

Performance Review

- Global stocks fell sharply in the fourth quarter. A combination of slowing economic growth around the world, unresolved trade tensions, higher US interest rates and European political uncertainty kept markets on edge.
- For the quarter, the fund's Series F shares returned -11.44%, and its benchmark, the MSCI World (Net Dividends) Index, returned -8.51%.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	TAL Education Group Sponsored ADR Class A	Consumer Discretionary (Stock Selection)	China (Off-benchmark Exposure)
	HDFC Bank Ltd. Sponsored ADR	Financials (Stock Selection)	India (Off-benchmark Exposure)
	Intercontinental Exchange Inc.	Information Technology (Stock Selection)	Germany (Stock Selection)
HURT	Core Laboratories NV	Health Care (Stock Selection)	United States (Stock Selection)
	DSV A/S	Energy (Stock Selection)	United Kingdom (Stock Selection)
	Alkermes PLC	Materials (Stock Selection)	Denmark (Stock Selection)

- In the energy sector, US-based reservoir description services company Core Laboratories dented relative performance after warning of weakness in its business for at least the next two quarters. Core Laboratories' major oil company customers continued to delay the start of new projects. We expect growth to pick up once international oil companies start work on new exploration projects over time.
- In the health care sector, Alkermes, an Ireland-domiciled biopharmaceutical firm, curbed relative performance. Alkermes suffered a regulatory setback in the United States for a depression drug. However, we expect the company to continue to generate strong royalty revenues over the long term and expect growth in its opioid dependency treatment Vivotrol.
- In the consumer discretionary sector, China-based tutoring services provider TAL Education Group and US-based daycare provider Bright Horizons Family Solutions supported relative performance. Both are well positioned to benefit from strong secular growth, with TAL benefiting from strong demand for tutoring in China given the education system's heavy reliance on testing, and Bright Horizons likely to benefit from increased demand for daycare as more millennials start families.

Outlook & Strategy

- We see reason for continued caution in early 2019. The ongoing US-led trade war, higher US interest rates, an end to quantitative easing in Europe, Brexit and falling oil prices each played a part in the fourth-quarter selloff, and we see few signs that these issues will be resolved in the next few months.
- We believe it is becoming quite possible that the trade war and an inverted yield curve could lead to a string of corporate earnings downgrades. These downgrades, some of which we believe are priced into the market following the fourth-quarter selloff, could dent consumer optimism and lead businesses to curtail investment. A significant economic slowdown, or even a recession, could then become a self-fulfilling prophecy.
- We expect that somewhere along the way, the Trump administration will have to realise that trade wars are not so easily won and will need to reach a deal with China to prevent more significant economic damage.
- How the markets would respond to such a development is an open question, particularly given the divided US Congress and the potential for a more contentious political environment.
- Until there is greater clarity on the binary risks associated with the trade policies and Brexit, portfolio changes will be made with an eye toward the brewing geopolitical risks and their contribution to economic uncertainty.

Fund Details

Inception Date	06/18/2001
Benchmark	MSCI World (Net Dividends) Index

Fund Description

Long-term capital appreciation by investing substantially all of its assets in units of Franklin World Growth Fund. The Fund seeks long-term capital appreciation by investing primarily in equity securities of growth companies, with any size market capitalization, that are located throughout the world.

Performance Data

Performance (%) as of 12/31/2018

	1 Month	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Series A	-5.42	-11.67	-4.92	-4.92	4.16	7.72	9.70	2.49
Series F	-5.33	-11.44	-3.87	-3.87	5.30	8.88	10.91	3.62
MSCI World (Net Dividends) Index ¹	-5.05	-8.51	-0.49	-0.49	5.71	9.94	10.78	4.33

Indicated rates of return include changes in unit or share value and reinvestment of all distributions and dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Please refer to the prospectus for further details. **For details on the respective series inception dates, please consult the Fund Facts or simplified prospectus for the fund.** Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. **Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.**

Investment Team

Don Huber, CFA

Years with Firm 16

Years Experience 37

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Series F is available to investors participating in programs that do not require Franklin Templeton to incur distribution costs in the form of trailing commissions to dealers. As a consequence, the management fee on Series F is lower than on Series A.

Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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