

### INVESTMENT MANAGER

The Investment Manager of the Company's investment portfolio is Franklin Templeton Investments Australia Ltd and the Company's portfolio is managed in accordance with the investment philosophy of the Templeton Global Equity Group.

Templeton is one of the pioneers in global investing and its successful investment philosophy has been refined over more than 70 years.

### 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

#### Average Total Returns (AUD %)<sup>1</sup>

	3 Months	1 Year	3 Years	5 Years	10 Years
TGG - Gross of Fees/Expenses	-12.6	-4.3	6.1	6.6	9.1
TGG - Net of Fees <sup>2</sup>	-12.9	-5.5	4.7	5.3	7.5
MSCI All Country World (Net Dividends) Index <sup>3</sup>	-10.3	0.6	7.8	9.4	9.4

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

	30 September 2018	31 December 2018
TGG Share Price (\$)	1.41	1.29
NTA per share before tax (\$) <sup>4</sup>	1.533	1.327
Premium/(Discount) to NTA before tax (%)	(8.0)	(3.1)
NTA per share after tax (\$) <sup>4</sup>	1.470	1.327
Premium/(Discount) to NTA after tax (%)	(4.1)	(3.1)

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 0.7040, EUR 0.6158 and GBP 0.5528.

### Market Review

- Global stock markets came under heavy selling pressure in the fourth quarter. Investors grew increasingly concerned about a slowdown in global economic growth and the potential impact a protracted trade war between the United States and China would have on economic activity. Ongoing US interest rate increases also raised concerns.
- The MSCI World Index dropped around 13% over the quarter in US dollar terms, leaving it down just over 8% for the year with the US market out-performing over 2018 delivering a return of -4.5%.
- The selloff hit most regions and sectors, with only the safe-haven Utilities and Consumer Staples sectors down less than 10% on the quarter. Retail investors pulling their money out of equity funds at the fastest clip since 2008 as the markets declined only exacerbated the losses.
- Politics, meanwhile, made investors more risk averse as the UK government continued to struggle to come to a consensus on how it will leave the European Union (EU). On a positive note, Italy reached a budget deal with the EU in late December.

## Quarterly Performance Attribution

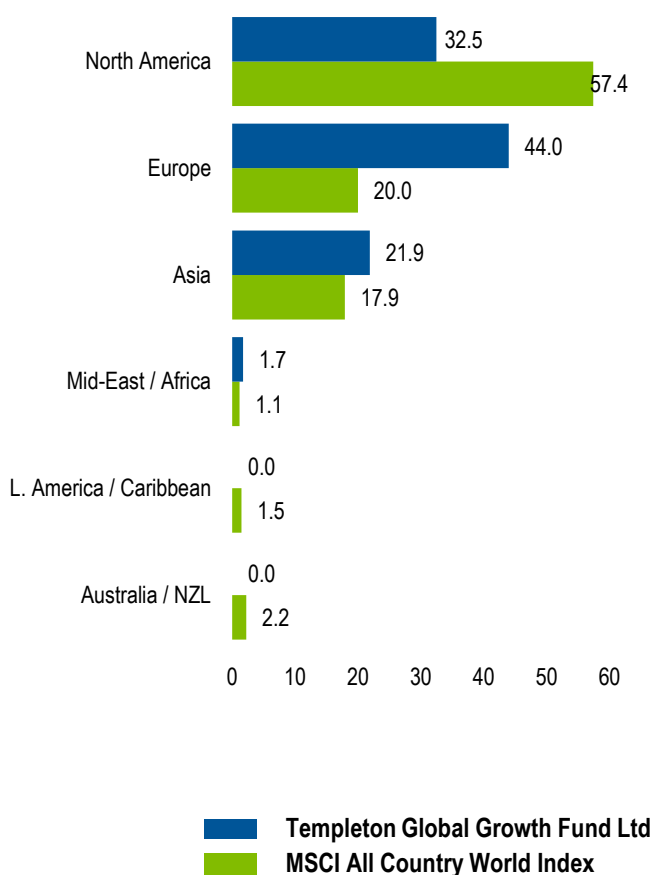
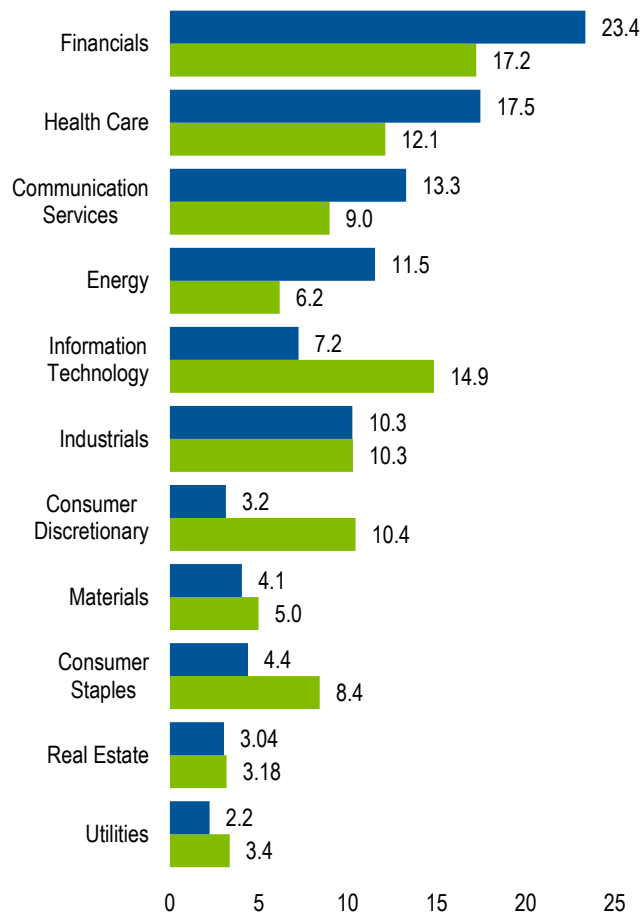
- The portfolio underperformed its benchmark for the quarter with each of the three of the portfolio's major sector overweights – Financials, Energy and Health Care – all detracting from performance.
- Shares of Israel-based generic drug-maker Teva Pharmaceutical Industries came under pressure due to concerns about a US probe into cartel pricing in the generics industry. Yet the investigation has been underway for more than two years, and drug pricing has almost always been a negative component of sales growth in the generics industry. Even after conservatively modelling in some liability related to this matter, we still believe the stock represents an attractively valued investment at current prices.
- Weighing on relative results were shares of US-based cosmetics firm Coty, which slumped after the company announced a profit warning and the departure of both its chief executive officer and chairman. Conditions in the competitive cosmetics business have remained difficult, and Coty has been working to regain lost market share and improve operationally by consolidating production and distribution.
- The financials sector was led lower by holdings in Europe, such as France's BNP Paribas. We continued gradually repositioning our financials portfolio in 2018. European lenders currently trade at the same multiple relative to trailing earnings as they did in the depths of 2011's sovereign debt crisis, despite significant restructuring and recapitalisation efforts aimed at improving asset quality and returns.
- We believe the health care sector offers growth possibilities through innovation and untapped market potential. Concerns persist about regulation and pricing in the global pharmaceutical industry, but history suggests that companies capable of innovating to provide products that address unmet medical needs can continue to thrive and profit. It is these kinds of companies in which we seek to invest.

