



Templeton Global Growth 2014 Results

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Templeton Global Equity Group

August 2014



The Templeton Investment Philosophy

We utilise a disciplined, consistent approach based on three timeless principles of investing

Value

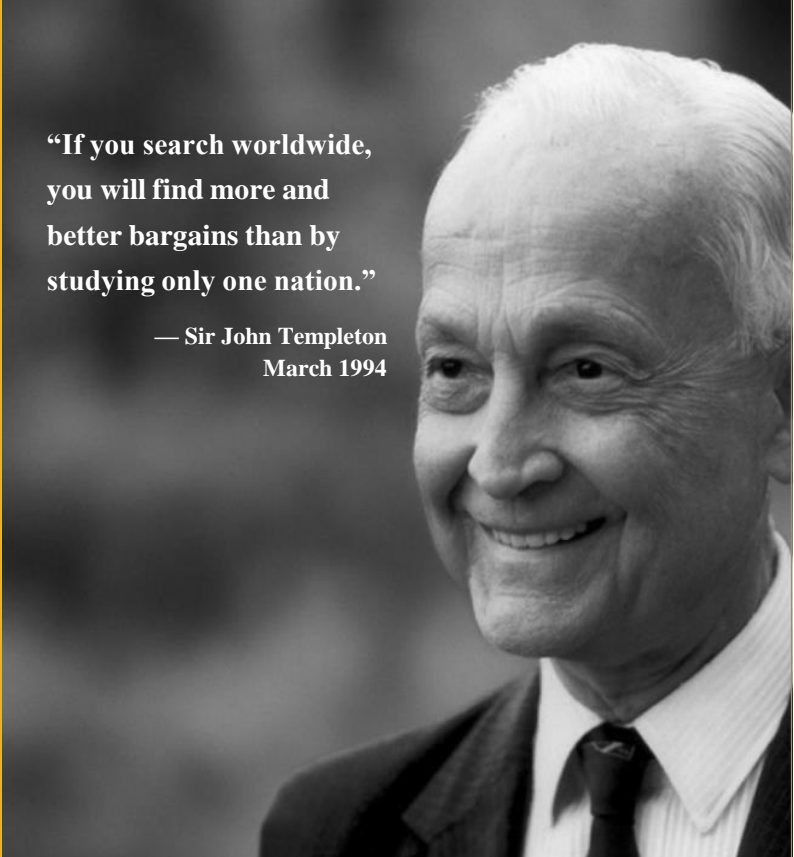
- Uncover bargains — seeking companies trading at large discounts to their business value
- Business value — based on future earnings, cash flow or asset value potential
- Flexible approach to identify potential value within a disciplined framework

Patience

- Rolling five-year time horizon focused on normalised business value
- Long-term focus gives us a framework to take advantage of short-term price volatility to reveal investment opportunities
- Patience allows time for value recognition and has historically resulted in low turnover

Bottom-up stock picking

- Build portfolios with undervalued securities identified through research process
- Portfolio structure reflects where we are finding value across sectors and regions
- Portfolio management process seeks to buy pessimism and sell optimism



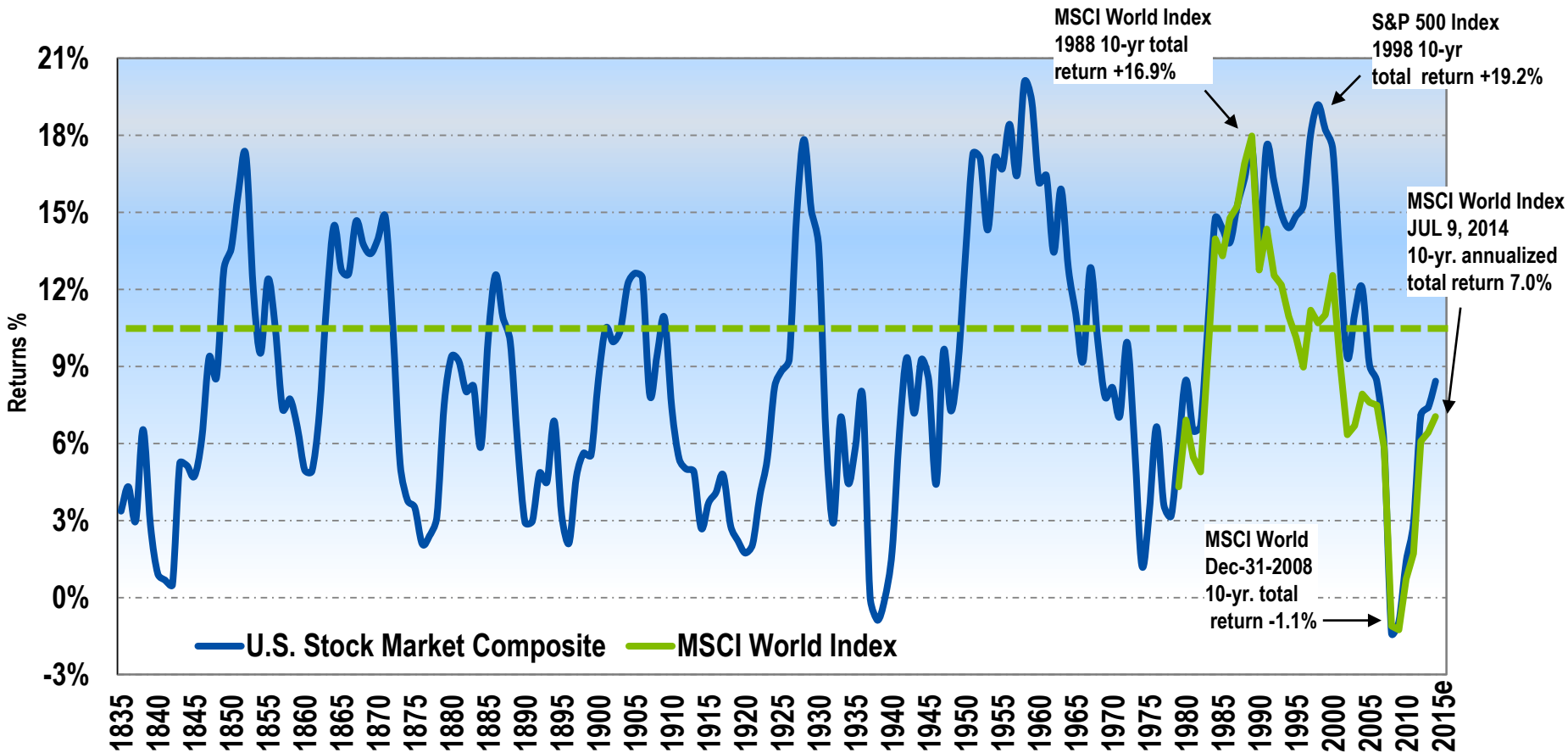
**“If you search worldwide,
you will find more and
better bargains than by
studying only one nation.”**

— Sir John Templeton
March 1994

Equities Have Recovered

MSCI World and S&P 500 Index 10-Year Compounded Annual Total Return

Data from 1835 to 9th July 2014



For illustrative and discussion purposes only.

Source: Stifel Nicolaus Associates, "A New Historical Database for the NYSE 1815 to 1925: Performance and Predictability," Yale University used with permission from Prof. William N. Goetzmann, Post-1935 data for stocks are Ibbotson/Morningstar and S&P large-cap equity, MSCI. Stock market returns include dividends. Last data point includes one year trailing total return as of 7/9/14 (intraday) as final point in compound return calculation. Chart and annotations are Stifel format.

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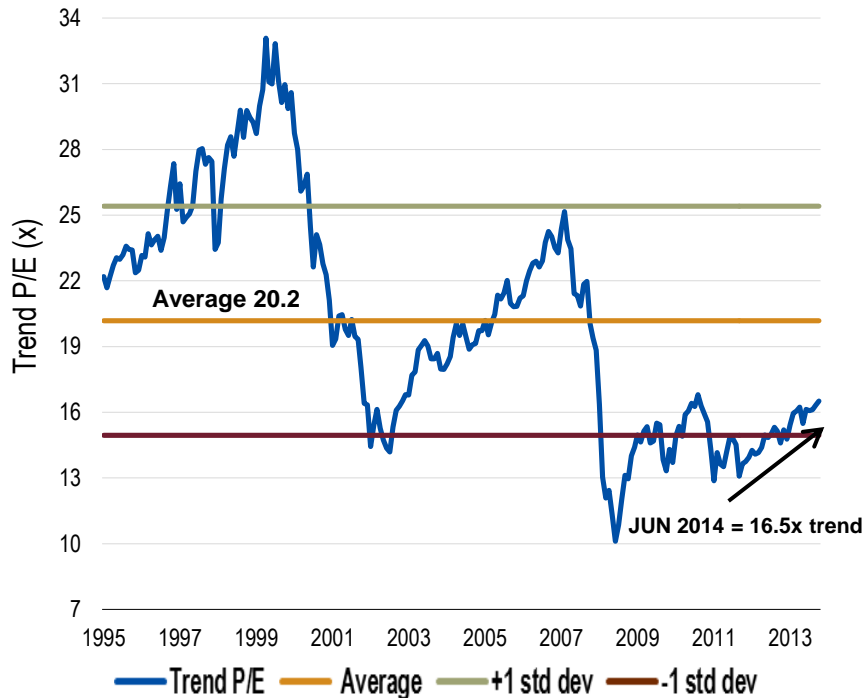
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Valuations Are Higher, But Still Interesting

Global price to book ratios have not recovered with returns

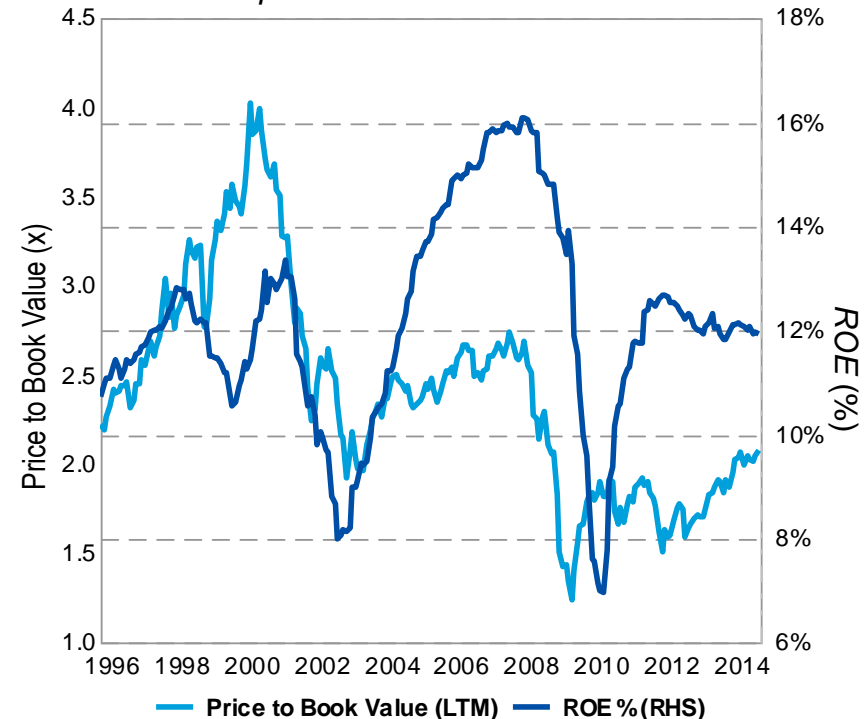
MSCI AC World: Trend P/E¹

30th September 1995 to 30th June 2014



MSCI AC World Index²

30th September 1995 to 30th June 2014



1. Source: FactSet, MSCI. Methodology: The benchmark's trend P/E is established by dividing its absolute price history by its trend EPS line.

