



FRANKLIN TEMPLETON  
INVESTMENTS

# Templeton Global Growth Fund Limited

## 2015 Half Year Results Announcement

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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.

Templeton Global Growth Fund is a Listed Investment Company that provides investors with exposure to global companies. The portfolio is managed by the Templeton Global Equity Group following the tenets of Sir John Templeton's value philosophy.

## **Revenue and Profit**

- Revenue was up 42%
- Profit after tax was up 134%

## **Dividends**

- A fully franked final dividend (in respect of the year ended 30 June 2014) of 3.5 cents per share was paid to shareholders during September 2014.
- The Directors did not declare a dividend for the half year ended 31 December 2014.

## **Net Tangible Asset (“NTA”) Backing**

- Increased 3.6% from 137 cents per share (“cps”) to 142 cps for the half-year ended 31 December 2014
- NTA increased to 145 cps at 31 January 2015

## **Share Price**

- Increased 10.8% - from \$1.29 to \$1.43 - for the half-year ended 31 December 2014

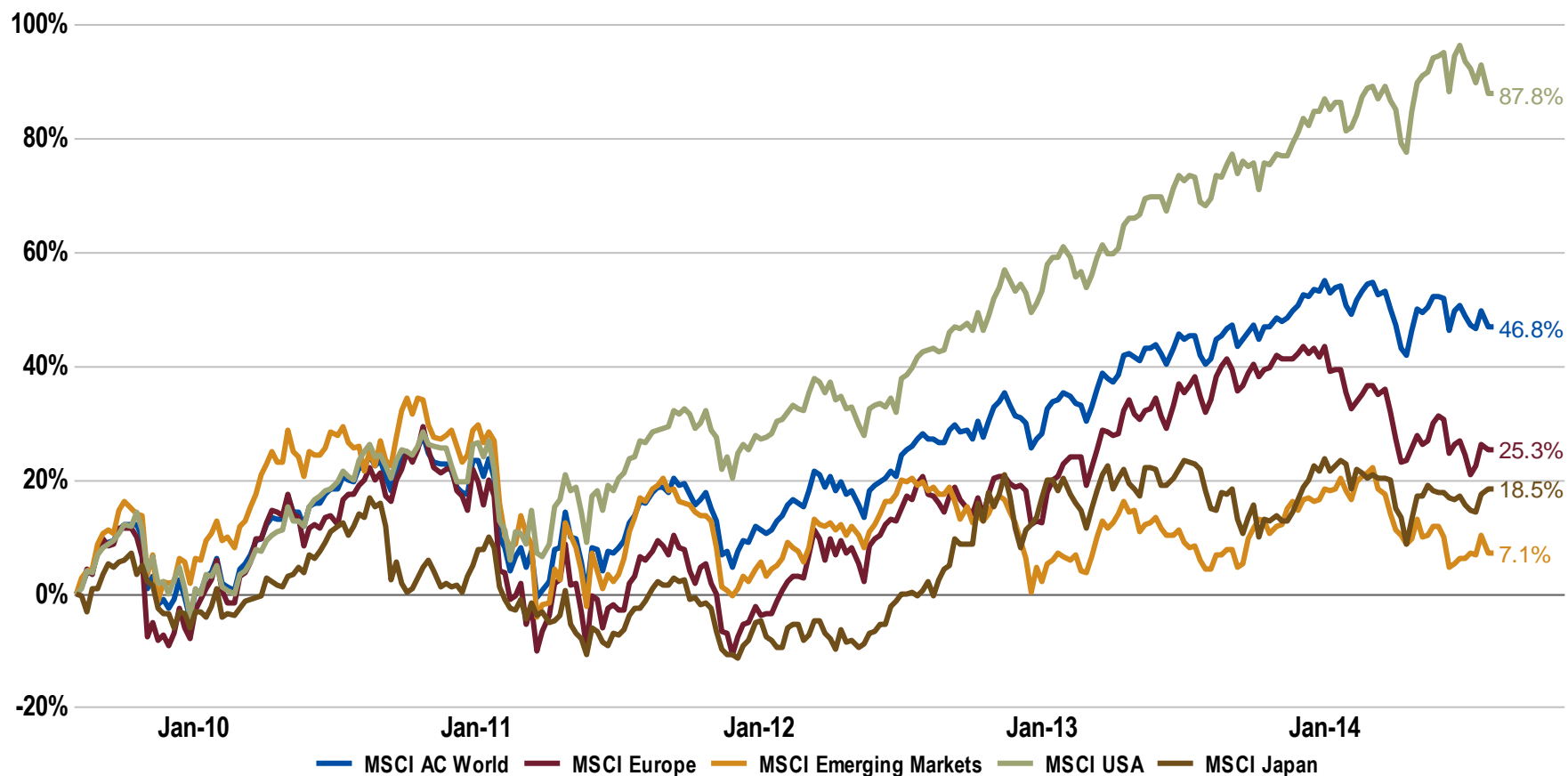
## **Discount to NTA**

- Discount has been in excess of 20% in previous years
- Discount was less than 4% as at 30 June 2014
- Shares trading at a slight premium (less than 1%) as at 31 December 2014
- Shares were at a discount of less than 1% as at 31 January 2015

# A Bull Market in the US

## 5 Year Price Change, USD

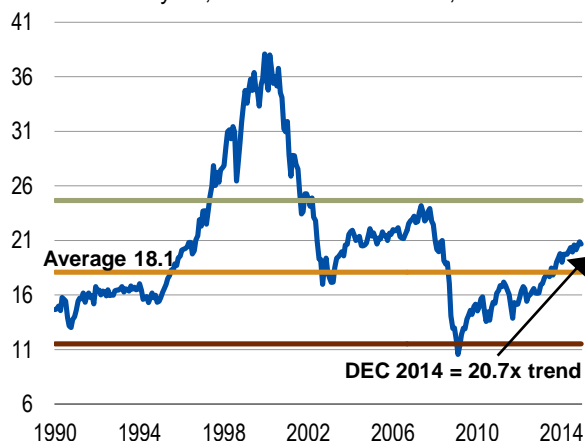
*January, 2010 to January, 2015*



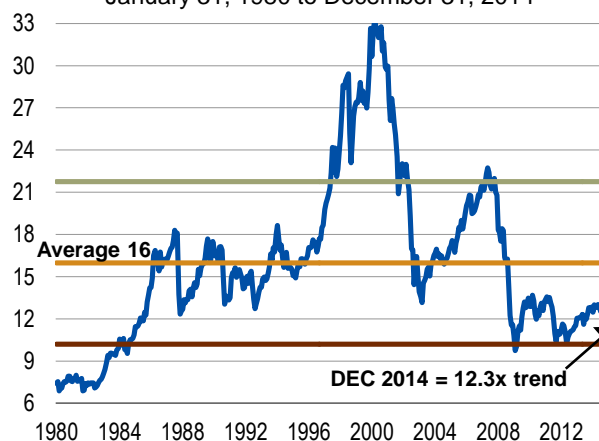
Source: FactSet.

# US Valuations Above Average

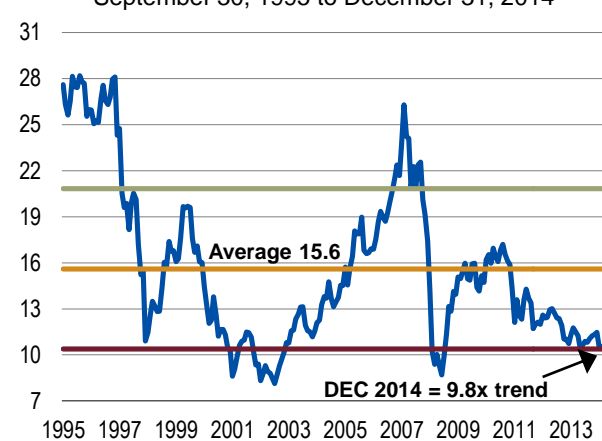
**MSCI United States Index: Price/Trend Earnings**  
January 31, 1980 to December 31, 2014



**MSCI Europe Index: Price/Trend Earnings**  
January 31, 1980 to December 31, 2014



**MSCI Emerging Markets Index: Price/Trend Earnings**  
September 30, 1995 to December 31, 2014



— Trend P/E — Average — +1 std dev — -1 std dev

For illustrative and discussion purposes only.

Source: FactSet, MSCI. Analysis is by Franklin Templeton Investments. The stock's trend P/E is established by dividing its absolute share price history by its trend EPS line. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

- U.S. GDP growth remains a relative bright spot globally
- Consumer spending appears to be well supported by:
  - lower oil prices
  - ongoing employment growth
  - the housing recovery
  - better balance sheet following household deleveraging
- Credit expansion and bank lending seem to be recovering
- There is potential for increased capital spending and infrastructure spending in the U.S. economy

These statements reflect the analysis and opinions of the speaker as of January 14, 2015, and may differ from the opinions of other portfolio managers, investment teams or platforms at Franklin Templeton Investments. Because market and economic conditions are subject to rapid change, the analysis and opinions provided may change without notice. The statements do not provide a complete analysis of every material fact regarding any country, market, industry or security. An assessment of a particular country, market, security, investment or strategy is not intended as an investment recommendation nor does it constitute investment advice. Statements of fact are from sources considered reliable, but no representation or warranty is made as to their completeness or accuracy.

# Risks to the U.S. Outlook

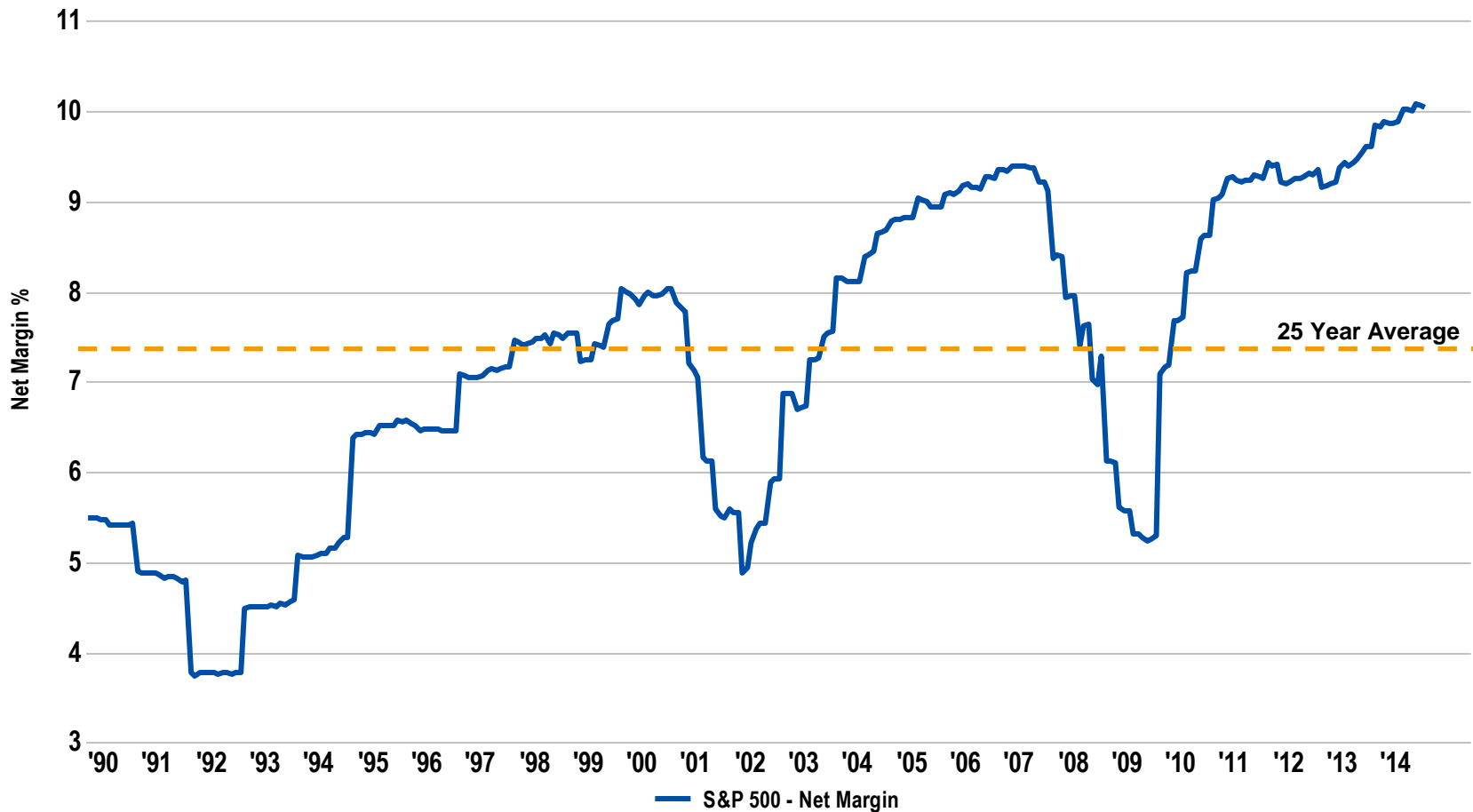


- On a variety of metrics, the U.S. stock market is more highly valued today, than any time other than the year 2000
- Margins appear to be peaking, leading to questions of sustainability
- Dollar strength and economic weakness from the rest of the world may exert a drag
- The prospect of monetary tightening continues to hang over markets

