



FRANKLIN TEMPLETON  
INVESTMENTS

# Templeton Global Growth Fund Ltd

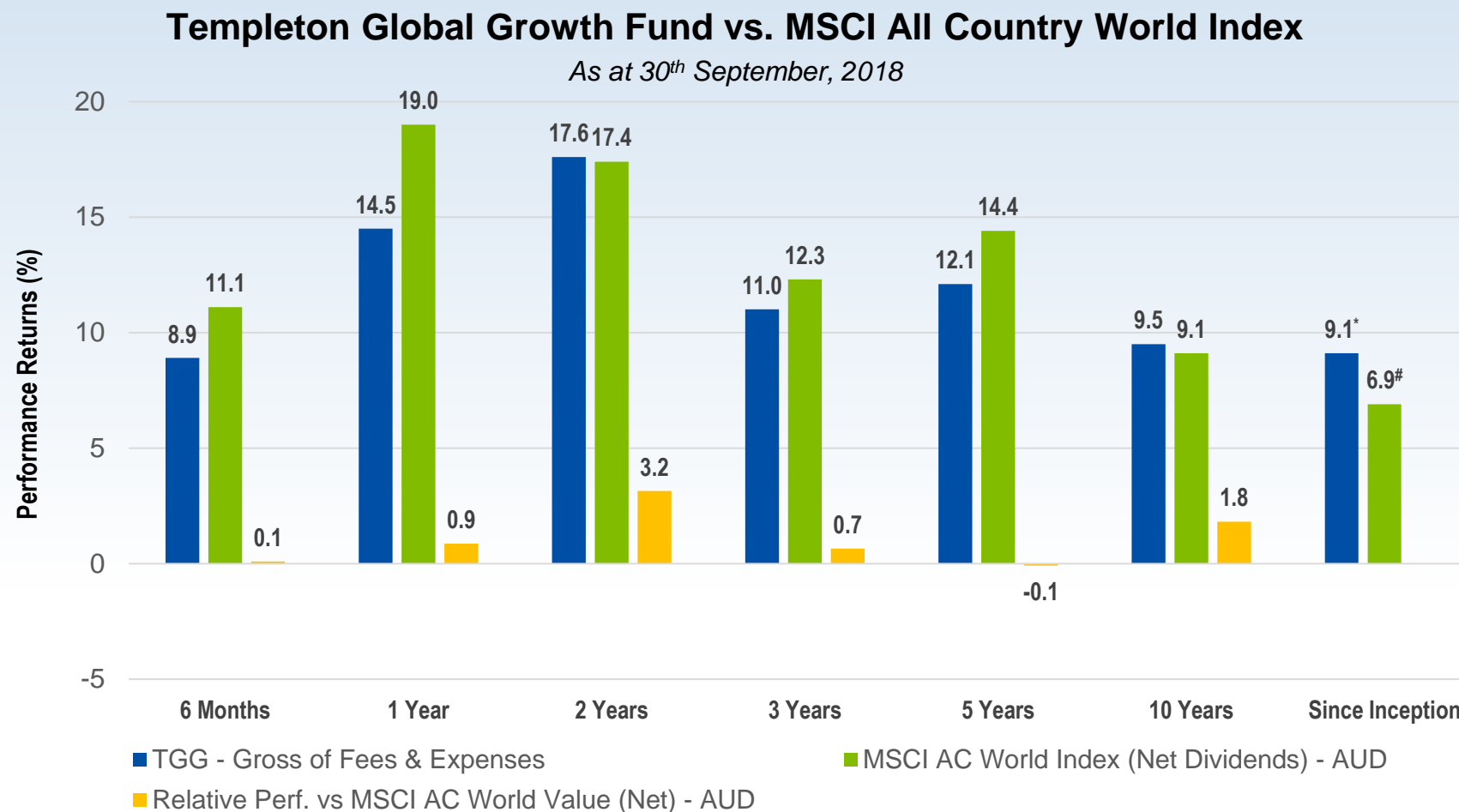
2018 Annual General Meeting

Investment Manager's Update

PETER WILMSHURST, CFA®

# Templeton Global Growth Fund Ltd

## Investment Performance



Periods of more than one year are annualised. Since inception Index uses MSCI World. Indices are presented net dividends reinvested.

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

\* Pre-fees/expenses performance prior to Jul 06 was estimated due to limited availability of fee/expense data

