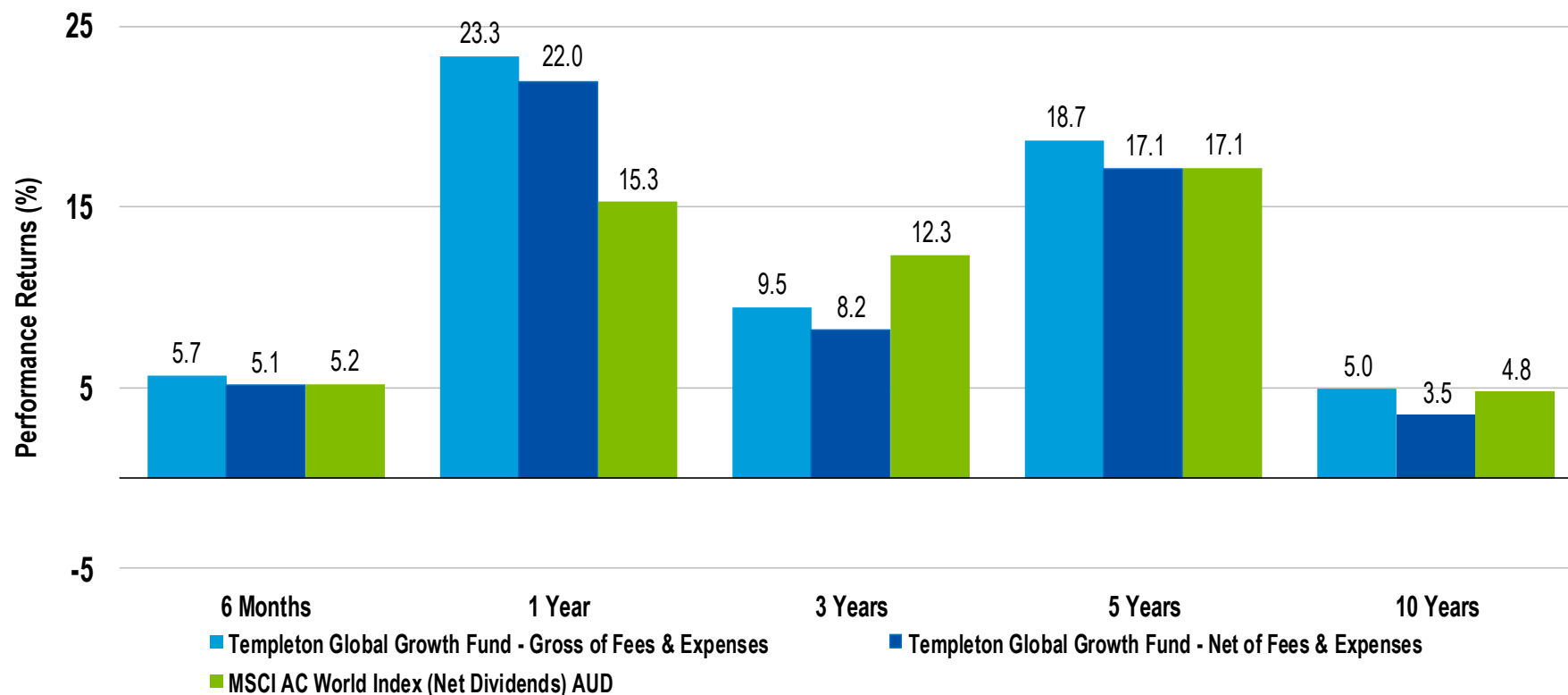
# Templeton Global Growth Fund

## Performance



### Templeton Global Growth Fund vs. MSCI All Country World Index

*As at 30<sup>th</sup> June, 2017*



Periods of more than one year are annualised. Benchmark is presented net dividends reinvested.  
Past performance does not guarantee future results and results may differ over future time periods.