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# US Margins at 25 Year Highs

**S&P 500 Net Margin**  
*June, 1990 to January, 2015*





# In 2015, Headwinds May Turn into Tailwinds for Europe



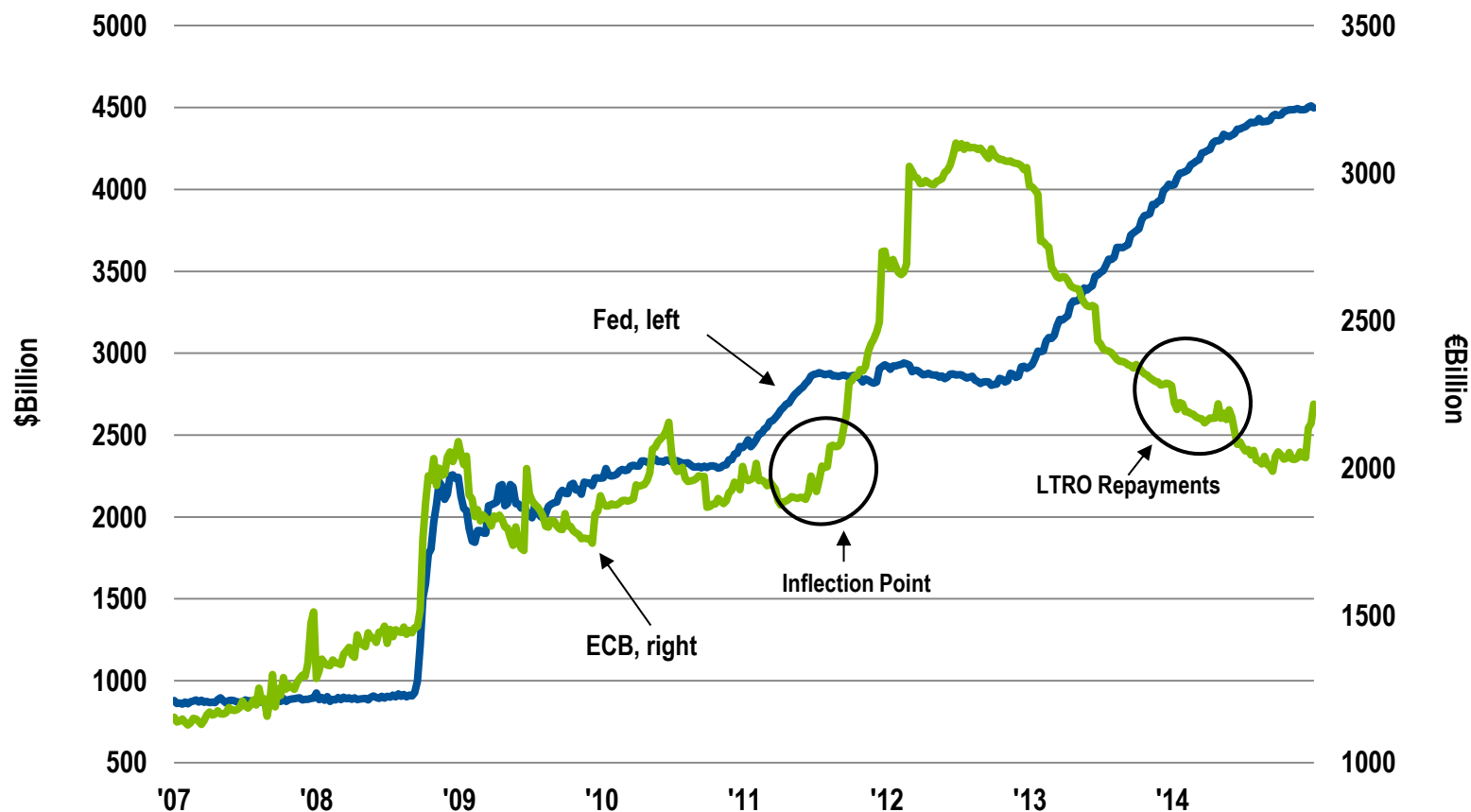
- The European Central Bank has committed to expand its balance sheet and revive QE in 2015 and 2016
- Conditions are in place for bank lending to turn positive
- The peak of fiscal austerity seems to be largely behind Europe
- As a net oil importer, falling energy prices will broadly boost GDP and without any of the potential negatives of falling capex/employment in oil production
- Export competitiveness should improve due to labour reforms and a weaker Euro
- Earnings well below 2007 peak; tremendous scope for revenue recovery and margin expansion

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# The European Central Bank (ECB) is Able to Do More

## Fed Balance Sheet vs. European Central Bank Balance Sheet (BN)

January, 2007 to January, 2015



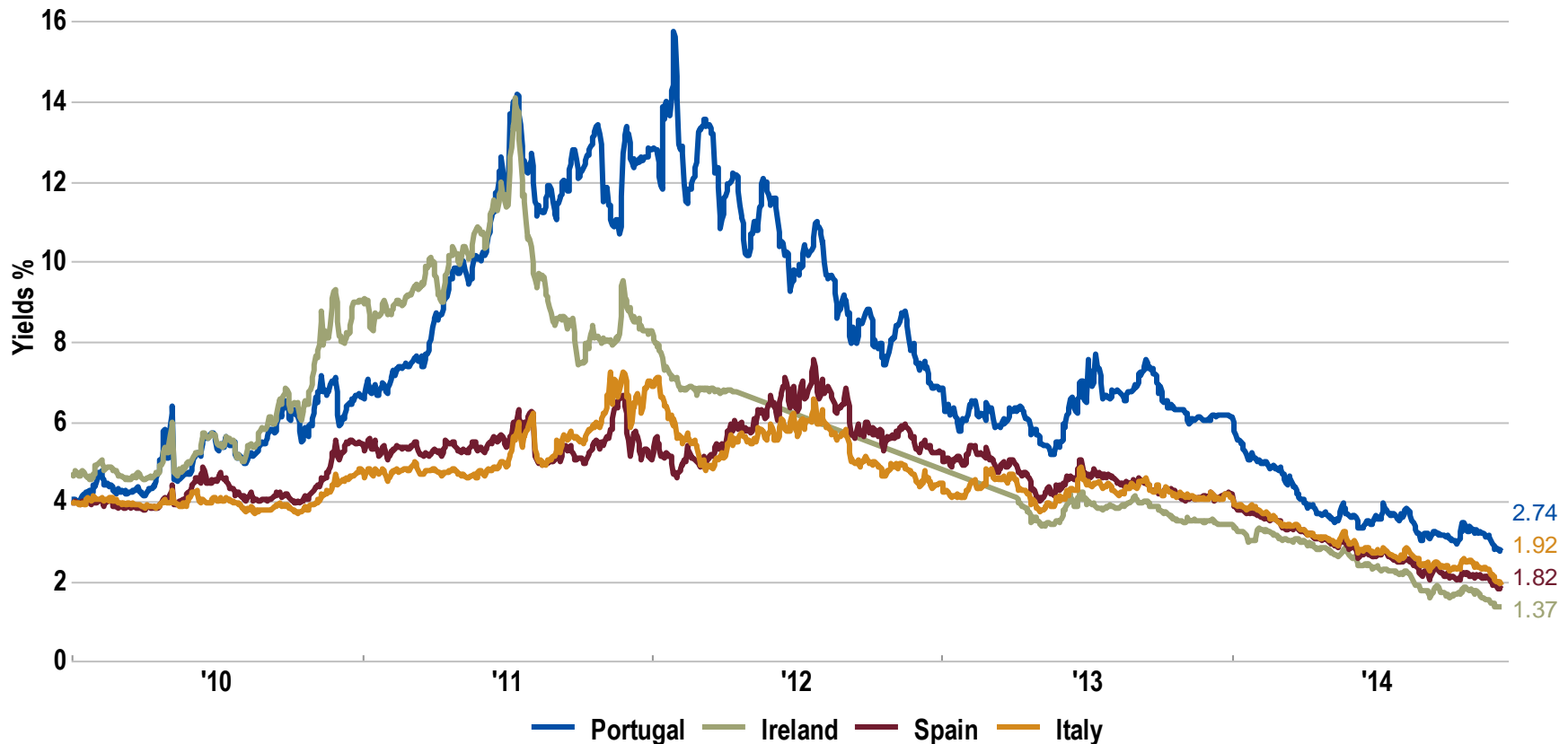
For illustrative and discussion purposes only.

Source: Bloomberg L.P. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information. LTRO = long-term refinancing operation.

# European Central Bank Actions have Provided Relief



## European Sovereign Funding Costs 10-Year Benchmark Bond Yields *December, 2009 to December, 2014*



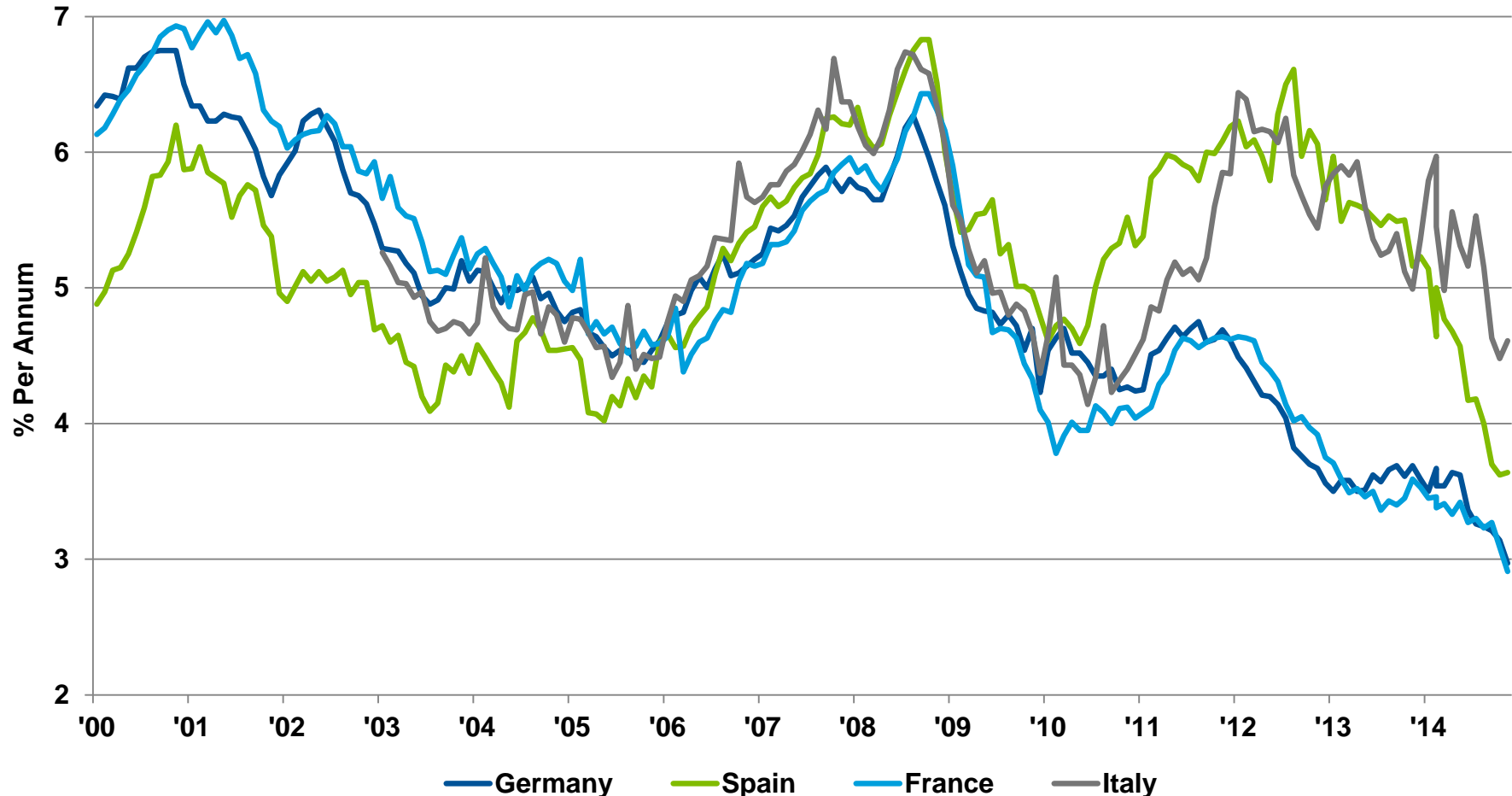
For illustrative and discussion purposes only.

