



FRANKLIN TEMPLETON
INVESTMENTS

Templeton Global Equity

‘Higher bond yields + Higher inflation = Value Performs’

August 2018

Key Issues

1. A (nother) setback for value performance
2. Economic slowdown in Q2'18
3. Trade War
4. Interest rates starting to increase as Central Banks tighten
5. FAANGs continue to rise

When the Economy Strengthens and CBs Tighten, Value Stocks Perform Better

Global Value vs. Growth/Quality Has Closely Tracked US 10 Year Yields¹

From 02 January 2001 to 24 April 2018

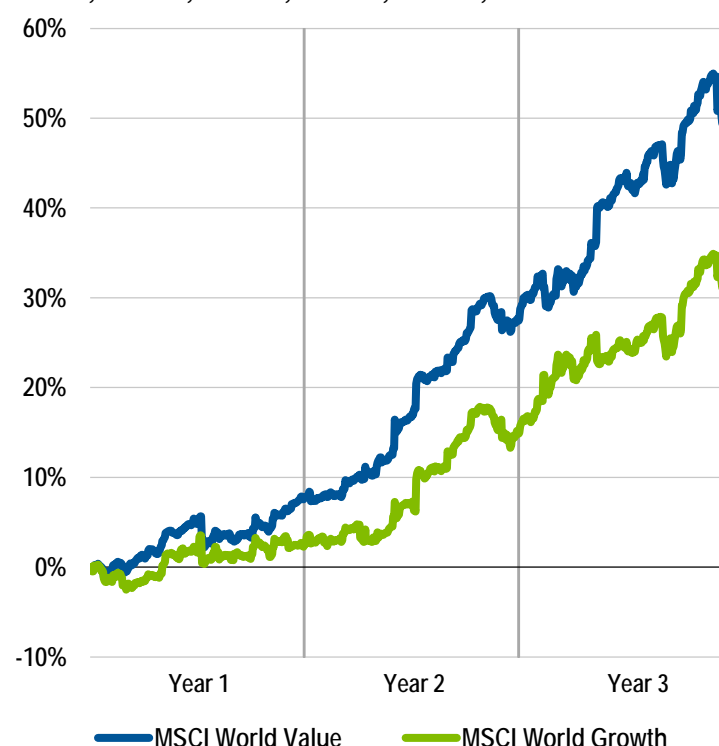


1. Source: Barclays Research, DataStream, MSCI. Data as of 24 April 2018.

2. Source: Calculations by Franklin Templeton Investments using data sourced from FactSet. Data as of 01 May 2018. © FactSet Research Systems Inc. All Rights Reserved. The information contained herein: (1) is proprietary to FactSet Research Systems Inc. and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither FactSet Research Systems Inc. nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. 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

Average Cumulative 3-Year Total Return After Fed Liftoff²

1976, 1983, 1987, 1994, 1999, 2004 and 2015

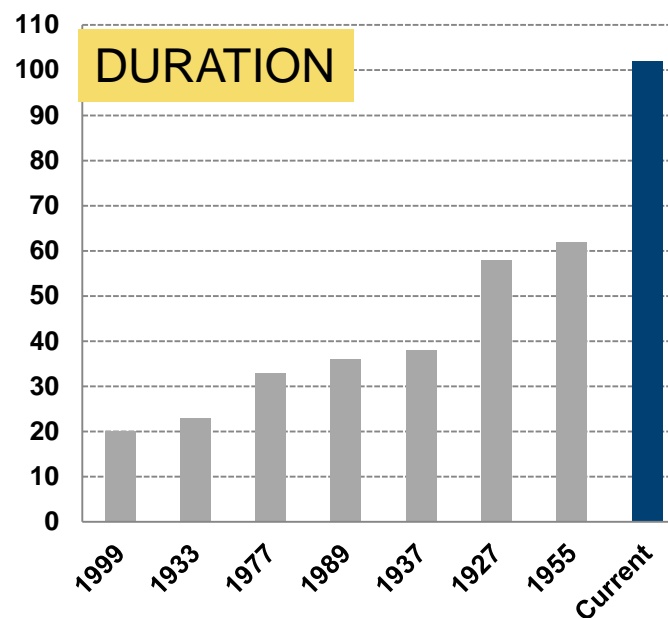


Value Investing: An Unprecedented Dry Spell

Relative Performance Global Value vs. Global Growth¹



Length in Months of Previous Periods of Value Underperforming Growth²



1. Source: FactSet. Data as of 29th June 2018. Rolling 10yr annualised excess returns of MSCI World Value Index vs. MSCI World Growth Index.

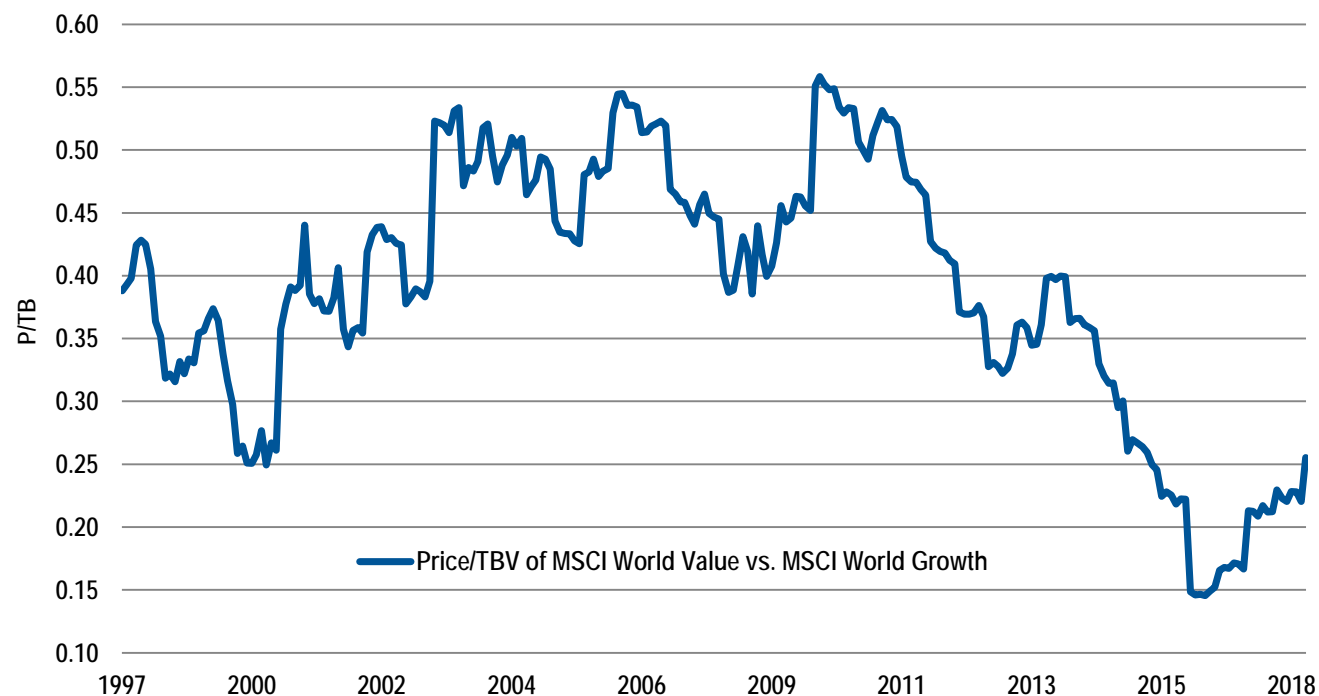
2. Source: Fama & French, Kempen Capital Management. U.S. stocks only.

© FactSet Research Systems Inc. All Rights Reserved. The information contained herein: (1) is proprietary to FactSet Research Systems Inc. and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither FactSet Research Systems Inc. nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.** 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. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges. **Past performance does not guarantee future results.**

...Leading to a Huge Discount for Value

Price-to-Tangible Book Value of the MSCI World Value Index vs. MSCI World Growth Index

December 31, 1997 – June 30, 2018



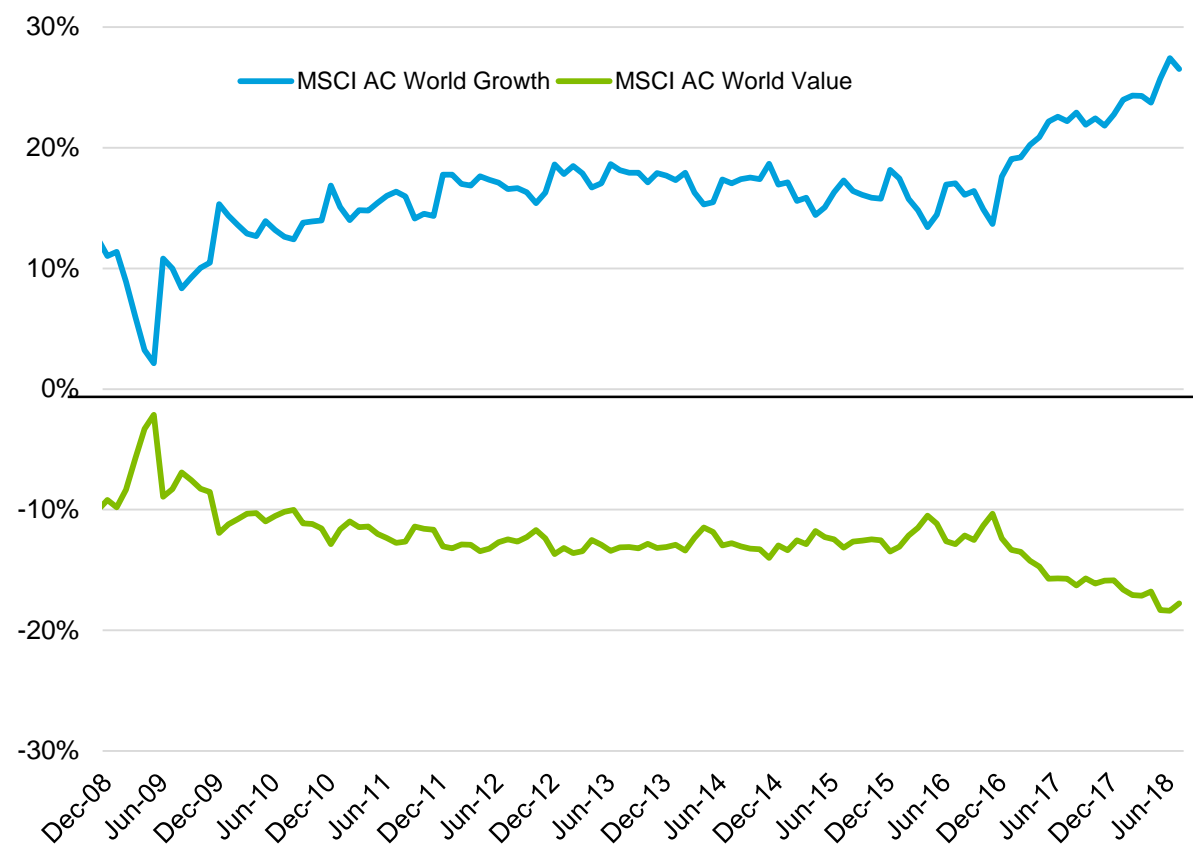
1. Source: Bloomberg, MSCI, 30 June 2018.

For institutional and professional use only. Not for distribution to retail investors.

Value vs Growth

- Since 30 June 2016, earnings growth of MSCI Value (16.1% p.a.) has been stronger than earnings growth of MSCI Growth (11.5% p.a.)

Premium/Discount P/E (NTM) to MSCI AC World



Source: Martin Currie Australia, Factset; as at 30 June 2018

For institutional and professional use only. Not for distribution to retail investors.

