

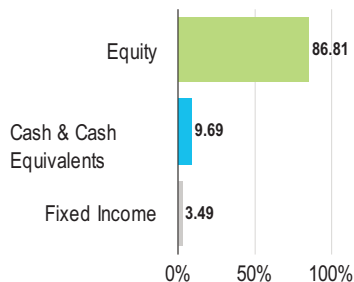
Product Profile

Product Details¹

Fund Assets	\$13,063,239,332.20
Fund Inception Date	07/01/1949
Number of Issuers	95
NASDAQ Symbol	MUTHX
Maximum Sales Charge	0.00
Investment Style	Deep Value
Benchmark	S&P 500 Index
Lipper Classification	Multi-Cap Value Funds
Morningstar Category™	Allocation—85%+ Equity
Dividend Frequency	Semiannually in October and December

Asset Allocation²

Percent of Total



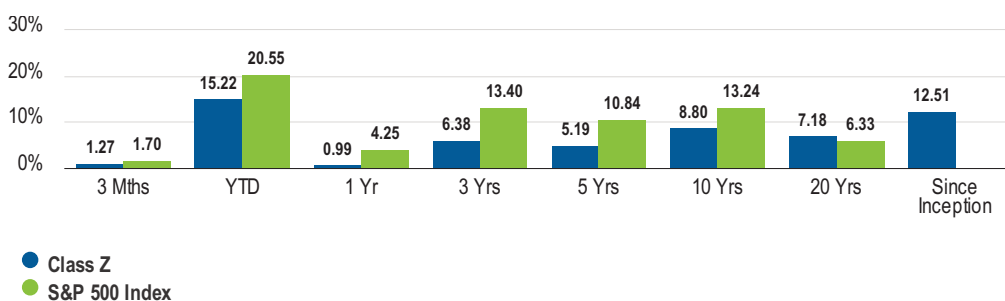
Fund Description

The fund seeks capital appreciation, which may occasionally be short term, with income as a secondary goal. Its strategy is focused on undervalued mid- and large-cap equity securities, which may include foreign securities and, to a lesser extent, distressed securities and merger arbitrage.

Performance Data³

Average Annual Total Returns⁴ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (07/01/1949)
Class Z	1.27	15.22	0.99	6.38	5.19	8.80	7.18	12.51
S&P 500 Index	1.70	20.55	4.25	13.40	10.84	13.24	6.33	-



Total Annual Operating Expenses: 0.77%

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.

Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Class Z	-8.95	8.49	15.88	-3.81	7.60	28.10	15.14	-1.49	11.75	28.20
S&P 500 Index	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46

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.

Portfolio Manager Insight⁵

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
HELPED	Medtronic PLC	Health Care
	Alleghany Corp.	Financials
	Newell Brands Inc.	Information Technology
HURT	Fluor Corp.	Energy
	Frontier Communications	Communication Services
	Williams Cos.	Industrials

- Shares of Medtronic, a medical technology company, rose during the period following a strong earnings report. Management has made substantial capital investments in research and development. We believe that a combination of new products emanating from a strong pipeline and better execution and communication from its leadership will help close the valuation gap with other medical technology companies over time.
- Property and casualty insurer Alleghany posted strong second-quarter 2019 earnings. During the period, the company repurchased \$12.7 million outstanding shares, with \$178 million remaining under its share repurchase authorization.
- Shares of Fluor, a global engineering and construction company, fell significantly during the period. The company withdrew 2019 guidance after reporting significant project charges and materially lower-than-expected earnings and revenues. Following these disappointing results, the company announced the return of the former CEO as Executive Chairman; promoted the general counsel to CEO; rehired the former CFO; and initiated a strategic review of its businesses.

