

Franklin Mutual Shares Fund

Class Z: MUTHX Class A: TESIX
Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** US equities, as measured by the Russell 1000 Index, climbed in the fourth quarter. While investors continued to pile into artificial intelligence stocks, corporate earnings were strong and the market advance broadened in the quarter, with both small-cap and value stocks performing well.
- **Contributors:** Stock selection in the consumer staples, consumer discretionary and health care sectors supported relative results. Individual contributors included Dollar General, General Motors and Roche Holdings.
- **Detractors:** Security selection in financials, information technology and materials hindered relative performance. Among the detractors were Fiserv, Charter Communications and BNP Paribas.
- **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 December 31, 2025.
- Retailer Dollar General boosted relative results as recent earnings have been strong on better earnings as comparable store sales and traffic improved. Same-store sales in all their categories were positive, including the higher-margin non-consumables categories.
- US automaker General Motors supported relative results following solid quarterly financial results as the impact from tariffs has been less than anticipated, and the company has maintained strong cost discipline. It raised its outlook for 2025 and is optimistic about 2026.
- Payments company Fiserv hurt relative returns after the new chief executive slashed 2025 guidance and issued weak 2026 forecasts. This sizable reset comes at a time when the entire payments sub-sector has been under pressure due to a more competitive landscape. The weak financial results stem from the roll-back of short-term revenue initiatives the prior management team implemented to meet quarterly financial targets, while the new chief executive is adjusting pricing to be more competitive. We believe the new chief executive is resetting expectations and positioning the company for more sustainable long-term growth.
- Charter Communications detracted from relative performance on continued competitive pressures from fiber and fixed wireless access. While free cash flow generation could increase significantly at Charter over time, we acknowledge the market's focus on subscriber metrics in the near term, which continues to weigh on the shares.

Outlook

- The US economy is in a delicate balance, with GDP growth supported by higher-end consumer and business spending. According to some estimates, capital spending on artificial intelligence (AI) powered as much as 92% of US GDP growth through July 2025. In regard to consumers, the disparity between low- and high-income earners remains. Higher-income consumers increased their spending throughout the back half of the year, while the lower-end consumer pulled back. However, we think provisions in the new tax bill will likely support consumers at both ends of the spectrum in 2026.
- Artificial intelligence (AI) continues to be a key area of business investment. Movement into and out of the "AI trade" drove US market activity for much of 2025, and the theme may continue through the coming year. In addition to companies which provide compute capacity, businesses that furnish key infrastructure components for data center and chip foundry buildouts and expansion of the electrical grid have been beneficiaries. This includes building products companies, electricity and water utilities, cooling systems manufacturers, and other related industries.
- US policies continue to change, diverging from past norms and disrupting long-standing political and trade alliances. The United States' pullback from NATO has raised the risks of continued geopolitical uncertainty. Attacks on Fed independence, pending US Supreme Court rulings on Trump tariffs, and continued policy shifts are likely to keep volatility elevated, in our opinion.
- We are finding idiosyncratic opportunities in US markets, particularly within industries that are not part of the core AI narrative, such as consumer products and industrials companies.
- 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
ALPHABET INC	3.56
AMAZON.COM INC	2.93
HALEON PLC	2.59
THERMO FISHER SCIENTIFIC INC	2.46
HARTFORD INSURANCE GROUP INC/THE	2.42
DOVER CORP	2.37
JOHNSON CONTROLS INTERNATIONAL PLC	2.32
DOLLAR GENERAL CORP	2.31
JPMORGAN CHASE & CO	2.28
WALT DISNEY CO/THE	2.27

Average annual total returns and fund expenses (%) - as of December 31, 2025

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	3.74	11.77	11.77	12.40	9.50	7.82	12.13	3.74	11.77	11.77	12.40	9.50	7.82	12.13	0.75	0.75	—	—	7/1/1949
Class A	628380602	TESIX	3.64	11.46	11.46	12.11	9.22	7.55	11.30	-2.04	5.32	5.32	10.01	7.99	6.94	11.21	1.00	1.00	5.50	—	7/1/1949
Benchmark	—	—	3.81	15.91	15.91	13.89	11.33	10.53	—	3.81	15.91	15.91	13.89	11.33	10.53	—	—	—	—	—	—

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 franklintontempleton.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

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 **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.

Important data provider notices and terms available at www.franklintontempletondatasources.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.franklintontempleton.com. Please read it carefully.