



## Stock Exchange Announcement

22 October 2019

The Manager  
ASX Markets Announcements Office  
Australian Securities Exchange Limited  
Exchange Centre  
Level 4  
20 Bridge Street  
Sydney NSW 2000

### **2019 Annual General Meeting** **Chairman's Address**

*To be delivered by Chris Freeman at the 33rd Annual General Meeting of Templeton Global Growth Fund Limited ("TGG" or "the Company") to be held at The Westin Hotel, 205 Collins Street, Melbourne VIC 3000, Executive Room II at 11.00am (Melbourne time).*

I would like to highlight the following key results:

- A fully franked dividend of 5.0 cents per share after a fully franked interim dividend of 2.0 cents per share paid during the year.
- The resultant fully franked annual dividend yield of 5.8%. This yield is a significant distribution return for global equities and for those eligible shareholders who can take advantage of LIC capital gains, the after-tax impact is worth somewhat more. The LIC capital gain component is a result of the Company having paid tax on realised capital gains. Eligible shareholders are entitled to a tax rebate referable to the LIC capital gains component of their dividend. This enables those eligible shareholders to benefit from the CGT discount on assets disposed of by the Company as if they held and disposed of them directly.
- It was another challenging year for value style managers and investment returns were disappointing in both absolute and relative terms at 4.0% gross of fees and 2.7% net of fees and expenses for the year.

Net profit after tax for the financial year ended 30 June 2019 was \$4.2 million, compared with \$3.5 million in 2018.

At 30 June 2019 the net tangible asset backing per share of the Company's shares ("NTA") was 145 cents, down from 156 cents at 30 June 2018. This was after allowance for the payment of the 2018 final dividend in September 2018 and the 2019 interim dividend which was paid in March 2019.

The management expense ratio ("MER") remained relatively low compared to peers at 1.28%.

Earnings per share were slightly higher than the prior year at 1.9 cents per share, although total comprehensive income, which captures realised and unrealised gains on investments, fell to 2.5 cents per share.

The Company continued its on-market buyback program during the year ended 30 June 2019.

During the financial year ended 30 June 2019, there were 8,478,032 shares bought back at an average price of \$1.30 per share. This equated to an average share price discount of approximately 12%. The impact on the NTA was approximately \$1.5m value accretive.

As announced to the market on 18 October 2019, following the expiry of the investment management agreement and as part of its regular review of investment management services, the Board engaged an independent review of TGG against other peer listed investment companies. The review found that, while TGG had underperformed in the short-term relative to peers, over ten years, it had performed in line with peers.

While the review recognised that Templeton charged one of the lowest investment management fees, it recommended that TGG seek a fee reduction and the inclusion of a performance fee to better align the investment manager with shareholders.

Based on the review and feedback from shareholders, TGG considered that most shareholders have invested to access the Templeton long-term value based investment philosophy and therefore remaining with that philosophy and investment approach would continue to best serve shareholders' interests.

Effective 1 November 2019, TGG has entered into a new investment management agreement for three years on the same terms as the previous agreement but with TGG paying a reduced annual management fee of 75 basis points charged on the Company's market capitalization, a significant reduction on the previous fee of 1.0% of NTA.

This makes TGG one of the lowest, if not the lowest, cost global equity listed investment companies in Australia. By aligning the management fee with the value of your shares rather than the net asset value of the portfolio, the Board believes the investment manager's interests are better aligned with shareholder interests and there is an additional incentive to narrow the discount to NTA. We believe this is a forward-thinking approach in the Australian market and one which has been the preferred approach in other large LIC markets, such as the UK.

In line with the independent review and to further align the investment manager with shareholder interests, Franklin Templeton will now be paid a performance fee of 20% of out-performance against the MSCI World All Countries (Net Dividends) Index after allowing for investment management fees. To reflect the disappointing recent performance, this performance fee will not commence until year three of the new investment management agreement and will be based on rolling three years of returns.

Throughout the year, the investment portfolio was transformed into a more focused portfolio of 40-60 securities, and one that displays a higher level of conviction in terms of stock selection. The Board feels that this structure is well suited to capture the returns that will flow when the "value" style recovers and out-performs broader markets.

Effective 1 October 2019, the Templeton Global Equity Group has also appointed seasoned investment professionals, Alan Bartlett as Chief Investment Officer and Peter Sartori to support the continued evolution of the group, led by Chairman Dr Sandy Nairn.

Alan has a strong performance history in multi-manager funds and world class skills in portfolio management and Peter is an investment veteran with strong portfolio management skills and is also a key member of the Templeton Global Equity Group leadership team.

Peter Sartori will be assuming lead Portfolio Manager responsibilities from Peter Wilmshurst from 2 December 2019, when Peter Wilmshurst resigns from Franklin Templeton.

Peter Sartori will be supported by Templeton Global Equity Group team members Peter Chua, Portfolio Manager, and Paul de Josselin, Research Head for Asia, who is based in Melbourne. Mr Sartori and Mr Chua each have 29 years' global industry experience and Mr de Josselin has more than 22 years' industry experience.

The Board is confident that the right investment talent is in place to best serve shareholders. While TGG remains true to Templeton's original investment principles and fundamental value-oriented investment philosophy, these changes allow it to take advantage of new investment management talent, broaden its research coverage and enhance its technology and portfolio risk modelling.

We are confident that these changes, in combination with the initiatives that were already underway, will continue to have a positive impact on the Company's share price.