



# TEMPLETON GLOBAL GROWTH FUND LTD

## Quarterly Investment Manager's Report

SEPTEMBER 2017

### 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 60 years. The Templeton investment process endeavours to identify undervalued securities through fundamental company analysis, using a global 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 30/9/17)

#### Average Total Returns

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

	Quarter	1 Year	3 Years	5 Years	10 Years
Templeton Global Growth Fund Ltd - Pre-Tax Gross of Fees	3.6	20.8	9.5	17.6	5.6
Templeton Global Growth Fund Ltd - Net of Fees <sup>2</sup>	3.3	19.4	8.2	16.1	4.1
MSCI All Country World Free Index <sup>3</sup>	2.8	15.7	11.4	16.6	5.1

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

	30 June 2017	30 September 2017
TGG share price (cents)	1.36	1.33
NTA per share before tax (\$) <sup>4</sup>	1.484	1.486
Premium/(Discount) to NTA before tax (%)	(8.4)	(10.5)
NTA per share after tax (\$) <sup>4</sup>	1.430	1.417
Premium/(Discount) to NTA after tax (%)	(4.9)	(6.1)

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 USD 0.7847, EUR 0.6637 and GBP 0.5848 (last quarter USD 0.7671, EUR 0.6725 and GBP 0.5905).

### QUARTERLY MARKET REVIEW

Global equity markets rose in the third quarter of 2017, boosted by continued signs of synchronised global economic growth. Despite rising tension around North Korea's missile programme, which led to periodic moves into perceived safe-haven assets, markets appeared to focus more attention on encouraging economic data from developed and emerging markets alike. Investors also weighed statements from central banks in the United States, Europe and Canada regarding the timing of interest-rate increases. Emerging stock markets collectively topped their developed-market peers.

In the United States, second-quarter 2017 annualised GDP grew at the strongest rate of expansion since early 2015. The US Federal Reserve left interest rates unchanged during the third quarter and announced it would begin to gradually unwind its balance sheet in October.

Europe's second-quarter GDP grew solidly year-on-year in both the eurozone and the European Union (EU). In July and August, unemployment in both the eurozone and the EU remained stable at the lowest levels since the global financial crisis. The European Commission's economic sentiment gauge hit its highest level in 10 years in August and September.

Japan's second quarter GDP grew at a faster pace than in the first quarter, with its sixth consecutive quarter of expansion buoyed by domestic demand.

## QUARTERLY PERFORMANCE ATTRIBUTION

The portfolio outperformed its benchmark for the quarter.

Stock selection and an overweighting in the energy sector contributed to performance. We have been reducing exposure to the more oil price-sensitive services stocks and focusing our investments on diversified names, which we see offering solid dividend yields supported by strong and improving cash flows.

Security selection in the financials sector also boosted results. Overall, European financial stocks have been benefitting from higher interest rates and increasing demand for credit in the eurozone. These factors, combined with declining loan losses, more favourable regulations and tighter cost controls should continue to boost bank earnings growth expectations and ultimately benefit share prices. European financial firms such as BNP Paribas, Credit Agricole and UniCredit all finished amongst the portfolio's top holdings over the period.

Relative performance was supported further by an underweight exposure in the consumer staples sector. In our view, the sector is expensive amidst one of the most crowded trades in the sector's history. The sector is perceived to be "safe" but may actually be amongst the market's riskiest cohorts given the historically high and inverse correlations to interest rate moves.

Security selection in the health care sector detracted from relative performance. Israeli generic drug-maker Teva Pharmaceutical Industries was the portfolio's biggest detractor, declining amidst concerns that the firm would be forced to raise equity to shore up its balance sheet and protect its investment-grade credit rating. Our analysis continues to indicate that Teva does not have a liquidity problem and should be able to address balance sheet issues in a timely manner and deliver on its more conservative outlook for 2017. Market expectations for the company have sunk to new lows, and we believe the share price at quarter-end reflected undue pessimism.

More broadly, we continue to believe that political fears surrounding drug pricing and health care reform—particularly in the United States—have unduly pressured valuations in the health care sector. We continue to find substantial long-term value in the share prices of depressed pharmaceutical companies with innovative pipelines and novel drug franchises capable of dealing with pricing and competitive issues on a case-by-case basis.

