



# TEMPLETON GLOBAL GROWTH FUND LTD

## Quarterly Investment Manager's Report

JUNE 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 30/6/17)

#### 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	4.4	23.3	9.5	18.7	5.0
Templeton Global Growth Fund Ltd - Net of Fees <sup>2</sup>	4.2	22.0	8.2	17.1	3.5
MSCI All Country World Free Index <sup>3</sup>	3.7	15.3	12.3	17.1	4.8

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

	31 March 2017	30 June 2017
TGG share price (cents)	1.30	1.36
NTA per share before tax (\$) <sup>4</sup>	1.440	1.484
Premium/(Discount) to NTA before tax (%)	(10.0)	(8.4)
NTA per share after tax (\$) <sup>4</sup>	1.388	1.430
Premium/(Discount) to NTA after tax (%)	(6.0)	(4.9)

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 0.7671, EUR 0.6725 and GBP 0.5905 (last month USD 0.7689, EUR 0.7236 and GBP 0.6178).

### QUARTERLY MARKET REVIEW

Global equity markets rose in the second quarter of 2017, lifted by upbeat corporate earnings in the United States, Europe and Japan, as well as encouraging economic data from China. Geopolitical concerns steadily receded during the quarter, helping buoy European shares and risk assets amid lower energy prices. Emerging stock markets collectively outperformed their developed-market peers.

After a pro-Europe presidential candidate and his party won elections in France, regional markets seemingly shrugged off geopolitical concerns for most of the quarter to focus on strong corporate earnings reports. Q1'17 GDP for the euro area and the 28 countries of the European Union grew on both a quarterly and an annual basis. Additionally, the eurozone's monthly unemployment readings touched the lowest level in several years, while inflation retreated. In the United States, the latest reports suggested a somewhat mixed economic picture, including first-quarter GDP growth that decelerated from levels in H216. Although manufacturing and services-sector activity continued expanding during the spring, inflation unexpectedly cooled and ongoing labour market gains moderated. The US Federal Reserve viewed the economy as resilient and lifted short-term interest rates by a quarter percentage point in June despite the softer inflation data.

Elsewhere, Japan marked its fifth consecutive quarter of GDP growth. In Asian markets, investors largely overlooked concerns about regulatory policy and a credit downgrade in China to focus on the country's stable economic data. Latin American stock markets collectively declined, hampered by a political scandal in Brazil. However, Brazil posted its first quarter of gross domestic product (GDP) growth following its longest recession on record.

## QUARTERLY PERFORMANCE ATTRIBUTION

Overall, the portfolio outperformed the benchmark in the second quarter due, in part, to security selection and an overweighting in the financials sector. European banks such as Credit Agricole (France), HSBC Holdings (UK), UniCredit (Italy), and BNP Paribas (France) were all among the most significant contributors for the reporting period. Shares of Credit Agricole rallied on both the French election outcome and earnings results that exceeded consensus expectations amidst stronger performance from the firm's capital markets division. Efforts to simplify the company's complex corporate structure and refocus on core French and Italian markets have been progressing well, and we see additional upside potential in the stock. More generally, we have been encouraged by the continued progress in the European banking sector, in which earnings revisions have returned to a positive trajectory, regulatory capital has been largely rebuilt and the bulk of post-crisis re-regulation efforts have been completed.

Within the industrials sector, contributors included German airline Lufthansa, whose shares rose to a three-year high after the company reported solid first-quarter earnings attributable to successes at its maintenance and logistics businesses. Following a difficult several years, Lufthansa has more recently begun to report encouraging progress on a number of fronts. Pricing has been improving, fuel costs have remained low, the pension deficit has fallen from its 2016 highs and a recent favourable accord with the pilots' union has reduced the risk of further industrial actions.

Stock selection in the consumer staples sector also boosted results, with much of the selection effect coming from a lack of exposure to stocks that performed poorly during the reporting period. Other contributors included UK-based telecommunications giant Vodafone. Its shares advanced during the reporting period as investors concentrated on management's optimistic outlook, a year-over-year dividend increase and the outlook for the restructured Indian operations which should position that business to cut costs and boost returns in the future.

