



# Franklin Mutual Global Discovery Fund—Class Z

Value  
Equity  
March 31, 2019

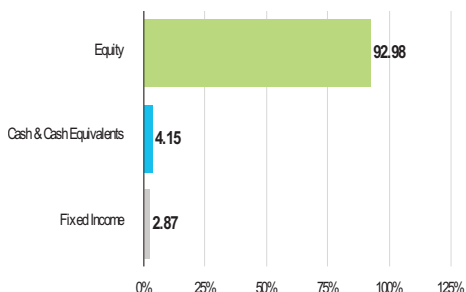
## Product Profile

### Product Details<sup>1</sup>

Fund Assets	\$16,134,924,492.08
Fund Inception Date	12/31/1992
Number of Issuers	95
NASDAQ Symbol	MDISX
Maximum Sales Charge	0.00
Investment Style	Value
Benchmark	MSCI World Index
Lipper Classification	Global Multi-Cap Value
Morningstar Category™	World Large Stock
Dividend Frequency	Semiannually in October and December

### Asset Allocation<sup>2</sup>

Percent of Total



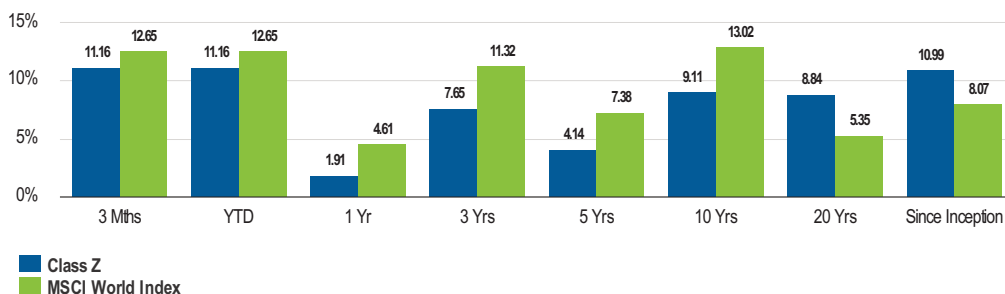
### Fund Description

The fund seeks capital appreciation. Its strategy is focused on undervalued mid- and large-cap equity securities, with a significant portion of its assets in foreign securities and, to a lesser extent, distressed securities and merger arbitrage.

### Performance Data<sup>3</sup>

#### Average Annual Total Returns<sup>4</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (12/31/1992)
Class Z	11.16	11.16	1.91	7.65	4.14	9.11	8.84	10.99
MSCI World Index	12.65	12.65	4.61	11.32	7.38	13.02	5.35	8.07



#### Total Annual Operating Expenses: 0.96%

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 you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

Class Z shares are only offered to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

#### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Class Z	-10.78	9.84	12.86	-3.36	5.33	25.64	13.65	-2.69	11.37	21.31
MSCI World Index	-8.20	23.07	8.15	-0.32	5.50	27.37	16.54	-5.02	12.34	30.79

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.
3. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
4. Periods shorter than one year are shown as cumulative total returns.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Portfolio Manager Insight<sup>5</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Kinder Morgan Inc Class P	Financials	United States
	British American Tobacco p.l.c.	Information Technology	United Kingdom
	Novartis AG Sponsored ADR	Energy	Switzerland
HURT	CVS Health Corporation	—	Japan
	Walgreen Co.	—	—
	Societe Generale	—	—

- Shares of Kinder Morgan rose in early 2019, as the energy sector rebounded from a weak performance in the fourth quarter of 2018. In addition, US pipeline companies have been benefiting from increased volumes of US crude oil, natural gas and natural gas liquids, along with limited pipeline supply. Conditions are likely to remain favorable for the energy sector if commodity prices hold up, most notably if crude oil prices remain above \$50 per barrel.
- In February, shares of British American Tobacco reported decent full-year 2018 results given a challenging industry environment. In March, US Food and Drug Administration Commissioner Scott Gottlieb announced his resignation, raising the possibility of a new commissioner who may pull back on recent regulatory pressure. Later in March, investors reacted positively to the company's outlook for global nicotine usage, next generation products (NGP) growth and profitability, as well as its own NGP plans.
- In January, CVS Health's chief executive officer highlighted probable headwinds for 2019, and in February the company detailed the financial drag from those headwinds. Negative factors include: higher costs from increased investments in its workforce, which will have a year-over-year drag on earnings through the first half of 2019; greater price competition in nursing care; and lowered-than-expected branded drug inflation.

