Capitalizing on \textsc{Global} Trends
Global Trends Are Shaping the Future of Investing

Global investing is not a new idea—as successful global investment managers we’ve been doing this for decades. But many individual investors still see their local market as the safest place to invest. Wherever you are in the world, the chance that your own country market will consistently outperform all others is pretty slim.

The next decade is sure to be a time of unprecedented change, as the pace of innovation grows and the world continues to get smaller. While change can be both exciting and intimidating, one thing is certain—change is upon us.

WHAT’S CHANGED?
At Franklin Templeton Investments we see a number of major global trends that are influencing the most likely sources of investment opportunities in the future. Positioning your portfolio to reflect these trends can help you take advantage of these opportunities.

What are these trends?

1] **Emerging markets are rising**—they’re no longer small or niche markets. Many have become key global economies

2] **The world’s middle class is growing**—this key consumer group has the spending power to drive new economies forward at a greater pace

3] **More of us are living longer**—with greater prosperity and a higher standard of living, more people in emerging markets are living, and consuming, longer

4] **More of us are living in urban areas**—in emerging economies, this drives the need for more infrastructure projects—transport and buildings—and increases demand for commodities, utilities and technology

INVESTMENT MARKETS ARE BORDERLESS
Global investing is easy. With markets around the globe gaining momentum there are many compelling new investment opportunities.

IS YOUR PORTFOLIO POSITIONED TO BENEFIT?
Emerging Markets Are Rising

Over 80% of growth in demand is expected to come from Asia.¹

Emerging markets continue to grow fast—they are no longer small, niche markets. Many, including China, India and Brazil, have become major global economies, offering significant investment opportunities.

Measured in GDP growth, the International Monetary Fund (IMF) expects emerging markets to grow at more than double the rate of developed markets. This gives us further evidence of the major potential investment opportunities these markets offer.

**Strong Emerging Markets GDP Growth**

GDP Compounded Annual Growth
5-Year Period Ended 2015 (estimates)²

<table>
<thead>
<tr>
<th>Emerging Markets</th>
<th>World</th>
<th>Developed Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.11%</td>
<td>6.58%</td>
<td>4.54%</td>
</tr>
</tbody>
</table>

**WHICH COUNTRIES ARE BOOMING?**

A decade ago, the list of the world’s top 10 economies was dominated by developed countries. This trend is changing—within the next decade, it’s anticipated that five of the top 10 world economies will be emerging markets.³ Significantly, China is expected to replace the US as the world’s largest economy within a few years.

**Key Global Players in 2020**

Top 10 Largest Economies Based on GDP (PPP in I$)³

<table>
<thead>
<tr>
<th>Rank</th>
<th>2000**</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
<td>US</td>
<td>China</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>China</td>
<td>US</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>Japan</td>
<td>India</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>India</td>
<td>Japan</td>
</tr>
<tr>
<td>5</td>
<td>UK</td>
<td>Germany</td>
<td>Russia</td>
</tr>
<tr>
<td>6</td>
<td>Italy</td>
<td>Russia</td>
<td>Germany</td>
</tr>
<tr>
<td>7</td>
<td>China</td>
<td>UK</td>
<td>Brazil</td>
</tr>
<tr>
<td>8</td>
<td>Brazil</td>
<td>France</td>
<td>UK</td>
</tr>
<tr>
<td>9</td>
<td>Canada</td>
<td>Brazil</td>
<td>France</td>
</tr>
<tr>
<td>10</td>
<td>Spain</td>
<td>Italy</td>
<td>Mexico</td>
</tr>
</tbody>
</table>

¹Source: Organisation for Economic Co-operation and Development (OECD) 2010. The Emerging Middle Class in Developing Countries.
²Source: International Monetary Fund (IMF), World Economic Outlook (WEO), as of September 2011.
The World’s Middle Class Is Growing

In the past, much of the world’s population has found it challenging to meet basic needs like food, shelter and water. In 2006, for the first time ever, more than half of the world’s inhabitants were considered middle class. Instead of struggling to survive, the new middle class is buying the goods they’ve previously been hired to produce, such as clothing, washing machines, kitchen appliances and other products many people in the developed world may take for granted.