2. Source: FactSet, MSCI.

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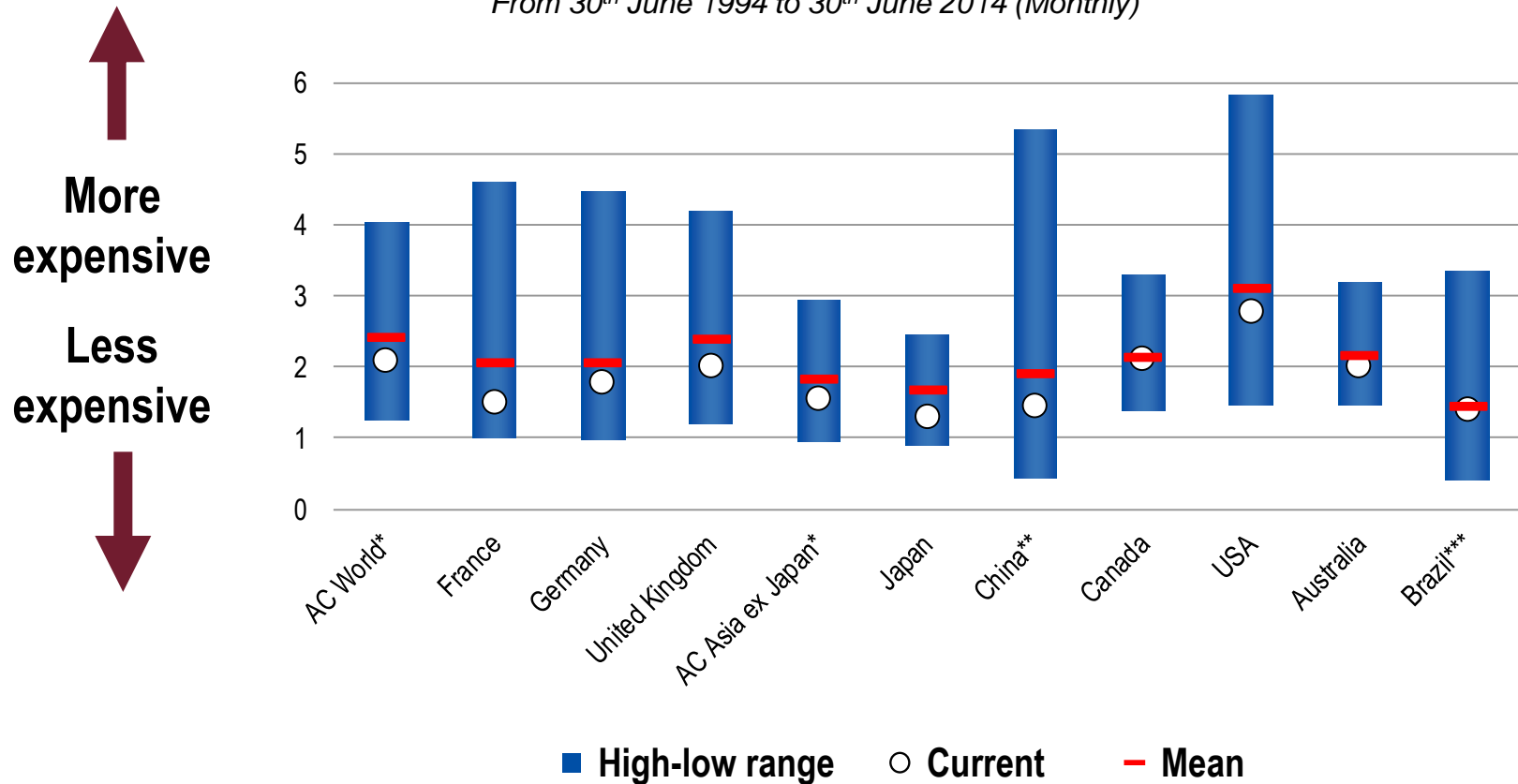


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Global Trailing Price-to-Book Value

Price-to-Book Value, Last 20 Years

From 30th June 1994 to 30th June 2014 (Monthly)



Sources: FactSet, MSCI

*Data available from 9/29/1995

**Data available from 10/31/1995

***Data available from 8/31/1994

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European Equities Offer Significant Upside

Cyclically-Adjusted Europe P/E at Multi-Decade Low Relative to the U.S.

31st January 1988 to 2nd July 2014



Source: JPMorgan, MSCI.

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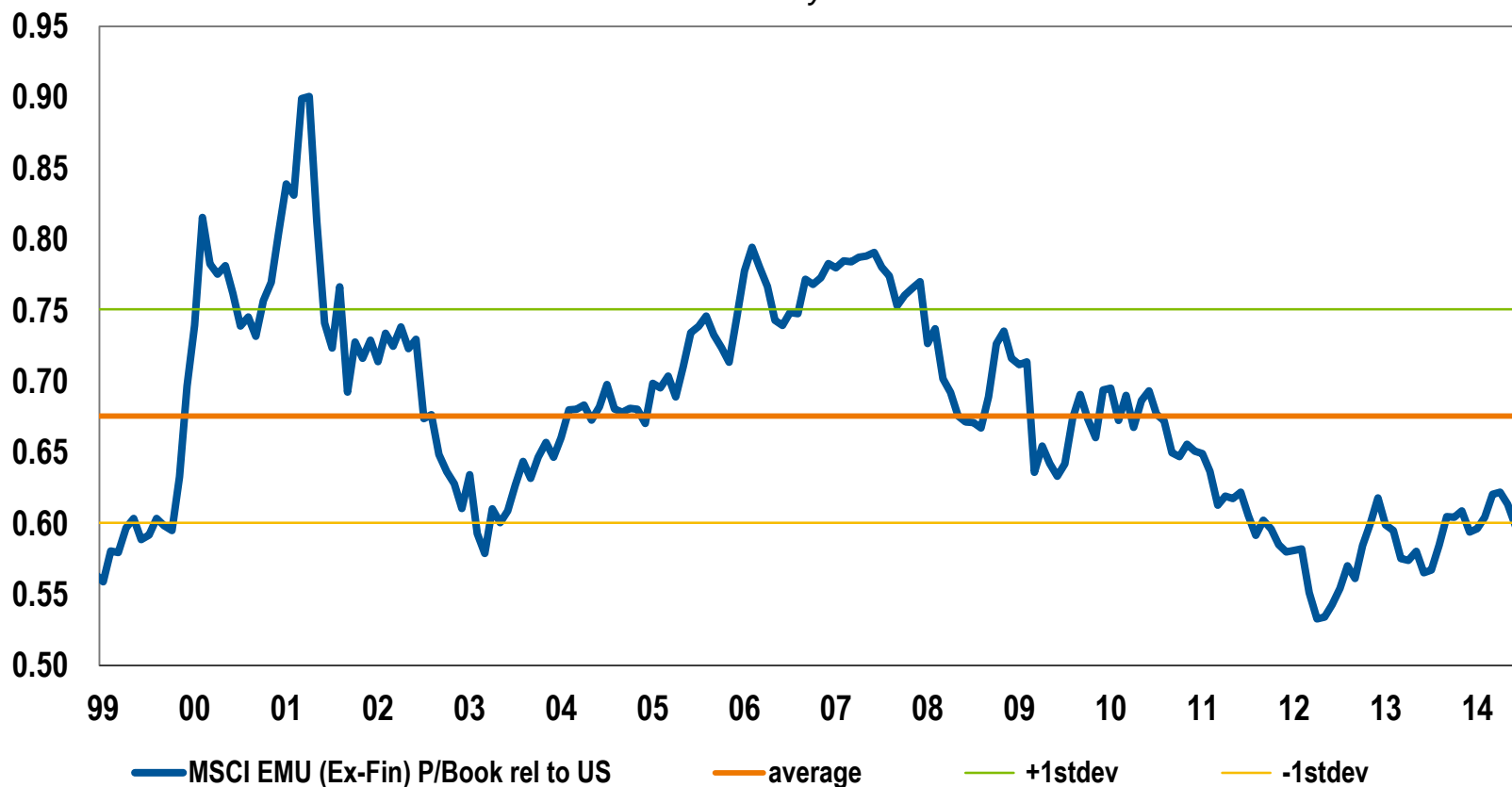


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Even Excluding Financials, European Companies Remain Much Cheaper Than U.S. Companies

Eurozone vs. U.S. Price-to-Book (ex-Financials)

As of 21st July 2014



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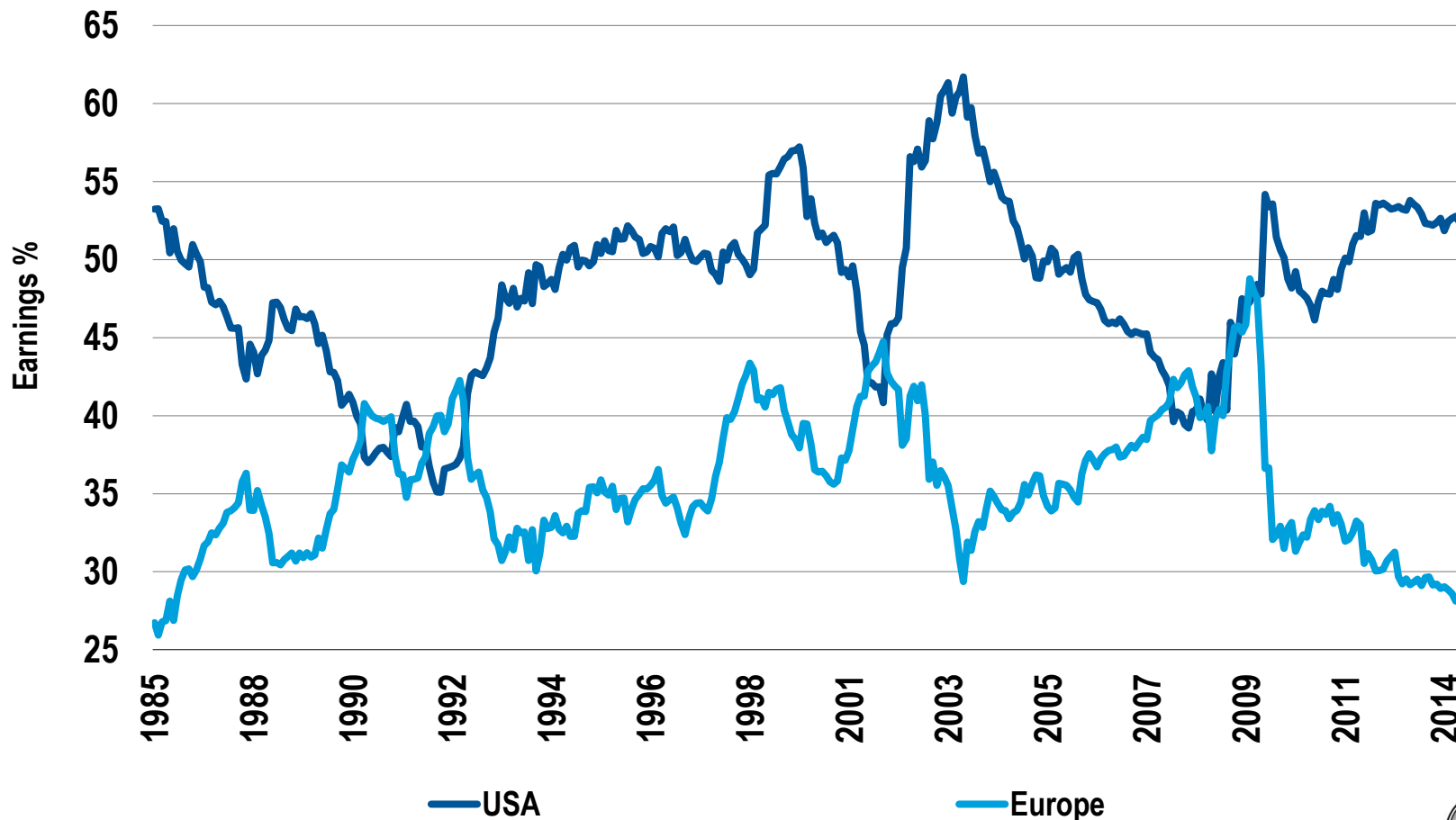
Source: Datastream, MSCI, J.P. Morgan, as of July 21, 2014.