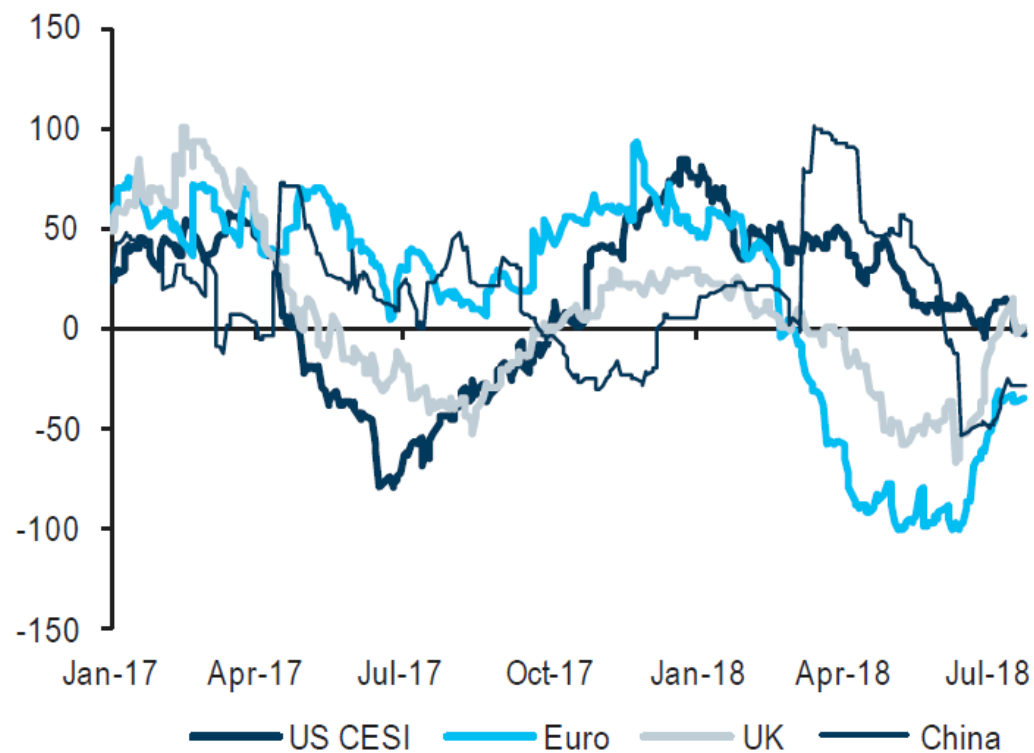
Key Issues: Economic Slow-down

- Global growth surprised to the downside in Q2'18
- China slow-down, but the government is stepping in:
 - RMB fall
 - RRR cut
 - Tax cuts: VAT and income tax
- US fiscal stimulus

Key Issues: Economic Slow-down

Q2 2018 soft patch

Economic Surprises turned negative in all regions during H1

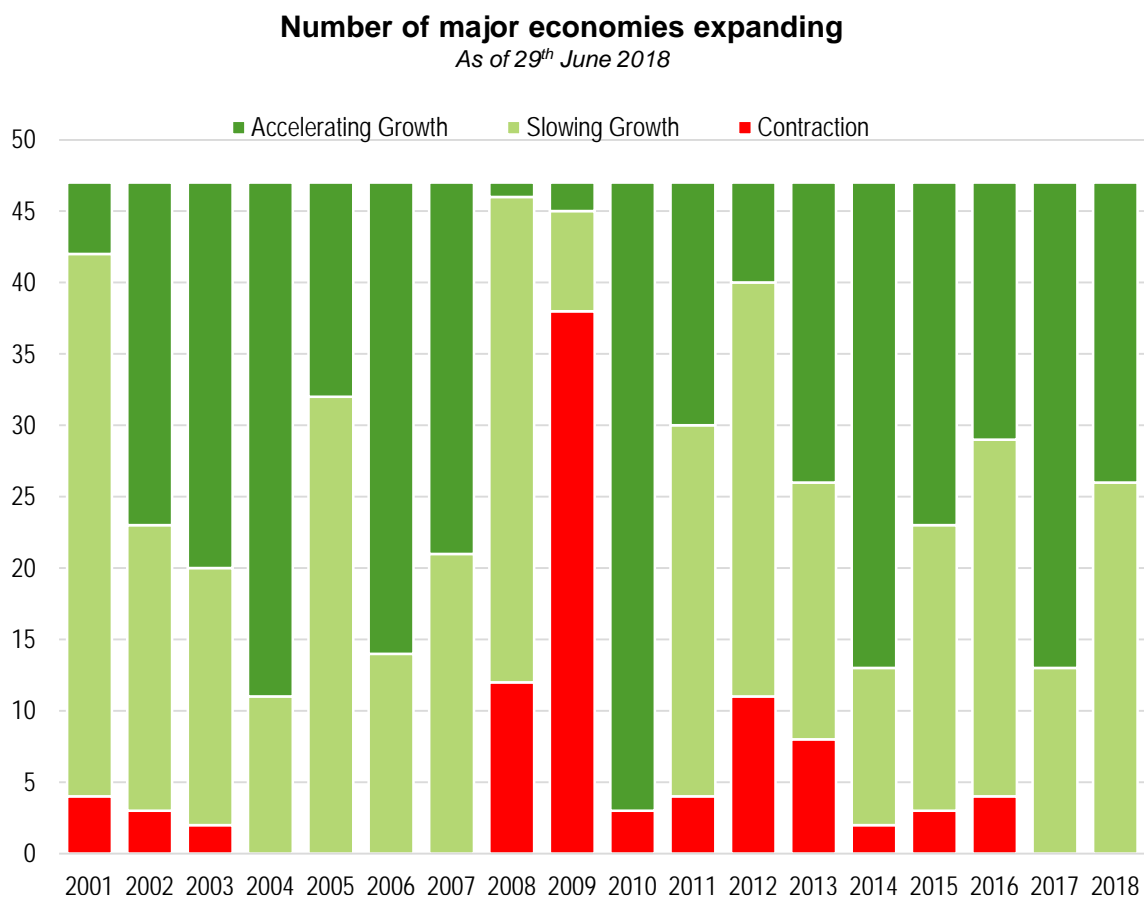


Source: Bloomberg, Barclays Equity Strategy

For institutional and professional use only. Not for distribution to retail investors.

Key Issues: Economic Slow-down

But all Major Economies are still Growing



Source: OECD, Wall Street Journal. Note: 2018 is a forecast

Key Issues: Trade War

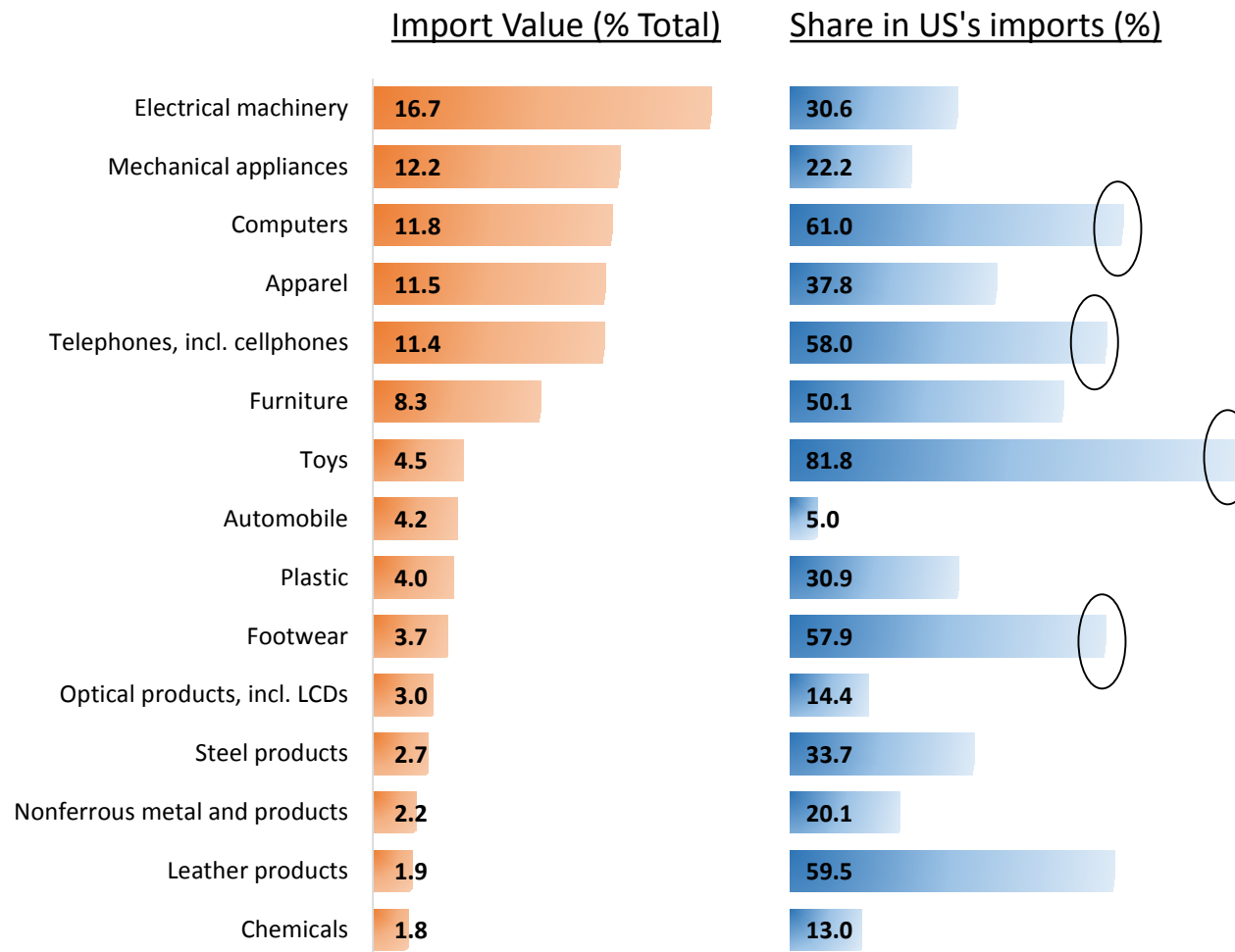
- “Trade wars are good, and easy to win” President Trump
- Made in China 2025
 - ZTE
 - Qualcomm/NXP
- US isolationism
 - “Both China and the EU believe in multilateralism and a rules-based world order” Jyrki Katainen, Vice President of the European Commission
 - Trans-Pacific Partnership goes on without the US
 - 17 July 2018, EU and Japan sign a free trade deal

Key Issues: Trade War

- The US economy \neq US stock market
 - US manufacturing is 12% of GDP, but 43% of US stock market profits
 - Around one-third of Chinese exports to the US come from American subsidiaries
 - US companies make substantial profits in China
 - General Motors sells more cars in China than the US
 - Apple makes 20% of profits in China
 - Boeing has 13% of revenue coming from China
- Are there substitute suppliers? China exports 82% of toys imported into the US, 58% of smartphones and footwear, and 61% of computers.

Key Issues: Trade War

Major Chinese Exports to the US



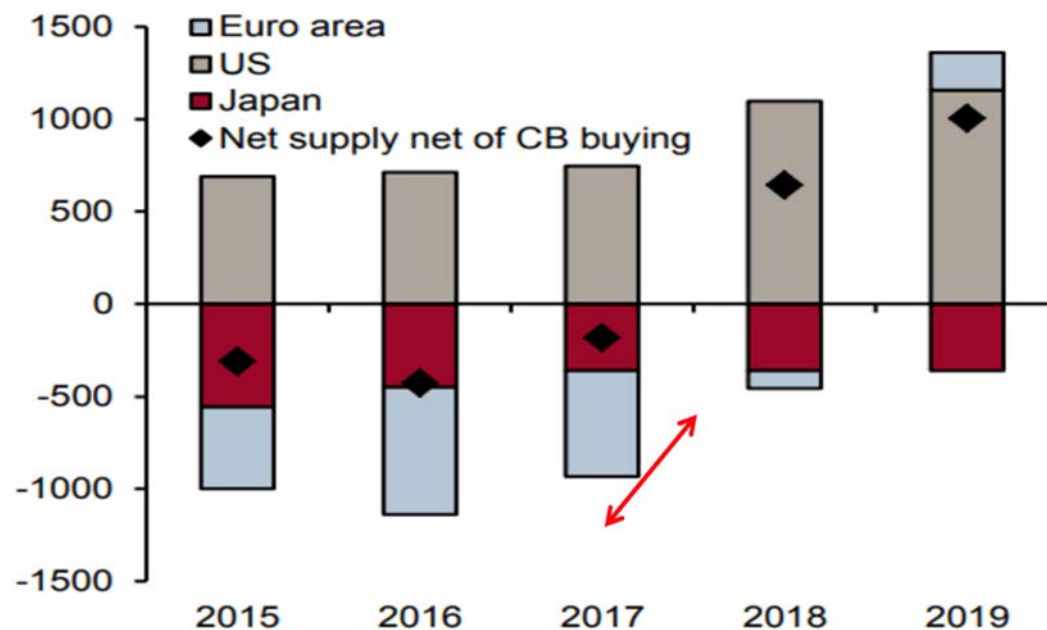
Source: UN Comtrade, WITS, DB Global Research, Deutsche Bank Research. Year-to-date May 2018

For institutional and professional use only. Not for distribution to retail investors.