The World’s Middle Class Is Growing
Percentage and Size of Middle Class Population in the World

The Middle Class Is Growing

The middle class is growing at a significant rate.

The Middle Class Is Shifting East
Percentage and Size of Middle Class Population in the West and Asia

There has been a dramatic shift as Asia’s middle class grows.

In many Asian countries, goods that would have been considered luxuries only a few decades ago are now within the reach of many more people. With greater numbers in Asia enjoying more wealth, this position is changing. We can anticipate higher demand and spending in many Asian countries.

Asian Middle Class Consumers Will Account for More Than Half of All Retail Spending

Spending by Middle Class (in US Dollars)6

DID YOU KNOW?

Asia has more consumers than Europe, North America, Latin America and Africa combined.7

The US is considered a mature consumer market. For example, 81% of Americans own a car and 90% own a cell phone.8 However, in other parts of the world the consumer market has more room for growth. As more people move into the middle class, it’s creating the potential for a significant increase in consumption of goods and services.

In the illustration below, the blue bars show market penetration of different products and services in multiple countries. The grey bars show the potential increase in consumption based on population.

Growth Potential in Global Markets

Population and Consumption of Products and Services8

6. Source: © 2010 OECD, The Emerging Middle Class in Developing Countries.
7. Source: International Labor Organization. Consumers are represented by the economically active population (labor force) of specific countries/regions as defined by the International Labor Organization.
8. Source: The World Bank (World Development Indicators) and ITU (International Telecommunications Union), as of 2010 (based on most recent data available, 2008–2010). Health expenditure (USD), electric power consumption (kwh), and energy use (kg of oil equivalent) percentages were calculated by establishing a baseline expenditure/consumption amount of $8,000, 15,000 kwh, and 8,000 kg, respectively, and then measuring actual consumption per capita against the baseline. Internet users are defined as people having access to the worldwide network.
More of Us Are Living Longer

While emerging markets have a relatively young working population, birthrates have been declining in some rapidly urbanizing societies. Greater prosperity and a higher standard of living have contributed to longer life expectancies, in line with increases in healthcare expenditures.

A Global Issue Affecting All Major Economies
Emerging Markets Have Largest Population of Elderly in Absolute Terms
Percentage and Size (in Millions) of Population Ages 65 and Older

GREATER SPENDING ON HEALTHCARE
The sheer size of the elderly population in some developing countries means there is enormous growth potential in healthcare goods and services.

Growing Demand in Emerging Markets
Potential for Greater Consumption in Healthcare Goods & Services

10. Source: The World Bank (World Development Indicators) as of 2010 (based on most recent data available, 2008–2010). Consumption percentages were calculated by establishing a baseline consumption amount of $8,000 and then measuring actual consumption per capita against the baseline.
More of Us Are Living in Urban Areas

Almost 70% of the world’s population will be living in urban areas by 2050.\(^{11}\)

Global urbanization—the creation of vast, concentrated populations—will lead to increased demand and spending in a number of areas: transport, construction, utilities & commodities and technology.

In new and emerging economies, the growth in production and consumption will create opportunities for investors worldwide.

Over the next decade, demand for natural resources will rise by at least a third.\(^ {12} \)

Increased Consumption and Future Demand in Emerging Markets
Energy Commodities and Technology\(^ {13} \)

In a World of Global Change, Opportunities Are Borderless

Achieving and maintaining the “top spot” in anything is never an easy feat, and the investing world is no different. The top performing markets will change, underlying a need for diversification or investors will miss out on potential opportunities in other parts of the world.

Leaders Rotate
The Need to be Geographically Diversified

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ireland</td>
<td>Thailand</td>
<td>Brazil</td>
<td>Morocco</td>
<td>Peru</td>
</tr>
<tr>
<td>2</td>
<td>Indonesia</td>
<td>Peru</td>
<td>Indonesia</td>
<td>Colombia</td>
<td>Brazil</td>
</tr>
<tr>
<td>3</td>
<td>New Zealand</td>
<td>Chile</td>
<td>Russia</td>
<td>Israel</td>
<td>Turkey</td>
</tr>
</tbody>
</table>

If you are one of those investors who prefers to invest in your local country market, you could be missing out on major opportunities.

