Franklin Mutual Shares Fund

Class Z: MUTHX Class A: TESIX | **Commentary | as of September 30, 2025**

Key Takeaways

- **Markets:** US equities, as measured by the Russell 1000 Index, delivered strong performance over the third quarter, buoyed, in part, by easing trade tensions and optimism surrounding artificial intelligence (AI). The US Federal Reserve's (Fed) interest-rate cut in September also supported market sentiment, as did robust corporate earnings.
- **Contributors:** Stock selection in the consumer discretionary sector, an underweight in consumer staples and stock selection in utilities contributed to relative results. Individual contributors included DR Horton, General Motors and Ulta Beauty.
- **Detractors:** Security selection in communication services, health care and financials curbed relative performance. Among the detractors were Charter Communications, Fiserv and Baxter International.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty could continue to generate pockets of volatility in the near term. Despite softening sentiment, the US consumer continues to spend. Middle- and high-income consumers are helping to support the economy, with recent increases across all goods and services categories. Private sector new job creation has stalled, but muted new jobless claims are keeping the unemployment rate steady.

Top Holdings (% of Total)

Holding	Fund
ALPHABET INC	2.76
AMAZON.COM INC	2.35
PPL CORP	2.21
CHEVRON CORP	2.19
BLACKROCK INC	2.06
HALEON PLC	2.01
THERMO FISHER SCIENTIFIC INC	2.00
BANK OF AMERICA CORP	2.00
BRIXMOR PROPERTY GROUP INC	2.00
HARTFORD INSURANCE GROUP INC/THE	1.98

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the Russell 1000 Value Index, for the quarter ended September 30, 2025.
- Charter Communications detracted from relative results, on worries that greater competition from both fiber and fixed wireless access (FWA) is likely to limit the cable company's ability to raise prices and may require more capital spending. AT&T's (not a fund holding) purchase of spectrum from EchoStar may extend the runway for FWA growth. While free cash flow generation could increase significantly at Charter, we acknowledge the market's focus on subscriber metrics.
- Payments company Fiserv curbed relative results as it posted mixed quarterly financial results. Although growth in its Clover business has been strong, volumes were weaker than expected. Notwithstanding the near-term volatility, we think that Clover is one of the few scaled point-of-sale payment platforms that can continue to gain share, though the path may be bumpier than expected.
- Homebuilder DR Horton supported relative results, as management continues to execute well and drive solid results in what continues to be a challenging housing market. We believe that DR Horton can generate attractive returns on invested capital, free cash flow and shareholder returns over time. The company's scale and product mix, skewed toward entry-level homes, is a competitive advantage, in our view.
- US automaker General Motors supported relative results following solid quarterly financial results. It also resumed share repurchases. Its share price also benefited from a less uncertain tariff environment and greater Wall Street analyst optimism.

Outlook

- The US Federal Reserve cut interest rates by 25 basis points during the quarter and has signaled an additional cut at its next meeting. The prospect of lower borrowing costs is accretive to business and consumer spending.
- Despite a lack of clarity on tariff policy, businesses are generally moving forward with capital spending plans. Artificial intelligence (AI) continues to be a key area of investment for many businesses and has been a large driver of equity market appreciation. While we are optimistic about the eventual efficiency gains this technology can bring, we are cautious about the length of the timeline, the level of return expectations currently being priced into the market and the enormous amounts of capital chasing an inherently uncertain return.
- Consumer sentiment continues to trend lower due to sticky inflation and an uncertain jobs market although there remains a wide disparity between the low- and high-end consumers. However, many hard economic indicators remain strong. Gross domestic product (GDP) growth is robust, and the S&P Global US Sector PMI shows expansion across all private sectors except for health care in September. Private sector new job creation has stalled, but muted new jobless claims are keeping the unemployment rate steady.
- Despite softening sentiment, the US consumer continues to spend. Middle- and high-income consumers are helping to support the economy, with increasing outlays across all goods and services categories in August, particularly in non-essential areas.
- 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.

Average annual total returns and fund expenses (%) - as of September 30, 2025

			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	1.51	7.74	5.48	15.94	12.28	7.78	12.12	1.51	7.74	5.48	15.94	12.28	7.78	12.12	0.75	0.75	—	—	7/1/1949
Class A	628380602	TESIX	1.46	7.54	5.25	15.67	12.00	7.51	11.28	-4.11	1.62	-0.55	13.50	10.74	6.91	11.20	1.00	1.00	5.50	—	7/1/1949
Benchmark	—	—	5.33	11.65	9.44	16.96	13.88	10.72	—	5.33	11.65	9.44	16.96	13.88	10.72	—	—	—	—	—	—

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.*
Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 04/30/2026 without Board consent. 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

A **basis point (bp, or bps)** is one one-hundredth of one percent (1/100% or 0.01%).

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

Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

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. 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. Please read it carefully.

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