



# Templeton Global Growth Fund

## 2017 Annual General Meeting

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Templeton Global Equity Group

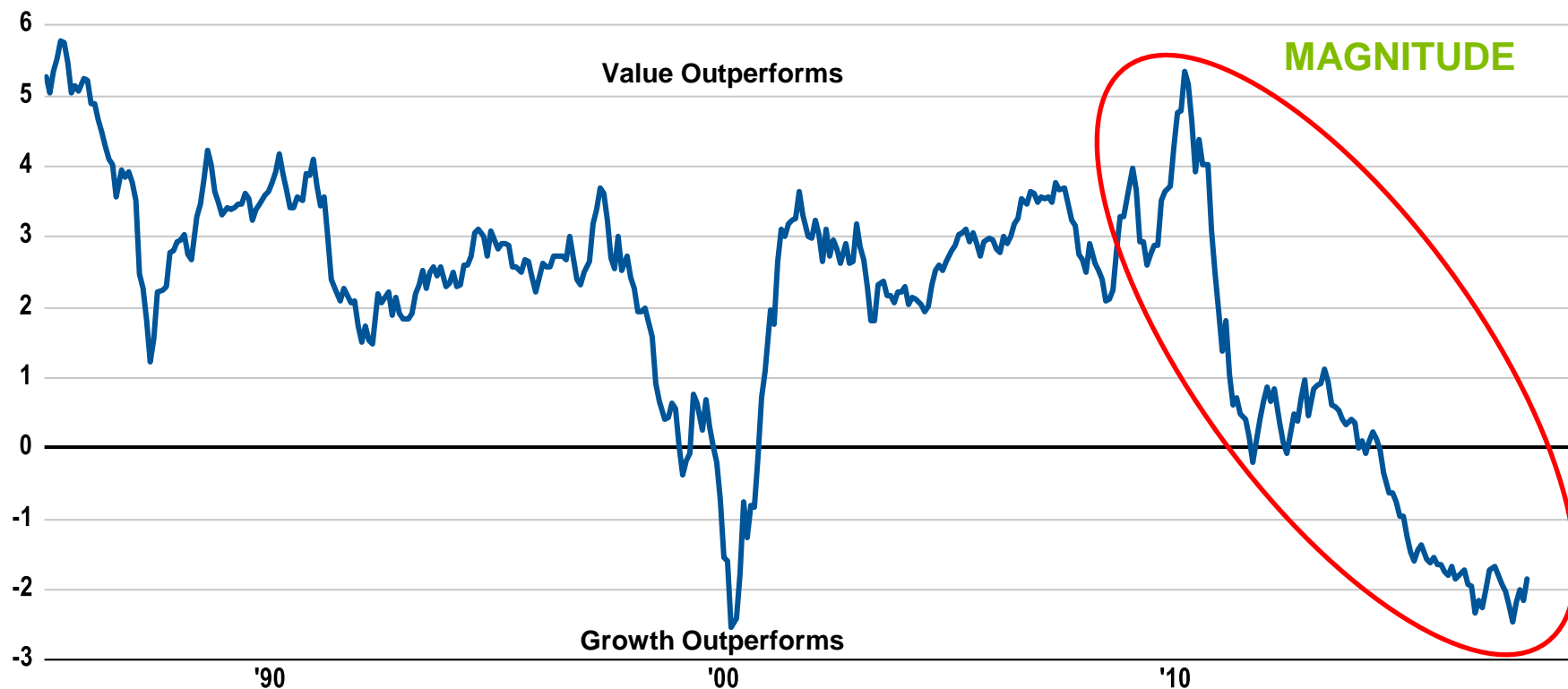


All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. To the extent 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.

# A Continuing Dry Spell for Value

## Relative Performance Global Value vs. Global Growth

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

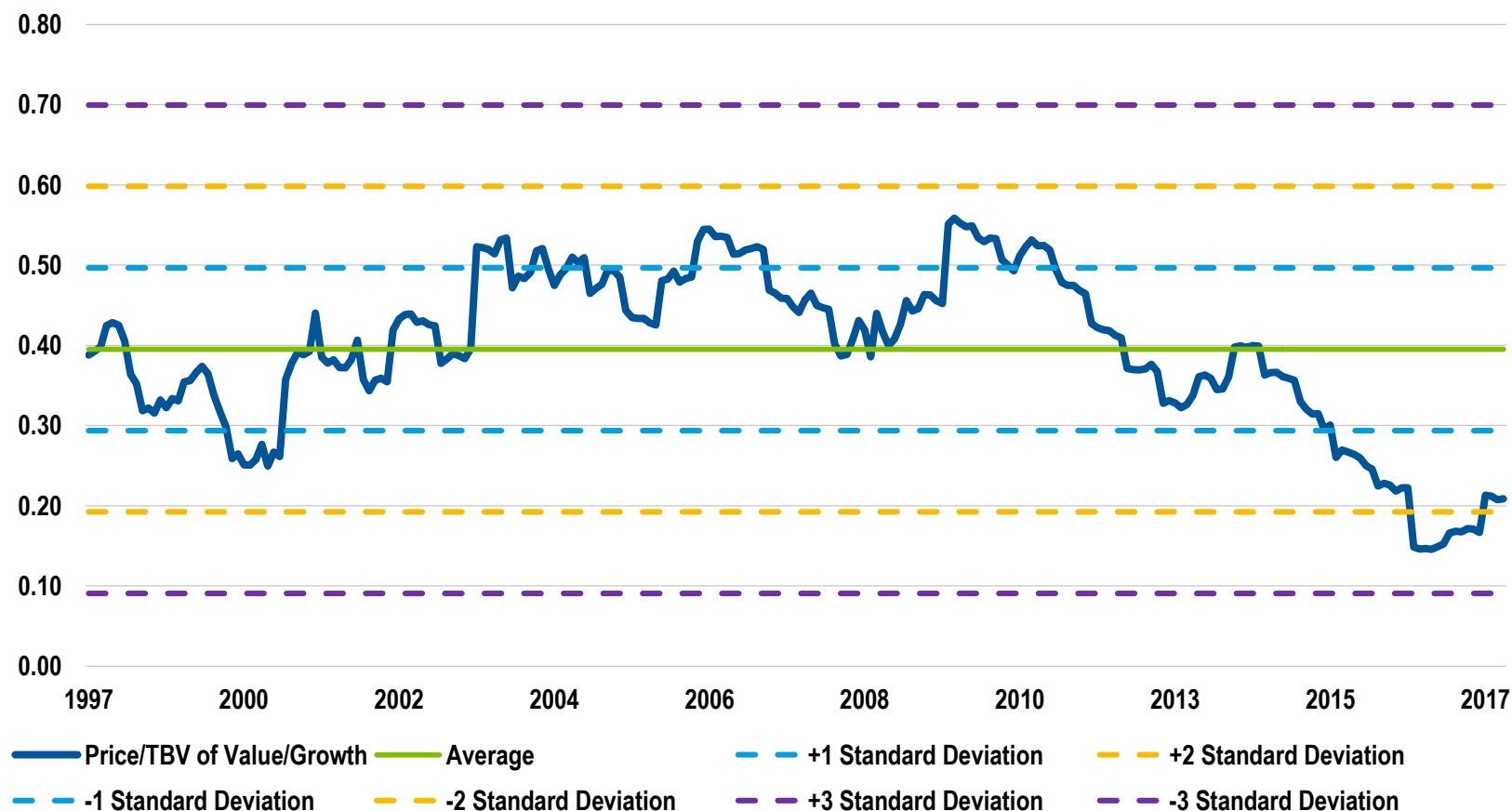


Source: Factset, MSCI. Rolling 10yr annualised excess returns of MSCI World Value Index vs. MSCI World Growth Index. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed 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> September, 2017



