AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Templeton Global Growth Fund Limited (ASX code: TGG)

Initiating Coverage

December 2018

INDEPENDENT
INVESTMENT RESEARCH

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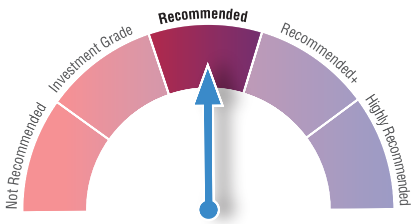
Templeton Global Growth Fund Limited (ASX code: TGG)

Note: This report is based on information provided by Franklin Templeton Investments Australia Limited as at the date of this report.

Rating



Key Investment Information	
ASX Code:	TGG
Share Price ($) at 7 December 2018:	1.26
Market Cap ($m):	277.8
Shares on Issue (m):	220.5
Options on Issue (m):	0.0
Fully Diluted:	220.8
12 month L/H ($):	1.25/1.54
Fees:	
Management Fee (p.a):	1.00%
Performance Fee:	na
Performance Hurdle:	na

Key Exposure	
Underlying Exposure	Diversified portfolio of global securities.
FX Exposure	The Manager does not typically hedge the foreign currency exposure of the portfolio, therefore movements in the respective currencies will impact the Australian dollar value of the portfolio.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

1. PRODUCT SUMMARY

Templeton Global Growth Fund Limited (ASX: TGG) is a listed investment company with a long history, with the company listing on the ASX in 1987. The company provides exposure to a long only, actively managed portfolio of global stocks with the objective of achieving long-term capital growth for shareholders. Stocks are selected based on Sir John Templeton's value investment philosophy. The company has historically had a well diversified portfolio of in excess of 100 stocks. The company has decided to increase the conviction of the portfolio and is in the process of reducing the portfolio to 40-60 securities. The portfolio is managed by Franklin Templeton Investments Australia Limited, a wholly owned subsidiary of Franklin Resources Inc, a NYSE listed company that is typically known as Franklin Templeton Investments (NYSE:BEN) and has in excess of US$700 billion FUM. The Manager will seek to be largely invested at all times. This is reflected in the average cash weighting of 2.6% over the 10 years to 31 August 2018. The Manager has a long-term investment approach, seeking to hold stocks for at least five years. As such the portfolio has historically had low turnover. The company pays the Manager an annual fee of 1.0% of the portfolio value. No performance fee is paid. The company seeks to pay an annual dividend of at least 3% of the pre-tax NTA at the end of the previous financial year. The company will seek to frank dividends to the maximum extent possible.

2. INVESTOR SUITABILITY

An investment in TGG is suitable for those investors seeking access to a value driven, actively managed portfolio of global stocks. The Manager has a long-term investment outlook and therefore an investment in the company is suited to long-term investors. The company will have direct currency exposure, which is typically not hedged. Investors should be comfortable with currency movements being an additional factor on returns. The company seeks to pay an annual dividend and is therefore not suitable for those investors seeking a frequent income stream. Furthermore, the dividends will primarily be driven by the value of the portfolio at the previous financial year end and therefore may be volatile. The company has typically paid out fully franked dividends.

3. RECOMMENDATION

Independent Investment Research (IIR) has assigned Templeton Global Growth Fund Limited (ASX: TGG) a **Recommended** rating. TGG provides exposure to a portfolio of global stocks, the selection of which is based on a value driven investment approach. The Portfolio Manager is responsible for the management of the portfolio, however is supported by a well resourced team with 38 Portfolio Managers and Analysts comprising the Templeton Global Equity Group. The investment team is stable with an average tenure of 14 years with the Group. The Manager has a disciplined investment process and while there are very few limitations, risk is managed through the company taking small positions in a diversified portfolio with positions typically not comprising of more than 3% of the portfolio at the time of investment. The company has a competitive fee structure with a 1.0% annual management fee and no performance fee. The company has a significant amount of performance history, listing on the ASX over 30 years ago. The company has had periods of outperformance and underperformance over its history, which is to be expected given the investment style. Over its history to 31 August 2018, the portfolio (pre-tax NTA before tax plus dividends) has generated an average rolling annual return of 8.8% compared to the benchmark index (MSCI ACWI, AUD) of 8.4%. The share price return has performed largely in line with the portfolio and the benchmark index return, with an average rolling annual return of 8.5% over the period. The company has traded at a discount to pre-tax NTA for a large portion of its history. The company continues to work to narrow the discount with a share buy back in place to buy back shares when the discount expands to levels of 10% or more. The level of the discount has been narrowing over time. The average discount that the company has traded at over the three years to 31 August is below the historical average. We would expect the discount to remain in a narrow range in the event the company can continue to maintain and steadily grow dividends, provide a consistent portfolio return and continue to engage with the shareholder base.

