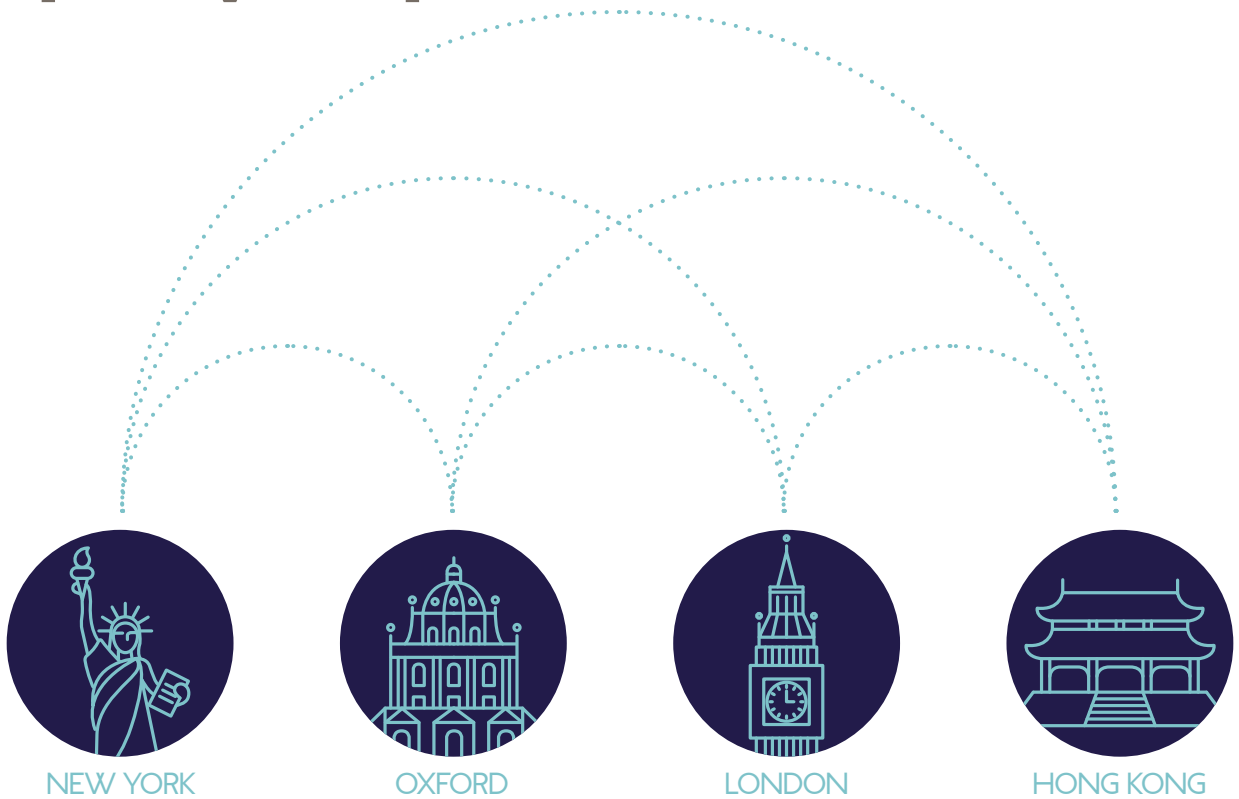


SIR JOHN TEMPLETON
INVESTMENT
ROUNDTABLE SERIES
2008 TO 2021

Thirteen years that changed the world



NEW YORK

OXFORD

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Our advisory services are anchored on evidence-based research in risk and financial performance.

