



# Franklin Mutual International Fund— Class Z

Deep Value  
Equity  
December 31, 2019

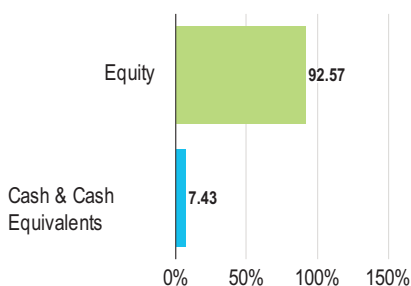
## Product Profile

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

Fund Assets	\$100,150,794.13
Fund Inception Date	05/01/2009
Number of Issuers	41
NASDAQ Symbol	FMIZX
Maximum Sales Charge	0.00
Investment Style	Deep Value
Benchmark	MSCI All Country World ex-US Local Index-NR MSCI All Country World ex-US Index-NR
Lipper Classification	International Multi-Cap Value
Morningstar Category™	Foreign Large Value
Dividend Frequency	Semiannually in October and December

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

Percent of Total



**This fund is proposing to reorganize into Franklin Mutual Global Discovery Fund effective 02/21/2020, subject to shareholder approval. This date is subject to change. In preparation for the proposed reorganization, the fund closed to new investors with limited exceptions on 08/27/2019.**

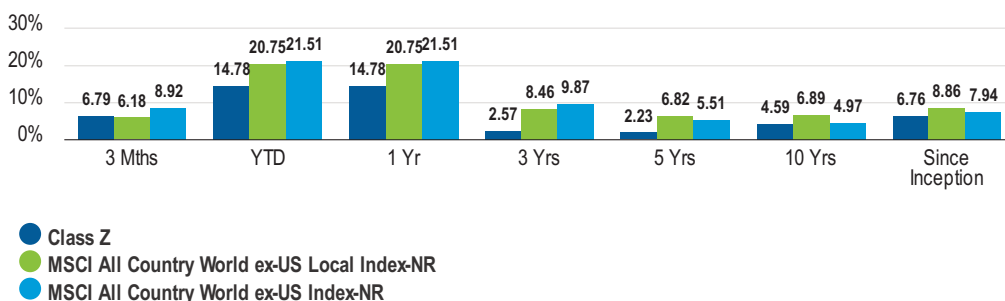
### Fund Description

The Fund seeks capital appreciation, with income as a secondary goal, by investing predominantly in securities of companies located outside the United States. Its strategy is focused on undervalued securities of issuers of various sizes and, to a significantly lesser extent, distressed companies and merger arbitrage securities.

### Performance Data<sup>3,4</sup>

#### Average Annual Total Returns<sup>5</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (05/01/2009)
Class Z	6.79	14.78	14.78	2.57	2.23	4.59	6.76
MSCI All Country World ex-US Local Index-NR	6.18	20.75	20.75	8.46	6.82	6.89	8.86
MSCI All Country World ex-US Index-NR	8.92	21.51	21.51	9.87	5.51	4.97	7.94



#### Total Annual Operating Expenses—With 0.97% Without Waiver: 1.21%

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 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.

The fund has an expense reduction contractually guaranteed through 04/30/2020. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

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. Net Returns (NR) include income net of tax withholding when dividends are paid.
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.

Not FDIC Insured | May Lose Value | No Bank Guarantee

## Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Class Z	14.78	-17.52	13.99	3.34	0.15	-1.63	19.71	16.30	-11.08	15.21
MSCI All Country World ex-US Local Index-NR	20.75	-10.65	18.23	7.02	1.86	6.05	20.05	16.32	-12.16	7.64
MSCI All Country World ex-US Index-NR	21.51	-14.20	27.19	4.50	-5.66	-3.87	15.29	16.83	-13.71	11.15

Portfolio Manager Insight<sup>6</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	Z Holdings Corporation	Consumer Discretionary	Japan
	Samsung Electronics Co., Ltd.	Financials	Switzerland
	T&D Holdings, Inc.	Information Technology	France
Hurt	Metro Pacific Investments Corporation	—	Philippines
	BP p.l.c.	—	—
	Vodafone Group Plc	—	—

- Shares of Tokyo-based Z Holdings' (formerly Yahoo Japan) rallied after the e-commerce company acquired Naver, which owns a popular social media platform operating in several Asian markets. Investor sentiment improved on news that the merged company will have more than 100 million users with apps for chat, search, e-commerce and payment applications. We exited the position because the stock price exceeded our fair value estimate and management's lack of experience selling goods and services through social media.
- Samsung Electronics' stock price rose on improved investor sentiment that the market for semiconductor chips was approaching a bottom, and that prices may begin rising in 2020. A glut in the market for dynamic random access memory (DRAM) chips has weighed on the company, the world's largest manufacturer of DRAMs.
- BP's share price slumped during the period, despite rising oil prices. Confusion over the likelihood of a near-term dividend increase, after unclear comments by the CFO on the third-quarter conference call, added to uncertainty. During the period, the company announced that Bernard Looney will replace Bob Dudley as CEO in February, and we believe the appointment is the right choice to lead the company.

