WHY CHINA COULD BE SET TO SURPRISE

INVESTING FOR WHAT’S NEXT™

Q4 2016
Agenda
Why China Could Be Set to Surprise

• Market Insights

• Strategies for What’s Next
  – Global and International Equities
MARKET INSIGHTS

China Accounts for One-Third of Global Growth

Contribution to Global GDP Growth by Country or Region
2000–2015

Source: IMF World Economic Outlook, April 2016. Most recent data available.
Transition to a Consumer Led Economy Appears to Be Underway in China

Domestic Consumption and Demand for Services Has Been on the Rise
China's Real Consumption and Services as a % of GDP
1992–2014

Sources: FactSet, National Bureau of Statistics of China. Most recent data available. Note: real consumption per capita is indexed to 1978 terms. All subsequent years are Yuan inflation-adjusted to 1978 prices to allow for comparison of consumption in real terms.
The Rise of China’s Middle Class

2015–2025 (Estimates)

**Middle Class Population**

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015E</td>
<td>327M</td>
</tr>
<tr>
<td>2025E</td>
<td>836M</td>
</tr>
<tr>
<td>Growth</td>
<td>+156%</td>
</tr>
</tbody>
</table>

**Middle Class Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015E</td>
<td>$2.05T</td>
</tr>
<tr>
<td>2025E</td>
<td>$5.99T</td>
</tr>
<tr>
<td>Growth</td>
<td>+192%</td>
</tr>
</tbody>
</table>

MARKET INSIGHTS

China Buys More Cars Than the US

Average Monthly Automobile Sales (millions of vehicles)
China vs United States (12-month moving average)

Sources: China Association of Automobile Manufacturers, U.S. Bureau of Economic Analysis.
MARKET INSIGHTS

But Still Uses Much Less Oil

Annual Oil Consumption Per Capita (barrels per person)
2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>22.01</td>
</tr>
<tr>
<td>China</td>
<td>3.18</td>
</tr>
</tbody>
</table>

MARKET INSIGHTS
Still Ample Room For Increased Investment in Infrastructure

Chengdu
Population: 14 million

Tokyo
Population: 13.5 million

Lower Growth Rate Still Represents a Massive Level of Global Demand

Increase in China’s Nominal GDP vs. % Growth Rate
2005–2020 Estimate

Source: International Monetary Fund, World Economic Outlook, October 2016. Most recent data available.
World’s Biggest Online Shopping Day

2015 US Cyber Monday Online Sales (all US retailers combined)

$3.0B

2015 Alibaba Singles Day Online Sales

$14.3B

Sources: Alibaba Group, Adobe.
A Note On Risk

Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Investments in emerging markets involve heightened risks related to the same factors as foreign investing, in addition to those associated with these markets’ smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets.
Strategies for What’s Next:
Global and International Equities
China’s More than $4 Trillion in Annual Global Trade is a Powerful Economic Driver

China's Top Trading Partners by Total Trade Value 2015 (billions of USD)

- **US**: $482 (Exports $482, Imports $0)
- **EU**: $189 (Exports $189, Imports $0)
- **Hong Kong**: $250 (Exports $250, Imports $0)
- **ASEAN¹**: $147 (Exports $147, Imports $0)
- **Japan**: $109 (Exports $109, Imports $0)
- **S. Korea**: $137 (Exports $90, Imports $47)
- **Australia**: $61 (Exports $51, Imports $10)
- **India**: $10 (Exports $6, Imports $4)
- **Russia**: $29 (Exports $35, Imports $0)

¹. Association of Southeast Nations (Indonesia, Malaysia, Philippines, Singapore and Thailand).

Source: IMF DOTS (Direction of Trade Statistics). Data available as of 9/30/16.
Franklin Mutual Global Discovery Fund
A Go-Anywhere Value Strategy

Opportunistic Value Investors

Think and Act Like Company Owners

Strive to Reduce Risk
Taking Another Look at the “Lost Decade”

Franklin Mutual Global Discovery Fund—Class A
Growth of a $10,000 Investment (Without Sales Charge)
December 31, 1999–September 30, 2016

If the fund’s 5.75% initial sales charge had been included returns would have been lower.

