



Franklin Mutual European Fund—Class Z

Value
Equity
March 31, 2019

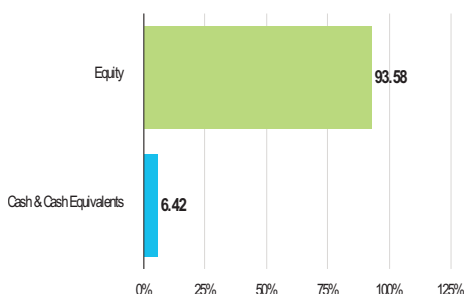
Product Profile

Product Details¹

Fund Assets	\$1,637,897,201.98
Fund Inception Date	07/03/1996
Number of Issuers	51
NASDAQ Symbol	MEURX
Maximum Sales Charge	0.00
Investment Style	Value
Benchmark	MSCI Europe (Net Dividends) Local Index
Lipper Classification	European Region Funds
Morningstar Category™	Europe Stock
Dividend Frequency	Semiannually in October and December

Asset Allocation²

Percent of Total



Third-Party Fund Data

Overall Morningstar Rating™³



As of 03/31/2019 the fund's Class Z shares received a 4 star overall Morningstar Rating™, measuring risk-adjusted returns against 103, 76 and 52 U.S.-domiciled Europe Stock mutual funds and exchange traded funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

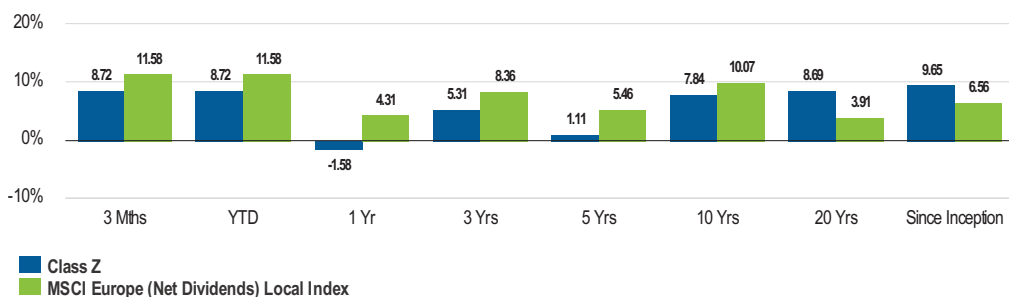
Fund Description

The fund seeks capital appreciation, with income as a secondary goal, by investing at least 80% of its net assets in the securities of European companies. It focuses mainly on undervalued equity securities and, to a lesser extent, distressed securities and merger arbitrage opportunities.

Performance Data⁴

Average Annual Total Returns⁵ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (07/03/1996)
Class Z	8.72	8.72	-1.58	5.31	1.11	7.84	8.69	9.65
MSCI Europe (Net Dividends) Local Index	11.58	11.58	4.31	8.36	5.46	10.07	3.91	6.56



Total Annual Operating Expenses: 1.04%

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	-11.12	10.45	2.40	0.82	-4.00	26.68	17.72	-8.01	8.61	23.01
MSCI Europe (Net Dividends) Local Index	-10.59	13.06	7.23	4.91	4.67	21.55	15.61	-9.34	6.83	27.70

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.
 4. 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.
 5. Periods shorter than one year are shown as cumulative total returns.

Portfolio Manager Insight⁶

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	LafargeHolcim Ltd.	Financials	United Kingdom
	Hellenic Telecommunications Organization SA	Materials	Switzerland
	Novartis AG	Communication Services	Netherlands
Hurt	OSRAM Licht AG	—	Japan
	Vodafone Group Plc	—	—
	G4S plc	—	—

- Hellenic Telecommunications followed the broader equity market rally in January and details within its 2018 full-year results and 2019 guidance provided further support for the stock in February. Demand in Greece is improving, while Hellenic expects revenues from its operations in Romania to stabilize. Hellenic also announced it will return all of its 2019 free cash flow to shareholders by way of a slightly larger-than-expected increase in its dividend and another share buyback.
- Novartis continued to follow through on its strategy to become a more focused and innovation driven pharmaceutical company. In March, Novartis announced the official process and dates for its tax-free spinoff of the eye care device and consumer products business, Alcon, and the US Food and Drug Administration approved Mayzent, the first oral drug to treat secondary progressive multiple sclerosis. We believe Novartis' innovative product pipeline remains underappreciated and management has room to further improve operating margins at the company.
- Osram Licht was hurt by weaker economic conditions in China, a deterioration in global manufacturing activity and disruptions to auto manufacturing from the European Union's new vehicle testing procedure. As a result, Osram issued a profit warning in January, reported weak quarterly results in February and announced downward revisions to their full-year guidance in late March. We believe Osram is an underappreciated technology company with an inexpensive valuation, and recently disclosed talks with private equity firms adds to the significant upside potential in the shares, in our opinion.

