

Capitalize on a Changing  
WORLD



FRANKLIN TEMPLETON  
INVESTMENTS

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**Today, Franklin Templeton  
has offices in countries representing  
85% of the world's GDP.**

# The World is Changing

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.

## **CAPITALIZE ON A CHANGING WORLD**

As people, businesses and economies around the world become more intertwined, it has become more essential to have a global perspective when it comes to investing. Adjusting the core of your investment portfolio to the new global marketplace opens a world of investment opportunities. Is your portfolio positioned to participate?

The following pages show how the world is changing and the opportunities this creates for investors. Learn more about:

### **1] How the World is Changing—The Global Opportunity**

See how the projected growth of the world's middle class is driving changes in markets, and consumption of goods and services.

### **2] Our World is More Connected than Ever**

From cell phones to social media, people and companies today can connect with almost anyone instantly. See how companies across the globe produce products and tap into global markets.

### **3] Are you Capitalizing on a Changing World?**

Markets around the globe are gaining momentum and offering compelling new investment opportunities. Is your portfolio “global enough” to benefit?

### **4] Capitalize on a Changing World with Franklin Templeton Investments**

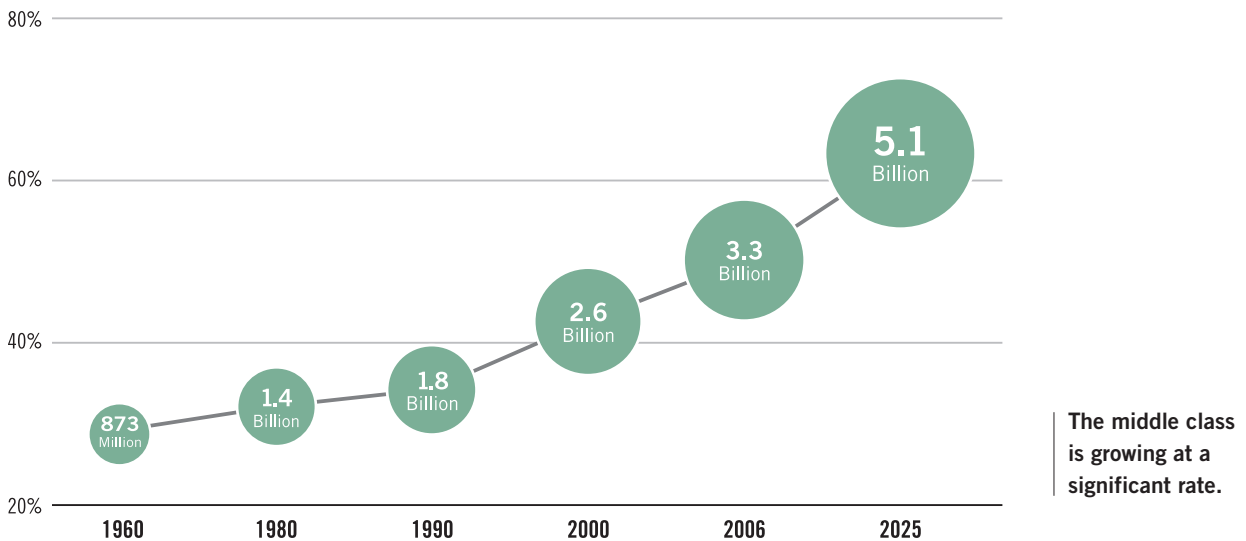
Franklin Templeton Investments can help you capture the best growth opportunities in all sectors and regions, to complement your domestic holdings with global investment solutions.

# 1] How the World is Changing—The Global Opportunity

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.<sup>1</sup> Instead of struggling to survive, the new middle class is buying clothing, washing machines, kitchen appliances and other products many of us may take for granted.

