

Franklin Mutual Global Discovery Fund

Class Z: MDISX Class A: TEDIX
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 the information technology and communication services sectors, along with stock selection and an overweight in health care contributed to relative results. Alphabet, Samsung Electronics and AerCap Holdings were among the individual contributors.
- **Detractors:** Stock selection in financials, materials and real estate detracted from relative performance. Fiserv, Charter Communications and International Paper hindered relative performance.
- **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
ALPHABET INC	2.71
BNP PARIBAS SA	2.40
NOVARTIS AG	2.32
ROCHE HOLDING AG	2.24
AIRBUS SE	2.08
MERCK & CO INC	2.06
AERCAP HOLDINGS NV	2.06
HALEON PLC	2.05
DEUTSCHE TELEKOM AG	2.04
BANK OF AMERICA CORP	2.02

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.
- 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.
- Payments company Fiserv hurt relative returns after the new chief executive slashed 2025 guidance and issued weak 2026 forecasts. This sizable reset comes at a time when the entire payments sub-sector has been under pressure due to a more competitive landscape. The weak financial results stem from the roll-back of short-term revenue initiatives the prior management team implemented to meet quarterly financial targets, while the new chief executive is adjusting pricing to be more competitive. We believe the new chief executive is resetting expectations and positioning the company for more sustainable long-term growth.
- Charter Communications detracted from relative performance on continued competitive pressures from fiber and fixed wireless access. While free cash flow generation could increase significantly at Charter over time, we acknowledge the market's focus on subscriber metrics in the near term, which continues to weigh on the shares.

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.

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		
			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	628380404	MDISX	4.16	23.67	23.67	16.06	12.25	8.92	10.81	4.16	23.67	23.67	16.06	12.25	8.92	10.81	0.96	0.96	—	—	12/31/1992
Class A	628380859	TEDIX	4.10	23.37	23.37	15.77	11.97	8.65	10.46	-1.64	16.57	16.57	13.60	10.71	8.04	10.27	1.21	1.21	5.50	—	12/31/1992
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 = 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 franklintonline.com. Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Net expenses are capped under a contractual agreement, which cannot be terminated prior to 04/30/2026 without Board consent. 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

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

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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.

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