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... and the European share of MSCI World earnings is currently at a 28 year low

MSCI World

31st December 1985 to 30th June 2014



Source: MSCI, Thomson Datastream, SG Cross Asset Research/Equity quant.

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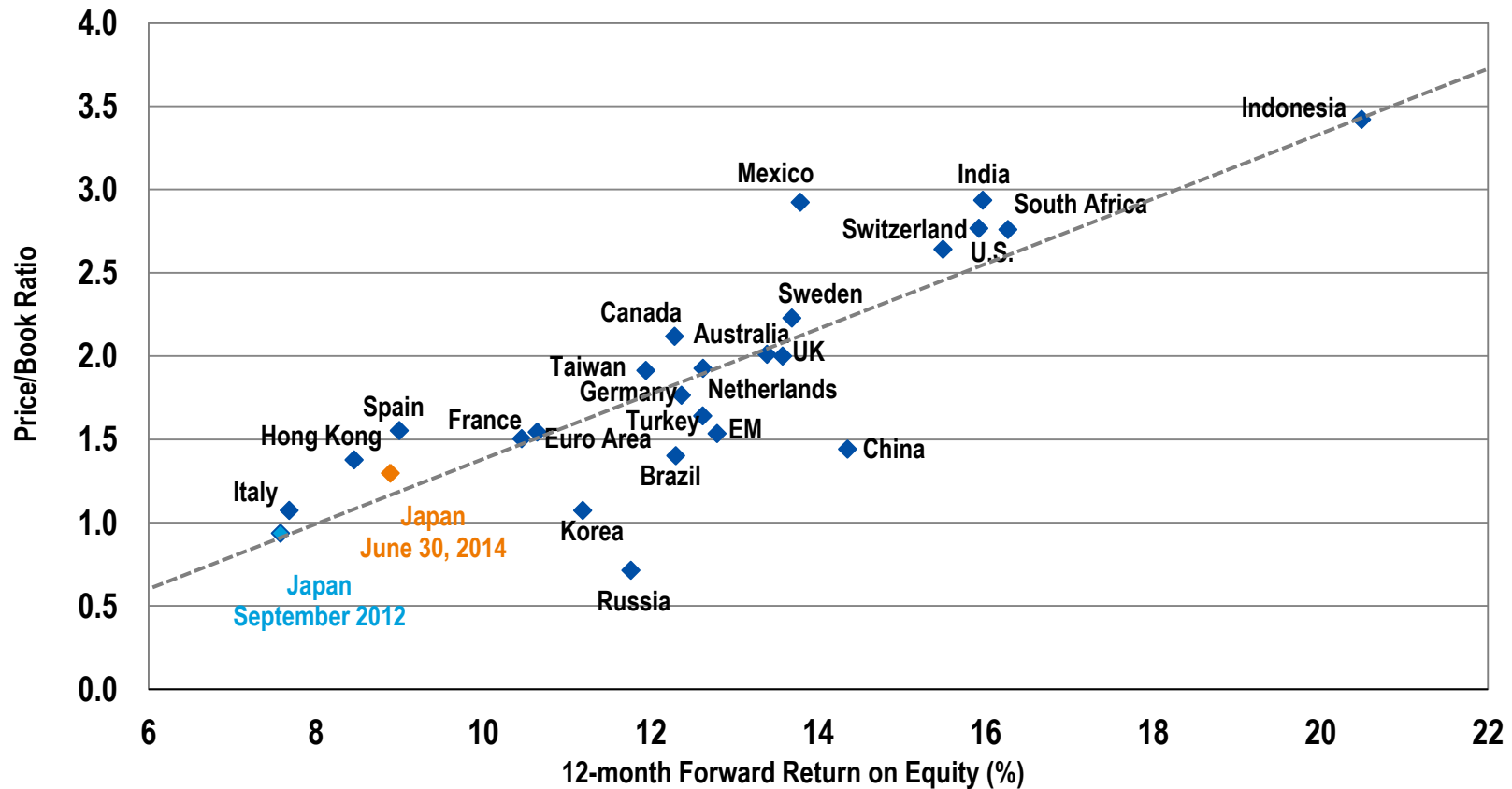


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Japanese Equities Are Cheap But Not Necessarily Value

Japanese Low Price-to-Book Ratio Reflects Low Return on Equity

As of 30th June 2014 (unless otherwise indicated)



Emerging Markets Performed For A Decade

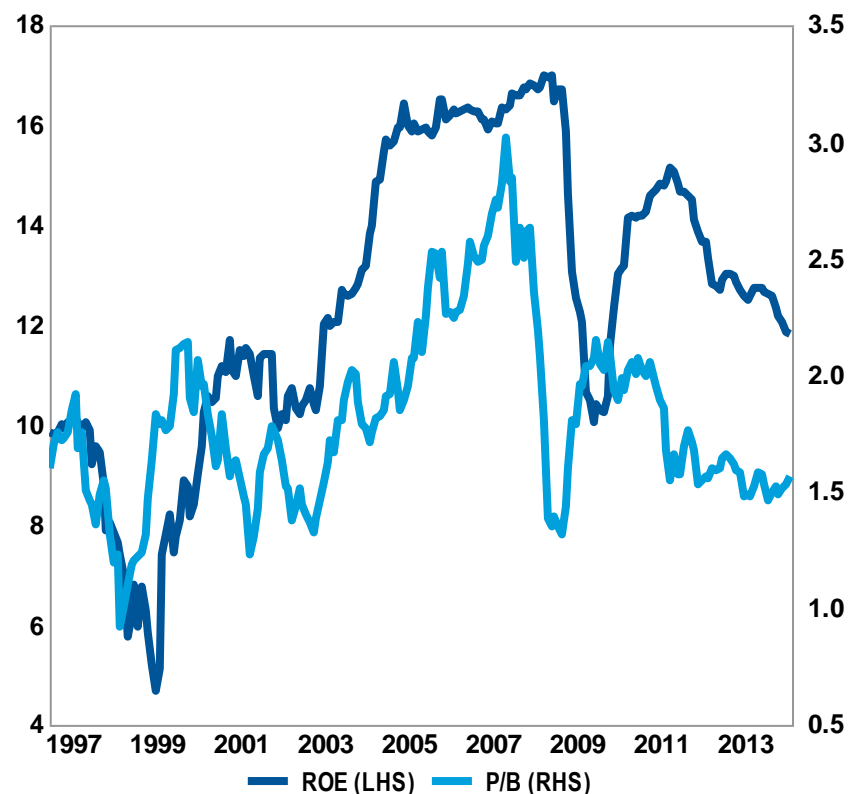
MSCI Europe price relative to the Emerging Markets (USD)

29th April 1994 to 1st August 2014



MSCI Emerging Markets: P/B and ROE

31st December 1996 to 31st July 2014



Source: MSCI, FactSet.

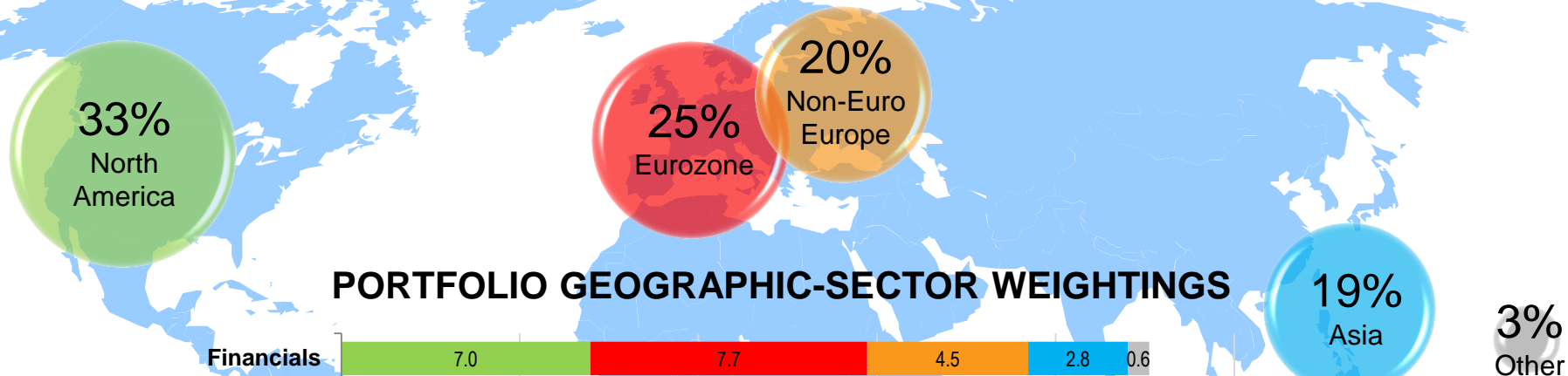
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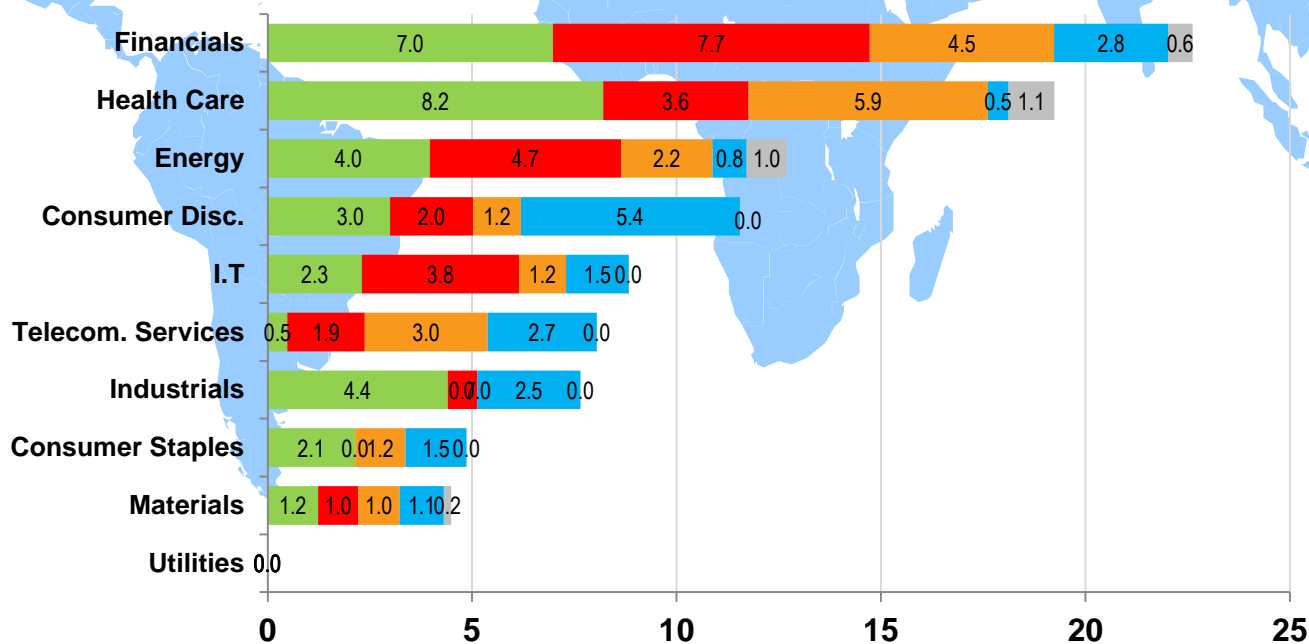
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Templeton Global Growth Fund – Weights

