

Templeton Growth Fund Inc.

Advisor Class: TGADX Class A: TEPLX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** After starting 2025 on a strong note, global equities collectively declined during the rest of the first quarter due to investor concerns about US economic growth, President Donald Trump's trade policy and a broadening trade war.
- **Contributors:** Stock selection and an overweight in the industrials sector, stock selection and an underweight in the information technology (IT) sector and stock selection in the consumer staples sector contributed to relative performance for the quarter.
- **Detractors:** Stock selection in the consumer discretionary sector and stock selection and an underweight in the utilities sector detracted from relative performance for the quarter.
- **Outlook:** We believe the rest of 2025 will likely present a challenging but opportunity-rich environment. The core of our investment process relies on performing a thorough fundamental stock research, taking a long-term view and focusing strongly on valuation. We believe this approach should hold us in good stead as we navigate the continued equity market volatility.

Performance Review

- After starting 2025 on a strong note, global equities collectively declined during the rest of the first quarter due to investor concerns about US economic growth, President Donald Trump's trade policy and a broadening trade war. In this environment, the fund outperformed its benchmark, the MSCI All Country World Index-NR, driven by stock selection and an overweight in the industrials sector, stock selection and an underweight in the IT sector and stock selection in the consumer staples sector.
- Jet engine maker Rolls-Royce Holdings was the top relative stock contributor for the quarter. The company has been a key beneficiary of the post-pandemic recovery of long-haul travel, which has helped drive the company's strong recovery of profitability and cash flows. Additionally, Rolls-Royce has a well-managed defense division—an area that we view positively amid elevated geopolitical uncertainties. We believe Rolls-Royce remains a high-quality business with a strong balance sheet and robust free cash flow generation.
- Stock selection in the consumer discretionary sector and stock selection and an underweight in the utilities sector detracted from relative performance for the quarter.
- Contract chipmaker Taiwan Semiconductor Manufacturing Company (TSMC) was a key relative detractor as investor sentiment softened amid news that China-based DeepSeek's (not a fund holding) R1 artificial intelligence (AI) model, which was created using cheaper and older hardware, had demonstrated similar performance as rival AI models using newer and more expensive hardware (such as those from fund holding NVIDIA, one of TSMC's major clients). This surprise breakthrough caused a technology-related stock selloff in many regions, and TSMC was one of the worst-hit stocks. Despite the recent share-price turbulence, our long-term thesis on TSMC remains unchanged. In our view, TSMC commands a significant competitive advantage in terms of technologies, innovations and business track record. We believe that the company's rock-solid balance sheet and generous shareholder policy, especially regarding dividends, add to the investment case.
- Geographically, an overweight and stock selection in the United Kingdom contributed significantly to relative returns. The combination of stock selection and an underweight in Asia ex Japan, particularly an underweight exposure to China, was the largest detractor from relative performance for the quarter.

Outlook

- The investment environment has changed dramatically over the past few months. Developments since the start of the year lead us to believe that it is reasonably likely that the extraordinary outperformance of US stocks versus the rest of the world since the global financial crisis could be over. This does not mean US stocks are unable to perform well going forward, but it suggests that other regions' equity markets may begin to match or even exceed US stock returns.
- European equities have surged year-to-date, and we believe the rally has room to run as our analysis shows that European stocks remain relatively cheap, and many global investors are only beginning to unwind their long-held underweight positions. Much will depend on how Europe responds to its economic, political and security challenges in the wake of Trump's shift away from long-standing US allies. In our view, there is much room to boost the region's economic competitiveness.
- Emerging market countries (excluding India) have struggled in recent years but now look more attractive to us, as they are supported by the weaker US dollar. Avoiding China has been a straightforward call for us in recent years given the country's long-run structural issues (deflation and real estate). However, we think recent developments could continue to build upon Chinese stocks' strong start to the year. The wild card will be the outcome of any trade deal negotiated with the United States, which could significantly impact market sentiment towards China, in either direction (at the writing of this note, we think the outcome looks bearish).
- We believe the rest of 2025 will likely present a challenging but opportunity-rich environment. The core of our investment process relies on performing a thorough fundamental stock research, taking a long-term view and focusing strongly on valuation. We believe this approach should hold us in good stead as we navigate the continued equity market volatility.

Top Equity Issuers (% of Total)

Holding	Fund
MICROSOFT CORP	4.27
UNITEDHEALTH GROUP INC	3.14
NVIDIA CORP	3.00
ROLLS-ROYCE HOLDINGS PLC	2.93
BAE SYSTEMS PLC	2.57
AIRBUS SE	2.40
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2.37
WELLS FARGO & CO	2.36
CNH INDUSTRIAL NV	2.36
KENVUE INC	2.25

Sector Allocation (% of Total)

Sector	Fund
Financials	20.92
Industrials	18.33
Information Technology	17.03
Health Care	10.54
Consumer Discretionary	7.30
Communication Services	5.60
Consumer Staples	5.25
Materials	5.07
Other	4.93
Cash & Cash Equivalents	5.03

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Advisor Class	880199302	TGADX	1.25	1.25	-0.09	5.71	10.46	4.21	11.25	1.25	1.25	-0.09	5.71	10.46	4.21	11.25	0.78	0.78	—	—	11/29/1954
Class A	880199104	TEPLX	1.18	1.18	-0.36	5.45	10.18	3.94	11.12	-4.37	-4.37	-5.83	3.48	8.95	3.35	11.03	1.03	1.03	5.50	—	11/29/1954
Benchmark	—	—	-1.32	-1.32	7.15	6.91	15.18	8.84	—	-1.32	-1.32	7.15	6.91	15.18	8.84	—	—	—	—	—	

Benchmark(s)

Benchmark = MSCI All Country World Index-NR

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.

The fund began offering Advisor Class shares on 1/2/1997. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 1/2/1997, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.

The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

All investments involve risks, including possible loss of principal. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. To the extent the fund invests in companies in a specific **country or region**, the fund may experience greater volatility than a fund that is more broadly diversified geographically. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

The **global financial crisis (GFC)** refers to the period of extreme stress in global financial markets and banking systems between mid 2007 and early 2009.

Important Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. **MSCI All Country World Index-NR** reflects performance of the MSCI All Country World Index (gross returns) from fund inception through 12/31/2000 and the MSCI All Country World Index-NR thereafter. Net Returns (NR) include income net of tax withholding when dividends are paid.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.