# When the Economy Strengthens, Value Stocks Perform Better

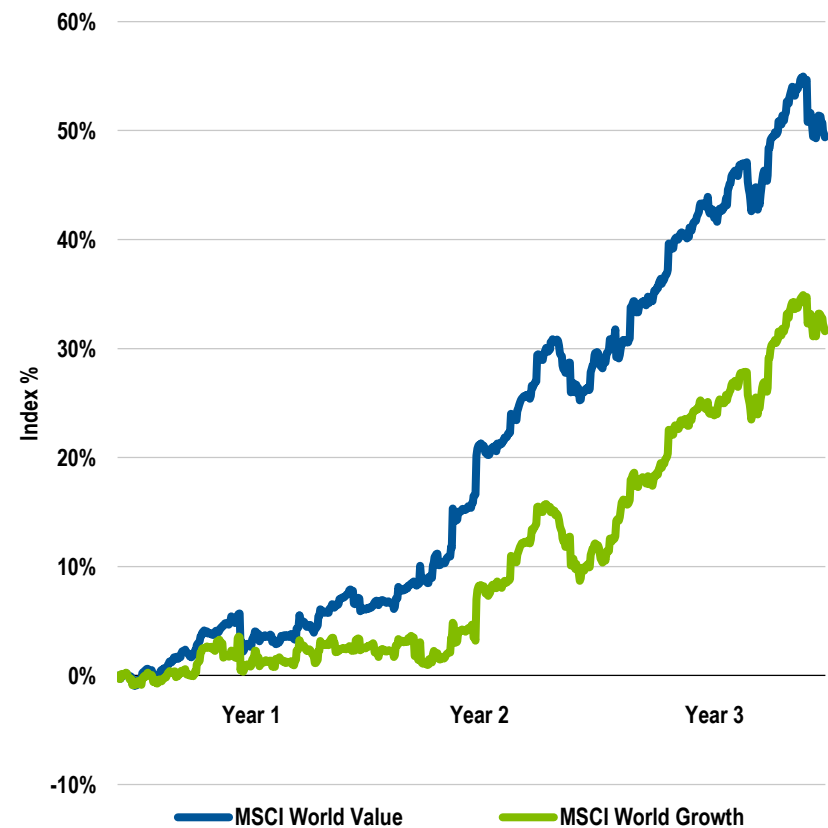
## Global Value vs. Growth Has Closely Tracked US 10 Year Yields<sup>1</sup>

*From January 2001 to October 2017*



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

*Ten Periods From 1976 to 2017*



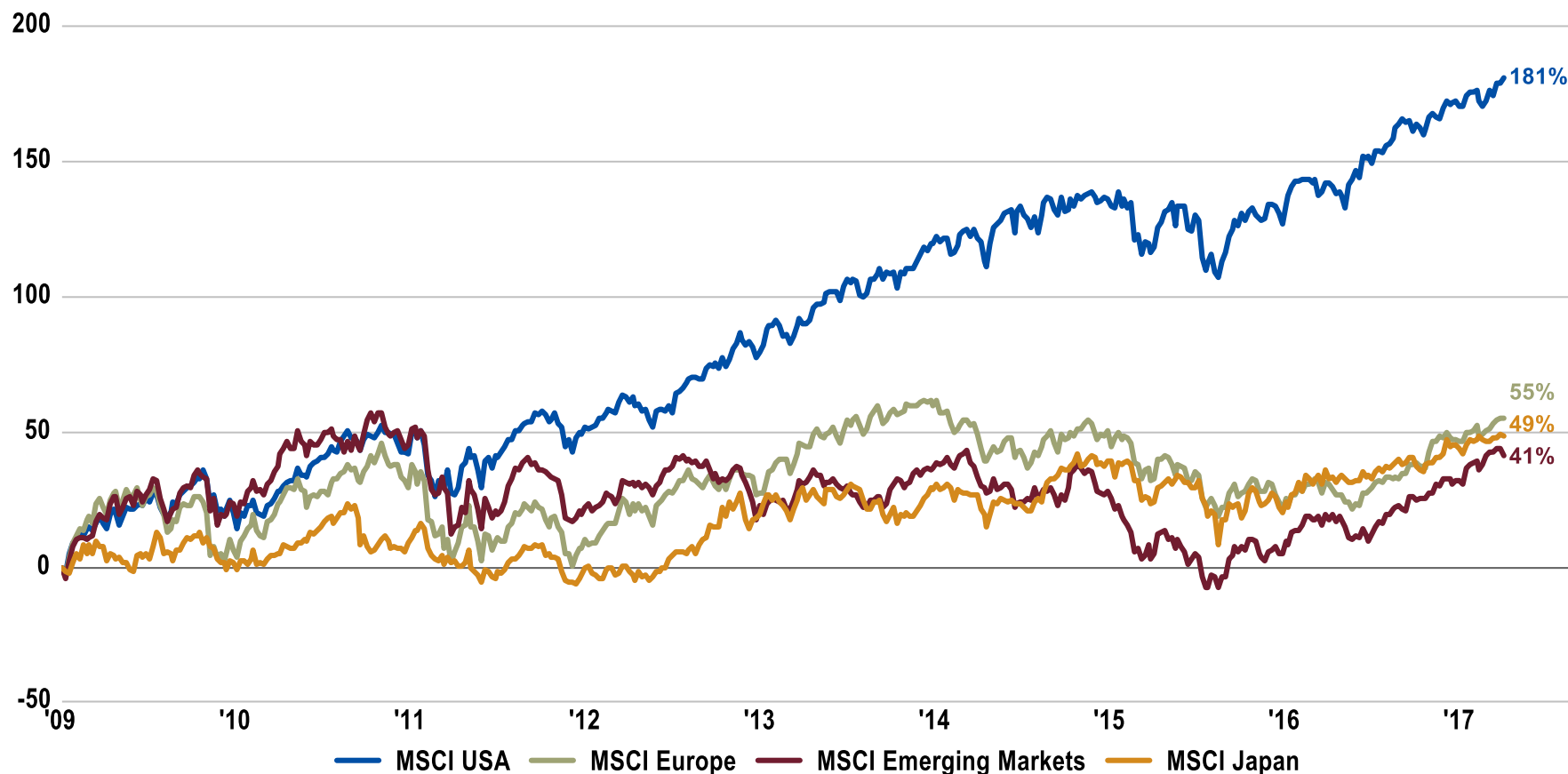
1. Source: Barclays Research, DataStream, MSCI. Data as of 04 October 2017.

2. Source: Calculations by Franklin Templeton Investments using data sourced from FactSet. Data as of 04 October 2017.

# The US Has Clearly Stood Out in the Last 8+ Years

## Price Change, USD

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

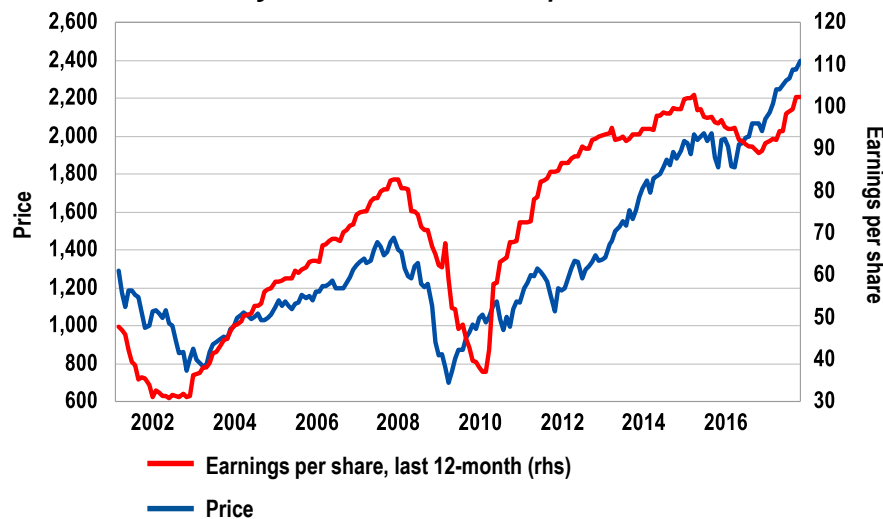


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# Valuation Favours Markets Outside the US

## U.S. Earnings MSCI USA

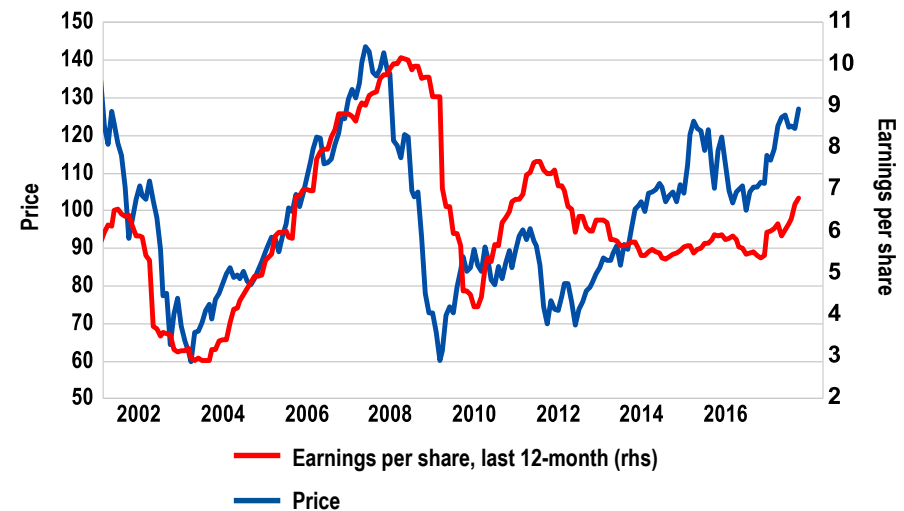
31<sup>st</sup> January, 2001 to 30<sup>th</sup> September, 2017



