



# TEMPLETON GLOBAL GROWTH FUND LTD

## Quarterly Investment Manager's Report

MARCH 2016

### INVESTMENT MANAGER

The Investment Manager of the Company's investment portfolio is Franklin Templeton Investments Australia Ltd. The Company's portfolio is managed in accordance with the investment philosophy of the Templeton Global Equities Group ("Templeton"), which forms part of the Franklin Templeton Investments group, a large U.S. based investment management organisation. Templeton is one of the pioneers in global investing and its successful investment philosophy has been refined over more than 70 years. The Templeton investment process endeavours to identify undervalued securities through fundamental company analysis, using a global industry focus and a long term investment horizon.

### INVESTMENT APPROACH

Templeton's time-tested investment approach is based on its philosophy of value, patience and bottom-up stock selection. Templeton focus on the rigorous analysis of individual stocks across geographic borders and seek to identify companies trading at significant discounts to Templeton's estimates of future earnings power, cash flow generation and/or asset value. As independent thinkers with strong conviction in their investment ideas, they take an unconstrained approach to finding value.

### CONTACT DETAILS

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### PERFORMANCE DATA<sup>1</sup> (AS OF 31/3/16)

#### Average Annual Total Returns

#### Templeton Global Growth Fund Ltd (AUD%)

	Quarter	1 Year	3 Years	5 Years	10 Years
Templeton Global Growth Fund Ltd (TGG) — Net of Fees <sup>2</sup>	-7.5	-11.2	14.2	10.8	2.2
MSCI All Country World Free Index <sup>3</sup>	-5.2	-5.0	16.8	11.6	3.3

#### Net Tangible Assets (NTA) – Unaudited

	31 December 2015	31 March 2016
TGG share price (cents)	1.23	1.13
NTA per share before tax (\$) <sup>4</sup>	1.39	1.28
Premium/(Discount) to NTA before tax (%)	(11.5)	(11.7)
NTA per share after tax (\$) <sup>4</sup>	1.35	1.28
Premium/(Discount) to NTA after tax (%)	(8.9)	(11.7)

The market value of the portfolio represents prices quoted on overseas stock markets in foreign currencies converted to Australian currency. The rate used for conversion of values of US currency securities was USD0.769 for March and USD0.728 for December.

### QUARTERLY MARKET REVIEW

Global equities began the first quarter of 2016 with a notable decline as ongoing global growth concerns, falling commodity prices and worries about the health of banks, particularly in Europe, weighed on investor sentiment. By region, Asian, US and European equity markets all declined in Australian dollar terms, while Latin American, Canadian and New Zealand markets rose and outperformed global equities. US economic data released during the quarter were somewhat mixed, though robust job additions continued and consumer confidence improved toward period-end, along with sentiment in the manufacturing sector. The US Federal Reserve kept interest rates unchanged and reduced its forecast for the federal funds rate to reflect the likelihood of two 25-basis-point increases in 2016. During the same month, the European Central Bank responded to the reappearance of deflation in the eurozone by cutting its benchmark rate and deposit rate—moving the latter further into negative territory—and expanding its bond-buying program. This announcement followed the Bank of Japan's surprise January adoption of a negative interest rate, which was aimed at boosting lending and pushing inflation to its target range. Among emerging markets, the People's Bank of China announced in February another reduction in the reserve requirement ratio for banks—the fifth cut in a year—to help boost the cooling economy.