4. SWOT

STRENGTHS

- The company publishes a weekly NTA update so investors have regular updates regarding the value of the portfolio.
- The fees are low compared to its peers, with a 1.0%p.a management fee and no performance fee.
- The Manager has a disciplined investment process and a robust investment team with 38 Portfolio Managers and Analysts comprising the Templeton Global Equity Group.
- The investment team has been stable with the average tenure of the investment team members with the Franklin Templeton Group being 14 years and the Portfolio Manager of the TGG portfolio has been with the Manager for 20 years.
- The company is eligible for the LIC tax concession, whereby shareholders can claim the CGT discount for the portion of dividends sourced from capital gains on stocks that have been held for more than 12 months as if they owned the stock themselves. This may be claimed as an income tax deduction depending on a shareholders tax circumstances, thereby providing additional tax benefits to eligible shareholders.
- After payment of the FY18 dividends (including special dividends) the company has dividend coverage of two years at the full year dividend rate for FY18.
- The company will pay out special dividends in the event there are excessive franking credits or in years of strong performance.
- The company is one of the longest operating LICs on the ASX in not only the peer group, but across the whole LMI market.

WEAKNESSES

- Historically the company's dividends have been volatile with periods of no dividends declared. Given the dividend policy, the dividend will likely continue to be volatile with the dividend amount driven by the pre-tax NTA at the end of the previous financial year.

OPPORTUNITIES

- The company provides the ability to access a diversified portfolio of global stocks in a single transaction on the ASX.
- The company provides the opportunity for investors to diversify their investment portfolio to international markets through an Australian company structure meaning investors still have the ability to receive franked dividends.

THREATS

- The company has traded at a discount to pre-tax NTA for a significant part of it's history. The company may not be able to narrow the discount meaning shareholders may not get the chance to realise the portfolio value upon exit.
- The company will have direct foreign currency exposure, which will typically not be hedged. As such movements in the relevant currencies will have an impact on the Australian dollar value of the portfolio. A strengthening Australian dollar will detract from the portfolio value, which a weakening Australian dollar will add value to the portfolio.
- The board may elect to pay back capital in the event the company cannot meet the dividend policy of at least 3% of the pre-tax NTA at the end of the previous financial year. We do not view this as the most appropriate use of capital.

5. STRUCTURE

PRODUCT OVERVIEW

Templeton Global Growth Fund Limited (ASX: TGG) is a listed investment company with a long history, with the company listing on the ASX in 1987. The company provides exposure to an actively managed portfolio of global stocks. Stocks are selected based on Sir John Templeton's value investment philosophy.

The portfolio is managed by Franklin Templeton Investments Australia Limited, a wholly owned subsidiary of Franklin Resources Inc, a NYSE listed company that is typically known as Franklin Templeton Investments (NYSE:BEN). At 30 June 2018, Franklin Templeton Investments had US$724.1 billion funds under management.

The Manager has a value driven investment approach with stocks selected as a result of bottom-up fundamental research. The Manager has a long-term investment horizon of at least five years.

There are few investment limitations with no stock, sector or geographic limitations. Despite this, the portfolio is diversified with the company taking small positions in companies, with no stocks typically accounting for more than 3% of the portfolio at the time of investment. At 30 June 2018, the largest holding was 2.3%. The company has typically held around 100 stocks in the portfolio. The company has decided to increase the conviction of the portfolio and will be reducing the number of stocks held to 40-60. The Manager has already commenced reducing the number of stocks in the portfolio to meet the new portfolio construction guidelines.

There are no geographic limitations, however, the portfolio tends to be skewed to developed countries. In line with benchmark index (MSCI ACWI), the portfolio has historically been largely weighted to the US with an average portfolio weighting of 34.3% over the ten years to 30 June 2018. While this is the largest geographic weighting, we note this is significantly underweight the benchmark index (MSCI ACWI) weighting to the US.

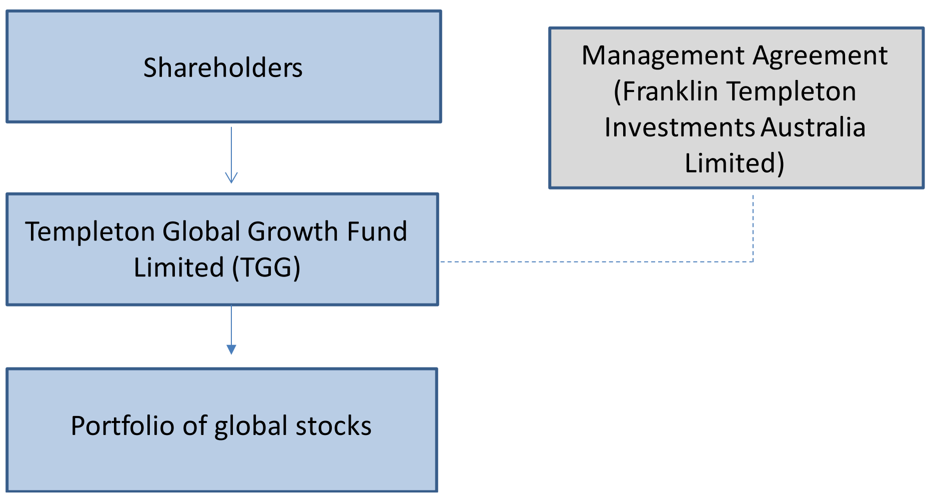
The portfolio will typically be largely invested at all times with an average cash weighting of 2.6% over the ten years to 30 June 2018. While the portfolio will typically be largely invested, the Manager has the ability to move to 100% cash if no opportunities can be identified.