## Investment Outlook

- Looking ahead, we see scope for continued moderate global growth as China is likely to undertake stimulus measures and as the US Federal Reserve and European Central Bank navigate their respective economic cycles.
- While valuations look extended in some parts of the equity market (albeit less so following fourth-quarter weakness), we also see pockets of opportunity, particularly outside the United States. Volatility is likely to remain elevated given rising late-cycle risks, and the resultant dislocations should continue to present opportunities for disciplined stock-pickers.
- The policy backdrop is also an important consideration given nascent efforts to normalise what has been extraordinarily accommodative central bank policy. In security analysis, applying a low discount rate to high future cash flows maximises the net present value of an asset. That is effectively what central bank policies have done this cycle - keep discount (i.e., interest) rates low and profit expectations high.
- Unsurprisingly, the effects have been most acute where expectations have been the highest: in the United States, due to President Trump's procyclical fiscal stimulus, and in the technology sector, due to optimistic growth assumptions and long-dated cash flows. It stands to reckon then that these would be the segments most vulnerable to a withdrawal of extraordinary stimulus.
- Going forward, we continue to believe that the process of monetary policy normalisation is likely to drive a rotation away from expensive growth stocks, to the benefit of beaten-down value shares. The portfolio appears significantly undervalued relative to the index with the P/BV trading at a 43% discount.

## Portfolio Characteristics

	Portfolio	MSCI All Country World Index
Price to Earnings	12.2x	14.9x
Price to Book Value	1.2x	2.1x
Price to Cash Flow	5.3x	9.95x
Market Capitalisation (Millions in AUD)	124,225	153,777
Number of Issuers	64	2,758

**Portfolio Diversification**
**Geographic Weightings vs. MSCI All Country World Index**  
 Percent of Total

**Sector Weightings vs. MSCI All Country World Index**  
 Percent of Total

**Top Ten Holdings<sup>5</sup>**

Percent of Total

Top Holdings	Sector	Country	%
ROYAL DUTCH SHELL	Energy	United Kingdom	2.9
ORACLE CORP	Software & Services	United States	2.9
BP PLC	Energy	United Kingdom	2.8
SANOFI	Pharmaceutical, Biotechnology & Life Sciences	France	2.7
SIEMENS	Capital Goods	Germany	2.6
SAMSUNG ELECTRONICS	Technology Hardware & Equipment	South Korea	2.3
SINGAPORE TELECOMMUNICATIONS	Telecommunication Services	Singapore	2.3
VEOILIA ENVIRONMENT SA	Utilities	France	2.2
CITIGROUP	Banks	United States	2.1
VODAFONE GROUP PLC	Telecommunication Services	United Kingdom	2.0

## Investment Philosophy

Templeton utilises a disciplined, consistent approach based on three timeless principles of investing:

Value	Patience	Bottom-up stock picking
Our flexible approach is applied within a disciplined framework and seeks to identify companies trading at large discounts to their business value.	Our long-term focus gives us a framework to take advantage of price volatility to reveal potential long-term investment opportunities. Patience allows for potential long-term value recognition.	Our portfolio management process seeks to buy pessimism and sell optimism. We build portfolios spanning regions and sectors made up of securities identified through this process.

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Peter Wilmschurst, CFA, EVP, Portfolio Manager, Research Analyst	20	25
Templeton Global Equity Team	Number of Members	Average Years Experience
Portfolio Managers/Analysts	27	23
Research Analysts	12	11

## Important Legal 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. Returns are presented pre-tax
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.

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.**