



# Templeton Global Growth Fund Ltd

## Annual Results Call

August 24, 2016



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.

- TGG Ltd is Listed Investment Company that provides investors with exposure to global companies, with the portfolio managed by the Templeton Global Equity Group following the tenets of Sir John Templeton's value philosophy
- **DIVIDENDS**
  - A final dividend (in respect of the year ended 30 June 2015) of 3.5 cents per share was paid to shareholders during September 2015, of which 0.7 cents per share was fully franked, and 3.4 cents per share was unfranked
  - The Directors declared for the following Dividend for the year ended 30 June 2016
    - Rate – 4.5 cents per share
      - 2.5 cents per share fully franked
      - 2.0 cents per share unfranked
    - Record Date: 9<sup>th</sup> September 2016
    - Payment Date: 23<sup>rd</sup> September 2016
    - Includes LIC Capital Gains of 2.5 cents per share
- **ON-MARKET SHARE BUYBACK**
  - 9,243,684 purchased during the year ended 30 June 2016
  - Average purchase price was \$1.22 per share

## **MANAGEMENT EXPENSE RATIO (MER)**

- MER has increased slightly from 1.16% to 1.20% for the year ended 30 June 2016

## **NET TANGIBLE ASSET (“NTA”) BACKING**

- Decreased from 150 cents per share (“cps”) to 128 cps for the year ended 30 June 2016

## **SHARE PRICE**

- Decreased from \$1.31 to \$1.155 for the 12 months ended 30 June 2016

## **INVESTMENT MANAGEMENT AGREEMENT RENEWAL**

- 3 year term
- 1.0% per annum management fee, based on NTA
- Franklin Templeton to continue to provide administration services
- Includes additional shareholder engagement / marketing support
- Effective 1 July, 2016

## REMUNERATION REPORT FIRST STRIKE

- 16% of shares on issue voted on this item
- 64% in favour, 36% against – thus first strike was triggered
- Directors initiated a range of actions as a result
  - Investor briefings
  - Weekly NTA
  - Quarterly reports mail out
  - On-market share buyback

## ANNUAL GENERAL MEETING

- AGM to be held on the 4<sup>th</sup> of November 2016 at 11.00am
- Venue will be the Westin Hotel in Melbourne



# Templeton Global Growth Fund

## 2016 Results

**PETER WILMSHURST, CFA®**  
EVP/Portfolio Manager/Research Analyst  
Templeton Global Equity Group



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Introduction

A Time for Value? The Best of Times, The Worst of Times

European Recovery

Focus on Financials, Energy and Health Care

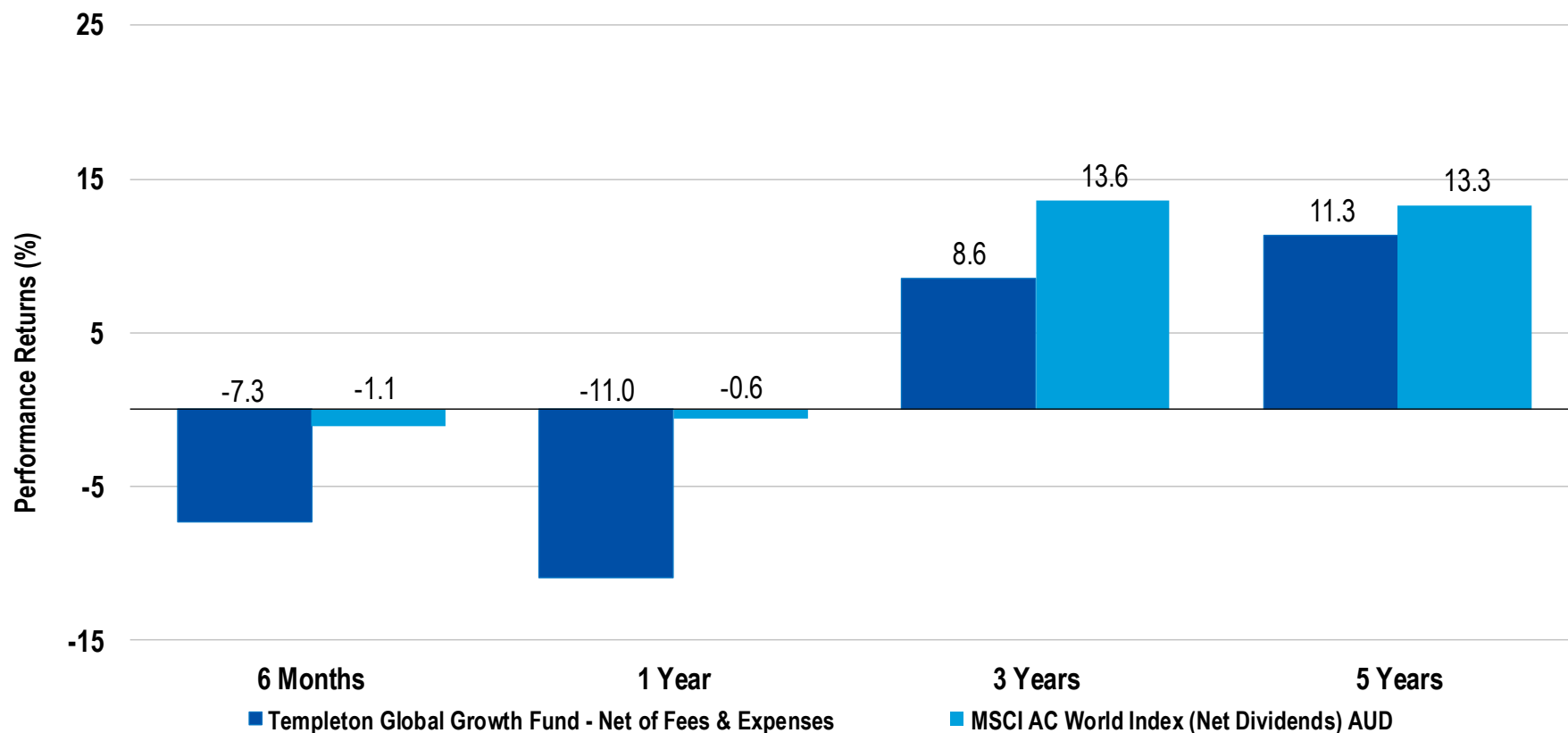
# Templeton Global Growth Fund

## Performance



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

*As at 30<sup>th</sup> June, 2016*

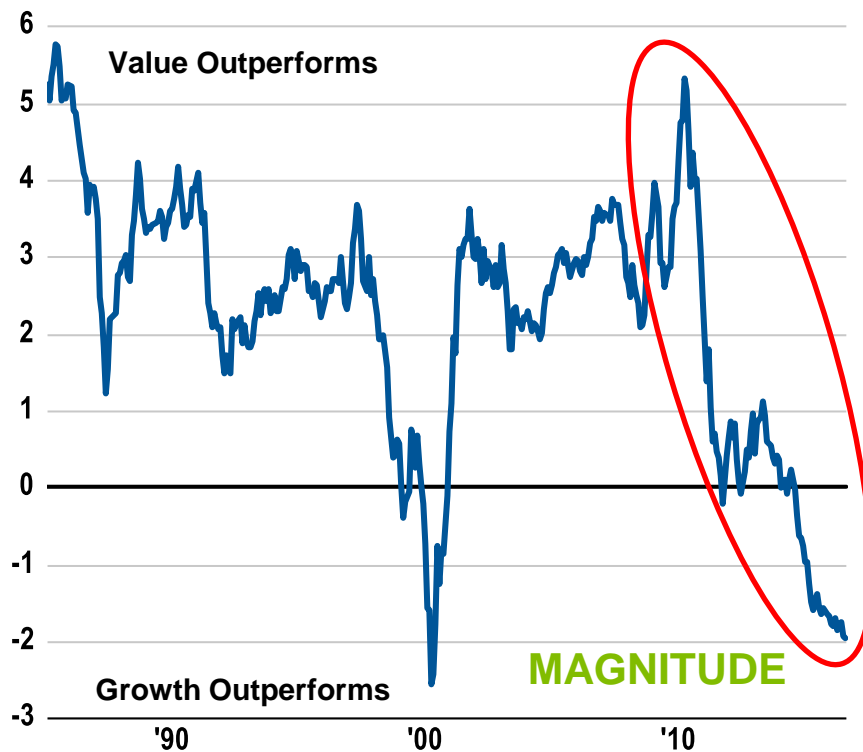


Periods of more than one year are annualised. Benchmark is presented net dividends.  
Past performance does not guarantee future results and results may differ over future time periods.