As of 30th June 2014

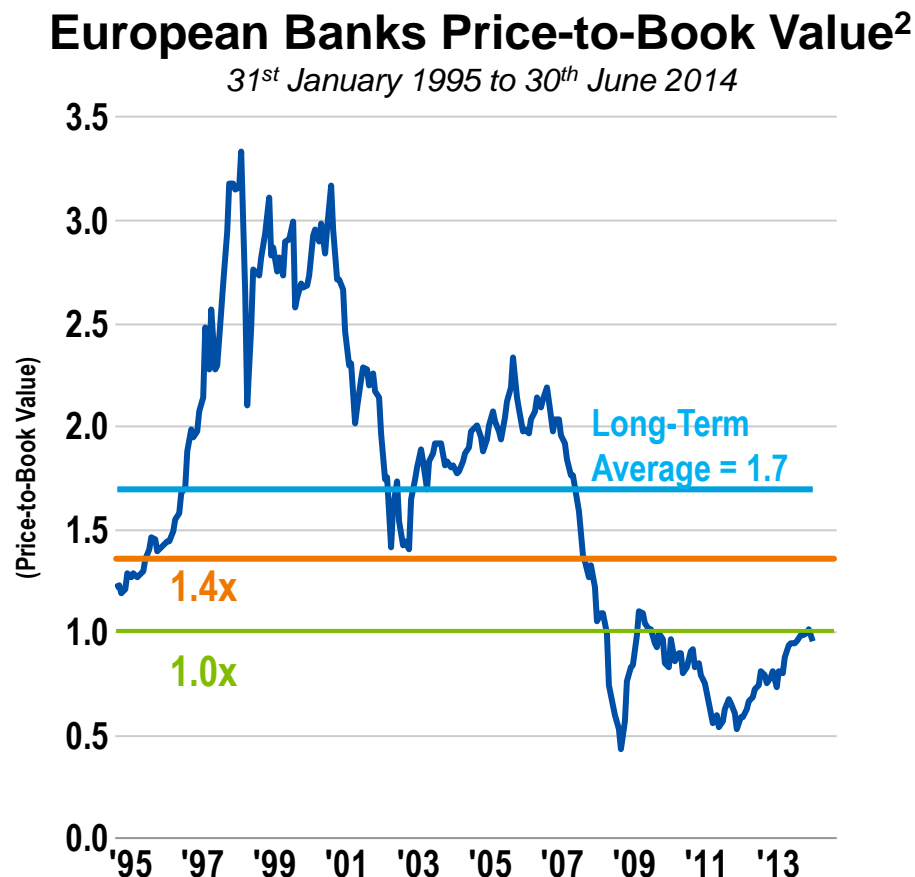
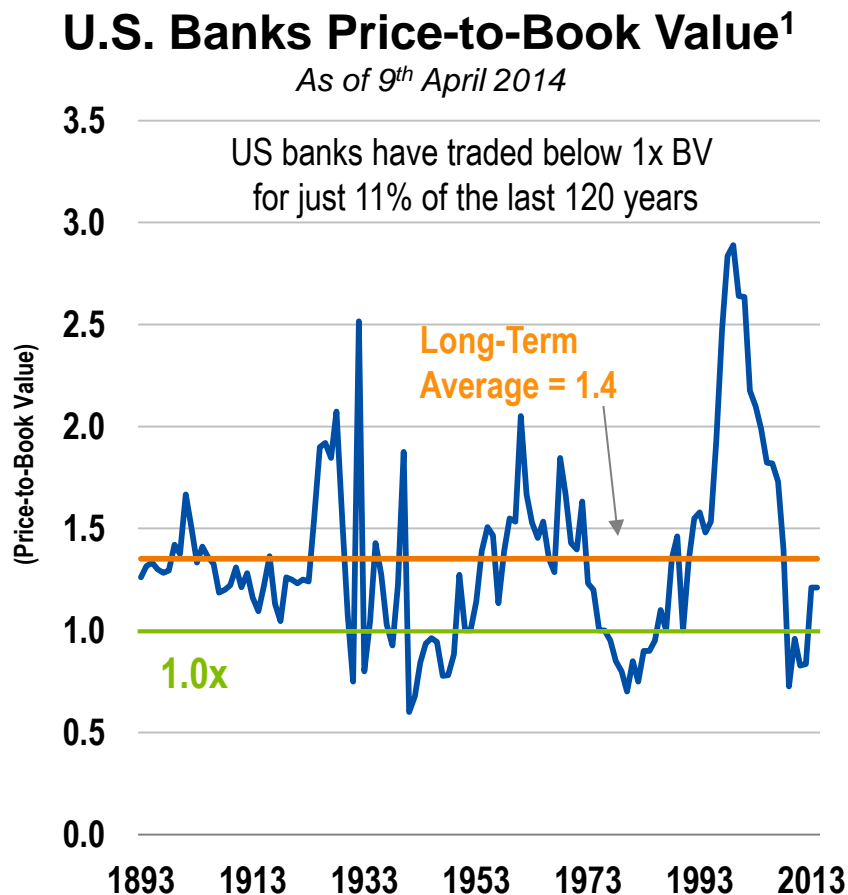


PORTFOLIO GEOGRAPHIC-SECTOR WEIGHTINGS



Weightings as percent of equity. Percentage may not equal 100% due to rounding.
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US Banks Are Priced Below Average... And European Banks Offer Even Greater Discounts



Past performance does not guarantee future results. For illustrative purposes only. An index is unmanaged and one cannot invest directly in an index.

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. Data as of April 9, 2014.

2. Source: FactSet, MSCI. Data from January 31, 1995 to June 30, 2014.

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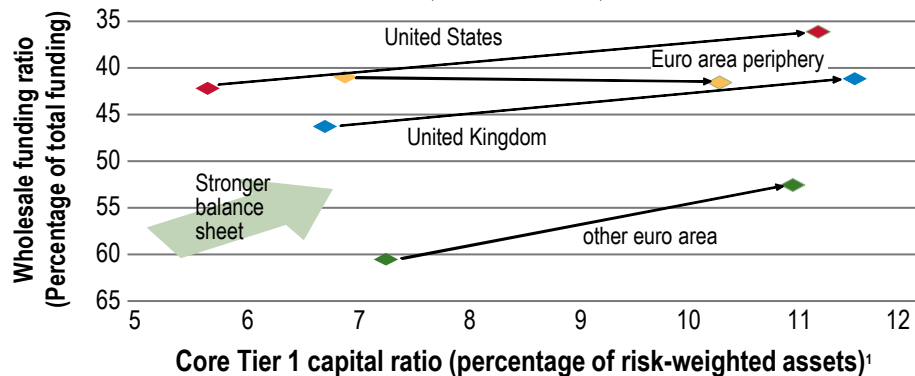
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...And Are Ignoring European Bank Improvements

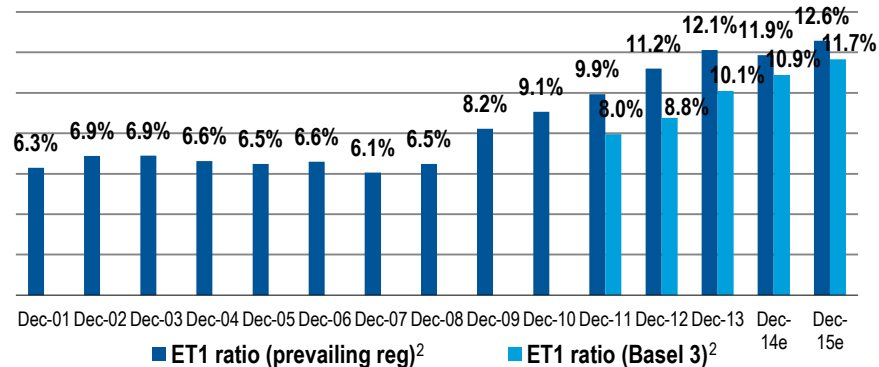
European Banks Have Improved Capital Positions

Bank Core Tier 1 and Wholesale Funding Ratios

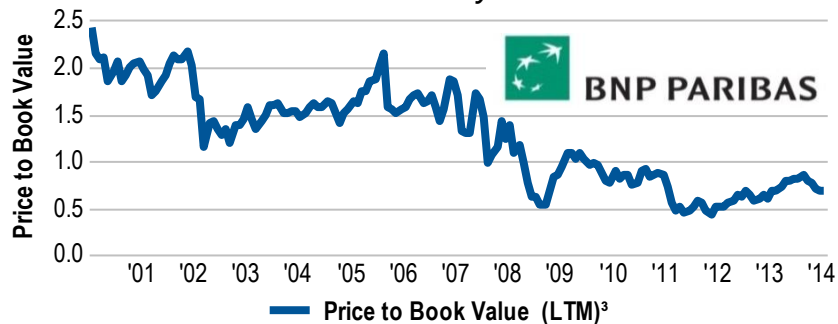
2008: Q4 to 2012:Q3



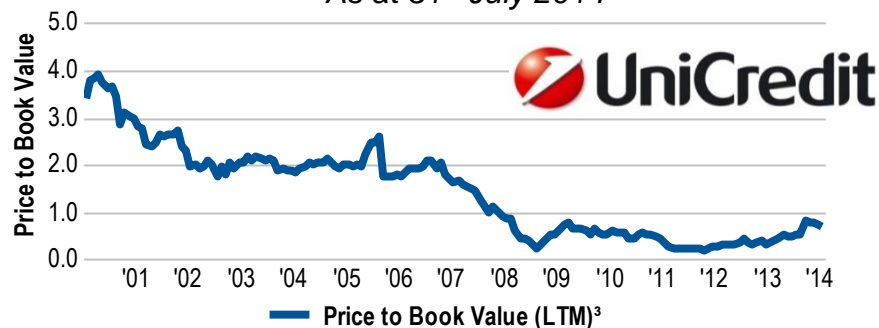
As of March 2014



As at 31st July 2014



As at 31st July 2014



1 Source: IMF Global Financial Stability Report, April 2013. SNL Financial; and IMF staff estimates. Note: Euro area periphery = Cyprus, Greece, Ireland, Italy, Portugal and, Spain. Wholesale funding is debt, repo, and interbank deposits. Total funding is wholesale funding plus customer deposits.

