

Franklin Mutual Shares Fund

Class Z: MUTHX Class A: TESIX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** US stocks, as measured by the Russell 1000 Index, advanced during the second quarter of 2025. After rebounding from April's lows on US tariff policy, equity markets continued to rally through June despite bouts of volatility. Temporary delays in tariff hikes, reduced fears of a recession, growing expectations of interest-rate cuts later in the year and easing geopolitical tensions helped drive US stocks higher.
- **Contributors:** Stock selection in communication services, health care and consumer discretionary contributed to relative results. Individual contributions included Ferguson Enterprises, Flex and Johnson Controls International.
- **Detractors:** Security selection in financials and energy, as well as stock selection and an underweight in industrials, detracted from relative performance. Among the detractors were Fiserv, Global Payments and Zimmer Biomet Holdings.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to generate pockets of volatility in the near term. Several parts of the US economy, such as employment, remain stable. However, consumers are pulling back on non-essential spending and businesses face uncertainty regarding projects funded by government grants, such as those involving infrastructure buildouts.

Performance Review

- The Fund (Class Z) underperformed its benchmark, the Russell 1000 Value Index, for the quarter ended June 30, 2025.
- Ferguson Enterprises, a US building products company, boosted relative results on strong earnings for the latest quarter due to solid organic growth despite still-weak end markets, deflation that moderated earlier than expected and margin improvements driven by pricing and cost actions. We view Ferguson as a market-leading building products distributor with a balanced portfolio and the scale to outgrow its markets and peers.
- Flex, a contract electronics manufacturer, contributed to relative returns. The company posted strong earnings for its latest quarter and sees growth accelerating in its data center business, helped by its portfolio of power and cooling solutions. We believe Flex remains one of the few scale players that has secular tailwinds from outsourcing as original equipment manufacturers looking to diversify their manufacturing footprint.
- Payments company Fiserv detracted from relative results, as Clover volumes were soft, driven partly by tough comparable sales and slowdown in discretionary spending. Over the longer term, we believe Clover can continue to gain market share. Combined with Fiserv's defensive position in its networks, issuer and core processing businesses, the company has what we view as good, sustainable earnings power.
- Global Payments was a detractor after it announced the acquisition of WorldPay, one of the largest merchant acquirers, while divesting its issuer solutions and payroll businesses. While we believe the rationale behind the deal makes some sense, the deal was expensive, comes with integration challenges and upends the efforts Global Payments was making to simplify its business. WorldPay also may not allow Global Payments to better compete with digital native competitors, in our view.

Outlook

- While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to generate pockets of volatility in the near term.
- Several parts of the US economy, such as employment, remain stable. US Federal Reserve policymakers are holding rates steady as they wait for possible increases in inflationary pressure due to tariffs. Chairman Powell has reiterated that future rate decisions will be data dependent.
- US consumers are cutting spending on select non-essential goods and services, such as motor vehicles and auto parts, meals out and hotel stays. Home sales are also under pressure. During the second quarter, US household income fell due to decreases in government social benefits, which affects over one-fifth of the population. Consumers may continue to pull back if their disposable income decreases, or economic uncertainty persists.
- The environment may make it difficult for businesses to spend. The viability of projects funded by government grants, such as those involving infrastructure buildouts, is in question. The cost of component goods and the supply routes to source them has become uncertain, so it is difficult for management teams to deliver guidance. Companies may shelve additional capex 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
CHARTER COMMUNICATIONS INC	2.28
BANK OF AMERICA CORP	2.27
FERGUSON ENTERPRISES INC	2.22
JPMORGAN CHASE & CO	2.21
CHEVRON CORP	2.19
ELEVANCE HEALTH INC	2.12
FISERV INC	2.09
EOG RESOURCES INC	2.07
BLACKROCK INC	2.03
BNP PARIBAS SA	2.03

Sector Allocation (% of Total)

Sector	Fund
Financials	23.92
Health Care	13.91
Industrials	12.37
Communication Services	8.23
Information Technology	8.04
Consumer Staples	7.38
Energy	6.31
Consumer Discretionary	5.52
Other	10.82
Cash & Cash Equivalents	3.49

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

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	3.52	6.14	13.23	12.75	12.54	6.59	12.14	3.52	6.14	13.23	12.75	12.54	6.59	12.14	0.75	0.75	—	—	7/1/1949
Class A	628380602	TESIX	3.46	6.00	12.95	12.49	12.26	6.33	11.30	-2.22	0.15	6.72	10.38	11.00	5.73	11.22	1.00	1.00	5.50	—	7/1/1949
Benchmark	—	—	3.79	6.00	13.70	12.76	13.93	9.19	—	3.79	6.00	13.70	12.76	13.93	9.19	—	—	—	—	—	—

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

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.