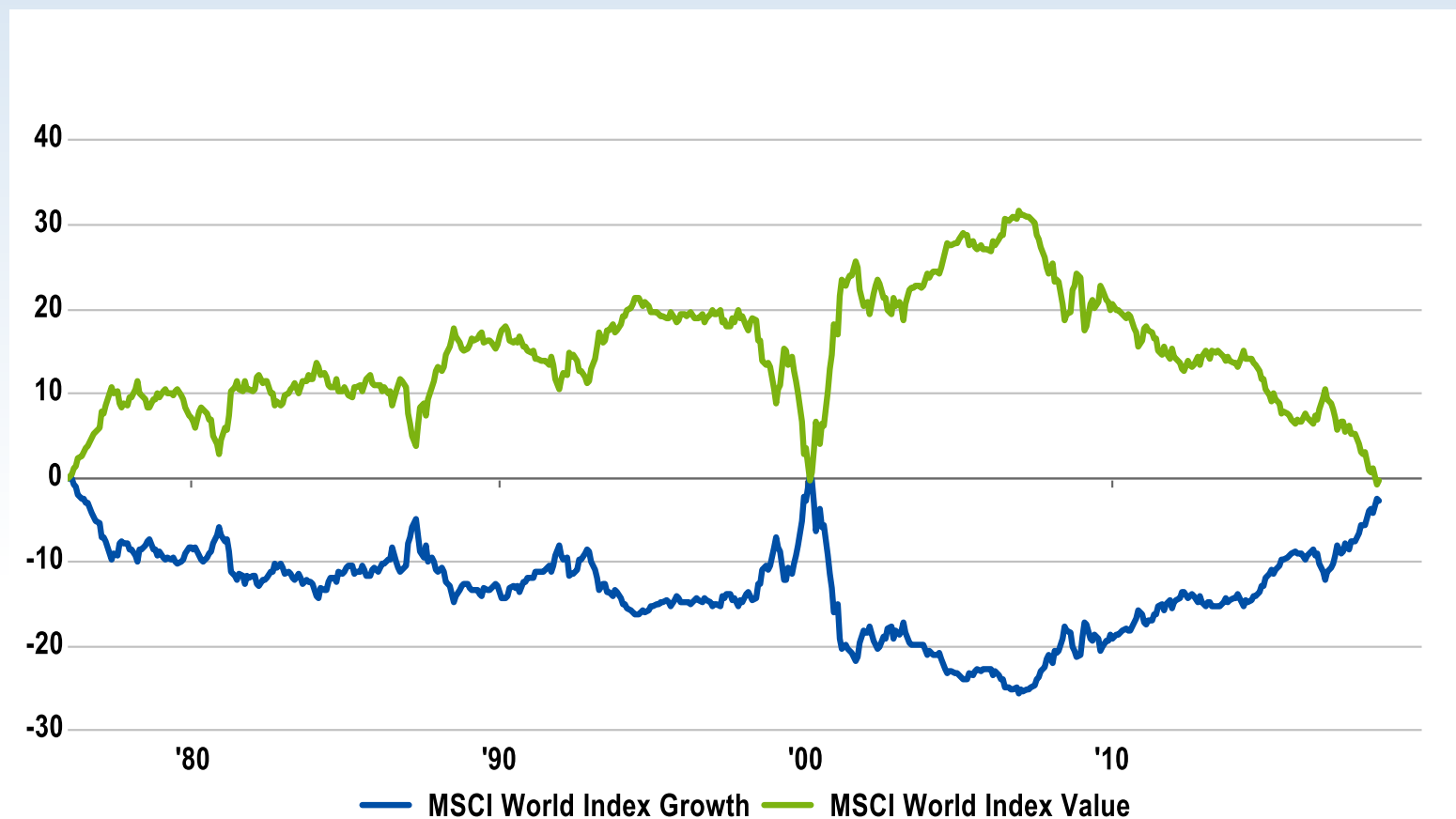
# Since inception Index uses MSCI World

Templeton Global Growth Fund Ltd  
ASX Ticker: TGG

# An Unprecedented Dry Spell for Value Style Investing

## MSCI World Value and Growth Relative Price Performance vs MSCI World

31 December 1975 to 30 September 2018

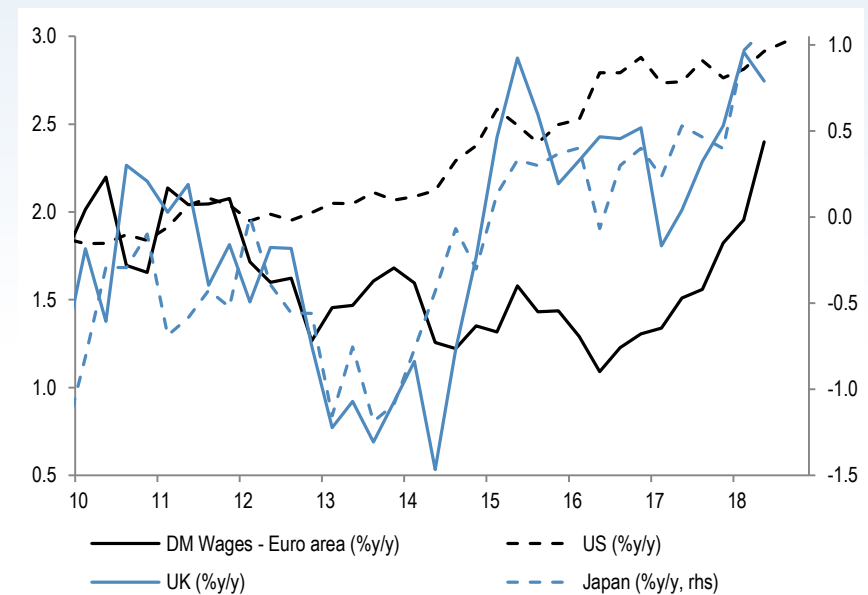


# Key Macro Issues

## Trade Tensions, Tightening, Tech

- 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
  
- Central Bank Tightening
  - Wages accelerating
  
- Tech stocks:
  - Growth compression vs multiple expansion
  - Increasing taxes and regulations
  - Trade war...

**Wages at Cycle Highs in 4 Key Regions**  
As at 7<sup>th</sup> September 2018

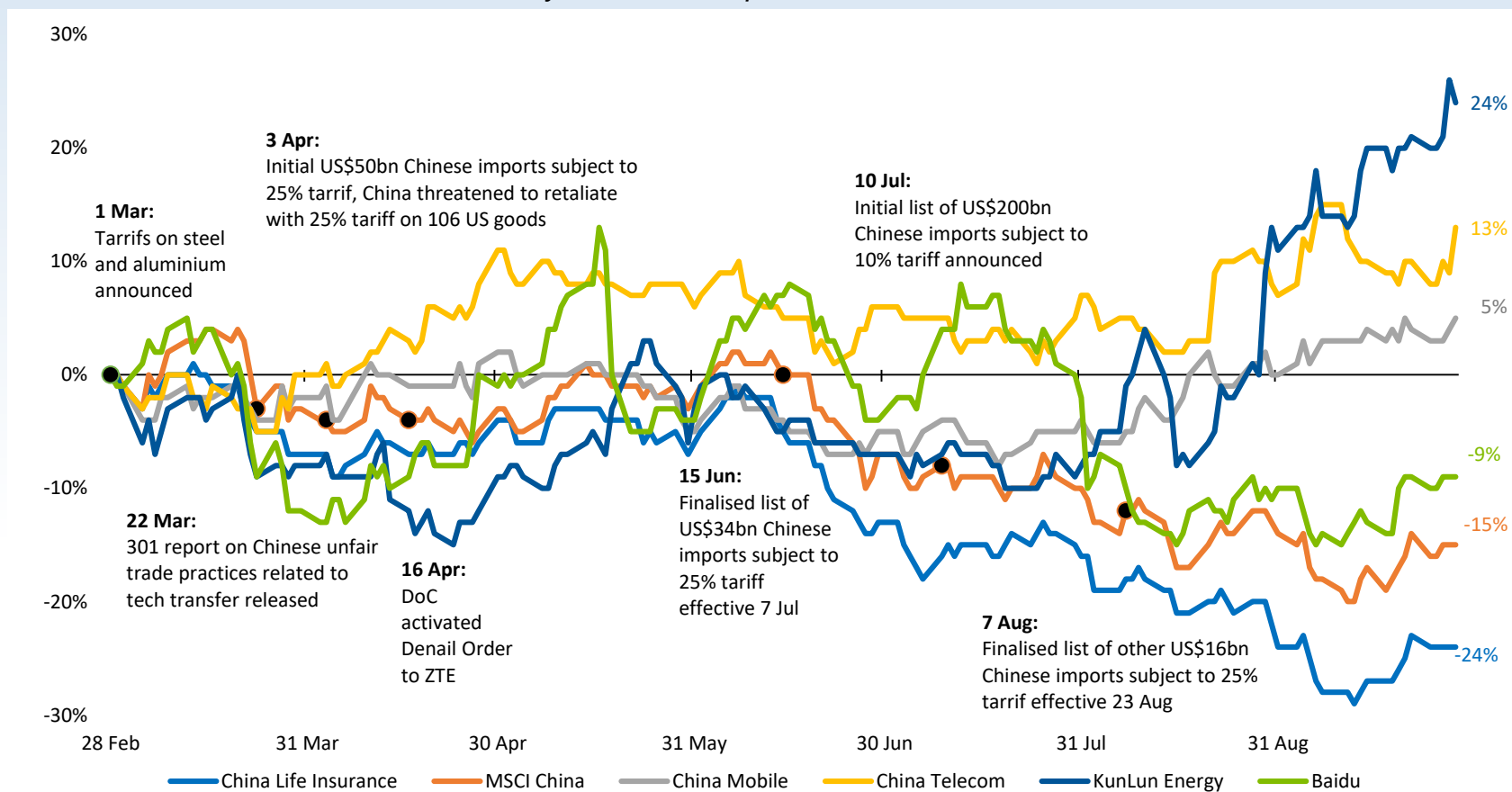


# Key Macro Issues

## Trade Tensions





### Performance of TGG's Chinese Holdings and MSCI China

28 February 2018 to 30 September 2018



## Where is the Value?

### Not as British as you might think

Premier League ladder		MP	W	D	L	Pts	Foreign: players in team(%)	% portfolio	Foreign: revenues (%)
1	Man. City	8	6	2	0	20	78.6	 2.8	96.5
2	Chelsea	8	6	2	0	20	74.1	 2.8	79.7
3	Liverpool	8	6	2	0	20	60.7	 1.8	84.9
4	Arsenal	8	6	0	2	18	77.8	 1.8	94.8
5	Tottenham	8	6	0	2	18	65.5	 1.6	98.5

Source: Premier League ladder and foreign player data as of 9<sup>th</sup> October 2018, FactSet. Foreign revenues as of Dec '17