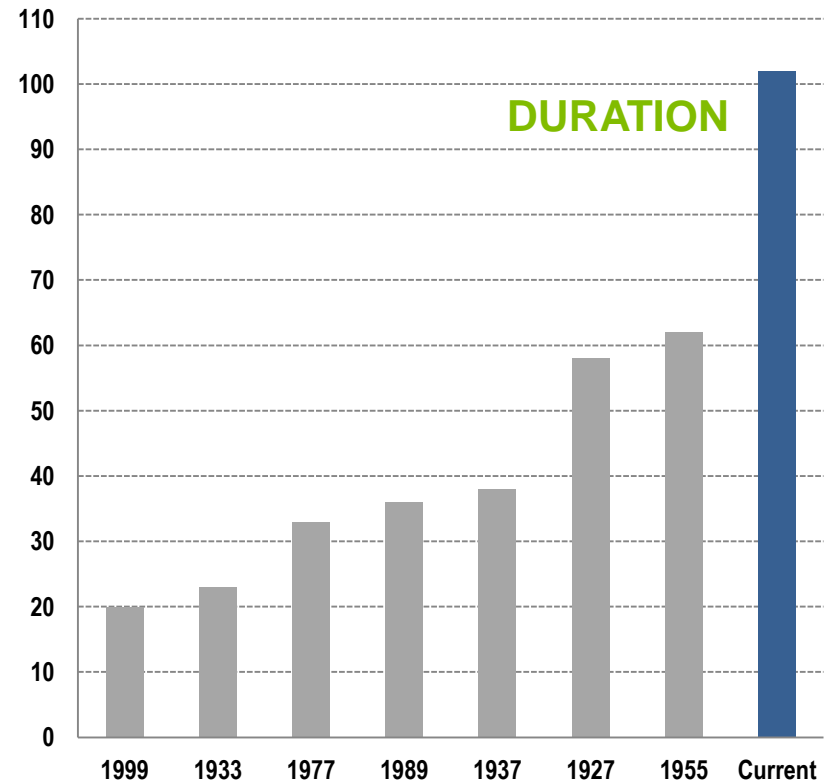
# An Unprecedented Dry Spell for Value

## Relative Performance Global Value vs. Global Growth<sup>1</sup>

31<sup>st</sup> January, 1985 to 30<sup>th</sup> June, 2016



## Length of Previous Periods: Value Underperforming Growth<sup>2</sup>



<sup>1</sup> Source: Factset. Rolling 10yr annualised excess returns of MSCI World Value Index vs. MSCI World Growth Index. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com)

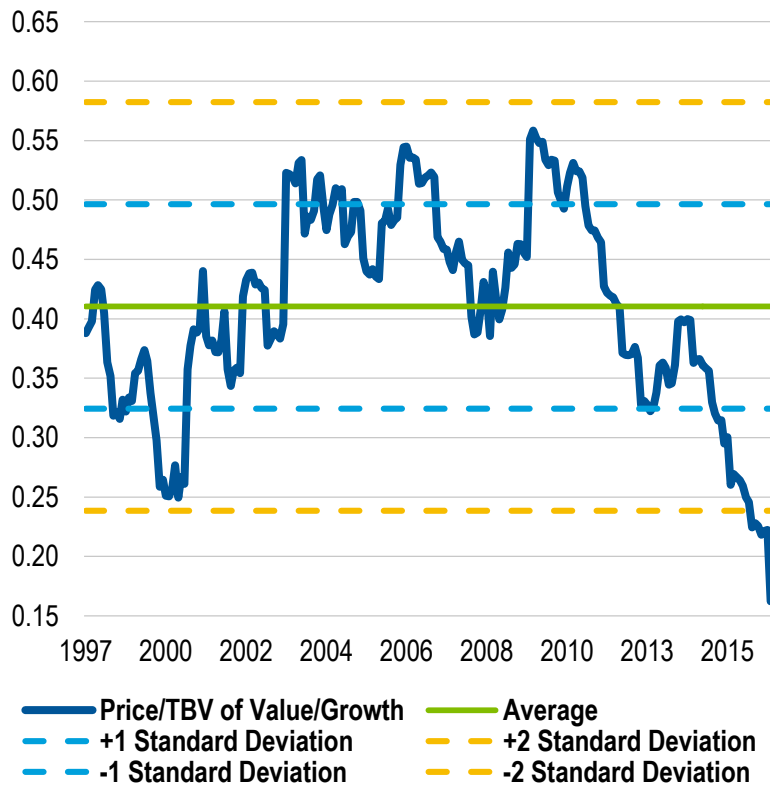
<sup>2</sup> Source: Fama & French, Kempen Capital Management. US stocks only.



# Valuation Gap is Extreme

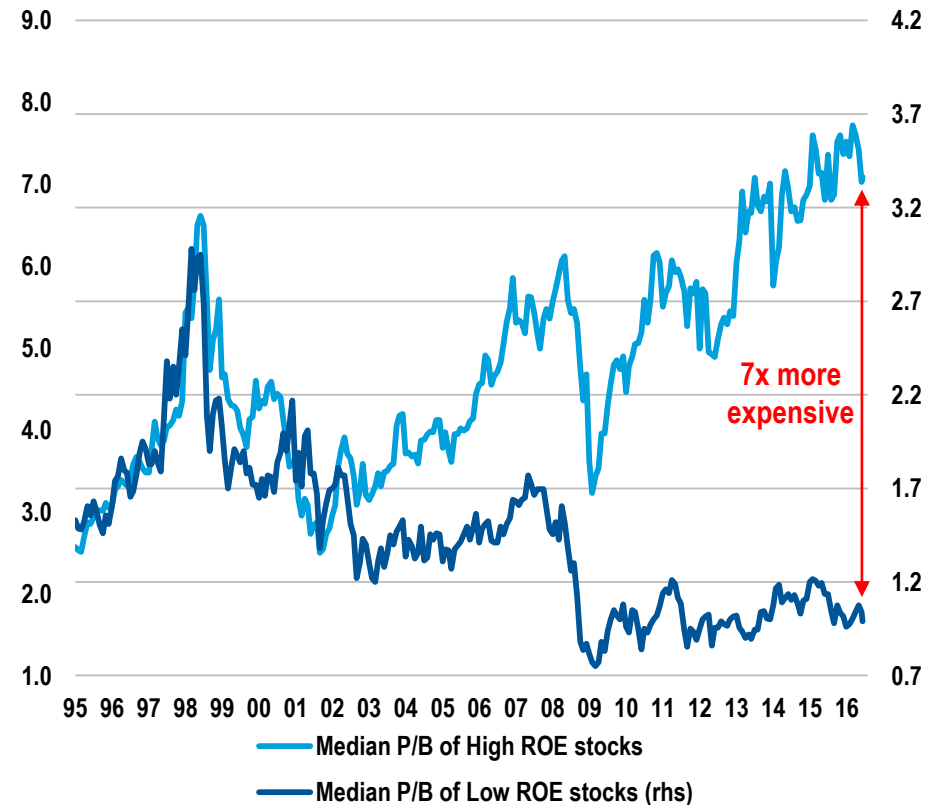
## Price to Tangible Book Value: MSCI World Value vs. MSCI World Growth<sup>1</sup>