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund’s investment return and principal value will change with market conditions, and investors may have a gain or a loss when they sell their shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the fund’s most recent month-end performance.

Sources: © 2016 Morningstar, MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI. MSCI World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of global developed markets. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges.
Franklin Mutual Global Discovery Fund
Performance Data

<table>
<thead>
<tr>
<th>Average Annual Total Returns for Periods Ended September 30, 2016</th>
<th>1-Year</th>
<th>3-Year</th>
<th>5-Year</th>
<th>10-Year</th>
<th>Since Inception December 31, 1992</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Z (MDISX) (^1)</td>
<td>10.24%</td>
<td>5.13%</td>
<td>11.06%</td>
<td>6.09%</td>
<td>11.53%</td>
</tr>
<tr>
<td>Class A (TEDIX) (^1,2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without Sales Charge</td>
<td>10.00%</td>
<td>4.84%</td>
<td>10.74%</td>
<td>5.79%</td>
<td>11.15%</td>
</tr>
<tr>
<td>With 5.75% Initial Sales Charge</td>
<td>3.69%</td>
<td>2.79%</td>
<td>9.44%</td>
<td>5.16%</td>
<td>10.88%</td>
</tr>
</tbody>
</table>

**Expense Ratios**

| Class Z | 0.99% |
| Class A | 1.24% |

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Class Z shares do not have sales charges or Rule 12b-1 fees and are offered only to certain eligible investors as stated in the prospectus.

1. This fund offers other share classes, subject to different fees and expenses that will affect their performance.
2. Prior to 11/1/96, the fund offered only a single class of shares without a sales charge and Rule 12b-1 expenses, Class Z shares. Figures reflect a restatement of the original class to include both the Rule 12b-1 expenses and maximum initial sales charges (when quoting figures with sales charges) applicable to Class A shares as though in effect from the fund's inception. For periods after 11/1/96, actual performance is used reflecting all charges and fees applicable to that class. Please see the fund's prospectus for more information about fees and expenses.
All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. The fund’s investments in foreign securities involve certain risks including currency fluctuations, and economic and political uncertainties. Smaller-company stocks have exhibited greater price volatility than larger-company stocks, particularly over the short term. The fund’s investments in companies engaged in mergers, reorganizations or liquidations also involve special risks as pending deals may not be completed on time or on favorable terms. The fund may invest in lower-rated bonds, which entail higher credit risk. Please consult the prospectus for a more details description of the fund’s risks.
Market Insights

- Economic shifts in China suggest that China remains on course, which may bode well for global growth more broadly.

Strategies for What’s Next:

Global and International Equities

- Franklin Mutual Global Discovery Fund (TEDIX)
- Franklin Mutual International Fund (FMIAX)
- Templeton Emerging Markets Small Cap Fund (TEMMX)
- Templeton Foreign Fund (TEMFX)
Risk Discussion

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Value securities may not increase in price as anticipated or may decline further in value. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Historically, smaller- and midsize-company securities have been more volatile in price than larger company securities, especially over the short term.

Franklin Mutual Global Discovery Fund and Franklin Mutual International Fund
Merger Arbitrage Securities: The funds’ investments in companies engaged in mergers, reorganizations or liquidations involve special risks as pending deals may not be completed on time or on favorable terms.

Templeton Emerging Markets Small Cap Fund
Emerging Markets: Investments in emerging markets, of which frontier markets are a subset, involve heightened risks related to the same factors as foreign investing, in addition to those associated with these markets’ smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with emerging markets are magnified in frontier markets.
Franklin Mutual International Fund
Regions: Because the fund invests its assets primarily in companies in a specific region, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the fund is not invested, may adversely affect the value of securities held by the fund.

Templeton Foreign Fund
Areas of Focus: To the extent the fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments.

Please consult a fund prospectus for a complete discussion of a fund's risks.

Investors should carefully consider a fund’s investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.