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## Templeton Global Growth Fund Ltd

ABN 44 006 558 149

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SAMPLEVILLE VIC 3030

10 February 2014

Dear shareholders,

### Quarterly investment manager's report

I have much pleasure in providing you with a copy of the investment manager's report for the quarter ended 31 December 2013.

The production of a quarterly report is part of management and the Directors efforts to provide shareholders with enhanced, and more timely, communications on the results and operations of Templeton Global Growth Fund Ltd ("TGG").

Previously, the investment manager provided reports which were published twice a year, once with the half year report and then a further report with the annual accounts. The publication of the investment manager's quarterly report means that an investment manager's report will not be provided with the half year report although it will still form an integral part of the annual report.

Future investment manager's quarterly reports will not be posted directly to shareholders. However, shareholders will still be able to access the quarterly reports as they will be lodged with the Australian Securities Exchange ("ASX") each quarter and also posted onto TGG's website ([www.tggf.com.au](http://www.tggf.com.au)).

### Investor briefing

TGG has also commenced investor briefings to coincide with the announcement of the half and full year results. The next investor briefing, which is free for shareholders to dial into, is scheduled for 4:00pm on Wednesday 26 February 2014. Details of how to register for this teleconference will once again be lodged with the ASX and also posted onto TGG's website.

I thank you for your continued support of TGG and hope that you find the quarterly investment manager's report informative and look forward to your participation on the upcoming investor briefing

Yours faithfully

J.A. (Tony) Killen OAM  
Chairman

**CONTACT DETAILS**
**Templeton Global Growth Fund Ltd**

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**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.

**PERFORMANCE DATA<sup>1</sup> (AS OF 31/12/13)**
**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> | 12.1    | 51.1   | 19.1    | 9.8     | 5.5      |
| MSCI All Country World Free Index <sup>3</sup>                    | 12.3    | 43.3   | 15.4    | 9.9     | 5.9      |

**Net Tangible Assets (NTA) - Unaudited**

|  | 30 September 2013 | 31 December 2013 |
|--|-------------------|------------------|
| TGG share price (cents)                    | 1.18              | 1.42             |
| NTA per share before tax (\$) <sup>4</sup> | 1.26              | 1.42             |
| Premium/(Discount) to NTA before tax (%)   | (6.3)             | 0                |
| NTA per share after tax (\$) <sup>4</sup>  | 1.26              | 1.39             |
| Premium/(Discount) to NTA after tax (%)    | (6.3)             | 2.2              |

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 USD0.89465 for December and USD0.93505 in September.

**QUARTERLY MARKET REVIEW**

Global stock markets generally advanced in the fourth quarter as developed-market equities delivered strong gains and outperformed emerging-market stocks. During the quarter, the US Federal Reserve (Fed) deemed that the US economy was stable enough for the central bank to start measuredly reducing its asset-purchase program in January 2014. However, the Fed's promise to keep short-term interest rates very low was extended into 2015 which helped drive US equities higher through year end.

European stocks as a whole delivered strong returns in the fourth quarter, mainly due to solid gains from the region's developed markets. Overall, Asian equities advanced slightly during the fourth quarter, with both China and Japan posting positive returns. Although China's economy accelerated in the third quarter, it likely lost some steam in the fourth quarter as export orders and manufacturing activity weakened. Japan's economic growth remained on track for continued expansion in the third quarter, and the country seemed to be emerging from deflation.

**INVESTMENT OUTLOOK AND STRATEGY**

Though considerable risks and imbalances remain, conditions for the potential continuation of global growth and recovery appear favorable, in our view, with muted inflation creating scope for continued monetary policy support and moderately improving economic growth providing the cover needed for ongoing fiscal repair. Investor sentiment has improved markedly, and for the first time in six years, investment funds have begun to flow decisively into equities. In our opinion, the valuation landscape suggests that we are somewhere between skepticism and optimism. While the US market at period end traded slightly above its average historical price-to-trend earnings multiple, global equities as a whole still traded at a discount to cyclically adjusted earnings. Non-US equities generally traded at a greater discount to their historical average, while stocks in Europe and some emerging markets still looked cheap to us in both absolute terms and relative to the rest of the world.