To 30<sup>th</sup> June, 2016



## Price to Book Value: Quality Stocks vs. Value Stocks<sup>2</sup>

To 07<sup>th</sup> July, 2016



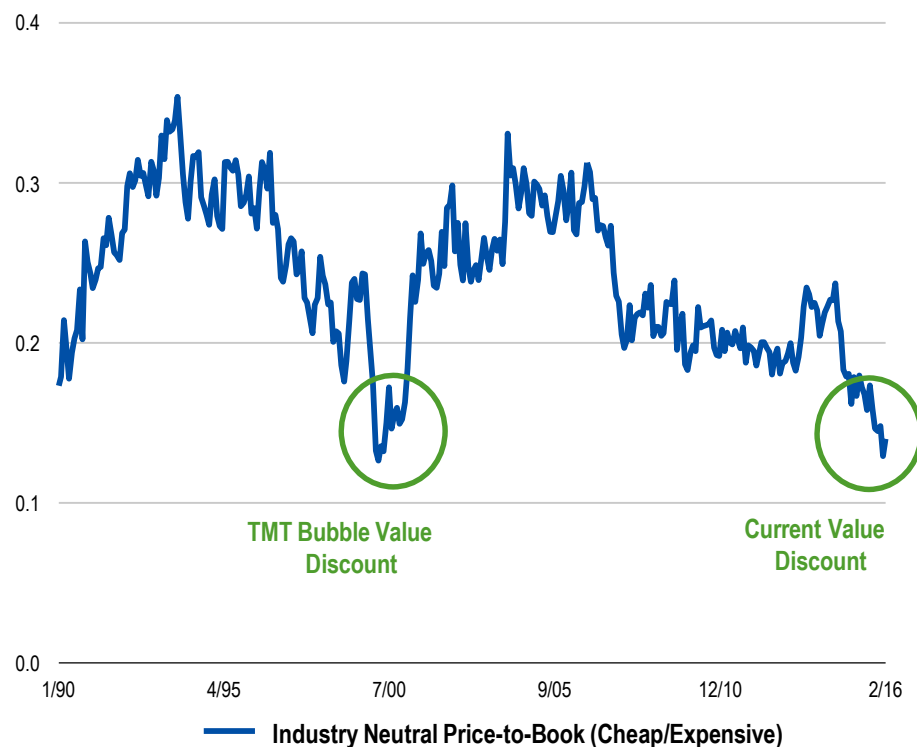
1. Source: Bloomberg.

2. Source: Datastream, J.P. Morgan.

# Value Looks Cheap However You Measure it...

## Valuation Spreads at Historic Extremes<sup>1</sup>

To 30<sup>th</sup> April, 2016



## Momentum Stocks Are Nearly Three Times More Expensive Than Value Stocks<sup>2</sup>

January, 2001 To March, 2016



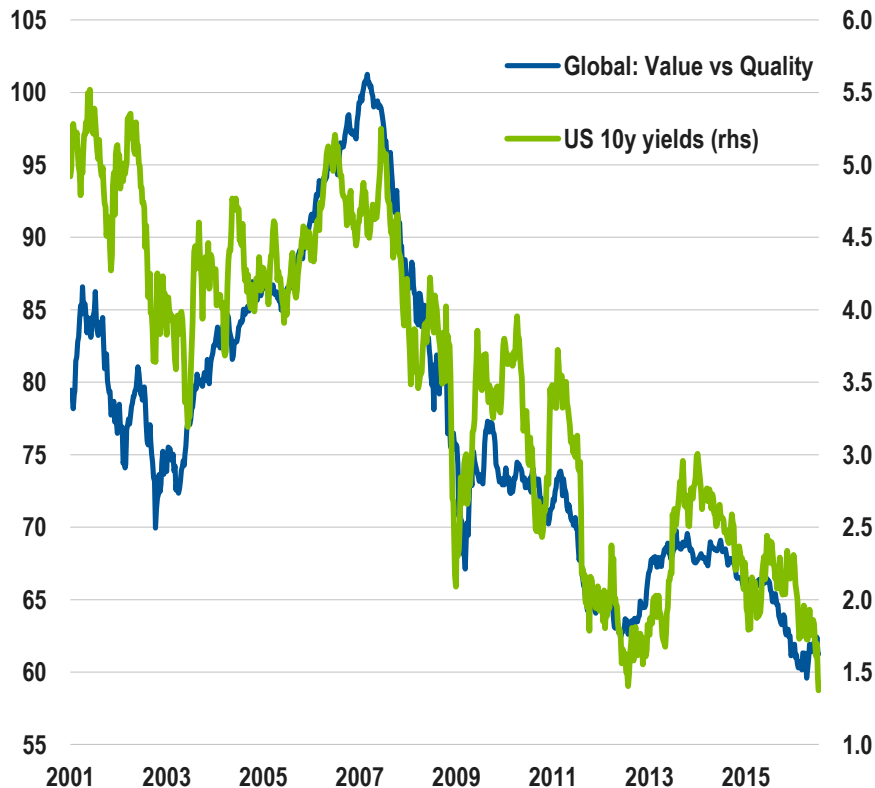
<sup>1</sup> Source: Bernstein. Analysis using P/B as value definition. The chart takes the 500 largest companies from the MSCI All Country World index, splits them into 24 GICS level 2 industries and look at the relative valuation of cheap/expensive companies from those groups.

<sup>2</sup> Source: Cornerstone Macro. Value represented by the S&P 500 Value Index. Momentum represented by the S&P 500 Momentum Index.

# When the Economy Strengthens, Value Stocks Perform Better

## Global Value vs. Growth Has Closely Tracked US 10 Year Yields<sup>1</sup>

*From 2001 to 2016*



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

<sup>2</sup> Source: Calculations by Franklin Templeton Investments using data sourced from FactSet.