The Manager does not typically hedge the foreign currency exposure, therefore movements in the respective currencies will impact the performance of the portfolio in Australian dollars.

Since FY'2010, the company has paid a dividend annually. Prior to this the company was paying a dividend semi-annually. At the recent AGM, the Chairman indicated that if sufficient profits and/or franking credits were available that an interim dividend may be paid. The company seeks to provide dividends that are not less than 3% of the NTA as at 30 June for the prior year and pay out franking credits where possible.

The fees are competitive with the Manager paid an annual management fee of 1.0%p.a. There are no performance fees paid to the Manager.

INVESTMENT STRUCTURE



Product Leverage	
Used:	At 30 June 2018, the company had no borrowings. The company does not intend to use debt to leverage the portfolio.
Cost (incl. Fees):	na
Capital Protection	na
Tax	
Disclaimer:	***Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Independent Investment Research's expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice***.
Capital gains:	A capital gains tax (CGT) event will likely occur in the event the investor sells the shares on market for a higher price than it was purchased for. Investors will likely be eligible for the CGT discount if the shares are held for more than 12 months.
Dividends:	Dividends will likely be on income account in the year earned.
Legal Structure	
Wrapper:	Listed Investment Company
Investment Manager.:	Franklin Templeton Investments Australia Limited
Investor Leverage	
Available:	No
Risks	***The below is not a full list of all risks associated with the company but highlights what IIR considers to be the more significant risks associated with the company. A detailed risk assessment can be obtained from the Prospectus.***
Discount Risk:	TGG has traded at a discount to the pre-tax NTA for a large portion of its trading history. The company is employing strategies to reduce the discount such as the share buyback program, however, the company may continue to trade at a discount.
Performance Risk:	The portfolio may underperform the market and its peers which may weigh on the share price. Given the investment style of the Manager, there will be periods of outperformance and underperformance of the portfolio.
Foreign Currency Risk:	The company will not typically hedge the foreign currency exposure, therefore movements in the relevant currencies may impact the Australian dollar value of the portfolio.
Dividend Volatility:	The dividend policy introduced in 2013 means the dividend amount will be driven by the performance of the portfolio. As such this may result in volatility in dividends.

6. MANAGEMENT & CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The TGG board currently has 6 directors. All the directors are Non-Executive, however we note that two of the directors are employed with the Franklin Templeton Group and one was formerly the General Manager and Company Secretary of TGG. We do not consider these directors independent.

Board of Directors		
Name	**Position**	**Experience**
Chris Freeman	Non-Executive Chairman	Mr. Freeman is currently a Senior Strategic Advisor to the BT Financial Group. His former roles include General Manager Advisor Distribution for the BT Financial Group, Head of Equities for Bankers Trust Australia Limited, Head of Distribution for BT Financial Group and Head of BT Wealth and Wrap Solutions.
Gregory McGowan	Non-Executive Director	Mr. McGowan is a Senior Strategic Advisor of Franklin Templeton Investments. He was formerly Director, Executive Vice President and General Counsel of Templeton International Inc and a former Director of Franklin Templeton Investments Australia Limited.
Alok Sethi	Non- Executive Director	Mr. Sethi is the Executive Vice President of Technology and Operations for Franklin Resources Inc. Mr. Sethi is responsible for Indian and Polish subsidiaries of Franklin Resources Inc. that provide back office support and technology functions to the Franklin Templeton Group worldwide.
Joanne Dawson	Non Executive Director	Ms. Dawson is currently a Director of Catholic Church Insurance Limited, CCI Asset Management Limited, Vision Super and Bank First Ltd. Her former roles include senior management roles at National Australia Bank, Client Director in the Assurance and Advisory Division of Deloitte and Director and Chair of the Audit Committee of Film Victoria.
Martin Warwick	Non-Executive Director	Mr Warwick is formerly General Manager and Company Secretary of TGG. He is currently the Director of a Melbourne accounting practice and a member of the Board of Management of Education Program for Infants and Children. Mr. Warwick was previously a member of the Audit and Risk Committee of the University of Melbourne.
Michael O'Brien	Non-Executive Director	Mr. O'Brien is Managing Director of EQT Holdings Limited. He was formerly CEO of Invesco Australia Limited and CIO of AXA Australia and NZ. Mr. O'Brien has also held directorships at Alliance Capital Management Australia and NZ, National Mutual Superannuation Pty Ltd, National Mutual Funds Management Limited and National Mutual Master Trust Limited.

INVESTMENT MANAGER

The portfolio is managed by Franklin Templeton Investments Australia Limited, a wholly owned subsidiary of Franklin Resources Inc, a NYSE listed company that is typically known as Franklin Templeton Investments (NYSE:BEN). At 30 June 2018, Franklin Templeton Investments had US$724.1 billion assets under management.

