

# Franklin Mutual Quest Fund

Class Z: MQIFX Class A: TEQIX

Commentary | as of March 31, 2025

## Key Takeaways

- **Markets:** After starting 2025 on a strong note, global equities collectively declined the last half of the quarter, as measured by the MSCI World Index in US dollar terms. Investor concerns about US economic growth and President Trump's trade policy weighed on returns.
- **Contributors:** Stock selection in the health care, consumer staples and financials sectors contributed to relative results. Individual contributors included Prudential, BNP Paribas and CVS Health.
- **Detractors:** Security selection in consumer discretionary, industrials and communication services detracted from relative performance. Among the detractors were WillScot Holdings, Global Payments and United Parcel Service.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term. Currently, several parts of the US economy, such as employment, remain robust. Recent US policy shifts have led European officials to enact changes which we think are creating fertile conditions for improved economic growth and competitiveness. When coupled with already low valuations within the region, we see potential for compelling investment opportunities.

## Performance Review

- The Fund (Class Z) outperformed its benchmark, the 70% MSCI World Value Index and 30% Bloomberg US Corporate High Yield Index, for the quarter ended March 31, 2025.
- UK-listed insurer Prudential supported relative results. Full-year 2024 financial results reflect stabilization from the sales noise seen coming out of the Covid shutdown, and the insurer is forecasting improving cash flow through 2027. We believe the demerging of its US and UK businesses make it a pure play on the demographic and economic growth potential in Asia.
- France-based BNP Paribas bolstered relative results, as it anticipates improved returns from the buildout of its insurance, wealth and asset management businesses and better performance of its French retail banking business. We believe BNP is one of the best banks in Europe and should deliver predictable and sustainable double-digit returns through the economic cycle.
- WillScot Holdings, which provides rentals of modular office space and portable storage units, underperformed due to volume headwinds in the non-residential construction market. We expect volumes to remain pressured until end-markets improve but expect rental rates to remain positive and for WillScot to use its strong free cash flow to repurchase stock.
- US-based Global Payments detracted from relative results, as the company's earnings were noisy and reminded the market of the complex transformation work ahead. Nonetheless, we believe that Global Payments is taking the right steps by consolidating its multiple acquiring platforms, which should help improve its organic growth rate over the long run.

## Outlook

- While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term.
- Several parts of the US economy, such as employment, remain robust. For the US economy to stay healthy, policies regarding tariffs, taxes and government spending need predictability and clarity. Although the US Federal Reserve kept rates unchanged in March, policymakers acknowledge increased uncertainty around the economic outlook and are guiding towards an interest rate cut later this year.
- The European Central Bank cut rates in March and guided towards "meaningfully less restrictive" policy. The reduced cost of borrowing comes at a time of accelerating loan growth within the region. Despite pockets of strength within the economy, the Bank cut their economic growth forecast for 2025, citing trade and policy uncertainty.
- Recent US policy shifts have led European officials to enact changes which we think are creating fertile conditions for improved economic growth and competitiveness. When coupled with already low valuations within the region, we see potential for compelling investment opportunities.
- 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
SORENSEN COMMUNICATIONS LLC	7.39
EVEREST GROUP LTD	2.02
KELLANOVA	1.97
BNP PARIBAS SA	1.91
PRUDENTIAL PLC	1.90
ASR NEDERLAND NV	1.71
RIO TINTO PLC	1.70
RECKITT BENCKISER GROUP PLC	1.70
ELEVANCE HEALTH INC	1.69
MICHAELS COMPANIES INC	1.62

## Sector Allocation (% of Total)

Sector	Fund
Financials	18.01
Industrials	13.31
Health Care	11.46
Information Technology	11.01
Consumer Discretionary	10.71
Consumer Staples	9.16
Communication Services	6.62
Energy	5.81
Other	10.25
Cash & Cash Equivalents	3.66

## Average annual total returns and fund expenses (%)

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	628380206	MQIFX	5.79	5.79	9.12	4.62	10.88	4.54	11.26	5.79	5.79	9.12	4.62	10.88	4.54	11.26	0.80	0.80	—	—	9/26/1980
Class A	628380800	TEQIX	5.68	5.68	8.86	4.36	10.60	4.27	10.81	-0.14	-0.14	2.91	2.40	9.36	3.68	10.67	1.05	1.05	5.50	—	9/26/1980
Benchmark 1	—	—	3.67	3.67	8.48	6.51	12.76	6.61	—	3.67	3.67	8.48	6.51	12.76	6.61	—	—	—	—	—	—
Benchmark 2	—	—	4.81	4.81	8.69	7.02	14.99	7.14	—	4.81	4.81	8.69	7.02	14.99	7.14	—	—	—	—	—	—
Benchmark 3	—	—	1.00	1.00	7.69	4.98	7.30	5.01	—	1.00	1.00	7.69	4.98	7.30	5.01	—	—	—	—	—	—

## 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](http://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

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

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