## Average Cumulative 3-Year Total Return After Fed Liftoff<sup>2</sup>

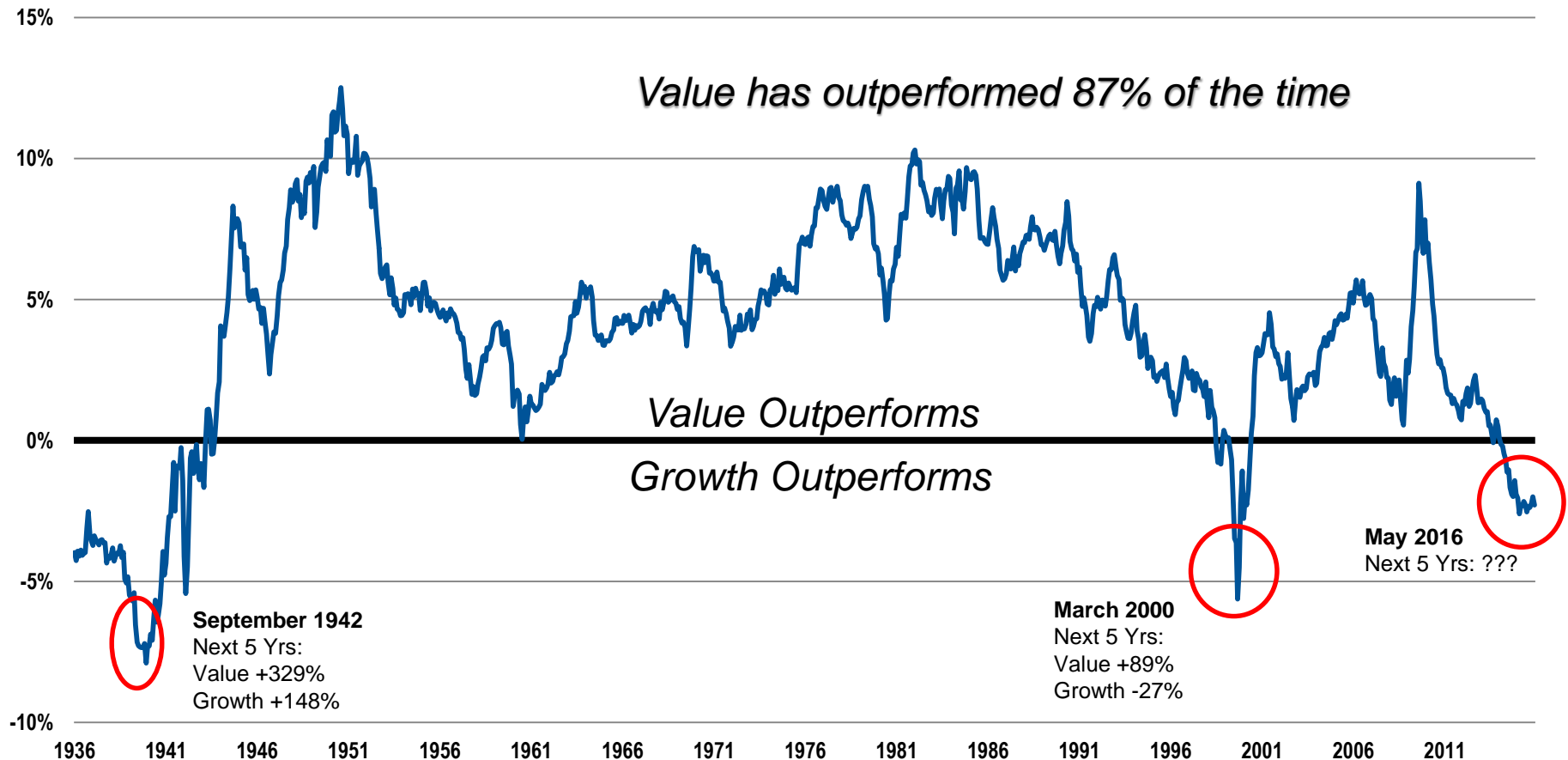
*Six Periods From 1974 to 2007*



# Long Term Value Performs

## Value vs. Growth: Excess Return, 10 Year CAGR

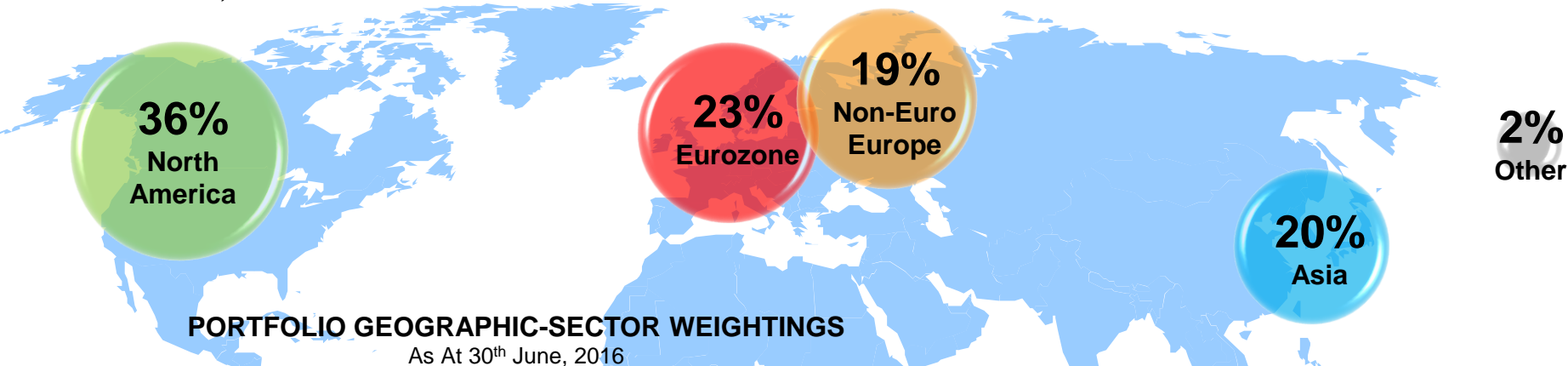
July, 1936 to May, 2016



Source: Eugene Fama & Kenneth French. Templeton Global Research Library.

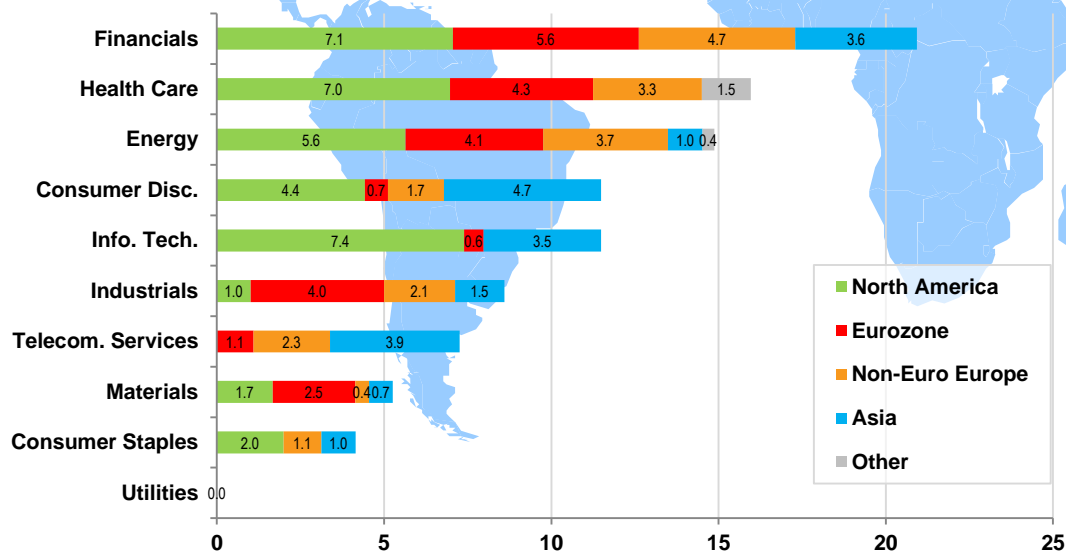
# Templeton Global Growth Fund – Weights

As of 30<sup>th</sup> June, 2016

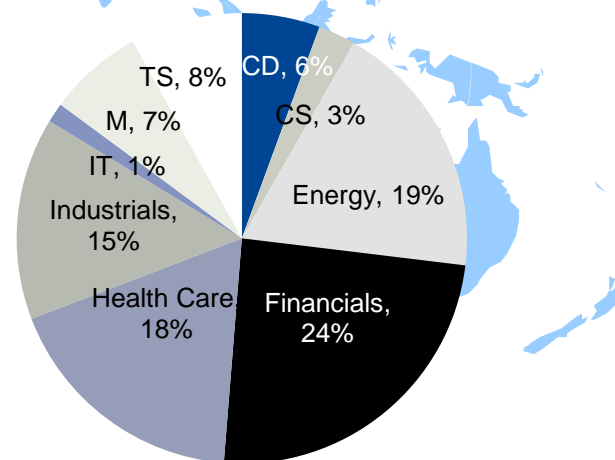


## PORTFOLIO GEOGRAPHIC-SECTOR WEIGHTINGS

As At 30<sup>th</sup> June, 2016



## EUROPE SECTOR SPLIT

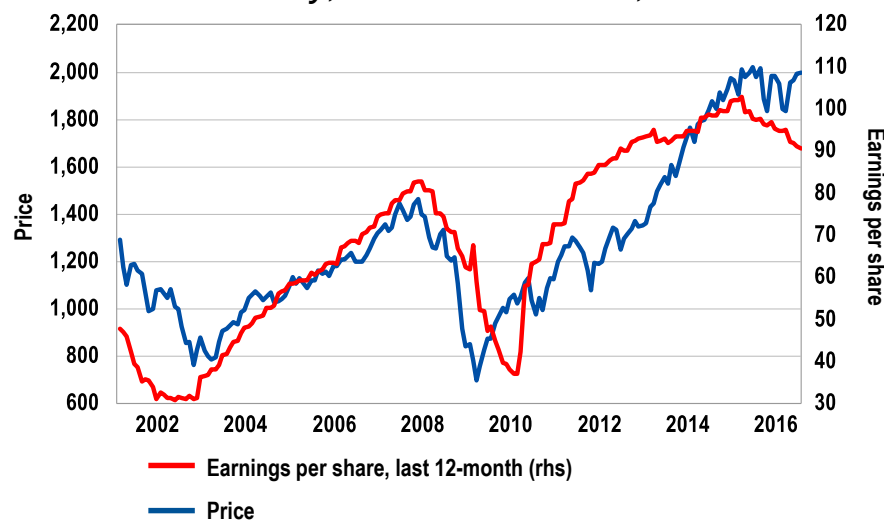


Weightings as percent of equity. Percentage may not equal 100% due to rounding.