# Key Macro Issues

## Tech Stocks

### Impact of FANGs on the S&P500

*As at 30<sup>th</sup> September 2018*

	Market Cap (US\$bn)	Performance % 1 Year	P/E Ratio (FY1)
Apple	1,093	+ 48	19.2
Google	840	+ 24	29.9
Microsoft	878	+ 56	26.8
Amazon	975	+ 108	115.1
Facebook	475	- 4	23.0
Netflix	163	+ 106	139.4
<b>FANGs*</b>	<b>2,454</b>	<b>+43</b>	<b>42.0</b>

\* FANGs group includes Facebook, Amazon, Netflix, Google



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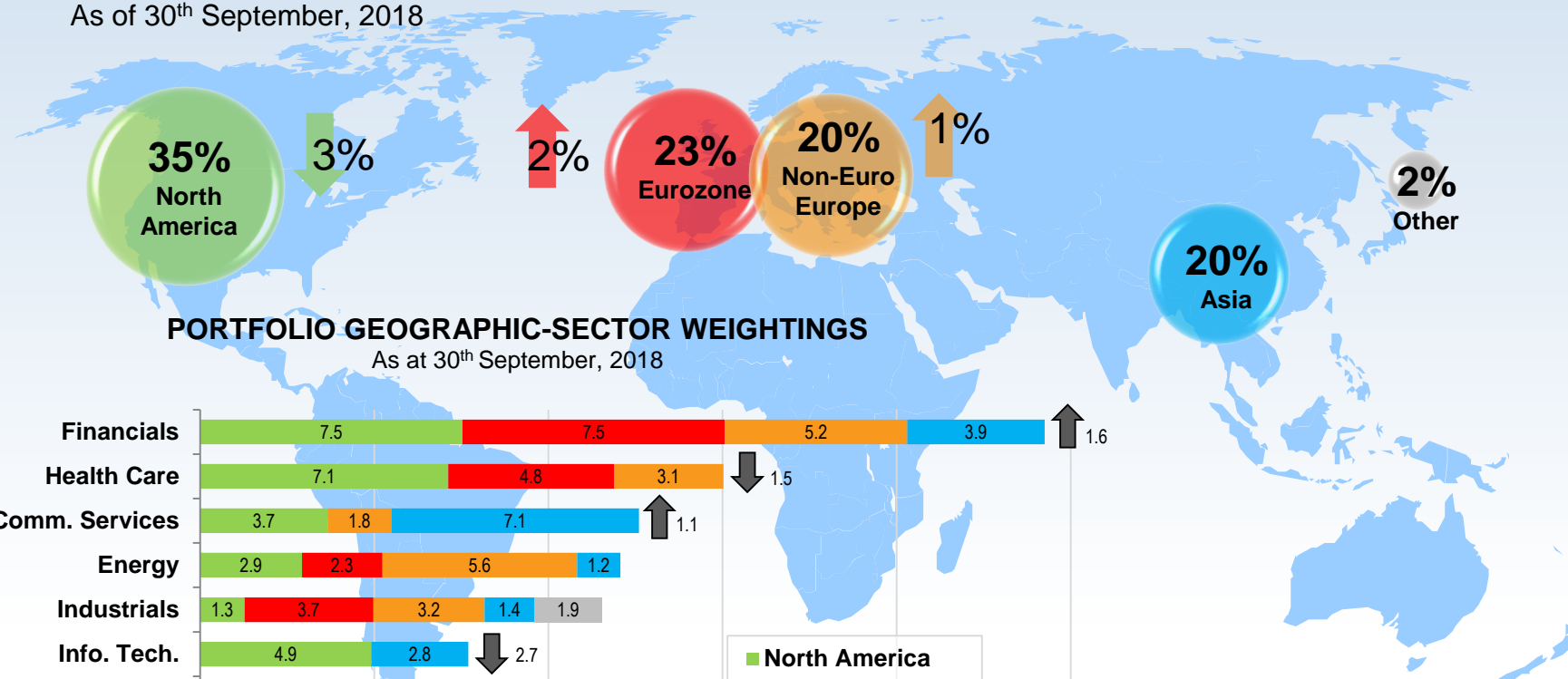
# Investment Portfolio Update