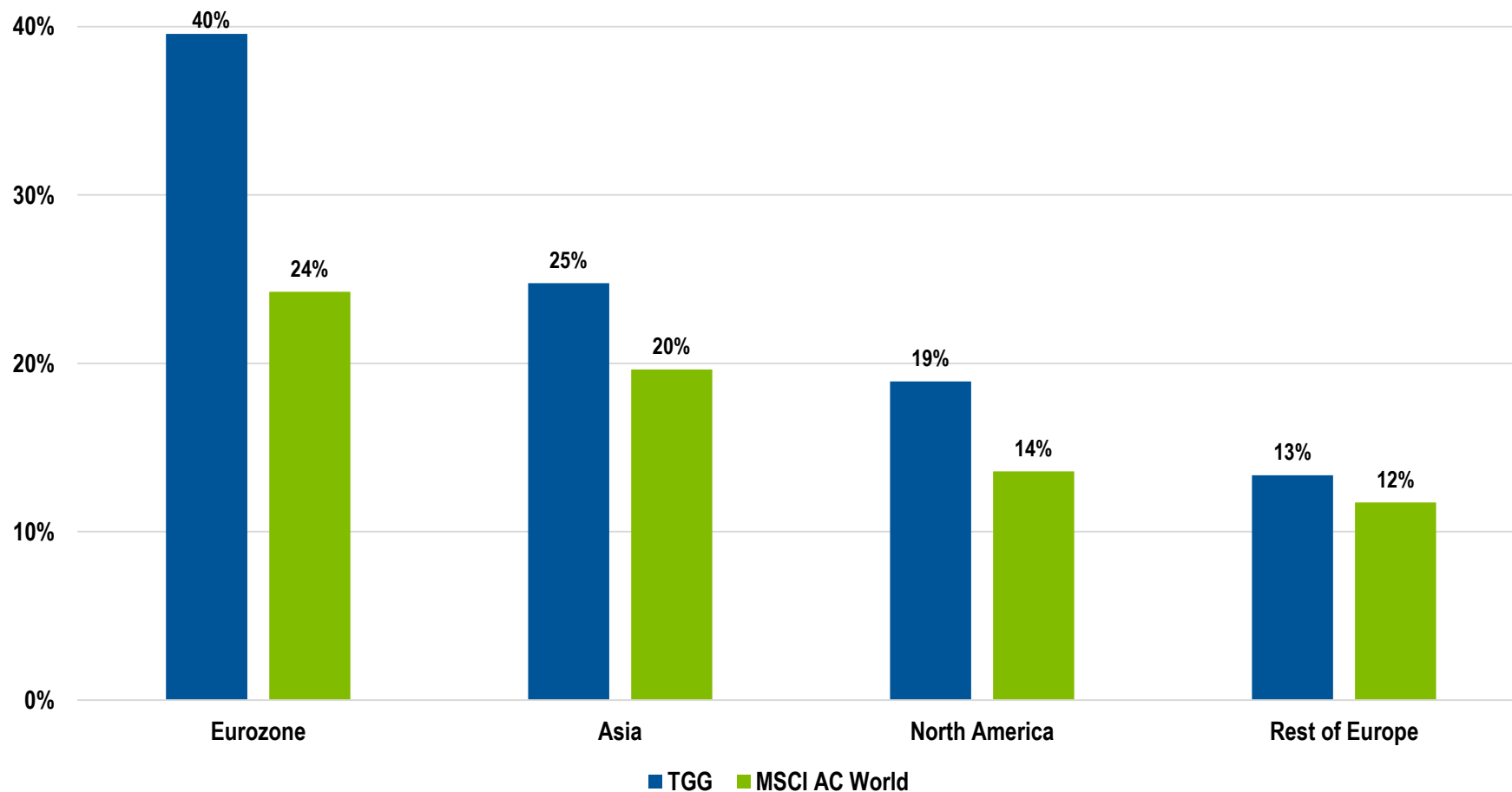
# Templeton Global Growth Fund

## Major Region Returns



### Major Region Returns

1 Year to 30<sup>th</sup> June, 2017



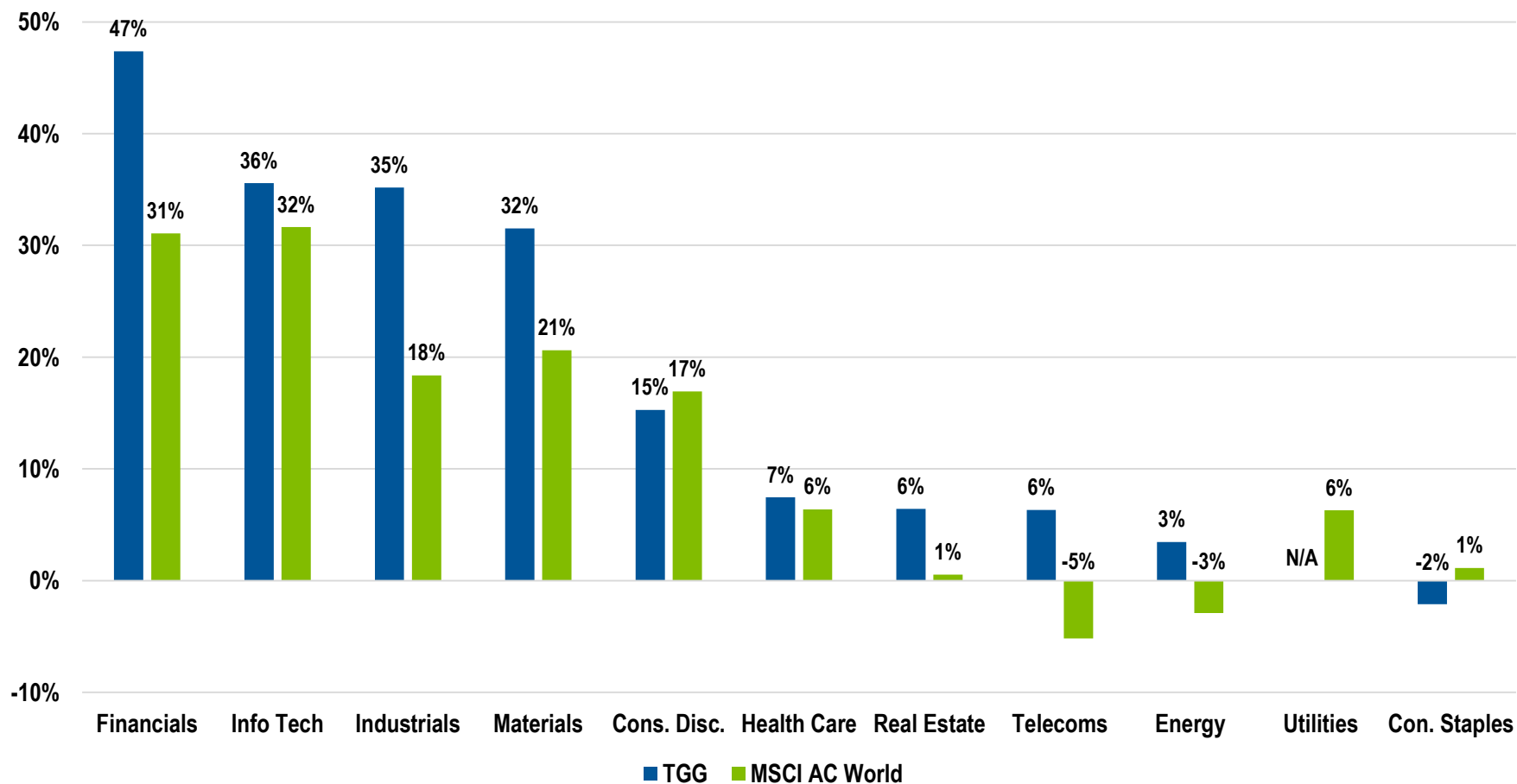
# Templeton Global Growth Fund

## Sector Returns



### Sector Returns

1 Year to 30<sup>th</sup> June, 2017

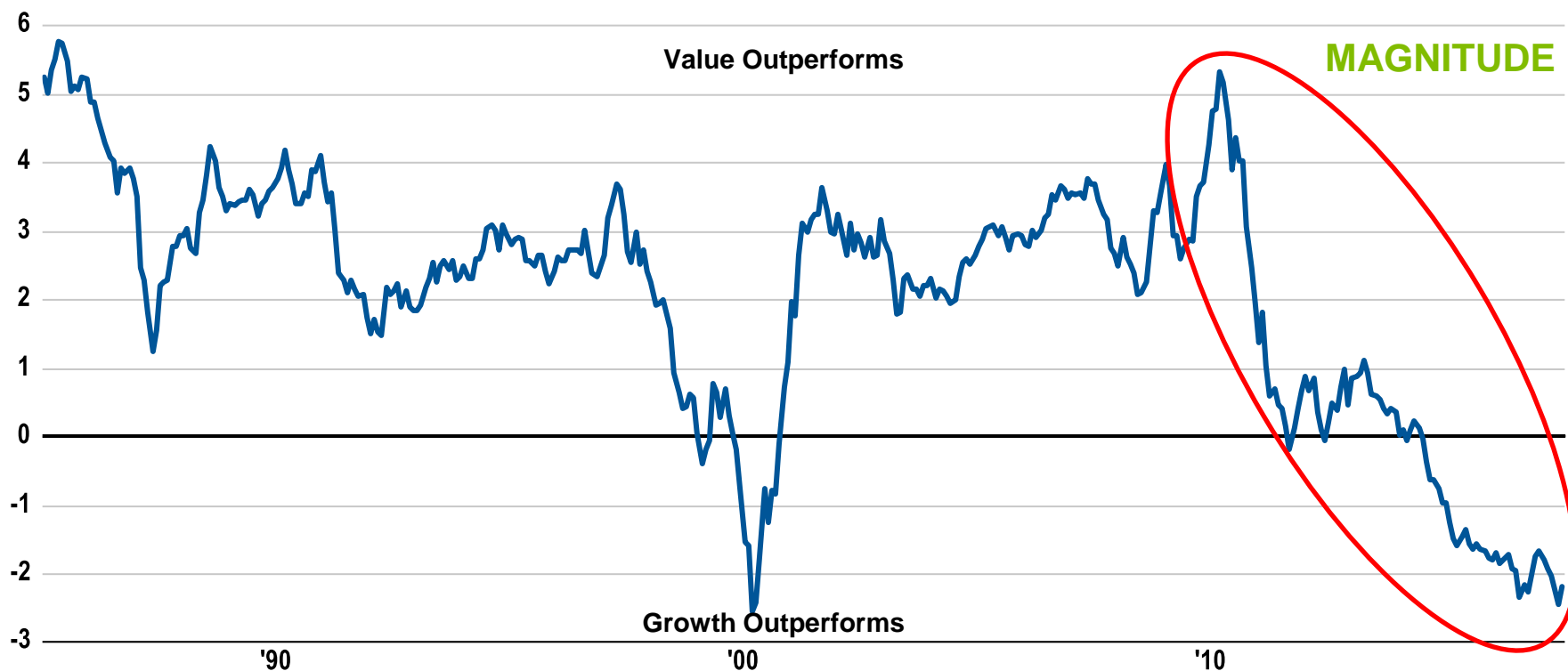




# An Unprecedented Dry Spell for Value

## Relative Performance Global Value vs. Global Growth

31<sup>st</sup> January, 1985 to 30<sup>th</sup> June, 2017

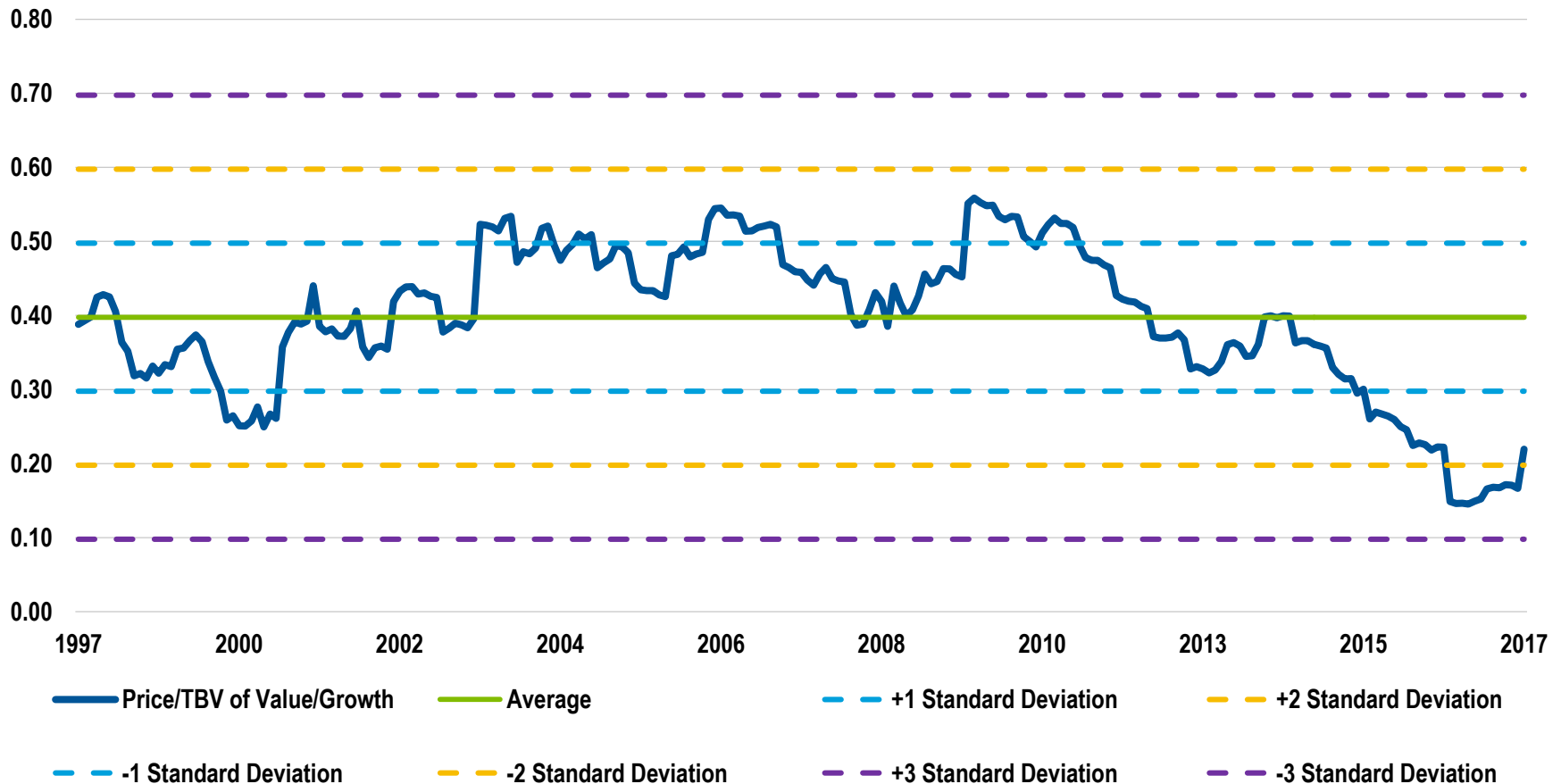


Source: Factset, MSCI. Rolling 10yr annualised excess returns of MSCI World Value Index vs. MSCI World Growth Index. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com)

