



TEMPLETON GLOBAL GROWTH FUND LTD

Quarterly Investment Manager's Report

JUNE 2018

INVESTMENT MANAGER

The Investment Manager of the Company's investment portfolio is Franklin Templeton Investments Australia Ltd. The Company's portfolio is managed in accordance with the investment philosophy of the Templeton Global Equities Group ("Templeton"), which forms part of the Franklin Templeton Investments group, a large U.S. based investment management organisation. Templeton is one of the pioneers in global investing and its successful investment philosophy has been refined over more than 60 years. The Templeton investment process endeavours to identify undervalued securities through fundamental company analysis, using a global focus and a long term investment horizon.

INVESTMENT APPROACH

Templeton's time-tested investment approach is based on its philosophy of value, patience and bottom-up stock selection. Templeton focus on the rigorous analysis of individual stocks across geographic borders and seek to identify companies trading at significant discounts to Templeton's estimates of future earnings power, cash flow generation and/or asset value. As independent thinkers with strong conviction in their investment ideas, they take an unconstrained approach to finding value.

CONTACT DETAILS

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PERFORMANCE DATA¹ (AS OF 30/6/18)

Average Total Returns (AUD%)

	Quarter	1 Year	3 Years	5 Years	10 Years
Templeton Global Growth Fund Ltd - Pre-Tax Gross of Fees	3.4	12.6	7.8	13.1	9.4
Templeton Global Growth Fund Ltd - Net of Fees ²	3.1	11.1	6.5	11.7	7.9
MSCI All Country World (Net Dividends) Index ³	4.4	15.0	9.6	14.2	8.6

Net Tangible Assets (NTA) – Unaudited

	31 March 2018	30 June 2018
TGG share price (cents)	1.38	1.42
NTA per share before tax (\$) ⁴	1.527	1.559
Premium/(Discount) to NTA before tax (%)	(9.6)	(8.9)
NTA per share after tax (\$) ⁴	1.463	1.496
Premium/(Discount) to NTA after tax (%)	(5.7)	(5.1)

The market value of the portfolio represents prices quoted on overseas stock markets in foreign currencies converted to Australian currency. The rate used for conversion of values of US currency securities was USD 0.7389, EUR 0.6328 and GBP 0.5596.

QUARTERLY MARKET REVIEW

Global equity markets gained in Q2 2018 in Australian dollar terms. Developed-market stocks advanced ahead their emerging- and frontier-market peers, which generally suffered fairly steep declines.

Growth continued to outperform value during the reporting period (6.3% return for the MSCI ACWI Growth Index versus 2.7% for MSCI ACWI Value in AUD terms) amidst escalating trade tensions that unnerved investors. Performance trends remained broadly consistent with recent periods, with a few exceptions.

Growth-oriented technology shares and dominant US equities maintained their long-running leadership, while energy extended more recent gains as supply concerns in Venezuela and Iran and a smaller-than-expected output increase by OPEC (Organization of the Petroleum Exporting Countries) supported crude prices.

Health care stocks bounced back strongly amidst stock-specific progress and a growing acknowledgment of the sector's discounted valuations and defensive characteristics. A less welcome new development was the downturn in recently solid European bank shares, and the broader European market, as concerns about Italian politics and softer regional growth intensified.

QUARTERLY PERFORMANCE ATTRIBUTION

The portfolio underperformed its benchmark for the quarter. A downturn in European bank shares detracted from relative returns in the financials sector. Investor concerns about the combination of Lega and the Five Star Movement to form a populist Italian government and somewhat weaker economic releases intensified during the quarter; however, after reducing exposure to European financials amid last year's strength, we have viewed the recent volatility as a selective buying opportunity.

Stock selection in the health care sector supported relative fund returns. Within the health care sector generally, we have focused on concentrating the portfolio among our highest conviction holdings, which tend to fall into one of two categories: 1) the very cheapest companies with stock-specific issues, and 2) stable companies that have de-rated more moderately due to macro challenges like generic competition and pricing pressures. We have been encouraged by the progress Israeli generic drug maker Teva Pharmaceutical Industries is making under its new chief executive officer's restructuring plan, which seeks to refinance and pay down debt, renew the focus on profitability and deliver US\$3 billion in savings by 2019. The stock could find additional support following a major vote of confidence from Warren Buffett's Berkshire Hathaway, which recently doubled its stake in the firm.

