FRANKLIN TEMPLETON

Franklin Mutual Quest Fund

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

Key Takeaways

- **Markets:** Global stocks, as measured by the MSCI World Index, rose strongly in US dollar terms in the second quarter of 2026. The artificial intelligence (AI) trade was partly behind the gains, with companies that benefit from higher capital spending helping to lead the advance. Earnings have also been strong for many companies. Additionally, easing tensions in the Middle East sent oil prices falling, easing concerns about rising inflationary pressures.
- **Contributors:** Stock selection in industrials and consumer staples and a lack of exposure to real estate bolstered relative performance.
- **Detractors:** Security selection in information technology, stock selection and an overweight in communication services and stock selection in consumer discretionary weighed on relative results.
- **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	6.58
NEPTUNE BIDCO US INC	4.72
SAMSUNG ELECTRONICS CO LTD	3.18
ALPHABET INC	1.92
EOG RESOURCES INC	1.82
CISCO SYSTEMS INC	1.81
PNC FINANCIAL SERVICES GROUP INC/THE	1.77
BNP PARIBAS SA	1.75
NOVARTIS AG	1.68
ARTHUR J GALLAGHER & CO	1.68

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 June 30, 2026.
- BP, an integrated oil company, curbed relative results after its chairman was removed following concerns about governance oversight and conduct standards. Nonetheless, the company continues to cut debt more quickly at current oil prices, and it has a strong pipeline of organic growth opportunities. BP also has expressed a willingness to divest lower returning assets.
- Shares of Germany's Deutsche Telekom (DT) curbed relative performance amid concerns about the US competitive environment. DT's business is supported by a solid US performance through its T-Mobile US business, which provides exposure to a market with better growth and profitability than the German market. While Deutsche Telekom consolidates the T-Mobile US business, news during the quarter surfaced that DT is considering a full combination.
- Samsung Electronics contributed to relative results following healthy first-quarter revenue and earnings results. The South Korea-based company benefited from strong semiconductor memory market fundamentals. We believe that Samsung is a leading supplier of multiple enabling technologies with a strong balance sheet that gives it the ability to invest through market cycles.
- Cisco Systems bolstered relative results. The company posted solid quarterly earnings with strength in its networking and AI-related businesses. The security business was softer, but Cisco has signed a large deal for its Splunk software. .

Outlook

- Despite the focus on artificial intelligence and the impact of the Mideast conflict on the European and Japanese economies, we remain optimistic about the outlook for global value stocks. Many of the long-term structural trends that have emerged over the past few years continue to play out, and along with improving earnings, should further narrow the wide valuation gap that global stocks trade at when compared to their US peers, given years of sluggish growth and lackluster competitive practices in Europe and Japan.
- Although artificial intelligence continues to be a key driver of US economic growth, the duration of the spending cycle and potential investment return profile remain open questions. Projected capital expenditure 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 and other industries and sectors may return to the fore.
- With the Strait of Hormuz largely shut to oil transit for the past few months, economic growth in Europe and Japan could be negatively affected in the short term. However, economic prospects should brighten over time as oil is now beginning to flow again. Also, massive German fiscal stimulus has been slow to feed through to the broader domestic and European economies and private investment has yet to be made, but we are seeing signs of increased spending and are encouraged by recent political agreements to reform pensions, provide tax relief and make pro-growth labour market adjustments.
- While European interest rates may rise further in the short term to combat recent inflationary pressures stemming from higher energy costs, any increase may prove temporary. Additionally, slow but ongoing efforts to improve regional competitiveness, unify capital markets and pursue joint debt issuance mean European value stocks could see years of recurring benefits, in our view. Meanwhile, in Japan, the government is focused on further boosting economic growth, which can also support a range of the country's more domestically focused firms.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of June 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	5.90	6.63	15.04	14.33	7.52	6.57	11.35	5.90	6.63	15.04	14.33	7.52	6.57	11.35	0.78	0.78	—	—	9/26/1980
Class A	628380800	TEQIX	5.83	6.44	14.67	14.03	7.25	6.30	10.90	0.00	0.60	8.38	11.90	6.04	5.70	10.77	1.03	1.03	5.50	—	9/26/1980
Benchmark 1	—	—	7.18	7.95	16.26	14.48	8.67	8.96	—	7.18	7.95	16.26	14.48	8.67	8.96	—	—	—	—	—	—
Benchmark 2	—	—	9.21	10.50	20.84	16.85	10.52	10.17	—	9.21	10.50	20.84	16.85	10.52	10.17	—	—	—	—	—	—
Benchmark 3	—	—	2.47	1.96	5.91	8.86	4.17	5.81	—	2.47	1.96	5.91	8.86	4.17	5.81	—	—	—	—	—	—

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.

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

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

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.

FRANKLIN TEMPLETON