Franklin Mutual Global Discovery Fund

Class Z: MDISX Class A: TEDIX — **Commentary | as of June 30, 2025**

Key Takeaways

- **Markets:** While the US tariff announcement at the start of the second quarter of 2025 sparked significant swings in global equity markets, as measured by the MSCI World Index in US dollar terms, trade tensions eased over the remainder of the quarter, and reduced recession fears helped push global markets higher.
- **Contributors:** Stock selection in industrials, health care and consumer staples supported relative returns. Deutsche Bank, Ferguson Enterprises and Johnson Controls International were among the contributors.
- **Detractors:** Security selection in information technology, financials and materials hampered relative performance. Individual detractors included Zimmer Biomet Holdings, SLB and Global Payments.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to generate pockets of volatility in the near term. Recent US policy shifts have led European officials to enact changes which we think are bolstering conditions for improved economic growth and competitiveness, which when coupled with already low valuations can create potential for compelling investment opportunities.

Performance Review

- The Fund (Class Z) underperformed its benchmark, the MSCI World Value Index, for the quarter ended June 30, 2025.
- Germany's Deutsche Bank contributed to relative results after posting solid first-quarter earnings as volatile financial markets led to a bumper quarter at its fixed-income unit. The bank expects to remain on track to deliver on its 2025 targets but warned about the potential negative impacts from US tariff uncertainty. Deutsche Bank continues to improve controls, profitability and the ability to deliver more sustainable returns, in our view, and may benefit from increased European infrastructure and defense spending.
- Ferguson Enterprises, a US building products company, boosted relative results on strong earnings for the latest quarter due to solid organic growth despite still-weak end markets, deflation that moderated earlier than expected and margin improvements driven by pricing and cost actions. We view Ferguson as a market-leading building products distributor with a balanced portfolio and the scale to outgrow its markets and peers.
- Zimmer Biomet, an orthopedics company, detracted from relative results. Although its first-quarter earnings trends were consistent with expectations, the underperformance of its US knee replacement business and concerns about tariffs weighed on the shares. We remain optimistic about the company's positioning and organic growth prospects.
- Oilfield services firm SLB detracted from relative results amid weaker oil prices. The oilfield services company expects that a weaker global economy, tariffs and fluctuating oil and gas products could cut upstream investment and demand for its services. SLB is focusing on maintaining margins and generating free cash flow in the more uncertain environment.

Outlook

- While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to generate pockets of volatility in the near term.
- US consumers are cutting spending on select non-essential goods and services, such as motor vehicles and auto parts, meals out and hotel stays. Home sales are also under pressure. During the second quarter, US household income fell due to decreases in government social benefits, which affects over one-fifth of the population. However, several parts of the US economy, such as employment, remain stable. US Federal Reserve policymakers are holding rates steady as they wait for possible increases in inflationary pressure due to tariffs. Chairman Powell has reiterated that future rate decisions will be data dependent.
- In May, the Eurozone met its 2% inflation target, marking progress towards price stability within the region. Accommodative rate policy, stable employment and robust income growth are expected to support economic activity in the Eurozone for the remainder of the year and beyond. However, uncertainty due to shifting trade policy and growth concerns remain a headwind for the region.
- Recent US policy shifts have led European officials to enact changes which we think are bolstering conditions for improved economic growth and competitiveness, which should begin to appear in 2026, accelerating over the next couple of years. When coupled with already low valuations within the region, we see potential for compelling investment opportunities. Additionally, policies which are weakening the US Dollar are making non-US investments increasingly attractive to investors worldwide.
- 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
BNP PARIBAS SA	2.85
CHARTER COMMUNICATIONS INC	2.54
PRUDENTIAL PLC	2.17
AIRBUS SE	2.15
ROCHE HOLDING AG	2.13
FISERV INC	2.10
NOVARTIS AG	2.07
AERCAP HOLDINGS NV	2.01
DEUTSCHE BANK AG	1.96
SHELL PLC	1.94

Sector Allocation (% of Total)

Sector	Fund
Financials	20.67
Health Care	17.66
Industrials	11.71
Consumer Staples	11.60
Communication Services	8.82
Consumer Discretionary	8.30
Information Technology	6.39
Energy	5.75
Other	5.96
Cash & Cash Equivalents	3.13

Average annual total returns and fund expenses (%) - as of June 30, 2025

			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	628380404	MDISX	4.88	13.86	15.37	14.84	14.91	7.36	10.70	4.88	13.86	15.37	14.84	14.91	7.36	10.70	0.96	0.96	—	—	12/31/1992
Class A	628380859	TEDIX	4.78	13.72	15.08	14.55	14.62	7.09	10.35	-0.97	7.45	8.76	12.42	13.33	6.49	10.16	1.21	1.21	5.50	—	12/31/1992
Benchmark	—	—	5.38	10.45	15.94	13.47	13.48	7.69	—	5.38	10.45	15.94	13.47	13.48	7.69	—	—	—	—	—	—

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 franklintempleton.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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