## QUARTERLY PERFORMANCE ATTRIBUTION

In regional terms, an overweight position and security selection in the eurozone detracted from returns as did positioning in the United States, the United Kingdom and non-eurozone Europe. Conversely, positioning in Latin America and Asia ex-Japan contributed to performance. An underweighting in Japan also weighed on results. An overweighting and stock selection in the health care sector weighed on results. Shares of Israeli specialty drug-maker Teva Pharmaceuticals fell to a four-month low after sales of one of the firm's blockbuster drugs fell short of expectations; however, we see continued value in Teva's fundamentally solid business and attractive and diversified growth prospects. Health care is a sector that has recently come under pressure as thematic investors extrapolate overly generalized macro-economic threats into pessimistic forecasts. The main challenges here are regulatory and political in nature. Politicians' criticism of aggressive drug pricing policies effectively marked the top of the market for pharmaceuticals and biotechnology stocks last autumn. Cash flows and earnings have continued to perform strongly and while the stocks have de-rated in the short term, we remain convinced that the health care stocks in the portfolio remain under-valued and have delivered innovative health care solutions as opposed to raising prices on old drugs, an action that has drawn well justified criticism from politicians.

Conversely, an overweighting in the energy sector enhanced relative performance over the quarter. Our analysis of oil industry dynamics and corporate fundamentals in the energy sector continues to highlight abundant long-term value. On the supply side, Saudi Arabia's interest in a coordinated production freeze suggests that the Kingdom is either unable to increase its output or is unwilling to further pressure pricing given the effect of cheap oil on its own finances. Either way, whether large State based producers act to constrain supply directly or the economics of low oil prices significantly constrain the production of the private sector players, we see the oil market moving back into balance in the near future.

Other individual contributors over the period included UK retailer Tesco. The UK food retail market remains challenging due to continued pressure from discounters and online stores, along with food deflation. However, it appears that Tesco's restructuring efforts to bolster growth and regain market share have begun to work with recent earnings results encouraging. The balance sheet has also been strengthened, as debt was reduced with cash raised from the sale of its South Korean business. Holdings in US specialty materials and components supplier Allegheny Technologies and US fashion retailer Michael Kors also enhanced portfolio performance.

## INVESTMENT OUTLOOK AND STRATEGY

We are encouraged by the nascent rebound in value stocks that occurred partway through the first quarter, and we continue to believe that conditions are favourable for a potentially sustainable recovery in lowly valued stocks. The underperformance of value versus growth, momentum and quality has been extreme by historical standards over the past number of years, and by March cheap stocks were trading at the widest discount to expensive stocks since the height of the Technology, Media and Telecom Bubble in 2000. We believe it was investor greed that propelled growth stocks to extreme valuations back then; today, fear seems to be sustaining the momentum as investors pay up for the perception of earnings safety and stability in an uncertain environment. Now, as then, we have a distinctly two-tiered market. The momentum drivers today—caution and risk aversion—may be less exciting than the promise of a new technology paradigm, but the consequent valuation disparity is roughly the same. According to our analysis, when value stocks historically have gotten as relatively cheap as they are today, their subsequent long-term performance has been prodigious. Consequently, we believe the current risk/reward proposition is heavily skewed in favor of long-term value investors, and we think those who follow a disciplined strategy of patiently buying value in today's depressed environment can ultimately benefit.

## PORTFOLIO CHARACTERISTICS – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 31/3/16)

	TEMPLETON GLOBAL GROWTH FUND LTD	MSCI All Country World Free Index
Weighted Average Market Cap (AUD Million)	96,496	121,869
Number of Securities	117	2,482