Key Issues: Central Bank Tightening

Figure 5: In addition to the Fed, the ECB's taper decision will have a fairly large impact on sovereign debt supply available to the market

G3 sovereign net supply, net of central banks; \$bn



Source: Credit Suisse, the Bloomberg Professional service, DoubleLine

Key Issues: Tech stocks

- Growth compression vs multiple expansion
 - Apple volume growth last four years
 - “Innovator’s dilemma”
 - Facebook ad impressions fell 17% YoY in Q2
- Accelerating capex
- Clash of the Titans
 - Online video
 - Online advertising
 - Cloud
 - Smart Speakers
 - E-commerce
- Increasing taxes and regulations
- Trade war...
- Valuation...

Key Issues: Tech stocks

Impact of FANGs and Nifty Nine on the S&P500

As of 31st July 2018

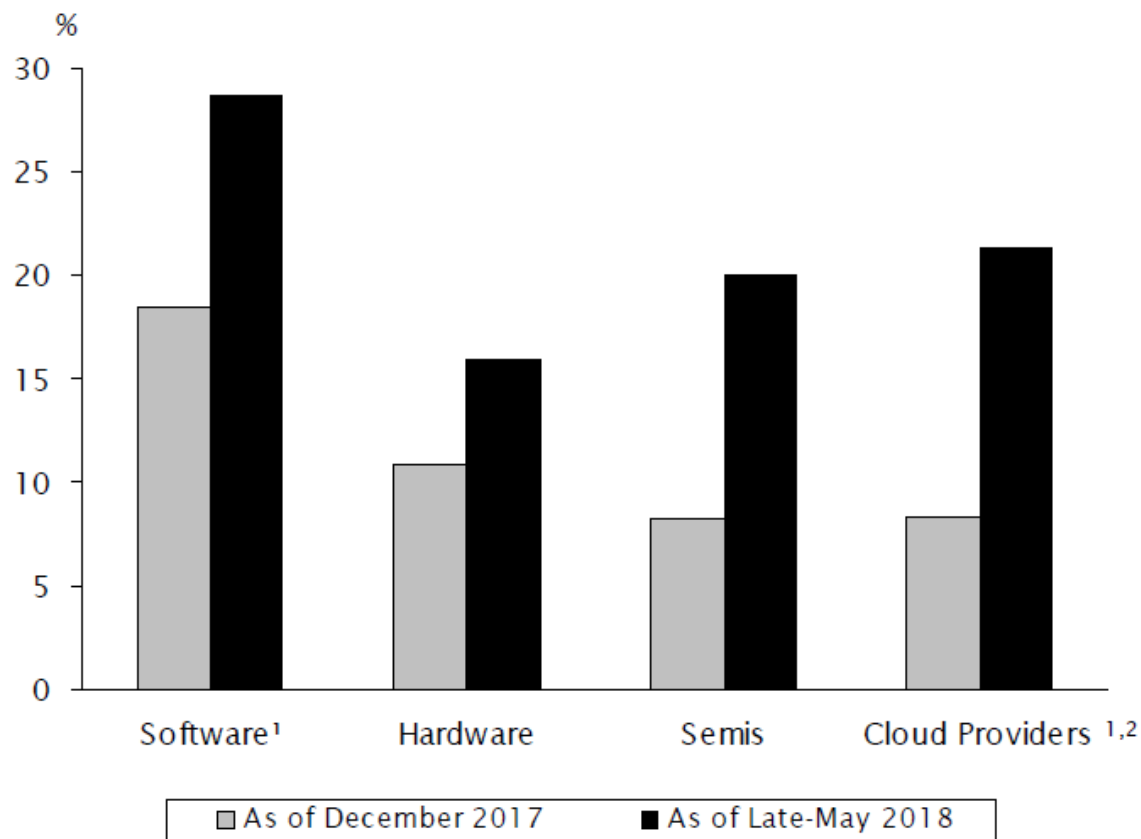
	<u>Mkt Cap</u>	<u>Performance, %</u>	<u>Valuation Multiples (FY1)</u>		
	US\$bn	1-year	P/E	P/Sales	P/BV
Apple	922	+29.7	16.6	3.5	8.2
Google	854	+29.8	30.0	7.8	4.8
Microsoft	814	+48.2	24.9	6.7	8.2
Amazon	866	+79.9	106.2	3.7	20.5
Facebook	499	+2.0	24.2	9.0	5.6
Netflix	147	+85.8	125.3	9.3	28.3
PayPal	97	+40.3	34.9	6.3	6.2
Salesforce	101	+51.0	59.5	7.8	9.2
Nvidia	149	+51.0	33.5	11.4	13.5
FANGs*	2,366	+39.2	40.5	5.7	7.5
Nifty Nine	4,448	+36.4	28.6	5.3	7.9
Other 491	19,411	+8.5	16.1	1.8	2.6
S&P 500	23,859	+16.2	17.5	2.1	3.0

*FANGs group includes Facebook, Amazon, Netflix, Google

Source: Bloomberg, Independent Strategy. Performance of FANGs, Nifty Nine and Other 491 are estimated based on Market Capitalisation
For institutional and professional use only. Not for distribution to retail investors.

Key Issues: Tech stocks

S&P 500 Technology Stocks YoY Changes in Capital Spending 2018E



Source: Empirical Research Partners Analysis

1. Excludes purchase of Chelsea Market building in 2018

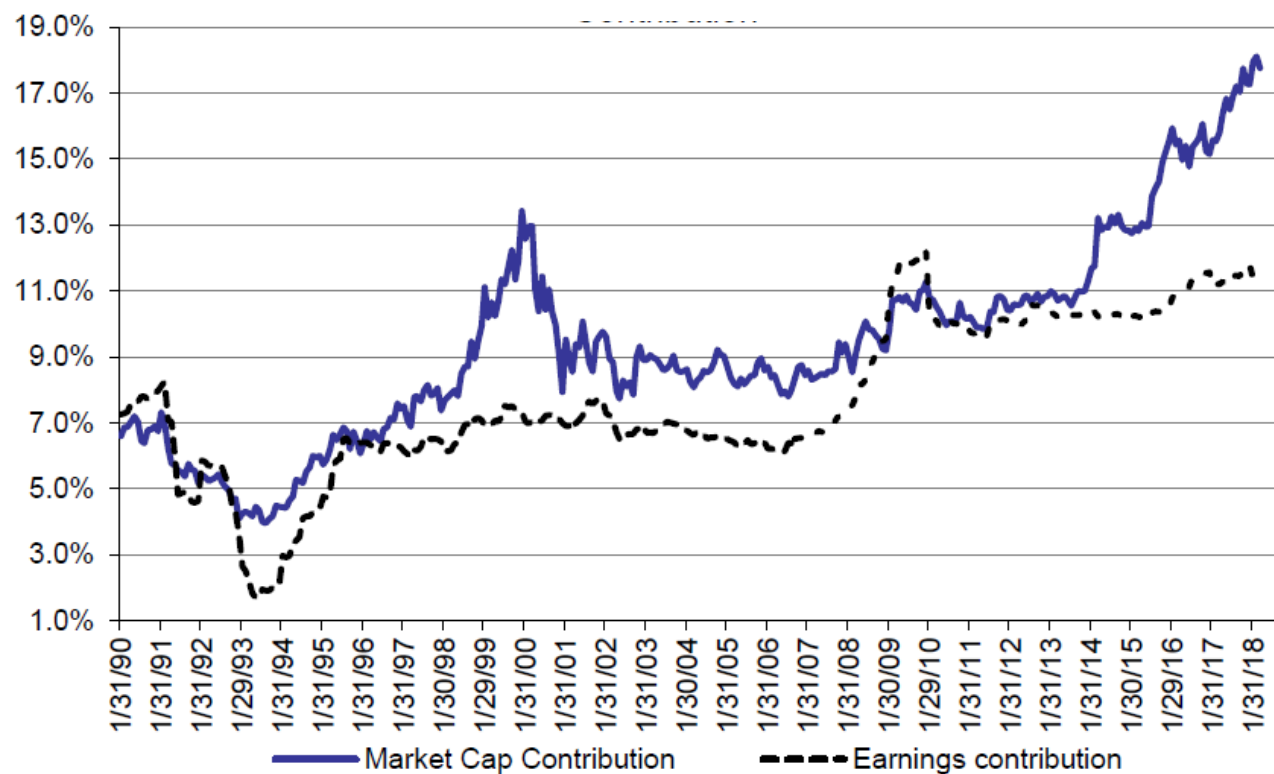
2. Comprises AMZN, MSFT, GOOGL, ORCL, IBM and CRM.

For institutional and professional use only. Not for distribution to retail investors.