	Current (September 30, 2017)	Long Term Average (Since Jan. 1980)
P/Trend Earnings	21.1x	18.0x
P/B	3.2x	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> September, 2017



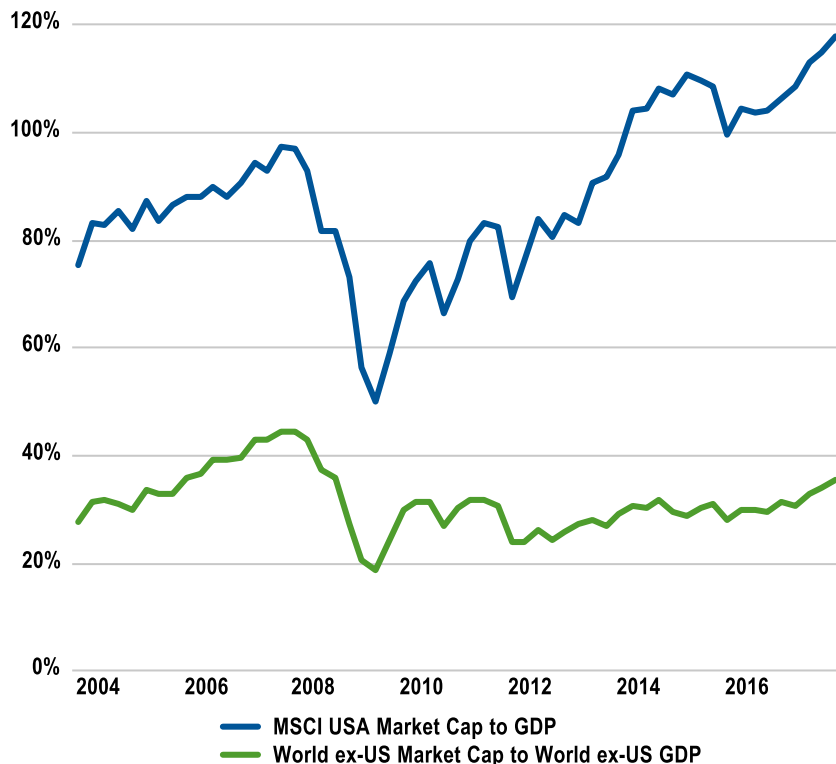
	Current (September 30, 2017)	Long Term Average (Since Apr. 1998)
P/Trend Earnings	16.2x	17.9x
P/B	1.7x	2.0x
Earning Trend	Poised to Rise	
Opportunities	Many	

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)

# Valuation Favours Markets Outside the US

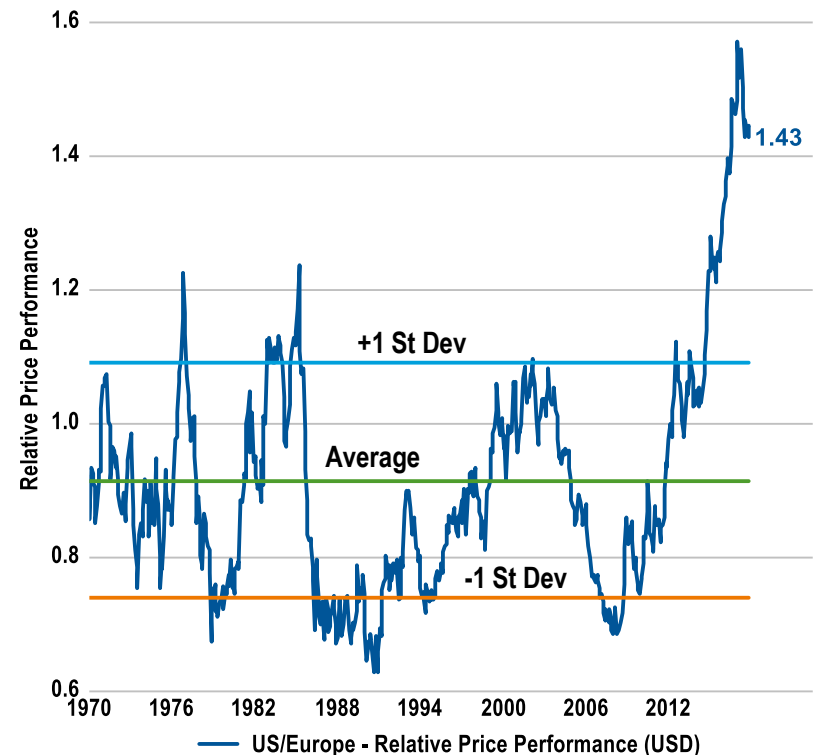
## Market Cap to GDP<sup>1</sup>

September, 2003 to September, 2017



## Relative Price Performance of US to European Equities<sup>2</sup>

December, 1969 to September, 2017



1. Source: FactSet, MSCI, Oxford Economics.

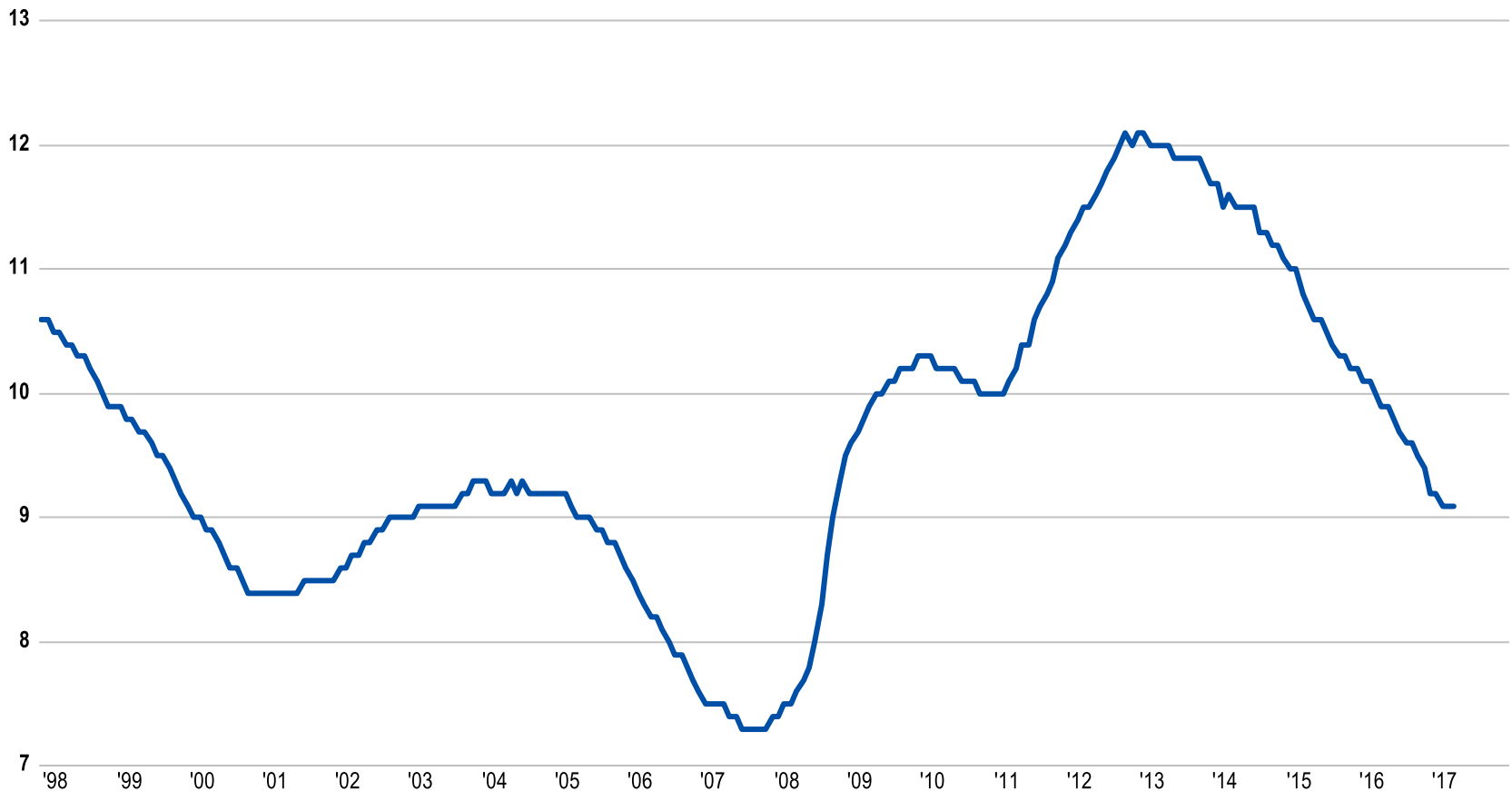
2. Source: FactSet, MSCI, S&P Dow Jones Indices.