Outlook & Strategy

- Economic and political uncertainty in Europe remains elevated, leaving the region vulnerable to further bouts of volatility. The latest round of economic data shows few signs that activity is turning a corner and a fragmented UK parliament provides little confidence regarding an immediate Brexit decision. The current backdrop increases the importance of prudent stock picking and a disciplined investment approach.
- We do see some glimmers of hope for conditions to improve sooner than later. The European Central Bank's (ECB's) announcement of new financial stimulus and its intention to hold off on raising interest rates until 2020 should provide some support to economic activity. Further progress on a US-China trade agreement and China's economic stimulus measures could boost investor and business sentiment, as a slowdown in demand from China has been blamed for the most recent deterioration in German industrial activity.
- From a sector perspective, our portfolio is currently overweight companies in financial services, with a greater focus on insurance companies compared to banks. The portfolio is underweight health care and consumer staples.
- The value style has been out of favor for the past decade, but we remain committed to our approach. Over the long term, we believe that a bottom-up stock picking process based on fundamental analysis will reward investors, while market dislocations offer opportunities to acquire companies in attractive end markets trading at valuation levels that offer downside protection.
- Over the past year, we have seen an increase in activism in European companies, which we view as encouraging. We believe our approach to actively engaging with management teams and our long-term approach to investing with a disciplined focus on valuation will serve our shareholders well over the long term.

6. 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^{7,8,9}

	Portfolio	MSCI Europe (Net Dividends) Local Index
Price to Earnings (12-Month Trailing)	13.16x	15.47x
Price to Book	1.12x	1.76x
Price to Cash Flow	5.28x	9.37x
Market Capitalization (Millions in USD)	44,648	68,280

Portfolio Diversification

Top Ten Holdings¹⁰

Percent of Total

Top Holdings	Sector	Country	%
NOVARTIS AG	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	3.71
LAFARGEHOLCIM LTD	Materials	Switzerland	3.64
GLAXOSMITHKLINE PLC	Pharmaceuticals, Biotechnology & Life Sciences	United Kingdom	3.30
HELLENIC TELECOMMUNICATIONS ORGANIZATION SA	Telecommunication Services	Greece	3.12
ACCOR SA	Consumer Services	France	3.06
DIRECT LINE INSURANCE GROUP PLC	Insurance	United Kingdom	2.87
ENEL SPA	Utilities	Italy	2.85
ROYAL DUTCH SHELL PLC	Energy	United Kingdom	2.81
REXEL SA	Capital Goods	France	2.66
VOLKSWAGEN AG	Automobiles & Components	Germany	2.49

7. 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.

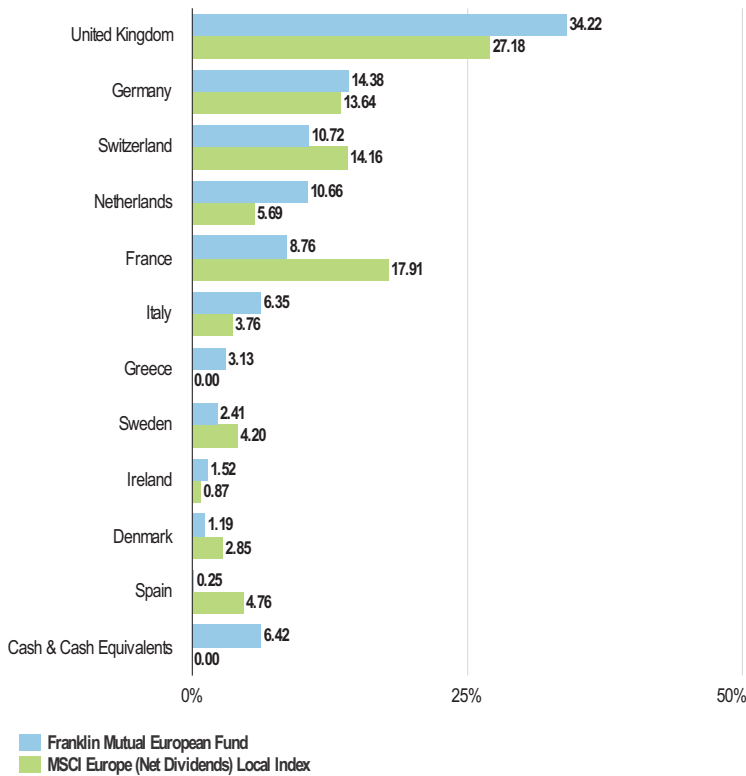
8. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

9. 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.