Key Issues: Tech stocks

Software vs Market Cap

S&P 500 Software & Services % of Market Cap & FY1 Earnings Contribution

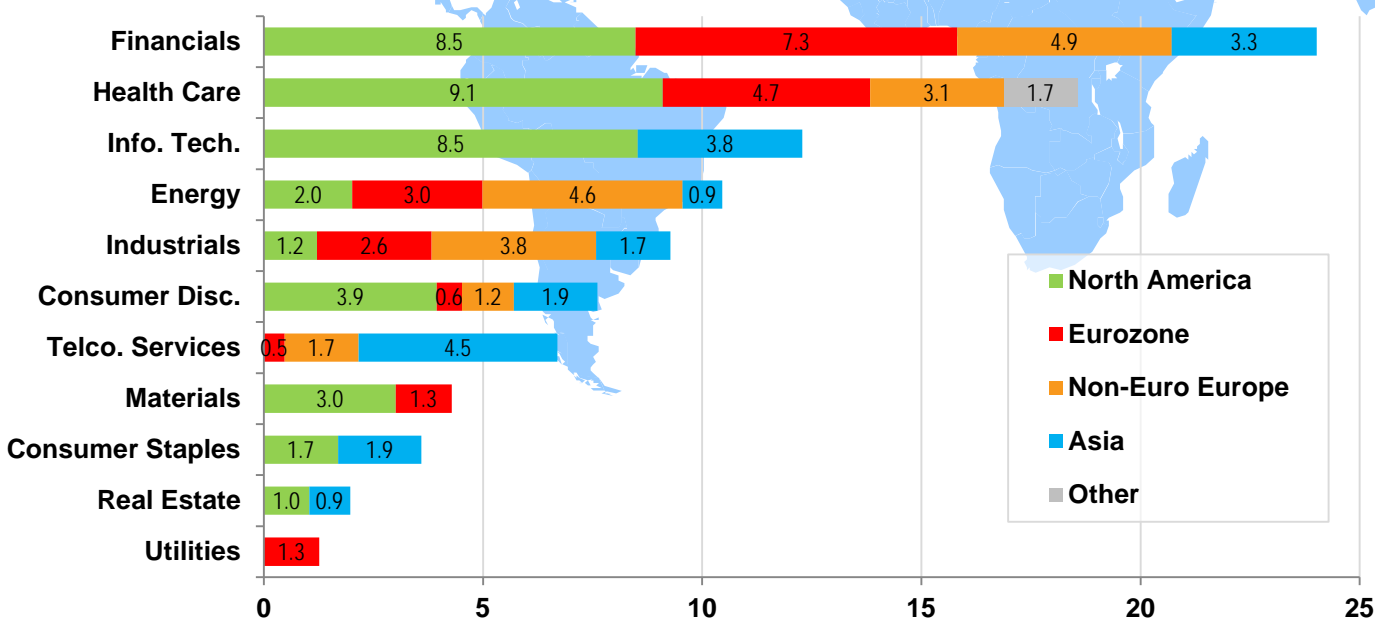
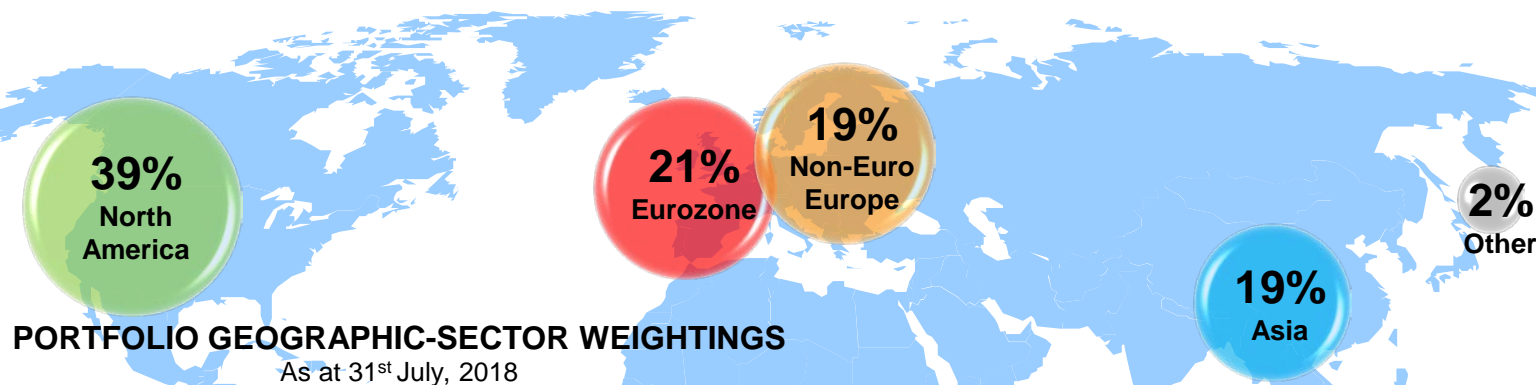


Source: Factset and Citi Research – US Equity Strategy

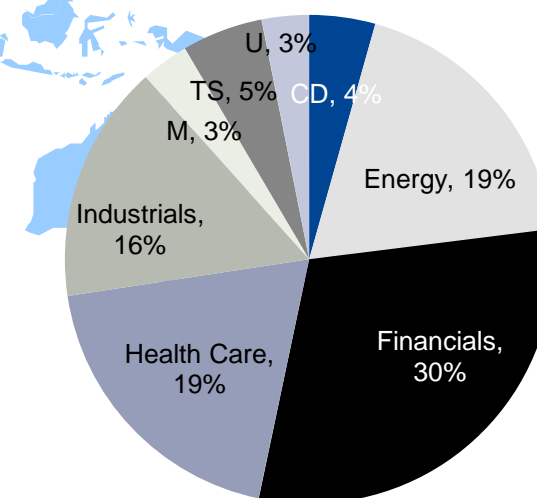
For institutional and professional use only. Not for distribution to retail investors.

Templeton Global Growth Fund – Portfolio Weights

As of 31st July, 2018



EUROPE SECTOR SPLIT



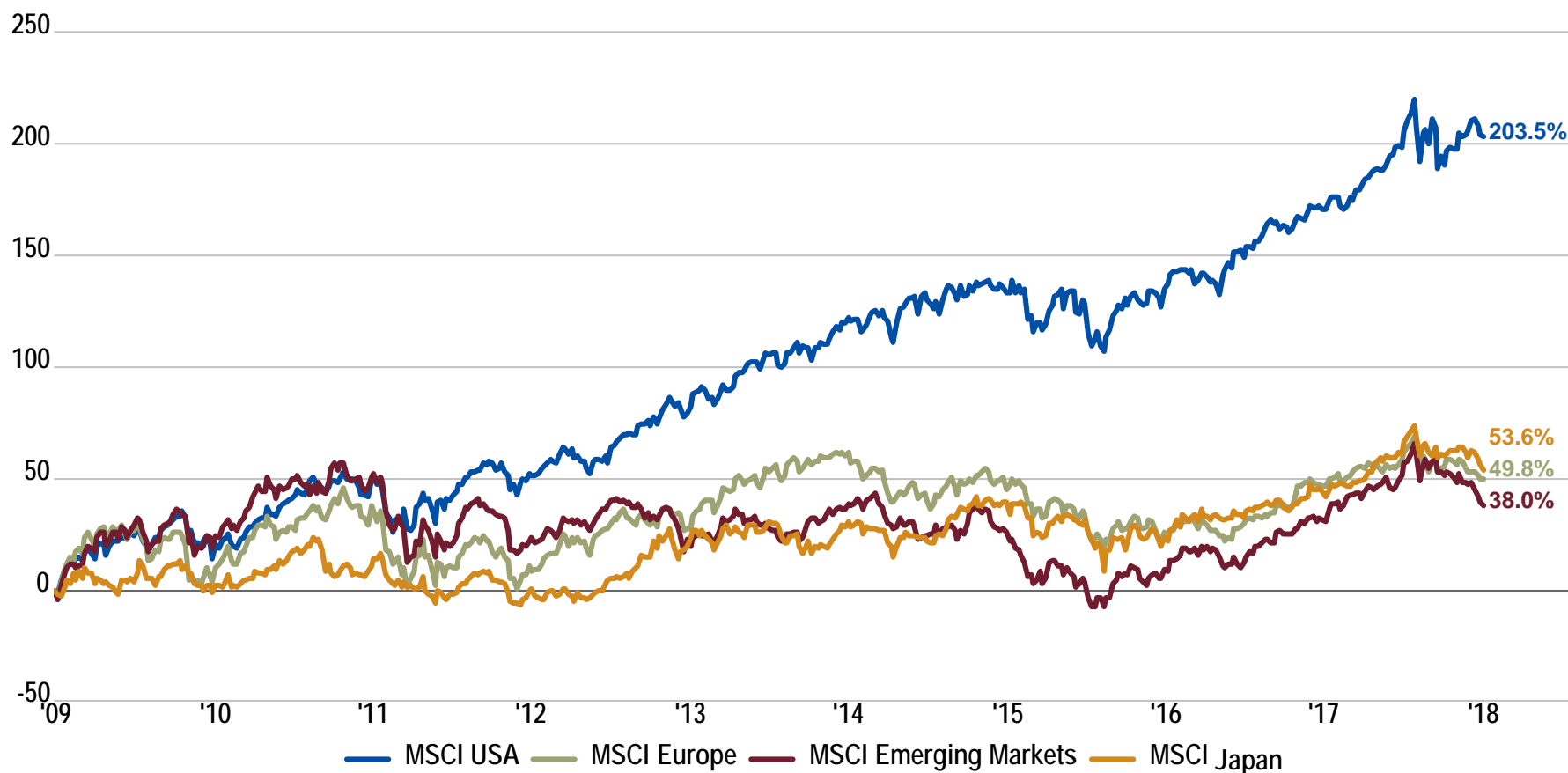
Weightings as percent of equity. Percentage may not equal 100% due to rounding.

For institutional and professional use only. Not for distribution to retail investors.

The US Has Clearly Stood Out in the Last 9 Years

Price Change, USD

30th June, 2009 to 3rd July, 2018

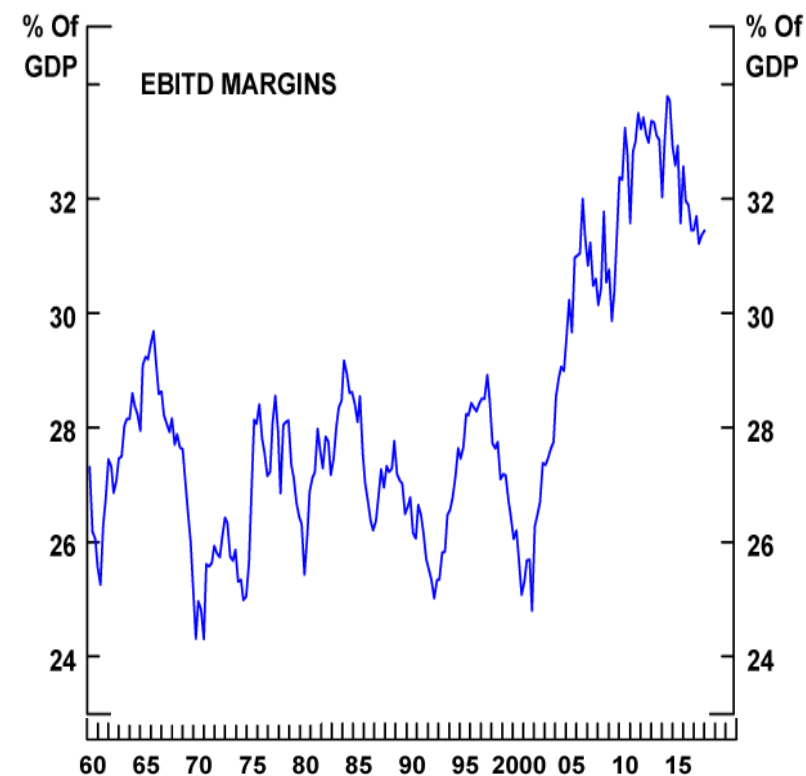
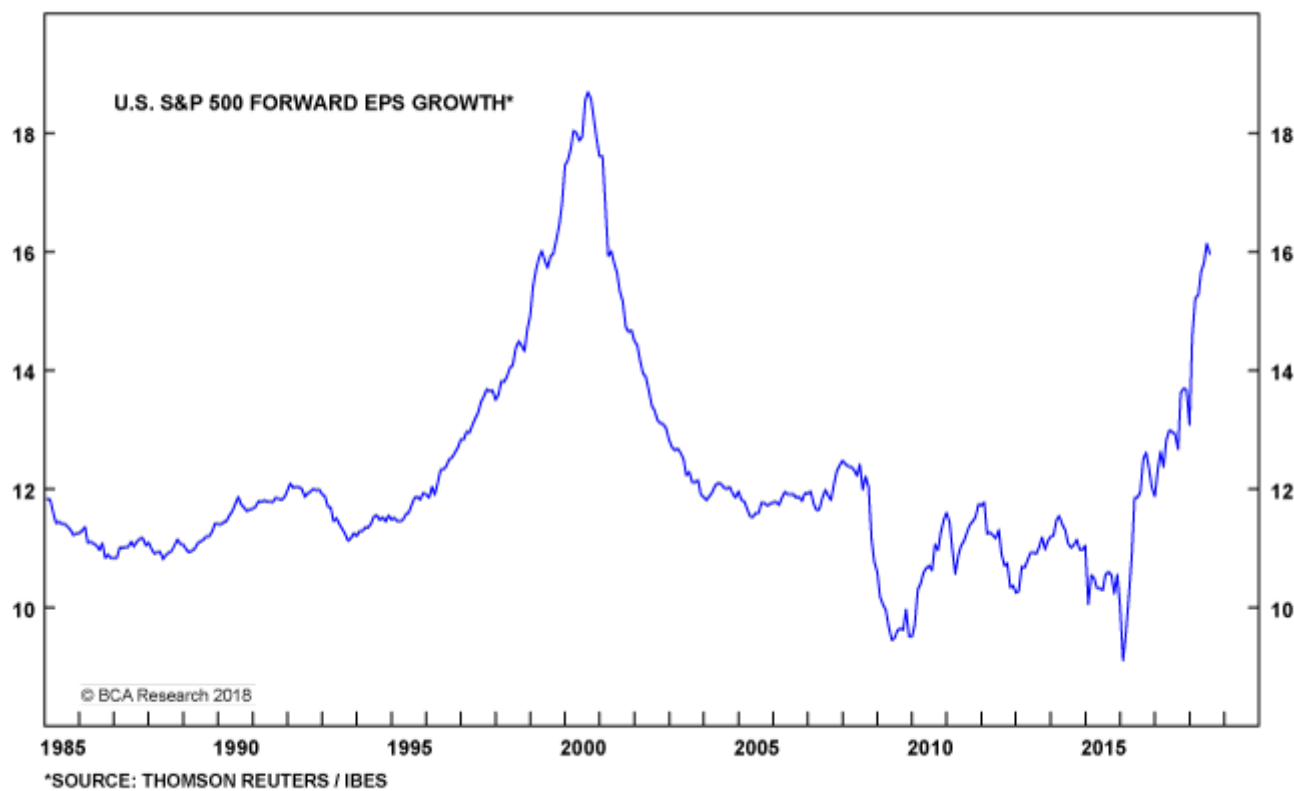


Source: FactSet. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Important data provider notices and terms available at www.franklintempletondatasources.com

For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

Bullish Long-Term Earnings Expectations, do you believe?