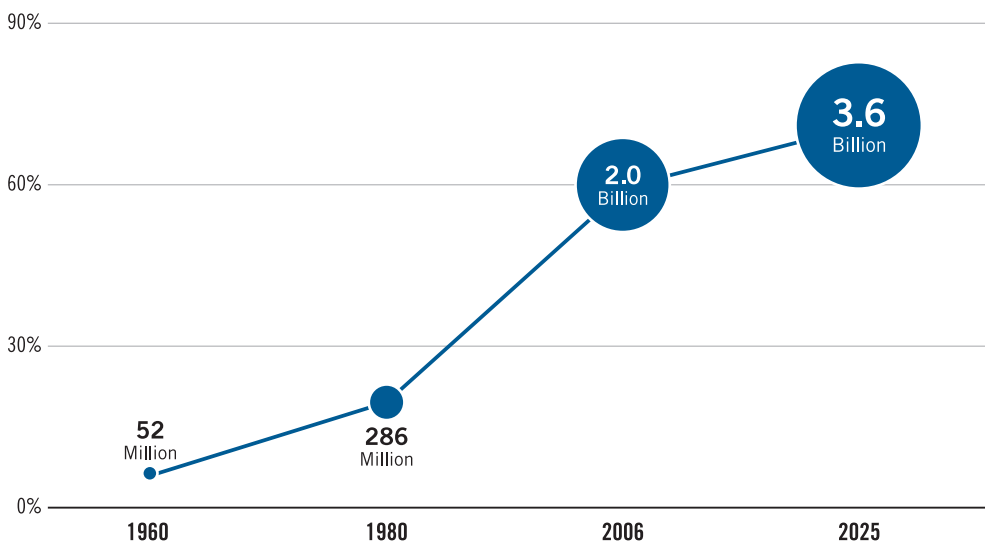
## The World's Middle Class is Growing

Percentage and Size of Middle Class Population in the World<sup>2</sup>



## Asia is Leading the Way

Percentage and Size of Middle Class Population in Asia<sup>2</sup>



1. Source: The Economist, *A Special Report on the New Middle Classes in Emerging Markets: Burgeoning Bourgeoisie*, Feb. 12, 2009.

2. Source: United Nations, World Bank, Surjit S. Bhalla, *Second Among Equals: The Middle Class Kingdoms of India and China*, May 2007, [oxusinvestments.com](http://oxusinvestments.com).

## A GROWING MIDDLE CLASS EQUALS OPPORTUNITIES FOR INVESTORS

The projected growth of the middle class is expected to lead to an increase in spending and consumption. Traditionally, spending by the middle class has been the highest in Western countries. However, over 80% of the projected growth in demand is expected to come from Asia alone.<sup>3</sup>

### More Disposable Income Means More Spending

Projected Spending by Middle Class (in Dollars)<sup>3</sup>



#### DID YOU KNOW?

Asia has more consumers than Europe, North America and Latin America combined.<sup>4</sup>

