

FRANKLIN GLOBAL SYSTEMATIC EQUITY FUND

Investment objective

The Fund aims to earn an after-fee return in excess of the Benchmark over rolling three-year periods.

Performance (%)					
	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa
Fund (net)	-2.89	3.09	29.48	11.61	14.97
Benchmark	-3.05	3.99	27.76	13.30	15.18

Calendar year performance (%)					
	2020	2019	2018	2017	2016
Fund (net)	3.92	22.53	0.05	15.62	7.02
Benchmark	5.73	27.97	1.52	13.33	7.92

Fund details

Inception date	September 1998
Benchmark	MSCI World Index (ex Australia) in AUD
ISIN	AU60SSB01262
APIR	SSB0126AU

Monthly review

What happened in the market?

Global equity markets edged down during 2021's third quarter on mixed underlying results as a selloff in September erased the gains of many markets earlier in the quarter. Early in the period, strong corporate earnings in several parts of the world, full US regulatory approval for a COVID-19 vaccine and the Chinese central bank's liquidity-boosting measures aided markets. However, many investors were also pricing in the potential for the US Federal Reserve (Fed) to begin tapering stimulus sooner than expected. Late in the period, persistent inflation, more hawkish central bank messaging and a continued regulatory crack-down in China all affected investor sentiment. The MSCI All Country World Index of equities returned -0.95% in US-dollar terms for the quarter. Developed stock markets overall edged up, and emerging markets collectively sold off, while frontier stock markets as a group rose. Regionally, US equities advanced slightly while Asian and European markets overall declined (though Europe rose in euro and local-currency terms); Latin American stock markets plunged.

What happened in the Fund?

The Fund fell -2.89% in September, ahead of the benchmark which fell -3.05%. The Fund was up 3.09% over the quarter.

Stock selection detracted value for the quarter; the selection effects in the U.S. was the main detractor. Selection within the U.S. was particularly weak in the Consumer Discretionary and Information Technology sectors. Selection was also negative in Japan, New Zealand and Asia Developed ex Japan regions. Selection effects were strong in the Continental Europe and the U.K. regions. Across sectors, selection was weak in Industrials and Information Technology, but notably positive in the Materials sector.

At quarter end, the Fund was attractively valued with a lower 12-month forward PE than the benchmark. The Fund was well diversified across regions and sectors. The largest region overweight was to the U.S., and the largest underweight was in the New Zealand & Canada region. The Fund was most overweight in Industrials and most underweight in Information Technology.

What is the outlook?

We anticipate continued strong global growth. While peak growth may have already been reached, led by fiscal stimulus from the United States, we believe a period of synchronized global growth is anticipated for the remainder of this year, although it may be largely built into investors' expectations. Regional divergences will be accentuated by access to vaccines and the persistence of policy accommodation.

High inflation is largely temporary, but risks remain elevated. Global inflation has moved up, pulled higher by demand. Growing supply bottlenecks are boosting headline inflation, but this is likely to be largely transitory. In the longer term, secular disinflationary forces, such as technology and globalization, remain strong.

Policy is likely to be adjusted, but its objective will not change. Central banks remain accommodative and are focused on inclusive recovery. The transition away from crisis measures and tapering asset purchases will proceed, but liquidity keeps flowing. We see fiscal objectives contributing to a stimulative environment and a dovish bias to policy.

We are confident that investors will continue to reward stocks that are attractively valued and invest in companies that have solid growth prospects and the ability to generate cash for their shareholders. We believe that our well-diversified, disciplined strategy will serve investors well in this environment.

Highlights

- Provides core, active global equity exposure with a long track record of alpha generation
- Competitive pricing structure
- An attractive alternative to passive investment that blends well with more concentrated, factor biased investment strategies

About us

Franklin Templeton

Franklin Resources, Inc., is a global investment management organisation, operating as Franklin Templeton, which is headquartered in California. Franklin Resources, Inc., provides, through its subsidiaries, deep investment expertise across all asset classes - including equity, fixed income, and multi-asset solutions. Franklin Resources, Inc. is listed on the New York Stock Exchange and has employees in over 34 countries.

Meet the portfolio managers

Franklin Templeton Australia has appointed Franklin Advisers, Inc., part of Franklin Templeton Investment Solutions (FTIS) to be the investment manager. FTIS translates a wide variety of investor goals into portfolios powered by Franklin Templeton's best thinking around the globe. The team includes more than 100 investment professionals, specialising in strategic asset allocation and tactical positioning, fundamental and quantitative research, active integration, and risk management. For this strategy, FTIS integrates quantitative and qualitative analysis into an agile investment approach. The investment strategy is derived from multiple sources of proprietary investment insights seeking to systematically harness insights from behavioural finance and traditional qualitative research. The process is diversified, systematic and adaptive and seeks to deliver consistent, repeatable and risk-controlled returns.

Joseph S. Giroux (industry since 1993), leads the team that manages your Fund. They believe quantitative investing provides a better framework to be more creative when solving for client challenges. By taking a systematic approach, they can better test their insights, manage risk and target the investment outcomes a client wants through a deeper understanding of investment and human dynamics.

Ratings

Quantitative



The Franklin Global Systematic Equity Fund received an overall rating of 4 stars out of 276 Equity World Large Blend funds as of 30 September 2021.

Qualitative



For enquiries, please contact Client Services team on 1800 673 776, email auclientadmin@franklintempleton.com or visit franklintempleton.com.au.

Past performance is not a reliable indicator of future performance.

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Franklin Templeton Australia Limited as Responsible Entity has appointed Franklin Advisers, Inc., part of Franklin Templeton Investment Solutions (FTIS) as the fund manager of the Franklin Global Systematic Equity Fund (ARSN 886 698 27). **The Lonsec Rating** (assigned as follows: Legg Mason QS Investors Global Equity Fund - April 2021 presented in this document are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421445. The Ratings are limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial products. Past performance information is for illustrative purposes only and is not indicative of future performance. They are not a recommendation to purchase, sell or hold Franklin Templeton Australia Limited products, and you should seek independent financial advice before investing in these products. 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