## Outlook &amp; Strategy

- Little has happened to challenge the full-year consensus view of slower global economic growth and modest improvement in corporate earnings. The US Federal Reserve's (Fed's) policy shift lessened investor concern about a near-term recession, despite continued downside risks to the global economy. Market expectations regarding the Fed's next move have shifted from near certainty of another rate hike to serious consideration of a rate cut.
- We are closely monitoring Brexit negotiations, US-China trade discussions, the effectiveness of China's stimulus measures, and how major central banks navigate an uncertain economic environment. Movement towards positive, or at least less negative, policy outcomes has boosted investor sentiment. Yet, Brexit and trade tensions remain far from resolved, leaving financial markets vulnerable to renewed volatility and another downturn.
- We took advantage of late 2018 market turbulence to seek out stocks whose risk/reward profiles turned more favorable. Subsequently, we used the recent rebound to exit or trim from select positions that reached or exceeded our estimates of intrinsic value, most notably within the health care sector.
- As of period end, we believe the overall equity market is close to fair value, given the uncertain economic outlook, with no sector or industry looking abnormally cheap or compelling. New opportunities at this time are idiosyncratic in nature. However, an uncertain and volatile market typically presents broader opportunities for prudent stock pickers with a disciplined approach.
- Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined, driven by rigorous fundamental analysis, and attempts to limit downside risk. In our view, investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

5. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics<sup>6,7,8</sup>

	Portfolio	MSCI World Index
Price to Earnings (12-Month Trailing)	13.92x	17.80x
Price to Book	1.37x	2.39x
Price to Cash Flow	6.40x	11.45x
Market Capitalization (Millions in USD)	83,609	140,210

6. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

7. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

8. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Portfolio Diversification

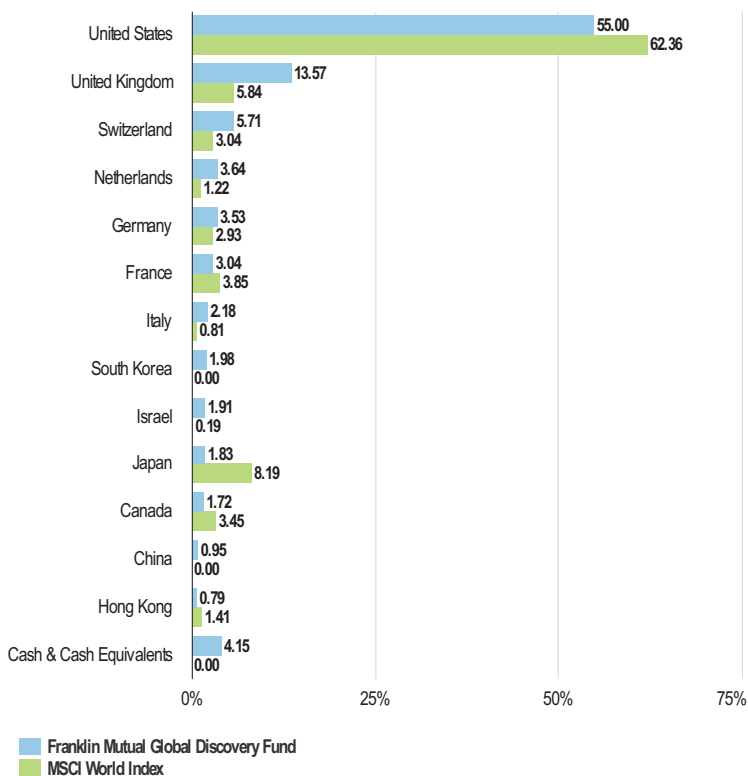
Top Ten Holdings<sup>9</sup>

Percent of Total

Top Holdings	Sector	Country	%
NOVARTIS AG	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	3.40
MEDTRONIC PLC	Health Care Equipment & Services	United States	3.09
WALT DISNEY CO/THE	Media & Entertainment	United States	2.55
ROYAL DUTCH SHELL PLC	Energy	United Kingdom	2.42
GLAXOSMITHKLINE PLC	Pharmaceuticals, Biotechnology & Life Sciences	United Kingdom	2.41
ENEL SPA	Utilities	Italy	2.18
BRITISH AMERICAN TOBACCO PLC	Food, Beverage & Tobacco	United Kingdom	2.05
MERCK & CO INC	Pharmaceuticals, Biotechnology & Life Sciences	United States	2.03
SAMSUNG ELECTRONICS CO LTD	Technology Hardware & Equipment	South Korea	1.98
KINDER MORGAN INC	Energy	United States	1.97