Conversely, an overweighting and stock in the energy sector hampered relative performance, with an investment in UK-based energy services firm Petrofac amongst the most significant detractors for the reporting period. The shares tumbled in May after the firm's chief executive and chief operating officer (COO) were questioned by Britain's Serious Fraud Office, which confirmed that it had launched an investigation relating to suspected corruption at Monaco-based Unaoil, with which Petrofac had engaged in a consulting relationship between 2002 and 2009.

In the sector more broadly, we believe the recent bearishness in oil markets has been misplaced, and view near-term concerns about rising North American supply as overblown in the context of our long-term investment outlook. We expect elevated inventories in the United States to be drawn down in the second half of 2017, countering the perception of a supply glut. We may also begin to see falling output from North American shale fields should sustained low prices discourage investment in future production.

Security selection and an underweighting in the information technology sector also dampened results, as did security selection in the materials sector. The materials sector came under pressure during the reporting period as the price of iron ore declined to a six-month low in April due to a drop in Chinese steel prices and concerns about oversupply. Iron ore prices buckled under tighter Chinese credit early in the quarter, and despite a June rally, benchmark Chinese iron ore spot prices ultimately fell over the April-June span.

## INVESTMENT OUTLOOK

We continue to stress the value of a focus on fundamentals, active stock picking and risk management in the current environment. Overall, we believe global equities offer selectively attractive opportunities and should continue to generate investor interest in a generally lower-yield, lower-return world in which many asset owners are under pressure to meet challenging performance targets. However, we do not think this is the point in the cycle to buy equities indiscriminately. Monetary policy has rarely been so loose and experimental, artificially depressing the price of money and skewing other asset prices, in our analysis. Global debt levels are extremely high, generating what we see as a flood of liquidity that has saturated many financial assets.

In the intermediate term, the prevailing tensions between inflationary and deflationary forces, and how central bankers attempt to resolve such tensions, will likely continue to drive markets. We also think investors should be prepared for a potential rise in volatility at some point following an unusually quiet period for global financial markets. However, we believe value should ultimately benefit as policy tensions are eventually resolved and investors refocus on fundamentals.

## PORTFOLIO CHARACTERISTICS – AS AT 30/6/17

	TEMPLETON GLOBAL GROWTH FUND LTD	MSCI All Country World Free Index
Weighted Average Market Cap (AUD Million)	140,135	125,923
Number of Securities	111	2,501

### Price to Earnings

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	17.7x	20.4x

### Price to Cash Flow

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	7.4x	11.8x

### Dividend Yield

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	2.5%	2.4%

### Price to Book Value

	Templeton Global Growth Fund Ltd	MSCI All Country World Free Index
Weighted Average	1.4x	2.2x

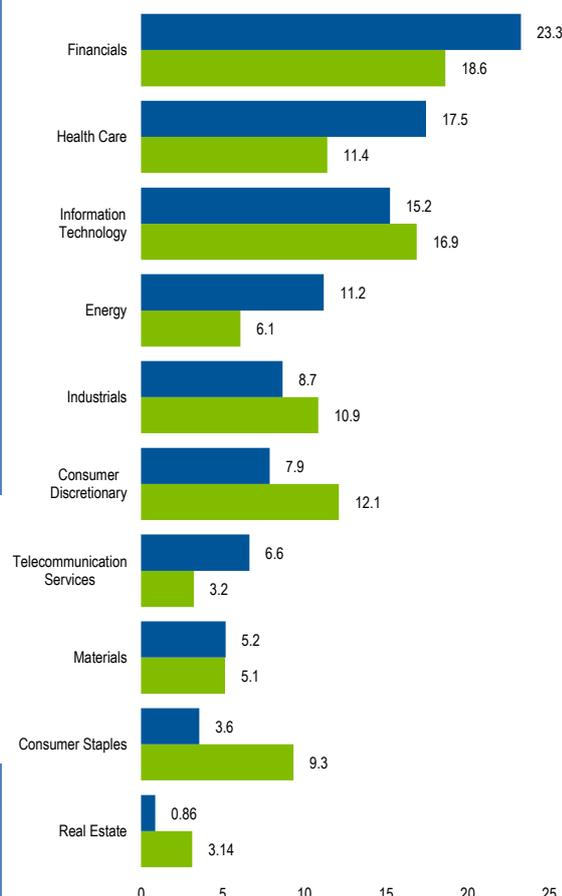
PORTFOLIO DIVERSIFICATION – TEMPLETON GLOBAL GROWTH FUND LTD (AS AT 30/6/17)