### Price to Earnings

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	14.9x	17.0x

### Price to Cash Flow

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	6.0x	8.9x

### Dividend Yield

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	3.0%	2.7%

### Price to Book Value

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	1.3x	1.8x

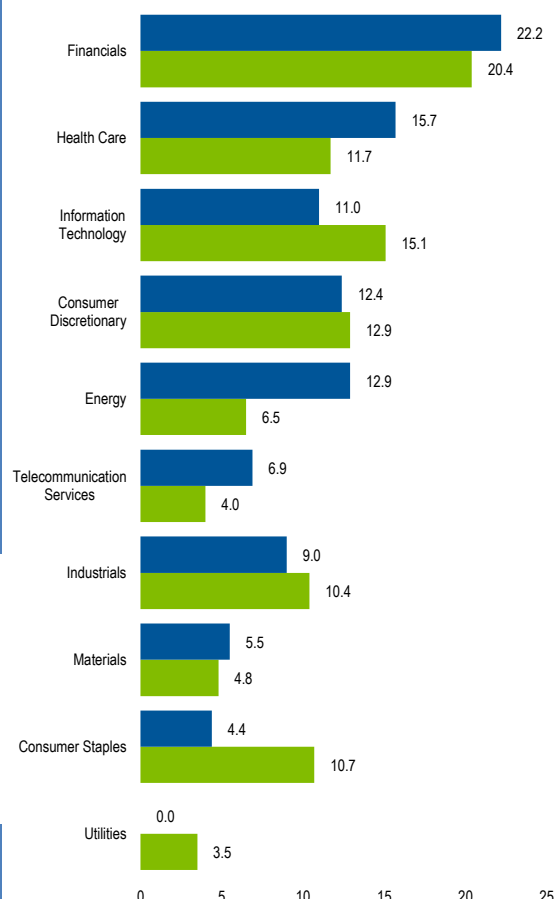
PORTFOLIO DIVERSIFICATION – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 31/3/16)

Top Ten Holdings<sup>5</sup>

SECURITY	COUNTRY	INDUSTRY GROUP
MICROSOFT CORP	United States	Software and Services
SAMSUNG ELECTRONICS	South Korea	Technology Hardware & Equipment
COMCAST CORP	United States	Media
HYUNDAI MOBIS	South Korea	Automotive
CRH PLC	Ireland	Materials
AMGEN INC	United States	Pharmaceuticals, Biotechnology & Life Sciences
NISSAN MOTOR CO	Japan	Automotive
JPMORGAN CHASE	United States	Financials
CIE DE SAINT-GOBAIN	France	Capital Goods
DEUTSCHE LUFTHANSA AG	Germany	Transportation

Portfolio Sector Weighting vs. MSCI All Country World Index (%)

Percent of Equity Ranked by Fund Weighting



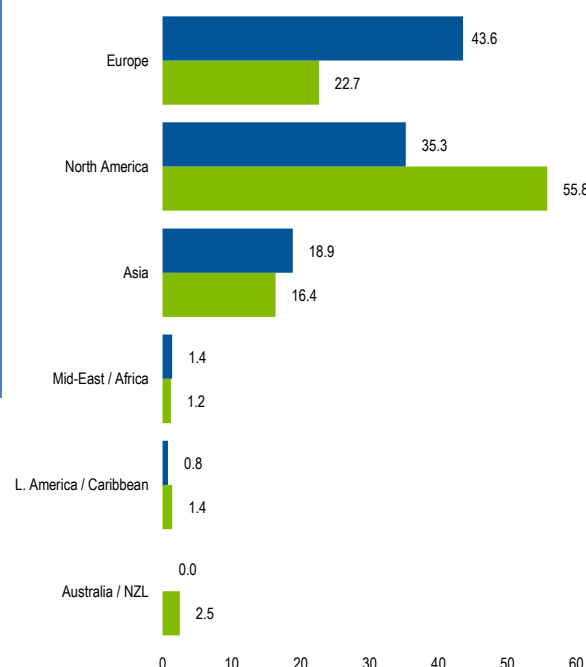
Country Allocation

The Company's portfolio of listed investments was spread over the following countries as at 31 March 2016.

COUNTRY	%	COUNTRY	%
BRAZIL	0.8	RUSSIA	0.4
CANADA	0.8	SINGAPORE	1.5
CHINA	4.8	SOUTH KOREA	6.3
FRANCE	9.0	SPAIN	1.0
GERMANY	6.3	SWEDEN	1.1
IRELAND	1.6	SWITZERLAND	4.1
ISRAEL	1.4	THAILAND	0.8
ITALY	1.5	TURKEY	0.4
JAPAN	5.1	UNITED KINGDOM	13.7
NETHERLANDS	3.5	UNITED STATES	33.6
NORWAY	0.7	Liquidity	1.6