From a geographic standpoint, an overweight allocation in Europe relative to the benchmark contributed to performance, and stock selection in Japan also boosted results, as did positioning in South Korea. Conversely, the portfolio's lone holding in Israel detracted significantly from relative performance.

## INVESTMENT OUTLOOK

Many investors appear to increasingly fear that the market cycle has matured and the bulk of equity gains are in the rear-view mirror. We tend to agree with that sentiment in the United States, though we do not underestimate the potential for a late-cycle rally in US cyclical names should President Trump manage to deliver on tax reform or other pro-growth campaign promises. However, looking outside of the United States and over the longer term, equity opportunities remain abundant, in our assessment. Equity markets in Europe and parts of Asia appear to be in the early stages of their respective cycles. Within sectors like health care, energy, materials, financials, telecommunications and technology, quality bottom-up value can still be found, in our view.

We believe value investing as a style has remained depressed and ripe for recovery, as does the discipline of active management more generally as falling market correlations create a better backdrop for stockpickers. Stock selection and portfolio positioning will be key to seizing the opportunities—and avoiding the pitfalls—that can unfold as market conditions evolve and long-standing market trends begin to inflect. At Templeton, we believe our patient, fundamentally focused value discipline has positioned our portfolios well for what is to come.

Overall, TGG's average Price to Book Value ratio of 1.5x is approximately the same as it was in June 2009.

## PORTFOLIO CHARACTERISTICS – AS AT 30/9/17

	TEMPLETON GLOBAL GROWTH FUND LTD	MSCI All Country World Free Index
Weighted Average Market Cap (AUD Million)	146,502	131,355
Number of Securities	110	2,491

### Price to Earnings

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	17.1x	20.0x

### Price to Cash Flow

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	7.5x	11.8x

### Dividend Yield

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	2.4%	2.4%

### Price to Book Value

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	1.5x	2.3x

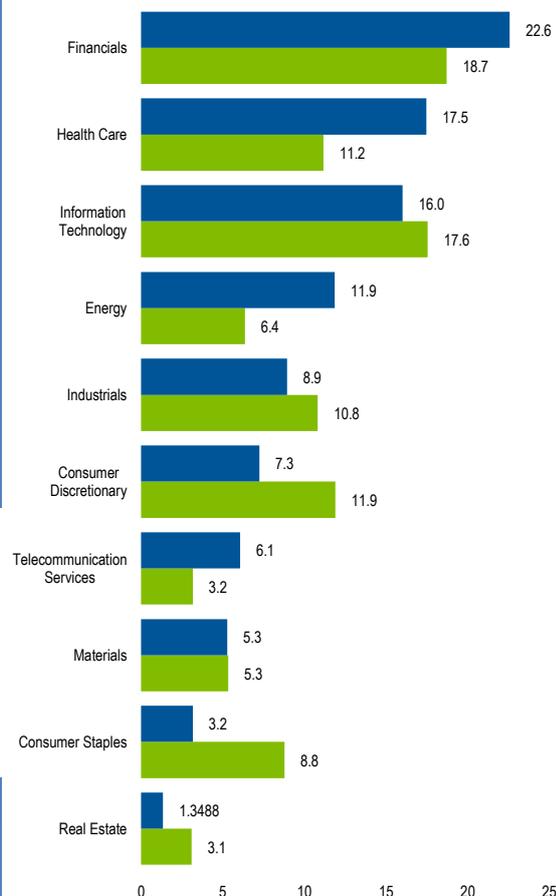
PORTFOLIO DIVERSIFICATION – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 30/9/17)

Top Ten Holdings<sup>5</sup>

SECURITY	COUNTRY	INDUSTRY GROUP
MICROSOFT CORP	United States	Software & Services
SAMSUNG ELECTRONICS	South Korea	Technology Hardware & Equipment
ORACLE CORP	United States	Software & Services
BP PLC	United Kingdom	Energy
ALPHABET INC	United States	Software & Services
SOFTBANK GROUP	Japan	Telecommunication Services
CITIGROUP INC	United States	Financials
ROYAL DUTCH SHELL	United Kingdom	Energy
APPLE INC	United States	Technology Hardware & Equipment
GILEAD SCIENCES INC	United States	Healthcare