# Templeton Global Growth Fund Ltd

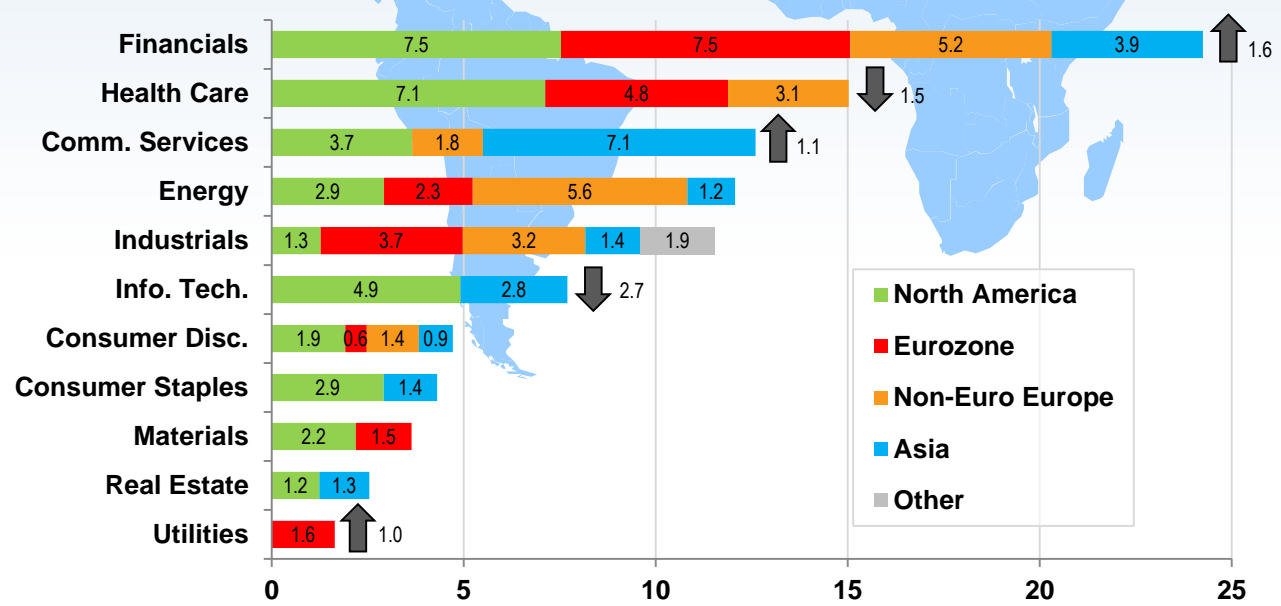
## Portfolio Weights

As of 30<sup>th</sup> September, 2018



### PORTFOLIO GEOGRAPHIC-SECTOR WEIGHTINGS

As at 30<sup>th</sup> September, 2018

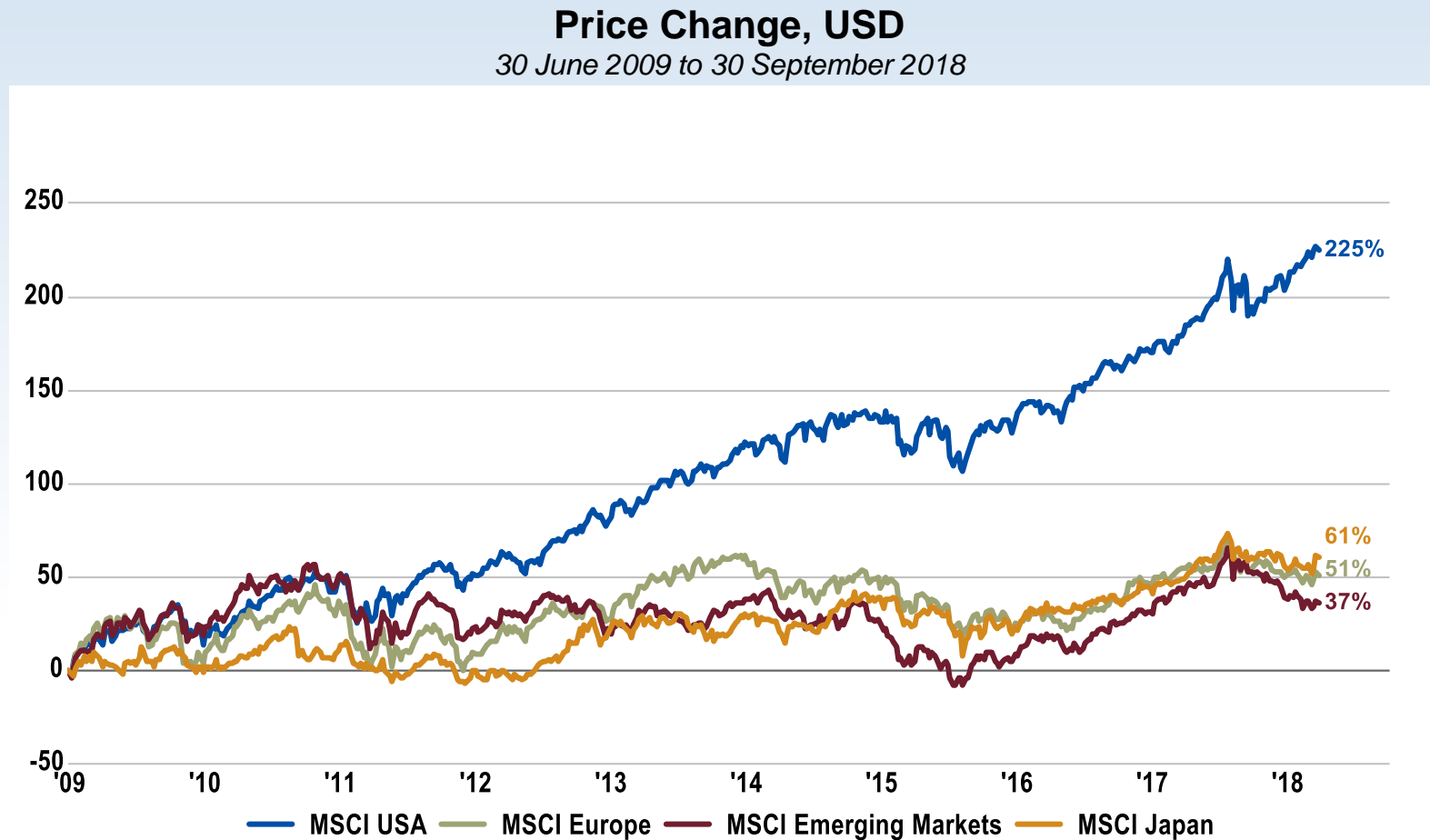


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Weightings as percent of equity. Percentage may not equal 100% due to rounding. Arrows represent change since 30<sup>th</sup> June 2018.