# Regional Differences in Earnings Cycles and Valuations

## U.S. Earnings Peaking? MSCI USA

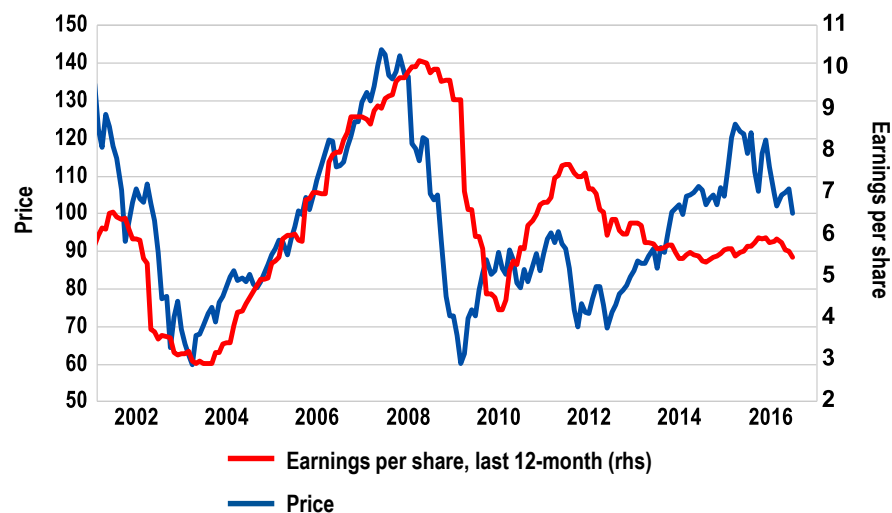
31<sup>st</sup> January, 2001 to 30<sup>th</sup> June, 2016



	Current (June 30, 2016)	Long Term Average (Since Jan. 1980)
P/TE	19.1x	18.1x
P/B	2.8x	2.6x
Earning Trend	Rising	
Opportunities	Some	

## Eurozone Earnings Poised to Rise MSCI EMU

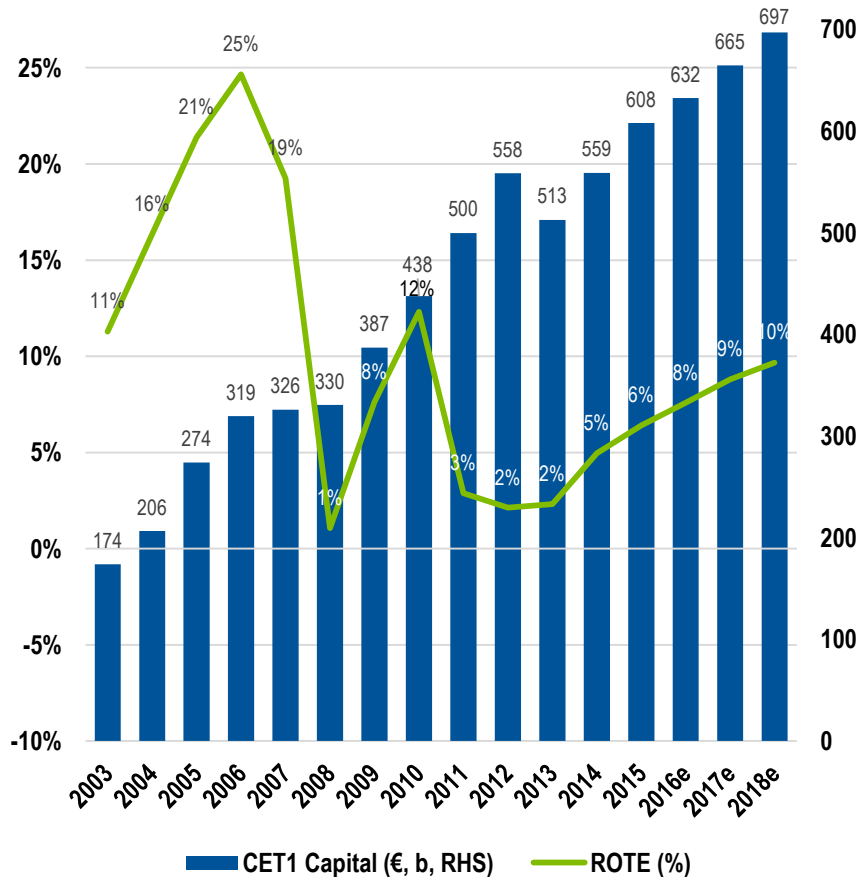
31<sup>st</sup> January, 2001 to 30<sup>th</sup> June, 2016



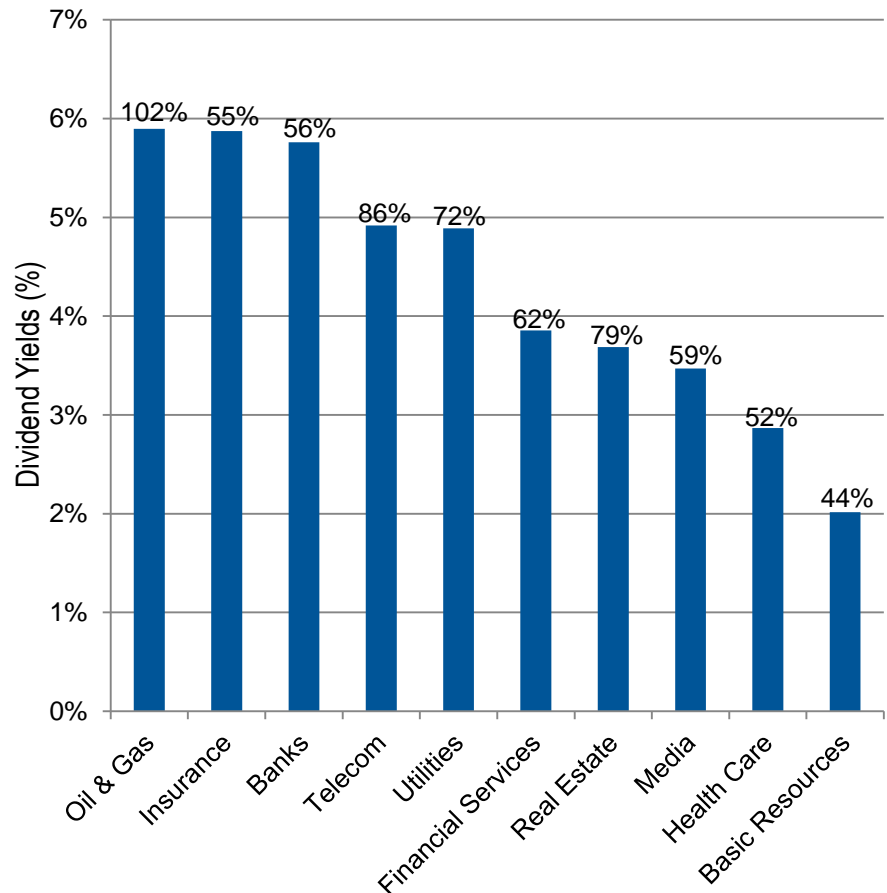
	Current (June 30, 2016)	Long Term Average (Since Apr. 1998)
P/TE	11.2x	17.8x
P/B	1.4x	2.0x
Earning Trend	Poised to Rise	
Opportunities	Many	

# Capital Much Higher, Dividends To Flow?

**Tangible Equity and Returns Are Higher<sup>1</sup>**  
*2003 to 2018 Estimates*



**European Dividend Yields & Payout Ratios<sup>2</sup>**  
*Next 12 Months Consensus*



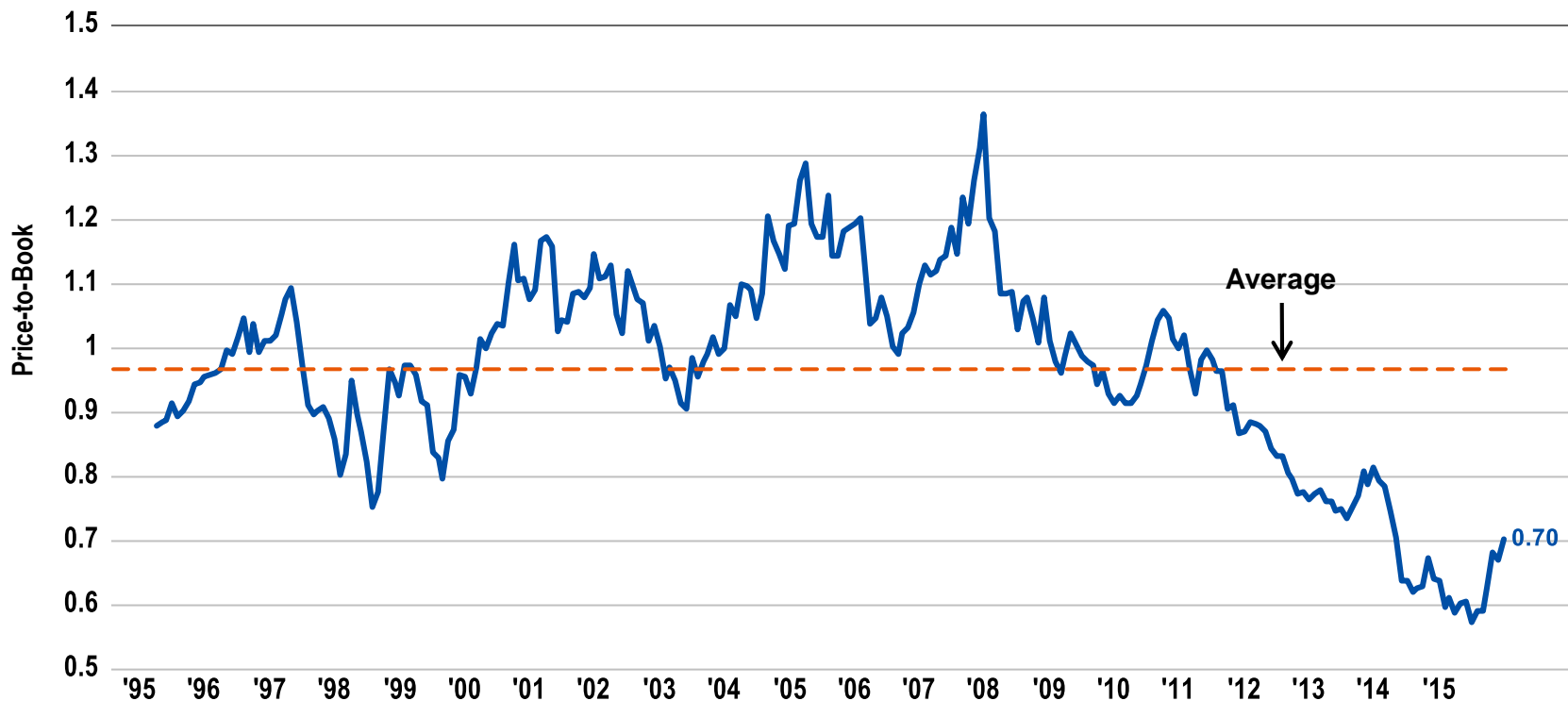
<sup>1</sup>Source: Barclays Research. European Banks ex-UK. Data as at 27<sup>th</sup> July, 2016.

