

# Franklin Mutual Shares Fund

Class Z: MUTHX Class A: TESIX

Commentary | as of March 31, 2025

## Key Takeaways

- **Markets:** US stocks, as measured by the Russell 1000 Index, experienced heightened volatility during the first quarter amid concerns about Trump's tariff policies and their impact on economic growth and inflation. Underwhelming earnings reports and guidance from some companies and lower consumer confidence also hindered sentiment.
- **Contributors:** Stock selection in health care, real estate and utilities contributed to relative results. Individual contributors included CVS Health, BNP Paribas and American Tower.
- **Detractors:** Security selection in the financials, communications services and industrials sectors curbed relative returns. Detractors included Target, Oracle and Global Payments.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term. Currently, several parts of the US economy, such as employment, remain robust. However, consumers have cut spending on discretionary purchases. The environment is also making it difficult for businesses to spend and companies may shelve additional capital expenditure until the landscape is more predictable.

## Performance Review

- The Fund (Class Z) outperformed its benchmark, the Russell 1000 Value Index, for the quarter ended March 31, 2025.
- CVS Health contributed to relative results, as its fourth-quarter medical loss ratio was better than expected. Moreover, we believe that CVS's 2025 guidance is conservative, and it should allow the new chief executive to gain credibility with Wall Street. The US government also announced a better-than-expected initial Medicare Advantage reimbursement rate for 2026.
- France-based BNP Paribas bolstered relative results, as it anticipates improved returns from the buildout of its insurance, wealth and asset management businesses and better performance of its French retail banking business. We believe BNP is one of the best banks in Europe and should deliver predictable and sustainable double-digit returns through the economic cycle.
- Target detracted from relative returns, as the retailer cautioned that its first-quarter sales faced pressure from declining sales in February amid more uncertain near-term consumer spending trends.
- Oracle, a US-based enterprise software company, hampered relative results, following mixed quarterly results. We believe the company's dominant database franchise and optionality that their architecture for running artificial intelligence workloads can grow and be a durable future free cash flow generator.

## Outlook

- While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term.
- Several parts of the US economy, such as employment, remain robust. For the US economy to stay healthy, policies regarding tariffs, taxes and government spending need predictability and clarity. Although the US Federal Reserve kept rates unchanged in March, policymakers acknowledge increased uncertainty around the economic outlook and are guiding towards an interest rate cut later this year.
- US consumers scrambled to purchase durable goods before tariffs went into effect but cut spending dramatically on discretionary purchases such as meals out, hotel stays and other non-essential items. Housing, retail and other industries are also under pressure. The environment is also making it difficult for businesses to spend. The viability of projects funded by government grants, such as those involving infrastructure buildouts or chip foundries, are in question. Spending on technology or energy transition projects may also slow. The cost of component goods and the supply routes to source them are uncertain, so it is difficult for management teams to deliver guidance. Companies may shelve additional capital expenditure until the landscape is more predictable.
- We remain focused on identifying opportunities to acquire stocks at attractive valuations based upon our assessment of fundamental value. Our process of finding underappreciated and misunderstood companies with identifiable catalysts to unlock shareholder value may provide meaningful upside potential and possible downside risk management during turbulent periods.

## Top Holdings (% of Total)

Holding	Fund
CHEVRON CORP	2.58
BANK OF AMERICA CORP	2.49
ELEVANCE HEALTH INC	2.40
CHARTER COMMUNICATIONS INC	2.38
NOVARTIS AG	2.35
EOG RESOURCES INC	2.31
FISERV INC	2.23
MEDTRONIC PLC	2.07
FERGUSON ENTERPRISES INC	2.03
AMERICAN TOWER CORP	2.01

## Sector Allocation (% of Total)

Sector	Fund
Financials	23.81
Health Care	15.91
Industrials	13.59
Consumer Staples	7.81
Energy	7.42
Information Technology	6.95
Communication Services	6.42
Real Estate	4.76
Other	12.02
Cash & Cash Equivalents	1.33

Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Class Z	628380107	MUTHX	2.53	2.53	5.47	6.81	14.23	6.21	12.13	2.53	2.53	5.47	6.81	14.23	6.21	12.13	0.75	0.75	—	—	7/1/1949
Class A	628380602	TESIX	2.45	2.45	5.20	6.54	13.95	5.95	11.29	-3.20	-3.20	-0.57	4.55	12.66	5.35	11.21	1.00	1.00	5.50	—	7/1/1949
Benchmark	—	—	2.14	2.14	7.18	6.64	16.15	8.79	—	2.14	2.14	7.18	6.64	16.15	8.79	—	—	—	—	—	—

Benchmark(s)

Benchmark =Linked Russell 1000 Value Index

**Performance data quoted represents past performance, which does not guarantee future results.** Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com. The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

What are the Risks?

**All investments involve risks, including possible loss of principal.** The **investment style** may become out of favor, which may have a negative impact on performance. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. 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. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

**Capital Expenditure (capex)** are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

**Free cash flow (FCF)** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

The **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe. Source: FTSE.

Important Information

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.

The **Linked Russell 1000 Value Index** reflects the performance of S&P 500 Index from fund inception through 12/31/1978 and Russell 1000 Value Index thereafter. The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. Source: FTSE.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com). All data is subject to change.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at [www.franklintempleton.com](http://www.franklintempleton.com). Please read it carefully.