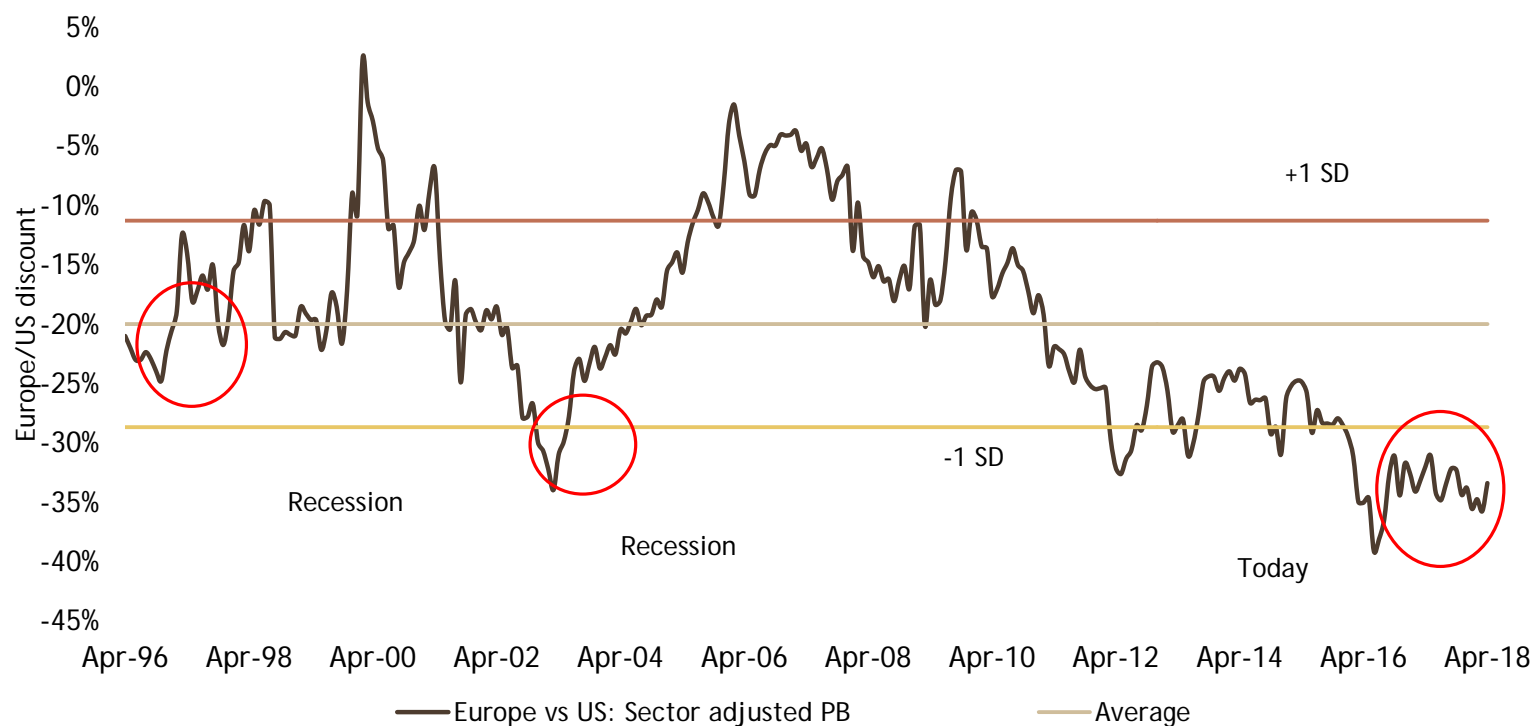


Where is the Value?

Europe still an Under-valued Market

Europe/US: sector adjusted P/B gap

As at 30 April 2018



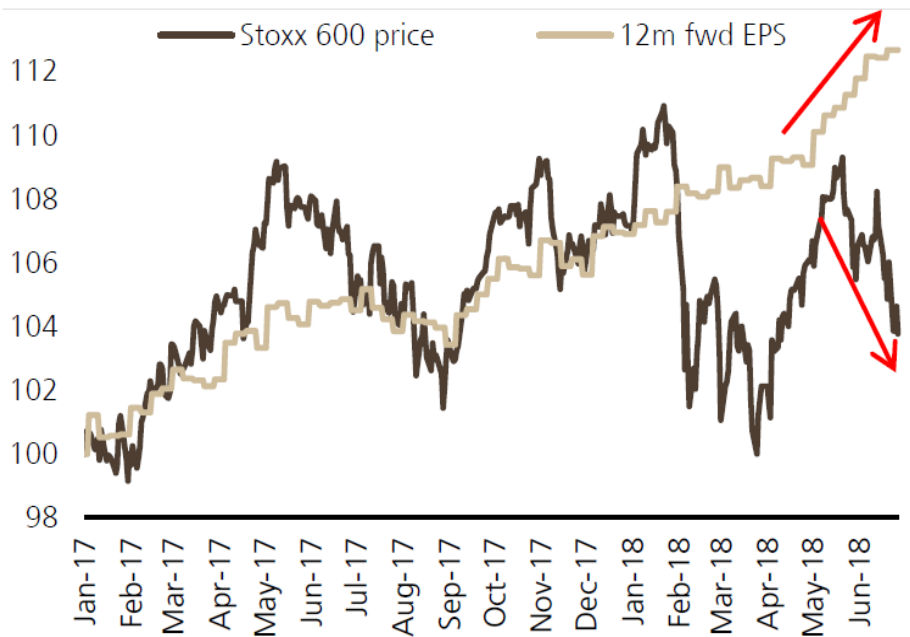
Source: Thomson Datastream, UBS European Equity Strategy

For institutional and professional use only. Not for distribution to retail investors.

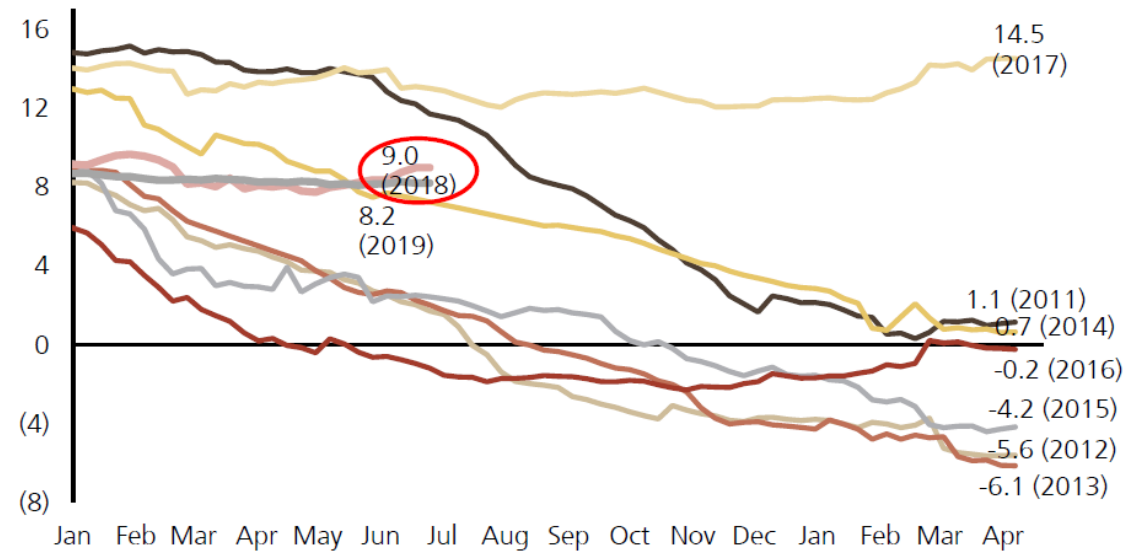
Where is the Value?

European share prices have decoupled from EPS

Stoxx 600 Price vs 12 month Forward EPS¹

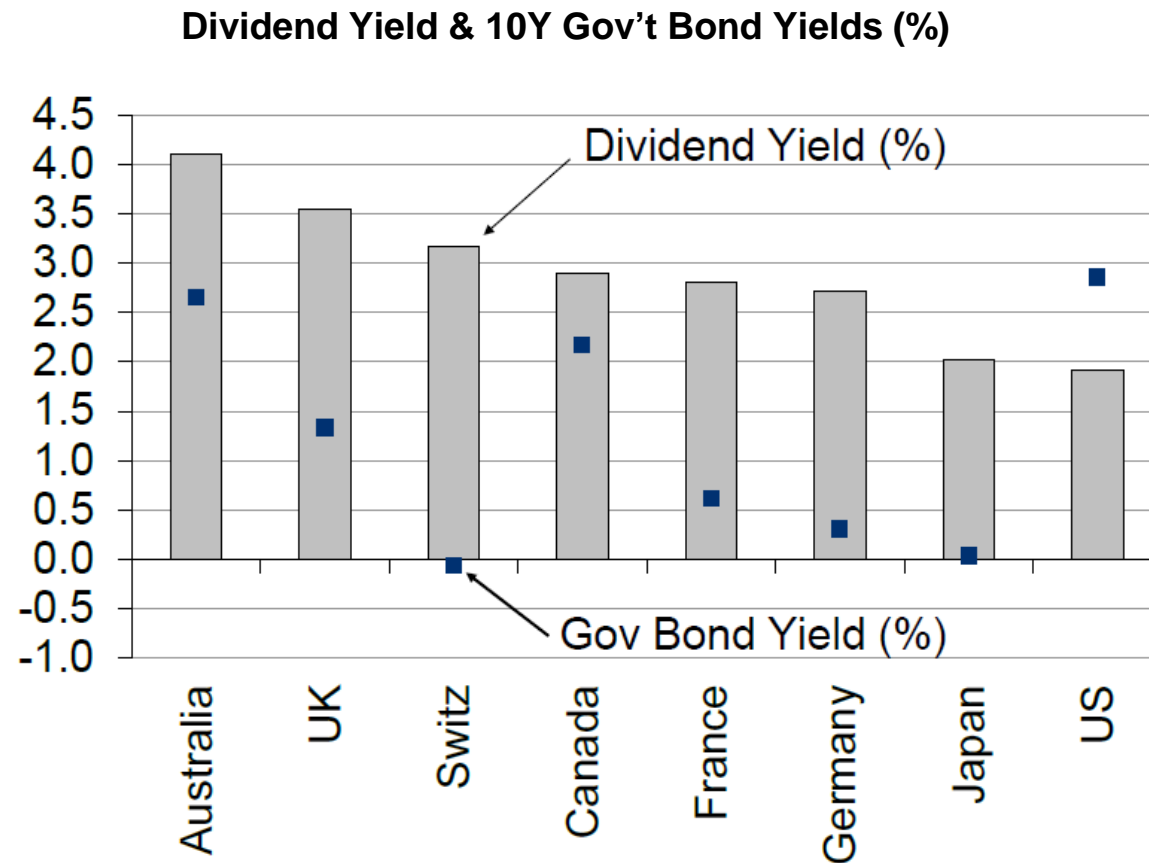


Europe Consensus EPS growth (%) progression – Jan to following Apr, 2011-2019²



Where is the Value?