# Valuation Gap Remains Extreme

## Price to Tangible Book Value: MSCI World Value vs. MSCI World Growth

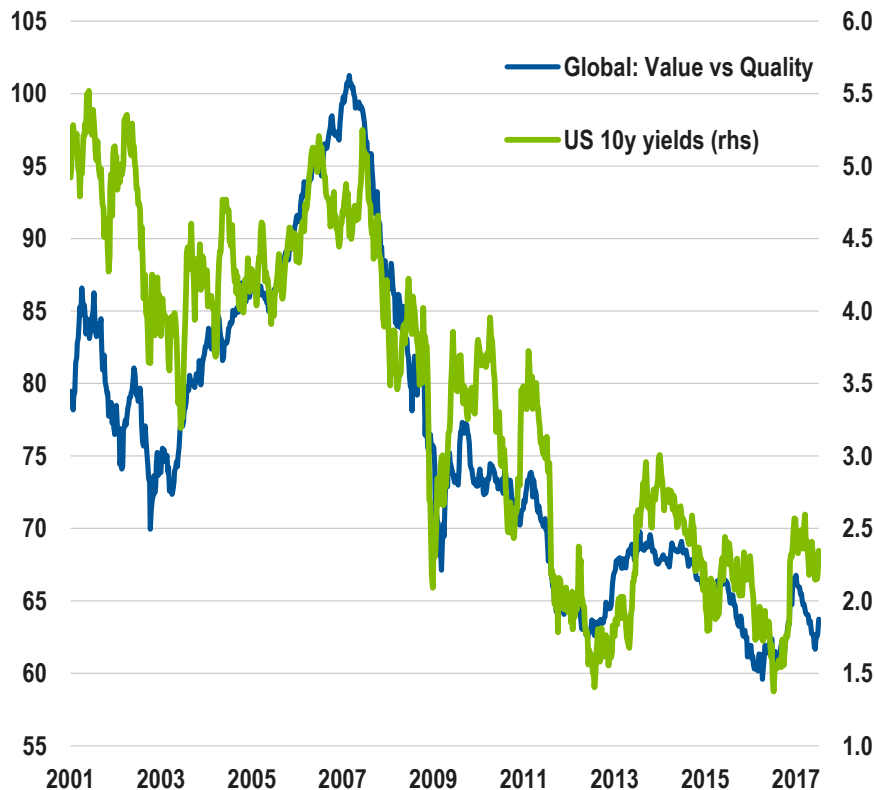
31<sup>st</sup> December, 1997 to 30<sup>th</sup> June, 2017



# When the Economy Strengthens, Value Stocks Perform Better

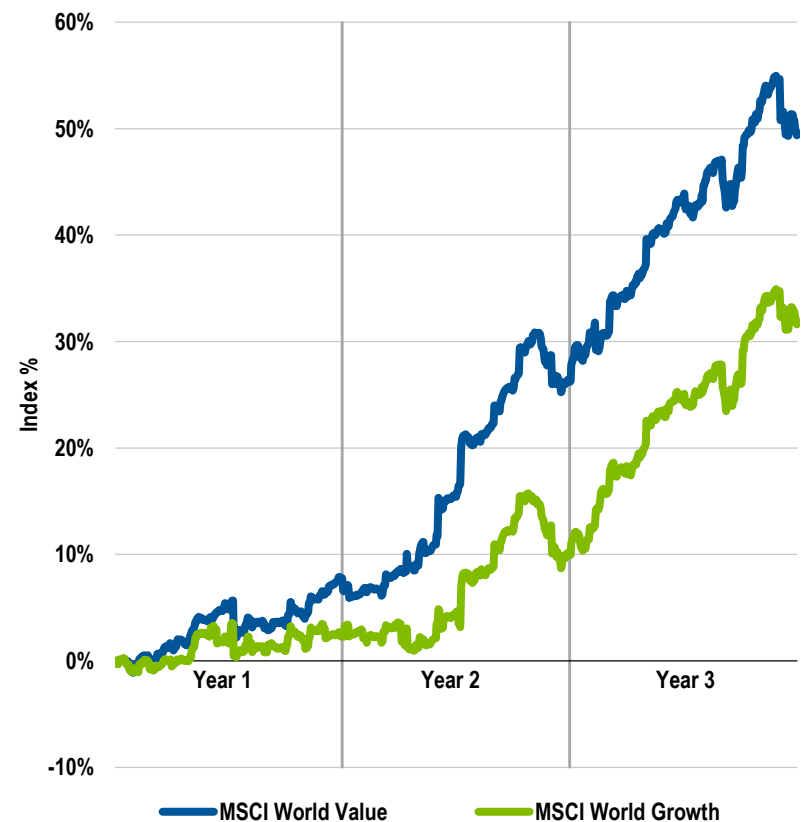
## Global Value vs. Growth Has Closely Tracked US 10 Year Yields<sup>1</sup>

*From January 2001 to July 2017*



## Average Cumulative 3-Year Total Return After Fed Liftoff<sup>2</sup>

*Ten Periods From 1976 to 2017*



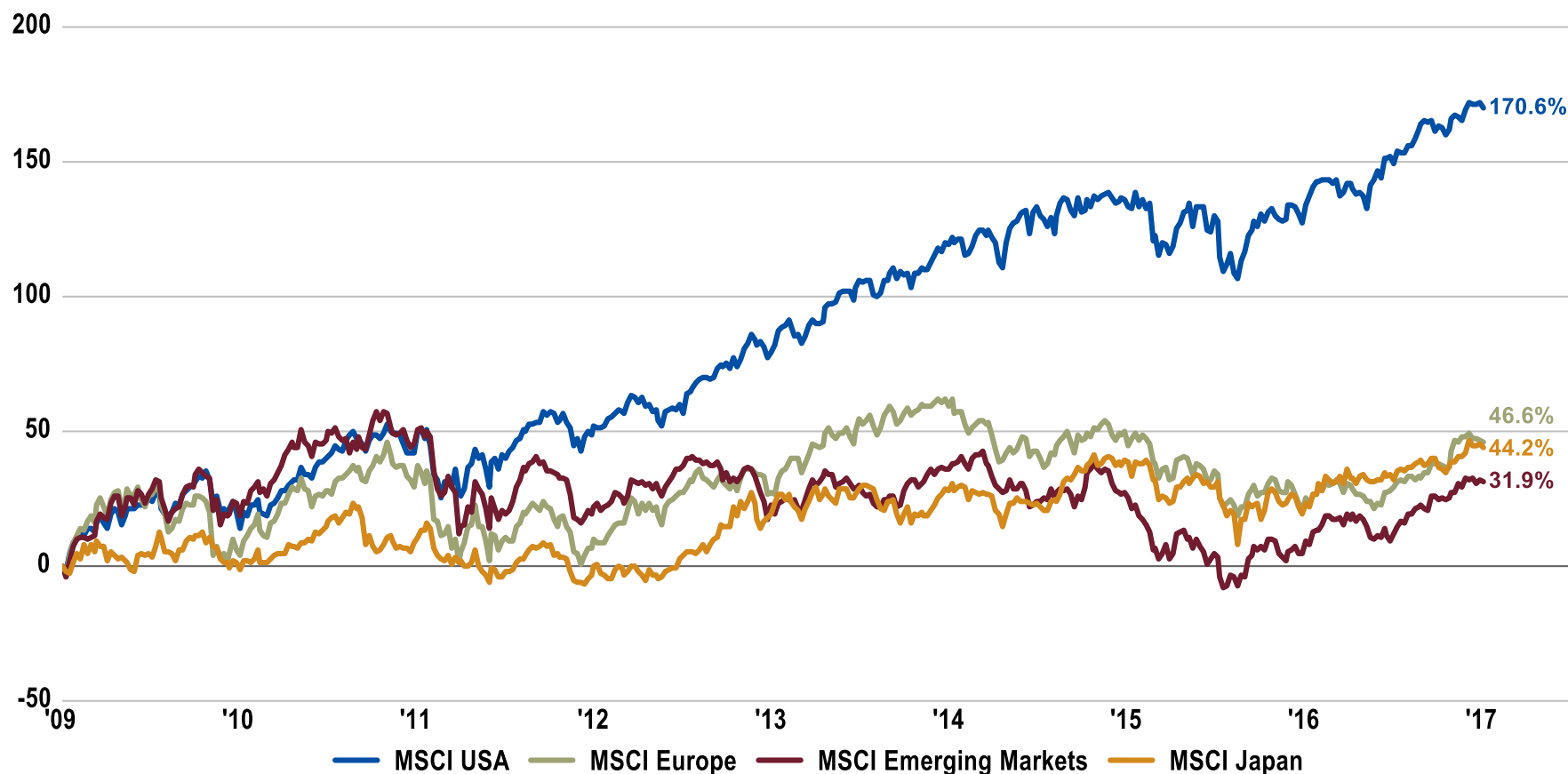
<sup>1</sup> Source: Barclays.

<sup>2</sup> Source: Calculations by Franklin Templeton Investments using data sourced from FactSet.