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# European Economy Doing Better

## Eurozone: Unemployment Rate

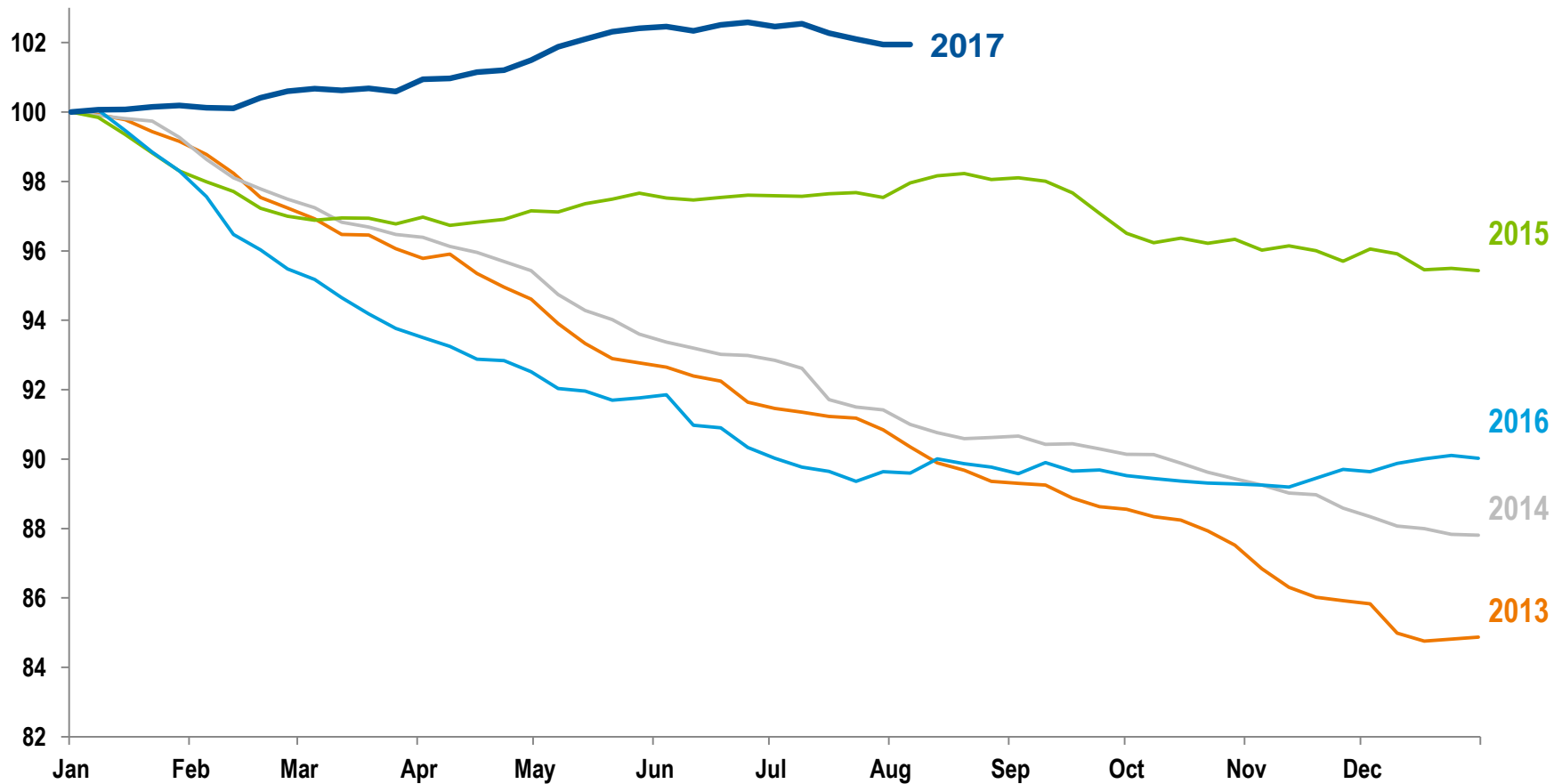
*30<sup>th</sup> April, 1998 to 31<sup>st</sup> August, 2017*





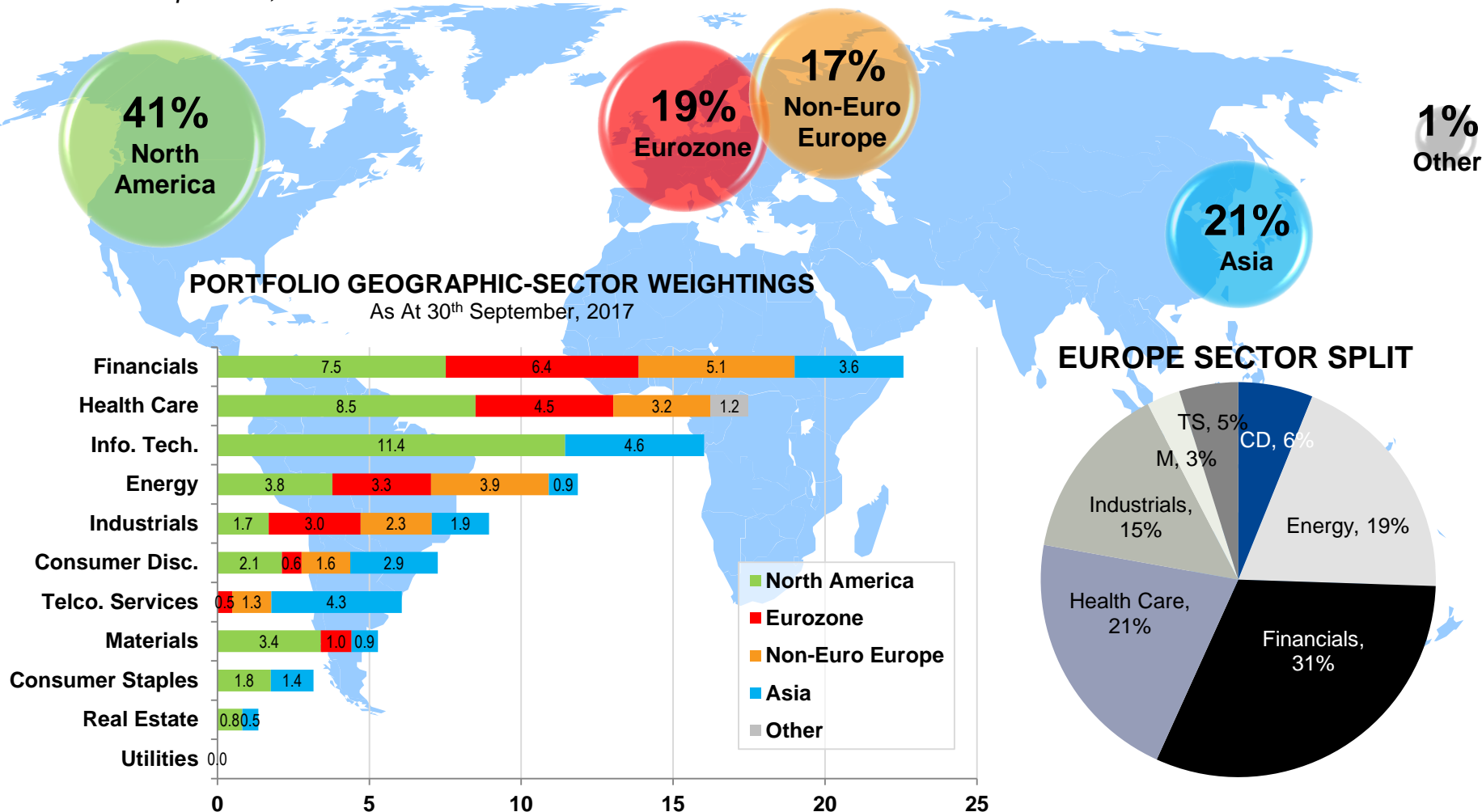
# European Earnings Doing Better

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



# Templeton Global Growth Fund – Weights

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



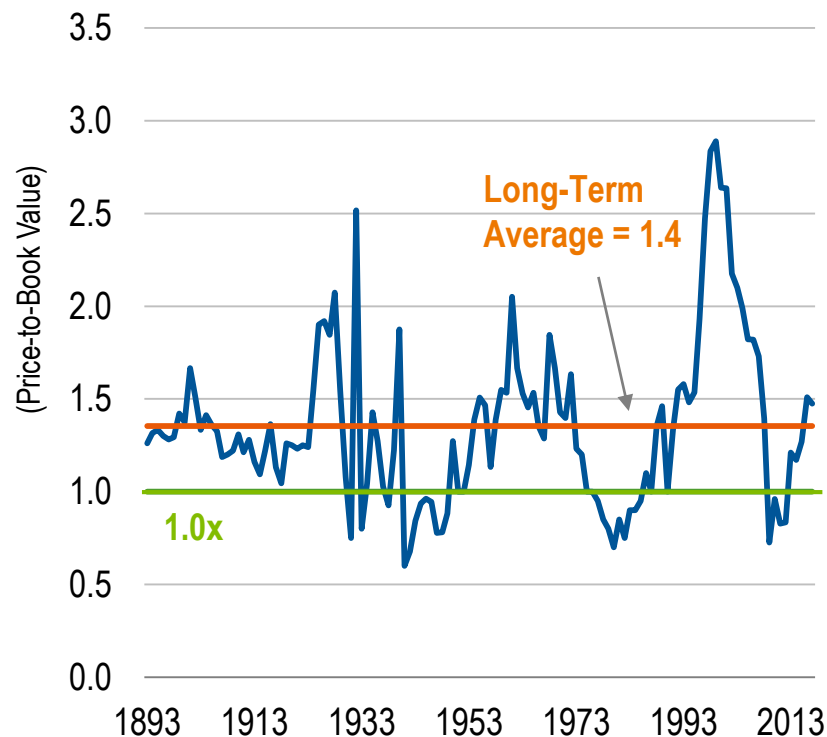
Weightings as percent of equity. Percentage may not equal 100% due to rounding.