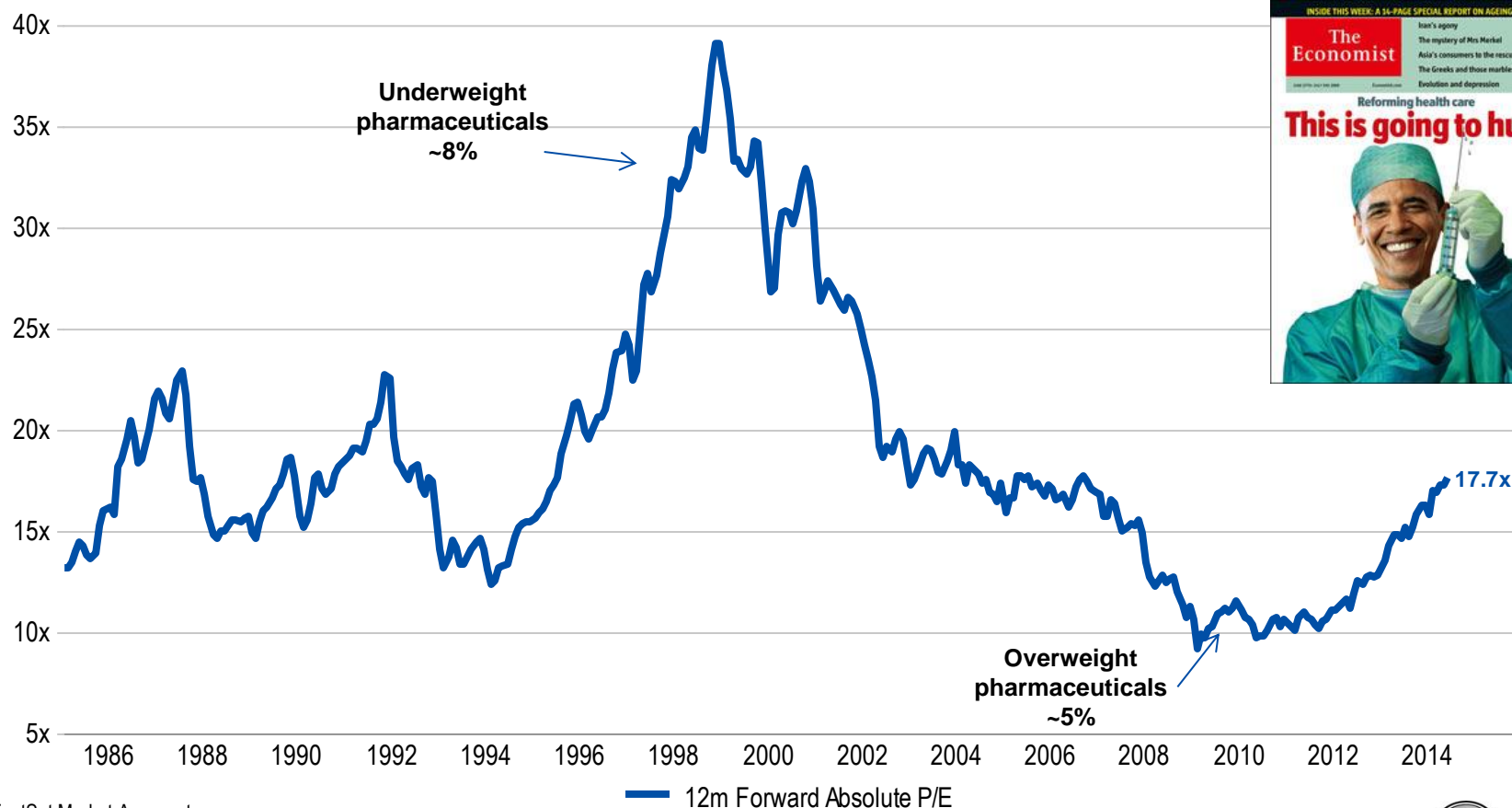
2 Source: Exane BNP Paribas Banks Team, Company data, EBNPP estimates. Data as of March 24, 2014.

3 Source: FactSet. As of 31/7/14.

Pharmaceuticals reflect the Templeton Value Process

Major World Pharmaceuticals: Forward P/E

3rd January 1985 to 30th June 2014 (Monthly)



Source: FactSet Market Aggregates

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Pharmaceuticals: Many Value Opportunities



**Mar 31,
2000** **Current**

P/E (FY1)	36.7x	15.1x
FCF Yield	1.6%	6.3%
Div. Yield	0.8%	3.6%



**Dec 31,
1999** **Current**

P/E (FY1)	30.4x	17.7x
FCF Yield	0.9%	5.5%
Div. Yield	0.5%	3.1%



**Mar 31,
2000** **Current**

P/E (FY1)	30.5x	14.7x
FCF Yield	2.2%	6.3%
Div. Yield	0.0%	4.8%



**Dec 31,
1999** **Current**

P/E (FY1)	27.5x	16.8x
FCF Yield	2.3%	6.7%
Div. Yield	1.6%	3.4%



**Dec 31,
1999** **Current**

P/E (FY1)	38.7x	12.8x
FCF Yield	1.3%	7.7%
Div. Yield	0.9%	3.1%



**Dec 31,
1999** **Current**

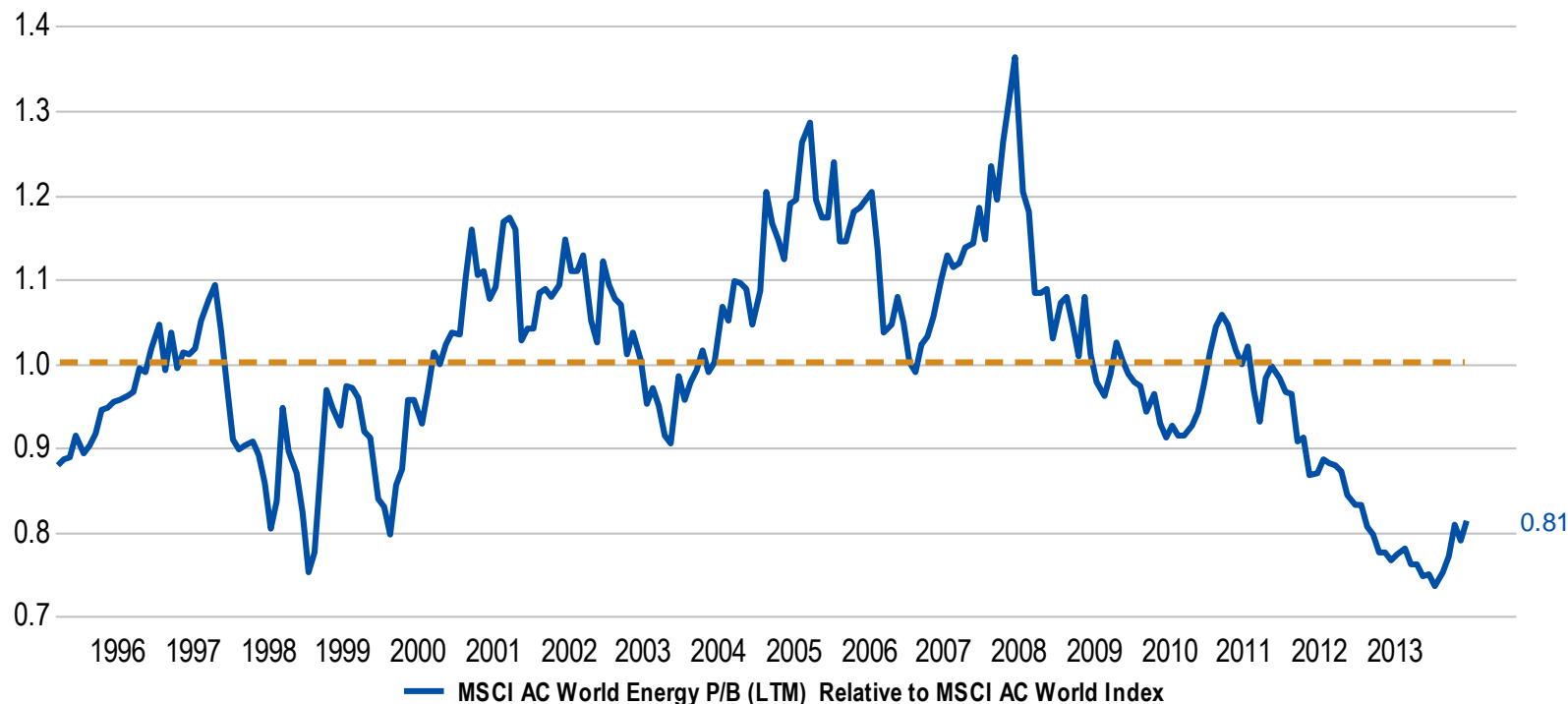
P/E (FY1)	61.7x	15.7x
FCF Yield	1.3%	5.8%
Div. Yield	0.0%	1.6%

Source: © 2014 FactSet Research Systems Inc. Current data points as of 15/8/14. References to particular securities are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security or an indication of any portfolio holdings. Logos are trademarks of their respective owners and are used for illustrative purposes and should not be construed as an endorsement or sponsorship of Franklin Templeton Investments. This should not be construed as investment recommendation for any stock

Energy: A Depressed Sector

All Country Energy Index Relative Price/Book

29th September 1995 to 30th June 2014



Source: © 2014 FactSet Research Systems Inc., © 2014 Morgan Stanley Capital Index (MSCI). References to indices are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown. An index is unmanaged and one cannot invest directly in an index. The performance of the index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton product or strategy. Chart is for illustrative and discussion purposes only and does not represent any Franklin Templeton product or strategy.