# The US Has Clearly Stood Out in the Last 7+ Years



## Price Change, USD 30<sup>th</sup> June, 2009 to 30<sup>th</sup> June, 2017

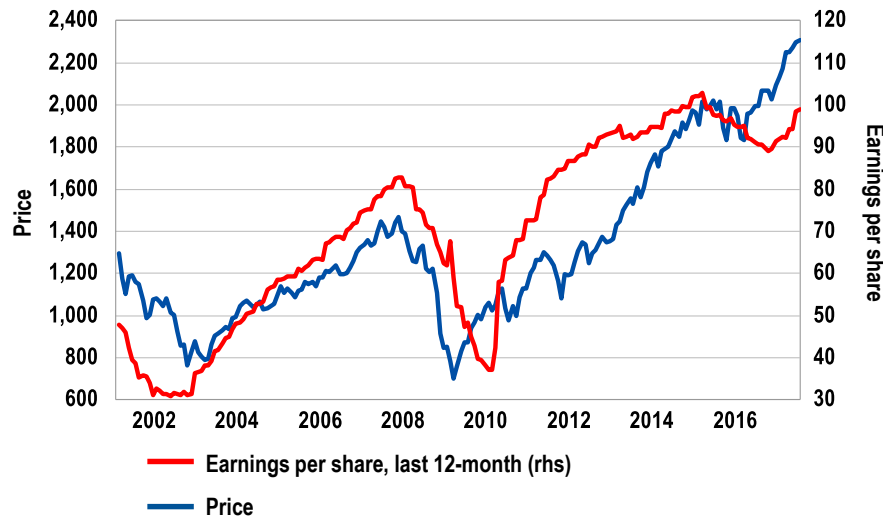


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# Regional Differences in Earnings Cycles and Valuations

## U.S. Earnings Peaking? MSCI USA

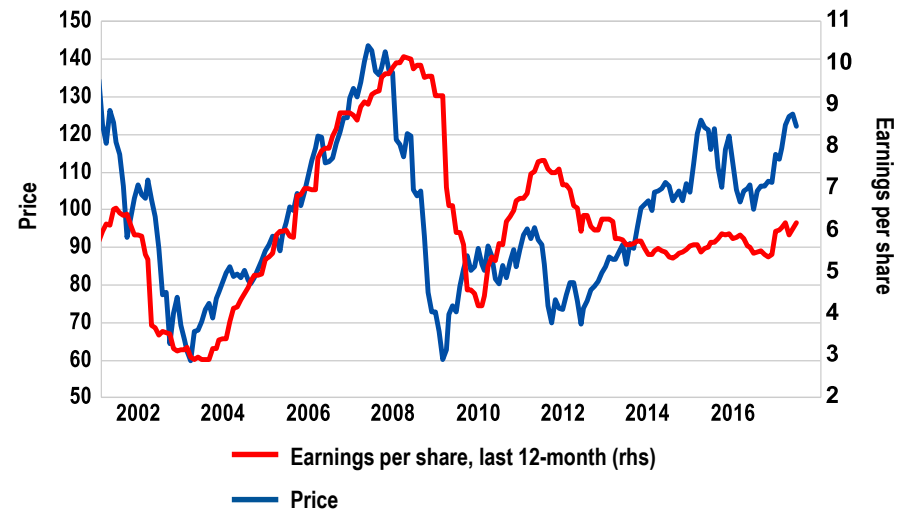
31<sup>st</sup> January, 2001 to 30<sup>th</sup> June, 2017



	Current (June 30, 2017)	Long Term Average (Since Jan. 1980)
P/Trend Earnings	20.6x	18.0x
P/B	3.1x	2.6x
Earning Trend	Rolling over	
Opportunities	Some	

## Eurozone Earnings Poised to Rise MSCI Eurozone

31<sup>st</sup> January, 2001 to 30<sup>th</sup> June, 2017

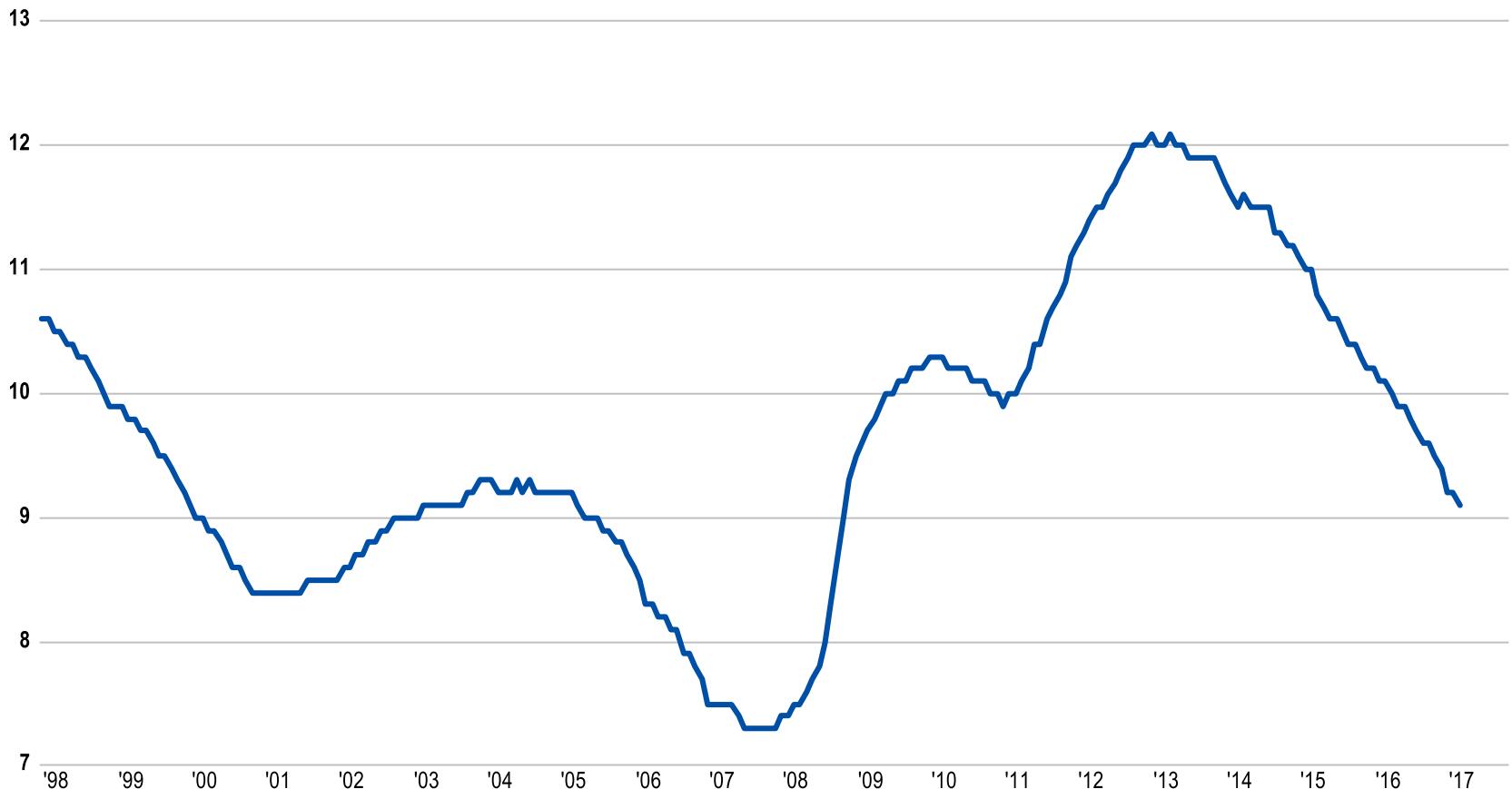


	Current (June 30, 2017)	Long Term Average (Since Apr. 1998)
P/Trend Earnings	14.8x	17.9x
P/B	1.6x	2.0x
Earning Trend	Poised to Rise	
Opportunities	Many	

Source: FactSet, MSCI. US is represented by the MSCI USA index. Eurozone is represented by the MSCI European Monetary Union (EMU) index. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com)