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



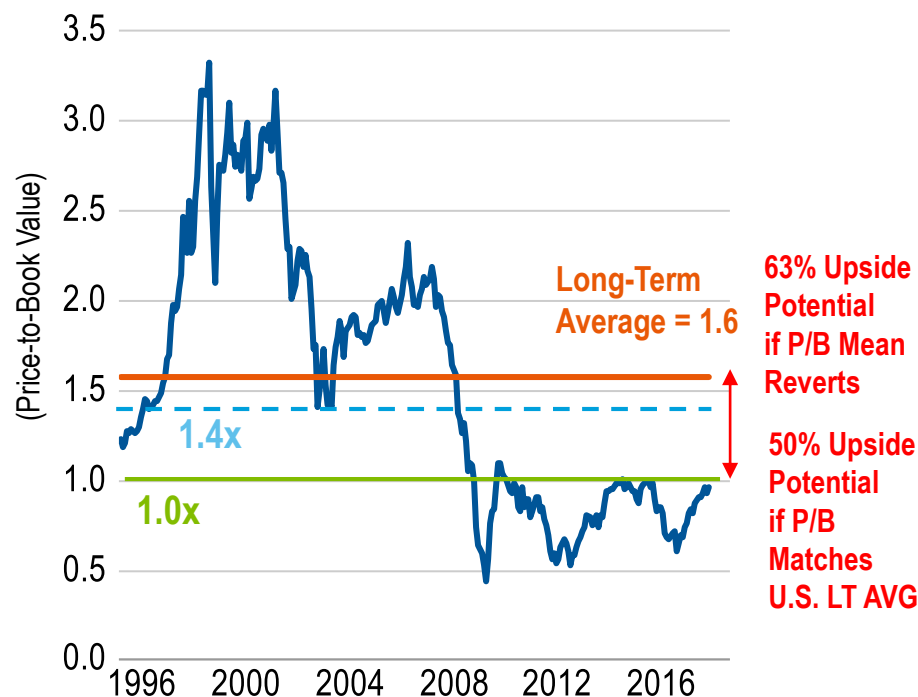
## U.S. Banks Price-to-Book Value<sup>1</sup>

As of 04 October 2017



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

31 January 1995 to 30 September 2017



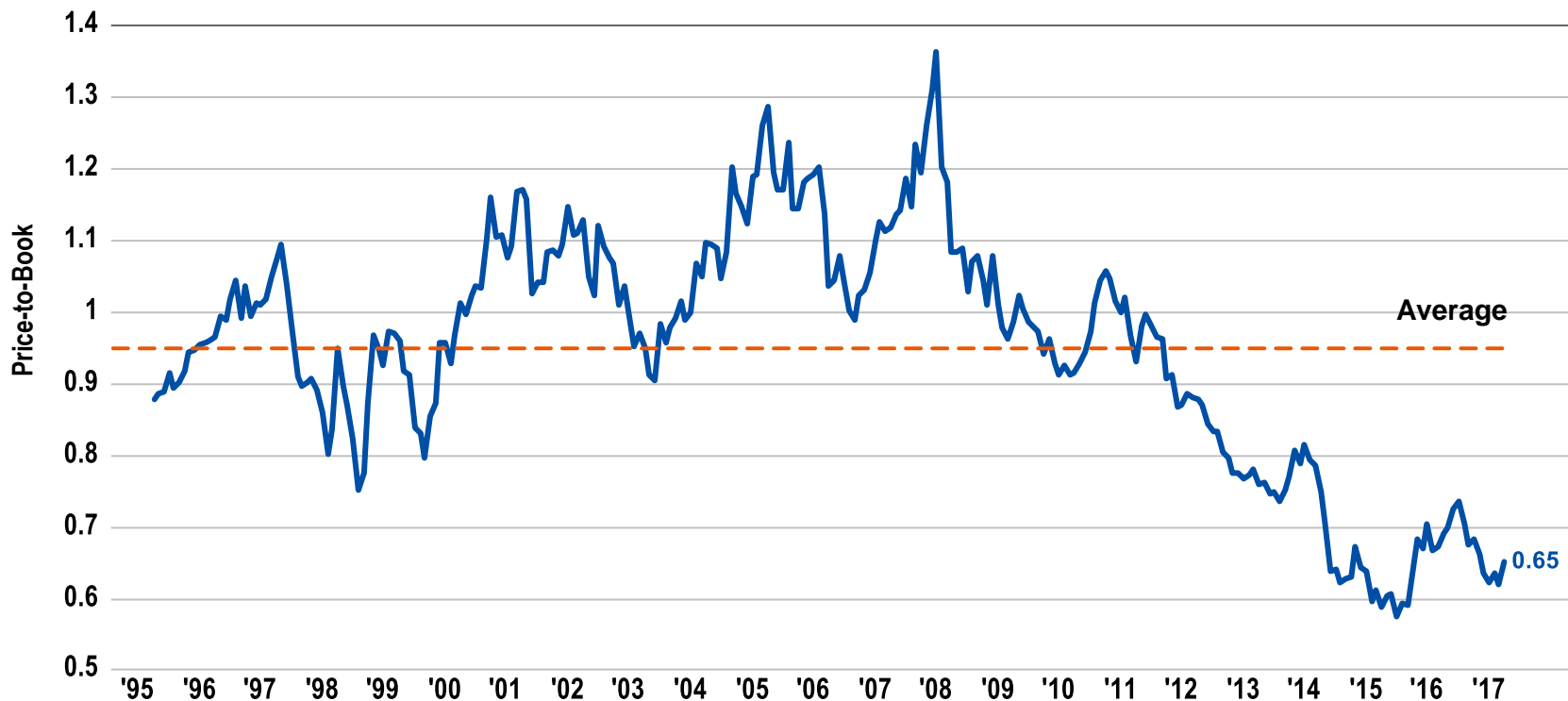
1. Source: Anthony Saunders & Berry Wilson, Impact of consolidation and safety net support on Canadian, US and UK banks, 1892-1992 (1999). Michael Keeley, Deposit Insurance, Risk and Market Power in Banking (1990). FDIC – History of the 1980s. Datastream, SNL. Autonomous Research. \* ignores war years,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