Outlook & Strategy

- Although we expect a decline in economic growth and limited improvement in corporate earnings in 2019, the extent of the slowdown has become more uncertain in recent months. As ambiguity lingers, the impact is likely to carry over into 2020, in our view. The US Federal Reserve (Fed) indicated that it is willing to take steps to support the economy, but it is unclear whether its actions will be enough, should the trade conflict with China worsen or the global macro economy deteriorate further.
- The Fed has cut interest rates twice in 2019 as “insurance” against a downturn, despite multiple dissenting opinions among Federal Open Market Committee (FOMC) members. Future policy decisions will be guided by economic data, as the FOMC signaled that their goal is to sustain the current expansion. Other central banks have either reduced rates in recent months or announced an intention to do so, should conditions warrant it.
- US-China trade discussions and the effectiveness of China’s stimulus measures remain at the forefront for investors, with escalating tensions increasing the risk of a more significant “trade war” and economic upheaval. In addition, we are monitoring the continued wrangling over Brexit in the United Kingdom, as well as several other geopolitical flashpoints that could destabilize the global economy. While investors are justifiably nervous, they have generally remained engaged in the market, amid this heightened level of uncertainty. Given these unresolved tensions, financial markets, in our view, may be vulnerable to renewed volatility and a potential downturn.
- Market volatility and shifting expectations provide prudent stock pickers utilizing a disciplined approach with both buy and sell candidates. In this environment, we expect new opportunities to be mostly idiosyncratic, as we seek to acquire securities that the market is discounting, due to uncertainty, and sell those approaching our assessment of full valuation.
- 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^{6,7,8}

	Portfolio	S&P 500 Index
Price to Earnings (12-Month Trailing)	10.05x	21.84x
Price to Book	1.50x	3.40x
Price to Cash Flow	8.32x	12.99x
Market Capitalization (Millions in USD)	83,505	249,716

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

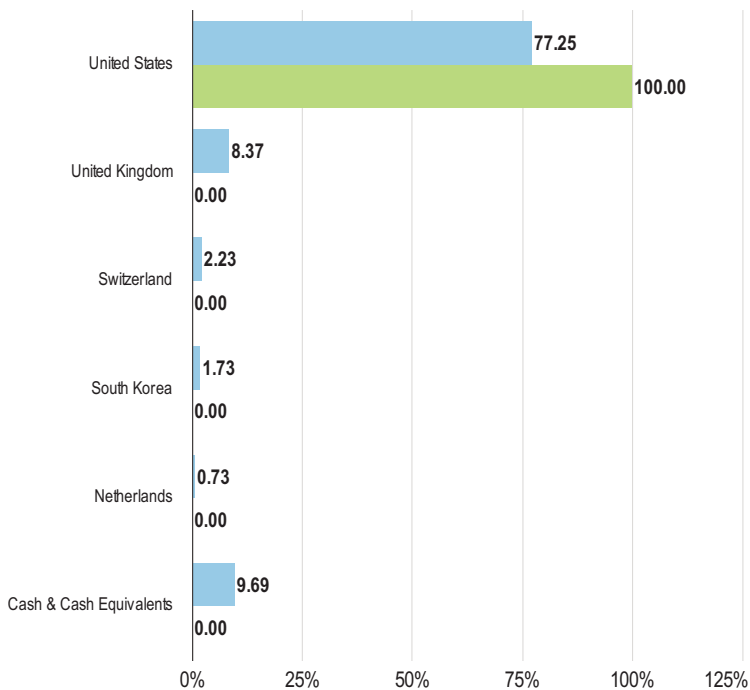
Top Ten Holdings⁹

Percent of Total

Top Holdings	Sector	Country	%
MEDTRONIC PLC	Health Care Equipment & Services	United States	3.00
JPMORGAN CHASE & CO	Banks	United States	2.59
WALT DISNEY CO/THE	Media & Entertainment	United States	2.58
AMERICAN INTERNATIONAL GROUP INC	Insurance	United States	2.42
ALLEGHANY CORP	Insurance	United States	2.30
NOVARTIS AG	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	2.23
GLAXOSMITHKLINE PLC	Pharmaceuticals, Biotechnology & Life Sciences	United Kingdom	2.11
CHARTER COMMUNICATIONS INC	Media & Entertainment	United States	2.08
WELLS FARGO & CO	Banks	United States	2.00
CITIGROUP INC	Banks	United States	1.89