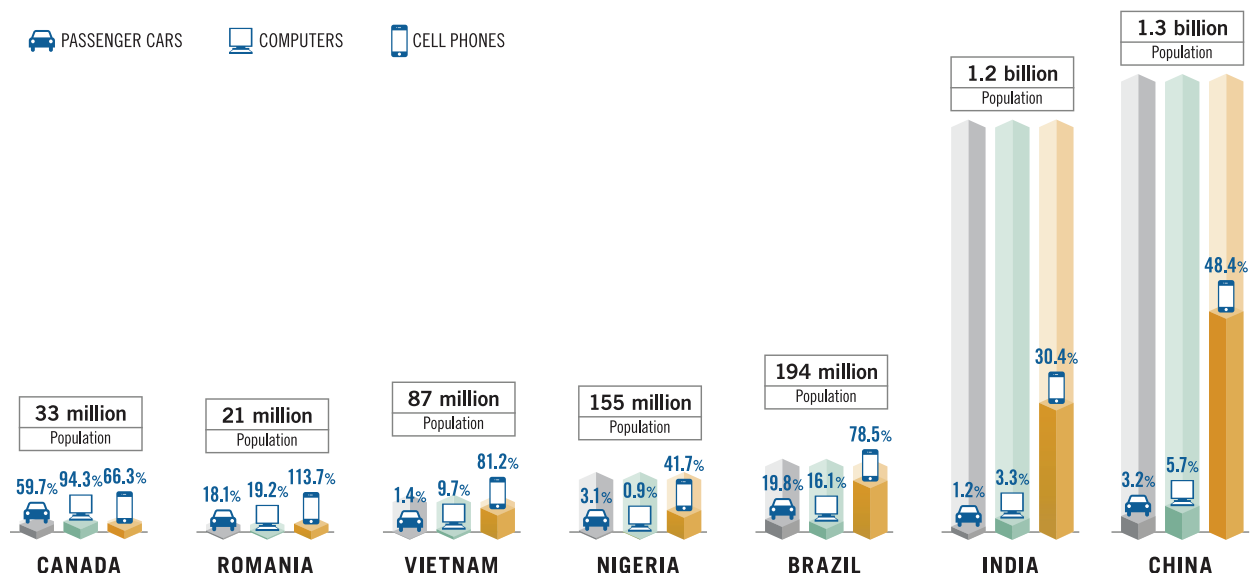
## THE GLOBAL POTENTIAL

Canada is considered a mature consumer market. For example, 60% of Canadians own a car, 94% own a computer, and 66% own a cell phone.<sup>5</sup> 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 a potentially significant increase in consumption of goods and services.

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

### Growth Potential in Global Markets

Population and Consumption of Products and Services<sup>5</sup>



3. Source: © 2010 OECD, *The Emerging Middle Class in Developing Countries*.

4. 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.

5. Source: © 2010 World Bank (World Development Indicators), ITU (International Telecommunication Union). As of 2009, most recent data available.

## 2] Our World is More Connected than Ever

The ubiquitous smartphone is synonymous with how much people around the world are connected these days. It also represents a new speed of information from a much wider variety of sources. And the sharing of information is doing more than connecting people, it's driving demand for products and increasing the speed of commerce.

### PEOPLE AROUND THE WORLD ARE LINKED<sup>6</sup>

**650**  
MILLION

Cell phones  
in China

**93**  
PERCENT

of South Koreans  
own a mobile phone

**500**  
MILLION

Facebook users (70%  
are outside the U.S.)

#### DID YOU KNOW?

If Facebook was  
a country, it would  
be the third most  
populous in the world.

### COMPANIES AROUND THE WORLD ARE LINKED TOO

Here is an example of the sum being greater than the individual parts. The iPhone is a truly global product—engineered in the U.S. and manufactured in China with parts from around the world.<sup>7</sup>