# Where is the Value?

The US has clearly outperformed

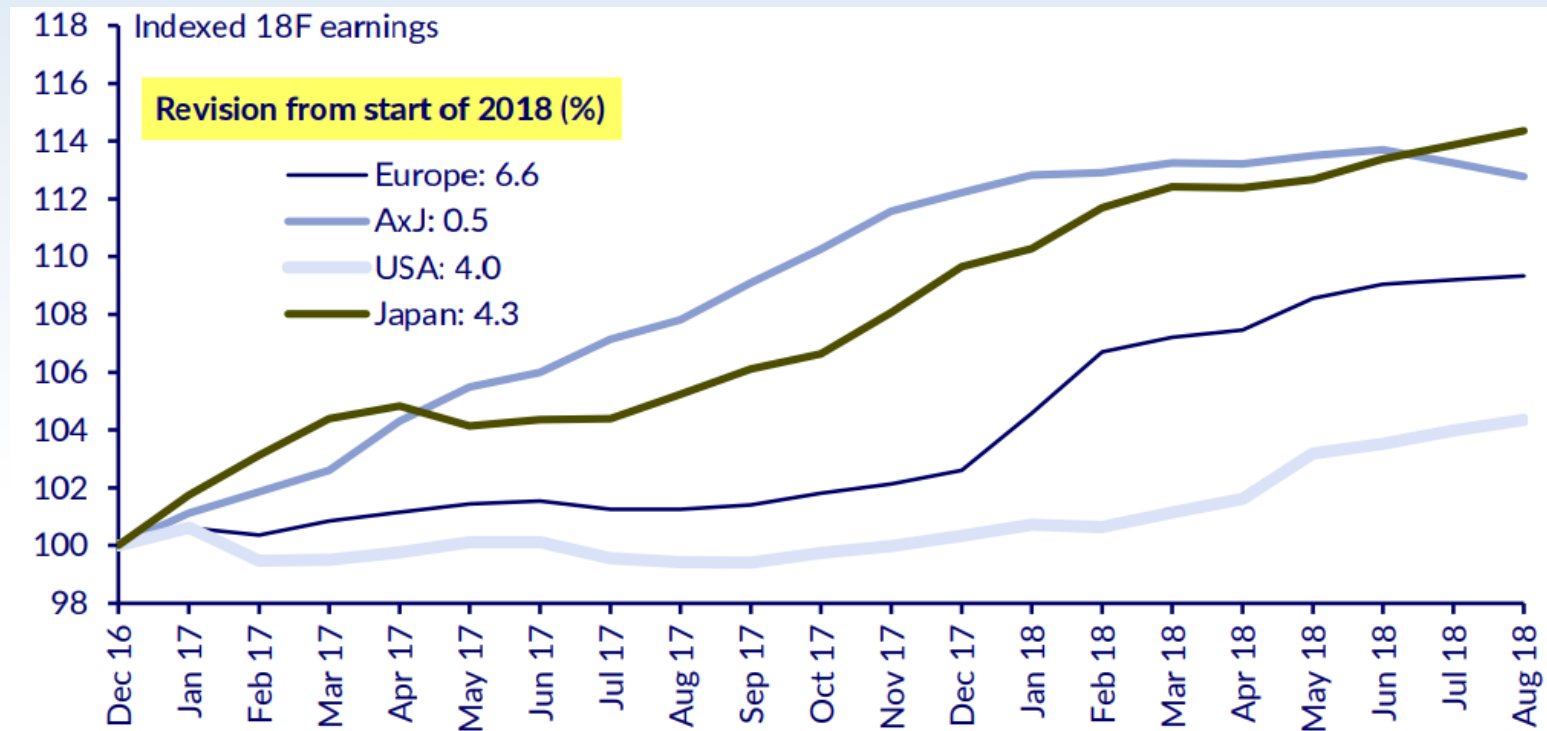


# Where is the Value?

## Positive earnings revisions continue

### MSCI regions/markets – '18 earnings revision (adjusted for one-off US tax impact)

As at 7 September 2018

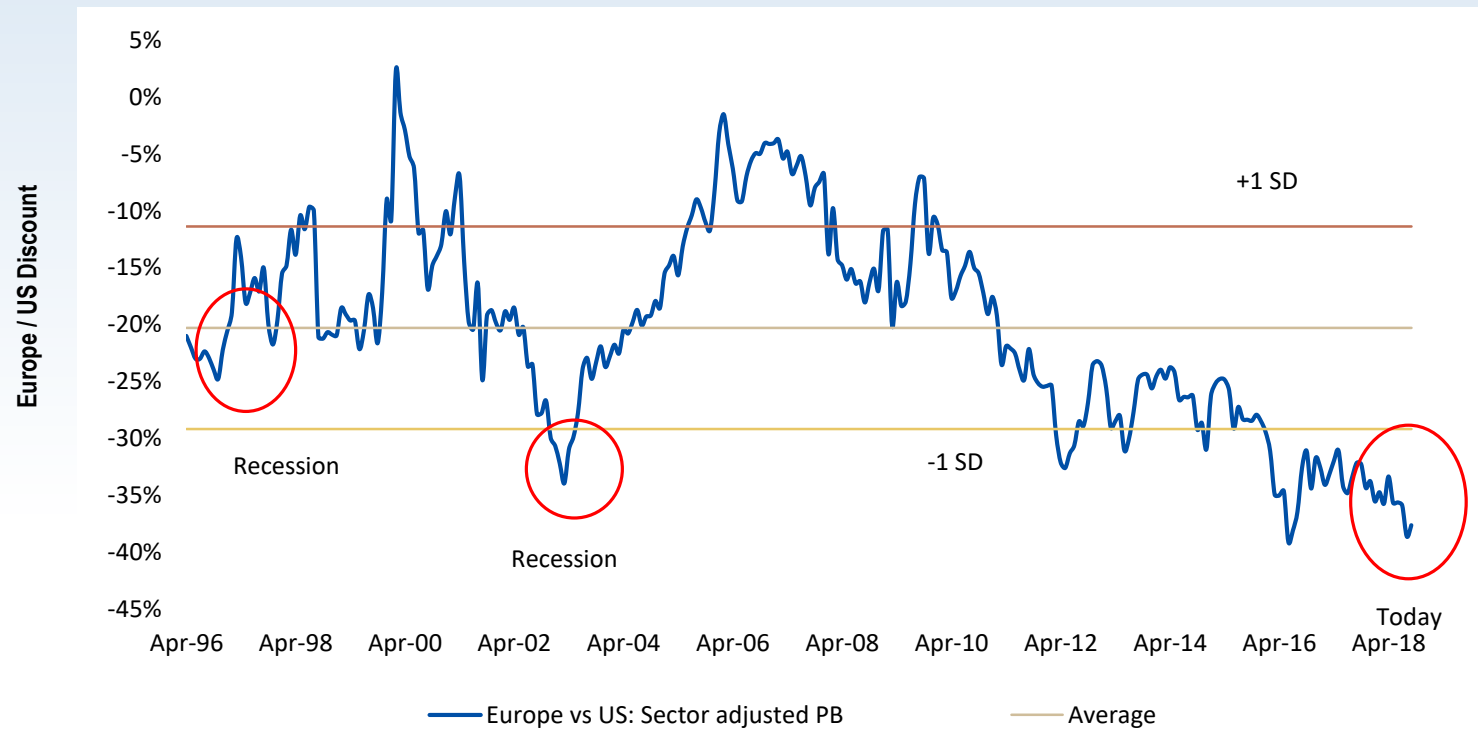


# Where is the Value?

## Europe is still an undervalued market

### Europe/US: sector adjusted Price to Book gap

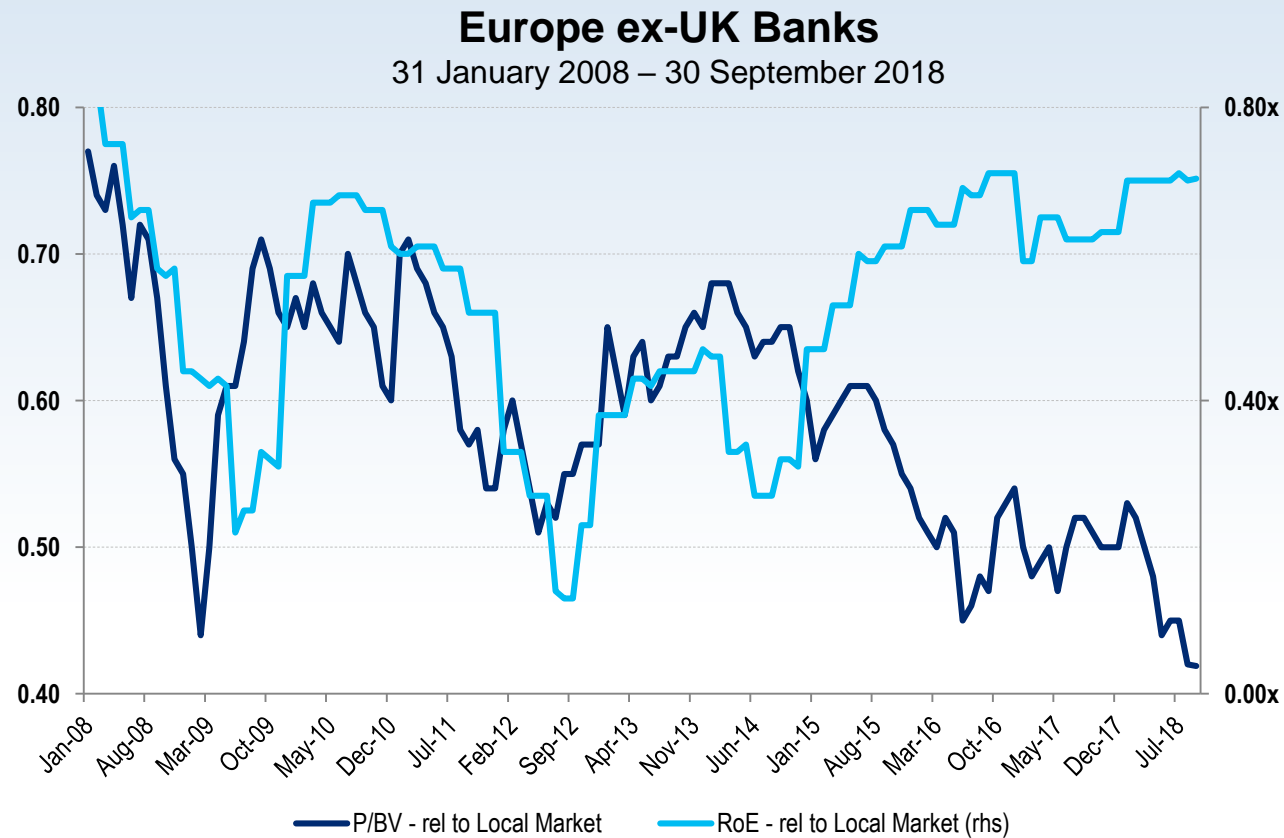
As at 30 September 2018



# Where is the Value?

European Banks, unloved...