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2008 TO 2021

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CONTENTS

FOREWORD

2008 FINANCIAL CRISIS (NOT WRITTEN UP)

2009 RECOVERY (NOT WRITTEN UP)

2010 SIR JOHN'S PREDICTIONS ON FINANCIAL CHAOS REVEALED

2011 CHINA SOFT OR HARD LANDING

2012 THE FEAR OF DE-LEVERAGING

2013 EQUITY MARKETS RALLY EMERGING MARKETS FOCUS (KEYNOE: JIM O'NEILL)

2014 FOCUS ON CHINA (KEYNOTE ANDY ROTHMAN)

2015 TEN WAYS TO GET CHINA WRONG (KEYNOTE ANDY ROTHMAN)

2016 THE ESSENCE OF WEALTH CREATION (KEYNOTE CHARLES BRANDES)

2017 THE REALITIES OF GLOBALISATION - BREXIT (KEYNOTE LORD O'NEILL)

2018 CHINA IN FOCUS (KEYNOTE DATO' SERI CHEAH CHENG-HYE)

2019 EMERGING MARKETS (KEYNOTE MARK MOBIUS)

2020 PANDEMIC CREATES NEW WORLD (KEYNOTES LORD O'NEILL & DR KING AU)

2021 RESPONSIBLE INVESTING (KEYNOTE HANNEKE SMITS)

FOREWORD

SIR JOHN'S VISION

I am delighted to present this collection of the Sir John Templeton Investment Roundtable Series held annually between 2008 and 2021. The bringing together of this series is particularly apposite on the 14th anniversary of Sir John's passing as we approach the 110th anniversary of his birth.

I first met Sir John when I was appointed Dean of Templeton College, Oxford where he had generously funded the development of business studies at the ancient university. The 1990s was an exciting time at Oxford which saw the launch of the Oxford MBA programme. In that decade he was generous with his time and advice, and I had the privilege of spending many hours with him in Oxford and at his home in Lyford Cay discussing investments in the course of which I learned a great deal from him.

My last meeting with him in his office at the Templeton building in Lyford Cay stands out vividly in my memory and in retrospect it was a highly significant encounter. We met for about two hours on Saturday 25th June 2005. It was a few years after the internet bubble (which Sir John did not invest in) and markets were skyrocketing. As we settled down to speak, Sir John launched into an intense discussion on the state of the world economy, pressing me closely if politely on my views of the key areas of risk. He then developed a most convincing if concerning argument that the world markets would experience an extended period of financial chaos, within the next three to five years, based on the problems he observed evolving in the sub-prime market in the US. How right he turned out to be! I wish I had paid closer attention. However, the conversation moved on to his foundations and I forgot about his predictions until many years later when the now famous memorandum surfaced. This unpublished missive dated 15th June 2005, just 10 days before our meeting, was discovered in his desk after his death in 2008. The memorandum is produced in full including his hand-written annotations and emendations.

I had been aware of Sir John's approach to investing and he now confided in me how he intended investments to be managed in the three foundations he had created. He wished the bulk of the investments to be managed in a competition among selected delegate managers. Sir John emphasised that, although he was labelled variously as a contrarian and a value-investor, he was not interested in selecting managers on the basis of style which he felt was an elusive idea. However, he was particularly interested in how managers react in difficult markets. He left me with his now famous saying 'trouble is opportunity'. In short, he was always an optimistic contrarian.

Sir John's approach of knowing your managers gave rise to the launching of an annual investment roundtable for investment managers. In early 2008 the Chairman of the Templeton Philanthropies, Sir John's son the late Dr John Templeton Jr. known affectionately as Jack, and I discussed holding an annual investment roundtable to honour Sir John's investment legacy, a forum in which investment managers invited from around the world by the Templeton Foundations would debate future threats and opportunities in financial markets. The inaugural Roundtable took place in London on 5th May 2008, only nine weeks before Sir John passed away. It has been held every year since, and the Templeton Foundations have derived enormous value from bringing together a talented and experienced group of managers from around the world to exchange ideas on the investment issues of the day.

Dr Rory Knight is Chairman of Oxford Metrica and chairs the Investment Advisory Committee of the John Templeton Foundation. He was formerly Dean of Templeton, Oxford University's business college. Prior to that Dr Knight was the vize-direktor at the Schweizerische Nationalbank (SNB) the Swiss central bank.

FOREWORD (CONTINUED)

FROM FINANCIAL CRISIS TO PANDEMIC

Overall the series traces a fascinating trajectory in the history of financial markets running from financial crisis to pandemic. It began – somewhat tentatively – in the dark days of the 2008 crisis and continued throughout a subsequent roller coaster of events that included Brexit and the election of Donald Trump as US President.

As Sir John predicted, stock markets became hyper-volatile in the wake of the crisis. It was not until November 2013 that equity prices recovered to the levels of December 1999. Thereafter, markets experienced a massive if not entirely smooth boom lasting from May 2008 until 2020. Even the pandemic lockdowns only caused a minor set-back in the first quarter of 2020, from which there was full recovery.

