

Franklin Mutual Beacon Fund

Class Z: BEGRX Class A: TEBIX

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, health care and consumer discretionary contributed to relative results. Alphabet, General Motors and Cooper Cos. were individual contributors.
- **Detractors:** Security selection in financials, information technology and materials detracted. Progressive, BlackRock and Brixmor Property Group dented 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.

Performance Review

- The Fund (Class Z without sales charges) outperformed its benchmark, the MSCI World Value 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.
- US automaker General Motors supported relative results following solid quarterly financial results as the impact from tariffs has been less than anticipated, and the company has maintained strong cost discipline. It raised its outlook for 2025 and is optimistic about 2026.
- US insurer Progressive hampered relative returns amid slower growth, margins coming in worse than trend, and a one-time expense due to over-earning in Florida. We believe Progressive's intellectual property moat allows it to price new business and renewals with better insights and analysis, leading to market share gains. This advantage allows the company to ramp up ad spending and take market share, in our view.
- Investment manager BlackRock curbed relative returns after a strong performance over the course of the year. Earnings have been solid and the company continues to benefit from industry tailwinds like increasing alternatives allocations, ETFs, manager consolidation and clients' redeployment of cash. The recent acquisitions in private markets should accelerate net flows, in our view, resulting in more sustainable growth that is less sensitive to market swings.

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
JPMORGAN CHASE & CO	4.81
DBS GROUP HOLDINGS LTD	4.47
HALEON PLC	4.42
HARTFORD INSURANCE GROUP INC/THE	4.32
PROGRESSIVE CORP/THE	4.10
JOHNSON CONTROLS INTERNATIONAL PLC	3.99
PARKER-HANNIFIN CORP	3.93
AMAZON.COM INC	3.79
COOPER COS INC/THE	3.74
FERGUSON ENTERPRISES INC	3.70

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	628380305	BEGRX	6.69	25.57	25.57	16.07	10.01	9.83	8.59	6.69	25.57	25.57	16.07	10.01	9.83	8.59	0.77	0.77	—	—	6/29/1962
Class A	628380875	TEBIX	6.62	25.28	25.28	15.77	9.74	9.55	8.13	0.74	18.38	18.38	13.60	8.51	8.93	8.03	1.02	1.02	5.50	—	6/29/1962
Benchmark	—	—	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(s)

Benchmark =Linked MSCI World Value Index-NR

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 portfolio invests in a concentration of certain securities, regions or industries, it is subject to increased volatility. 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

Moat is an advantage a company has which allows it to protect its market share and profitability.

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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 Linked MSCI World Value Index-NR reflects the performance of MSCI World Index from the fund's inception through 12/31/1974 and MSCI World Value Index-NR thereafter.

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