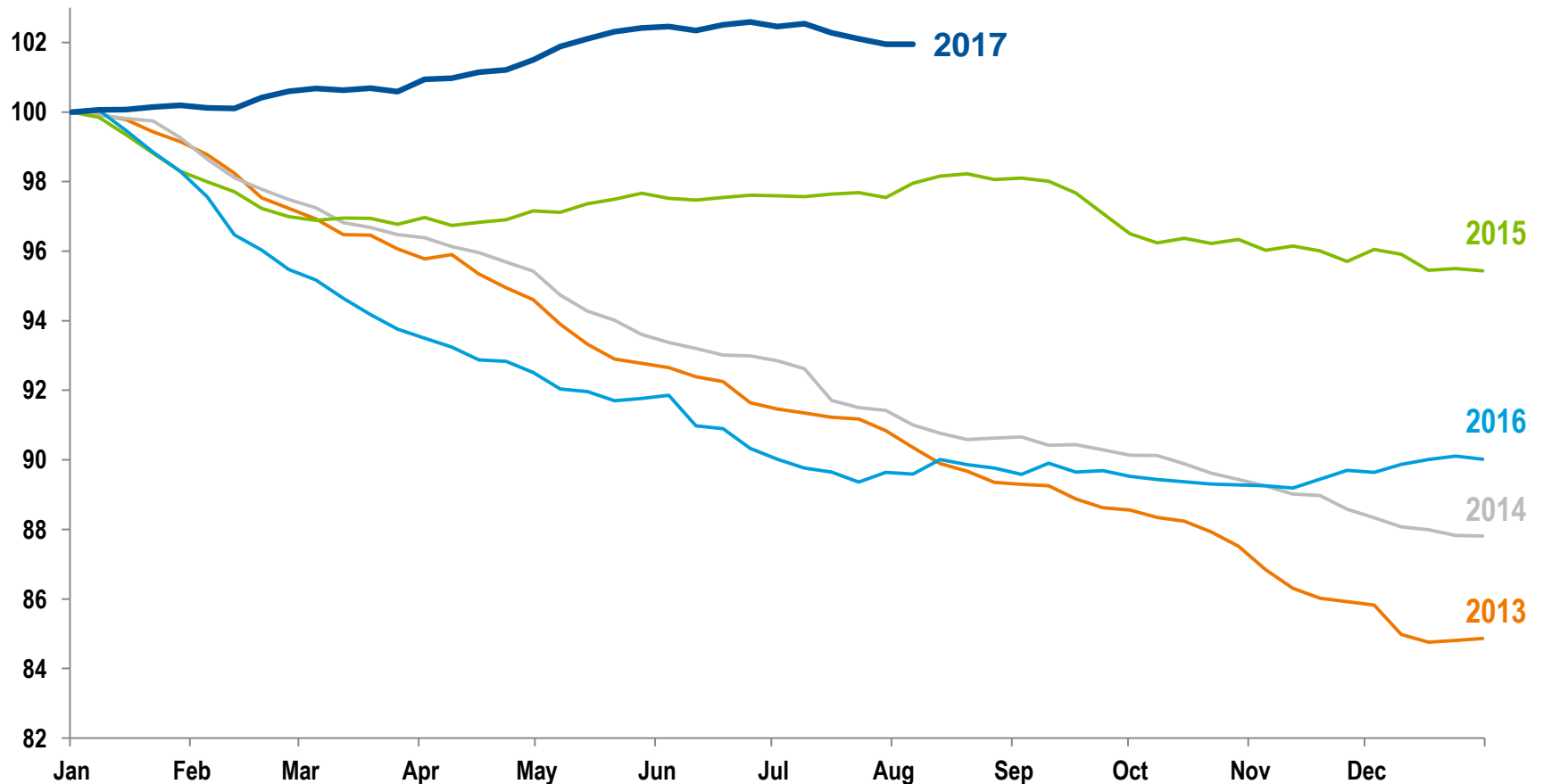
## Eurozone: Unemployment Rate

*30<sup>th</sup> April, 1998 to 30<sup>th</sup> June, 2017*



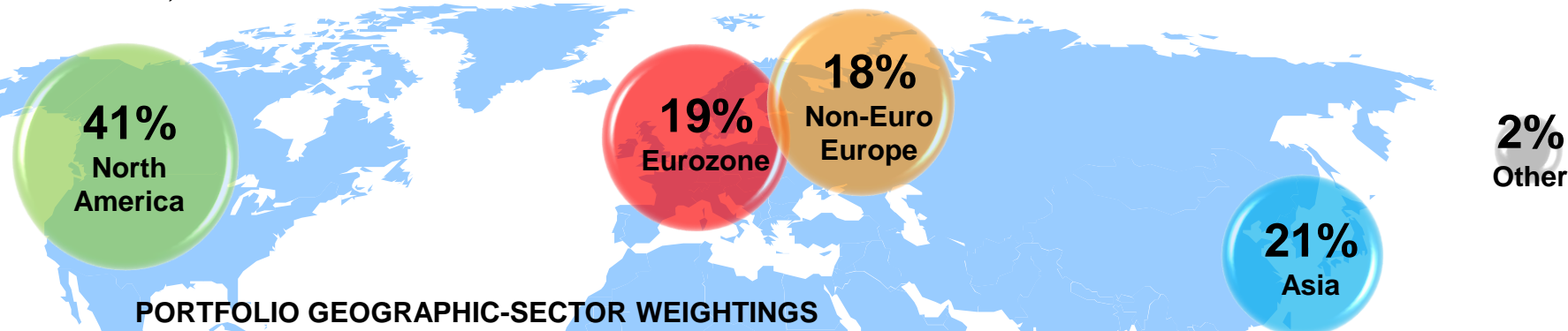
# European Earnings Doing Better

## MSCI Eurozone: Earnings Estimates *Last 5 Years*



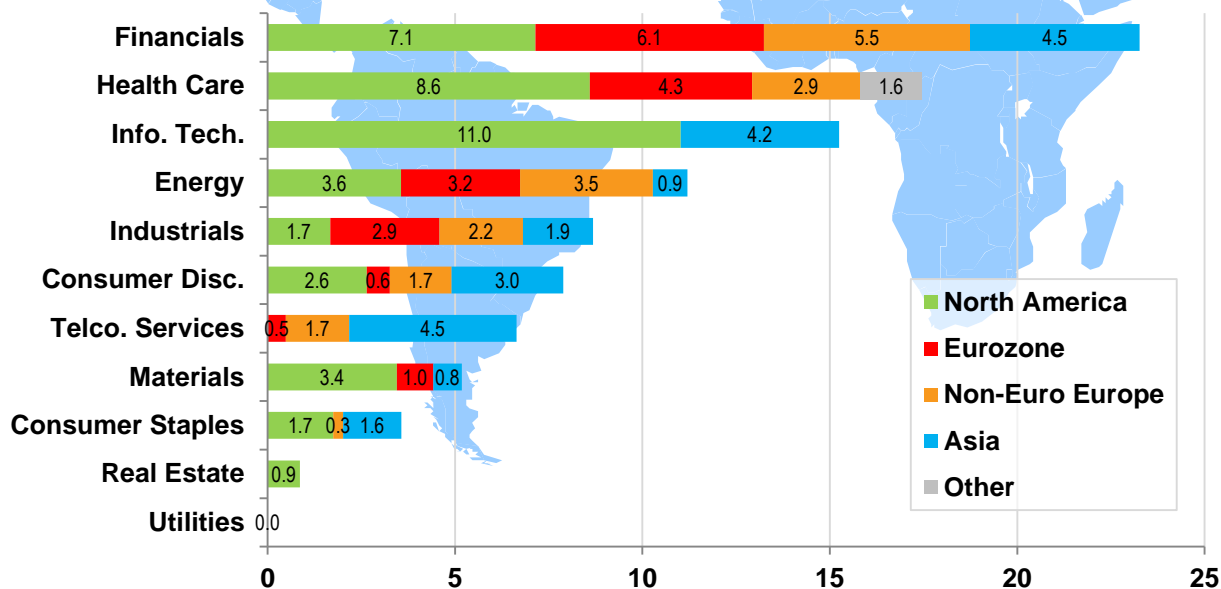
# Templeton Global Growth Fund – Weights

As of 30<sup>th</sup> June, 2017

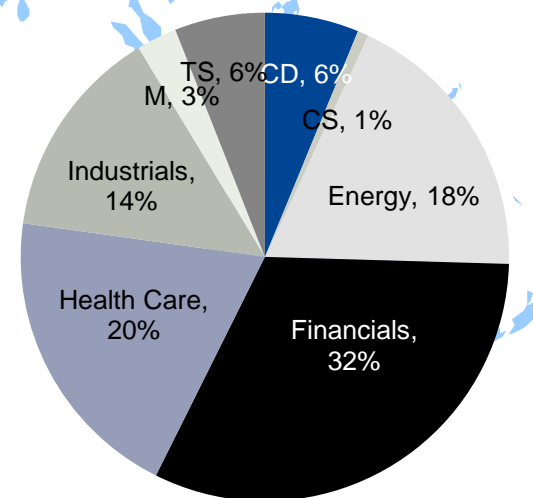


## PORTFOLIO GEOGRAPHIC-SECTOR WEIGHTINGS

As At 30<sup>th</sup> June, 2017



## EUROPE SECTOR SPLIT



Weightings as percent of equity. Percentage may not equal 100% due to rounding.

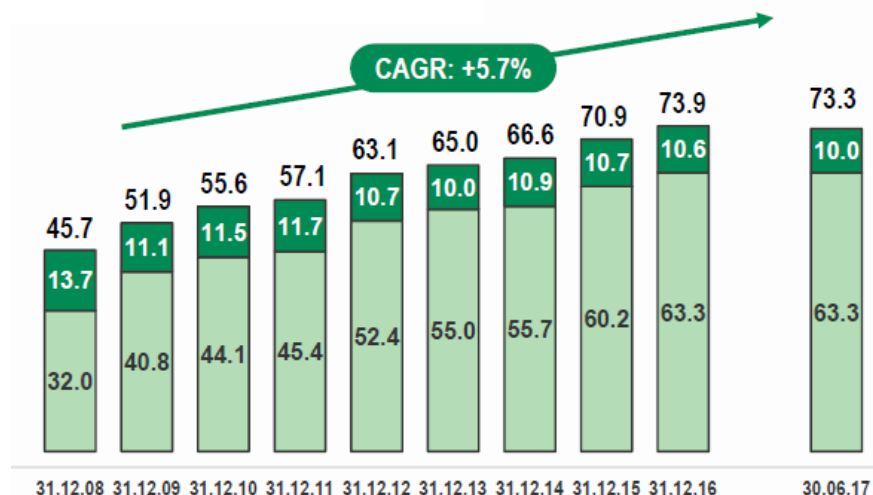


# 2017 Top 3 stocks

- Samsung Electronics
- Lufthansa
- BNP

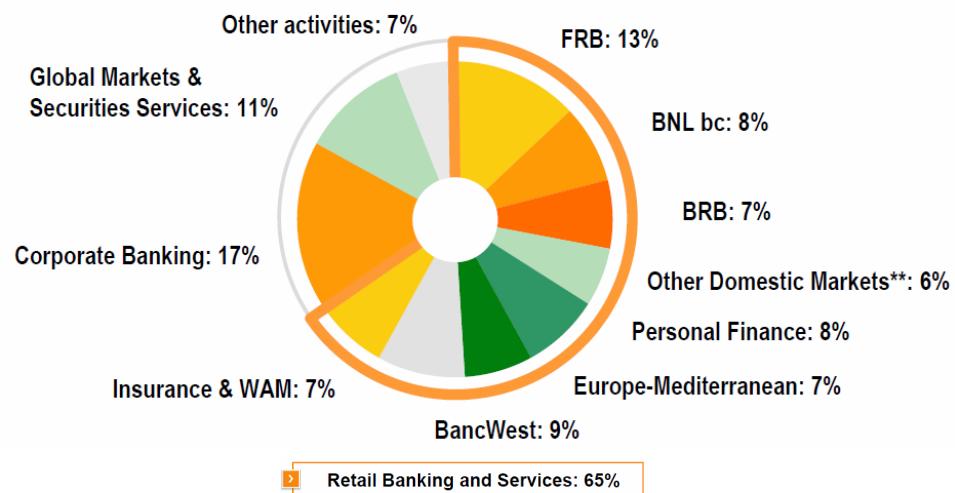
## BNP Paribas

Tangible Book Value per Share, €



<sup>1</sup>As at 30<sup>th</sup> June 2017. Basel 3 risk weighted assets by business.  
Source: Company filings.

