

Franklin Mutual Beacon Fund

Class Z: BEGRX Class A: TEBIX

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 and an underweight in financials and stock selection in industrials and in real estate boosted relative results. Individual contributors included EOG Resources, Johnson Controls and Novartis.
- **Detractors:** Stock selection in the health care and consumer discretionary sectors, along with an underweight in energy curbed relative performance. Among the detractors were Cooper Cos, Thermo Fisher Scientific and Ulta Beauty.
- **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) underperformed its benchmark, the MSCI World Value Index, for the quarter ended March 31, 2026.
- Cooper Cos., an eyecare firm, dented relative performance despite a solid quarterly earnings report and increased guidance. However, organic revenue growth, particularly in eyecare, was below expectations, as the company has been exiting certain products. Organic growth should improve with new leadership in several Asian countries, new product launches and increased investments in marketing. Cooper remains focused on improving free cash flow conversion and allocating that cash flow to share repurchases as they view their stock to be undervalued. The strategic review of its women's health business also continues to progress.
- Thermo Fisher Scientific, a life sciences company, weighed on relative results as the stock declined after its 2026 earnings guidance came in below investor expectations. However, guidance appears conservative, and recent quarterly results have been solid. As post-COVID headwinds and policy concerns moderate, growth should rebound, supported by improving end-markets.
- 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.
- Johnson Controls International, an industrial HVAC company, boosted relative results following strong financial results which showed robust organic and services growth as well as outsized order and backlog growth and margin expansion. We believe the operational turnaround continues, and we see a credible path to sustainably higher organic growth and margins.

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.

Top Holdings (% of Total)

Holding	Fund
DBS GROUP HOLDINGS LTD	4.62
JPMORGAN CHASE & CO	4.56
HALEON PLC	4.49
HARTFORD INSURANCE GROUP INC/THE	4.40
JOHNSON CONTROLS INTERNATIONAL PLC	4.20
FERGUSON ENTERPRISES INC	4.14
PROGRESSIVE CORP/THE	3.95
PARKER-HANNIFIN CORP	3.91
AMAZON.COM INC	3.87
COLGATE-PALMOLIVE CO	3.75

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	628380305	BEGRX	-1.99	-1.99	15.89	14.04	7.86	9.49	8.53	-1.99	-1.99	15.89	14.04	7.86	9.49	8.53	0.77	0.77	—	—	6/29/1962
Class A	628380875	TEBIX	-2.02	-2.02	15.64	13.74	7.59	9.21	8.06	-7.43	-7.43	9.30	11.63	6.38	8.59	7.97	1.02	1.02	5.50	—	6/29/1962
Benchmark	—	—	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(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

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.

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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. 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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