Competitive profits, rock bottom valuations

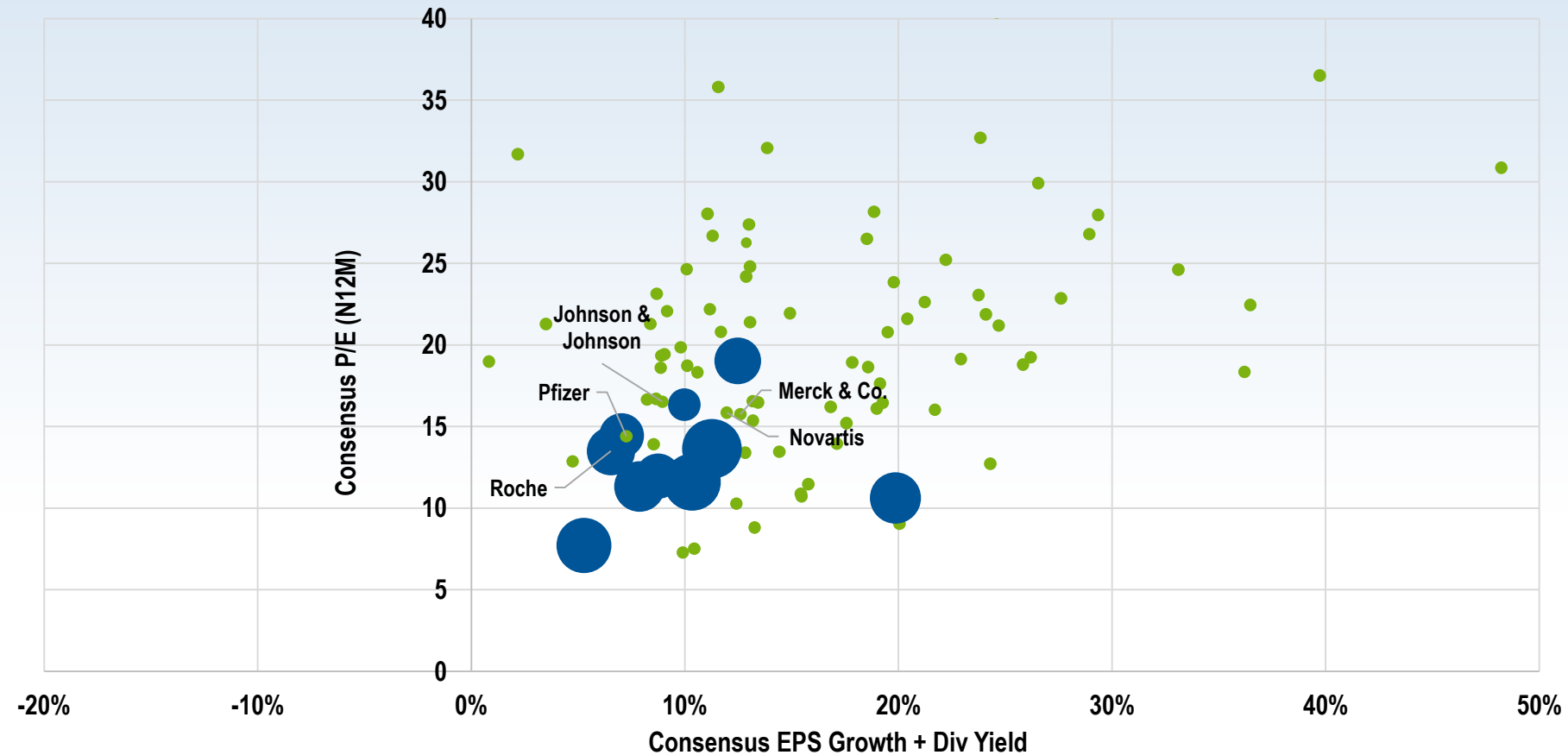


# Where is the Value?

## Growth at a Value Price in Healthcare

### MSCI ACWI Pharmaceuticals Biotechnology & Life Sciences Index

As of 30<sup>th</sup> September 2018

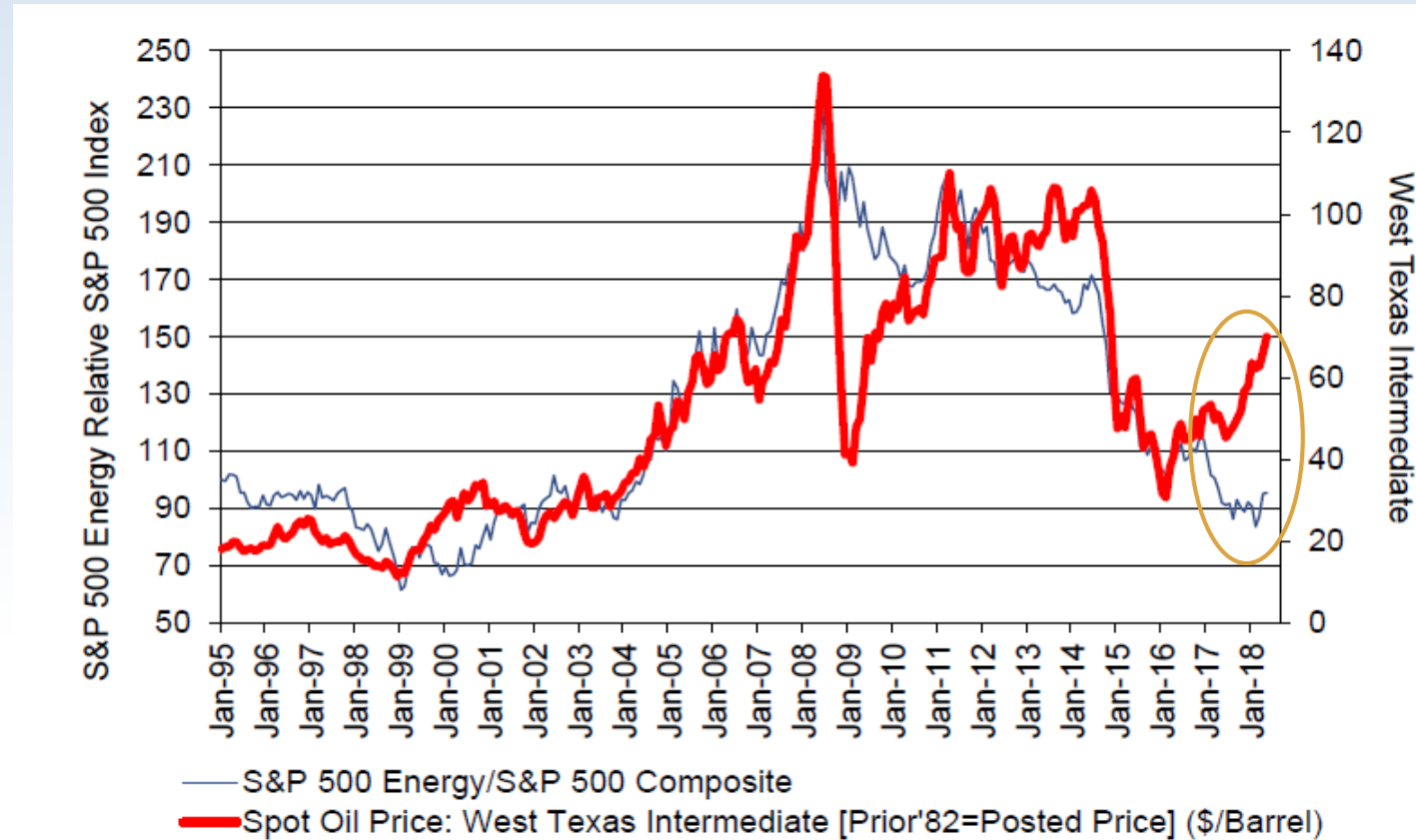


Source: FactSet, MSCI. Blue dots are portfolio holdings. Green dots are constituents of the MSCI AC World Pharmaceutical index that are not portfolio holdings. Constituents lacking consensus estimates, or with extreme values as defined by lying outside the chart axis, are not shown. EPS growth shown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

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# Where is the Value?

