

Franklin Mutual Quest Fund

Class Z: MQIFX Class A: TEQIX

Commentary | as of December 31, 2025

Key Takeaways

- **Markets:** Global equity markets, as measured by the MSCI World Index, rose in US dollar terms in the fourth quarter of 2025. Strong corporate earnings, enthusiasm for artificial intelligence (AI) companies and optimism about lower US interest rates buoyed equities, but high valuations for certain areas of the market, such as AI-related stocks and ongoing political and trade uncertainties were concerns as the year ended.
- **Contributors:** Stock selection in communication services, consumer staples and health care contributed to relative results. Among the contributors were Alphabet, Samsung Electronics and Dollar General.
- **Detractors:** Security selection in financials, utilities and information technology detracted from relative performance. Sorenson Communications, United Rentals and Charter Communications were among the detractors.
- **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.

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 December 31, 2025.
- Alphabet, parent of Google, contributed to relative results, amid continued strong financial results, with accelerating growth in search, YouTube and its cloud business. Although concerns remain that artificial intelligence (AI) may dampen search business growth, we have not yet seen signs of deterioration and returns on ad spending are improving, which can offset share losses over time. Optimism about its AI model has also further bolstered the stock.
- South Korean technology company Samsung Electronics contributed to relative results following solid earnings, optimism about a rebound in the memory chip cycle, positive news around an arrangement with artificial intelligence firm OpenAI and expectations it will qualify at NVIDIA for high-bandwidth memory. The positive business momentum has led to upgraded 2026 earnings forecasts.
- Sorenson Communications, the leading provider of video and captioned telephone services for deaf and hard-of-hearing individuals, detracted from relative results amid declining use of its services. Earnings have been more resilient as gross margins remain stable and the company cuts operating expenses.
- United Rentals, an industrial equipment rental firm, curbed relative results amid weaker margins in their latest quarter. With large projects accelerating, the company is investing more to support stronger-than-anticipated demand into 2026. Moreover, local construction markets are now flattish, suggesting to us that core equipment rentals are at a positive inflection point. A pickup in overall demand could help with better operational leverage.

Outlook

- Plans for increased competitiveness across the European Union are supporting spending, employment and growth. We expect German fiscal stimulus to feed through to the broader domestic and European economies in 2026. However, we still expect lingering political instability in France and budget uncertainty in both France and the United Kingdom to serve as a modest near-term headwind to an already floundering economy.
- US policies continue to change, diverging from past norms and disrupting long-standing political and trade alliances. The United States' pullback from NATO has raised the risks of continued geopolitical uncertainty. Attacks on Fed independence, pending US Supreme Court rulings on Trump tariffs, and continued policy shifts are likely to keep volatility elevated, in our opinion.
- As the world adjusts to new trade relationships, alienation of traditional US allies and a retooling of global trade are resulting in a small but increasing portion of global trade being conducted in currencies other than the US dollar, which may result in reduced demand for the dollar. Other things being equal, a weakening dollar can boost the return of non-dollar denominated assets.
- Artificial intelligence (AI) continues to be a key area of business investment. According to some estimates, capital spending on AI powered as much as 92% of US GDP growth through July 2025. Movement into and out of the "AI trade" drove US market activity for much of last year, and the theme may continue through 2026. In addition to companies which provide compute capacity, businesses that furnish key infrastructure components for data center and chip foundry buildouts and expansion of the electrical grid have been beneficiaries.
- 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	6.01
META PLATFORMS INC	2.47
ROCHE HOLDING AG	2.16
NOVARTIS AG	1.89
EOG RESOURCES INC	1.77
ALPHABET INC	1.69
ASR NEDERLAND NV	1.63
PRUDENTIAL PLC	1.61
BP PLC	1.60
SLB LTD	1.59

Average annual total returns and fund expenses (%) - as of December 31, 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	3.28	17.64	17.64	12.25	8.00	6.50	11.32	3.28	17.64	17.64	12.25	8.00	6.50	11.32	0.77	0.77	—	—	9/26/1980
Class A	628380800	TEQIX	3.24	17.34	17.34	12.01	7.74	6.24	10.88	-2.44	10.88	10.88	9.92	6.53	5.64	10.74	1.02	1.02	5.50	—	9/26/1980
Benchmark 1	—	—	2.73	17.04	17.04	13.23	9.35	8.52	—	2.73	17.04	17.04	13.23	9.35	8.52	—	—	—	—	—	—
Benchmark 2	—	—	3.34	20.79	20.79	14.51	11.35	9.23	—	3.34	20.79	20.79	14.51	11.35	9.23	—	—	—	—	—	—
Benchmark 3	—	—	1.31	8.62	8.62	10.06	4.51	6.53	—	1.31	8.62	8.62	10.06	4.51	6.53	—	—	—	—	—	—

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

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 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 **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. 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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