FRANKLIN TEMPLETON

Franklin Mutual Quest Fund

Class Z: MQIFX Class A: TEQIX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Global equities, as measured by MSCI World Index, delivered solid gains during the third quarter of 2026, supported by resilient economic growth and robust corporate earnings, even as elevated inflation, geopolitical tensions and tighter monetary policy weighed on sentiment. Leading central banks, including the US Federal Reserve, maintained a hawkish stance, while geopolitical risks, such as the Middle East conflict, added to market uncertainty.
- **Contributors:** Stock selection in the materials sector, and underweights to real estate and consumer discretionary, contributed to performance. Leading individual contributors included BP, Mitsubishi UFJ Financial Group and Agnico Eagle Mines.
- **Detractors:** Stock selection in the information technology (IT), health care and financials sectors detracted from performance. Leading individual detractors included Aptiv, Cooper Companies and reduced exposure to Microsoft.
- **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.

Top Holdings (% of Total)

Holding	Fund
SORENSON COMMUNICATIONS LLC	6.41
NEPTUNE BIDCO US INC	4.08
MICROSOFT CORP	2.68
SAMSUNG ELECTRONICS CO LTD	2.52
BP PLC	1.96
ALPHABET INC	1.90
EOG RESOURCES INC	1.89
MITSUBISHI UFJ FINANCIAL GROUP INC	1.80
WELLS FARGO & CO	1.76
META PLATFORMS INC	1.74

Performance Review

- The Fund underperformed its benchmark, the Blended 70% MSCI World Value-NR + 30% Bloomberg US Corporate High Yield Index, for the quarter ended September 30, 2026.
- An underweight in Microsoft, a US-based software and cloud services provider, weighed on relative performance as the stock price rose during the period on accelerating Azure growth and brisk Copilot adoption backed by upbeat guidance. Improving supply conditions supported AI demand and eased capacity worries, while clearer cash generation and capex discipline reframed the company outlook and catalyzed a rerating.
- Mitsubishi UFJ Financial Group, a Japan-based financial services group, provides commercial and investment banking services. It added to relative performance as investors repriced its earnings trajectory after a strong results beat. Drivers of double-digit returns included robust trading and equity income alongside growing strength in its core banking business and improved operational efficiency.
- 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.
- BP, a UK-based integrated energy company, added to relative performance as a solid update highlighted a strengthening balance sheet and disciplined deleveraging. Robust upstream output, strong refining margins, and exceptional oil trading supported improved cash generation, while portfolio simplification and a clearer, returns-focused strategy bolstered investor confidence and market sentiment.

Outlook

- In the US, 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.
- Europe is making slow progress on deregulation, increased competitiveness, and more robust infrastructure and defense spending. Political and fiscal challenges across major economies are contributing to delays, though growth has improved slightly from a low base. European valuations generally remain significantly below US levels, reflecting these challenges and risks.
- Japan is showing steady progress in government reform, economic reflation, and growth. Government spending hit a record high in the second quarter of 2026, and expansionary policies are expected to continue. However, rising interest rates and bond yields could threaten that momentum. A weaker yen can also add pressure by increasing prices of imports and raw materials. While inflationary pressure has contributed to a pullback in consumer spending, business spending and corporate profits are increasing.
- 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, with energy importers hit especially hard, including Europe and Japan, as energy-dependent governments work to manage supply shocks and rapidly increasing prices. In addition to oil and liquified natural gas, shipments of refined products, aluminum, and fertilizer, among others, are also affected.
- 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.

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	628380206	MQIFX	-0.12	6.50	9.99	14.14	7.51	6.13	11.28	-0.12	6.50	9.99	14.14	7.51	6.13	11.28	0.78	0.78	—	—	9/26/1980
Class A	628380800	TEQIX	-0.18	6.25	9.69	13.82	7.24	5.87	10.84	-5.66	0.42	3.65	11.69	6.03	5.27	10.70	1.03	1.03	5.50	—	9/26/1980
Benchmark 1	—	—	2.13	10.25	13.26	15.74	9.20	8.64	—	2.13	10.25	13.26	15.74	9.20	8.64	—	—	—	—	—	—
Benchmark 2	—	—	3.84	14.74	18.57	19.08	11.54	10.04	—	3.84	14.74	18.57	19.08	11.54	10.04	—	—	—	—	—	—
Benchmark 3	—	—	-1.82	0.10	1.41	8.03	3.61	5.05	—	-1.82	0.10	1.41	8.03	3.61	5.05	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=Blended 70% MSCI World Value-NR + 30% Bloomberg US Corporate High Yield Index

Benchmark 2=MSCI World Value Index-NR

Benchmark 3=Bloomberg US Corporate High Yield 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.** To the extent the fund invests in companies in a specific **country or region,** the fund may experience greater volatility than a fund that is more broadly diversified geographically. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. 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 **MSCI World Index** is a free float-adjusted market-capitalization index that is designed to measure global developed market equity performance. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

Reflation is a fiscal or monetary policy designed to expand a country's output and curb the effects of deflation.

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 **Blended Benchmark (70% MSCI World Value Index-NR (USD) + 30% Bloomberg U.S. Corporate High Yield Bond Index)** is a combination of leading global stock and U.S. high-yield bond indexes. The MSCI World Value Index-NR (USD) is a market capitalization-weighted index of stocks exhibiting overall value style characteristics in global developed markets. The Bloomberg U.S. Corporate High Yield Bond Index measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. The **MSCI World Value Index** is a market capitalization-weighted index designed to measure the performance of stocks exhibiting overall value style characteristics in developed markets. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market.

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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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