Source: FactSet. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

# Borrowing Costs Falling Rapidly for Corporates

## ECB SME Borrowing Costs

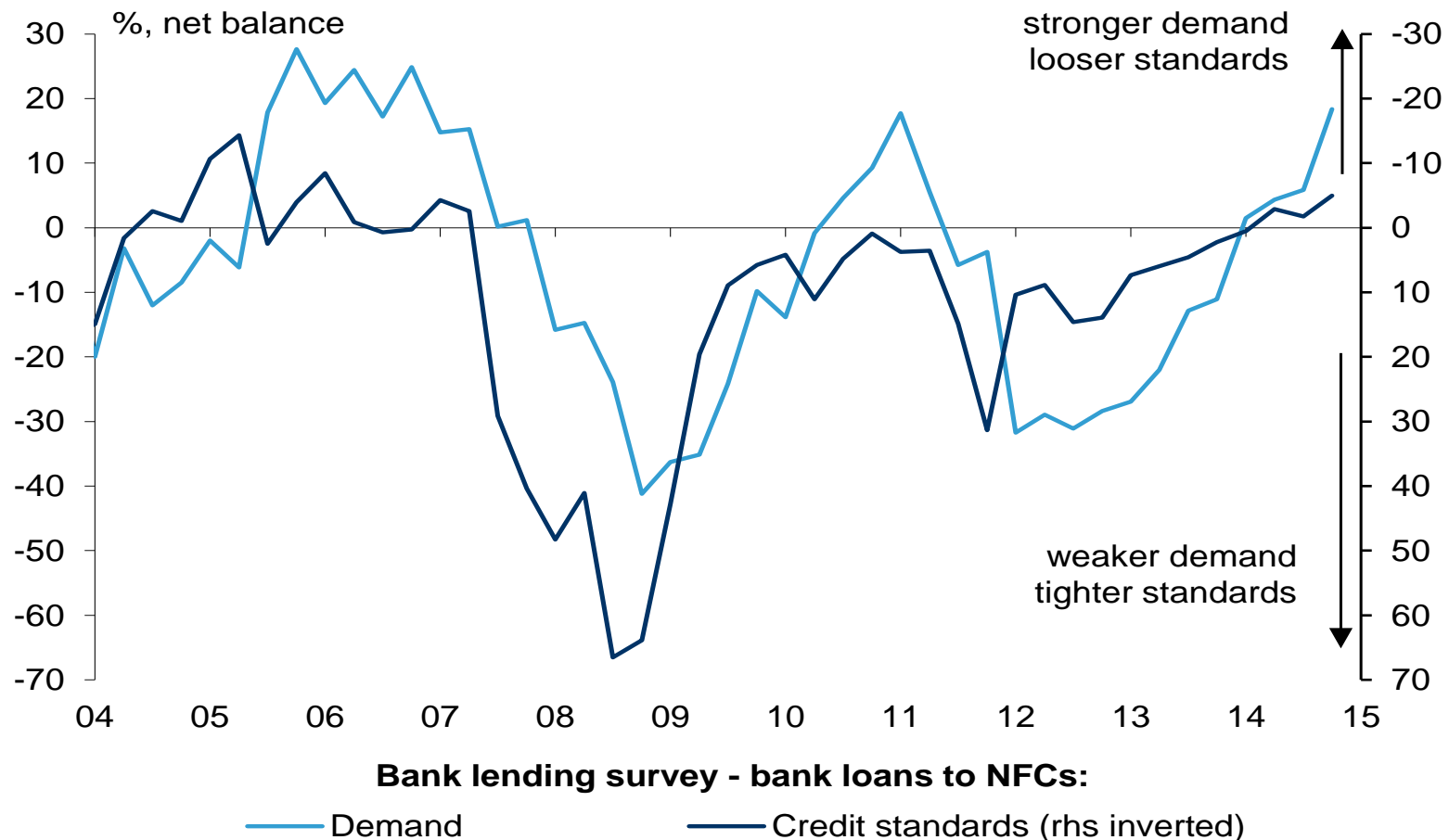
*February, 2000 to December, 2014*



Source: ECB.

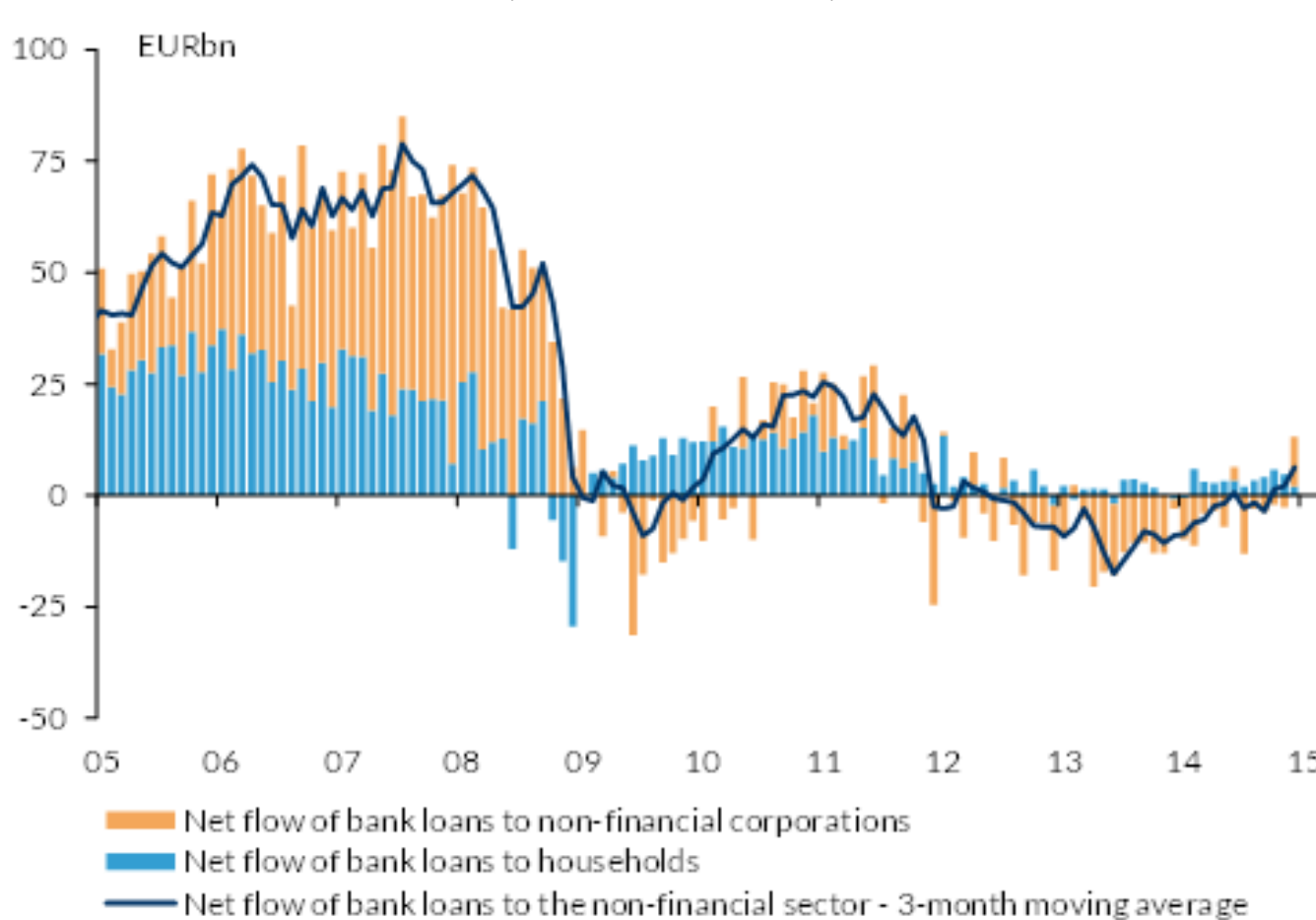
# More Demand, More Supply

## ECB Lending Survey Q3, 2003 to Q4, 2014



## Net Flows of Loans to Households and Non-Financial Companies

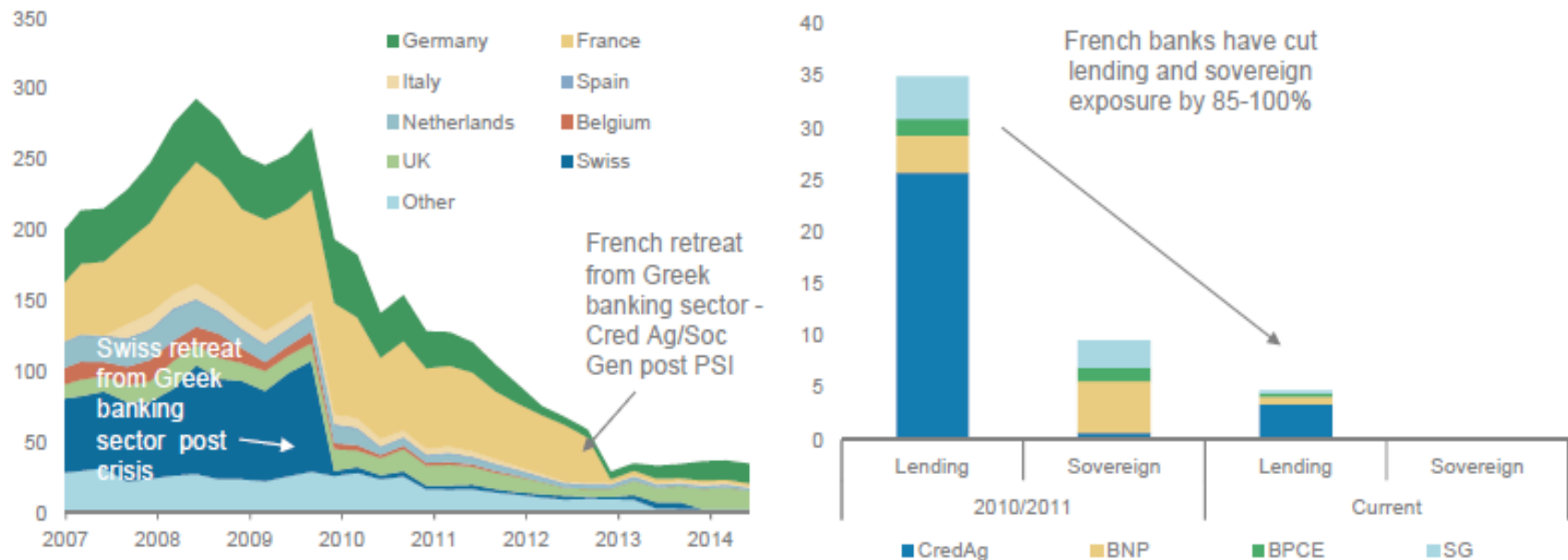
*December, 2005 to December, 2014*



Source: ECB, Chevvreux. Seasonally adjusted figures.

# Lessons Have Been Learned

## European Banks Exposure to Greece Is Much More Manageable Today versus 2011

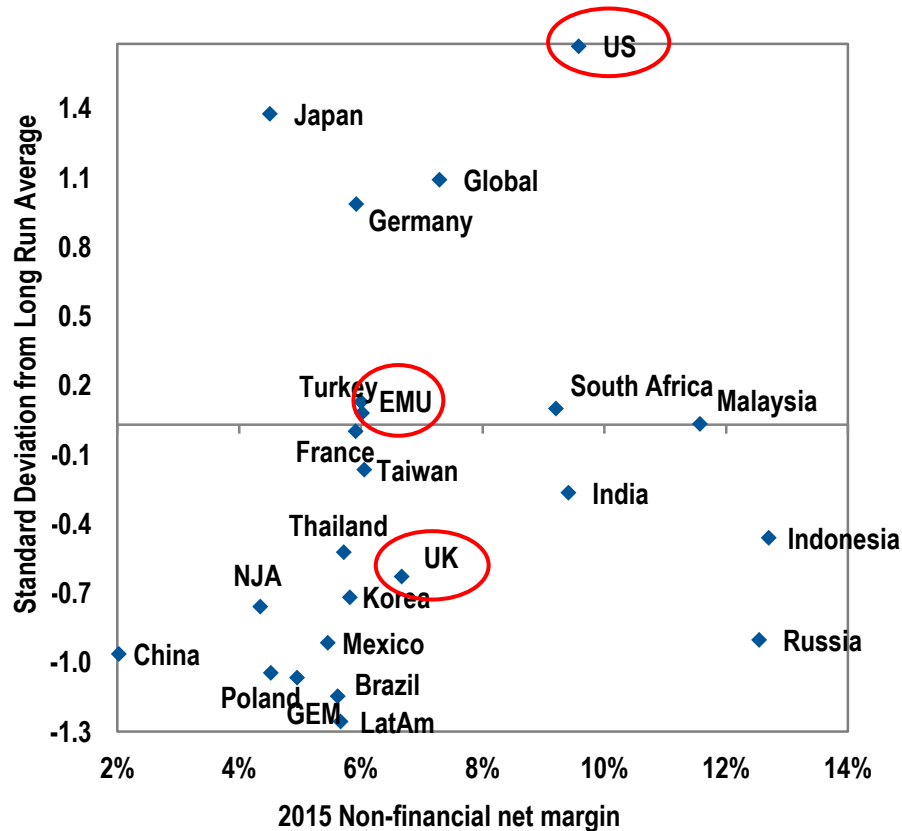


Source: BIS (as at 2Q14), company data (latest available), EBA (for 2010/11 Greece exposure data), German Bankers Association, Morgan Stanley Research

# European Earnings have Sizable Catch-up Potential

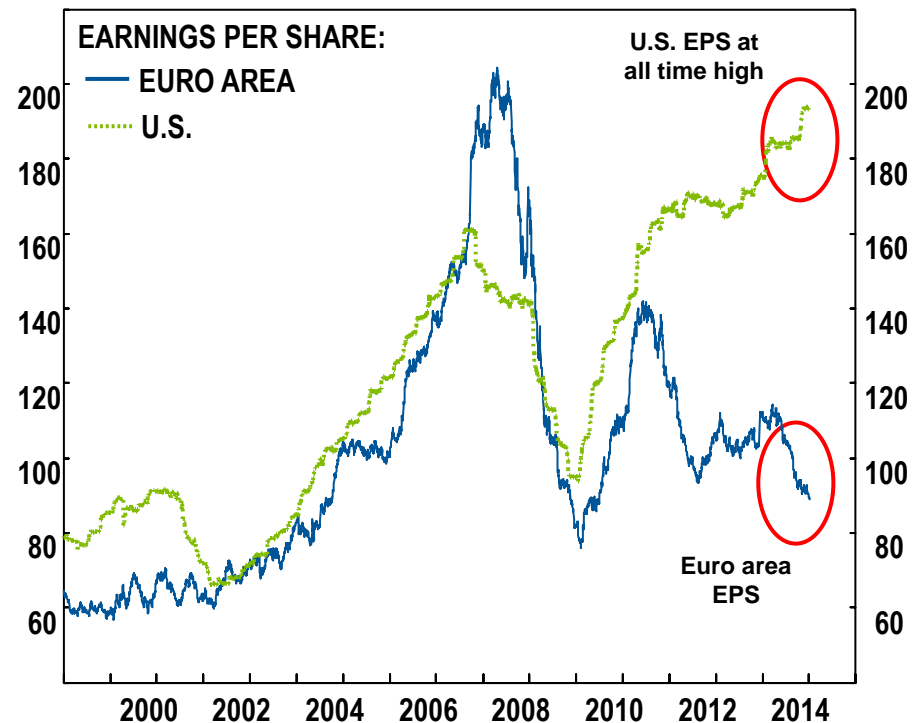
## European Margins Remain Depressed<sup>1</sup>

As of 7<sup>th</sup> January, 2015



## European Companies Are Still Under-Earning<sup>2</sup>

As of 6<sup>th</sup> January, 2015



For illustrative and discussion purposes only.

