FRANKLIN TEMPLETON

Franklin Mutual Shares Fund

Class Z: MUTHX Class A: TESIX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** US equities, as measured by the Russell 1000 Index, rose during the quarter, with market leadership shifting from large-cap growth and semiconductor stocks towards value shares before reversing in September. Strong corporate earnings supported sentiment, although market breadth narrowed and small-cap stocks weakened late in the period.
- **Contributors:** Stock selection in the consumer discretionary and industrials sectors contributed to performance. Leading individual contributors to performance included Thermo Fisher Scientific, Microsoft and Ulta Beauty.
- **Detractors:** Stock selection in the health care and energy sectors detracted from performance. Leading individual detractors from performance included Dick's Sporting Goods, Cooper Companies and Dover Corporation.
- **Outlook:** 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.

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the Russell 1000 Value Index, for the quarter ended September 30, 2026.
- Dick's Sporting Goods, a US-based sporting goods retailer, weighed on relative returns as shares slumped following a reset to new full-year guidance. Management expects margin compression from heavier promotions and elevated logistics and SG&A costs. Investor sentiment weakened further after an ESG review highlighted governance risks.
- Cooper Companies, a US-based vision-care and medical instruments provider, curbed portfolio returns as a reduced growth outlook for CooperVision overshadowed otherwise decent results. Governance uncertainty rose amid lack of a divestiture of their women's health business and activist calls for a CEO change.
- Thermo Fisher Scientific, a U.S.-based life sciences tools provider, supplies instruments and services to biopharma and research customers. It bolstered fund performance as investors rerated shares on a clearer execution roadmap and improving end-market signals. Management reaffirmed guidance and long-term targets, while AI-enabled product launches and integrations from deals supported product mix improvement and accelerating growth.
- Microsoft, a US-based software and cloud services provider, helped relative performance as a robust quarterly update signaled accelerating Azure momentum and rapid M365 Copilot adoption, while sector-wide software strength redirected flows toward AI platform leaders. An accounting reclassification that eased capex optics further supported sentiment.

Outlook

- The US economy remains on solid footing. The Commerce Department revised the initial 1.5% second quarter GDP estimate upwards to 2.2%. Revisions to several categories, including consumer spending and investment (which includes data centre construction spending), underscore how important both elements are to the ongoing health of the US economy.
- In the United States, business investment in AI and related capital expenditure is the main source of economic growth and investor optimism. Major uncertainties remain, however, including whether these investments will generate adequate returns and how regulation will evolve. A substantial slowdown in current or expected spending could affect both the broader economy and the stock market.
- A second source of economic support is consumer spending, which is bolstered by high-income households, as the K-shaped economy persists. Increasing gas, food and energy prices, which consume a larger percentage of low- and middle-income earners' wages, are crowding out other expenditures from this segment of the population.
- The situation in Iran remains uncertain and will likely continue to stoke price volatility and elevate global asset risk premiums for the duration of the conflict. Restricted travel through the Strait of Hormuz negatively impacts consumers around the world, as governments work to manage supply shocks and rapidly increasing prices. In addition to oil and liquefied natural gas, shipments of refined products, aluminium, and fertiliser, among others, are also affected. Inflationary pressure brought on by the conflict has contributed to a higher interest rate environment in the US, as the US Federal Reserve attempts to battle above-target inflation.
- 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
AMAZON.COM INC	7.64
MICROSOFT CORP	7.38
JPMORGAN CHASE & CO	3.42
APPLE INC	3.07
FERGUSON ENTERPRISES INC	2.55
THERMO FISHER SCIENTIFIC INC	2.50
ROCHE HOLDING AG	2.46
ABBOTT LABORATORIES	2.42
HALEON PLC	2.42
JOHNSON CONTROLS INTERNATIONAL PLC	2.41

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	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	1.33	5.95	9.91	13.20	7.77	7.45	12.09	1.33	5.95	9.91	13.20	7.77	7.45	12.09	0.74	0.74	—	—	7/1/1949
Class A	628380602	TESIX	1.28	5.78	9.64	12.92	7.50	7.19	11.26	-4.31	-0.04	3.62	10.81	6.29	6.58	11.18	0.99	0.99	5.50	—	7/1/1949
Benchmark	—	—	2.61	19.27	23.81	20.07	11.92	11.43	—	2.61	19.27	23.81	20.07	11.92	11.43	—	—	—	—	—	—

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.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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 **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. 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.

Source: FTSE.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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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. Please read it carefully.

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