## Outlook &amp; Strategy

- As we enter 2020, the events that drove 2019's market rally — accommodative central bank monetary policy, resolution of Brexit and progress on a US-China trade deal — continue to be sources of optimism. European stock markets welcomed the news of US-China trade détente and more clarity around Brexit. Asian equities collectively advanced as China and the United States agreed to an initial trade deal. As a result, the recession fears that clouded the outlook at the beginning of 2019 have decreased, although business investment and exports remain weak.
- Most central banks demonstrated their willingness to support economic growth by using all the monetary tools in their arsenals. Increasingly, the central bankers are calling on governments to employ fiscal policy to spur growth, and there is a possibility that 2020 will be characterized by accommodative fiscal stimulus being implemented in various regions.
- We are also monitoring other potentially market-moving events. Late in the period, tension in the Middle East increased following the death of an American contractor in Iraq in late December and a retaliatory US military strike shortly thereafter. And while trade tensions dissipated with the announcement of the US-China trade deal, there are still a significant number of issues that need to be resolved. A re-escalation of hostilities remains a possibility.
- Trade battles, the UK post-Brexit transition and geopolitical conflicts may continue to dominate headlines in 2020 and account for a disproportionate source of market volatility. As long-term investors, we can weather this turbulence and look at it as an opportunity to acquire shares in good franchises at attractive valuations.
- As we have mentioned repeatedly this past decade, the value style has been out of favor for some time, and the outperformance of growth stocks compared with their value counterparts during 2019 was significant. However, we remain disciplined in our approach and are committed to buying companies based on a rigorous analysis of their fundamentals; focusing on cash flows and valuation; and actively engaging with management teams to increase shareholder value.

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<sup>7,8,9</sup>

	Portfolio	MSCI All Country World ex-US Local Index-NR
Price to Earnings (12-Month Trailing)	12.96x	15.93x
Price to Book	0.88x	1.70x
Price to Cash Flow	3.64x	9.33x
Market Capitalization (Millions in USD)	54,001	55,915

## Portfolio Diversification

Top Ten Holdings<sup>10</sup>

Percent of Total

Top Holdings	Sector	Country	%
SAMSUNG ELECTRONICS CO LTD	Technology Hardware & Equipment	South Korea	3.59
BRITISH AMERICAN TOBACCO PLC	Food, Beverage & Tobacco	United Kingdom	3.35
NN GROUP NV	Insurance	Netherlands	3.29
GLAXOSMITHKLINE PLC	Pharmaceuticals, Biotechnology & Life Sciences	United Kingdom	3.25
RSA INSURANCE GROUP PLC	Insurance	United Kingdom	3.19
JXTG HOLDINGS INC	Energy	Japan	3.17
RENESAS ELECTRONICS CORP	Semiconductors & Semiconductor Equipment	Japan	3.17
BP PLC	Energy	United Kingdom	3.09
ING GROEP NV	Banks	Netherlands	3.03
NOVARTIS AG	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	2.97

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.

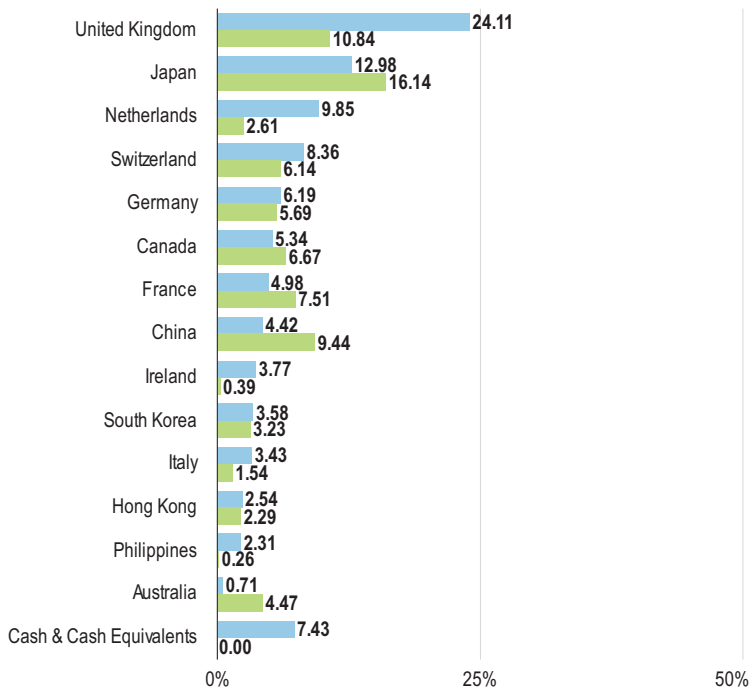
8. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