Business Split<sup>1</sup>



## 2017 Bottom 3 stocks

- Teva Pharmaceutical
- Gilead Sciences
- Petrofac
  - (exited during FY'17)
- FY 2016's bottom 6 included 5 European Banks and 1 Materials company (Credit Suisse, Unicredit, Barclays, Credit Agricole and HSBC, plus Allegheny).
  - Average return for these 6 companies in 2017 was 55%, none under-performed the Index

# Templeton Global Growth Fund

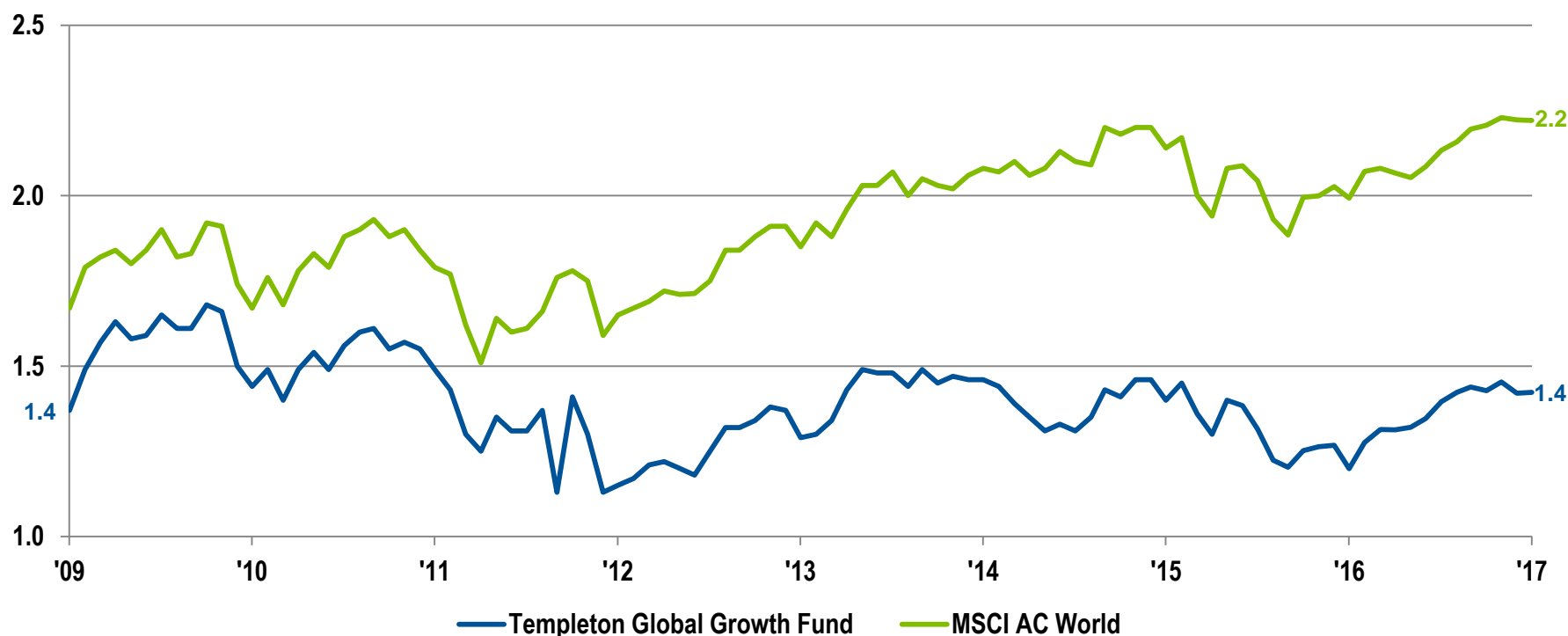
## Portfolio Characteristics



### Templeton Global Growth Fund vs. MSCI All Country World Index

#### Price to Book Ratio

30<sup>th</sup> June, 2009 to 30<sup>th</sup> June, 2017



The benchmark is the MSCI All Country World ex Australia Index Net Dividends Reinvested (AUD) Index.

The portfolio characteristics listed are based on the Fund's underlying holdings, and do not necessarily reflect the Fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

Source: FactSet. For the portfolio, the Price to Book Value calculations use harmonic means for the weighted average. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology.

# Important Legal Information



All investments involve risks including loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their smaller size and lesser liquidity. While stocks have historically outperformed other asset classes over the long term, they tend to fluctuate more dramatically over the short term. The use of derivatives and foreign currency techniques involve special risks, as such techniques may not achieve the anticipated benefits and/or may result in losses. Templeton Global Growth Fund Ltd. (ABN 44 006 558 149) issues this document with the intention to provide general information only and not investment or financial product advice. It does not take into account the individual objectives, financial situation or needs of any recipient. Any views expressed are the views of the fund manager and nothing in this update should be construed as investment advice. You should assess whether the information is appropriate for you and consider obtaining independent taxation, legal, financial or other professional advice before making an investment decision.

Franklin Templeton Investments have exercised professional care and diligence in the collection of information in this recording. However, data from third party sources may have been used in its preparation and Franklin Templeton Investments has not independently verified, validated or audited such data.

**Past performance does not guarantee future results and results may differ over future time periods.**

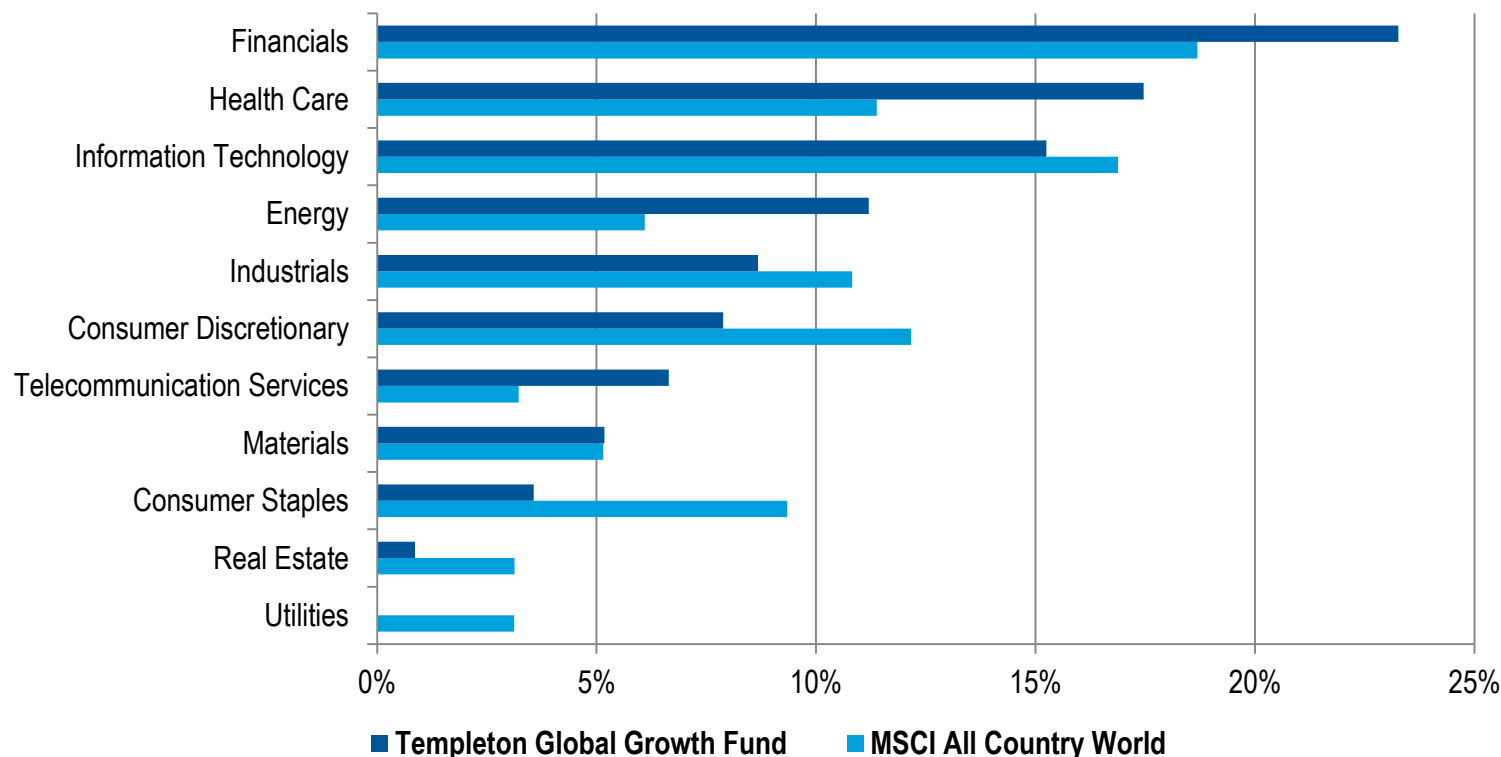
# Templeton Global Growth Fund

## Sector Allocation



### Templeton Global Growth Fund vs. MSCI All Country World Index

*As at 30<sup>th</sup> June, 2017*



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Weightings as percent of equity. Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