In the preceding period participating managers got a lot of things dead right: the unstoppable rise of China; the key role of technology and the internet as reflected in the spiralling valuations of the new online giants; the boom in US markets buoyed by the ever strengthening dollar and the consequent detrimental impact on emerging markets. At first sight Sir John's favoured strategy of value investing did not seem to do well in the ocean swell of developed markets. A rising tide lifts all boats, not necessarily all of them sea-worthy craft. Nonetheless in the individual stock selection sessions which concluded each Roundtable participating investment managers highlighted many value opportunities that have since fully justified their foresight.

The tone of participating managers was always optimistic, although they – quite rightly – also highlighted potential dangers, none of which in the event actually materialised. However, since the last roundtable in November 2021 there has been nothing but trouble – or opportunity! This is a salutary lesson for investors: Sir John apart, the biggest global risks are not always predictable by investment managers. They are perhaps at their strongest operating at the micro stock selection level. All the more need therefore for meetings such as the Roundtables which also set their thinking in a larger, macro-geopolitical context.

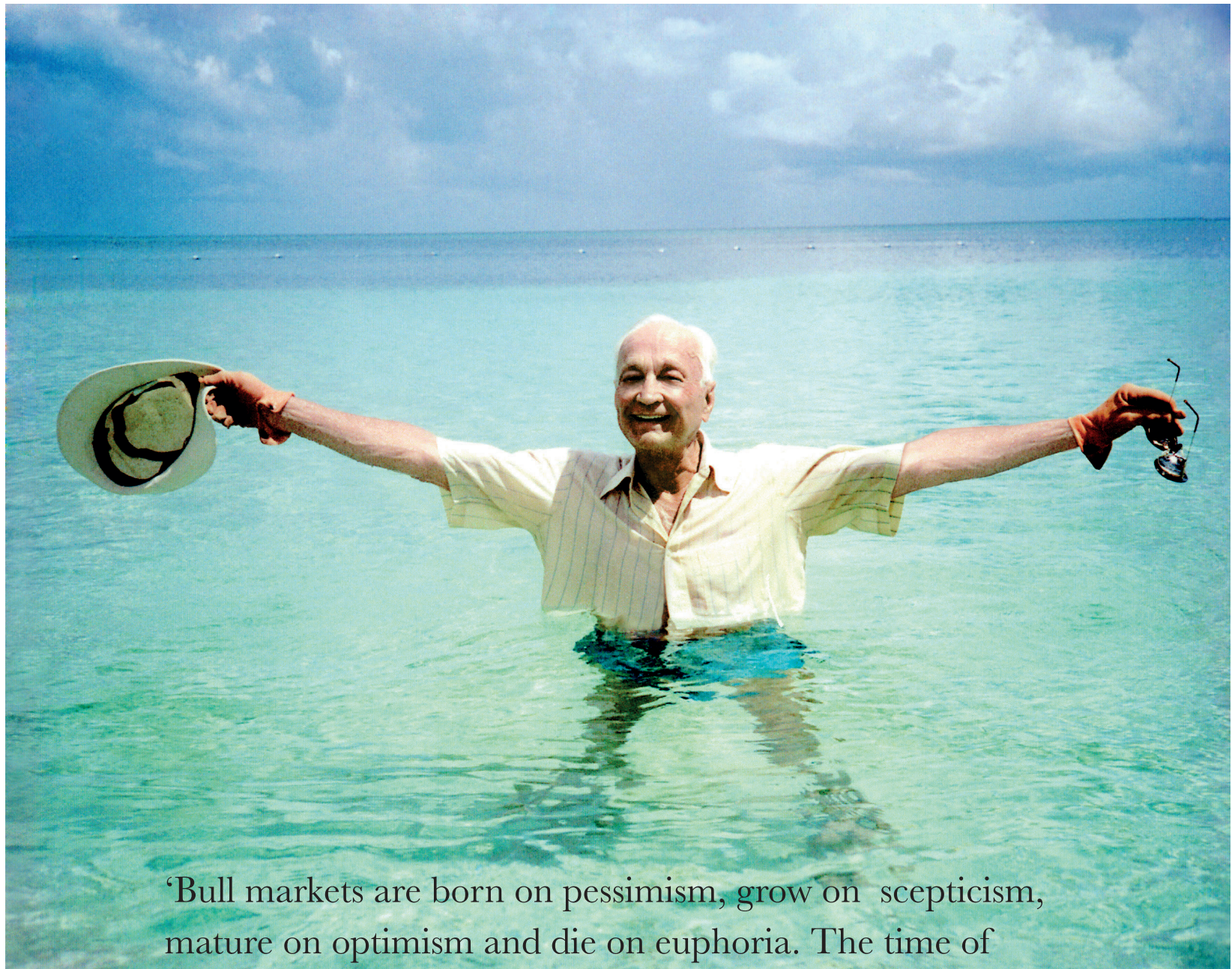
Given today's intense international political and military tensions and the consequent inflationary pressures on food and energy and supply chains generally – all against a background of growing concerns about the environment and the rise of investor activism – we may be reaching an inflection point in 2022 as pivotal as that of 2008. Never has the foresight of Sir John and his emphasis on listening closely to and assessing individual investment managers' strategies been more apposite.