Equities for Income in some Markets

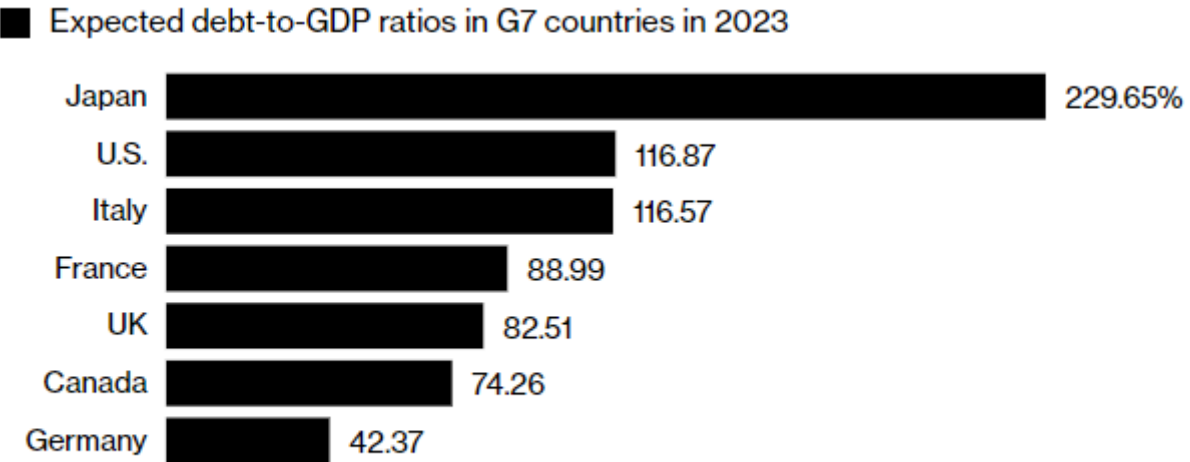


Source: Citi Research, Datastream. Data as at 3rd July 2018.

For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

U.S debt-to-GDP ratio projected to surpass Italy's



Source: Bloomberg, International Monetary Fund
For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

Disconnect between Bonds and Banks



Source: BCA Research

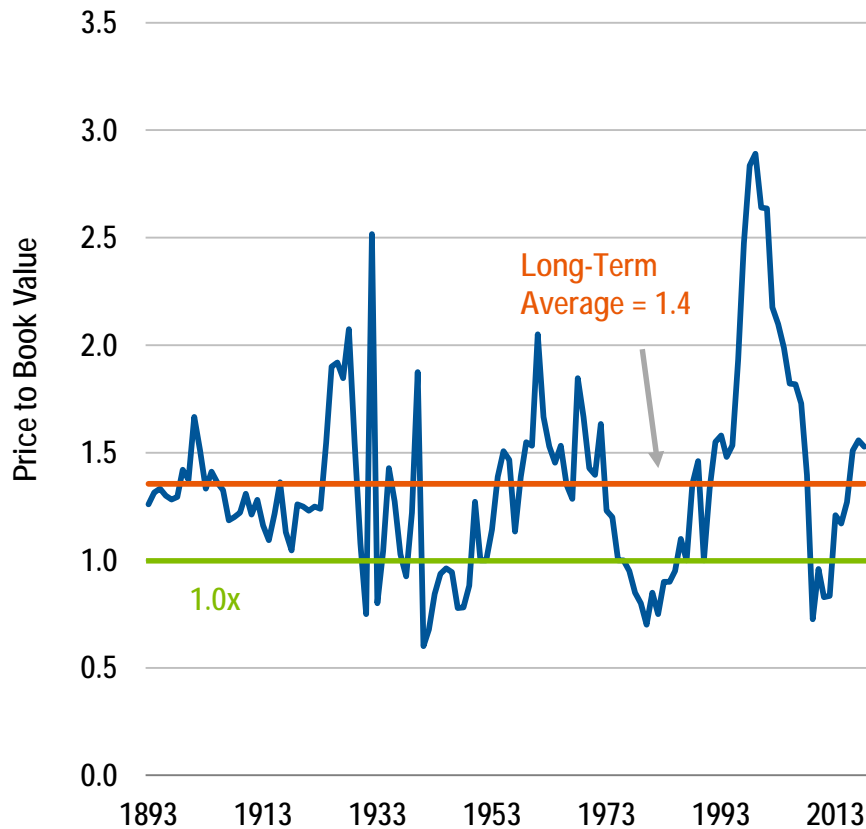
For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

There are Still Opportunities in Financials (but you need to look harder)

U.S. Banks Price-to-Book Value¹

As of 20 April 2018



European Banks Price/Book Value

31 January 1995 – 30 June 2018



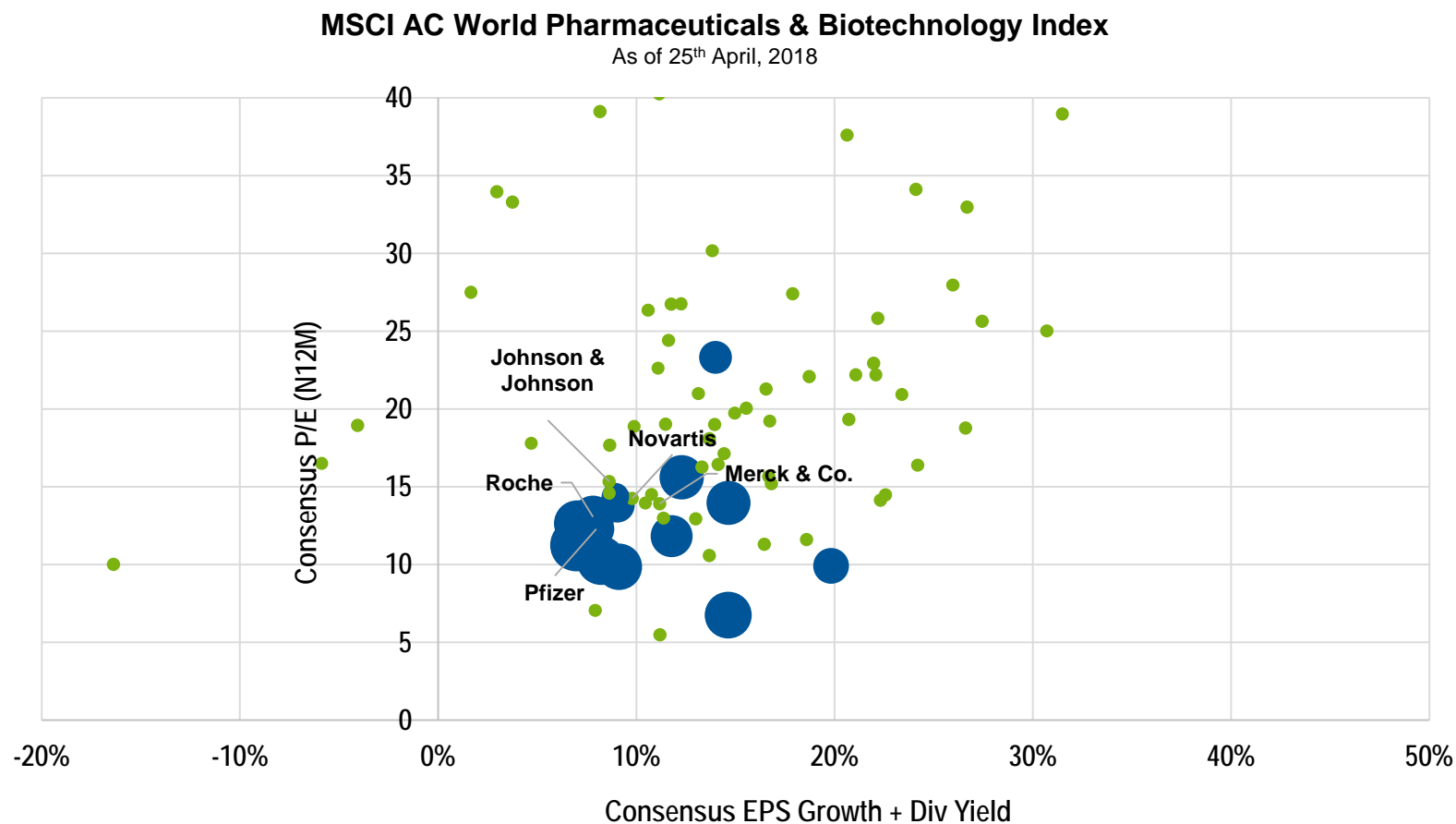
1. Source: Anthony Saunders & Berry Wilson, Impact of consolidation and safety net support on Canadian, US and UK banks, 1892-1992 (1999). Michael Keeley, Deposit Insurance, Risk and Market Power in Banking (1990). FDIC – History of the 1980s. Datastream, SNL. Autonomous Research. * ignores war years,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

2. Source: FactSet, MSCI. Data from January 31, 1995 to June 30, 2018 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.

For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

Growth at a Value Price in Health Care

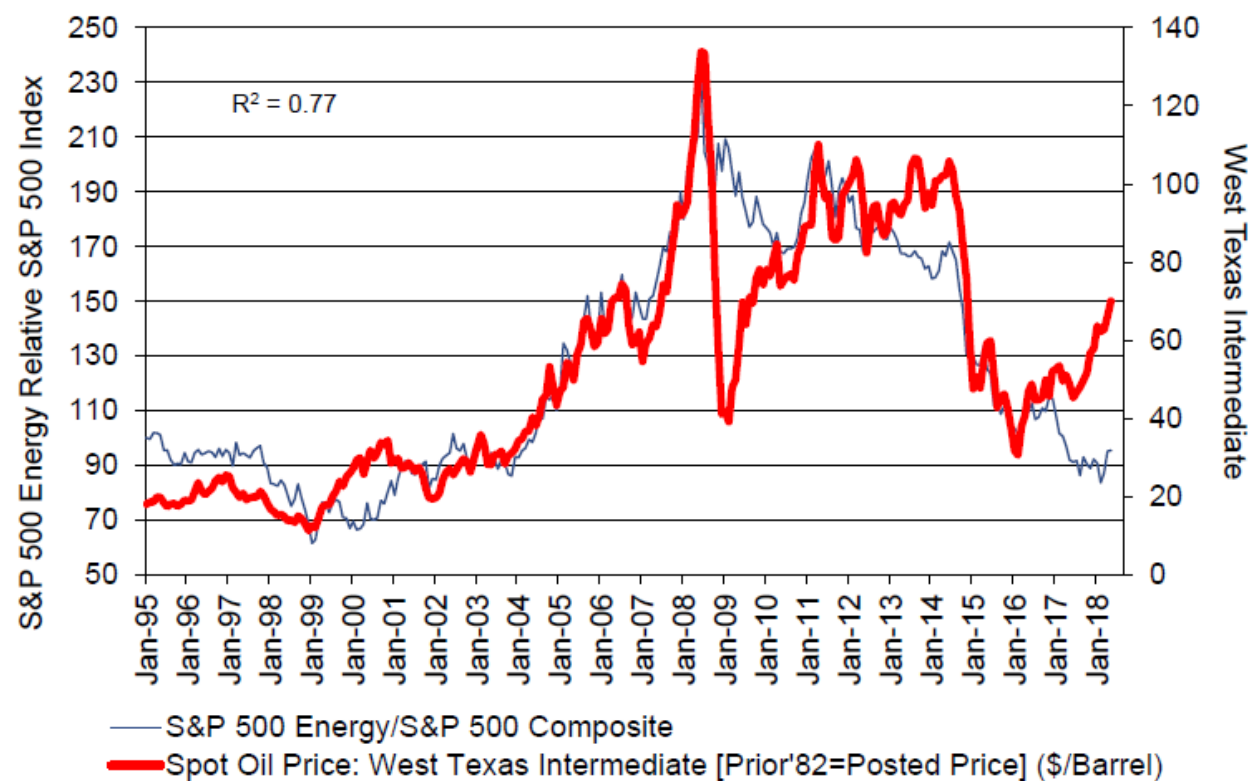


Source: FactSet, MSCI. Blue dots are portfolio holdings. Green dots are constituents of the MSCI AC World Pharmaceutical index that are not portfolio holdings. Constituents lacking consensus estimates, or with extreme values as defined by lying outside the chart axis, are not shown. EPS growth shown 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.

