

Franklin Mutual Quest Fund

Class Z: MQIFX Class A: TEQIX

Commentary | as of March 31, 2026

Key Takeaways

- **Markets:** Global equity markets, as measured by the MSCI World Index, fell in US dollar terms during the first quarter as fears about the impact spiking energy prices would have on the global economy following the closure of the Strait of Hormuz weighed on stocks. Additionally, parts of the market were weak on concerns about the impact artificial intelligence may have on a range of businesses. Value-oriented sectors and regions which are less exposed to potential AI disruption performed more strongly.
- **Contributors:** Stock selection in energy, information technology and communications services contributed to relative results. EOG Resources, BP and SLB were among the leading contributors.
- **Detractors:** Security selection in consumer staples, consumer discretionary and industrials dented relative results. Detractors included Adobe, Airbus and Reckitt Benckiser.
- **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 |
|-----------------------------|------|
| SORENSEN COMMUNICATIONS LLC | 6.73 |
| NEPTUNE BIDCO US INC | 4.69 |
| EOG RESOURCES INC | 2.38 |
| BP PLC | 2.21 |
| SLB LTD | 1.85 |
| NOVARTIS AG | 1.80 |
| SAMSUNG ELECTRONICS CO LTD | 1.79 |
| ROCHE HOLDING AG | 1.68 |
| ARTHUR J GALLAGHER & CO | 1.64 |
| ASR NEDERLAND NV | 1.62 |

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the 70% MSCI World Value Index and 30% Bloomberg US Corporate High Yield Index, for the quarter ended March 31, 2026.
- Media and marketing software firm Adobe detracted from relative results amid ongoing worries about what the increasing use of artificial intelligence will mean for its business. We own Adobe for its franchise position with creators and the optionality that new technology drives total addressable market expansion that Adobe can benefit from over time.
- European aircraft manufacturer Airbus hindered relative performance. The company has dealt with supply-chain issues that have resulted in reduced earnings guidance and fears that it may miss aircraft delivery forecasts. Airbus has worked on supply chain improvements and aircraft engine delivery agreements that underwrite greater confidence in long-term production guidance. Additionally, the company's exposure to European defense spending should be beneficial, in our view.
- Energy company EOG Resources contributed to relative performance, as the launch of military action in Iran drove up oil prices in March. EOG's financial results for the fourth quarter were largely as expected, but investors have remained focused on concerns about Permian inventory depth. As a result, if EOG demonstrates better production and lower capital intensity at its Dorado and Utica basins, it could be a catalyst for the stock price, in our view.
- BP was also a contributor following the spike in oil prices in March. Financial results have also been generally solid, with the company making progress in reducing costs and divesting certain businesses. Higher oil prices should further ease balance sheet constraints, while the new chief executive officer could catalyze upside via growth projects or shareholder return frameworks, in our view.

Outlook

- The situation in Iran is profoundly uncertain and will likely continue to stoke price volatility and elevate global asset risk premiums for the duration of the conflict. The closure of 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 liquefied natural gas, shipments of refined products, aluminum, and fertilizer, among others, are also cut off.
- The disparity between low- and high-end US consumers continues to grow, exacerbated by increasing fuel and fertilizer prices that impact lower-end consumers at the gas pump, grocery store and elsewhere. With lower-end consumers struggling, economic growth has been supported by higher-end consumers and business spending. However, if these pull back, GDP growth may stall. For now, the job market is stagnant but stable, which helps support confidence and reduces the likelihood of a dramatic pullback on household spending.
- Plans for increased competitiveness and growth across the European Union are proceeding, but face headwinds due to the conflict in Iran and resulting higher energy prices. Germany and other European countries are spending on defense and civilian infrastructure, benefiting value industries focused on building materials, roads, rails and the like. Europe also invested heavily in its energy infrastructure after the start of the Ukraine war, which is helping to insulate consumers from the immediate effects of the Strait of Hormuz closure. However, if the strait remains closed, more dramatic price increases may eventually take hold, producing inflationary pressure.
- Although artificial intelligence (AI) continues to be a key driver of US economic growth, the market is struggling with the duration of the spending cycle and potential investment return profile. Projected capex increases show the hyperscalers poised to outspend their free cash flow generation in 2026, with some already turning to debt financing to fund AI infrastructure investment. We expect AI spending to eventually slow, as the current pace is not sustainable. When this happens, it is possible that the areas of the market that have benefited most from AI spending may be impacted.
- 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.

Average annual total returns and fund expenses (%) - as of March 31, 2026

| 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 | 0.69 | 0.69 | 11.97 | 12.80 | 6.87 | 6.39 | 11.27 | 0.69 | 0.69 | 11.97 | 12.80 | 6.87 | 6.39 | 11.27 | 0.77 | 0.77 | — | — | 9/26/1980 |
| Class A | 628380800 | TEQIX | 0.57 | 0.57 | 11.67 | 12.48 | 6.60 | 6.12 | 10.83 | -4.94 | -4.94 | 5.50 | 10.37 | 5.40 | 5.52 | 10.69 | 1.02 | 1.02 | 5.50 | — | 9/26/1980 |
| Benchmark 1 | — | — | 0.73 | 0.73 | 13.72 | 12.86 | 8.05 | 8.49 | — | 0.73 | 0.73 | 13.72 | 12.86 | 8.05 | 8.49 | — | — | — | — | — | — |
| Benchmark 2 | — | — | 1.18 | 1.18 | 16.60 | 14.60 | 9.59 | 9.35 | — | 1.18 | 1.18 | 16.60 | 14.60 | 9.59 | 9.35 | — | — | — | — | — | — |
| Benchmark 3 | — | — | -0.50 | -0.50 | 7.01 | 8.60 | 4.23 | 6.13 | — | -0.50 | -0.50 | 7.01 | 8.60 | 4.23 | 6.13 | — | — | — | — | — | — |

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

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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.

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 **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 **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.

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