<sup>2</sup>Source: STOXX, FactSet. Data as at 28<sup>th</sup> July, 2016.

# Energy: Full of Opportunity

## MSCI All Country World Energy Index Relative Price-to-Book

*29<sup>th</sup> September, 1995 to 30<sup>th</sup> June, 2016*



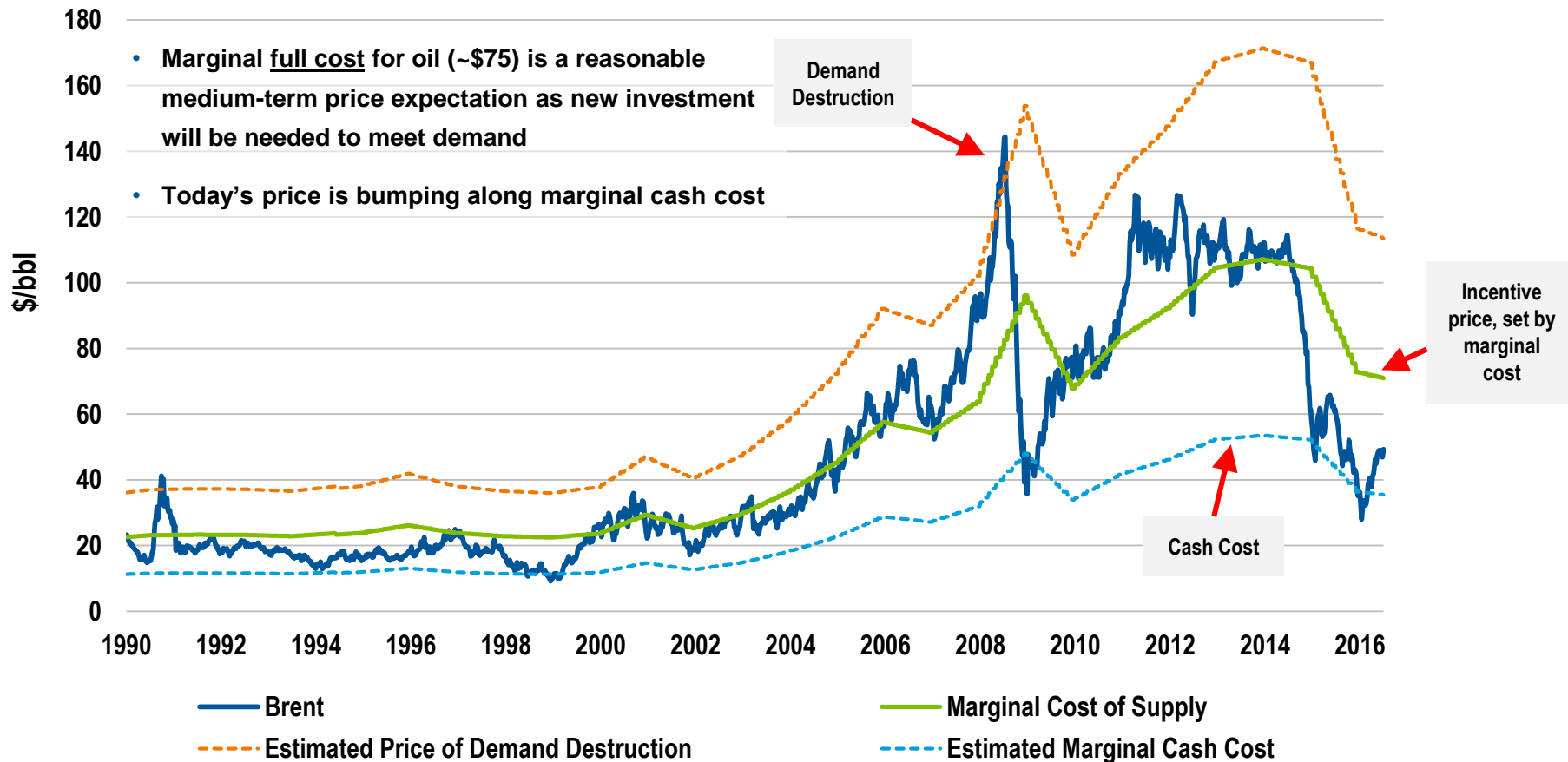
Source: FactSet, MSCI. MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com)



# At Current Prices, Investment Will Continue to Decline and Marginal Production to Close

## Brent Price vs. Marginal Cost vs. Demand Destruction

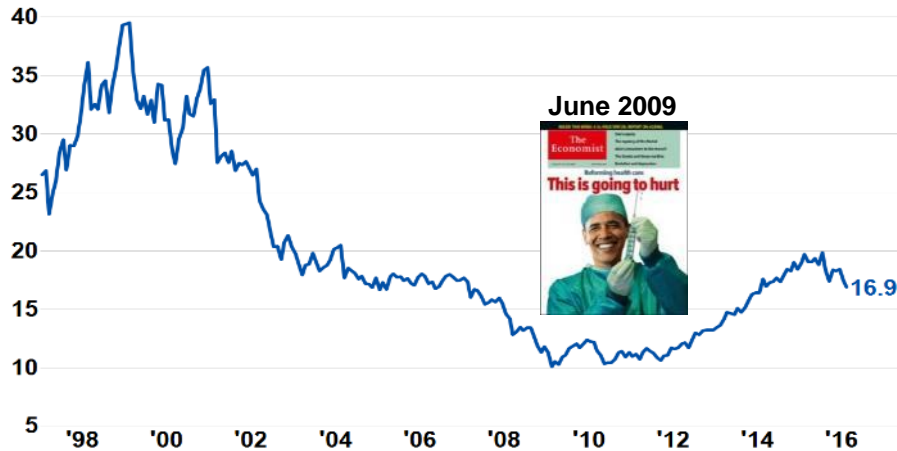
*Through to June 2016*



# Pharmaceuticals On Their Way Back to Growth?

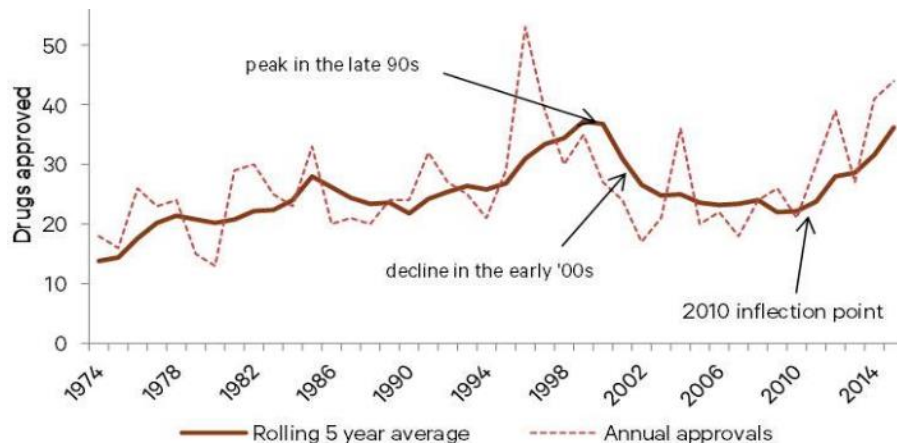
## MSCI ACW Pharmaceuticals: Forward P/E<sup>1</sup>