1. Source: Thomson Reuters, Credit Suisse Research. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

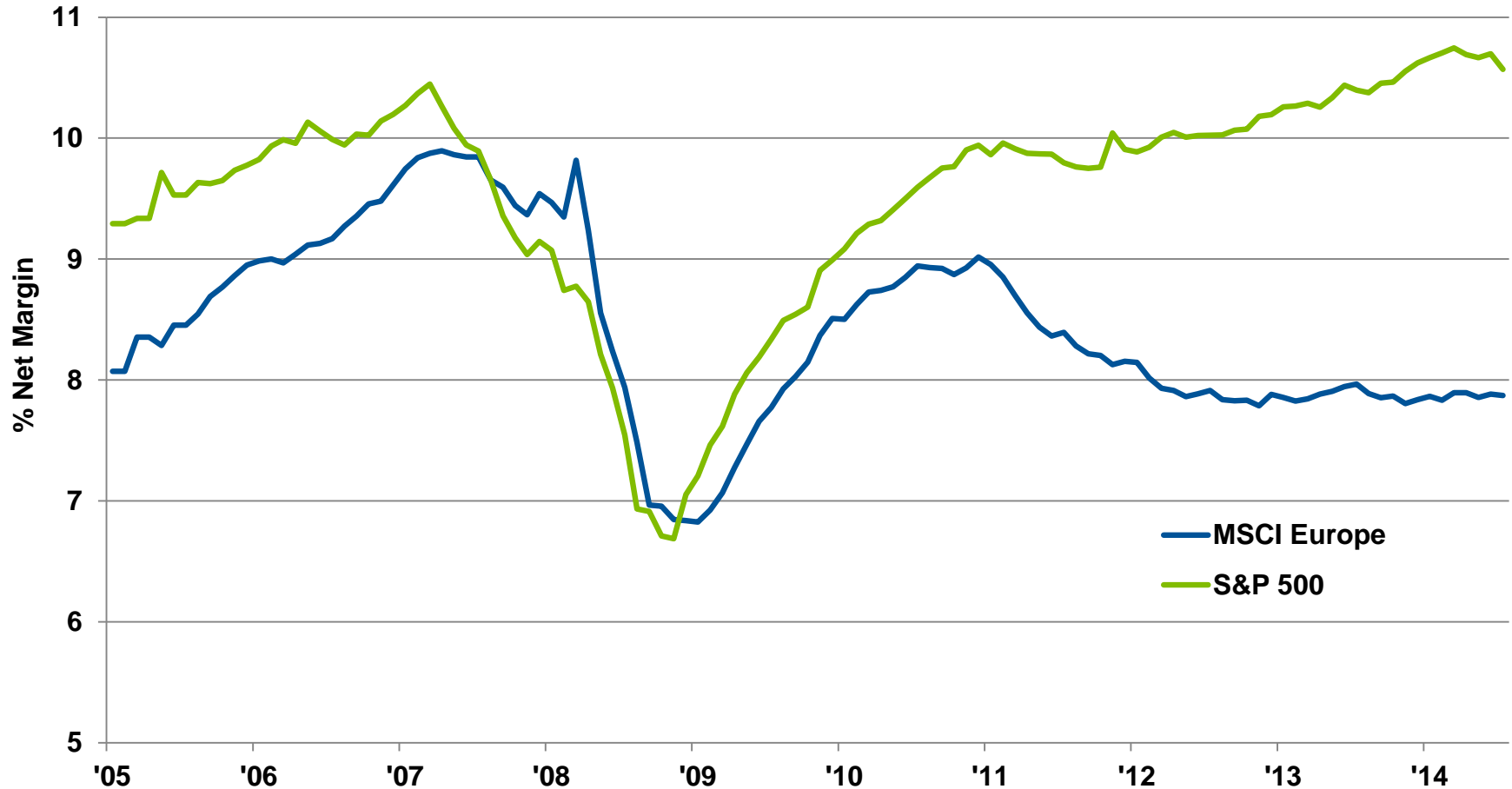
2. Source: BCA Research. Note: expressed in common currency terms.



# Room for Margin Recovery in Europe

## Europe and US Forecast Margin

*July, 2005 to January, 2015*

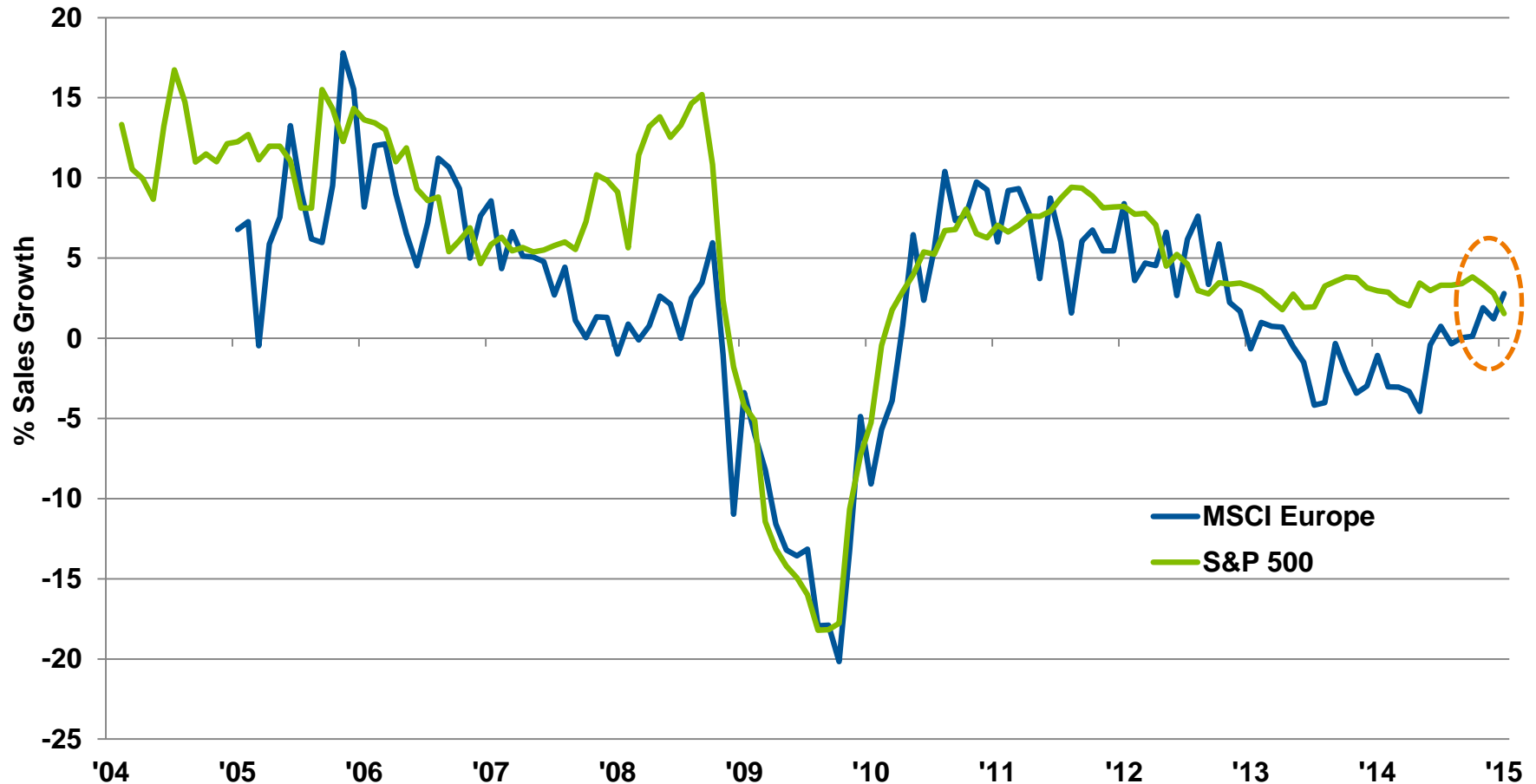


Source: Minack Advisors.

# Europe now Forecasting Faster Sales Growth

## Europe and US Forecast Sales Growth

*July, 2005 to January, 2015*



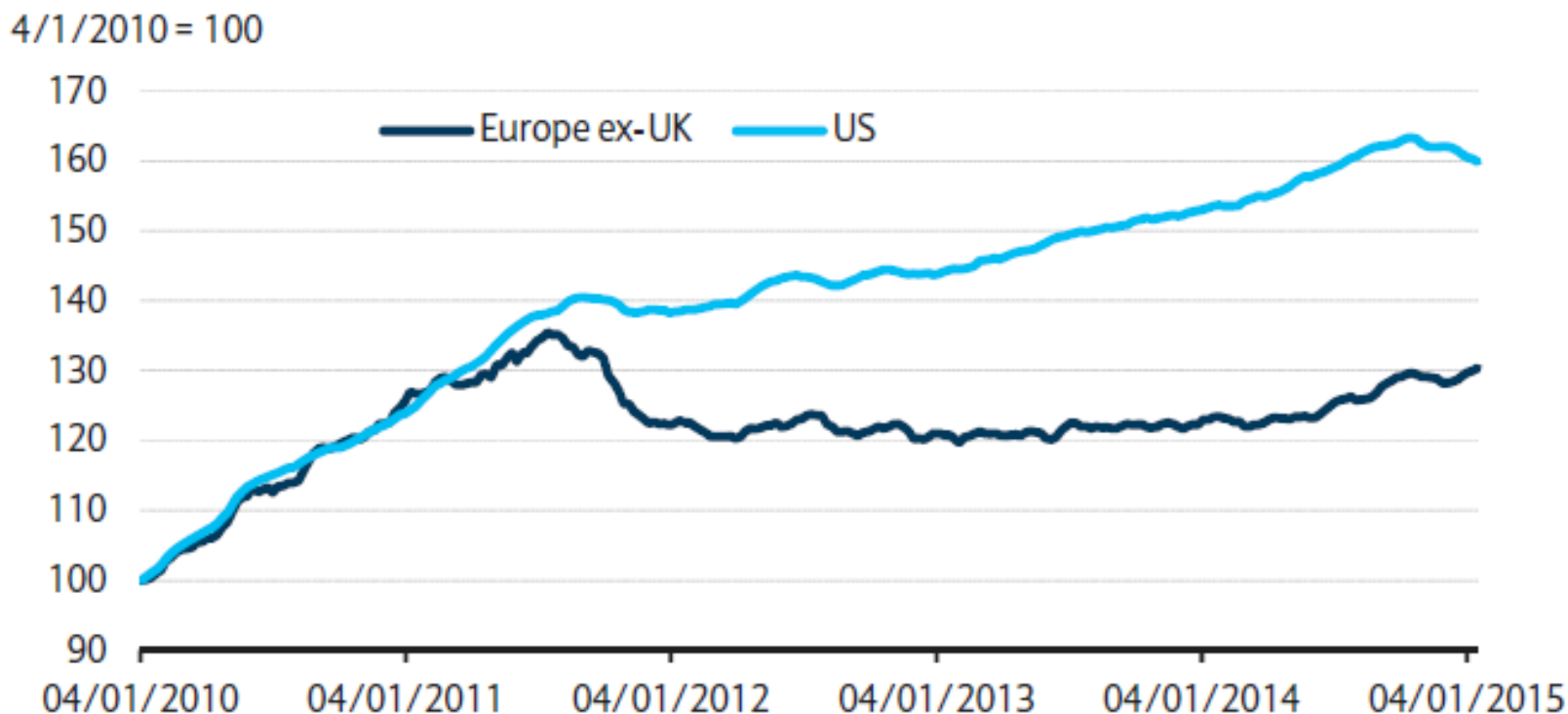
Source: Minack Advisors.