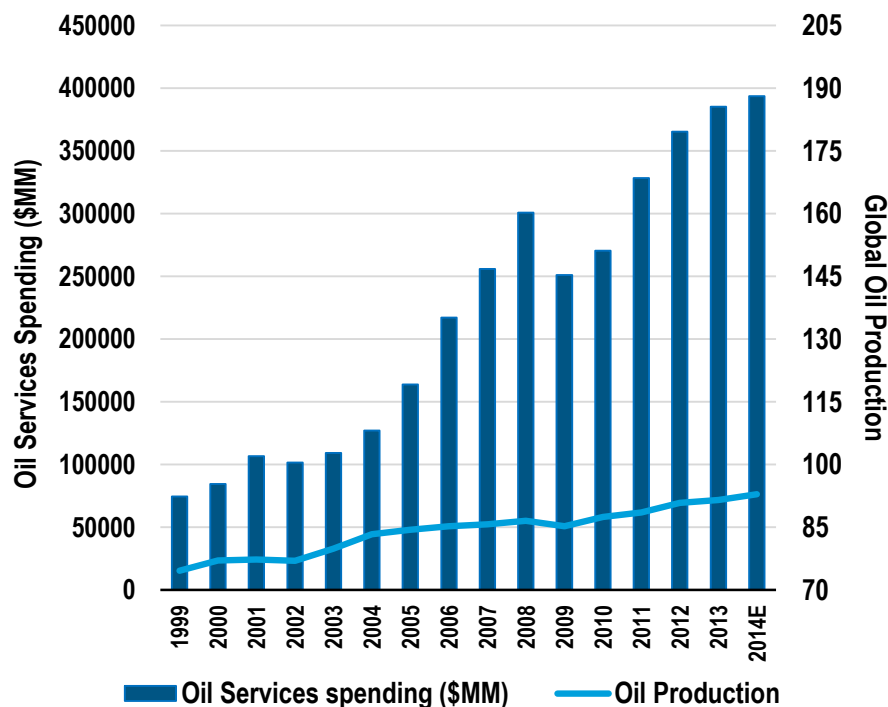
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Oil Services are a Structural Growth Story

The global oil service market has grown almost 5-fold since 1999, and oil production is up ~15%

Oil Services Spending & Global Oil Production

1999 – 2014e



Global Oil Services P/E

January 1995 - June 2014



Source: Bernstein

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Templeton Global Growth Fund



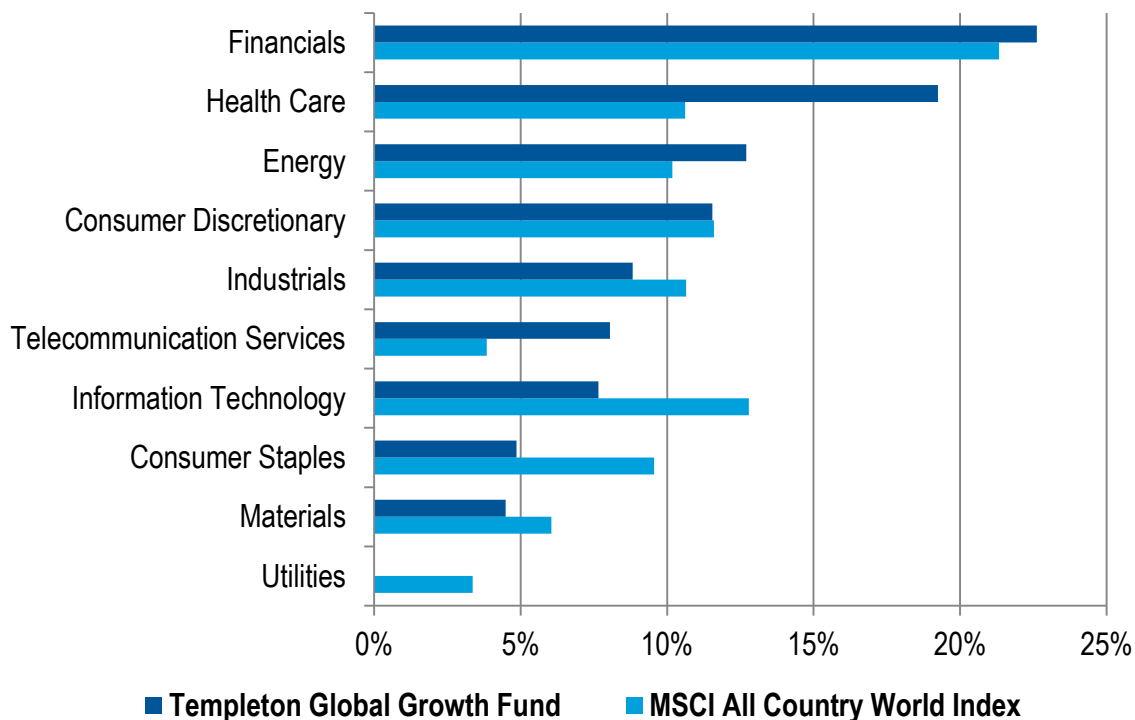
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Templeton Global Growth Fund

Sector Allocation

Templeton Global Growth Fund vs. MSCI All Country World Index

As at 30th June 2014



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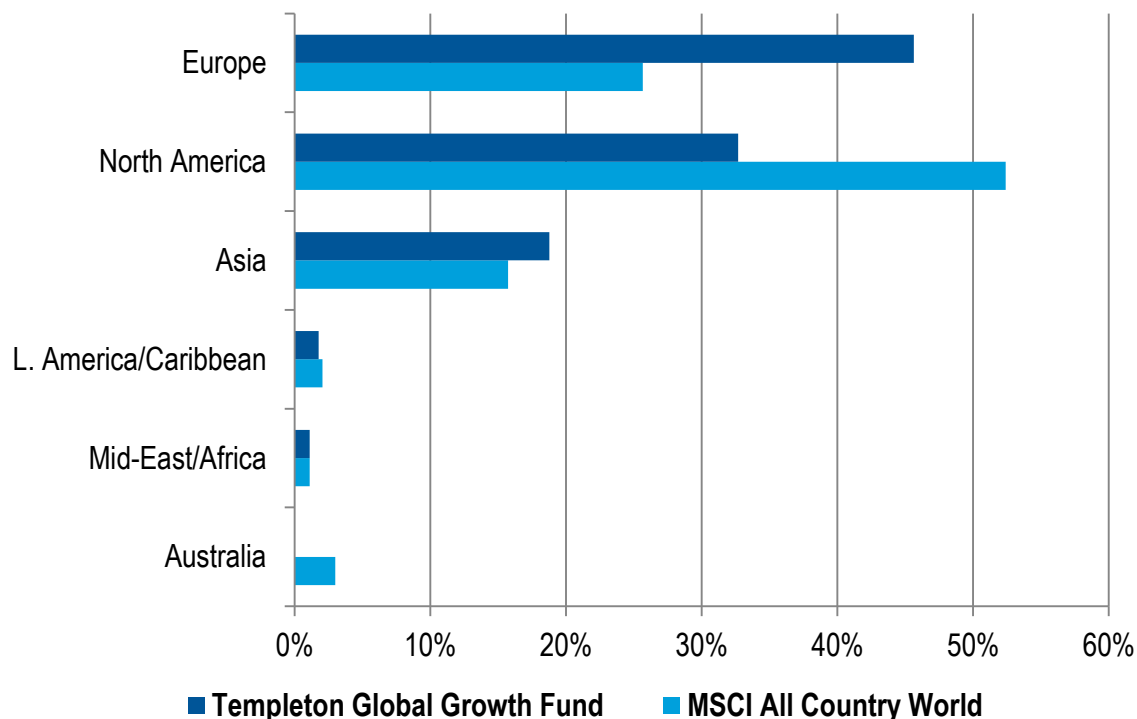
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Templeton Global Growth Fund

Geographic Allocation

Templeton Global Growth Fund vs. MSCI All Country World Index

As at 30th June 2014



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Templeton Global Growth Fund

Portfolio Characteristics

Templeton Global Growth Fund vs. MSCI All Country World Index

As at 30th June 2014

	Portfolio	Benchmark
Price to Earnings	15.1x	16.8x
Price to Cash Flow	10.8x	14.9x
Price to Book Value	1.5x	2.1x
Dividend Yield	2.5%	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.



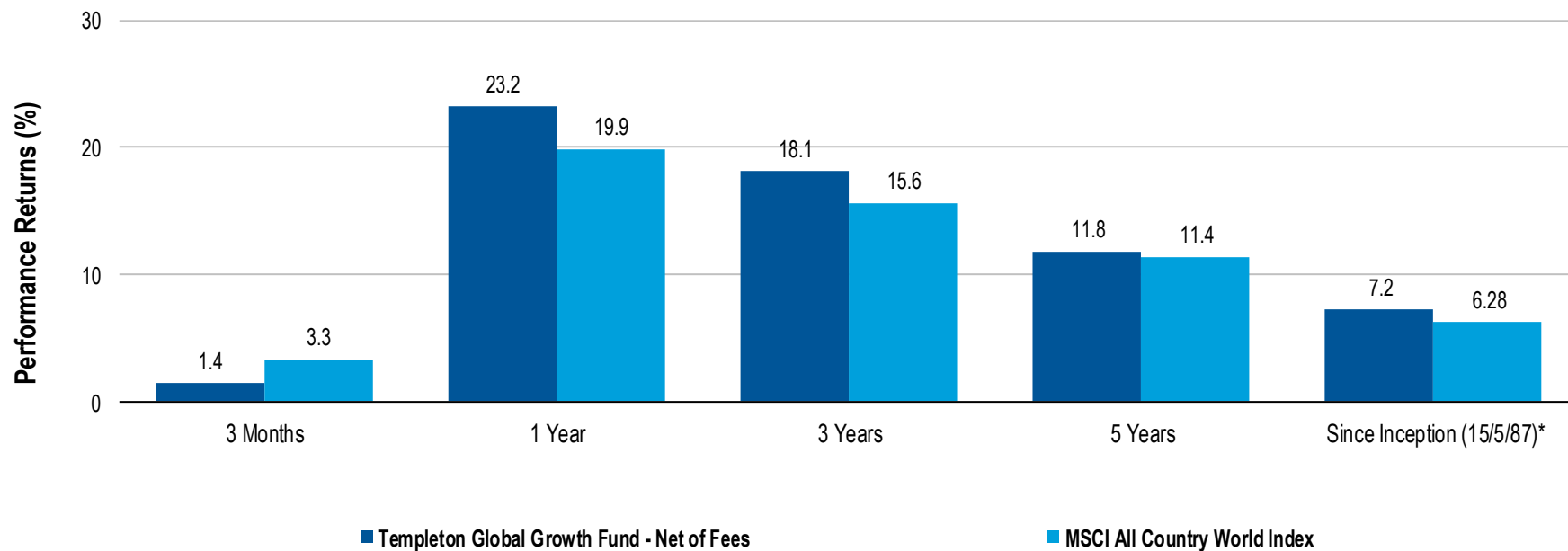
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Templeton Global Growth Fund

Performance

Templeton Global Growth Fund vs. MSCI All Country World Index

As at 30th June 2014



Periods of more than one year are annualised.

*Index uses MSCI World at inception as AC World was not in existence at TGG's inception.

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

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Templeton Global Growth Fund

Top Ten Holdings

As at 30th June 2014

Name of Issuer	Country	Industry	% of Total
SAMSUNG ELECTRONICS CO	South Korea	Semiconductors & Semiconductor Business	1.9
MICROSOFT CORP	United States	Software & Services	1.9
GLAXOSMITHKLINE PLC	United Kingdom	Pharmaceuticals, Biotechnology & Life Sciences	1.8
AMGEN INC	United States	Pharmaceuticals, Biotechnology & Life Sciences	1.8
SANOFI	France	Pharmaceuticals, Biotechnology & Life Sciences	1.8
ROCHE HOLDING AG	Switzerland	Pharmaceuticals, Biotechnology & Life Sciences	1.6
COMCAST CORP	United States	Media	1.6
CITIGROUP	United States	Banks	1.5
PFIZER	United States	Pharmaceuticals, Biotechnology & Life Sciences	1.5
SUNTORY	France	Beverages	1.4
TOTAL			16.8

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.