2. Source: FactSet, MSCI. Data from January 31, 1995 to September 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

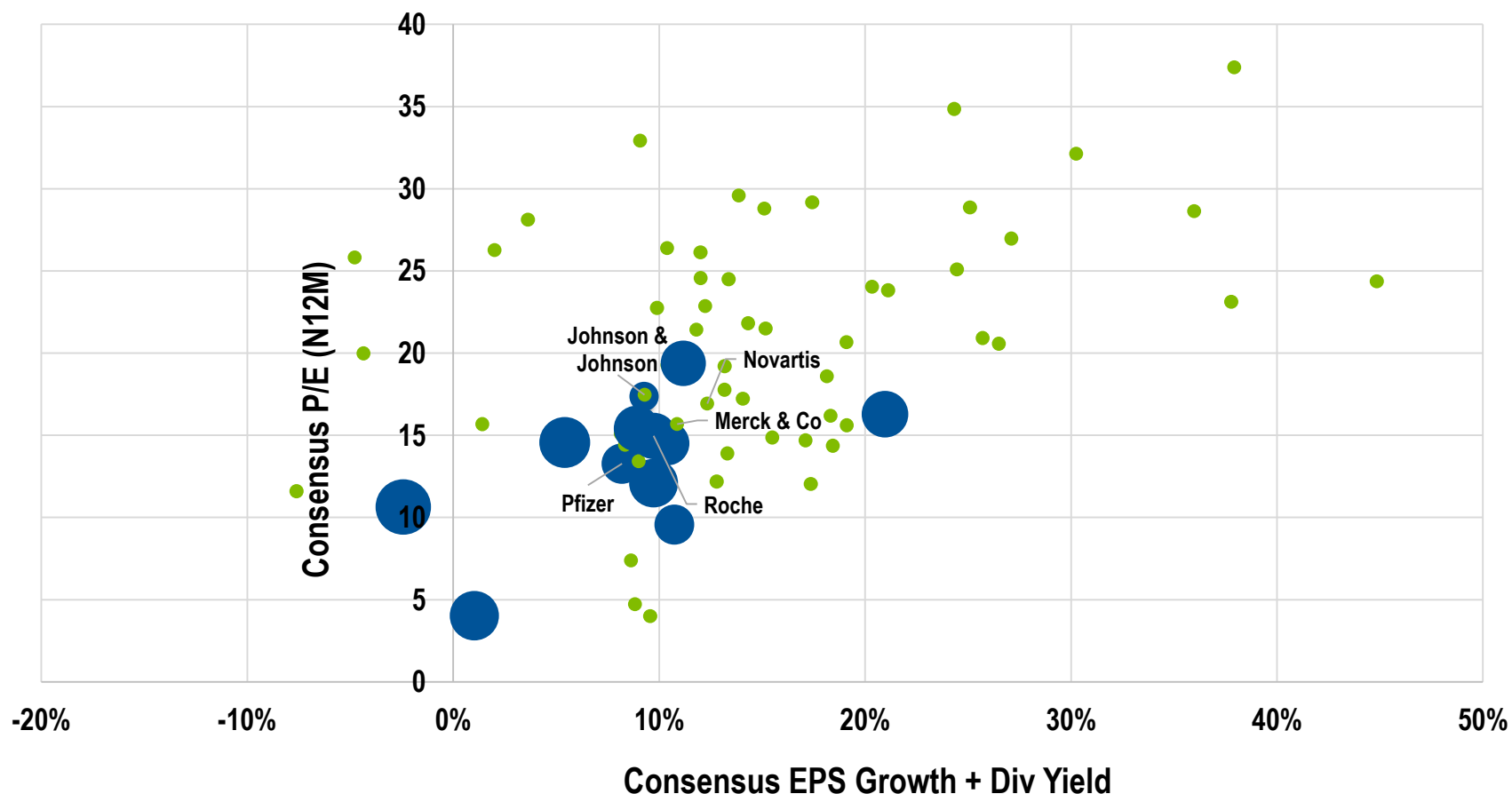
29<sup>th</sup> September, 1995 to 30<sup>th</sup> September, 2017



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## MSCI AC World Pharmaceuticals & Biotechnology Index

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



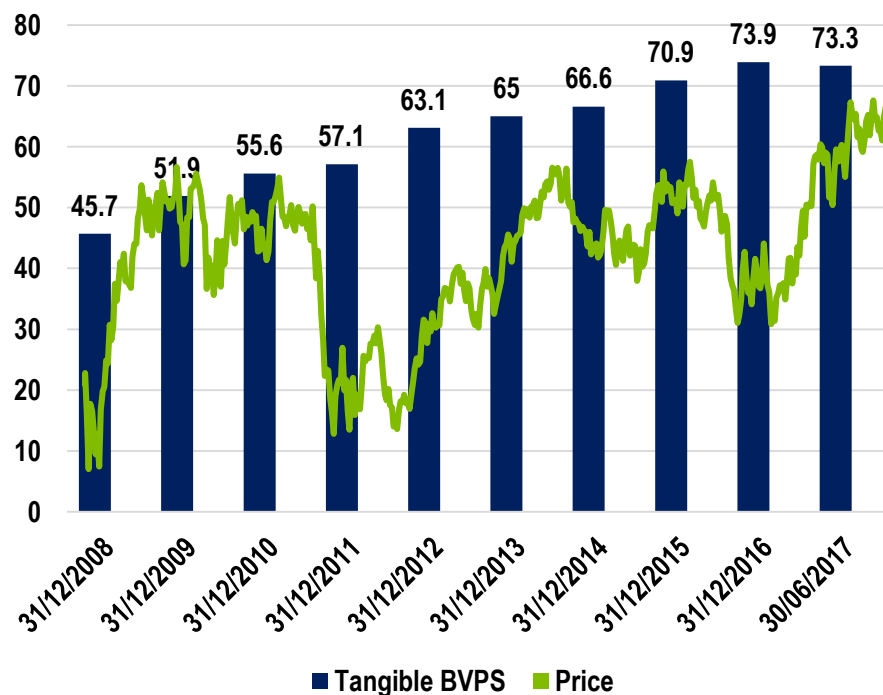
Source: FactSet, MSCI. Blue dots are portfolio holdings. Green dots are constituents of the MSCI AC World Pharmaceutical index that are not portfolio holdings. Constituents lacking consensus estimates, or with extreme values as defined by lying outside the chart axis, are not shown. EPS growth shown for year after next 12 months. Companies named are the largest 5 by free-float market capitalisation. Bubble size is an illustration of portfolio holding size.

## 2017 Top 3 stocks

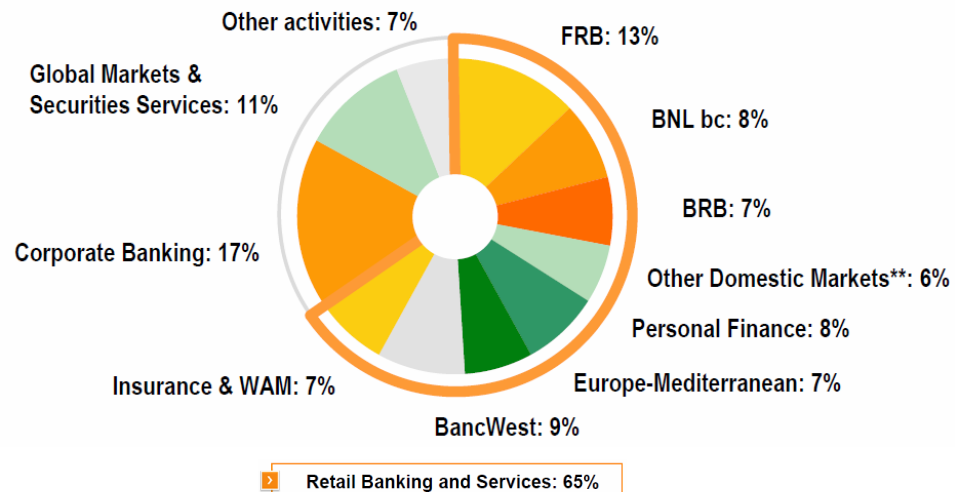
- Samsung Electronics
- Lufthansa
- BNP

# BNP Paribas: Value vs Mr Market

## Tangible Book Value per Share, €



## Business Split<sup>1</sup>



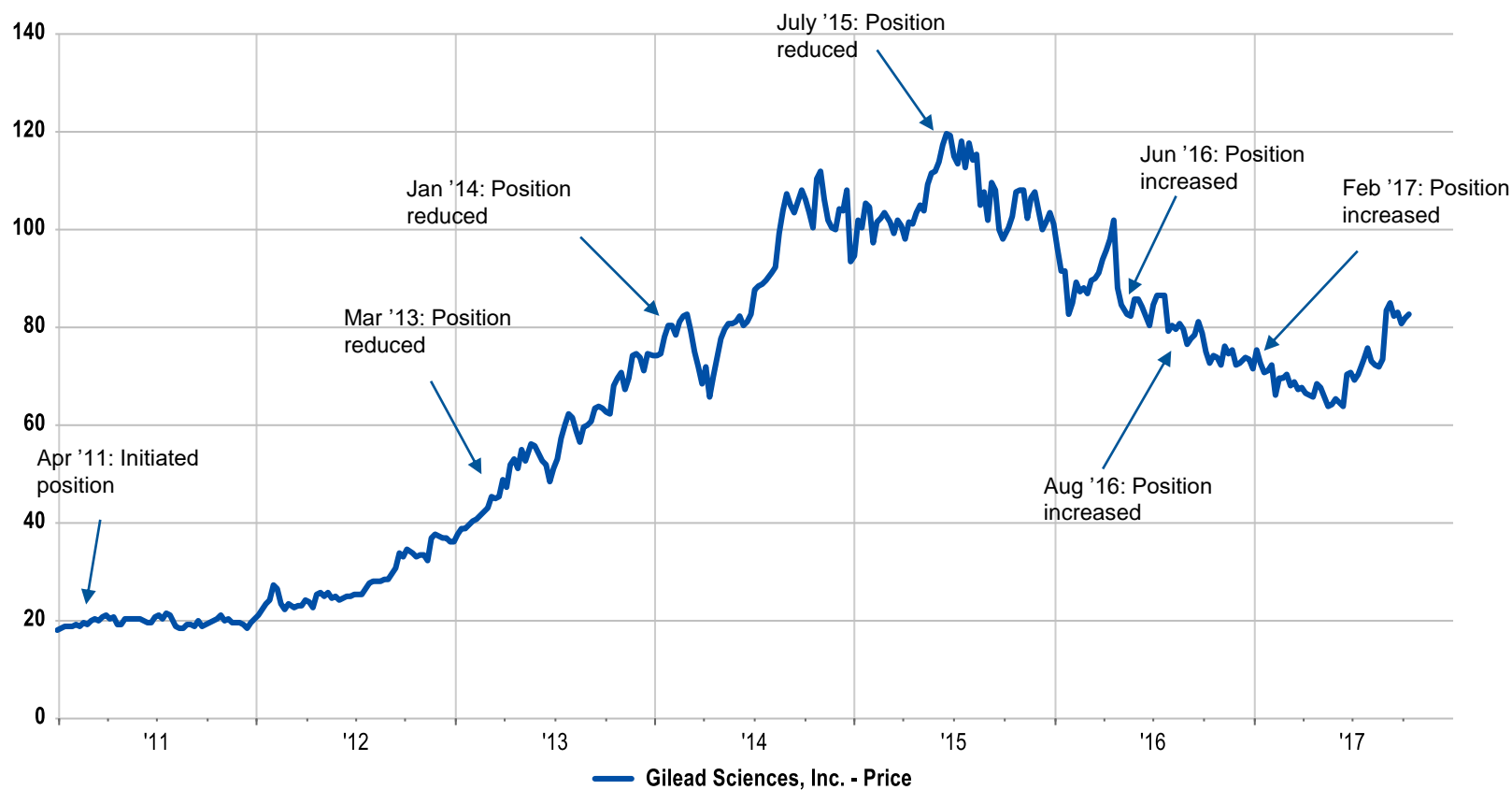
<sup>1</sup>As at 30<sup>th</sup> June 2017. Basel 3 risk weighted assets by business.  
Source: Company filings.