# Continental European Earnings Are On The Turn



## 12 Month Forward Earnings

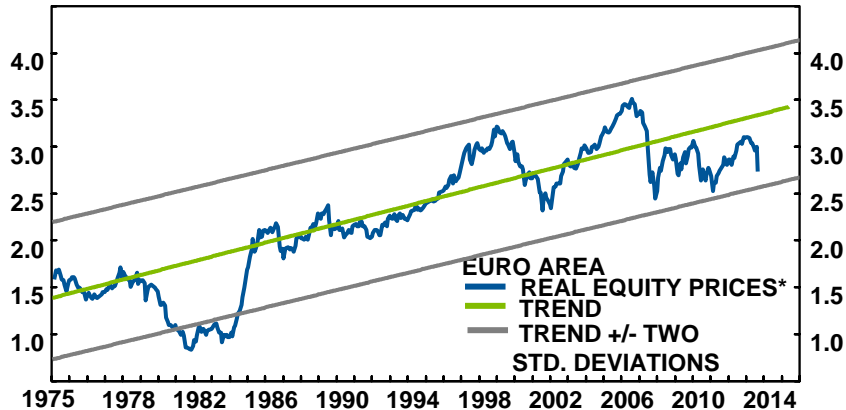
*January, 2010 to January, 2015*



# Europe: Compelling Absolute and Relative Valuations

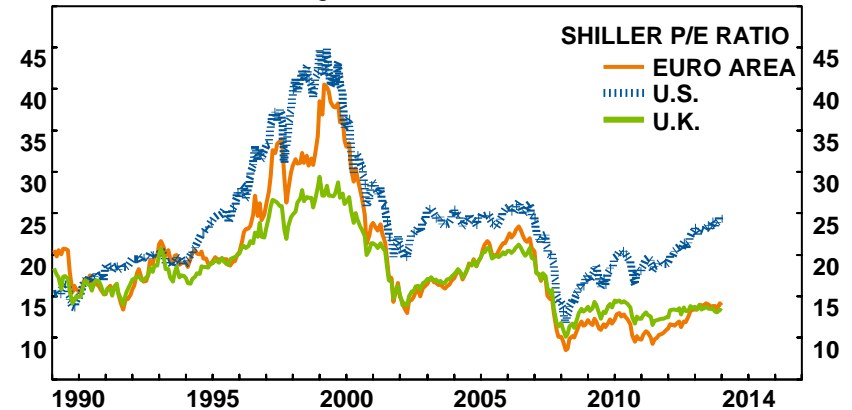
## Euro Area: Real Equity Prices Approaching Relative Historical Lows

1<sup>st</sup> January, 1975 to 31<sup>st</sup> December, 2014



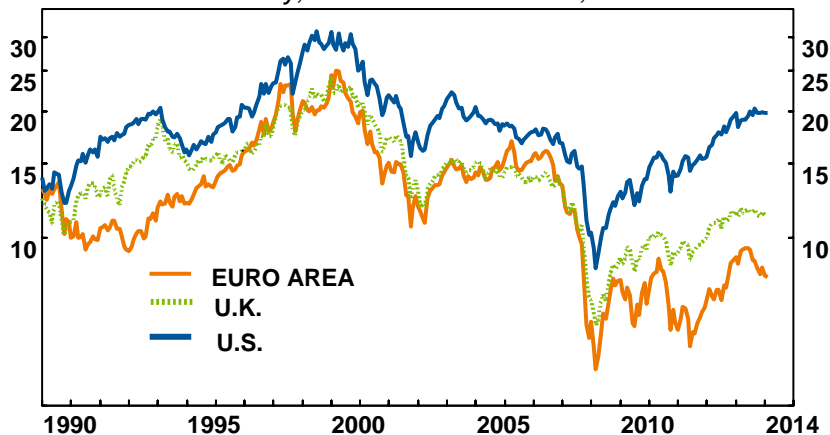
## Cyclically Adjusted P/E's Well Below Those in U.S.

Through to 31<sup>st</sup> December, 2014



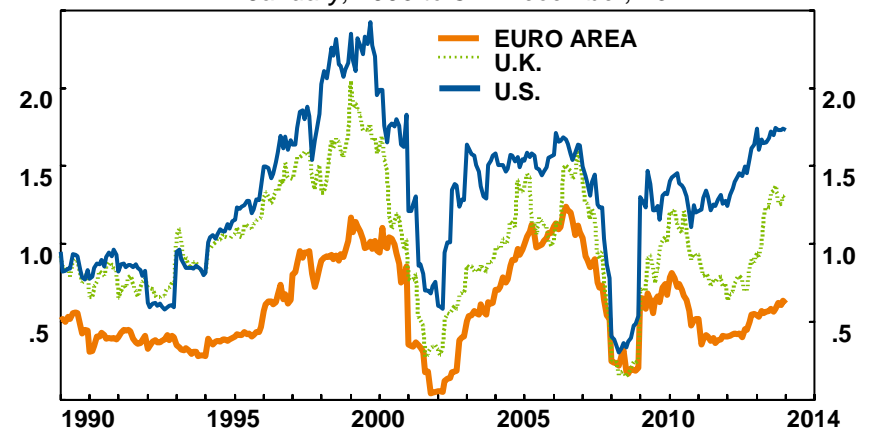
## Price to Peak Earnings

1<sup>st</sup> January, 1990 to 31<sup>st</sup> December, 2014



## Price to Sales Ratio

1<sup>st</sup> January, 1990 to 31<sup>st</sup> December, 2014

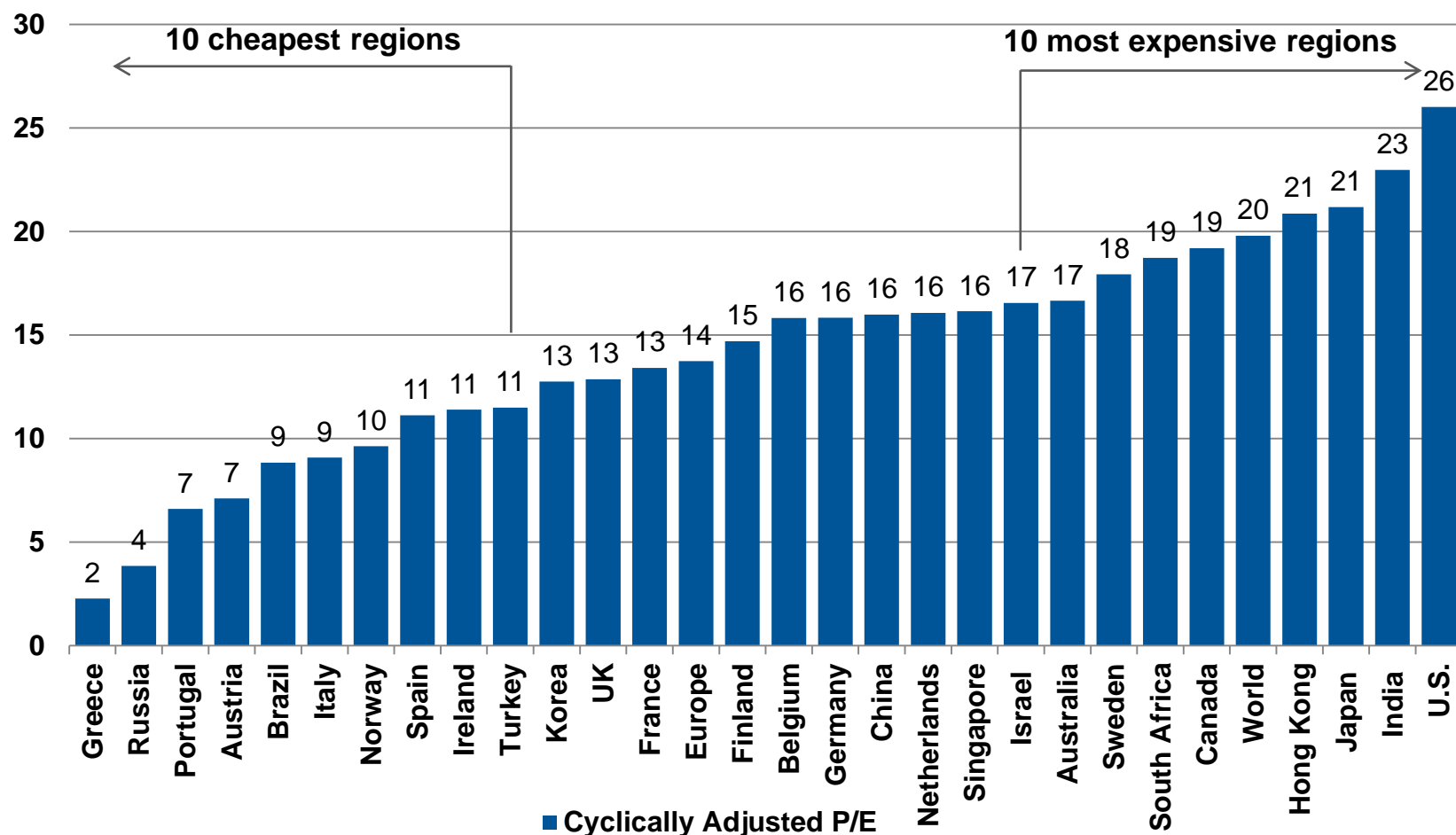


For illustrative and discussion purposes only.

Source: BCA Research. \*Custom BCA Index Deflated By Consumer Price Index. Shown As a Natural Logarithm. Time Trend: 1975 - Present.

# 9 of 10 Cheapest Countries are from Europe

*As of 31<sup>st</sup> December, 2014*

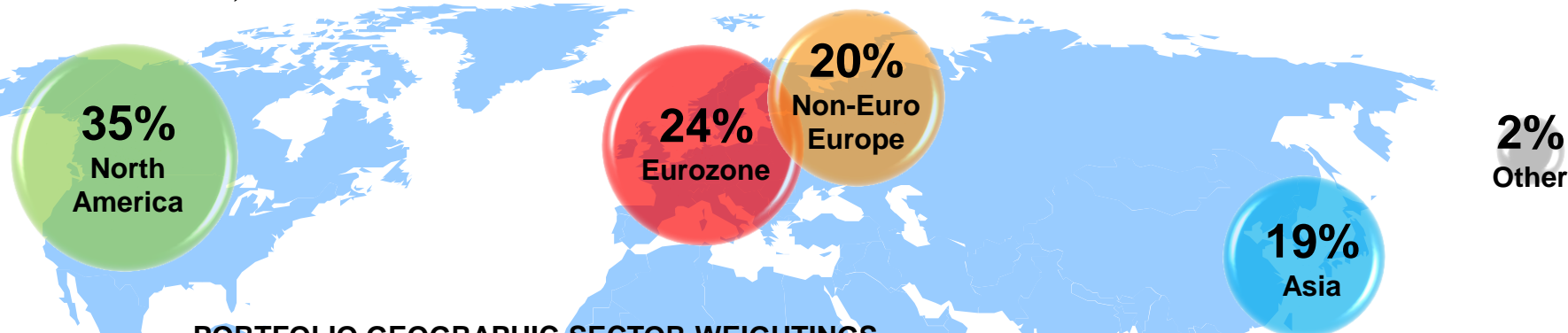


For illustrative and discussion purposes only.

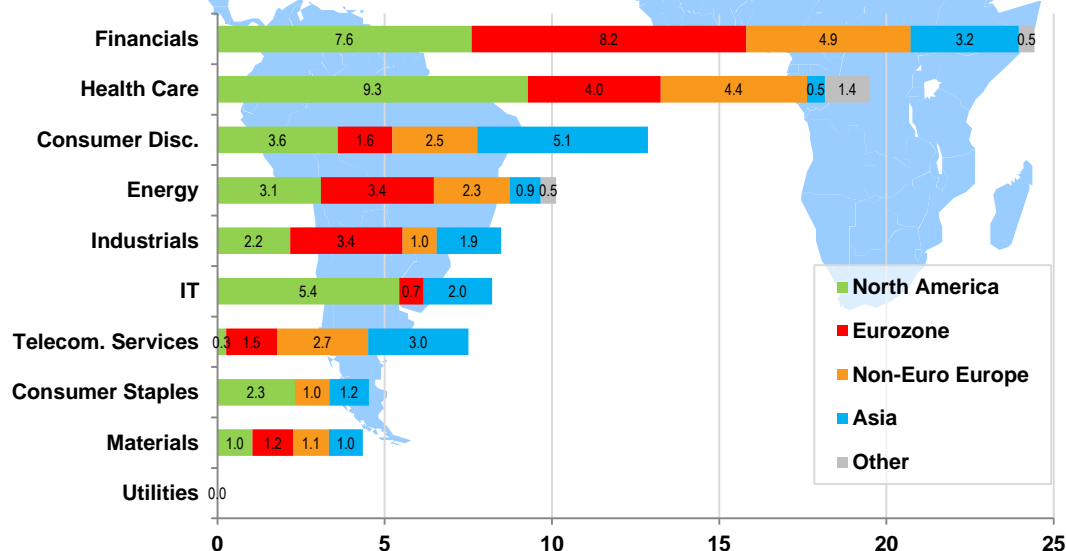
Source: CLSA, MSCI, FactSet. Please see Important Disclosures slide for additional information regarding third-party content.