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 Complex Caveat

**Geographic Weightings vs. MSCI All Country World ex-US Local Index-NR<sup>11</sup>**

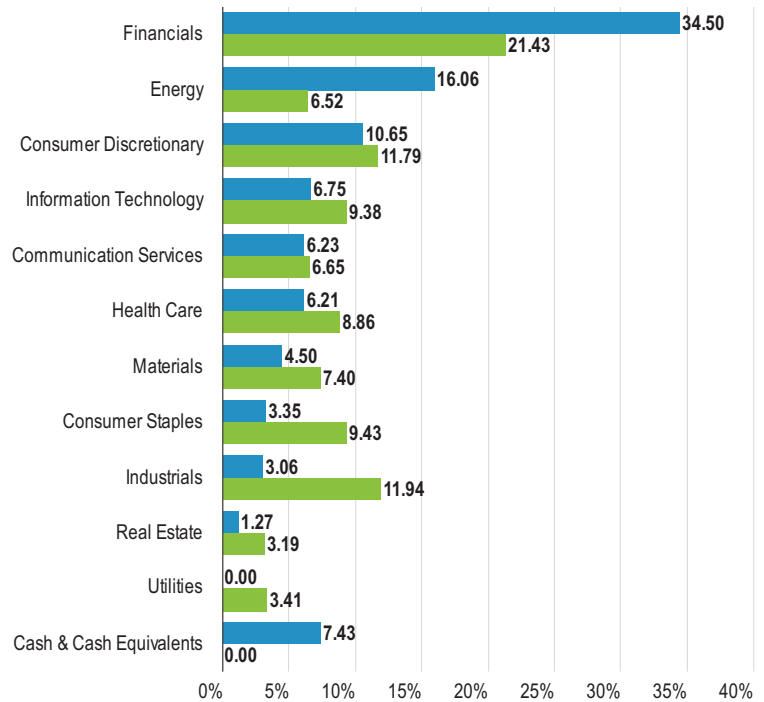
Percent of Total



● Franklin Mutual International Fund  
● MSCI All Country World ex-US Local Index-NR

**Sector Weightings vs. MSCI All Country World ex-US Local Index-NR<sup>12</sup>**

Percent of Total



● Franklin Mutual International Fund  
● MSCI All Country World ex-US Local Index-NR

**Supplemental Performance Statistics**

**Supplemental Risk Statistics<sup>13,14,15</sup>**

	3 Yrs	5 Yrs	10 Yrs
<b>Standard Deviation (%)</b>	11.10	11.66	12.29
<b>Tracking Error (%)</b>	4.03	4.56	5.07
<b>Information Ratio</b>	-1.26	-0.99	-0.52
<b>Beta</b>	1.10	0.96	0.97
<b>Sharpe Ratio</b>	0.08	0.10	0.33

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11,12. Portfolio Information plus Rounding

13. Beta, Information Ratio and Tracking Error information are measured against the MSCI All Country World ex-US Local Index-NR.

14. Net Returns (NR) include income net of tax withholding when dividends are paid.

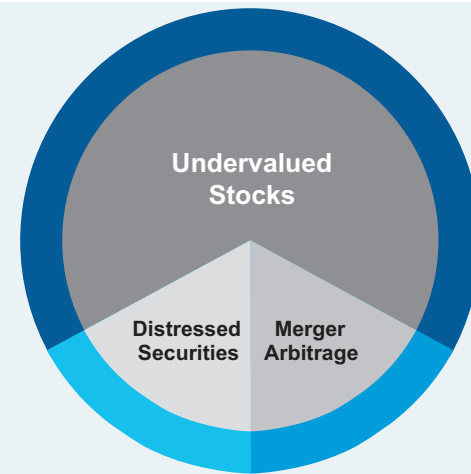
15. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return)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

## 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
Andrew Sleeman, CFA, Portfolio Manager/Research Analyst	12	33
Tim Rankin, CFA, Portfolio Manager/Research Analyst	16	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.

**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; investments in developing market countries involve heightened risks related to the same factors. Because fund may invest its assets in companies in a specific region, including Europe, 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. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in companies in Europe. Smaller and midsize 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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