#### The iPhone Supply Chain is Global

Selected Countries and Companies Involved in iPhone Production

**South Korea: Samsung**  
APPLE A4 PROCESSOR

**Switzerland: STMicroelectronics**  
ACCELEROMETER

**Germany: Infineon**  
TRANSCIEIVER

**Taiwan: TPK**  
TOUCH SCREEN

**U.S.: Texas Instruments**  
TOUCH-SCREEN CONTROL

**Japan: AKM**  
COMPASS



6. Sources: International Telecommunication Union, Associated Press (2009), facebook.com.

7. Source: New York Times News Service, July 2010.

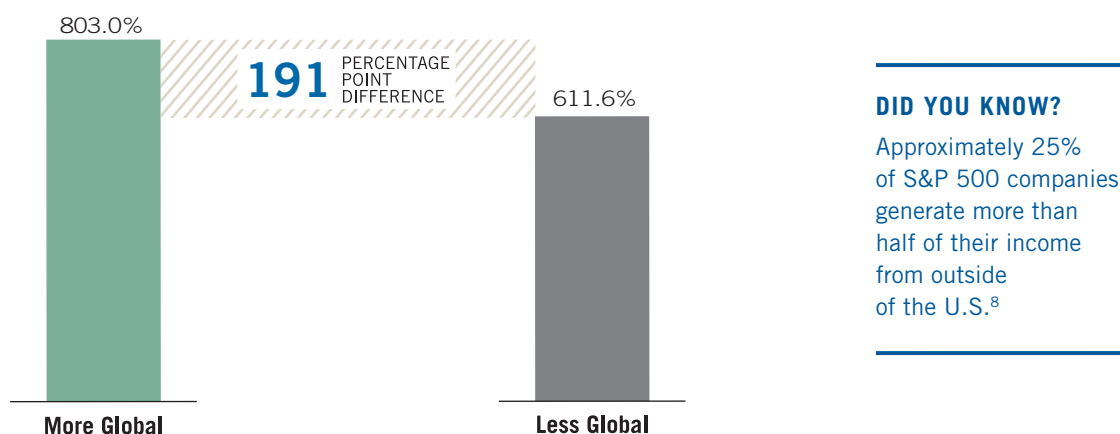
## GLOBALLY FOCUSED COMPANIES OUTPERFORM DOMESTICALLY FOCUSED COMPANIES

With reduced trade barriers helping to facilitate the flow of goods and services, our world has become more of a global marketplace. Companies with the foresight to embrace this opportunity have fared better than those companies that did not.

As you can see below, S&P 500 companies with more than 50% of their income outside the U.S. (“More Global”) outperformed companies that generated less than 50% of their income outside the U.S. (“Less Global”).

### A Comparison of S&P 500 Companies' Returns

Cumulative Total Returns (20-Year Period Ended 12/31/10)<sup>8</sup>

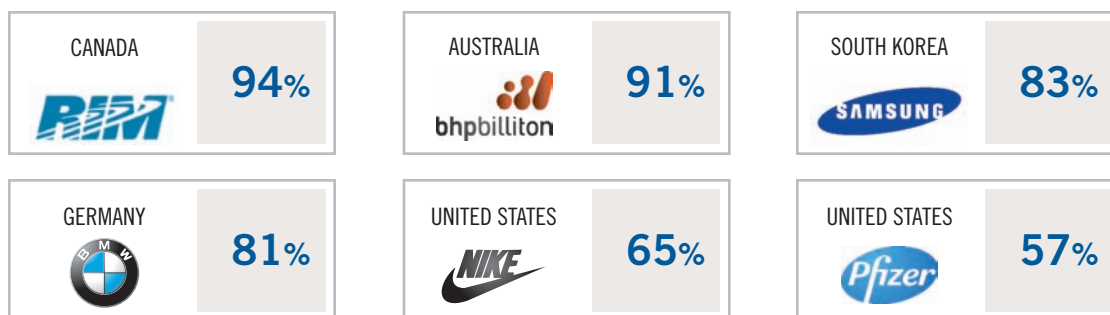


## BORN LOCALLY, ADOPTED GLOBALLY

Many companies have ventured abroad such that their success is not only dependent on the growth of their home market. Below you will find some well-known companies that generate more than half of their revenues from outside of their home country.

### Companies Benefit from a Global Market

Percentage of Revenue Generated outside of Home Country<sup>9</sup>



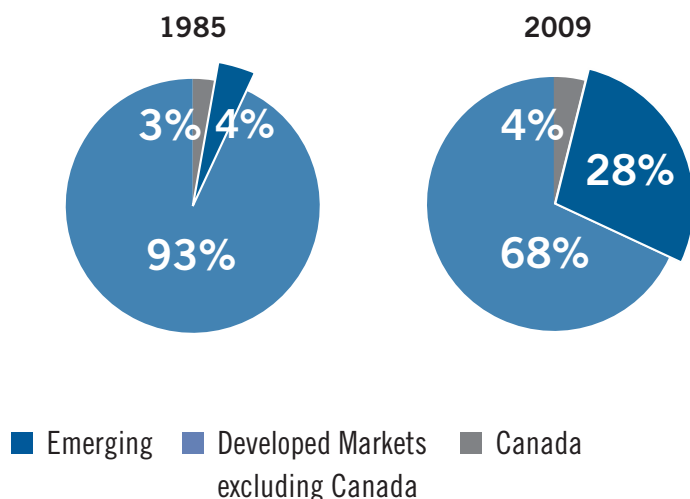
8. Source: © 2010 Ned Davis Research, Inc. “More Global” represents S&P 500 companies with reported pre-tax income of more than 50% from foreign operations. “Less Global” represents S&P 500 companies with reported pre-tax income of less than 50% from foreign operations.