For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

Disconnect between Oil and Energy Stocks

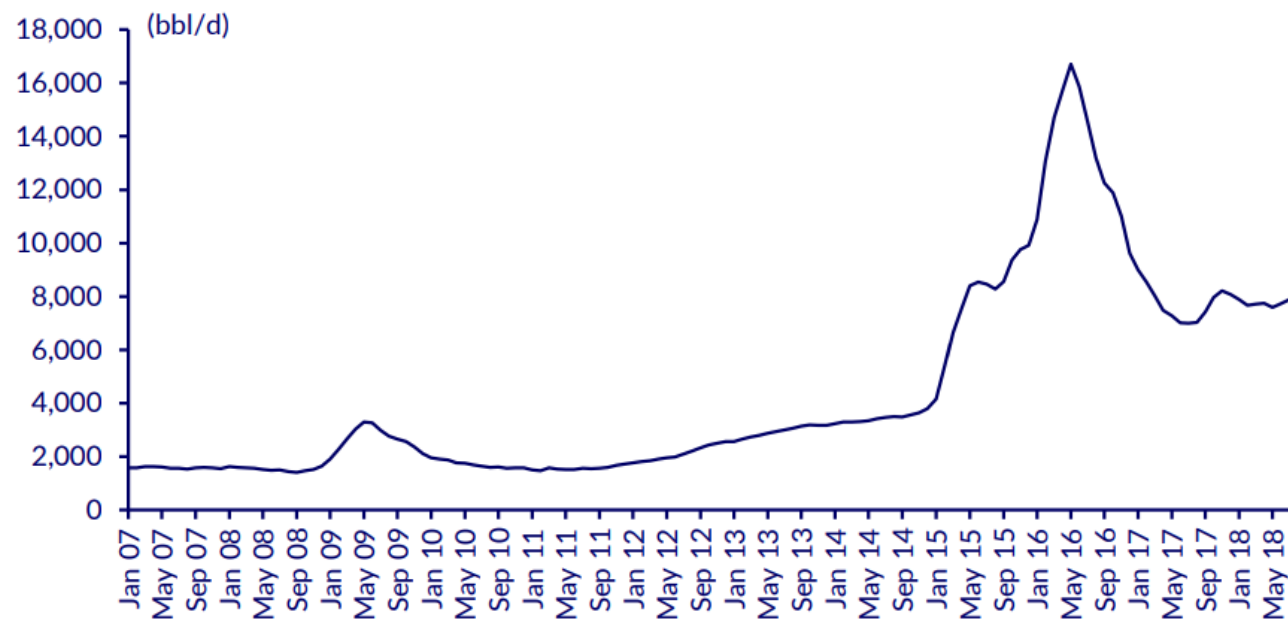


Source: Factset, Haver Analytics and Citi Research

For institutional and professional use only. Not for distribution to retail investors.

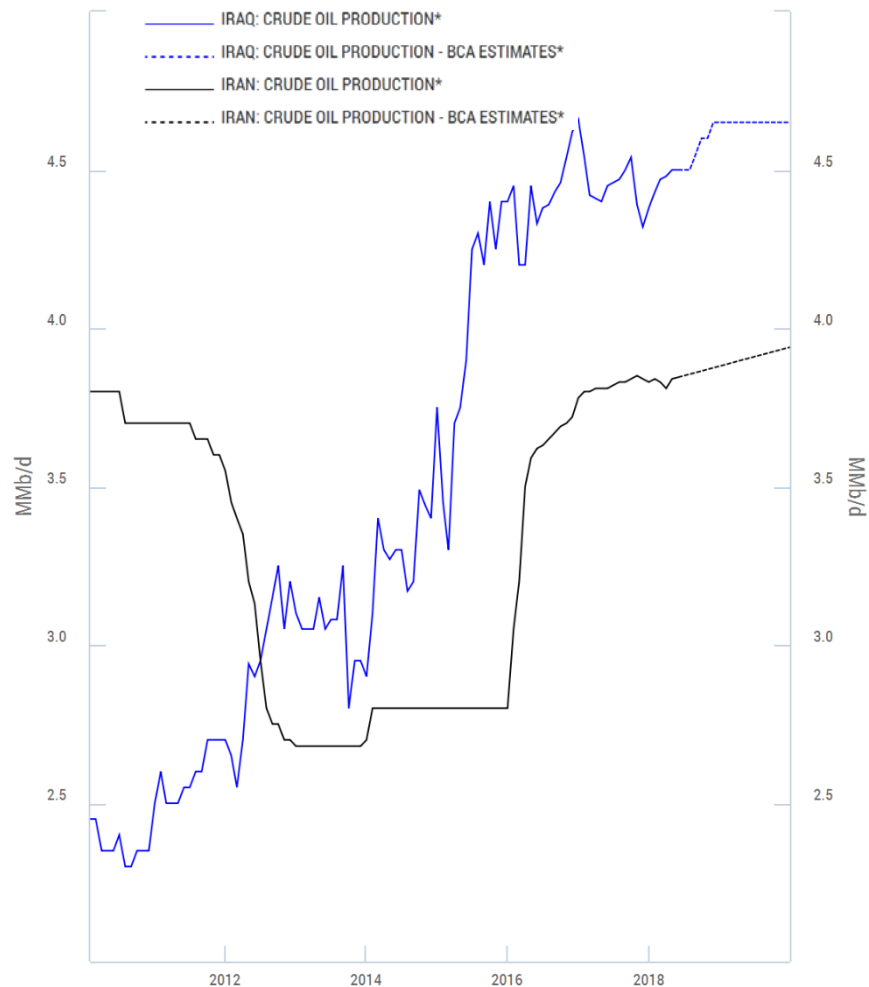
Where is the Value?

US Average oil production per rig from seven major shale regions¹

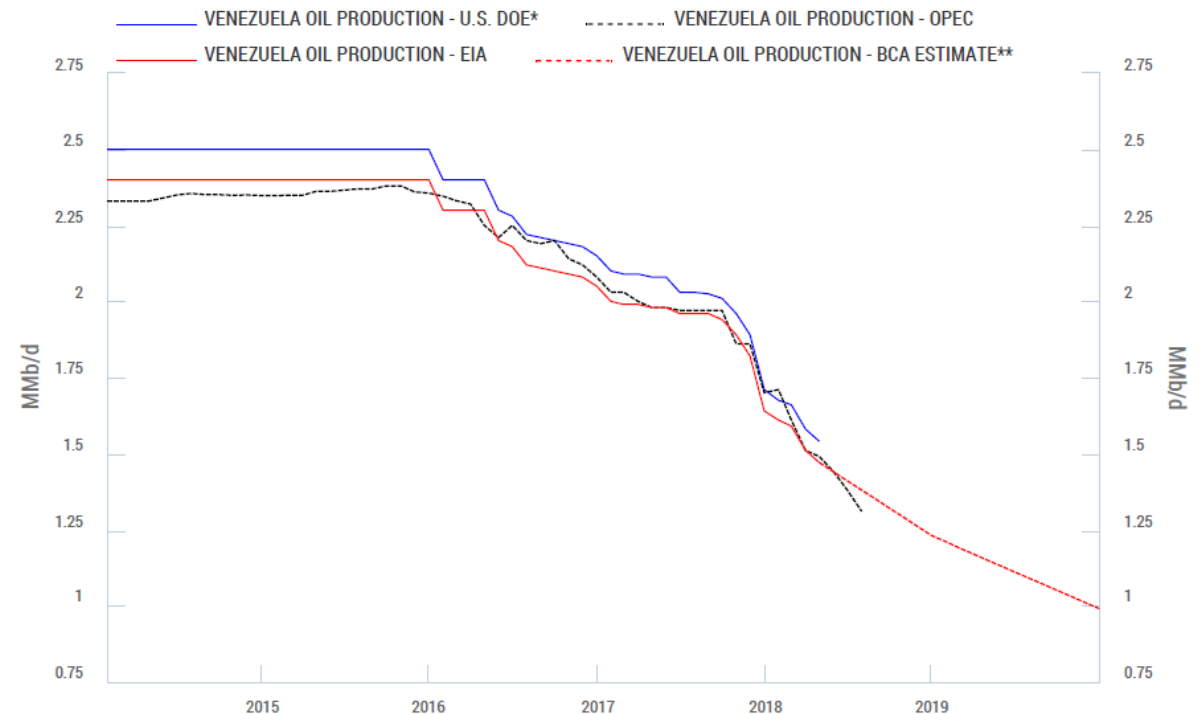


Where is the Value?

Current and Future Iran Production Is At Risk



Venezuela in Decline



Source: U.S. EIA, BCA Research

For institutional and professional use only. Not for distribution to retail investors.

Where is the Value?

Still there in Shell, Despite the Promise (Threat) of EVs



Attractions of Shell today

- Acquisition of BG makes Shell the global leader in LNG
- Gearing expected to hit 20% target in 2018
- Shell raised their Free Cash Flow (FCF) targets by 20%
 - FCF target for 2021 at \$65 oil delivers a 10% FCF yield
 - FCF higher than when oil was at \$100/barrel
- 6% dividend yield for 2018



Where is the Value?

World Class Consumer and Commercial Bank



Why we bought (during mid-'11)

- Market concerns about 'bad' assets post-GFC
- Underappreciated Citi's emerging market businesses
- Company was trading at ~0.8x FY1 P/TBV, ~10x FY1 P/E

Why it worked

- Completed multi-year restructuring by exiting dozens of businesses, closing branches and exiting entire countries
- The Fed has approved \$20bn p.a. of capital returns to equity holders
- Management focused on 13% RoTE target by 2020 and 16% longer term
- Still trading on 1.2x TBV, 11x FY1 P/E



Historical Performance

Templeton Global Growth Fund

As of 30 June 2018

Average Annual Total Returns (%)

	Inception Date	6 Mths*	1 Yr	2 Yrs	3 Yrs	5 Yrs	10 Yrs	Since Incept
Templeton Global Growth Fund—Gross of Fees	27.05.87	4.0	12.6	17.9	7.8	13.0	9.4	**9.0
Templeton Global Growth Fund—Net of Fees		3.4	11.1	16.4	6.5	11.7	7.9	7.4
MSCI AC World (Net Dividends) Index		5.4	15.0	15.1	9.6	14.2	8.6	6.8
Morningstar Australia Value Peers		3.5	10.7	12.4	7.1	11.9	6.4	

Source: Morningstar

Performance data is shown rounded to the nearest tenth.

When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark.

*Cumulative Total Returns

**Performance Prior to Jul 06 was estimated due to limited availability of data gross of fees.

Past performance is not an indicator or a guarantee of future performance.