Templeton Global Growth Fund Ltd

PORTFOLIO CHARACTERISTICS – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 31/12/13)

|   | Templeton Global Growth Fund Ltd | MSCI All Country World Free Index |
|---|----------------------------------|-----------------------------------|
| Weighted Average market Cap (AUD Million) | 86,561                           | 96,726                            |
| Number of Securities                      | 100                              | 2,434                             |

Price to Earnings

|                  | Templeton Global Growth Fund Ltd | MSCI All Country World Free Index |
|------------------|----------------------------------|-----------------------------------|
| Weighted Average | 15.1X                            | 16.1x                             |

Dividend Yield

|                  | Templeton Global Growth Fund Ltd | MSCI All Country World Free Index |
|------------------|----------------------------------|-----------------------------------|
| Weighted Average | 2.3%                             | 2.3%                              |

Price to Cash Flow

|                  | Templeton Global Growth Fund Ltd | MSCI All Country World Free Index |
|------------------|----------------------------------|-----------------------------------|
| Weighted Average | 7.0x                             | 8.1x                              |

Price to Book Value

|                  | Templeton Global Growth Fund Ltd | MSCI All Country World Free Index |
|------------------|----------------------------------|-----------------------------------|
| Weighted Average | 1.5x                             | 2.1x                              |

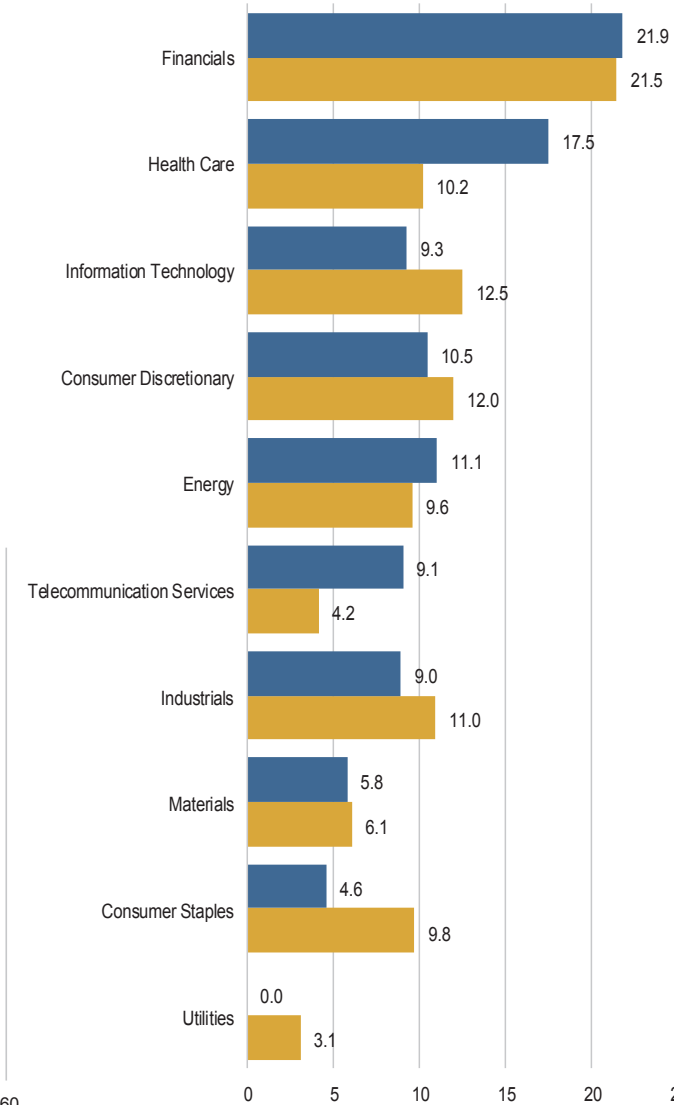
PORTFOLIO DIVERSIFICATION – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 31/12/13)