January, 1997 to February, 2016

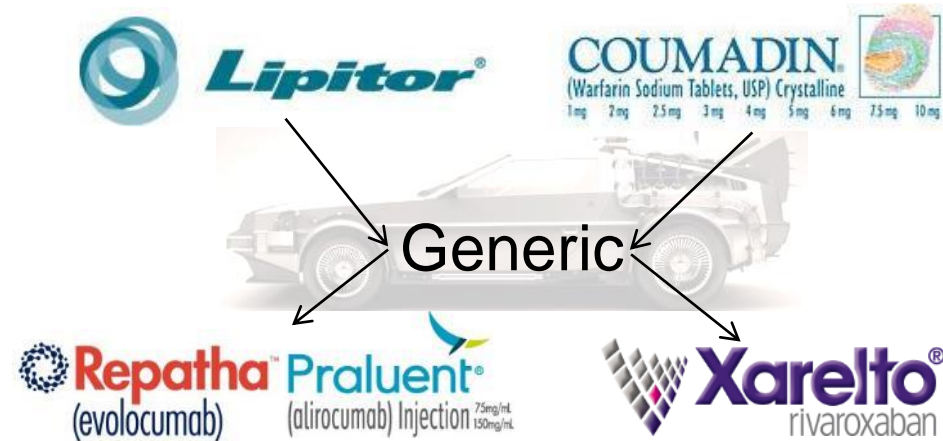


## US FDA Approvals<sup>2</sup>

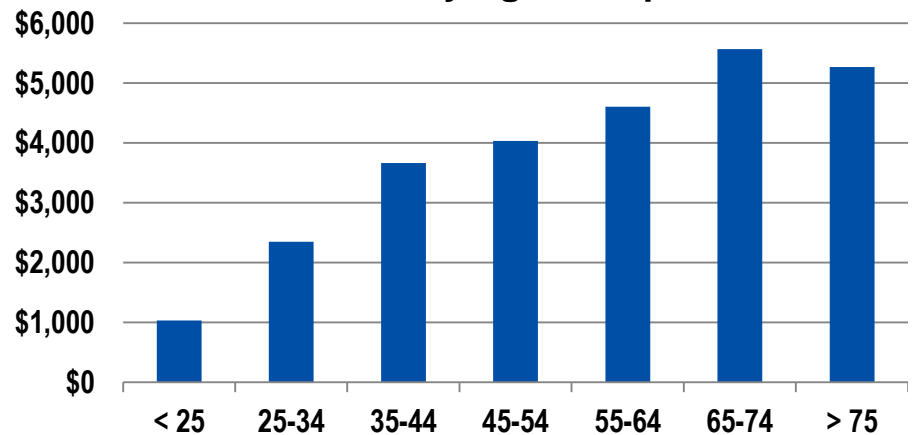
1974 to 2015



## Back To The Future: Pharma Style



## US Mean Annual Health Care Expenditure Per Person by Age Group<sup>3</sup>



Source: <sup>1</sup>FactSet Market Aggregates, <sup>2</sup>Berenberg, <sup>3</sup>Consumer Expenditure Survey, U.S. Bureau of Labor Statistics. BLS data from mid 2013 to mid 2014.

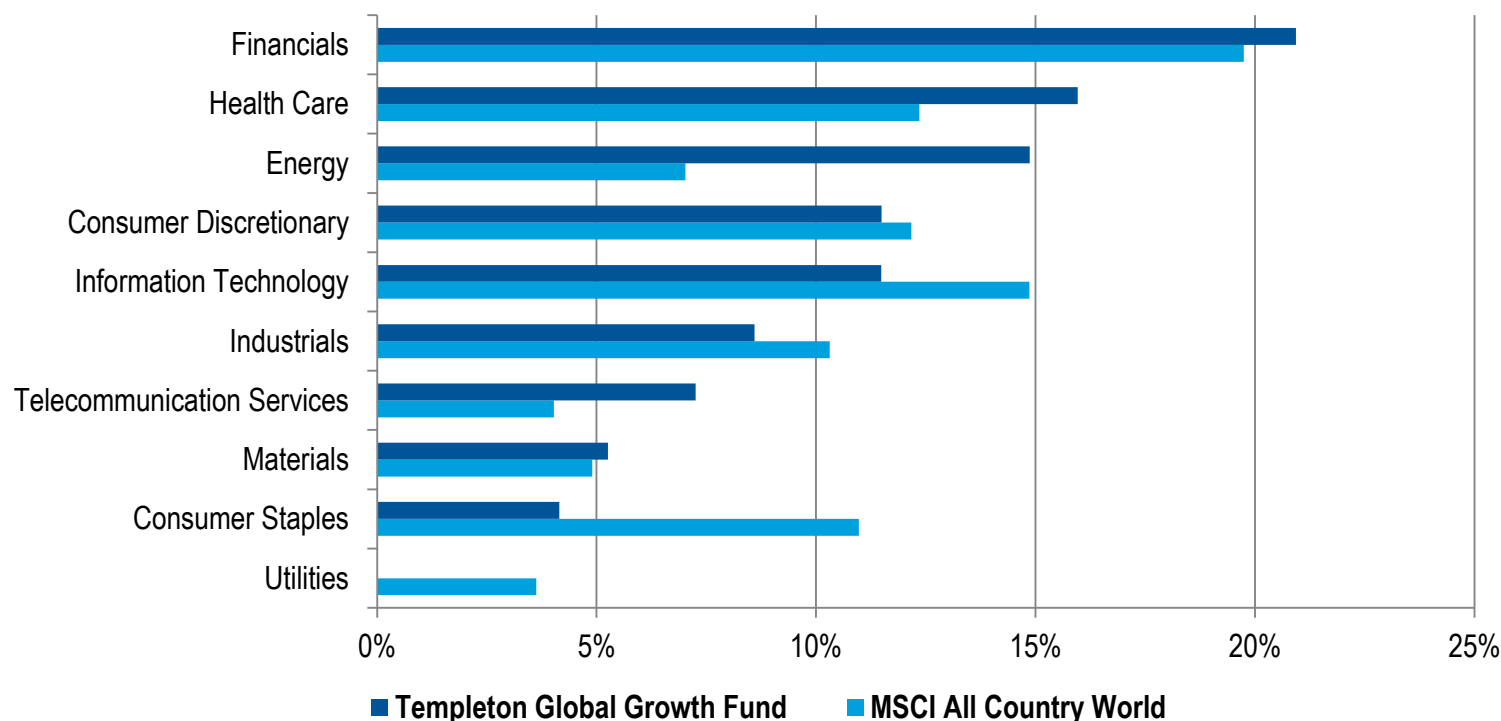
# Templeton Global Growth Fund

## Sector Allocation



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

*As at 30<sup>th</sup> June, 2016*



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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.