# Templeton Global Growth Fund – Weights

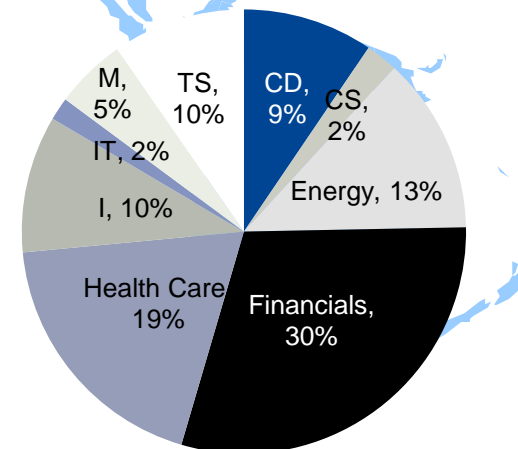
As of 31<sup>st</sup> December, 2014



**PORTFOLIO GEOGRAPHIC-SECTOR WEIGHTINGS**  
As At 31<sup>st</sup> December 2014



**EUROPE SECTOR SPLIT**

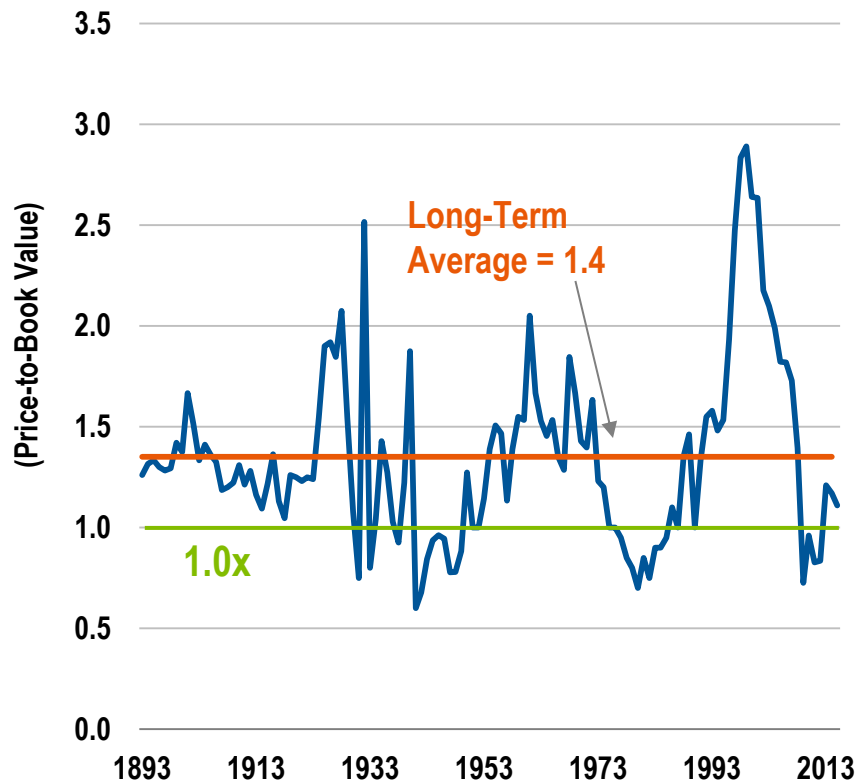


# U.S. Banks are Near Long-Term Average Valuations While Euro Banks are Still Discounted



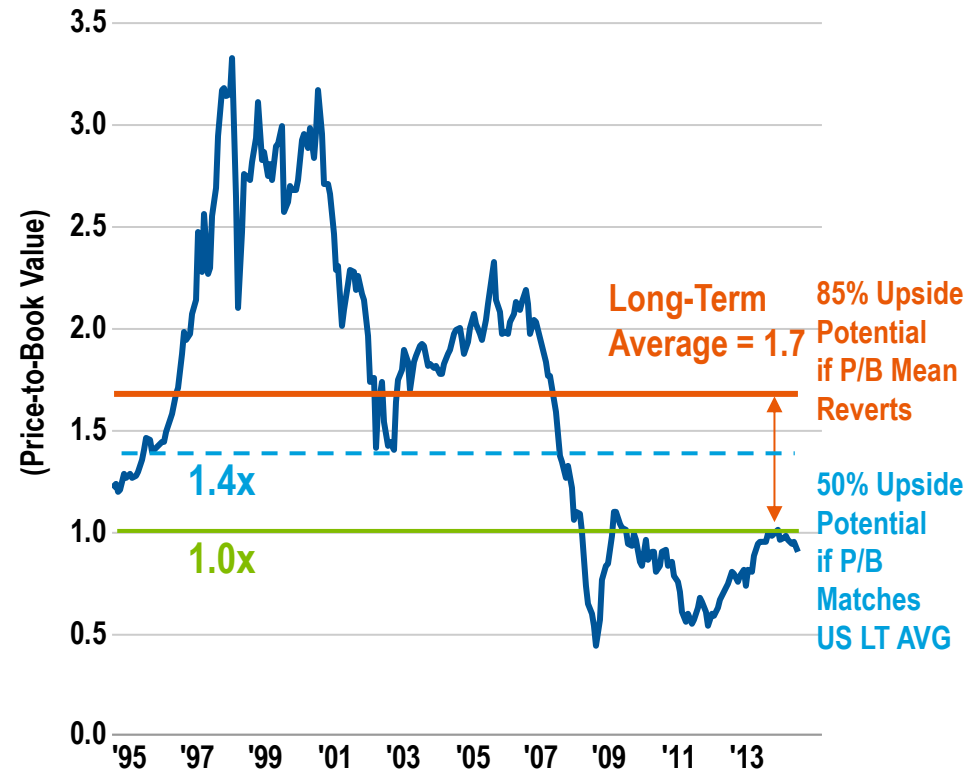
## U.S. Banks Price-to-Book Value<sup>1</sup>

As of 27<sup>th</sup> January, 2015



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

31<sup>st</sup> January, 1995 to 31<sup>st</sup> December, 2014



For illustrative and discussion purposes only. Past performance does not guarantee future results.

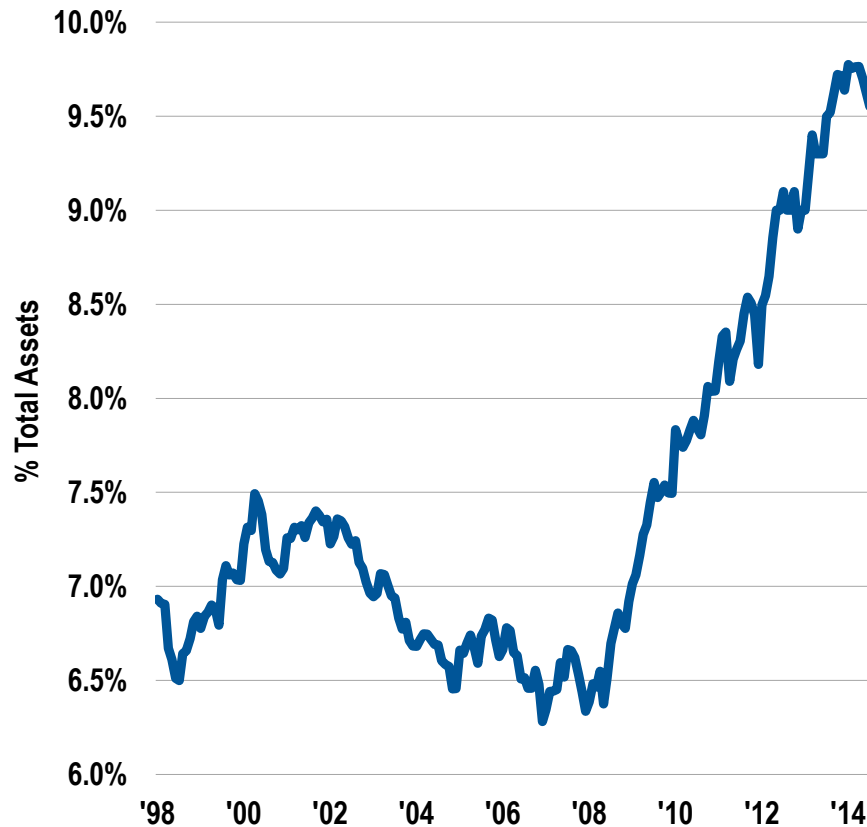
1. Source: Anthony Saunders & Berry Wilson, Impact of consolidation and safety net support on Canadian, US and UK banks, 1892-1992 (1999). Michael Keeley, Deposit Insurance, Risk and Market Power in Banking (1990). FDIC – History of the 1980s. Datastream, SNL. Autonomous Research. \* ignores war years,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

2. Source: FactSet, MSCI. Data from January 31, 1995 to December 31, 2014. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

# Capital Much Higher, Dividends To Flow?

## Eurozone Banking System Capital and Reserves<sup>1</sup>

30<sup>th</sup> June, 1998 to 31<sup>st</sup> December, 2014

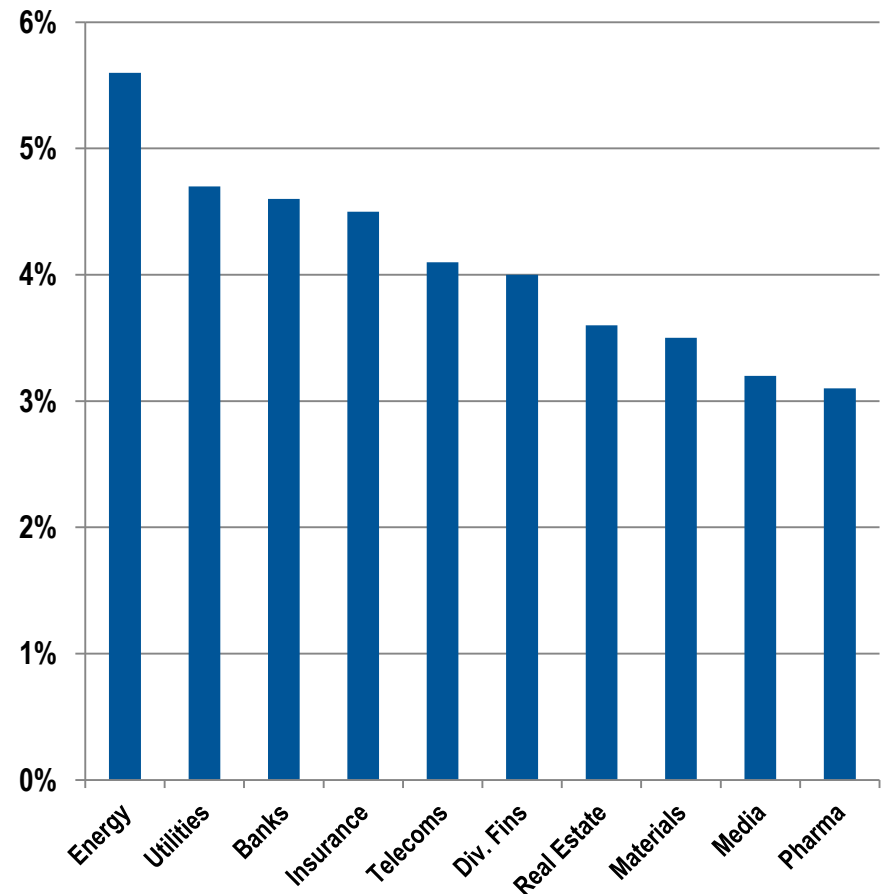


<sup>1</sup> Source: Redburn. Latest data as of February 12, 2015

<sup>2</sup> Source: Datastream, MSCI, IBES, Morgan Stanley Research

## European Sector Dividend Yields<sup>2</sup>

Next 12 Months Consensus

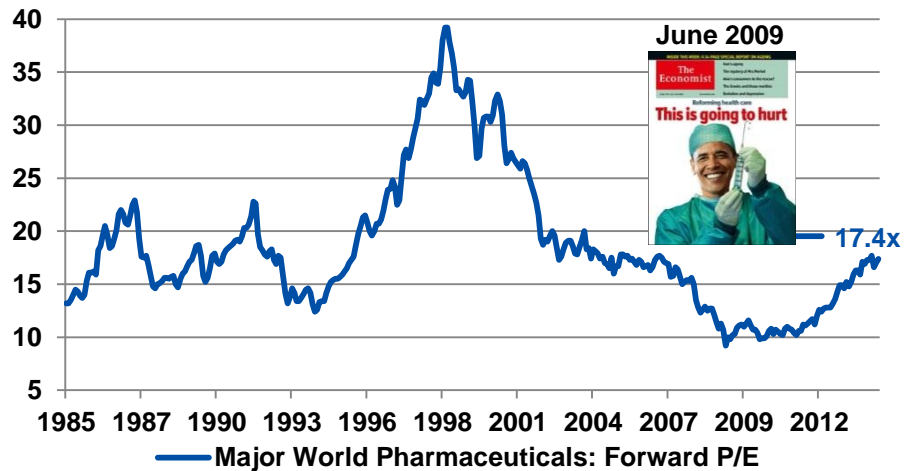




# Pharmaceuticals Have Re-Rated, Growth to Come

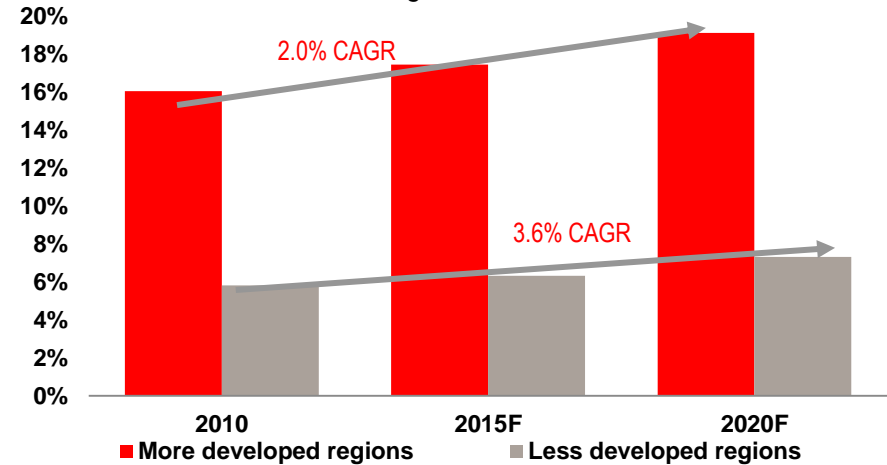
## Major World Pharmaceuticals: Forward P/E<sup>1</sup>