## 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



# Gilead: Innovation in Health Care



Source: Factset.

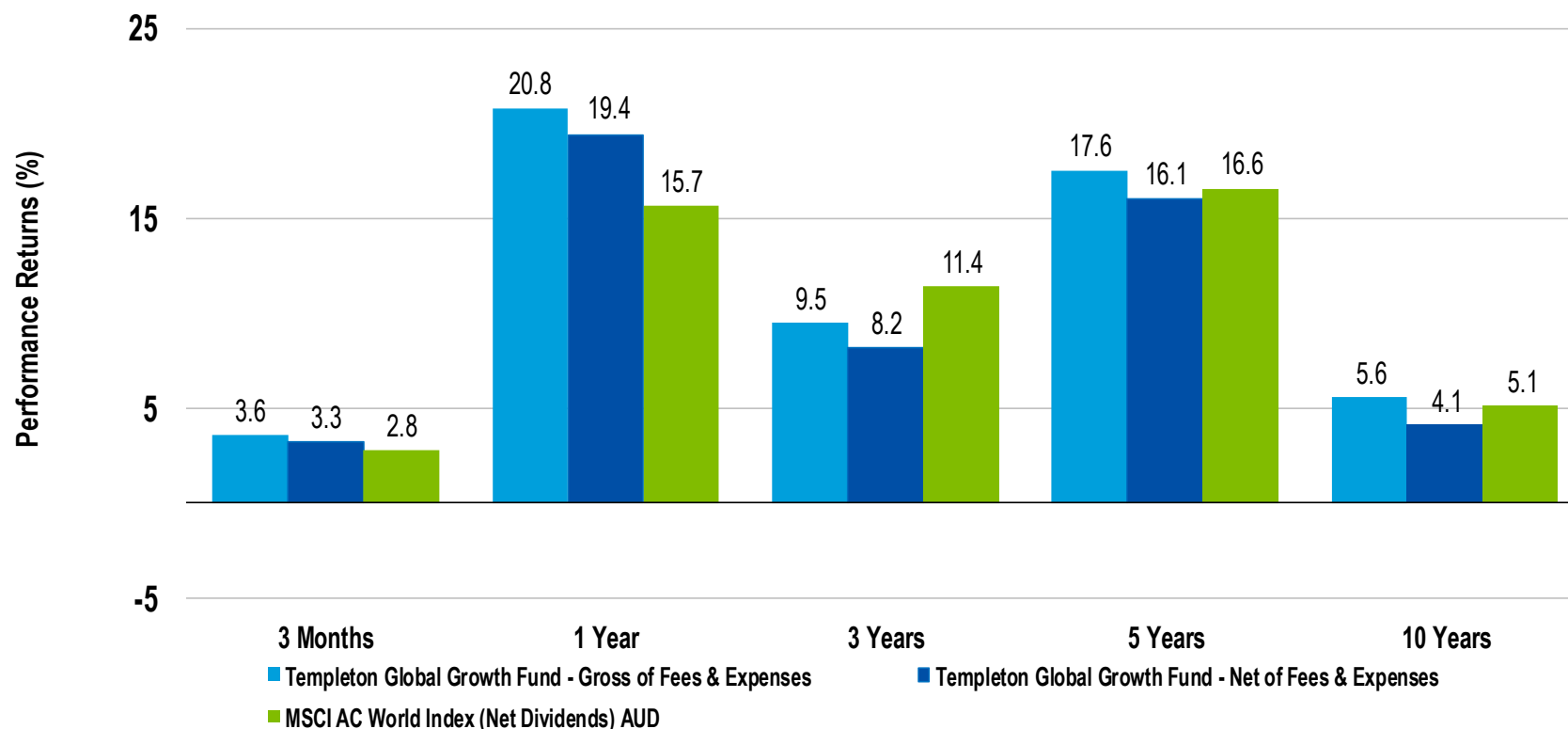
# Templeton Global Growth Fund

## Performance



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

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



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

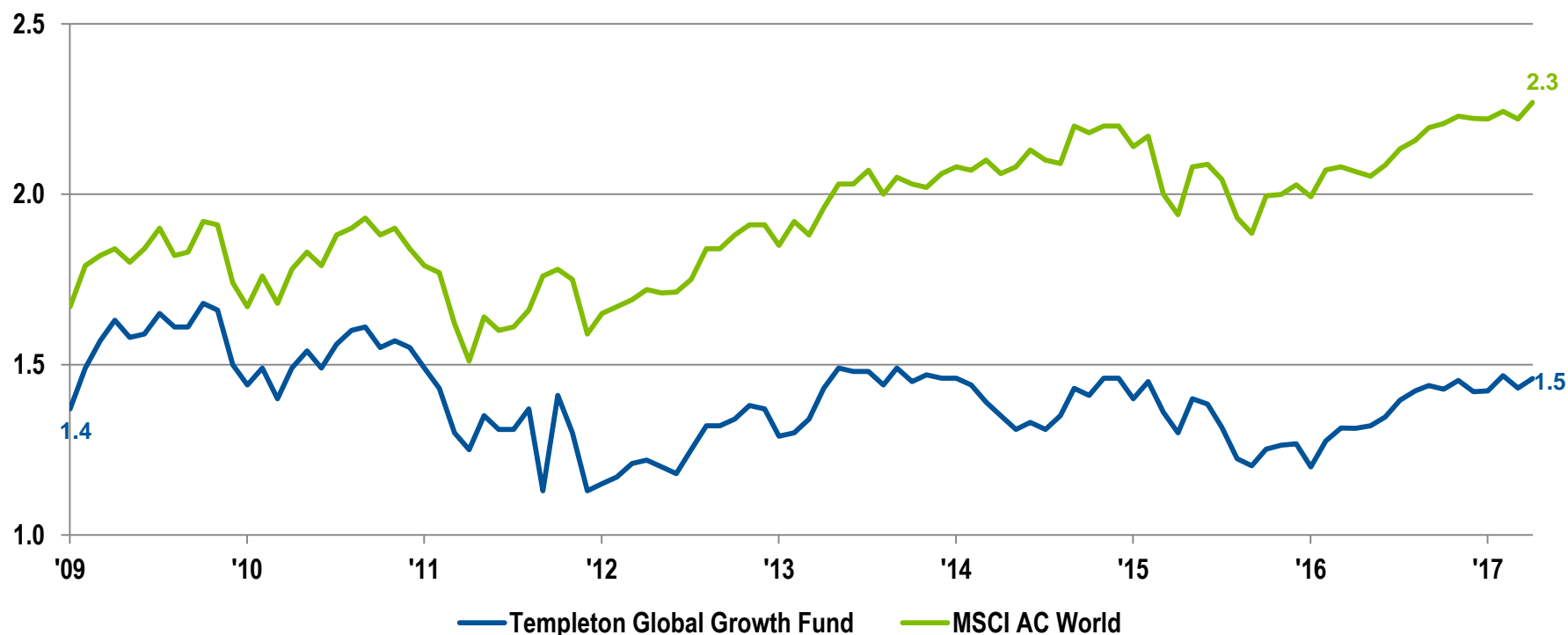
# Templeton Global Growth Fund

## 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> September, 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.