Geographic Weightings vs. S&P 500 Index^{10,11}

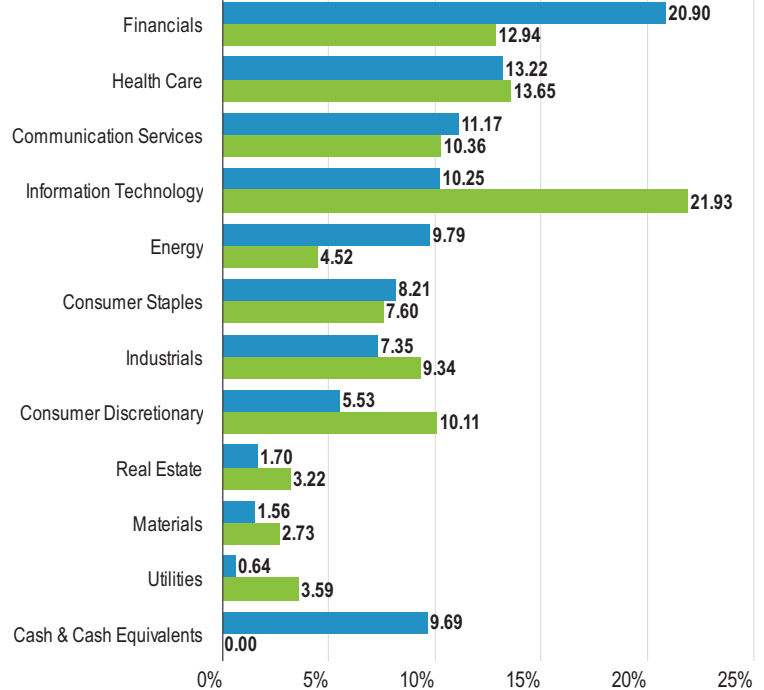
Percent of Total



● Franklin Mutual Shares Fund
● S&P 500 Index

Sector Weightings vs. S&P 500 Index^{12,13}

Percent of Total



● Franklin Mutual Shares Fund
● S&P 500 Index

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 Statistics^{14,15}

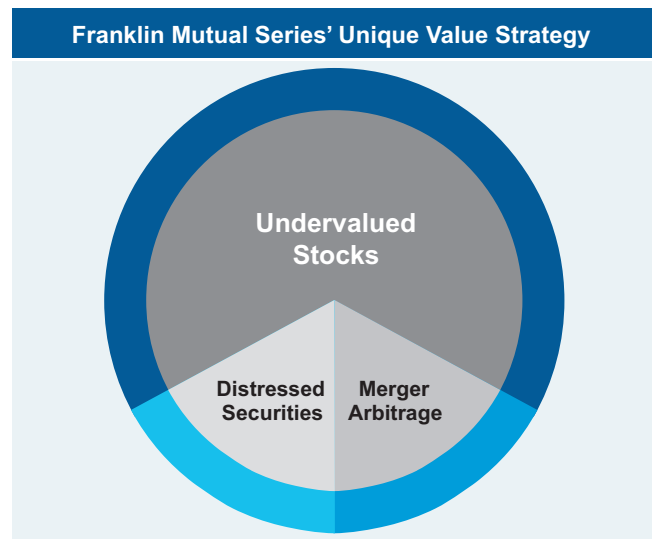
	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	11.10	10.93	11.24
Tracking Error (%)	4.15	3.96	3.86
Information Ratio	-1.69	-1.42	-1.15
Beta	0.87	0.87	0.86
Sharpe Ratio	0.44	0.39	0.74

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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	30	33
F. David Segal, CFA, Portfolio Manager/Research Analyst	17	28
Deborah Turner, CFA, Portfolio Manager/Research Analyst	26	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.

FY1 Price to Earnings: A measure of the price to earnings ratio (P/E) using forecasted earnings for the P/E calculation. The forecasted earnings for FY1 represent the forecasted earnings at the end of the next fiscal year-end period.

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.

14. Beta, Information Ratio and Tracking Error information are measured against the S&P 500 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).

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. 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. Please carefully read a prospectus before you invest or send money.

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