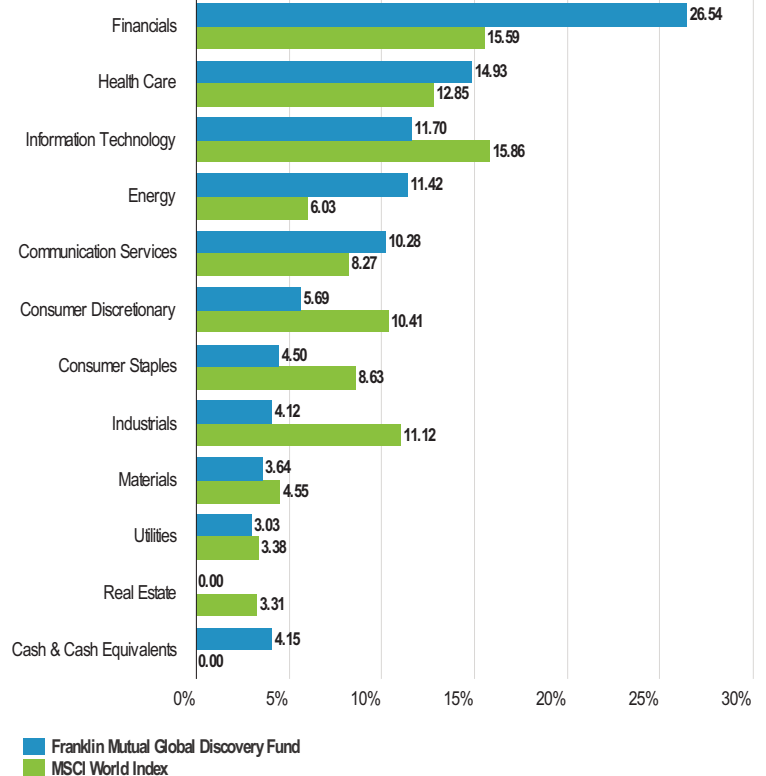
Geographic Weightings vs. MSCI World Index<sup>10,11</sup>

Percent of Total



Sector Weightings vs. MSCI World Index<sup>12,13</sup>

Percent of Total



9. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

10,12. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

11,13. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

## Supplemental Performance Statistics

### Supplemental Risk Statistic<sup>14,15</sup>

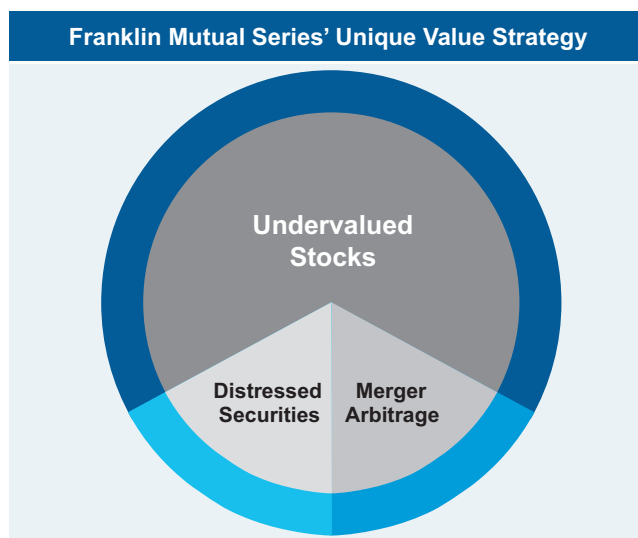
	3 Yrs	5 Yrs	10 Yrs
<b>Standard Deviation (%)</b>	9.41	10.15	10.64
<b>Tracking Error (%)</b>	4.27	3.62	5.24
<b>Information Ratio</b>	-0.86	-0.90	-0.74
<b>Beta</b>	0.86	0.88	0.73
<b>Sharpe Ratio</b>	0.69	0.33	0.82

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## Investment Philosophy and Process

### Bottom-Up Value Approach

- We seek to buy companies at a significant discount to their intrinsic value.
- We seek to understand and limit downside risk.
- We think and act like owners of the business.
- Undervalued stocks comprise the bulk of our portfolios.
- We search for catalysts to unlock value:
  - Corporate restructuring
  - Spin-offs
  - Share buybacks
  - Our own initiatives



## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Peter Langerman, Chief Executive Officer	29	33
Christian Correa, CFA, Director of Research	15	17
Tim Rankin, CFA, Portfolio Manager/Research Analyst	15	27

**Beta:** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

**Information Ratio:** In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

**Market Capitalization:** A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

**Price to Book Value:** The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

**Price to Cash Flow:** Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

14. Beta, Information Ratio and Tracking Error information are measured against the MSCI World Index.

15. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

**Price to Earnings (12-mo Trailing):** The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

**Sharpe Ratio:** To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

**Standard Deviation:** A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

**Tracking Error:** Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

**What Are The Risks?**

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. 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 detailed description of the fund's risks.

**Important Legal Information**

*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](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

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