

# Franklin Mutual Quest Fund

Class Z: MQIFX Class A: TEQIX

Commentary | as of June 30, 2025

## Key Takeaways

- **Markets:** While the US tariff announcement at the start of the second quarter of 2025 sparked significant swings in global equity markets, as measured by the MSCI World Index in US dollar terms, trade tensions eased over the remainder of the quarter, and reduced recession fears helped push global markets higher.
- **Contributors:** Stock selection in health care, consumer staples and industrials boosted relative results. Contributors included Johnson Controls International, St. James's Place and Dollar General.
- **Detractors:** Security selection in information technology, financials and materials curbed relative performance. Sorenson Communications, SLB and Zimmer Biomet Holdings were among the detractors.
- **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. Recent US policy shifts have led European officials to enact changes which we think are bolstering conditions for improved economic growth and competitiveness, which when coupled with already low valuations can create potential for compelling investment opportunities.

## Performance Review

- The Fund (Class Z) underperformed its benchmark, the 70% MSCI World Value Index and 30% Bloomberg US Corporate High Yield Index, for the quarter ended June 30, 2025.
- Johnson Controls, a building solutions provider, contributed to relative results on strong quarterly financial results and better than expected fiscal 2025 guidance. The new chief executive is focused on better serving customers, reducing organizational complexities and further streamlining the product portfolio, which should result in improved efficiencies and profitability over time.
- St. James's Place contributed to relative results. The UK-based wealth manager's net flows remained strong despite volatile financial markets and assets under management improved slightly in the first quarter. St. James's Place continues to execute on its plan to increase earnings over the medium term and should return more cash to shareholders through buybacks and dividends.
- A position in Sorenson Communications, the leading provider of video and captioned telephone services for deaf and hard-of-hearing individuals, detracted, as financial results for the first quarter were below expectations following a decline in usage. We believe that the company should benefit from recent Federal Communication Commission rates, as well as investments in its automated speech recognition and enterprise segments.
- Oilfield services firm SLB detracted from relative results amid weaker oil prices. The oilfield services company expects that a weaker global economy, tariffs and fluctuating oil and gas products could cut upstream investment and demand for its services. SLB is focusing on maintaining margins and generating free cash flow in the more uncertain environment.

## 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.
- 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. However, 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.
- In May, the Eurozone met its 2% inflation target, marking progress towards price stability within the region. Accommodative rate policy, stable employment and robust income growth are expected to support economic activity in the Eurozone for the remainder of the year and beyond. However, uncertainty due to shifting trade policy and growth concerns remain a headwind for the region.
- Recent US policy shifts have led European officials to enact changes which we think are bolstering conditions for improved economic growth and competitiveness, which should begin to appear in 2026, accelerating over the next couple of years. When coupled with already low valuations within the region, we see potential for compelling investment opportunities. Additionally, policies which are weakening the US Dollar are making non-US investments increasingly attractive to investors worldwide.
- 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	6.79
KELLANOVA	2.39
PRUDENTIAL PLC	2.19
BNP PARIBAS SA	2.04
ASR NEDERLAND NV	1.97
APTIV PLC	1.76
NEPTUNE BIDCO US INC (NIELSEN FINANCE)	1.74
RECKITT BENCKISER GROUP PLC	1.64
RIO TINTO PLC	1.64
STAPLES INC	1.63

## Sector Allocation (% of Total)

Sector	Fund
Financials	18.29
Industrials	12.14
Information Technology	11.69
Consumer Discretionary	10.30
Health Care	9.33
Consumer Staples	9.13
Communication Services	8.32
Energy	5.99
Other	9.27
Cash & Cash Equivalents	5.54

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	628380206	MQIFX	3.07	9.03	12.86	9.85	9.61	4.99	11.27	3.07	9.03	12.86	9.85	9.61	4.99	11.27	0.77	0.77	—	—	9/26/1980
Class A	628380800	TEQIX	3.06	8.91	12.67	9.60	9.34	4.73	10.82	-2.63	2.92	6.48	7.55	8.11	4.14	10.68	1.02	1.02	5.50	—	9/26/1980
Benchmark 1	—	—	4.83	8.68	14.30	12.50	11.30	7.10	—	4.83	8.68	14.30	12.50	11.30	7.10	—	—	—	—	—	—
Benchmark 2	—	—	5.38	10.45	15.94	13.47	13.48	7.69	—	5.38	10.45	15.94	13.47	13.48	7.69	—	—	—	—	—	—
Benchmark 3	—	—	3.53	4.57	10.29	9.92	5.97	5.38	—	3.53	4.57	10.29	9.92	5.97	5.38	—	—	—	—	—	—

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). 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**. 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

A **buyback** is the repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market.

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

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.

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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. Source: Bloomberg Indices. 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. 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. 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. 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. Bloomberg Indices. Net Returns (NR) include income net of tax withholding when dividends are paid.

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