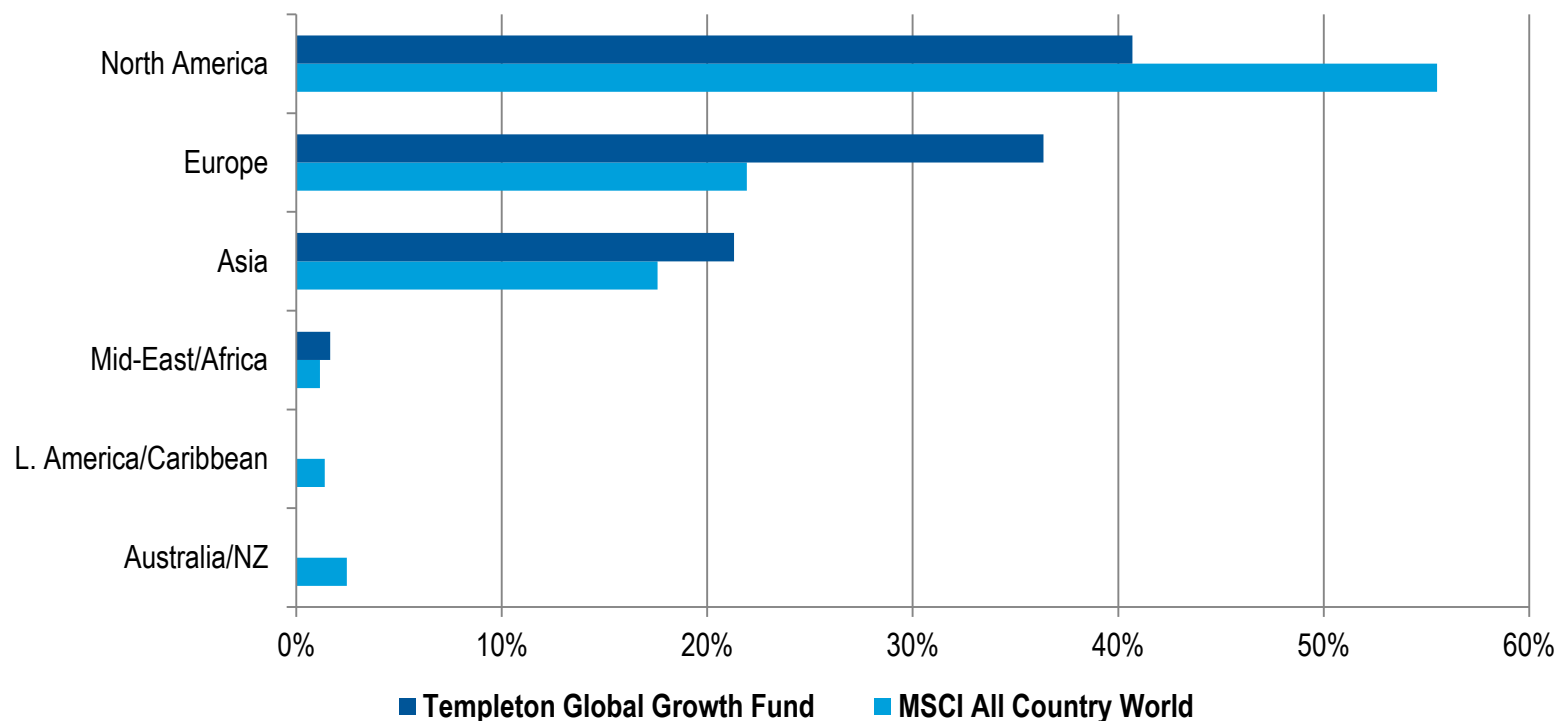
# Templeton Global Growth Fund

## Geographic Allocation



### Templeton Global Growth Fund vs. MSCI All Country World Index

*As at 30<sup>th</sup> June, 2017*



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# Templeton Global Growth Fund

## Portfolio Characteristics



### Templeton Global Growth Fund vs. MSCI All Country World Index

*As at 30<sup>th</sup> June, 2017*

	Portfolio	Benchmark
Price to Earnings	17.7x	20.4x
Price to Cash Flow	7.4x	11.8x
Price to Book Value	1.4x	2.2x
Dividend Yield	2.4%	2.4%

For the Fund, the Price to Earnings, Price to Cash Flow, and Price to Book Value calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. Yields above 100% are also excluded. For the benchmark, no limits are applied to these ratios in keeping with MSCI's calculation methodology. Due to data limitations, all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the Fund's reported characteristics and the Fund's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they feel is most appropriate at the time of purchase. **Please note: The dividend yield quoted here should not be used as an indication of the income to be received from this fund.**

Index statistics calculated by FactSet Research Systems, Inc.

Source: Franklin Templeton Investments.

# Templeton Global Growth Fund

## Top Ten Holdings



As at 30<sup>th</sup> June, 2017

Name of Issuer	Country	Industry	% of Fund
SAMSUNG ELECTRONICS CO	South Korea	Technology Hardware & Equipment	2.5
MICROSOFT CORP	United States	Software & Services	2.4
ORACLE CORP	United States	Software & Services	2.2
ALPHABET INC	United States	Software & Services	1.9
BP PLC	United Kingdom	Energy	1.8
SOFTBANK GROUP CORP	Japan	Telecommunication Services	1.8
HSBC HOLDINGS PLC	United Kingdom	Banks	1.8
ROYAL DUTCH SHELL PLC	United Kingdom	Energy	1.7
CITIGROUP INC	United States	Banks	1.7
TEVA PHARMACEUTICAL	Israel	Pharmaceuticals, Biotech & Life Sciences	1.6
<b>TOTAL</b>			<b>19.5</b>

The Ten Largest Holdings represent the ten largest holdings of the fund as of the date indicated. These securities do not represent all of the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in the securities listed was or will be profitable. All portfolio holdings are subject to change. Holdings of the same issuer have been combined.

The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list.

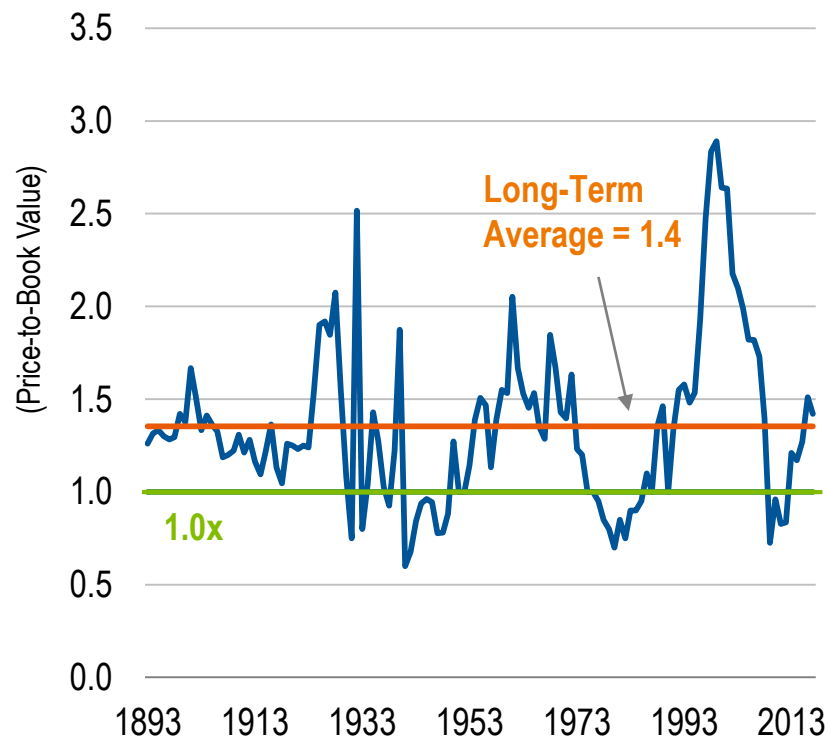


# U.S. Banks are Slightly Above Long-Term Average Valuations While Euro Banks are More Discounted



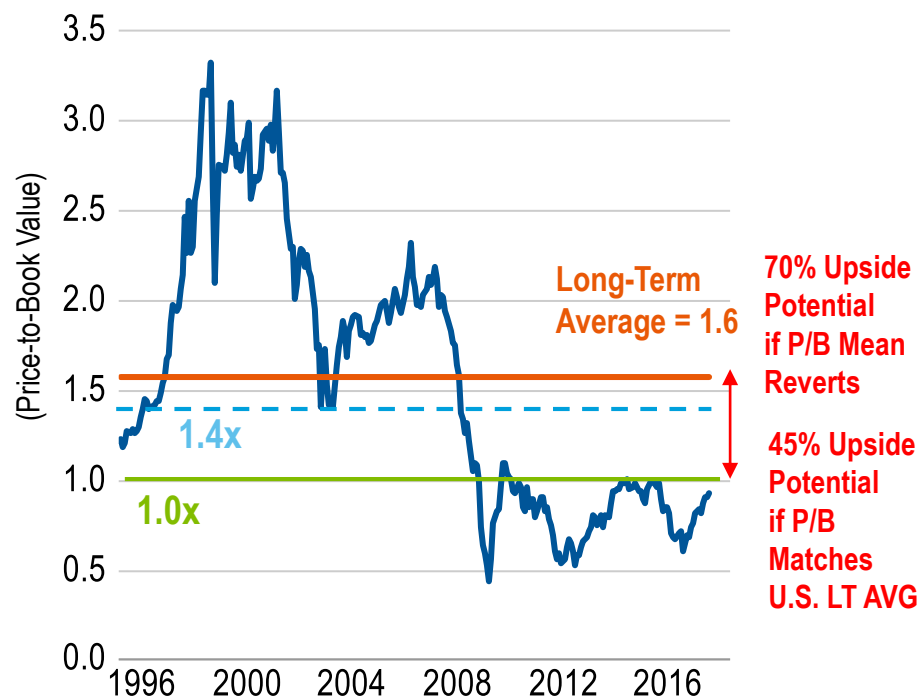
## U.S. Banks Price-to-Book Value<sup>1</sup>