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

Percent of Equity Ranked by Fund Weighting



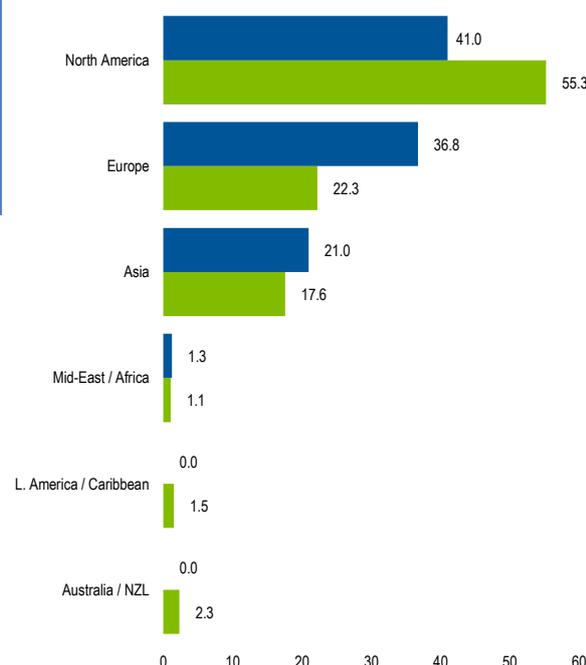
Country Allocation

The Company's portfolio of listed investments was spread over the following countries as at 30 September 2017.

COUNTRY	%	COUNTRY	%
CANADA	1.7	SINGAPORE	1.4
CHINA	6.3	SOUTH KOREA	4.9
FRANCE	7.4	SPAIN	0.5
GERMANY	4.9	SWEDEN	1.0
IRELAND	1.5	SWITZERLAND	3.1
ISRAEL	1.2	THAILAND	0.9
ITALY	2.2	UNITED KINGDOM	13.2
JAPAN	7.3	UNITED STATES	38.0
NETHERLANDS	2.6	Liquidity	1.3

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

Percent of Equity Ranked by Fund Weighting

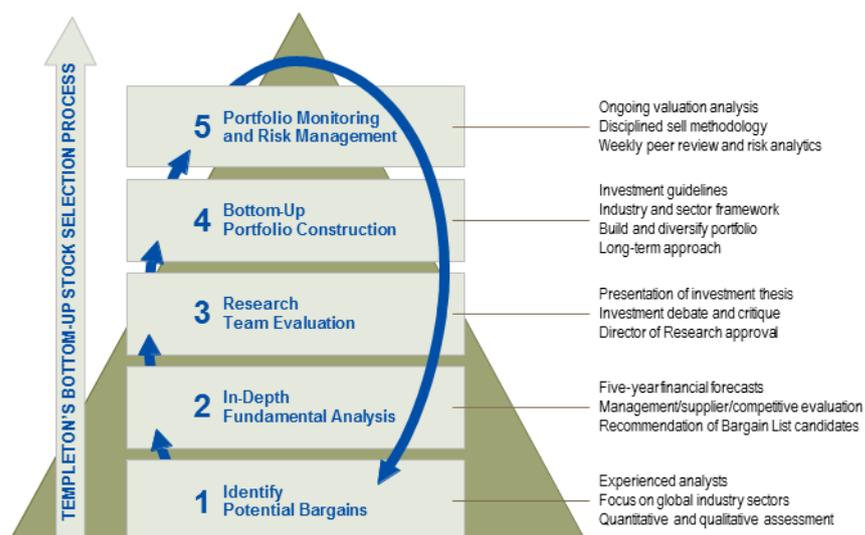


■ Templeton Global Growth Fund Ltd  
■ MSCI All Country World Index

## TEMPLETON INVESTMENT TEAM

TEMPLETON GLOBAL EQUITY MANAGEMENT TEAM	Years with Firm	Years Experience
Norman Boersma, CFA, Chief Investment Officer	24	30
Heather Arnold, CFA, Director of Research	11	32
Cindy Sweeting, CFA, Director of Portfolio Management	19	32
Peter Wilmshurst, CFA, Portfolio Manager/Research Analyst	18	23
TEMPLETON GLOBAL EQUITY TEAM	Number of Members	Average Years Experience
Portfolio Managers/Analysts	26	23
Research Analysts	10	11

## 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.