I hope you enjoy reading the views of the informed groups of investment managers involved and I thank all who participated in the Roundtables.



Dr Rory Knight
Chairman

Financial Chaos
Sir John Templeton
June 15, 2005



‘Bull markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell.’

Sir John Templeton, 1994

John M. Templeton
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NO= before JMT sends
this shocking memo to
all 3000 people who
got our "newsletter"
please tell JMT if you
think of way he could
improve this or cause
it to be more helpful
JMT, 16-6-05

MEMORANDUM

Financial Chaos – probably in many nations in the next five years. The word chaos is chosen to express likelihood of reduced profit margin at the same time ~~ix~~ as acceleration in cost of living.

By John M. Templeton
June 15, 2005

Increasingly often, people ask my opinion on what is likely to happen financially. I am now thinking that the dangers are more numerous and larger than ever before in my life time. Quite likely, in the early months of 2005, the peak of prosperity is behind us.

In the past century, protection could be obtained by keeping your net worth in cash or government bonds. Now, the surplus capacities are so great, that most currencies and bonds are likely to continue losing their purchasing power.

Mortgages and other forms of debts are over ten fold greater now than ever before 1970, which can cause manifold increases in bankruptcy auctions.

Surplus capacity, which leads to intense competition, has already shown devastating affects on companies who operate airlines and is now beginning to show in companies in ocean shipping and other activities. Also, the present surpluses of cash and liquid assets have pushed yields on bonds and mortgages almost to zero when adjusted for higher cost of living. Clearly, major corrections are likely in next few years.

Financial Chaos by John M. Templeton

June 15, 2005

Page 2.

Most of the methods of universities and other schools, which require residence, have become hopelessly obsolete. Probably, over half of the universities in the world will disappear as quickly as the next thirty years.

Obsolescence is likely to have a devastating affect in a wide variety of human activities, especially in those where advancement is hindered by labor unions or other bureaucracies or by government regulations.

Increasing freedom of competition is likely to cause most established institutions to disappear within the next fifty years, especially in nations where there are limits on free competition.

Accelerating competition is likely to cause profit margins to continue to decrease and even become negative in various industries. Over ten fold more persons hopelessly indebted leads to multiplying bankruptcies not only for them but for many businesses that extend credit without collateral. Voters likely to enact rescue subsidies, which transfer the debts to governments, such as Fannie May and Freddie Mac.

Research and discoveries and efficiency are likely to continue to accelerate. Probably, as quickly as fifty years, as much as ninety percent of education will be done by electronics.

Now, with almost one hundred independent nations on earth and rapid advancements in communication, the top one percent of people are likely to progress more rapidly than the others. Such top one percent may consist of those who are multi-millionaires and also, those who are innovators and also, those with top intellectual abilities. Comparisons show that prosperity flows toward those nations having most freedom of competition.

Especially, electronic computers are likely to become helpful in all human activities including even persons who have not yet learned to read.

Financial Chaos by John M. Templeton
June 15, 2005
Page 3.

Hopefully, many of you can help us to find published journals and websites and electronic search engines to help us benefit from accelerating research and discoveries.

Not yet have I found any better method to prosper during the future financial chaos, which is likely to last many years, than to keep your net worth in shares of those corporations that have proven to have the widest profit margins and the most rapidly increasing profits. Earning power is likely to continue to be valuable, especially if diversified among many nations.

JMT:mes

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