3<sup>rd</sup> January, 1985 to 30<sup>th</sup> September, 2014



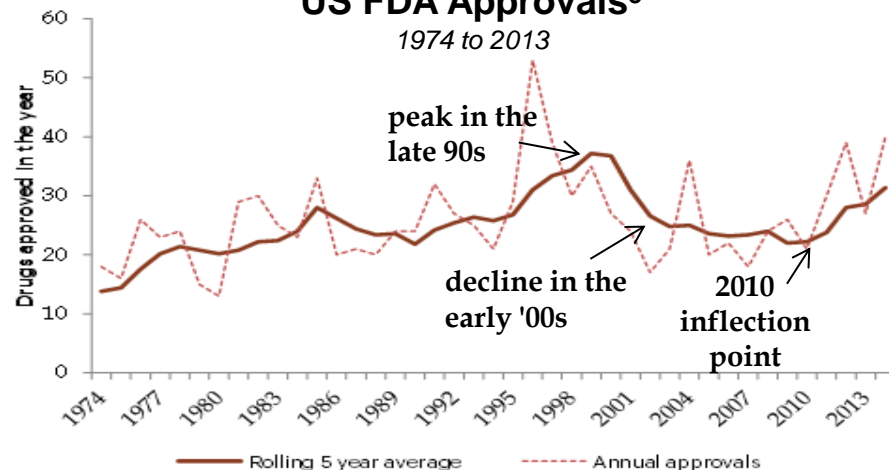
## % of Population Aged 65 or Over<sup>2</sup>

2010 through to 2020 Forecasts

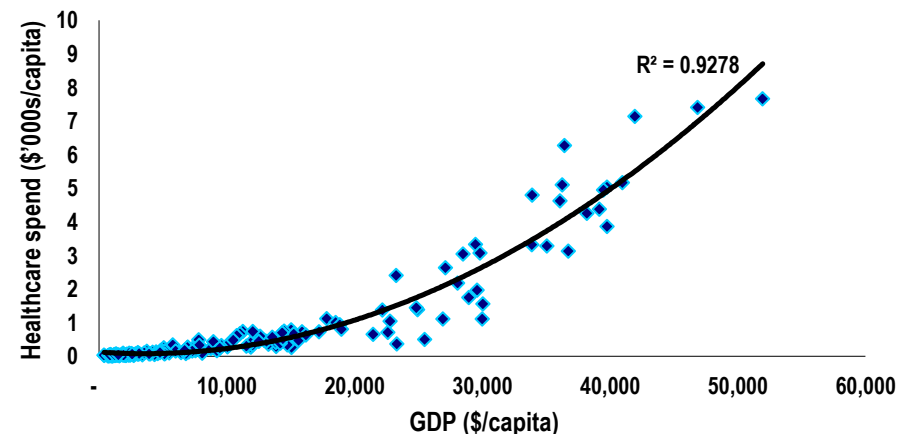


## US FDA Approvals<sup>3</sup>

1974 to 2013



## Health Care Spend to GDP per Capita<sup>4</sup>



<sup>1</sup> Source: FactSet.

<sup>3</sup> Source: Berenberg.

<sup>2</sup> Source: Credit Suisse.

<sup>4</sup> Source: Berenberg.

# Pharmaceuticals: Value Opportunities Remain



1.7% of TGG

31<sup>st</sup> Mar, 2000    31<sup>th</sup> Dec, 2014

P/E (FY1)	36.7x	14.7x
FCF Yield	0.9%	2.9%
Div. Yield	0.6%	3.7%



1.7% of TGG

31<sup>st</sup> Dec, 1999    31<sup>th</sup> Dec, 2014

P/E (FY1)	30.4x	18.3x
FCF Yield	0.4%	2.6%
Div. Yield	0.5%	2.9%



1.7% of TGG

31<sup>st</sup> Mar, 2000    31<sup>th</sup> Dec, 2014

P/E (FY1)	30.5x	15.0x
FCF Yield	0.5%	0.6%
Div. Yield	0.0%	5.8%



1.3% of TGG

31<sup>st</sup> Dec, 1999    31<sup>th</sup> Dec, 2014

P/E (FY1)	27.5x	16.7x
FCF Yield	0.7%	3.3%
Div. Yield	1.6%	1.2%



1.5% of TGG

31<sup>st</sup> Dec, 1999    31<sup>th</sup> Dec, 2014

P/E (FY1)	38.7x	13.8x
FCF Yield	0.5%	4.8%
Div. Yield	1.1%	3.3%



2.0% of TGG

31<sup>st</sup> Dec, 1999    31<sup>th</sup> Dec, 2014

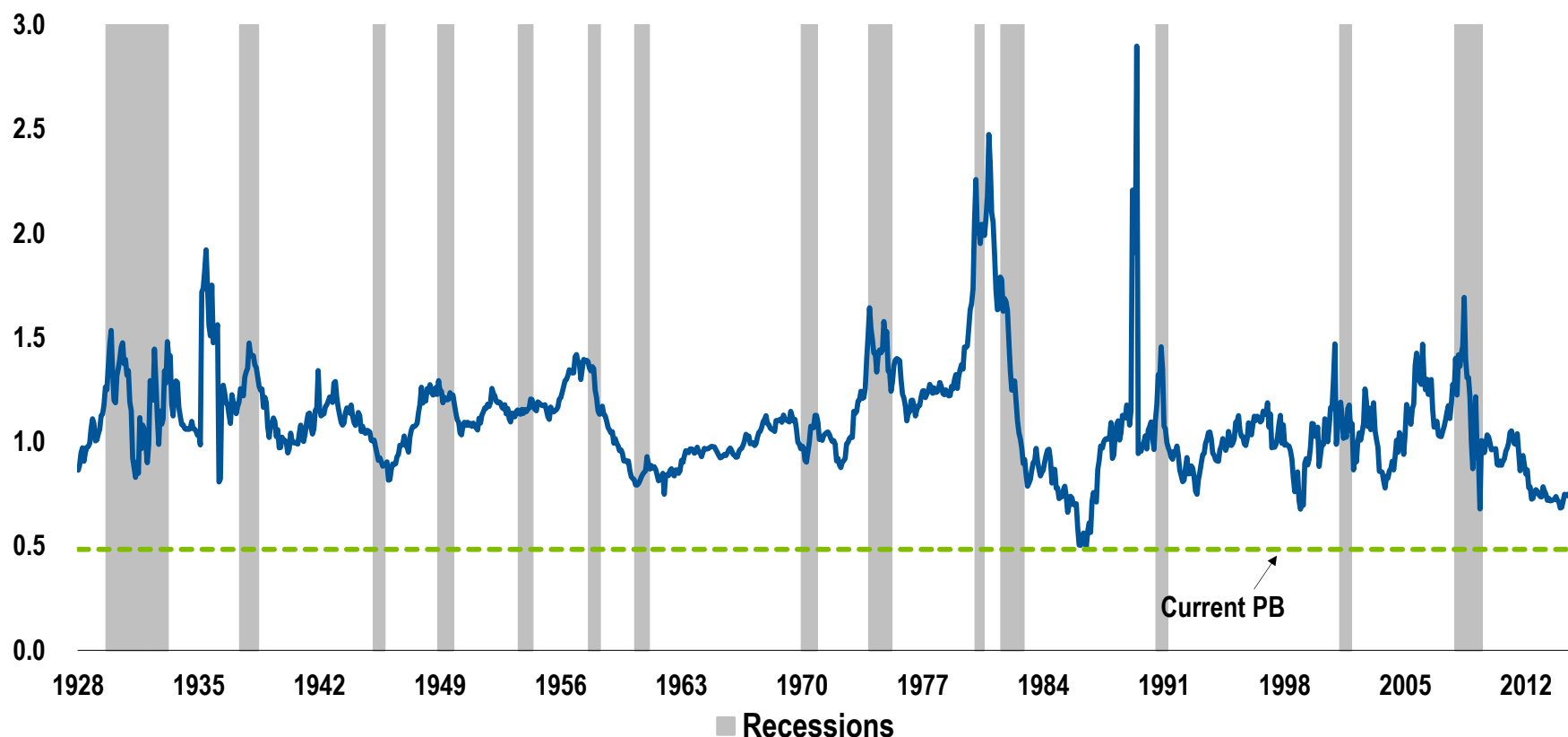
P/E (FY1)	61.7x	18.6x
FCF Yield	1.2%	4.5%
Div. Yield	0.0%	1.4%

Source: © 2014 FactSet Research Systems Inc. Current data points as of 31/12/14. 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

# Large Cap Energy Valuations at Generational Lows

## Large-Capitalization Energy Stocks<sup>1</sup>, Relative Price/Book Ratios

*January, 1928 to January, 2015*



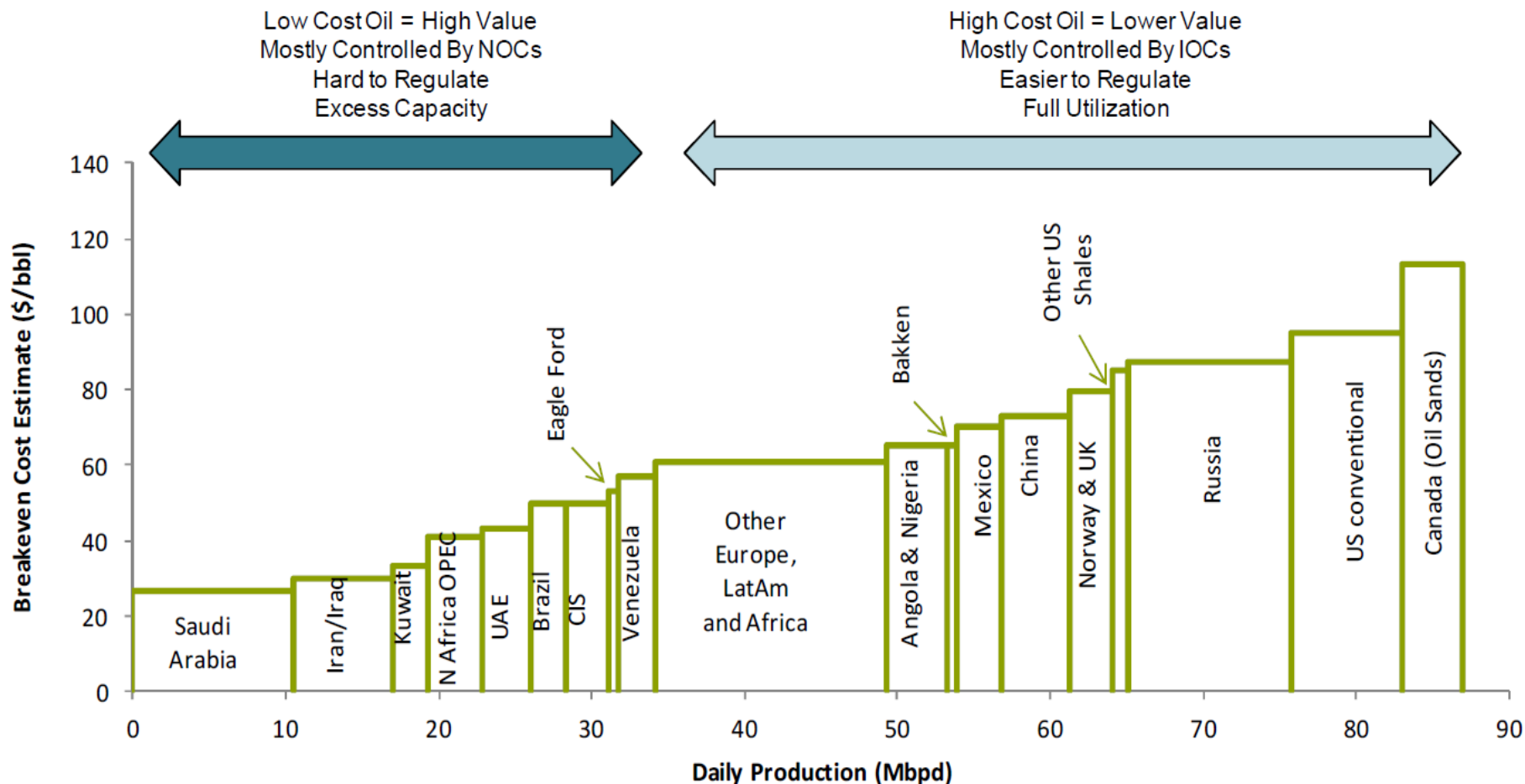
**For illustrative and discussion purposes only.**

Source: Company Reports, National Bureau of Economics, Empirical Research Partners Analysis. January 1928 to January 2015.