9. Sources: Most recent data available in each company's latest annual report. December 31, 2010 (Bayerische Motoren Werke (BMW) AG, Pfizer Inc.), June 30, 2010 (BHP Billiton Limited), May 31, 2010 (NIKE, Inc.), February 28, 2010 (Research In Motion Limited (RIM)), December 31, 2009 (Samsung Electronics Co., Ltd.). Logos are trademarks of their respective owners and are used for illustrative purposes and should not be construed as an endorsement or sponsorship of Franklin Templeton Investments.

### 3] Are you Capitalizing on a Changing World?

Statistics show that Canadians have historically preferred to invest within their own borders—probably due to a higher level of familiarity with Canadian companies, currency and markets. However, as an investor, you want to ensure this bias doesn't prevent you from exploring other opportunities. As you can see below, today, the majority of the world's investment opportunities lie **outside** Canada.

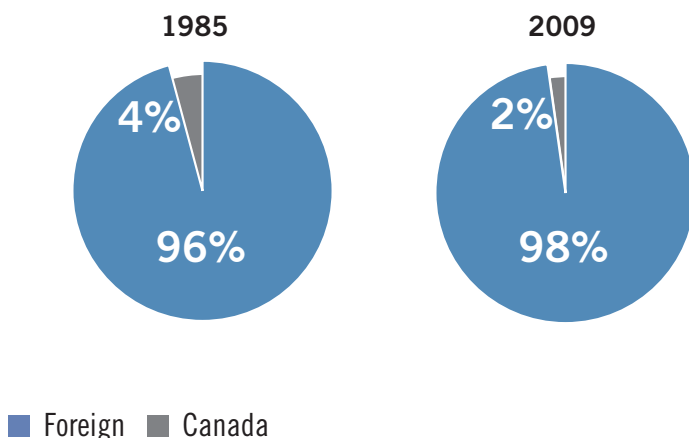
#### The World's **EQUITY** Investment Opportunities are More Global World Stock Market Capitalization<sup>10</sup>



#### ARE INVESTORS OUT OF STEP?

Allocation to foreign equities by Canadian retail equity investors at the end of 2010 was 38%.<sup>11</sup>

#### The World's **FIXED INCOME** Investment Opportunities are More Global Too World Bond Market Capitalization<sup>12</sup>



10. Source: Standard & Poor's, *Emerging Stock Markets Fact Book*, 1995 and *Global Stock Markets Fact Book*, 2010.

11. Source: IFIC, as of December 31, 2010. Assumes that Balanced Funds have a neutral balanced allocation according to CIFSC of 60% Equity and 40% Fixed Income for the above illustration.

12. Source: © 2010 Citigroup. Citigroup Non-USD World Government Bond Index, U.S. component of Citigroup World Government Bond Index.


















## THAT WAS THEN. THIS IS NOW.

Achieving and maintaining the “top spot” in anything is never an easy feat, and the investing world is no different. The following tables show the three countries with the best-performing stock markets from 2005–2009, along with Canada’s market rank. Investors who limit their investments to Canada may miss out on attractive investment opportunities around the globe.

### A Traditional World View of Market Leaders

Top Performing Stock Markets of Developed Countries<sup>13</sup>

Rank	2010	2009	2008	2007	2006
1	 Sweden	 Norway	 Japan	 Finland	 Spain
2	 Denmark	 Australia	 Switzerland	 Hong Kong	 Portugal
3	 Hong Kong	 Singapore	 U.S.A.	 Germany	 Ireland
CAN.	5	7	6	6	20

The table above features developed markets. By adding in developing markets in the table below, the “top performers” change completely. Many developing markets around the globe are experiencing strong growth as their markets mature.