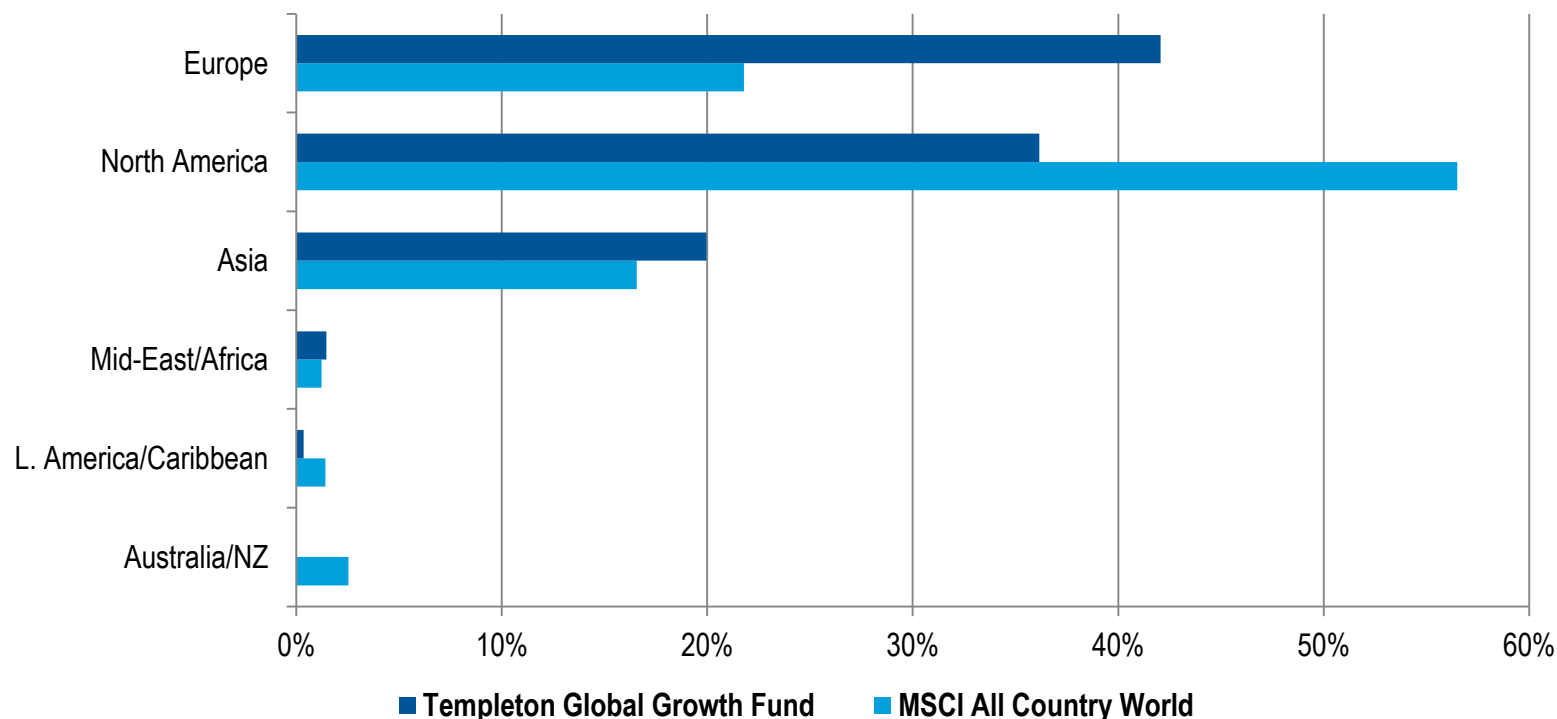
# Templeton Global Growth Fund

## Geographic Allocation



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

*As at 30<sup>th</sup> June, 2016*



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# Templeton Global Growth Fund

## Portfolio Characteristics



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

*As at 30<sup>th</sup> June, 2016*

	Portfolio	Benchmark
Price to Earnings	13.9x	19.2x
Price to Cash Flow	5.9x	10.9x
Price to Book Value	1.2x	2.0x
Dividend Yield	3.1%	2.6%

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

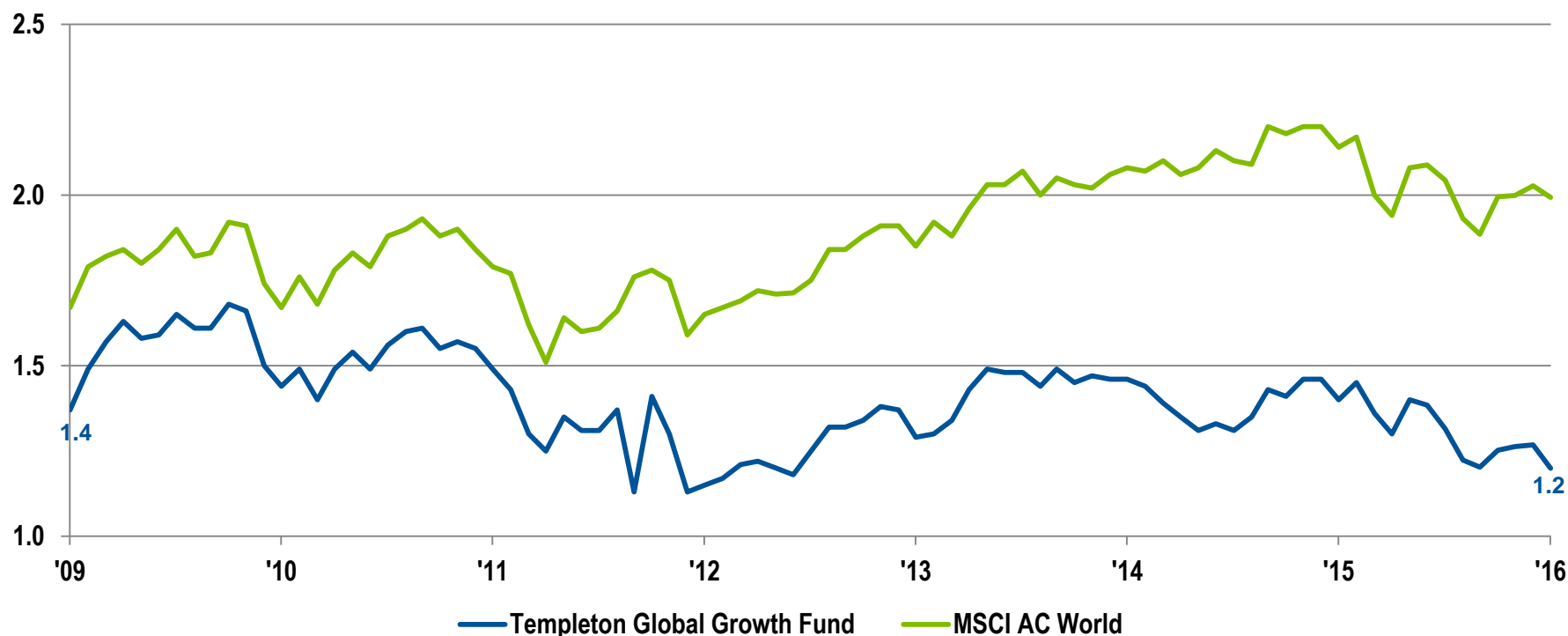
## Portfolio Characteristics



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

#### Price to Book Ratio

30<sup>th</sup> June, 2009 to 30<sup>th</sup> June, 2016



The benchmark is the MSCI All Country World ex Australia Index Net Dividends Reinvested (AUD) Index.

The portfolio characteristics listed are based on the Fund's underlying holdings, and do not necessarily reflect the Fund's characteristics. 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 portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

Source: FactSet. For the portfolio, the Price to Book Value calculations use harmonic means for the weighted average. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology.

# Templeton Global Growth Fund

## Top Ten Holdings



As at 30<sup>th</sup> June, 2016

Name of Issuer	Country	Industry	% of Total
MICROSOFT CORP	United States	Software & Services	2.6
SAMSUNG ELECTRONICS CO	South Korea	Technology Hardware & Equipment	2.6
COMCAST CORP	United States	Media	1.8
JPMORGAN CHASE & CO	United States	Banks	1.7
AMGEN INC	United States	Pharmaceuticals, Biotechnology & Life Sciences	1.7
BP PLC	United Kingdom	Energy	1.7
HYUNDAI MOBIS CO LTD	South Korea	Automobiles & Components	1.6
NISSAN MOTOR CO LTD	Japan	Automobiles & Components	1.6
CRH PLC	Ireland	Materials	1.6
ROYAL DUTCH SHELL	United Kingdom	Energy	1.5
<b>TOTAL</b>			<b>18.6</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.

# Templeton Global Growth Fund

## Post Script



### Templeton Global Growth Fund Performance for Sectors and Major Regions

30<sup>th</sup> June, 2016 to 19<sup>th</sup> August, 2016

Sector Returns	TGG (%)	Index (%)
Consumer Discretionary	4.4	4.5
Consumer Staples	(6.6)	(1.8)
Energy	2.5	(0.4)
Financials	5.5	3.8
Health Care	2.7	0.5
Industrials	6.2	4.2
Information Technology	11.6	8.4
Materials	10.8	7.2
Telecommunication Services	5.1	(2.1)
Utilities	n/a	(5.1)

Major Region Returns	TGG (%)	Index (%)
Asia	7.8	5.3
Europe	3.6	2.5
<i>Eurozone</i>	5.6	4.2
<i>Rest of Europe</i>	1.3	1.2
North America	4.9	2.2



# 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.

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