1. Equally-weighted unwinsorized data excluding pipeline stocks. Large-capitalized energy stocks references energy stocks pulled from the largest 750 stocks by market cap, ex-the pipeline names. This time series is not Winsorized, so the extremes are captured in the data set.

# Energy: Breakeven Oil Price Varies

## Global Supply



For illustrative and discussion purposes only.

Source: Wood Mackenzie, Bernstein analysis, as of October 2014.

# Energy: Rig Counts Falling

## Baker Hughes Total Rig Count

2<sup>nd</sup> August, 2008 to 30<sup>th</sup> January, 2015



Source: Bloomberg.

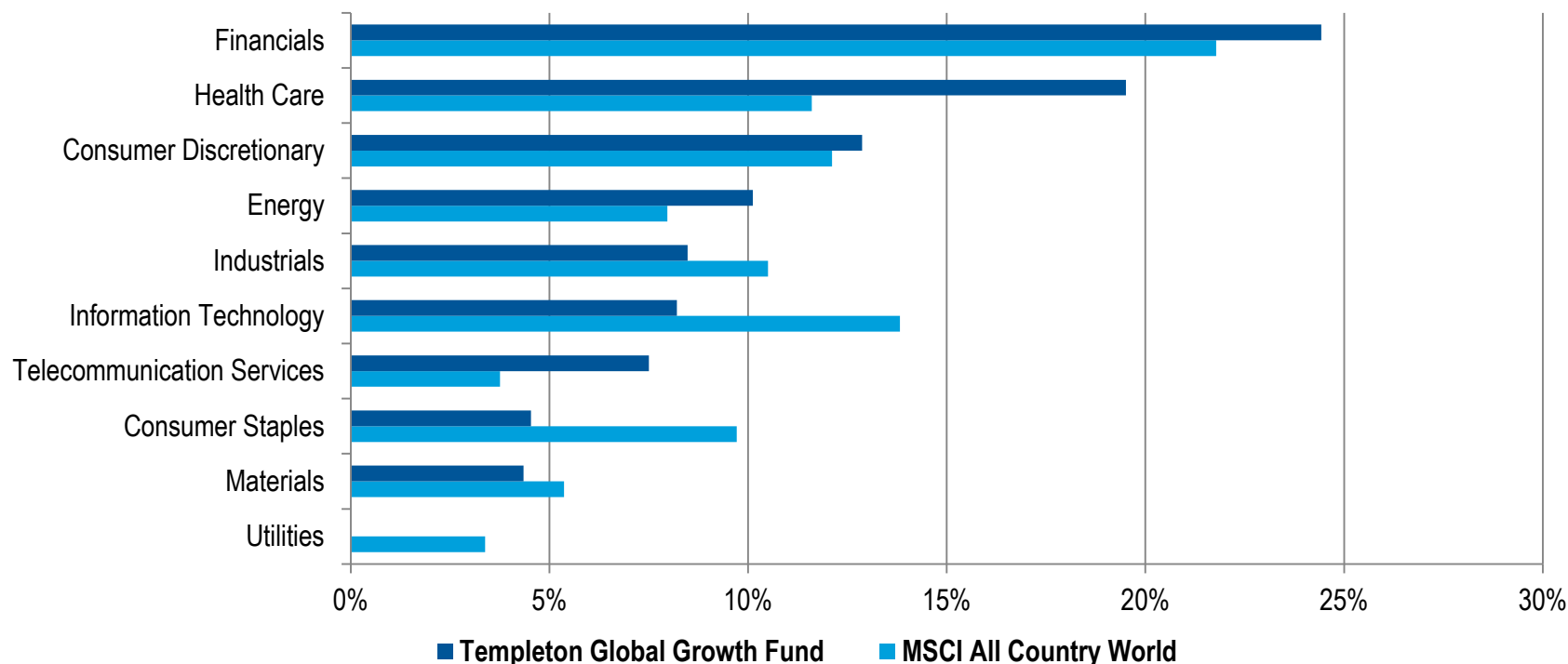
# Templeton Global Growth Fund

## Sector Allocation



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

*As at 31<sup>st</sup> December, 2014*



Source: © 2014 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.

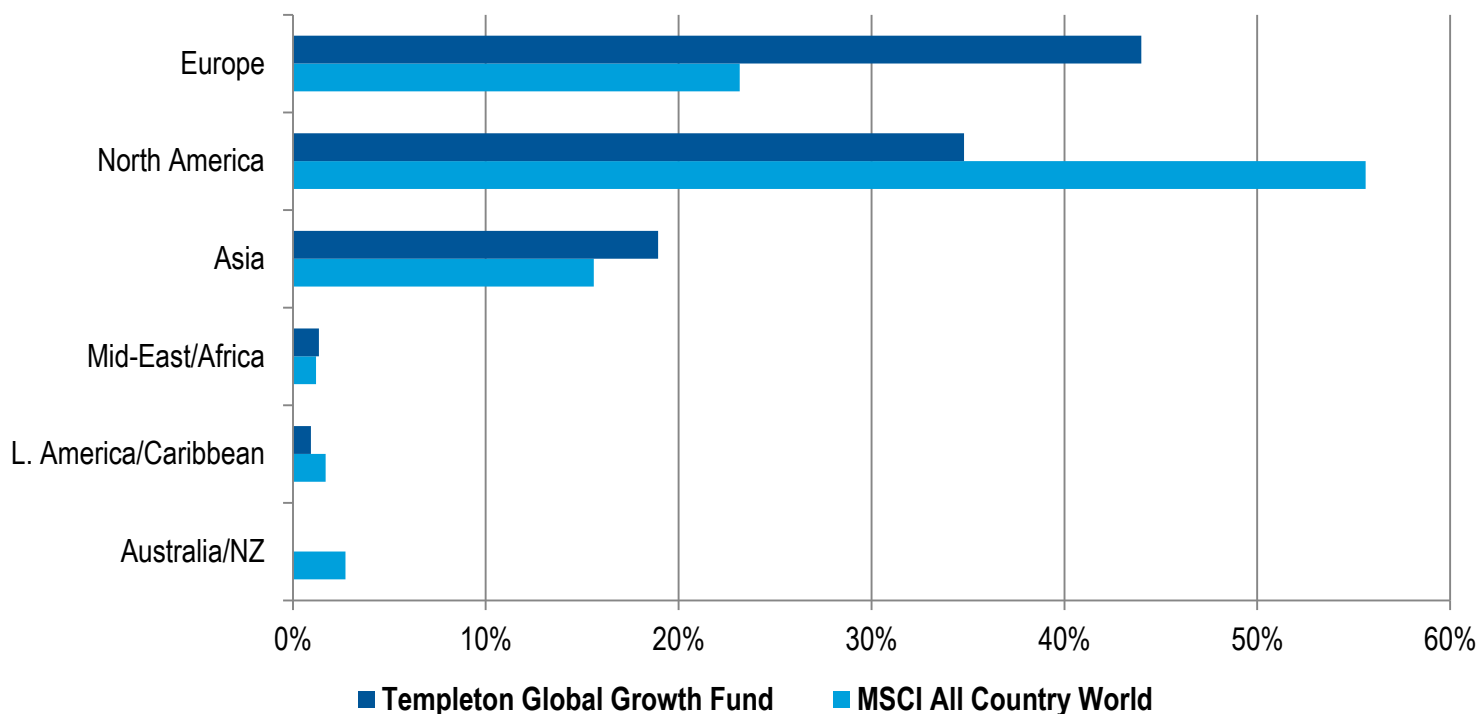
# Templeton Global Growth Fund

## Geographic Allocation



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

*As at 31<sup>st</sup> December, 2014*



Source: © 2014 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.

# Templeton Global Growth Fund

## Portfolio Characteristics



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

*As at 31<sup>st</sup> December, 2014*

	Portfolio	Benchmark
Price to Earnings	14.9x	16.7x
Price to Cash Flow	15.5x	17.3x
Price to Book Value	1.3x	2.1x
Dividend Yield	2.6%	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.



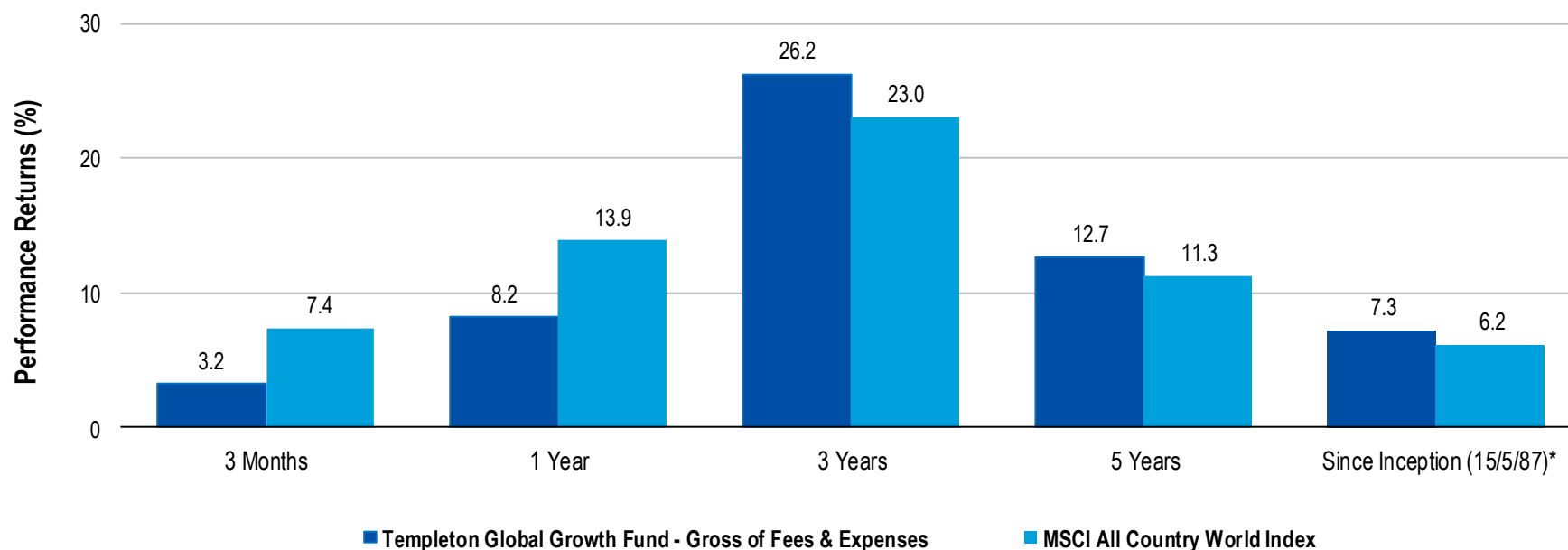
# Templeton Global Growth Fund

## Performance



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

*As at 31<sup>st</sup> December, 2014*



Periods of more than one year are annualised. Benchmark is presented net dividends.

**\*Performance is Net of Fees & Expenses, as gross calculations were not used at inception. Index uses MSCI World as MSCI AC World was not in existence at inception.**

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

# Templeton Global Growth Fund

## Top Ten Holdings



*As at 31<sup>st</sup> December, 2014*

Name of Issuer	Country	Industry	% of Total
MICROSOFT CORP	United States	Software & Services	2.4
AMGEN INC	United States	Pharmaceuticals, Biotechnology & Life Sciences	2.0
SAMSUNG ELECTRONICS CO	South Korea	Semiconductors & Semiconductor Business	2.0
COMCAST CORP	United States	Media	1.9
SANOFI	France	Pharmaceuticals, Biotechnology & Life Sciences	1.7
GLAXOSMITHKLINE PLC	United Kingdom	Pharmaceuticals, Biotechnology & Life Sciences	1.7
ROCHE HOLDING AG	Switzerland	Pharmaceuticals, Biotechnology & Life Sciences	1.7
CHINA TELECOM CORP	China	Diversified Telecommunication Services	1.6
CITIGROUP	United States	Banks	1.6
MEDTRONIC PLC	United States	Medical Equipment & Devices	1.6
<b>TOTAL</b>			<b>18.1</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.

- The last five years have seen a strong bull market in the US
- The rest of the world has lagged significantly, leading to significant valuation discounts outside the US
- Economic conditions are improving in Europe, with a lower Euro, lower oil price and a resumption in bank lending
- Financials continue to trade at a discount to historic averages
- Health Care has re-rated, but opportunities remain on a stock by stock basis
- A long-term focus on oil provides a lens to sift through opportunities in the Energy sector, where valuations are currently at multi-decade lows

# Important 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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