Top Ten Holdings<sup>5</sup>

| SECURITY            | COUNTRY        | INDUSTRY GROUP                                 |
|---------------------|----------------|--|
| VODAFONE GROUP PLC  | United Kingdom | Telecommunication Services                     |
| MICROSOFT CORP      | United States  | Software & Services                            |
| SANOFI-AVENTIS      | France         | Pharmaceuticals, Biotechnology & Life Sciences |
| PFIZER INC          | United States  | Pharmaceuticals, Biotechnology & Life Sciences |
| GLAXOSMITHKLINE PLC | United Kingdom | Pharmaceuticals, Biotechnology & Life Sciences |
| ROCHE HOLDING AG    | Switzerland    | Pharmaceuticals, Biotechnology & Life Sciences |
| REED ELSEVIER NV    | Netherlands    | Communications                                 |
| MORGAN STANLEY      | United States  | Financial Services                             |
| AXA SA              | France         | Insurance                                      |
| GILEAD SCIENCES INC | United States  | Pharmaceuticals, Biotechnology & Life Sciences |

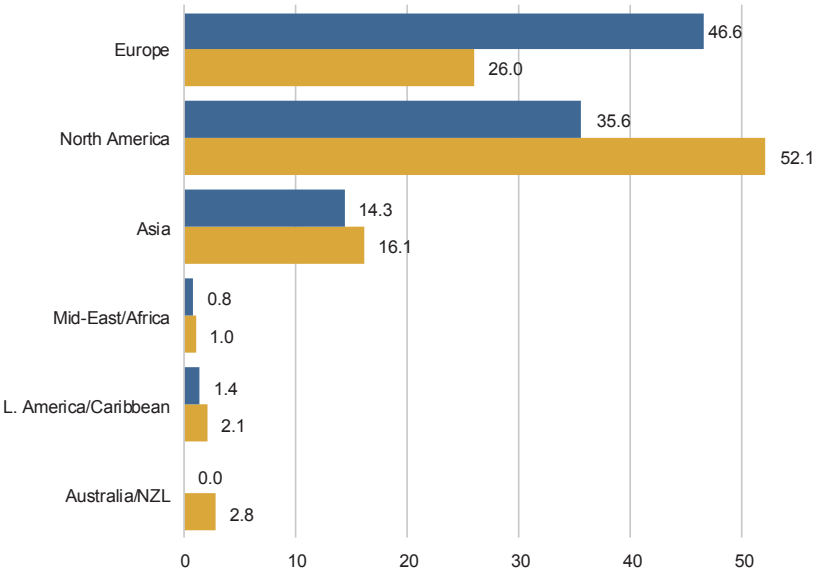
Portfolio Sector Weighting vs. MSCI All Country World Index (%)

Percent of Equity Ranked by Fund Weighting



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 Global Growth Fund Ltd  
MSCI All Country World Index

## COUNTRY ALLOCATION (AS AT 31/12/13)

The Company's portfolio of listed investments was spread over the following countries as at 31 December 2013.

| COUNTRY | %    | COUNTRY        | %    |
|---------|------|----------------|------|
| BELGIUM | 1.0  | NETHERLANDS    | 7.1  |
| BRAZIL  | 1.4  | NORWAY         | 1.0  |
| CANADA  | 1.2  | RUSSIA         | 0.5  |
| CHINA   | 1.6  | SINGAPORE      | 2.5  |
| FRANCE  | 12.2 | SOUTH KOREA    | 3.5  |
| GERMANY | 4.1  | SPAIN          | 0.9  |
| IRELAND | 1.4  | SWITZERLAND    | 5.0  |
| ISRAEL  | 0.8  | TURKEY         | 0.5  |
| ITALY   | 2.8  | UNITED KINGDOM | 10.7 |
| JAPAN   | 6.9  | UNITED STATES  | 34.9 |

## QUARTERLY PERFORMANCE ATTRIBUTION

Stock selection in the financials, health care, materials and consumer staples sectors contributed to relative performance for the quarter. While our European financials stocks have re-rated from historic valuation lows and many are now at or near tangible book value, they continue to trade at significant discounts to both their global peers and the broader European market. We believe a more robust regulatory framework and falling macroeconomic uncertainty should provide supportive backdrops for these franchises to continue to restructure, improve profitability and return cash to shareholders over our investment horizon. In addition to European holdings, our financials weighting includes well-capitalised US and Asian banking groups with competitive advantages across domestic and international markets.