Portfolio Regional Weighting vs. MSCI All Country World Index (%)

Percent of Equity Ranked by Fund Weighting



■ Templeton Global Growth Fund Ltd  
■ MSCI All Country World Index

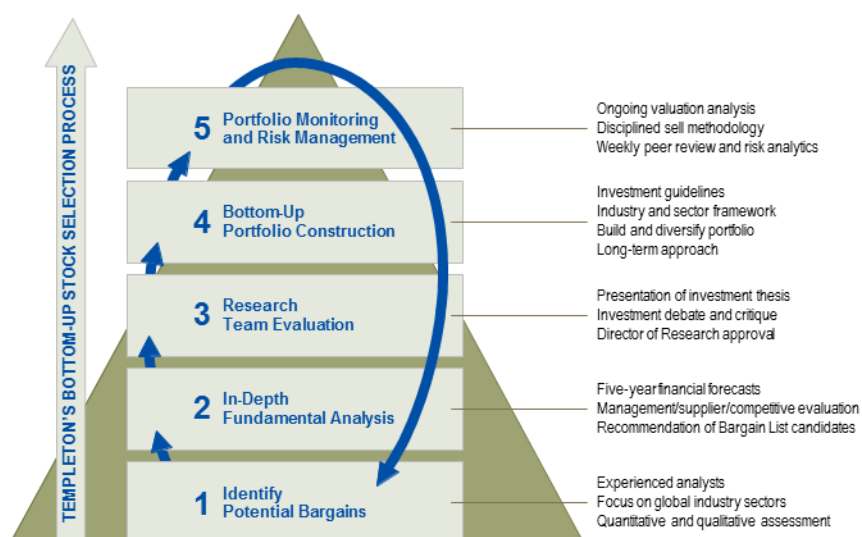
## TEMPLETON INVESTMENT TEAM

TEMPLETON GLOBAL EQUITY MANAGEMENT TEAM	Years with Firm	Years Experience
Norman Boersma, CFA, Chief Investment Officer	24	29
Heather Arnold, CFA, Director of Research	10	31
Cindy Sweeting, CFA, Director of Portfolio Management	18	31
Peter Wilmshurst, CFA, Portfolio Manager/Research Analyst	17	22

TEMPLETON GLOBAL EQUITY TEAM	Number of Members	Average Years Experience
Portfolio Managers/Analysts	24	23
Research Analysts	14	10

## TEMPLETON INVESTMENT PHILOSOPHY AND PROCESS



### Templeton's Investment Philosophy

Templeton's investment philosophy is built upon a disciplined, yet flexible, long-term approach to value-oriented global and international investing. This time-tested approach is based on three tenets:

#### Value

Templeton seeks companies that it believes are trading at a discount to what their research indicates the company may be worth.

#### Patience

Security prices can fluctuate more widely than underlying security values. In Templeton's opinion, market efficiencies should recognise and correct these security prices over time.

#### Bottom-Up

Templeton identifies value through rigorous fundamental analysis of a company's business to determine what we consider its economic worth based on projected future earnings, cash flow or asset value potential.

## COMPLIANCE STATEMENT AND OTHER INFORMATION

Benchmark: The MSCI AC World Free Index is the primary benchmark. The benchmark is used for comparative purposes only and is provided to represent the investment environment existing during the time periods shown. The index is unmanaged and one cannot invest directly in an index.

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### Explanatory Notes:

1. Periods of more than one year are annualised.
2. Returns are based on movement in the Company's net assets per share (after deducting investment management fees), before all taxes, with dividends reinvested and adjusted for share issues and buy-backs.
3. Source: Morgan Stanley Capital International (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.
4. Estimated tax on unrealised gains.
5. Top ten holdings represent the 10 largest equity holdings at the end of the quarter, and may not reflect the current or future portfolio holdings. This does not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities listed was or will be profitable. Holdings of the same issuer have been combined.

## 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.

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