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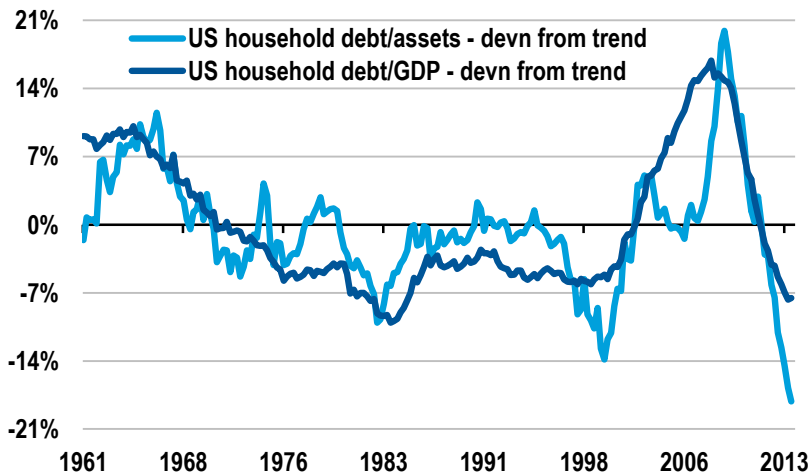
Appendix



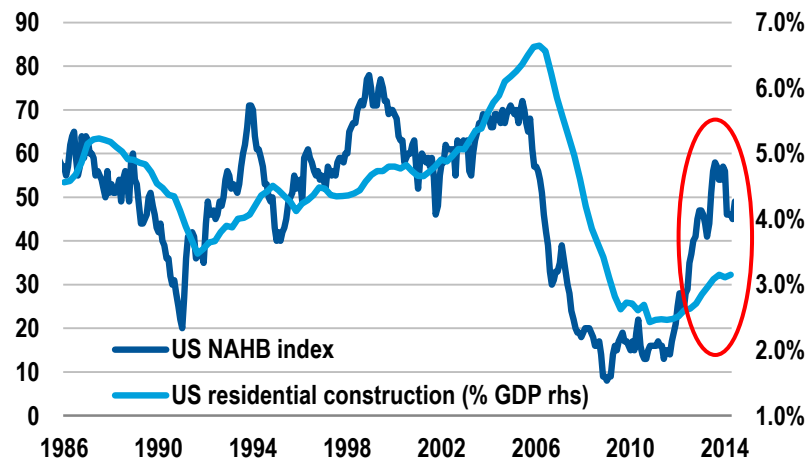
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The U.S. Economy Shows Signs of Strength

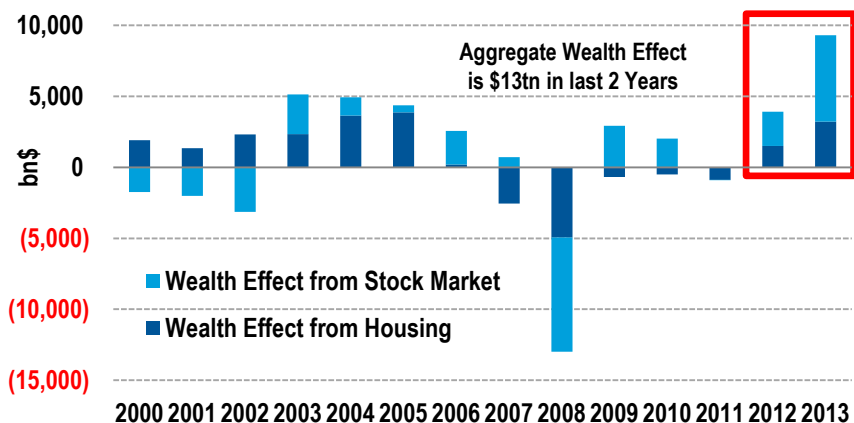
Consumers Have Deleveraged²



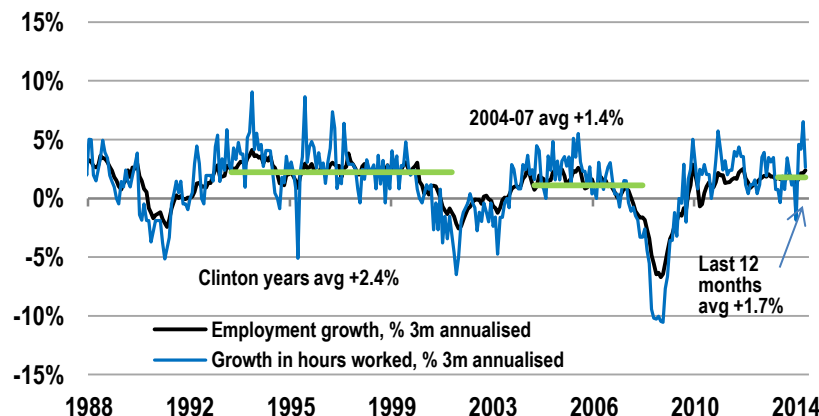
Residential Investment Is Rising²



Consumers Have Recouped¹



Employment Continues to Grow²



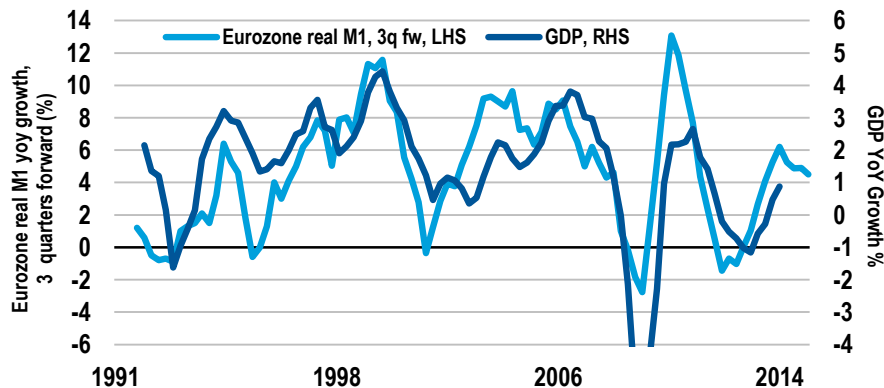
1 Source: J.P. Morgan Strategy, J.P. Morgan MBS Team, Bloomberg, Federal Reserve. Note: Wealth effect from housing reflects an estimate for HH and non-profits as of 4Q2013 per the Federal Reserve Flow of Funds and Case-Shiller 20 City SA. April 2014.

2 Source: Thomson Reuters, Credit Suisse Research, July 2014.

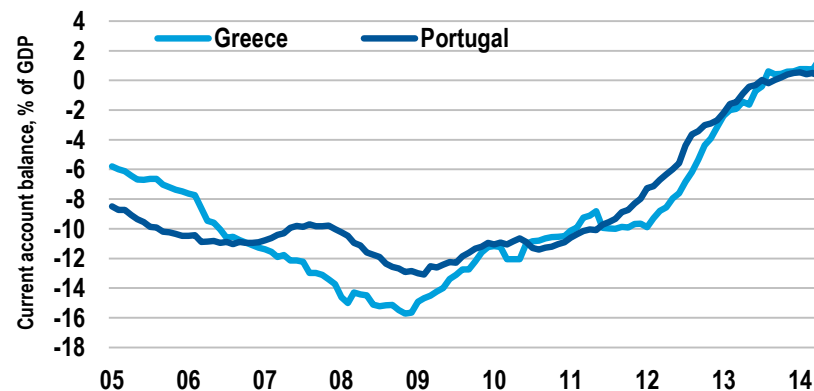
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Europe is Improving

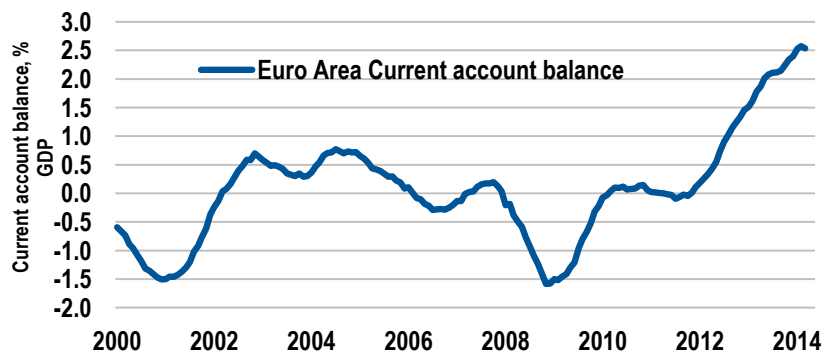
Real M1 Money Supply Tends to Herald Turning Points¹ – Through 28th May 2014



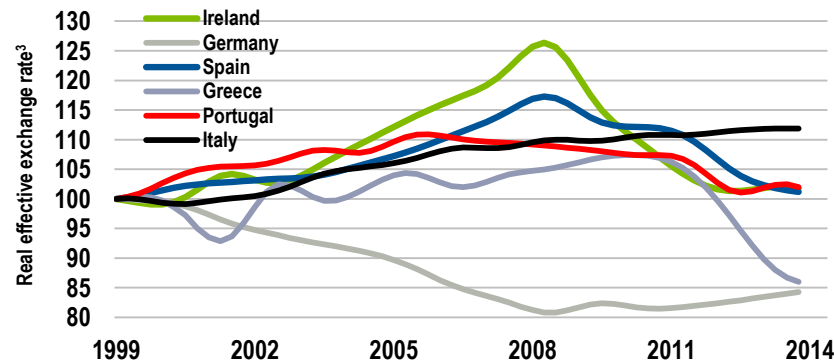
Current Account Surplus in Portugal and Greece² – As of 28th May 2014



The Euro-Area's Current Account Balance is at a 15-year High² – As of 28th May 2014



Unit-labor Costs in the Periphery are Increasingly Competitive² – As of 28th May 2014



1. Source: Berenberg, Eurostat, ECB, Berenberg calculations. Data through 28 May 2014. M1 measures the most liquid components of the money supply, as it contains cash and assets that can quickly be converted to currency.