The portfolio is managed by Peter Wilmshurst who has over 25 years experience and has been with the Manager for over 20 years. Mr. Wilmshurst is supported by the Templeton Global Equity Group, which consists of 38 investment professionals. Analysts are typically allocated a sector to cover globally. The investment team have an average of 20 years experience and the team is stable with an average of 14 years with the Manager.

All stocks in the investment universe are required to be approved by the Director of Research, Heather Arnold.

We have provided the senior investment team members in the below table.

Investment Team			
Name	**Position**	**Years of Industry Experience**	**Years at Franklin Templeton**
Dr. Sandy Nairn	Chairman	33	<1*
Norman Boersma	Chief Investment Officer	32	27
Antonio Docal	Director of Portfolio Management	39	17
Heather Arnold	Director of Research	33	14
Peter Wilmshurst	Portfolio Manager	25	20

*Mr. Nairn has been with the organisation for less than one year currently, however he previously worked for the firm for 10 years between 1990 & 2000.

7. INVESTMENT PROCESS

Investment Objective

TGG's aim is to achieve long-term capital growth from a diversified portfolio of global securities. The company seeks to achieve this objective based on the below investment philosophy.

Investment Philosophy

The Manager's investment process is based on three key tenents that were pioneered by Sir John Templeton's value investment philosophy:

(1) Value - seek companies that are trading at a large discount to the Manager's valuation.

(2) Patience - the manager has a long-term investment horizon with the Manager seeking to take advantage of short-term price volatility to generate long-term returns. The Manager has a rolling five-year time horizon.

(3) Bottom-Up Analysis - The Manager seeks to identify value through rigorous fundamental research. The portfolio will reflect where the Manager sees value throughout the globe.

Investment Process

The Manager's investment process entails five key steps:

(1) Identify Potential Bargains:

- The Manager seeks to identify stocks that are trading at a sizable discount to the company's expected intrinsic value.
- The investment team are allocated a global sector/s for which they are responsible and therefore have the ability to identify companies within those sectors that may be trading below intrinsic value.
- Some of the ratios that the investment team may be looking at to identify stocks trading at bargain prices include P/E, P/B and P/CF.

(2) In-Depth Fundamental Analysis:

- The investment team undertake a thorough analysis of companies that are identified as trading at what is considered a "bargain price". This includes:
  - Determining the key earnings drivers for the company and forecasts for the next five years with an emphasis on future earnings potential and cash flow potential;
  - Industry and market analysis; and
  - Upside/Downside return expectations.

(3) Investment Team Evaluation:

- Once the relevant investment team member has completed the in-depth analysis and has identified a stock as a potential investment, the investment thesis is presented to the investment team as a whole to evaluate.
- The investment team rigorously debate the investment thesis to determine if the team agrees with the analyst.

- The Director of Research is required to approve all stocks before they can be added to the potential investment universe, which includes the Bargain List and the Core List.

(4) Portfolio Construction:

- The Portfolio Manager will construct the portfolio based on the stocks in the investment universe in conjunction with the investment parameters.
- There are few investment limitations, however the Manager will seek to ensure the portfolio is well diversified.
- The investment universe is comprised of those stocks that are approved for the Bargain List and the Core List. The Bargain List includes stocks that are priced at a significant discount to the determined intrinsic value. The Core List includes attractively priced stocks that are determined to have significant price upside.
- The Manager has a long-term investment horizon with the Manager expecting to hold stocks for at least five years.

(5) Portfolio Management:

- The portfolio is frequently reviewed with the Manager having a formal weekly peer review and risk analytics meeting.
- The Manager has a disciplined sell methodology, whereby a stock will be recommended for sale in the event the stock reaches a point that the Manager believes is fully valued or in the event there is a significant change to the investment thesis.

8. PORTFOLIO

- The portfolio is well diversified comprising 105 securities at 30 June 2018. While there are no maximum security investment limitations, the company typically invests no more than 3% of the portfolio in a single security. At 30 June 2018, the largest weighting was 2.3% to BP Plc.
- The company is in the process of increasing the conviction of the portfolio, reducing the number of securities from in excess of 100 to 40-60 securities.

Top 10 Holdings as at 30 June 2018

Company	Weighting
BP Plc	2.3%
Samsung Electronics	2.2%
Royal Dutch Shell Plc	2.2%
Oracle Corp	2.1%
BNP Paribas SA	1.9%
Alphabet Inc	1.8%
Citigroup Inc	1.7%
Capital One Financial	1.5%
Softbank Group Cor	1.5%
Siemens AG	1.5%

- The investment mandate has no sector or country limitations. The portfolio will be invested where the Manager determines there to be value opportunities. As such there will be volatility in the sector allocations. With that said, the sector weightings as at 30 June were not vastly different to the month-end averages.
- The portfolio has typically been weighted towards the Financials and Healthcare sector with an average weighting of 19.7% and 16.7%, respectively. The portfolio has typically had a very small weighting, if any, to the Property and Utilities sectors.
- As at 30 June 2018, the portfolio was heavily underweight the Information Technology sector compared to the MSCI AWCI and heavily overweight the Telecommunications sector.