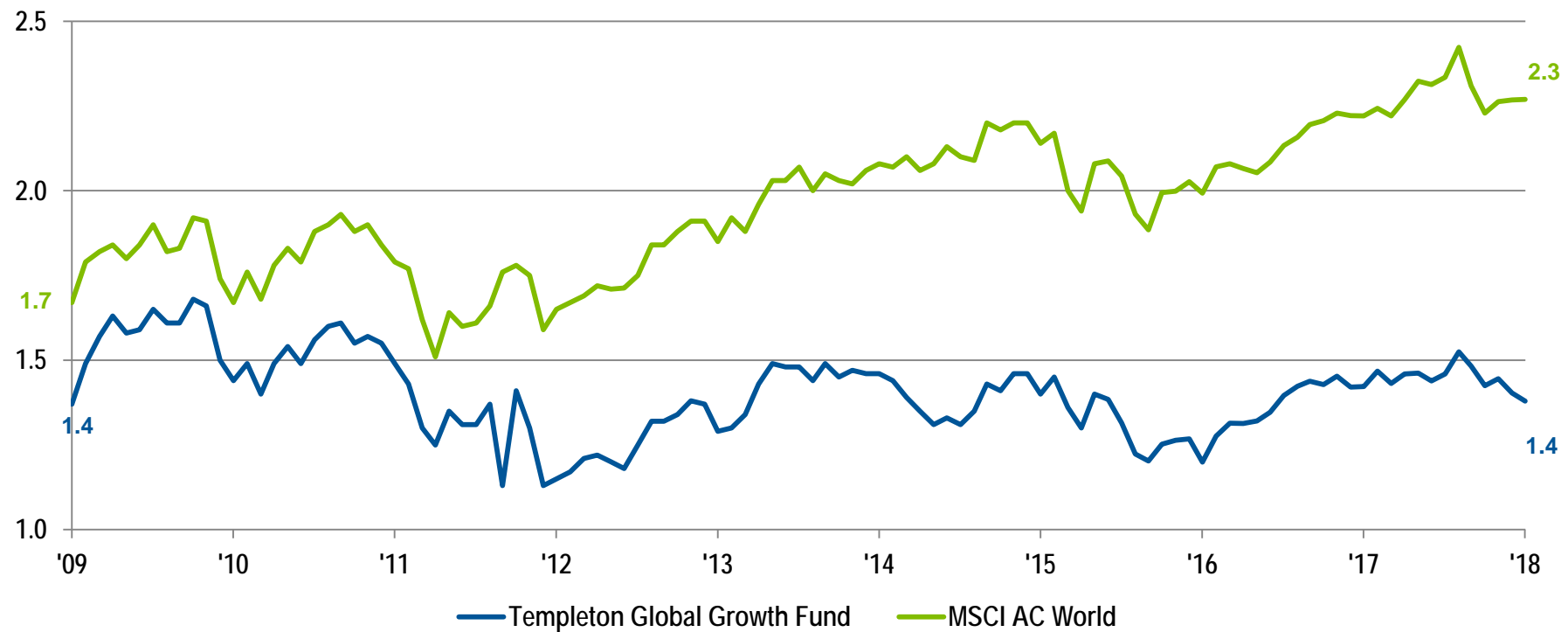
For institutional and professional use only. Not for distribution to retail investors.

Portfolio Characteristics

Templeton Global Growth Fund vs. MSCI All Country World Index

Price to Book Ratio

30th June, 2009 to 30th June, 2018



Top Ten Holdings

Templeton Global Growth Fund

As of 30 June 2018

Name of Issuer	Country	Industry	% of Total
BP PLC	United Kingdom	Energy	2.4
ROYAL DUTCH SHELL	United Kingdom	Energy	2.4
SAMSUNG ELECTRONICS CO LTD	South Korea	Technology Hardware & Equipment	2.2
ORACLE CORP	United States	Software & Services	2.2
BNP PARIBAS SA	France	Banks	2.0
ALPHABET	United States	Software & Services	1.8
TEVA PHARMACEUTICAL	Israel	Pharmaceuticals, Biotechnology & Life Sciences	1.8
CITIGROUP INC	United States	Banks	1.7
CAPITAL ONE FINANCIAL CORP	United States	Diversified Financials	1.6
SOFTBANK GROUP CORP	Japan	Telecommunication Services	1.6
Total			19.7

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.

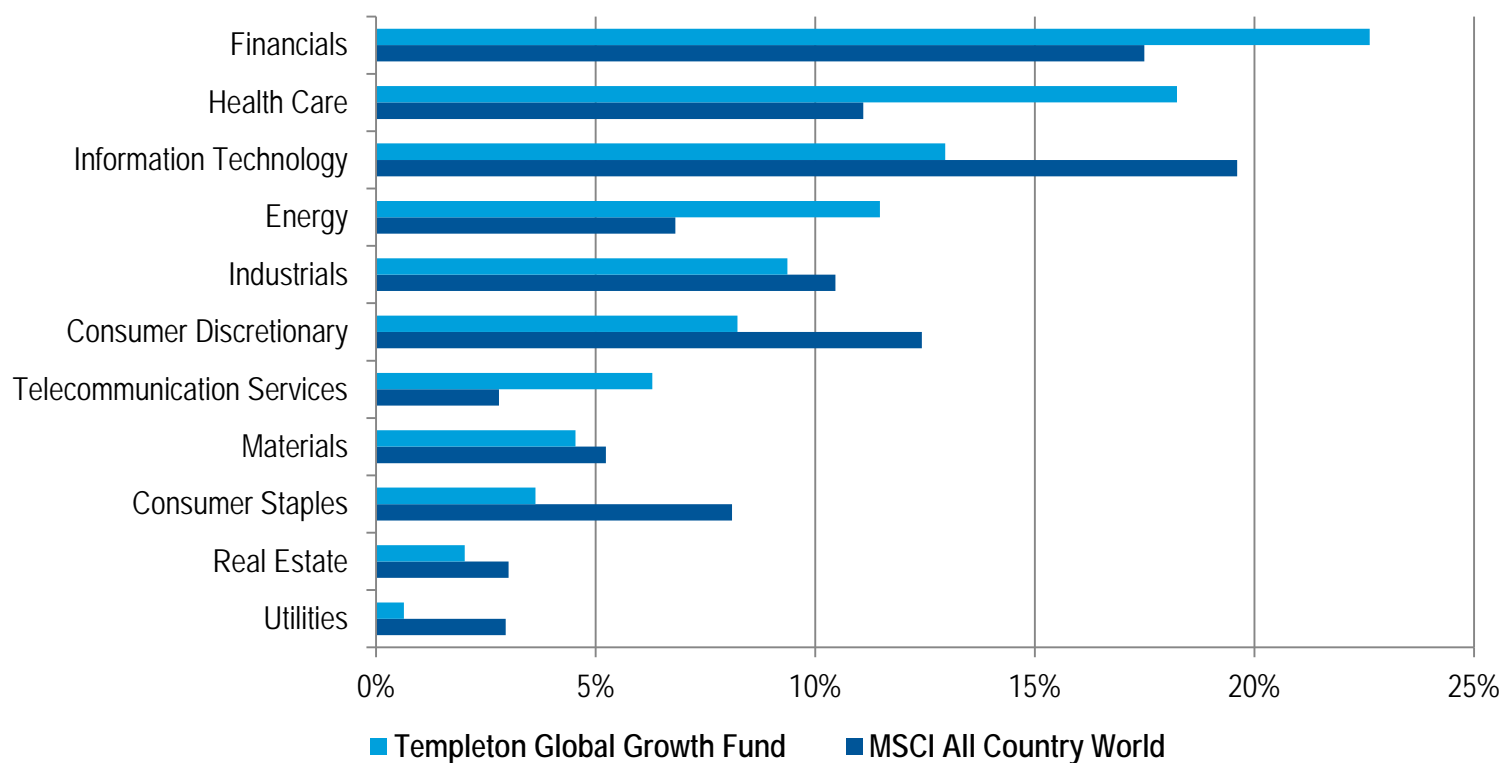
Holdings of the same issuer have been combined.

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.

For sophisticated investor and wholesale client use only. Not for distribution to retail clients.

Templeton Global Growth Fund vs. MSCI All Country World Index

As at 30th June, 2018



Source: © 2016 Morgan Stanley Capital Index (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. Indexes are unmanaged and one cannot invest directly in an index. 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.

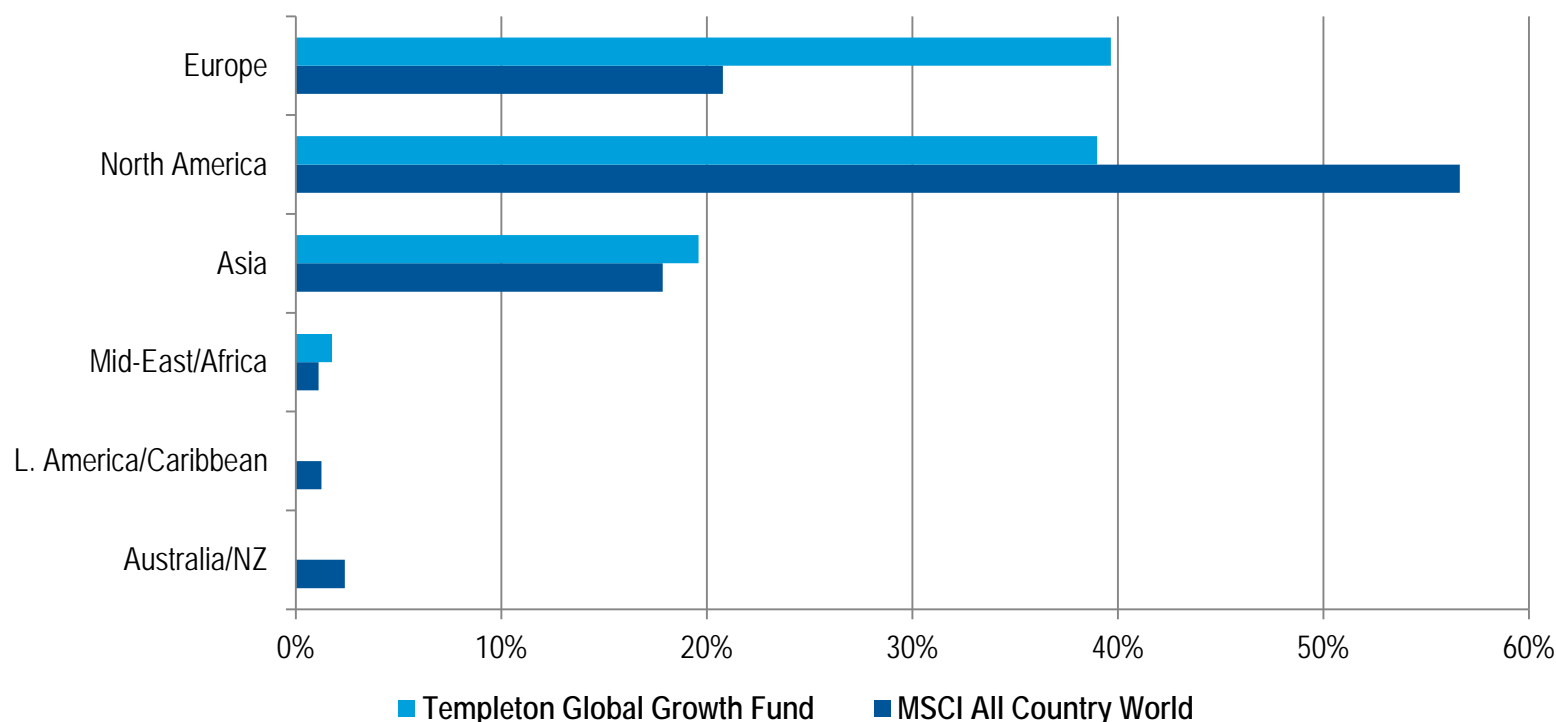
For sophisticated investor and wholesale client use only. Not for distribution to retail clients.

Geographic Allocation



Templeton Global Growth Fund vs. MSCI All Country World Index

As at 30th June, 2018



Source: © 2016 Morgan Stanley Capital Index (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. Indexes are unmanaged and one cannot invest directly in an index. 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.

For sophisticated investor and wholesale client use only. Not for distribution to retail clients.

Important Disclosures

Templeton Global Growth Fund Ltd (ABN 44 006 558 149) (Australian Financial Services Licence Holder No. 296874) located at Level 19, 101 Collins Street, Melbourne, Victoria, 3000 or www.tggf.com.au issues this publication for information purposes only and not investment or financial product advice. It expresses no views as to the suitability of the services or other matters described herein to the individual circumstances, objectives, financial situation, or needs of any recipient. 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.

Any research and analysis contained in this presentation has been procured by Templeton Global Growth Fund Ltd for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Any views expressed are the views of the fund manager and do not constitute investment advice. The underlying assumptions and these views are subject to change. Templeton Global Growth Fund Ltd accepts no liability whatsoever for any direct or indirect consequential loss arising from the use of this commentary or any information, opinion or estimate herein. The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested. Past performance is not an indicator nor a guarantee of future performance. Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.