As of 10 July 2017



## European Banks Price-to-Book Value<sup>2</sup>

31 January 1995 to 30 June 2017



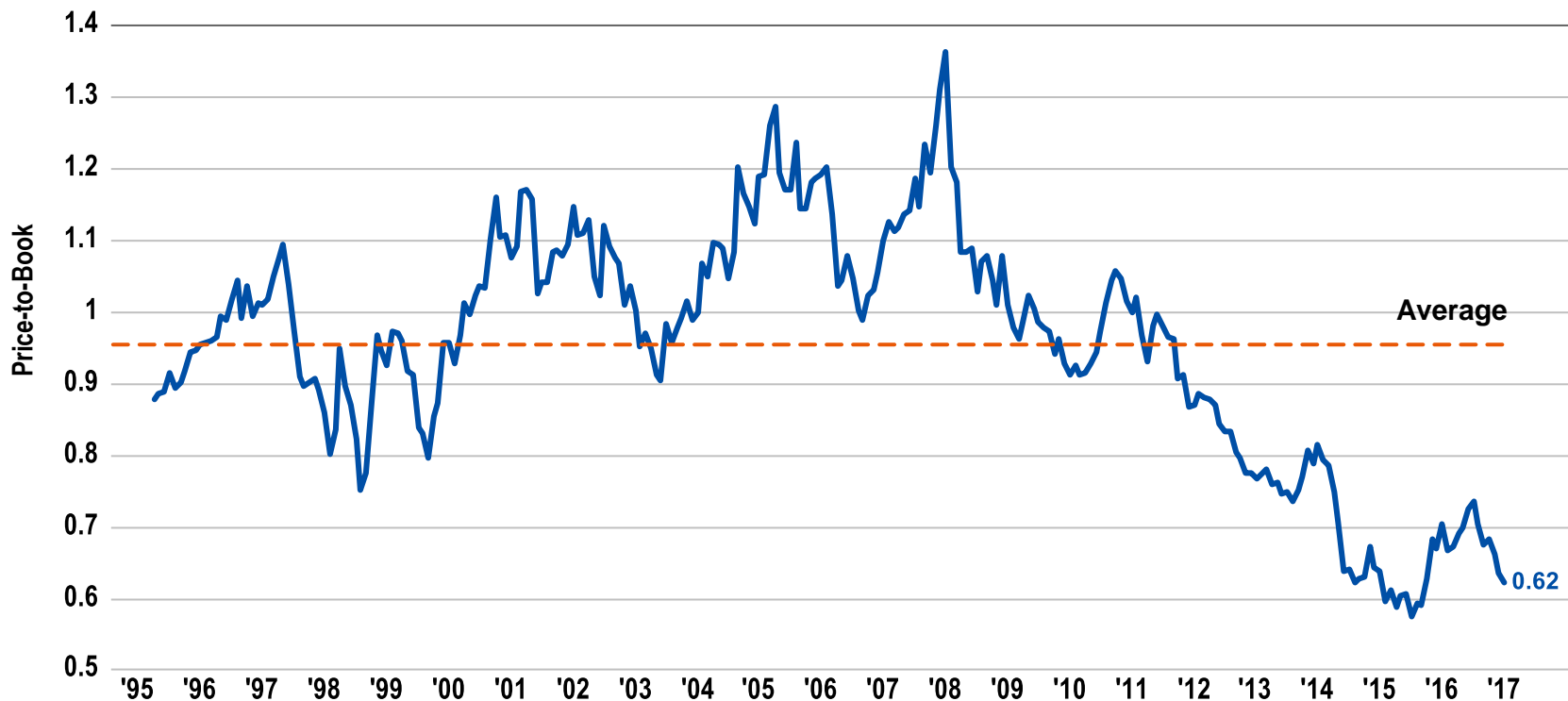
1 Source: Anthony Saunders & Berry Wilson, Impact of consolidation and safety net support on Canadian, US and UK banks, 1892-1992 (1999). Michael Keeley, Deposit Insurance, Risk and Market Power in Banking (1990). FDIC – History of the 1980s. Datastream, SNL. Autonomous Research. \* ignores war years, and one-off years at below 1xBV.

2 Source: FactSet, MSCI. Data from January 31, 1995 to June 30, 2017. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com)

# Energy: Full of Opportunity

## MSCI All Country World Energy Index Relative Price-to-Book

29<sup>th</sup> September, 1995 to 30<sup>th</sup> June, 2017

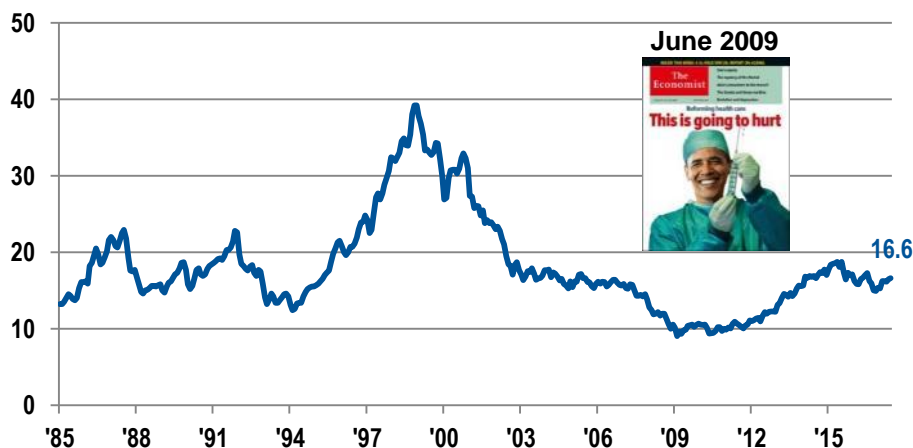


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# Pharmaceuticals: On Their Way Back to Growth?

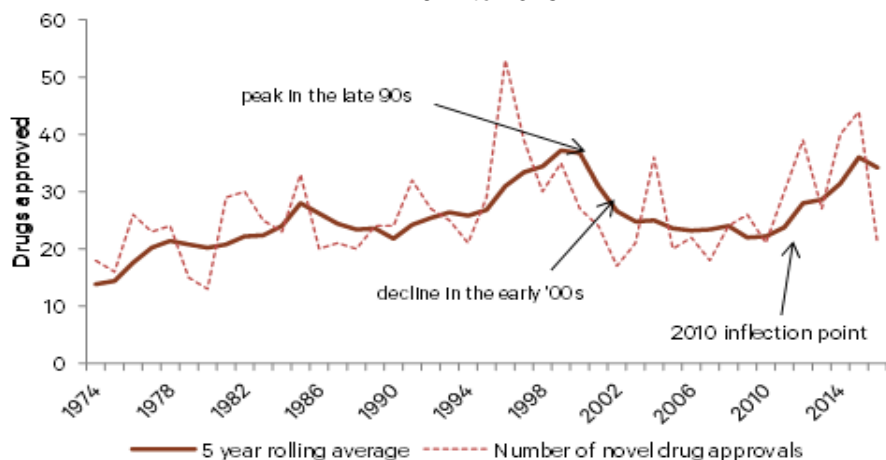
## Major World Pharmaceuticals: Forward P/E<sup>1</sup>

31<sup>st</sup> January, 1985 to 30<sup>th</sup> June, 2017



## US FDA Approvals<sup>2</sup>

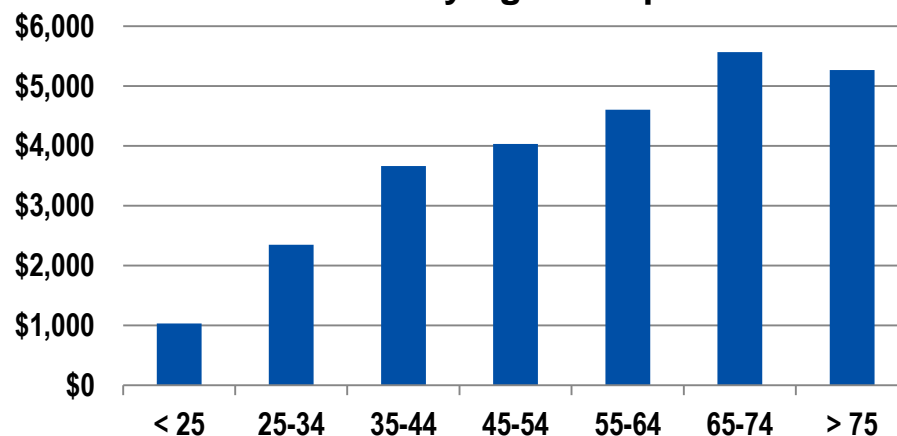
1974 to 2016



## Back To The Future: Pharma Style



## US Mean Annual Health Care Expenditure Per Person by Age Group<sup>3</sup>



## Euro Area Labour Participation Is In A Strong Uptrend

