

Franklin Mutual Shares Fund

Class Z: MUTHX Class A: TESIX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** US equities, as measured by the Russell 1000 Index, fell during the quarter, on both fears about the impact spiking energy prices would have on the global economy following the closure of the Strait of Hormuz and on concerns about potential artificial intelligence disruption in a range of businesses. Value-oriented parts of the market which are less exposed to potential AI disruption performed more strongly.
- **Contributors:** Stock selection in utilities and real estate bolstered relative performance. Individual contributors included energy companies EOG Resources, SLB and Chevron.
- **Detractors:** Security selection in information technology, consumer staples and industrials detracted from relative results. Among the detractors were a position in Estee Lauder, Adobe and Apollo Global Management.
- **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 March 31, 2026.
- US-based beauty company Estee Lauder detracted from relative performance on news it was exploring a merger with Spain-based Puig. Estee Lauder is in the middle of a turnaround with notable momentum, and the merger carries integration and execution risks, which weighed on the shares after the news.
- Media and marketing software firm Adobe detracted from relative results amid ongoing worries about what the increasing use of artificial intelligence will mean for its business. We own Adobe for its franchise position with creators and the optionality that new technology drives total addressable market expansion that Adobe can benefit from over time.
- Energy company EOG Resources contributed to relative performance, as the launch of military action in Iran drove up oil prices in March. EOG's financial results for the fourth quarter were largely as expected, but investors have remained focused on concerns about Permian inventory depth. As a result, if EOG demonstrates better production and lower capital intensity at its Dorado and Utica basins, it could be a catalyst for the stock price, in our view.
- Oilfield services firm SLB (Schlumberger) contributed to relative results on the spike in oil prices following the launch of military action in Iran, expectations it may benefit from the recent leadership change in Venezuela and solid fourth-quarter earnings. While SLB could be impacted by its Middle East disruption in the near-term, we see the long-term outlook intact as the world needs to reinvest in oil and gas developments, led by offshore and key international markets.

Outlook

- The disparity between low- and high-end US consumers continues to grow, exacerbated by increasing fuel and fertilizer prices that impact lower-end consumers at the gas pump, grocery store and elsewhere. With lower-end consumers struggling, economic growth has been supported by higher-end consumers and business spending. However, if these pull back, GDP growth may stall. For now, the job market is stagnant but stable, which helps support confidence and reduces the likelihood of a dramatic pullback on household spending.
- Although artificial intelligence (AI) continues to be a key driver of US economic growth, the market is struggling with the duration of the spending cycle and potential investment return profile. Projected capex increases show hyperscalers poised to outspend their free cash flow generation in 2026, with some already turning to debt financing to fund AI infrastructure investment. We expect AI spending to eventually slow, as the current pace is not sustainable. When this happens, it is possible that the areas of the market that have benefited most from AI spending may be impacted.
- Among value companies, the industrials sector has been a leading performer, receiving a tailwind from AI investment. However, we are encouraged that general demand within the industrials sector has strengthened over the first quarter, even in areas shielded from the AI trade. As earnings season progresses, we will pay particular attention to capex announcements to see if changing AI investment plans affect our portfolio companies or the general investment landscape.
- US gross domestic product (GDP) grew at a modest 0.7% during the fourth quarter. This second reading was revised downward from the first estimate due to lower rates of consumer spending, government spending, exports and business investment than originally detected.
- 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	3.30
ALPHABET INC	3.20
JPMORGAN CHASE & CO	3.19
CHEVRON CORP	2.87
HALEON PLC	2.66
JOHNSON CONTROLS INTERNATIONAL PLC	2.66
DOVER CORP	2.65
HARTFORD INSURANCE GROUP INC/THE	2.49
FERGUSON ENTERPRISES INC	2.49
COLGATE-PALMOLIVE CO	2.42

Average annual total returns and fund expenses (%) - as of March 31, 2026

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			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	
Class Z	628380107	MUTHX	-2.24	-2.24	6.57	11.39	6.79	7.52	12.05	-2.24	-2.24	6.57	11.39	6.79	7.52	12.05	0.75	0.75	—	—	7/1/1949
Class A	628380602	TESIX	-2.28	-2.28	6.32	11.12	6.53	7.25	11.22	-7.66	-7.66	0.48	9.03	5.33	6.64	11.14	1.00	1.00	5.50	—	7/1/1949
Benchmark	—	—	2.10	2.10	15.87	14.30	9.43	10.58	—	2.10	2.10	15.87	14.30	9.43	10.58	—	—	—	—	—	

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.

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

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

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.

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

Source: FTSE.

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.