Sector Weightings		
Sector	**As at June 2018**	**Average (August 2008 to June 2018)**
Energy	11.1%	11.7%
Materials	4.4%	3.6%
Industrials	9.0%	9.2%
Consumer Discretionary	7.9%	10.3%
Consumer Staples	3.5%	3.2%
Healthcare	17.6%	16.7%
Financials (ex property)	21.9%	19.7%
Property	1.9%	0.2%
IT	12.5%	12.2%
Telecommunications	6.1%	10.0%
Utilities	0.6%	0.7%
Cash	3.4%	2.6%

- From a geographic perspective, the largest weighting for the portfolio has typically been the US, which is to be expected given the US makes up the large majority of the MSCI ACWI. While the US is the largest country exposure of the portfolio, the portfolio is currently and has been underweight the US, which has been a drag on the performance of the portfolio compared to the benchmark index.
- The portfolio is currently significantly overweight to the UK and France compared to the benchmark index. However, we note that the allocation to France is below the average allocation.
- The Manager has been steadily increasing it's weighting to China with the allocation to China well above the average allocation. Whilst only a small allocation, the Manager has been increasing its weighting to Canada over the last 18 months, with a higher than average weighting to Canada at 30 June 2018.
- The company has had very little exposure to Australian securities throughout its history with an average exposure of 0.2% from 31 August 2008 to 30 June 2018.

Country Weightings		
Country	**As at June 2018**	**Average (August 2008 to June 2018)**
US	36.8%	34.2%
UK	14.7%	13.3%
France	8.2%	10.1%
Japan	7.8%	5.8%
China	5.1%	2.9%
Germany	5.1%	5.6%
South Korea	3.8%	4.5%
Switzerland	2.7%	4.1%
Ireland	2.4%	1.2%
Netherlands	2.3%	3.5%
Canada	2.2%	0.7%
Italy	2.1%	2.4%
Israel	1.8%	0.7%
Denmark	1.6%	0.0%
Singapore	0.7%	2.2%
Sweden	0.5%	0.4%
Australia	0.0%	0.2%
Other	2.3%	8.3%

9. PERFORMANCE ANALYTICS

PERFORMANCE HISTORY

- The company has a long performance history, listing over thirty years ago. We have provided the pre-tax NTA before tax, pre-tax NTA (after realised tax but before unrealised tax) and share price performance to 31 August 2018.
- We have compared the performance of the portfolio and the share price to the MSCI AWCI, AUD (benchmark index). We note that the index only commenced in 2001. As such we have used the MSCI World Index as the benchmark index prior to 2001. The TGG pre-tax NTA (before tax) including dividends, has generated returns slightly above the benchmark on both an absolute and risk-adjusted basis over its history as detailed in the below table. After taking into consideration tax paid, the portfolio has underperformed, however, the payment of tax generates the benefit of franking credits.
- The portfolio has provided some downside protection in negative markets over the long term, with a downside market capture ratio of 76.2 before taking into consideration tax paid. With a focus on value investments we would expect the portfolio to provide downside protection in weak markets.

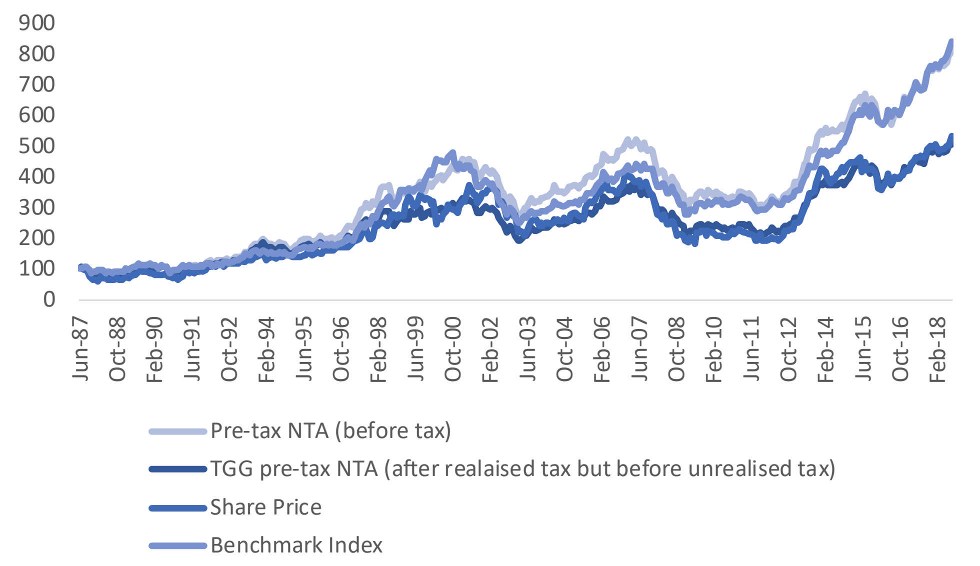
Performance of TGG (includes dividends) to 31 August 2018