2. Source: Thomson Reuters, Credit Suisse Research, Data through 28 May 2014.

3. Calculated based on unit labor costs (versus the rest of the euro area). Q1-2000=100

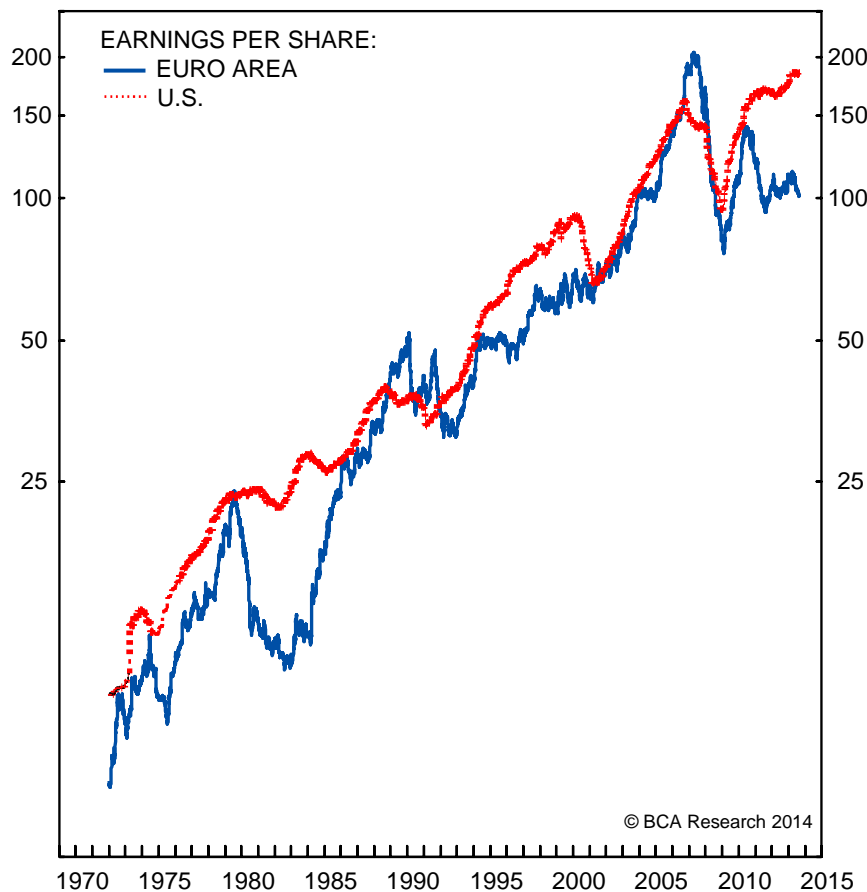
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Euro Area Trend Earnings Growth Is The Same As The US

Through to 18th August 2014



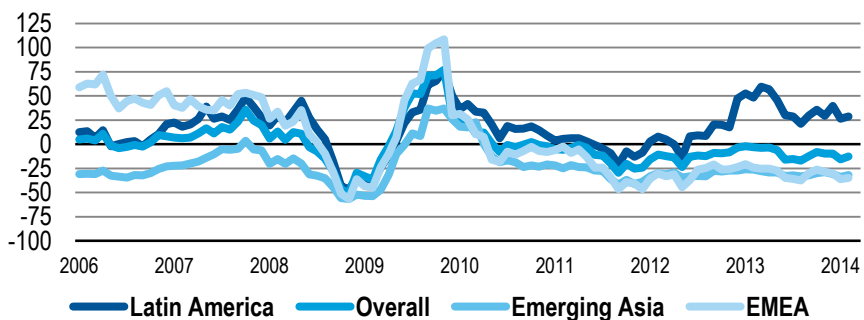
Source: BCA Research, 08/18/14. Expressed in common currency terms. There is no assurance that any projection, estimate or forecast will be realized.

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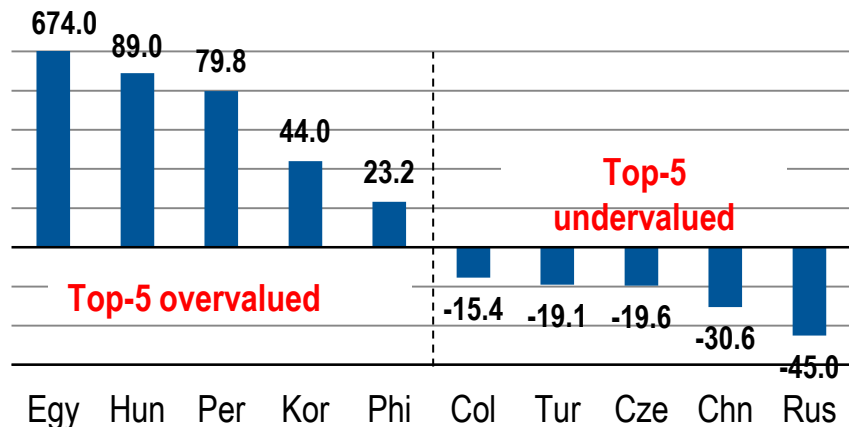


Emerging Markets Valuations Getting Interesting

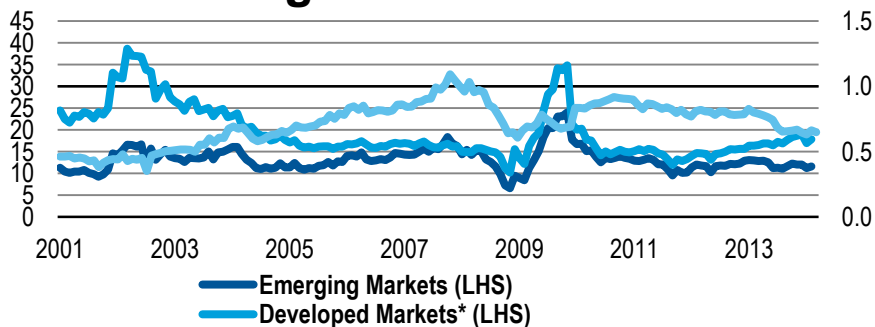
MSCI Emerging Market Overall & Regional Price/Earnings Ratios (% Deviation From Historical Average)



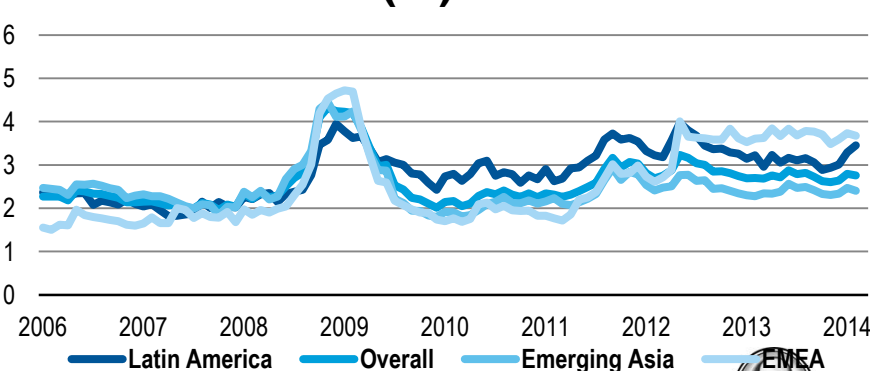
MSCI Emerging Market Country Price/Earnings Ratios (% Deviation From Historical Average)



MSCI Emerging & Developed Markets Price/Earnings Ratios



MSCI Emerging Overall & Regional Dividend Yields (%)



*World Index of developed markets

Sources: Bloomberg, Thomson Datastream, Capital Economics. March 24, 2014.

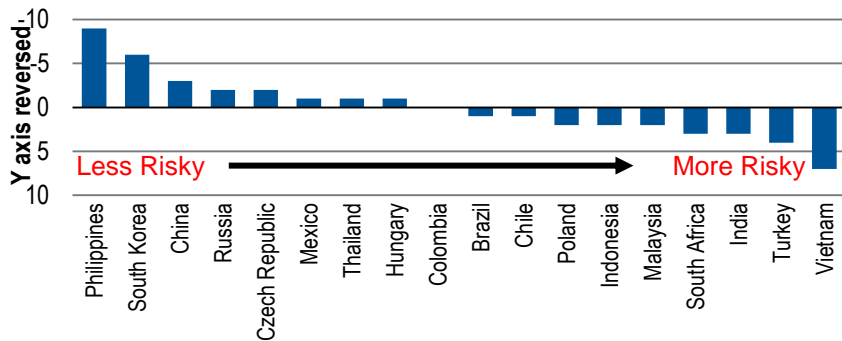
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Emerging Markets Are Not All The Same

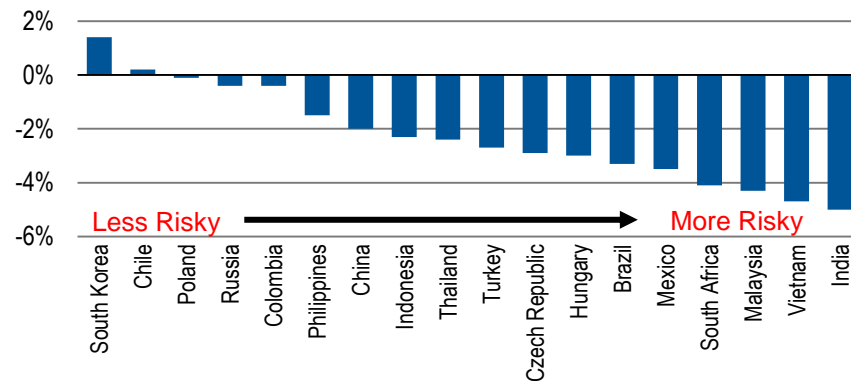
Emerging market relative balance sheet vulnerability indicator¹

2012



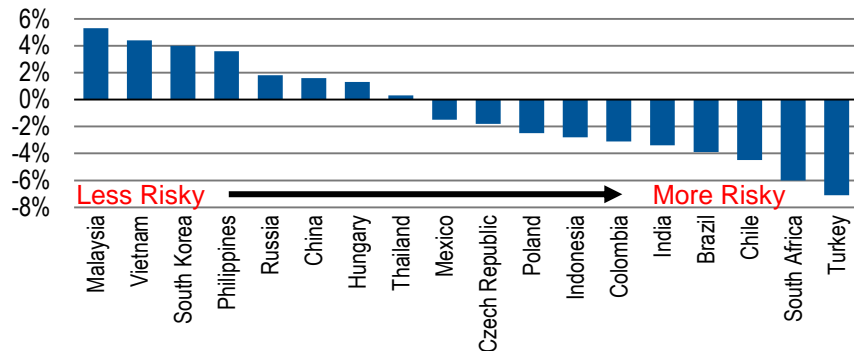
Budget Balance as a % of GDP²

2014e



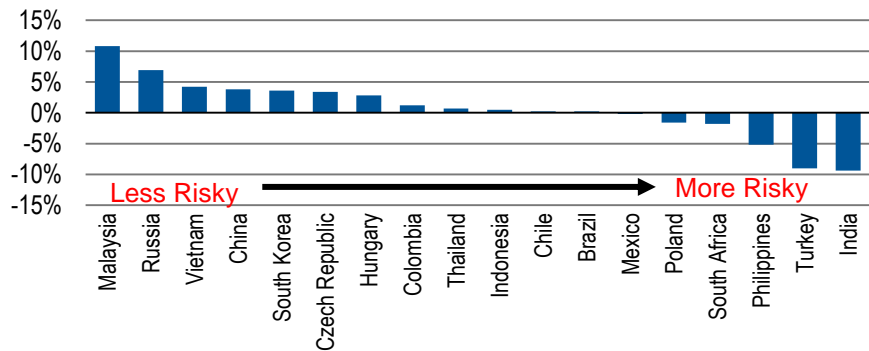
Current Account Balance % of GDP²

2014e



Trade Balance as a % of GDP²

2014e



1. Source: GaveKal Data, Bloomberg. As of March 26, 2014. The indicator is composed of 12 components: current account balance as a share of GDP, 5-yr change in current account balance as a share of GDP, net financial sector's foreign assets as a share of GDP, foreign currency liquidity indicator (FX reserves + short term external debt as a share of GDP), 5-yr change in FX liquidity indicator, external debt ratio, 5-yr change in credit to private non-financial sectors as a share of GDP, gross public debt as a share of GDP, fiscal balance to GDP ratio, inflation, exports as a share of GDP, commodity share of exports. For each component measure, we rank the countries and give the healthiest 6 countries a +1, the weakest 6 a -1 and the others 0.

2. Source: Economic Intelligence Unit, FactSet. As of March 28, 2014.

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Portfolio and Research Management Team



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Executive Vice President
Portfolio Manager, Research Analyst
Templeton Global Equity Group

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