## A Disconnect Between Oil and Energy Stocks



## Concentrated Portfolio – Making Progress

### Portfolio Characteristics

	30 June	30 Sept
Stock count	102	72
Active Share (%)	86.7	90.3
Predicted Tracking Error (%)	3.5	4.1
Weight in top 15 (%)	27.0	33.0
Weight in top 10 (%)	18.6	23.7
Wtd Avg FY1 P/E	13.1	12.7
Wtd Avg P/BV	1.4	1.4
Dividend Yield (%)	2.7	2.9



# FY 2018

## Top 3 Contributors

- Twenty-First Century Fox (exited)
- BP
- Sumitomo Metal Mining (exited)

## Bottom 3 Contributors

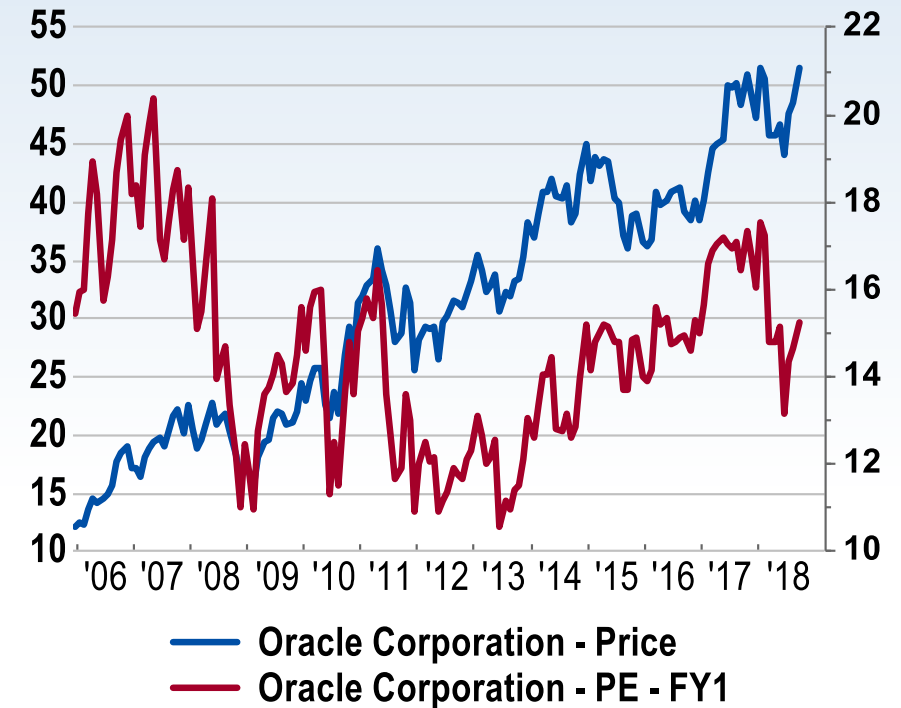
- Allergan (adding)
- Getinge (exited)
- Oracle (adding)

# World Class Database Provider

# ORACLE®

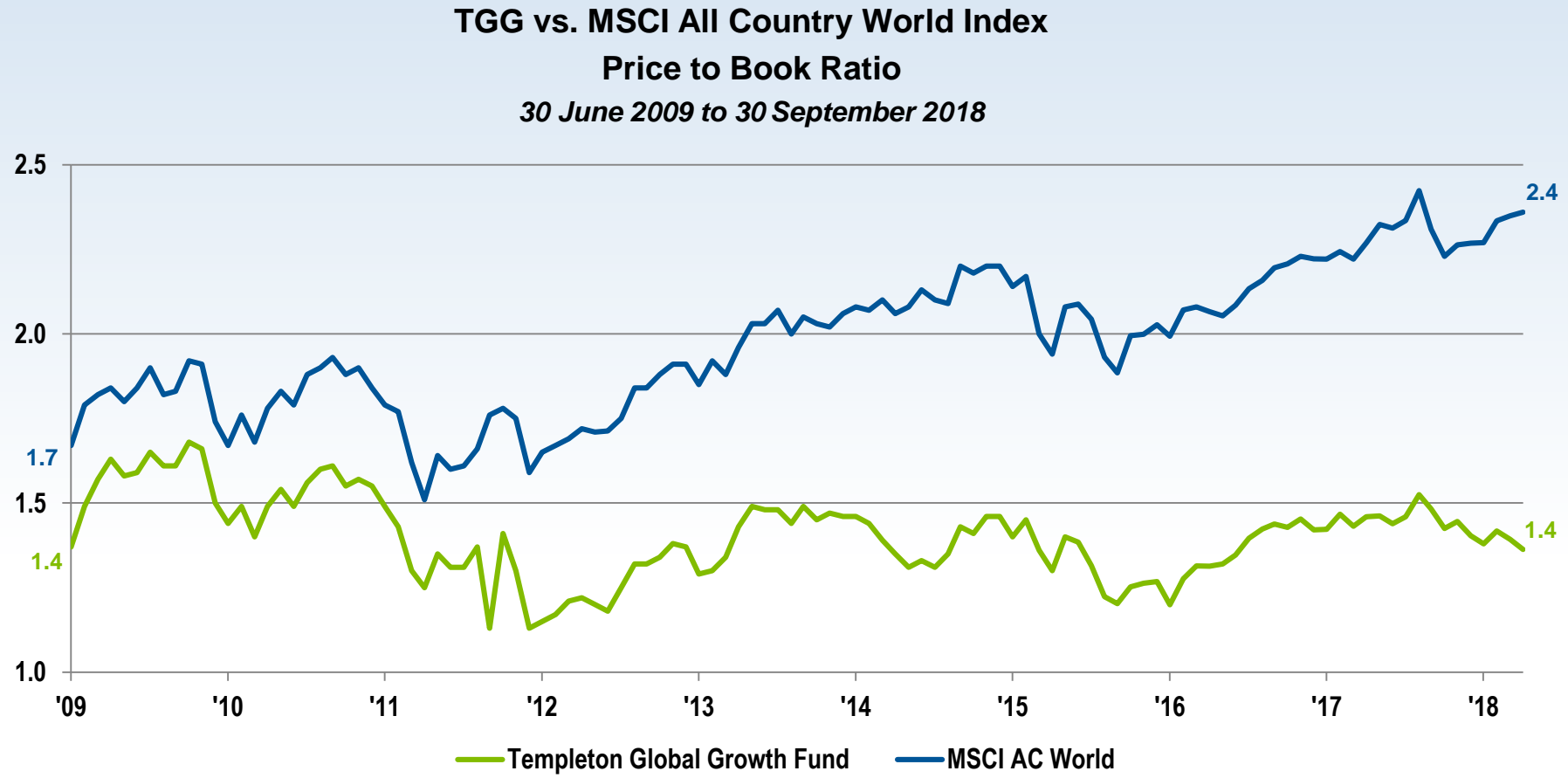
## What attracts us to Oracle today?

- Core database franchise is holding up well
- Transition to cloud increasing revenue and profit opportunity as well as total addressable market
- New database licenses grew at 9%, an acceleration
- Margins improved y/y
- Generating strong free cash flows, of which 80-100% is being returned through dividends and share buybacks
- Still trading on ~15x FY1 P/E, 7% FY1 FCF Yield