	Pre-tax NTA (before tax)	Pre-tax NTA (after realised tax but before unrealised tax)	Share Price	MSCI ACWI, AUD
Returns (p.a)				
1 year	17.4%	13.8%	15.5%	22.2%
3 year	7.7%	5.6%	8.1%	11.1%
5 year	10.6%	8.4%	9.0%	14.3%
10 year	7.2%	6.0%	7.6%	8.6%
15 year	6.2%	5.3%	5.0%	7.3%
20 year	4.6%	3.5%	3.3%	5.1%
30 year	8.1%	6.5%	7.4%	7.9%
Average Annual Rolling	8.8%	7.2%	8.5%	8.4%
Risk				
St Deviation (p.a)	13.9%	13.9%	20.0%	13.2%
Sharpe Ratio	0.45	0.33	0.30	0.44
Downside Market Capture Ratio	76.2	78.4	-	-
Upside Market Capture Ratio	86.3	79.3	-	-

Source: IIR/TGG/IRESS

- From an investor return perspective, the share price has generated returns largely in line with the benchmark index on an average rolling annual basis, however, on a point to point basis has underperformed the benchmark index over its history, as shown in the below chart. The share price has been significantly more volatile than both the portfolio and the benchmark index. This is unsurprising given the large variations in the discount/premium at which the company has traded. The heightened volatility has resulted in the share price underperforming on a risk-adjusted basis.
- Throughout history, the pre-tax NTA has had periods of outperformance and underperformance which will be the case given the Manager's investment style. We note that the TGG portfolio does not seek to mimic the index and stock selection is benchmark agnostic.
- The investment style of the Manager will see the pre-tax NTA underperform the benchmark index when growth outperforms value. This has been the case over the last couple of years, whereby value stocks globally have underperformed growth stocks. Prior to this period (2013 to 2015), value stocks outperformed growth, which saw both the pre-tax NTA and the share price outperform the benchmark index.

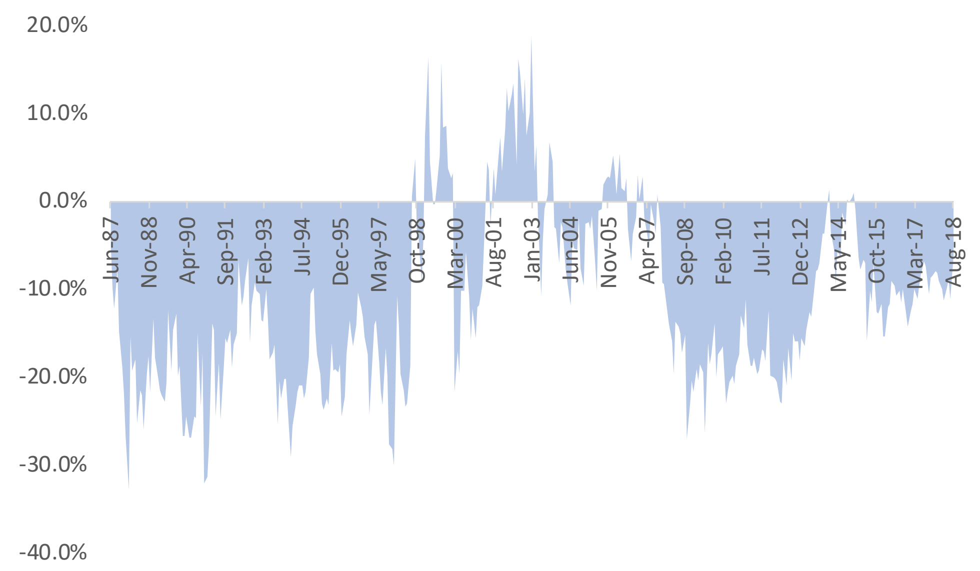
Historical Performance of TGG Compared to the Benchmark Index



Source: IIR/TGG/IRESS

- The company has largely traded at a discount to the pre-tax NTA throughout its history, with the company trading at an average month-end discount of 11.3% from 30 June 1987 to 31 August 2018.
- The largest discount the company has traded is 32.9% with the largest premium being 18.8%.
- The narrowing of the discount from large levels can contribute significantly to the investor return. For example, in 2012 the company went from a discount of 22.5% to a premium. The share price return significantly outperformed both the pre-tax NTA and benchmark index return over this period.