Stock selection in the information technology, consumer discretionary and energy sectors detracted from relative performance for the quarter. We believe depressed valuations may understate the long-term profitability and cash-flow potential of oil companies with falling capital expenditures and improving production prospects.

Regionally, stock selection in Europe was the largest contributor to relative performance for the period. Rising domestic demand, improving competitiveness and a current account surplus in the periphery have helped Europe exit its worst recession on record. Yet, even after such notable improvements, eurozone companies trade at a material discount relative to both US peers and their own history, according to our analysis.

## 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

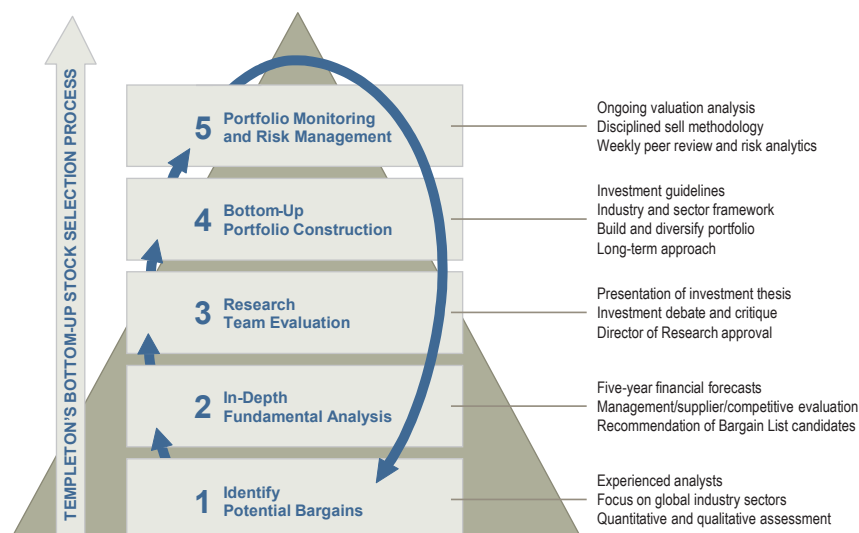
Templeton seeks companies that it believes are trading at a discount to what their research indicates the company may be worth.

#### 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.



# Templeton Global Growth Fund

## INVESTMENT AND PRODUCT MANAGEMENT TEAM

| TEMPLETON GLOBAL EQUITY MANAGEMENT TEAM                   | Years with Firm                              | Years Experience                  |
|---|--|-----------------------------------|
| Norman Boersma, CFA, Chief Investment Officer             | 22   | 28                                |
| Heather Arnold, CFA, Director of Research                 | 9  | 30                                |
| Cindy Sweeting, CFA, Director of Portfolio Management     | 16   | 30                                |
| Peter Wilmshurst, CFA, Portfolio Manager/Research Analyst | 15   | 20                                |
| TEMPLETON GLOBAL EQUITY TEAM                              | Number of Members                            | Average Years Experience          |
| Portfolio Managers/Analysts                               | 23   | 23                                |
| Research Analysts   | 15   | 9                                 |
| ADDITIONAL RESOURCES                                      |  |                                   |
| Global Research Library                                   | Junior Research Analysts                     | Global Trading Platform           |
| Research Technology Group                                 | Portfolio Analysis and Investment Risk Group | Global Portfolio Compliance Group |
| PORTFOLIO SPECIALISTS                                     | Years with Firm                              | Years Experience                  |
| Iris Glikin, CFA  | 7  | 12                                |

## 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. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

### Explanatory Notes:

- Periods of more than one year are annualised.
- 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.
- 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.
- Estimated tax on unrealised gains.
- 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.

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