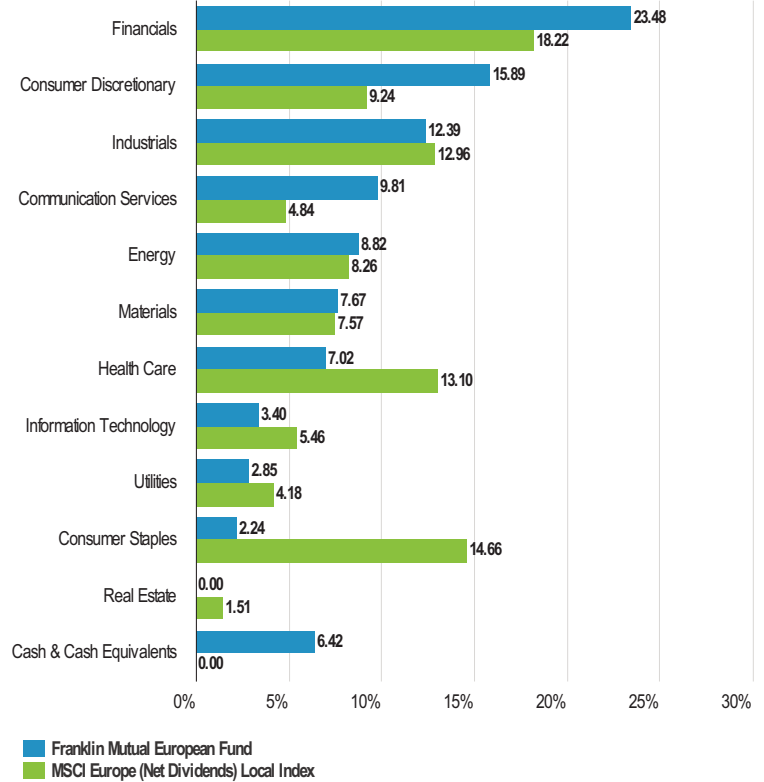
10. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The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

Geographic Weightings vs. MSCI Europe (Net Dividends) Local Index^{11,12}

Percent of Total

**Sector Weightings vs. MSCI Europe (Net Dividends) Local Index^{13,14}**

Percent of Total

**Supplemental Performance Statistics****Supplemental Risk Statistics^{15,16}**

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	10.20	11.07	12.35
Tracking Error (%)	4.16	4.10	4.02
Information Ratio	-0.73	-1.06	-0.55
Beta	1.00	0.96	0.93
Sharpe Ratio	0.40	0.03	0.60

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11,13. 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.

12,14. 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.

15. Beta, Information Ratio and Tracking Error information are measured against the MSCI Europe (Net Dividends) Local Index.

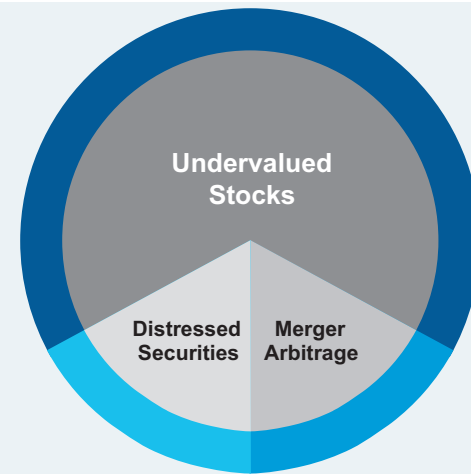
16. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return)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

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

Franklin Mutual Series' Unique Value Strategy



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Katrina Dudley, CFA, Portfolio Manager/Research Analyst	16	21
Mandana Hormozi, Portfolio Manager/Research Analyst	15	28

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.

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. 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. The Fund's investments in smaller-company stocks carry an increased risk of price fluctuation, especially 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. These and other risk considerations are discussed in the fund's prospectus.

Important Legal Information

Your clients should carefully consider a fund's investment goals, risks, charges and expenses before investing. They should read the summary prospectus and/or prospectus carefully before they invest or send money. To obtain a prospectus, which contains this and other information, please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236.

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3. Source: Morningstar®, 03/31/2019. For each mutual fund and exchange traded fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The Fund's Class Z shares received a Morningstar Rating of 3, 3 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating™ is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.**



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