An overweighting and stock selection in the energy sector also boosted results. Energy stocks accounted for several of the portfolio's top 10 contributors, namely UK integrated oil and gas firms BP and Royal Dutch Shell, as well as US exploration and production firm, Apache. Within the energy sector more broadly, we have continued to manage the commodity cycle by selling into the strength of higher-beta oil services stocks as the price of crude rises while maintaining or increasing exposure to high-quality integrated oil producers with the potential for further multiple expansion as new-found capital discipline generates the cash flows required to sustain generous dividend pay-outs. We think oil price upside potential is limited from current levels given mounting pressures on OPEC—and rising incentives for shale producers—to expand supply. However, material downside potential also appears limited given ongoing growth in global demand for oil.

Stock selection and an underweight allocation in the information technology sector curbed relative results, pressured by the shares of US telecom equipment firm CommScope, which declined after pricing pressures negatively impacted the company's margins. While aggressive pricing from US telecom carriers embarking on large-scale projects has pressured CommScope's profitability, the resulting single-digit hit to near-term free cash flow guidance did not justify the significant share-price selloff, in our view. CommScope has remained a leading global franchise in the solidly growing wireless equipment space (with a #1 or #2 position in most product areas), and the recent pricing concessions have provided the company with solid shares of new, long-term projects. We remain sceptical about the sustainability of tech's outperformance more generally given that recent strength has been driven primarily by multiple expansion, not earnings growth. Indeed, the price-to-sales ratio for the S&P 500 Information Technology Index has almost doubled over the past five years while trend earnings growth has moderated. We cannot explain why contracting growth is being rewarded with an expanding multiple, and we have continued to underweight the sector amidst what appears to be the biggest divergence between tech valuations and fundamentals since the late 1990s.

INVESTMENT OUTLOOK

Looking ahead, we remain optimistic on the prospects for value and believe that companies whose fundamentals are underappreciated by a market focused on the short term should be well positioned for outperformance over time.

Despite our conviction in value's long-term prospects, we are not sitting idly by waiting for the cycle to turn. We have worked hard to continuously refine and improve our process with recent initiatives, including enhanced quantitative capabilities, improved risk management strategies, and the integration of ESG (environmental, social and governance) analysis into our investment framework.

The goal of these efforts is to ensure that our investment process remains true to Templeton's time-tested fundamental value approach while also evolving to best address client goals and market conditions.

PORTFOLIO CHARACTERISTICS – AS AT 30/6/18

	TEMPLETON GLOBAL GROWTH FUND LTD	MSCI All Country World Free Index
Weighted Average Market Cap (AUD Million)	144,059	160,296
Number of Securities	102	2,781

Price to Earnings

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	15.2x	18.5x

Price to Cash Flow

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	6.7x	11.6x

Dividend Yield

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	2.7%	2.4%

Price to Book Value

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	1.4x	2.3x

PORTFOLIO DIVERSIFICATION – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 30/6/18)

Top Ten Holdings⁵

SECURITY	COUNTRY	INDUSTRY GROUP
BP PLC	United Kingdom	Energy
ROYAL DUTCH SHELL	United Kingdom	Energy
SAMSUNG ELECTRONICS	South Korea	Technology Hardware & Equipment
ORACLE	United States	Software & Services
BNP PARIBAS SA	France	Financials
ALPHABET INC	United States	Software & Services
TEVA PHARMACEUTICALS	Israel	Pharmaceuticals
CITIGROUP INC	United States	Financials
CAPITAL ONE FINANCIAL	United States	Financials
SOFTBANK GROUP	Japan	Telecommunication Services

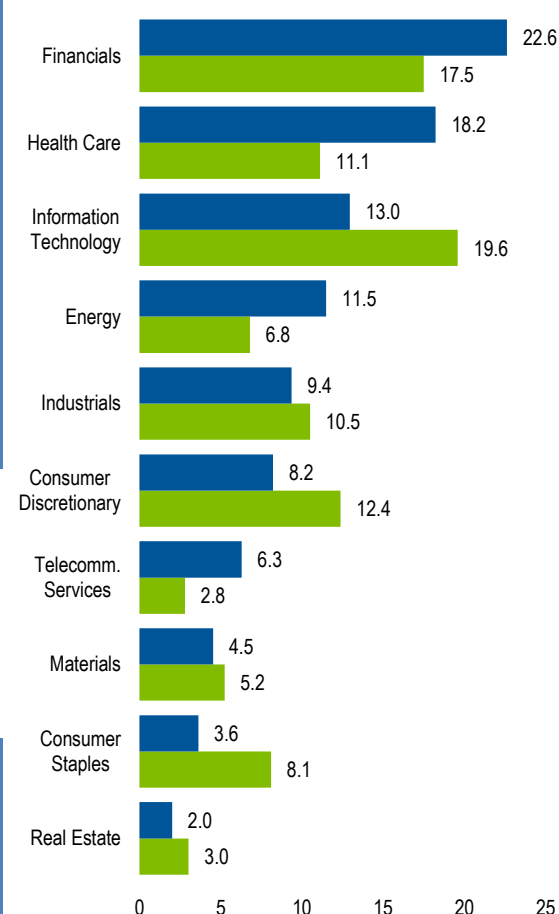
Country Allocation

The Company's portfolio of listed investments was spread over the following countries as at 30 June 2018.