Today, the majority of the world’s investment opportunities are global. For example, 25 years ago, emerging markets accounted for just 3% of the global equity market. Today they account for more than 25%.

The World’s EQUITY Investment Opportunities Are More Global

<table>
<thead>
<tr>
<th>1985</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>50%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>47%</td>
</tr>
<tr>
<td>World (excluding the United States and Emerging Markets)</td>
<td>3%</td>
</tr>
</tbody>
</table>

14. Source: Morgan Stanley All Country World Index. The performance of countries and unmanaged indexes does not reflect expenses and may not correspond to the performance of any fund, which are actively managed and incur expenses.

Is Your Portfolio Positioned to Take Part?

The next decade is sure to be a time of considerable change as people, businesses and economies around the world become more connected. With this comes increased trade, expanding stock markets and consumption potential at unprecedented levels—each representing enormous opportunity for investors.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>🇨🇳 China</td>
<td>🇪🇬 Egypt</td>
<td>🇬🇧 Colombia</td>
<td>🇹🇭 Thailand</td>
<td>🇵🇰 Pakistan</td>
</tr>
<tr>
<td>🇮🇩 Indonesia</td>
<td>🇬🇧 Colombia</td>
<td>🇪🇬 Egypt</td>
<td>🇹🇷 Turkey</td>
<td>🇨🇿 Czech Republic</td>
</tr>
<tr>
<td>🇲🇦 Morocco</td>
<td>🇪🇩 Jordan</td>
<td>🇭🇺 Hungary</td>
<td>🇧🇷 Brazil</td>
<td>🇮🇩 Indonesia</td>
</tr>
</tbody>
</table>

“When you search worldwide, you find more and better bargains than when you monitor only one nation.”

—SIR JOHN TEMPLETON, TEMPLETON FUNDS FOUNDER AND FORMER CHAIRMAN
Franklin Templeton Investments: Global Perspective, Local Expertise®

With over 60 years of experience, Franklin Templeton Investments offers investors an expert perspective on the increasingly important and complex world of global investing—along with a wide range of products that can help you access global investment opportunities.

INVESTMENT OPPORTUNITIES SPAN THE GLOBE. SO DO WE.16

- Over 500 investment professionals worldwide
- Clients and customers in more than 150 countries
- More than 25 million shareholder accounts around the globe
- Local asset management teams providing domestic products in 12 countries

OFFICES IN OVER 30 COUNTRIES

ARGENTINA  AUSTRALIA  AUSTRIA  BAHAMAS  BRAZIL  CANADA  CHINA  COLOMBIA  FRANCE  GERMANY  HONG KONG  HUNGARY  INDIA  ITALY  JAPAN  LUXEMBOURG  MALAYSIA  MEXICO  NETHERLANDS  POLAND  ROMANIA  RUSSIA  SINGAPORE  SLOVAKIA  SOUTH AFRICA  SOUTH KOREA  SPAIN  SWEDEN  SWITZERLAND  TAIWAN  THAILAND  TURKEY  UNITED ARAB EMIRATES  UNITED KINGDOM  UNITED STATES  VIETNAM

16. Franklin Templeton Investments, as of 31 December 2011.
Talk to Your Financial Advisor Today

A financial advisor can prove invaluable in helping you define your needs and narrowing the search for investments suitable to your unique financial objectives. To invest in Franklin Templeton funds, or to learn more about our products and services, please contact your financial advisor.
What Are the Risks?

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 relatively small size and lesser liquidity.

This document expresses no views as to the suitability of the services and/or other matters described herein to the individual circumstances of any recipient.

Investors may wish to seek advice from a financial adviser before making a commitment to invest in shares of any fund. In the event an investor chooses not to seek advice from a financial adviser, he/she should consider whether the investment is suitable for him/her.