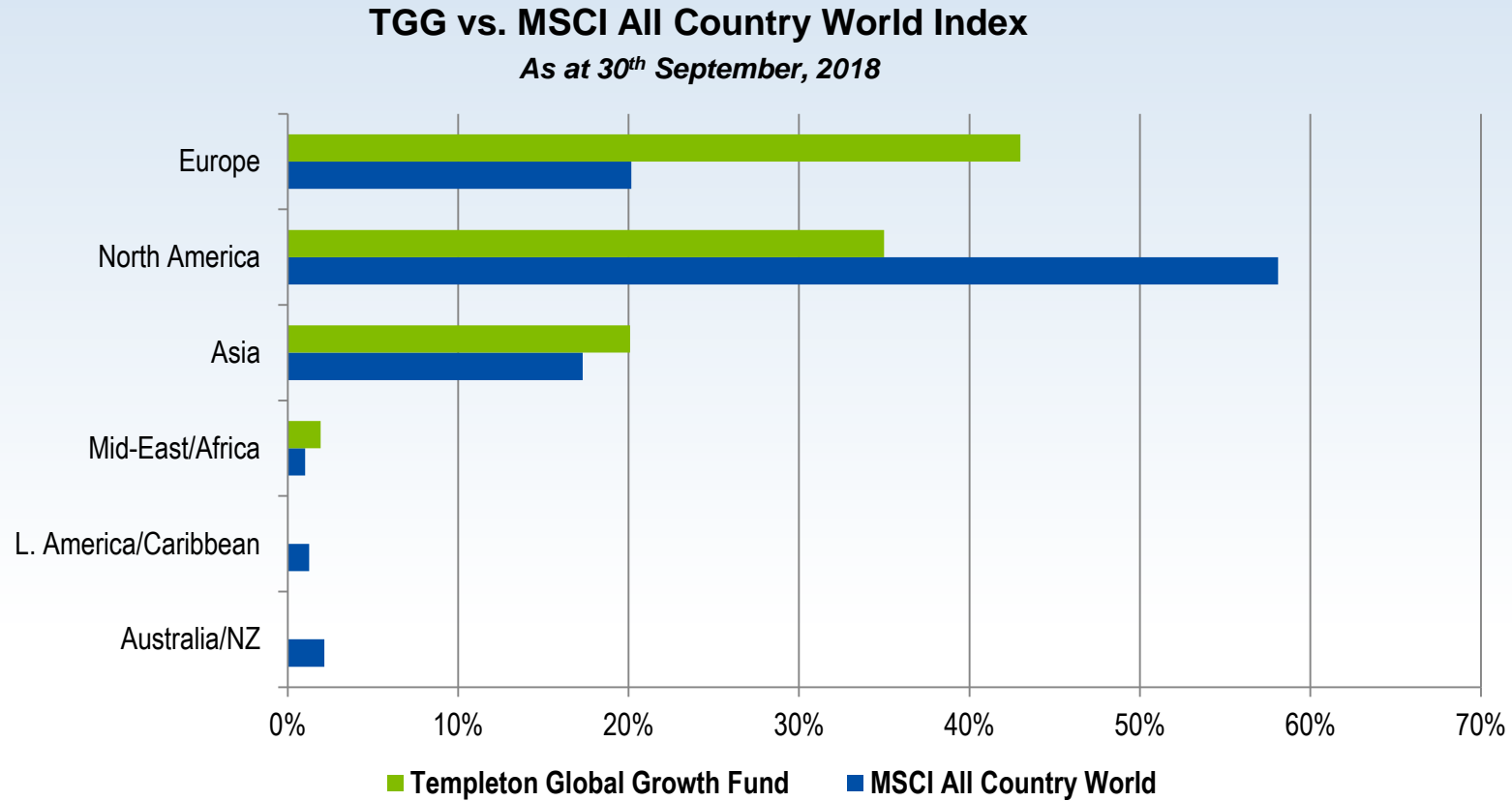
# Templeton Global Growth Fund Ltd

## Portfolio Characteristics



# Templeton Global Growth Fund Ltd

## Geographic Allocation

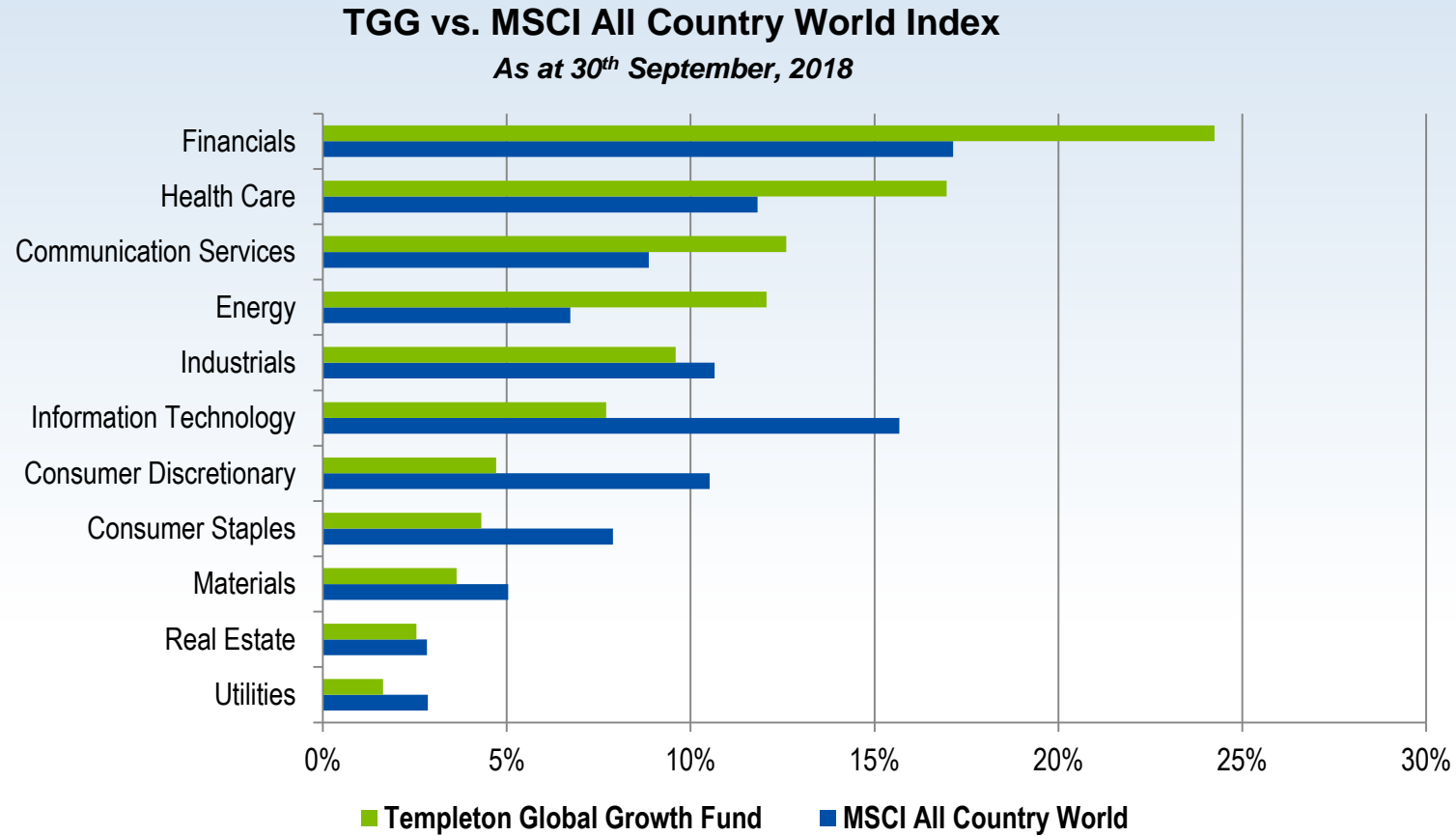


Source: © Morgan Stanley Capital Index (MSCI).  
Weightings as percent of equity. Information is historical and may not reflect current or future portfolio characteristics.  
All portfolio holdings are subject to change.

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## Sector Allocations



Source: © Morgan Stanley Capital Index (MSCI).  
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# Templeton Global Growth Fund Ltd

Investing in some of the world's leading companies



**SAMSUNG**



SoftBank



**citi**



**ORACLE®**



**SIEMENS**



**SANOFI**



**BNP PARIBAS**

# German Industrial Giant

# SIEMENS

## Why we like it

- Ongoing sales of various non-core assets helping to decrease conglomerate discount
- Upside in margins providing earnings growth
- Floated 15% of Healthineers in March 2018. Now trading on 22x FY1 P/E; 1/3 of Siemens market cap
- Digital Factory division has a best-in-class automation offering and rising software content, offering long-term growth and improving profitability
- Currently trading on ~14x FY1 P/E or ~11x ex-Healthineers



— Siemens AG - Price

## 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.

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