Top Ten Holdings<sup>5</sup>

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

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

Percent of Equity Ranked by Fund Weighting



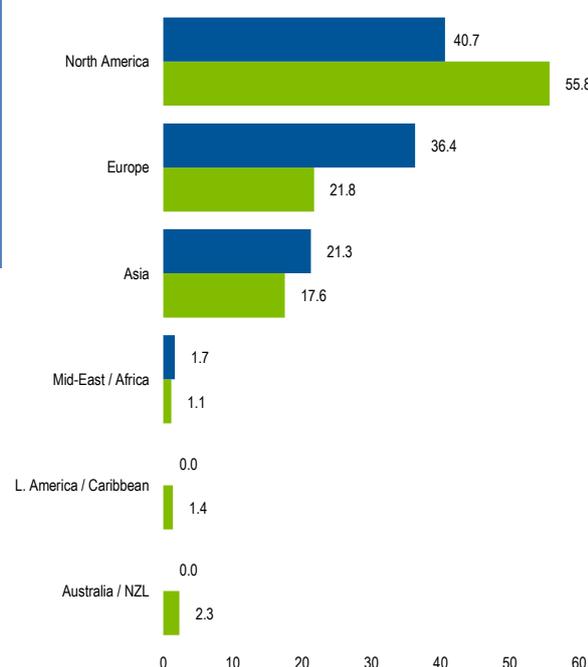
Country Allocation

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

COUNTRY	%	COUNTRY	%
CANADA	1.7	SINGAPORE	1.6
CHINA	6.0	SOUTH KOREA	5.6
FRANCE	7.1	SPAIN	0.5
GERMANY	4.5	SWEDEN	0.9
IRELAND	0.9	SWITZERLAND	3.4
ISRAEL	1.6	THAILAND	0.8
ITALY	2.2	UNITED KINGDOM	12.6
JAPAN	6.6	UNITED STATES	37.7
NETHERLANDS	2.8	Liquidity	3.6
NORWAY	0.3		

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

Percent of Equity Ranked by Fund Weighting

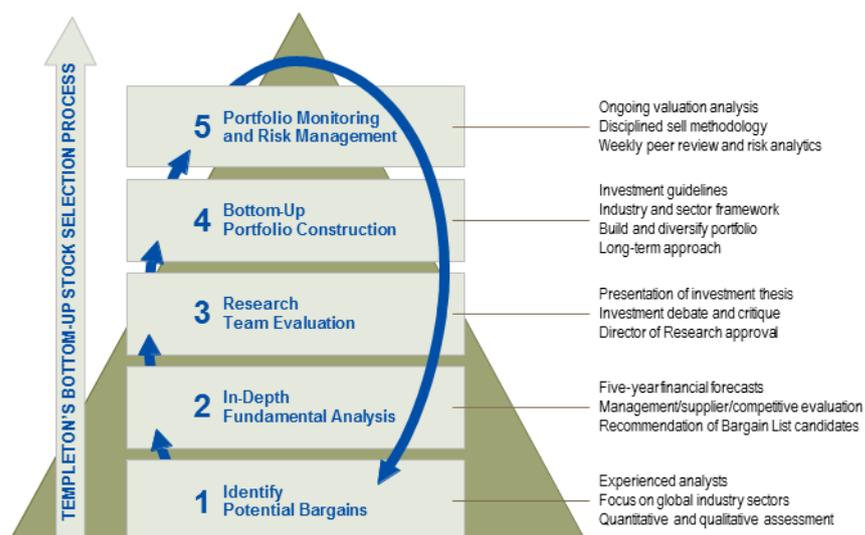


■ Templeton Global Growth Fund Ltd  
■ MSCI All Country World Index

## 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.