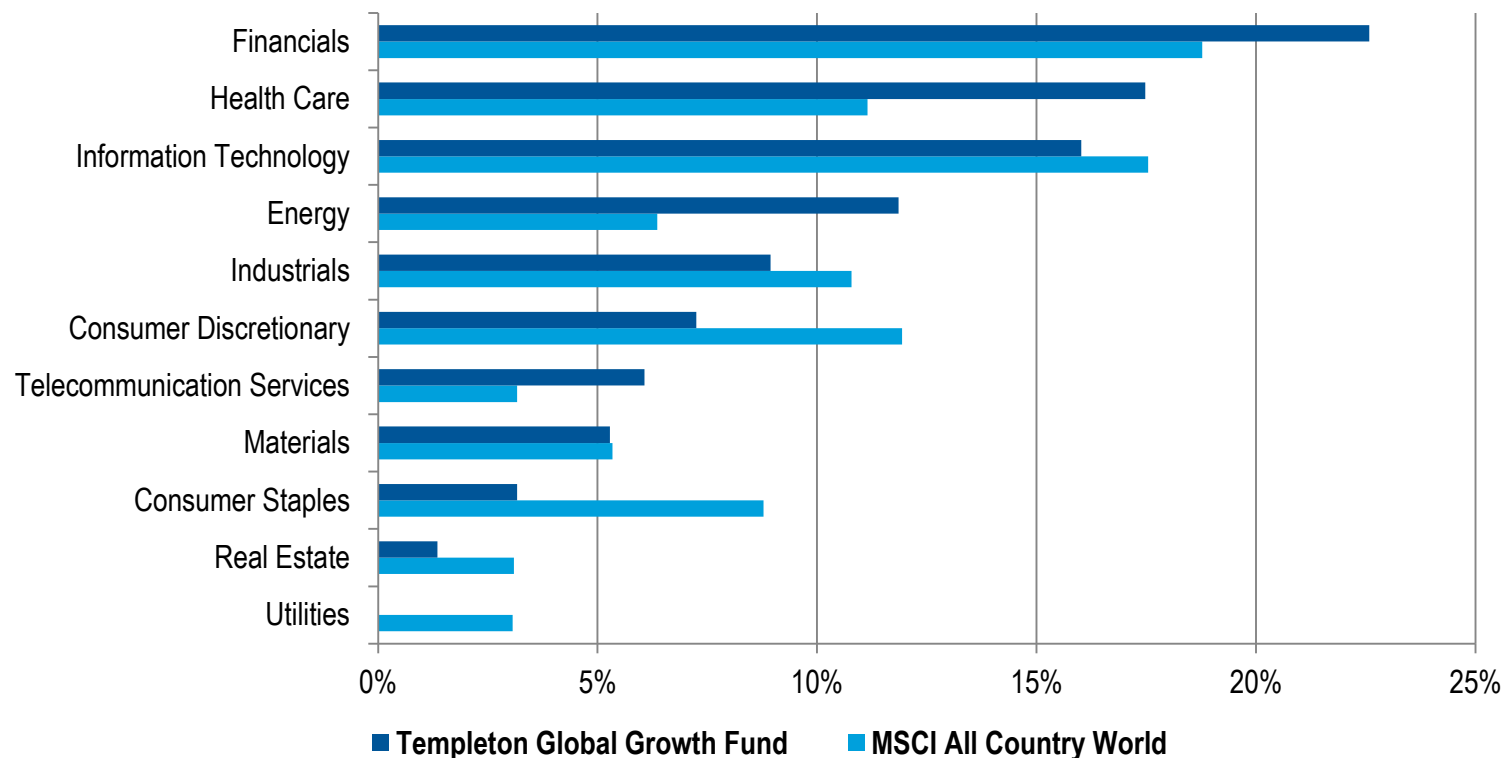
# Templeton Global Growth Fund

## Sector Allocation



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

*As at 30<sup>th</sup> September, 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.

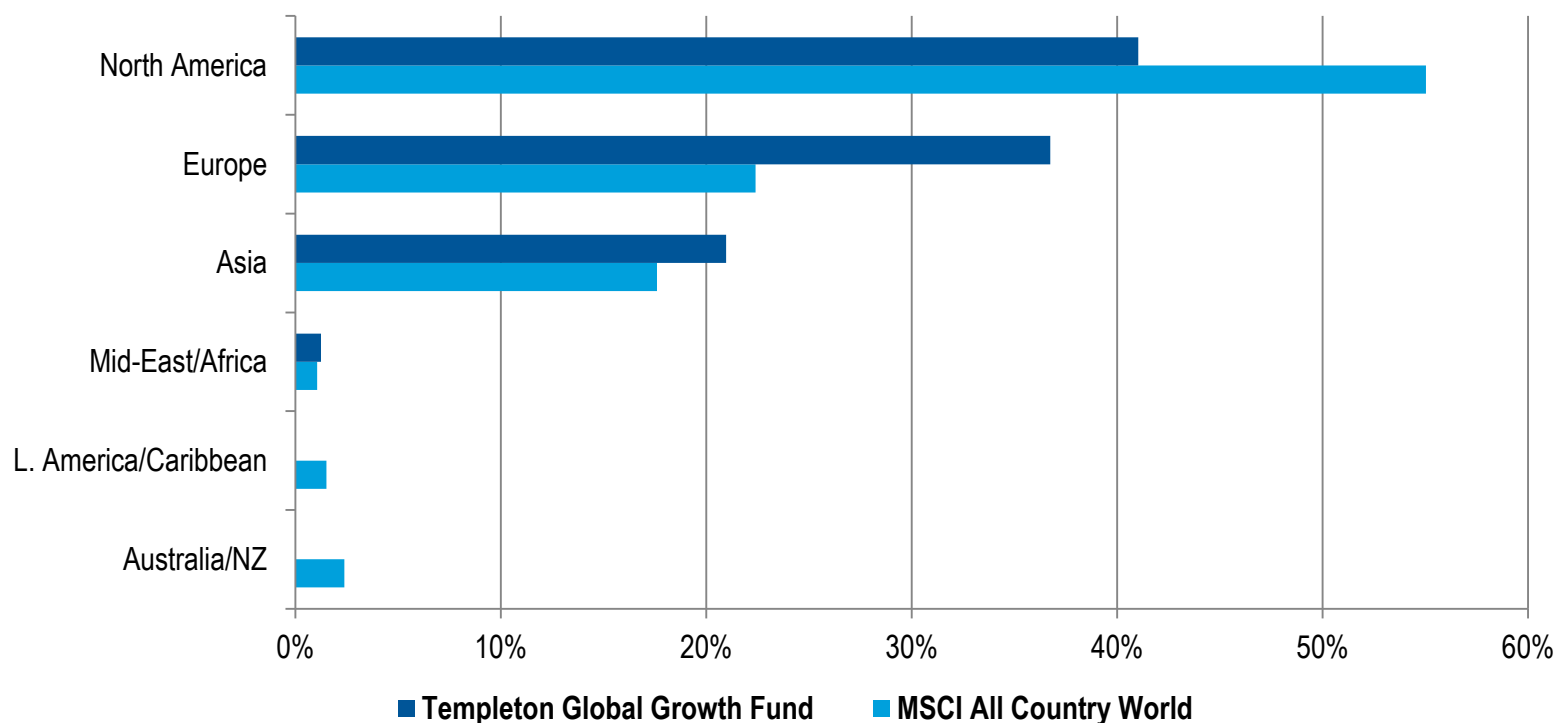
# Templeton Global Growth Fund

## Geographic Allocation



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

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



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# Templeton Global Growth Fund

## Top Ten Holdings



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

Name of Issuer	Country	Industry	% of Fund
MICROSOFT CORP	United States	Software & Services	2.5
SAMSUNG ELECTRONICS CO	South Korea	Technology Hardware & Equipment	2.5
ORACLE CORP	United States	Software & Services	2.1
ROYAL DUTCH SHELL PLC	United Kingdom	Energy	2.0
BP PLC	United Kingdom	Energy	1.9
ALPHABET INC	United States	Software & Services	1.9
CITIGROUP INC	United States	Banks	1.8
SOFTBANK GROUP CORP	Japan	Telecommunication Services	1.7
BNP PARIBAS SA	France	Banks	1.6
JPMORGAN CHASE & CO	United States	Banks	1.6
<b>TOTAL</b>			<b>19.6</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.

- Eventual normalisation of economic and policy trends to be supportive of value-oriented equities after a pronounced period of underperformance
- Looking at opportunities:
  - we remain positive on Europe
  - good value among energy producers
  - favour lowly valued pharma/biotech firms with innovative pipelines
  - select European financials (and those in the rest of the World) continue to look attractive

# 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.

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