### A New Picture Emerges when all Markets are Included

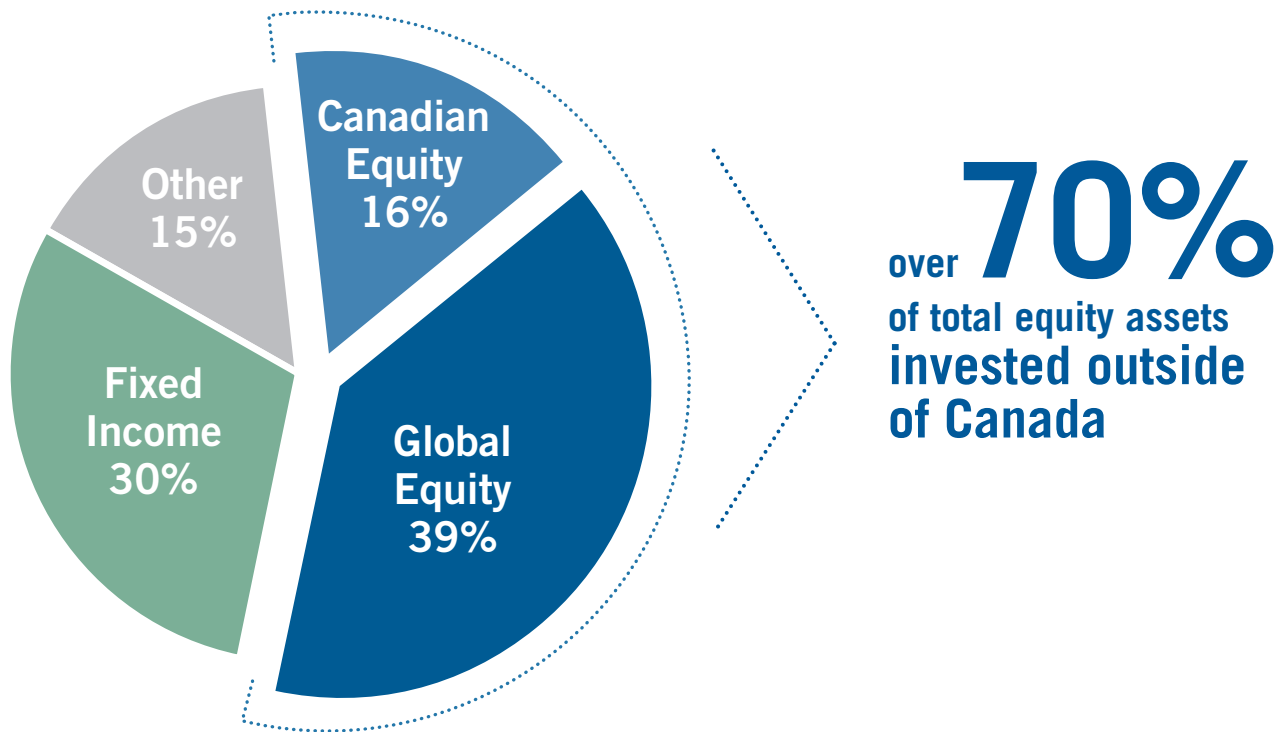
Top Performing Stock Markets including Developing Countries<sup>14</sup>

Rank	2010	2009	2008	2007	2006
1	 Thailand	 Brazil	 Morocco	 Peru	 China
2	 Peru	 Indonesia	 Colombia	 Brazil	 Indonesia
3	 Chile	 Russia	 Israel	 Turkey	 Morocco
CAN.	17	22	15	21	37

13. Source: © 2010 Morningstar, Morgan Stanley Capital International World Index. The performance of countries and unmanaged indexes does not reflect expenses and may not correspond to performance of a mutual fund, which may be actively managed and incur expenses.