Historical Premium/Discount to Pre-Tax NTA

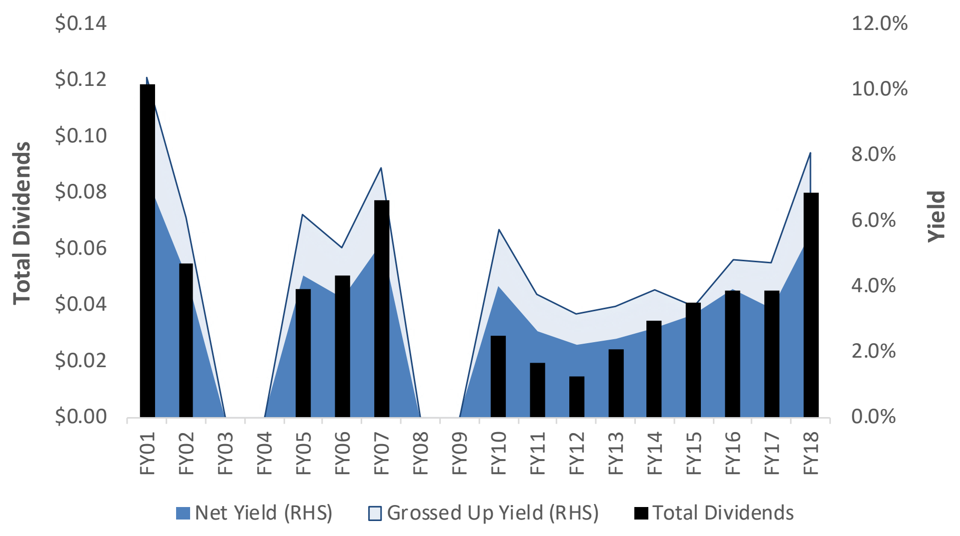


Source: IIR/TGG/IRESS

DIVIDENDS

- The company seeks to pay a dividend of at least 3% of the pre-tax NTA at the end of the previous financial year. The below graphic shows the total dividends declared for the respective financial years since FY'01 to FY'18.
- Over this period, the dividends declared for each of the financial years has been lumpy. We note that we have included special dividends which has exacerbated the volatility in dividends. All dividends have been fully franked with the exception of FY'15 and FY'16 dividends.
- There were four years during this period where the company did not declare a dividend and in FY'10 moved from paying a semi-annual dividend to an annual dividend. Dividends have been steadily increasing since FY12.

Historical Dividends (includes special dividends)



Note: Dividends have been adjusted for share issues and special dividends.

Source: IIR/TGG/IRESS

10. PEER COMPARISON

- There are 7 other LICs/LITs on the ASX that provide long only exposure to a portfolio of global stocks. We note each of the LICs/LITs have a different investment strategy and investment process with some offering exposure to a more diversified portfolio than others.
- TGG is one of only three LICs/LITs in the peer group that have been around for more than five years to 31 August 2018.
- The fees paid to the Manager for TGG are low compared to the peer group. TGG pays an annual management fee of 1% of the portfolio value, this is below the average management fee of the peer group of 1.03%.
- In addition to the low annual management fee, TGG does not pay a performance fee to the Manager. TGG is the only LIC/LIT in the peer group that does not pay a performance fee.

Peer Comparison						
LIC Name	**ASX Code**	**Listing Date**	**Market Cap ($m)***	**Management Fee (% p.a)**	**Performance Fee (%)**	**Performance Fee Hurdle**
Magellan Global Trust	MGG	October 2017	1,772.4	1.35	10.0	MSCI World Net Total Return Index, AUD
MFF Capital Investments	MFF	December 2006	1,460.7	**	**	Total shareholder return exceeds 10%p.a
WAM Global Limited	WGB	June 2018	448.6	1.25	20.0	MSCI World Index, Net, AUD
Pengana International Equities Limited	PIA	March 2004	289.6	1.23	15.38	MSCI World Total Return Index, AUD
Evans & Partners Global Flagship Fund	EGF	October 2012	190.4	1.35	10.0	Higher of MSCI World Net Total Return Index, AUD & 10-year US Government Bond yield
Ellerston Global Investments	EGI	October 2014	115.5	0.75	15.0	MSCI World Index (Local)
WCM Global Growth Limited	WQG	June 2017	98.4	1.25	10.0	MSCI AWCI ex Australia, AUD
Templeton Global Growth Limited	**TGG**	**May 1987**	**303.0**	**1.00%**	**na**	**na**

*As at 18 October 2018.
**MFF pays a fixed management fee of $1m per annum and a fixed performance fee of $1m fee will be paid if the performance hurdle is met.

- We have provided the pre-tax NTA (including dividends) performance of the peer group in the below table. Given the majority of LICs/LITs have a short trading history we have provided the performance up to five years to 31 August 2018.

- On an absolute return basis, TGG's pre-tax NTA (including dividends) has performed around the median of the peer group. MFF and WQG are the top two performers on a pre-tax NTA basis over the 12 months to 31 August 2018.

- On a risk-adjusted basis, over the 12 months to 31 August 2018 TGG's pre-tax NTA has performed in the bottom half of the peer group.

Historical Pre-tax NTA Performance of Peer Group (to 31 August 2018)							
ASX Code	**Pre-tax NTA***			**Pre-tax NTA Volatility***			**Sharpe Ratio****
	1 year	**3 year (p.a)**	**5 year (p.a)**	**1 year**	**3 year (p.a)**	**5 year (p.a)**	**1 year**
MGG	na	na	na	na	na	na	na
MFF	35.6%	14.0%	19.5%	8.9%	13.2%	13.4%	3.71
WGB	na	na	na	na	na	na	na
PIA	13.3%	3.0%	8.5%	3.6%	10.4%	10.8%	3.02
EGF	na	na	na	na	na	na	na
EGI	5.8%	4.3%	na	8.7%	7.7%	na	0.38
WQG	24.3%	na	na	7.0%	na	na	3.12
TGG	**13.8%**	**5.6%**	**8.4%**	**7.4%**	**10.9%**	**10.5%**	**1.54**

*Pre-tax NTA performance are calculated after tax paid and figures include dividends.
**Using a risk-free rate of 2.52%.