COUNTRY	%	COUNTRY	%
CANADA	2.1	NETHERLANDS	2.2
CHINA	6.2	SINGAPORE	0.7
DENMARK	1.6	SOUTH KOREA	3.6
FRANCE	8.0	SWEDEN	0.5
GERMANY	4.9	SWITZERLAND	2.7
IRELAND	2.3	THAILAND	0.9
ISRAEL	1.7	UNITED KINGDOM	14.2
ITALY	2.0	UNITED STATES	35.5
JAPAN	7.6	Liquidity	3.4

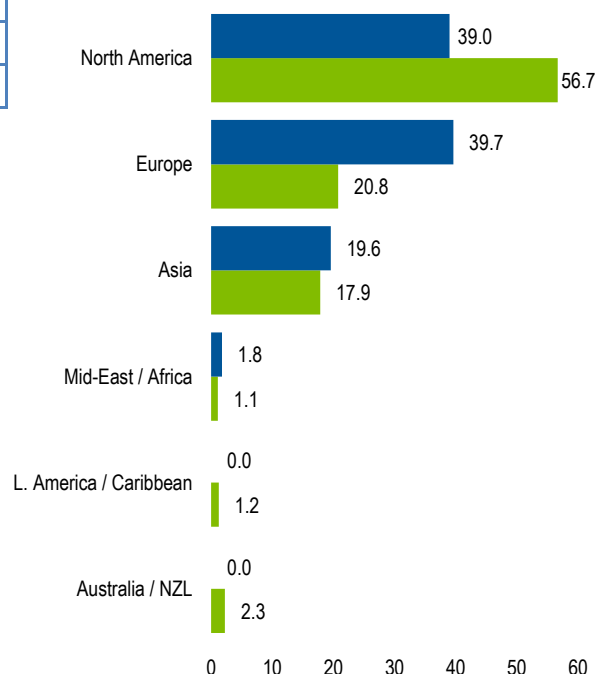
Portfolio Sector Weighting vs. MSCI All Country World Index (%)

Percent of Equity Ranked by Fund Weighting



Portfolio Regional Weighting vs. MSCI All Country World Index (%)

Percent of Equity Ranked by Fund Weighting



■ Templeton Global Growth Fund Ltd
■ MSCI All Country World Index

TEMPLETON INVESTMENT TEAM

TEMPLETON GLOBAL EQUITY MANAGEMENT TEAM	Years with Firm	Years Experience
Norman Boersma, CFA, Chief Investment Officer	26	32
Heather Arnold, CFA, Director of Research	13	34
Antonio T. Docal, CFA, Director of Portfolio Management	18	38
Peter Wilmshurst, CFA, Portfolio Manager/Research Analyst	20	25
TEMPLETON GLOBAL EQUITY TEAM	Number of Members	Average Years Experience
Portfolio Managers/Analysts	27	23
Research Analysts	12	11

TEMPLETON GLOBAL EQUITY GROUP

– VALUE INVESTORS FOCUSED ON SEEKING LONG-TERM CAPITAL GROWTH



COMPLIANCE STATEMENT AND OTHER INFORMATION

Benchmark: The MSCI AC World Free Index is the primary benchmark. The benchmark is used for comparative purposes only and is provided to represent the investment environment existing during the time periods shown. The index is unmanaged and one cannot invest directly in an index.

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Explanatory Notes:

- Periods of more than one year are annualised.
- Returns are based on movement in the Company's net assets per share (after deducting investment management fees), before all taxes, with dividends reinvested and adjusted for share issues and buy-backs.
- Source: Morgan Stanley Capital International (MSCI). All MSCI data is provided "as is." The Fund described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the Fund described herein. Copying or redistributing the MSCI data is strictly prohibited.
- Estimated tax on unrealised gains.
- Top ten holdings represent the 10 largest equity holdings at the end of the quarter, and may not reflect the current or future portfolio holdings. This does not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities listed was or will be profitable. Holdings of the same issuer have been combined.

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. Nothing in this update should be construed as investment advice. 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.