14. Source: © 2010 Morningstar, Morgan Stanley All Country World Index. The performance of countries and unmanaged indexes does not reflect expenses and may not correspond to performance of a mutual fund, which may be actively managed and incur expenses.

## THE CANADIAN PENSION PLAN (CPP) RECOGNIZES THE NEED TO CAPITALIZE...



**“Foreign equities exposure provides diversification. Canada’s stock market is small by world standards and heavily concentrated in natural resources and financial services. Foreign markets offer more choice.”**

-CPP Investment Board, 2010 Annual Report

### IS YOUR PORTFOLIO POISED TO BENEFIT?

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.

## 4] Capitalize on a Changing World with Franklin Templeton Investments

With over 60 years of experience evaluating global equities through both up and down markets, Franklin Templeton Investments offers investors an expert perspective on the increasingly important and complex world of global investing.

### INVESTMENT OPPORTUNITIES SPAN THE GLOBE. SO DO WE.

- Over 500 investment professionals worldwide
- Clients and customers in more than 150 countries
- More than 21 million shareholder accounts around the globe
- Local asset management teams providing domestic products in 9 countries

TODAY, FRANKLIN TEMPLETON HAS OFFICES IN 34 COUNTRIES REPRESENTING 85% OF THE WORLD'S GDP.



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

# The expertise of many. The strength of one.®

## Proprietary investment managers deliver true style and asset class diversification

EQUITY		FIXED INCOME		WEALTH AND PORTFOLIO SOLUTIONS	
Templeton		Franklin		Franklin Templeton Fixed Income Group	
<ul style="list-style-type: none"><li>• A pioneer in global investing, with a proven track record spanning over 60 years</li><li>• Over 70 “feet-on-the-street” investment specialists in 19 countries</li><li>• Value specialists, seeking bargain investments in global and emerging markets</li></ul>		<ul style="list-style-type: none"><li>• More than 40 years of experience in global equity investing</li><li>• Over 60 years of experience in U.S. equity investing</li><li>• Over 60 investment professionals across the world, seeking opportunities for growth and blend mandates</li></ul>		<ul style="list-style-type: none"><li>• 60-plus years of global fixed income experience</li><li>• Over US\$257 billion in assets under management<sup>1</sup></li><li>• Top-down, bottom-up and quantitative approaches</li><li>• More than 130 dedicated investment professionals located around the globe in a multi-sector, integrated platform</li></ul>	
Bissett		Mutual Series		Franklin Templeton Multi-Asset Strategies (FTMAS)	
<ul style="list-style-type: none"><li>• Canadian equity, balanced and fixed income capabilities</li><li>• A solid 25-year track record in the retail, HNW and institutional investment spheres</li><li>• “Growth at a Reasonable Price” (GARP) investment style positions investors for consistent, long-term equity returns</li></ul>		<ul style="list-style-type: none"><li>• Distinct, deep value investment style has delivered solid, risk-adjusted returns for more than 60 years</li><li>• Equity investment strategy seeks to purchase opportunities for 50–60 cents on the dollar</li><li>• Specialized teams dedicated to uncovering undervalued stocks, distressed securities and merger arbitrage opportunities</li></ul>		<ul style="list-style-type: none"><li>• The team at FTMAS has a rich history providing multi-asset solutions to Canadians</li><li>• Wealth management specialists are behind managed solutions such as Tapestry Pooled Portfolios® and the Quotential® Program</li><li>• Offers pension-style management from a Canadian perspective</li></ul>	

<sup>1</sup>As of December 31, 2010.



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Franklin Templeton Investments is one of the world's largest publicly-traded investment management companies, delivering a truly global perspective to investors for over 60 years. With values that have withstood the test of time, Franklin Templeton Investments provides global and domestic investment advisory services to the Franklin, Templeton, Bissett and Mutual Series funds and institutional accounts, including private wealth management solutions through Fiduciary Trust Company of Canada.

[www.franklintempleton.ca](http://www.franklintempleton.ca)

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