- From a share price perspective, TGG was the second best performer over the 12 months to 31 August 2018, however, has generated the lowest return of the three LICs/LITs that were listed over the five year period. The clear best performer over the 12 moth period is MFF which returned 49.1%.

- The company was trading around a similar discount to pre-tax NTA to MFF. There are a number of LICs/LITs trading at a larger discount to TGG at 31 August 2018. No LICs/LITs in the peer group were trading at a premium at 31 August 2018. Compared to the peer group, TGG has traded at the higher end of the discounts when looking at the average over the three years to 31 August 2018. We note that the company is currently trading at a narrower discount than the three year average.

Historical Share Price Performance of Peer Group (to 31 August 2018)					
ASX Code	Share Price*			Premium/Discount at 31 August 2018	3 year Average Premium/ Discount**
	1 year	3 year (p.a)	5 year (p.a)		
MGG	na	na	na	-1.2%	-0.4%
MFF	49.1%	16.7%	17.4%	-6.1%	-10.5%
WGB	na	na	na	-2.7%	-1.1%
PIA	11.8%	6.2%	11.3%	-5.0%	-7.3%
EGF	na	na	na	-4.3%	-2.8%
EGI	10.5%	2.8%	na	-8.1%	-9.6%
WQG	2.3%	na	na	-15.4%	-7.6%
TGG	**15.5%**	**8.1%**	**9.0%**	**-6.3%**	**-10.4%**

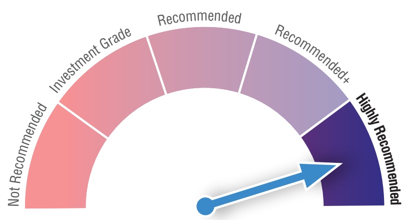
*Share price performance figures include dividends.
**Since inception for those companies/trusts that have less than 3 years of trading history.

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

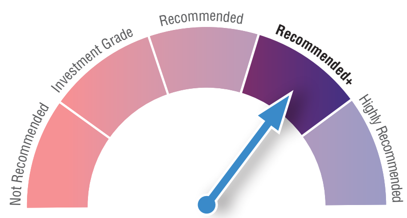
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	83 and above



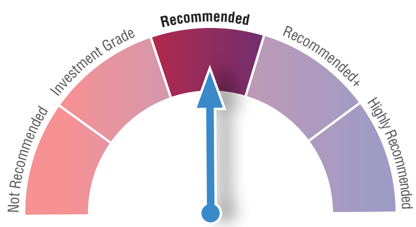
This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.

LMI Ratings	SCORE
Recommended +	79–83



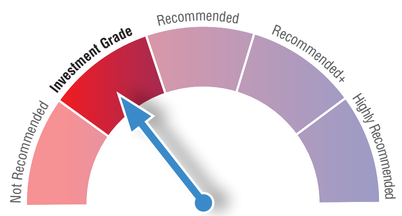
This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.

LMI Ratings	SCORE
Recommended	70–79



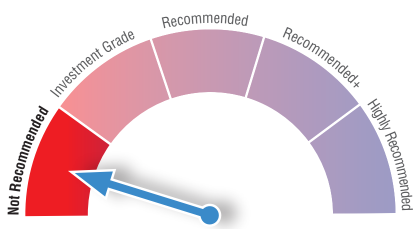
This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.

LMI Ratings	SCORE
Investment Grade	60-70



This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.

LMI Ratings	SCORE
Not Recommended	<60

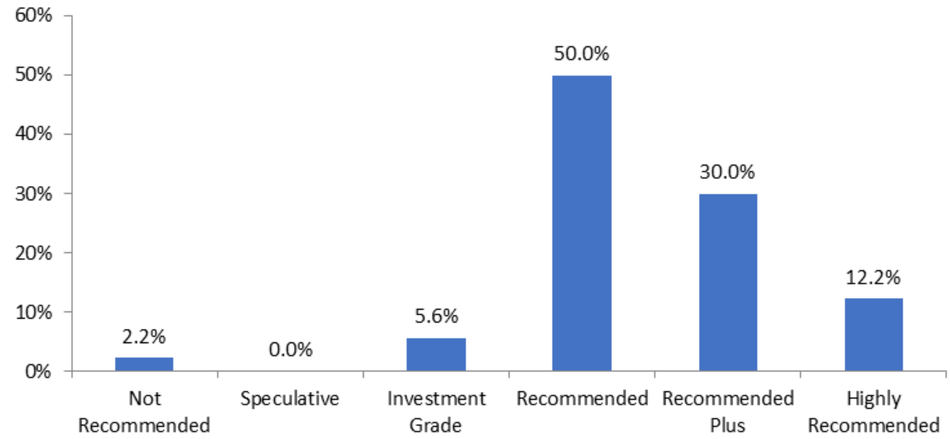


This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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