FRANKLIN TEMPLETON

Franklin Mutual Global Discovery Fund

Class Z: MDISX Class A: TEDIX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** Global equities, as measured by MSCI World Index, delivered solid gains during the third quarter of 2026, supported by resilient economic growth and robust corporate earnings, even as elevated inflation, geopolitical tensions and tighter monetary policy weighed on sentiment. Leading central banks, including the US Federal Reserve, maintained a hawkish stance, while geopolitical risks, such as the Middle East conflict, added to market uncertainty.
- **Contributors:** Stock selection in the utilities and consumer discretionary sectors contributed to performance. Salesforce, BP and DBS Holdings Group were among the leading individual contributors to results.
- **Detractors:** Stock selection in the communication services and health care sectors detracted from performance. Renesas Electronics, Danone and reduced exposure to Microsoft were among the leading individual detractors from 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
MICROSOFT CORP	4.80
META PLATFORMS INC	2.44
MERCK & CO INC	2.40
SHELL PLC	2.20
ROCHE HOLDING AG	2.19
ASTRAZENECA PLC	2.15
TENCENT HOLDINGS LTD	2.08
ELEVANCE HEALTH INC	2.07
AIRBUS SE	2.04
ABBOTT LABORATORIES	2.02

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the MSCI World Value Index, for the quarter ended September 30, 2026.
- An underweight in Microsoft, a US-based software and cloud services provider, weighed on relative performance as the stock price rose during the period on accelerating Azure growth and brisk Copilot adoption backed by upbeat guidance. Improving supply conditions supported AI demand and eased capacity worries, while clearer cash generation and capex discipline reframed the company outlook and catalyzed a rerating.
- Renesas Electronics detracted from relative results during the period. The Japan-based semiconductor company's shares declined early in the period along with other Japanese technology shares. The shares did not participate in the sector's rebound later in the period due to the company's significant exposure to the automotive end market, which has been weak.
- DBS Group Holdings, a Singapore-based bank providing retail, corporate, and wealth management services across Asia, contributed to relative results. Strong non-interest income from wealth management services, alongside proactive hedging and loan growth that steadied margins, buoyed investor sentiment, as did upgraded guidance from management.
- BP, a UK-based integrated energy company, added to relative performance as a solid update highlighted a strengthening balance sheet and disciplined deleveraging. Robust upstream output, strong refining margins, and exceptional oil trading supported improved cash generation, while portfolio simplification and a clearer, returns-focused strategy bolstered investor confidence and market sentiment.

Outlook

- In the US, business investment in AI and related capital expenditure is the main source of economic growth and investor optimism. Major uncertainties remain, however, including whether these investments will generate adequate returns and how regulation will evolve. A substantial slowdown in current or expected spending could affect both the broader economy and the stock market. A second source of economic support is consumer spending, which is bolstered by high-income households, as the K-shaped economy persists. Increasing gas, food and energy prices, which consume a larger percentage of low- and middle-income earners' wages, are crowding out other expenditures from this segment of the population.
- Europe is making slow progress on deregulation, increased competitiveness, and more robust infrastructure and defense spending. Political and fiscal challenges across major economies are contributing to delays, though growth has improved slightly from a low base. European valuations generally remain significantly below US levels, reflecting these challenges and risks.
- Japan is showing steady progress in government reform, economic reflation, and growth. Government spending hit a record high in the second quarter of 2026, and expansionary policies are expected to continue. However, rising interest rates and bond yields could threaten that momentum. A weaker yen can also add pressure by increasing prices of imports and raw materials. While inflationary pressure has contributed to a pullback in consumer spending, business spending and corporate profits are increasing.
- The situation in Iran remains uncertain and will likely continue to stoke price volatility and elevate global asset risk premiums for the duration of the conflict. Restricted travel through 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 liquified natural gas, shipments of refined products, aluminum, and fertilizer, among others, are also affected.
- 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.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			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	2.19	3.40	7.69	13.65	9.85	8.63	10.66	2.19	3.40	7.69	13.65	9.85	8.63	10.66	0.95	0.95	—	—	12/31/1992
Class A	628380859	TEDIX	2.14	3.23	7.47	13.39	9.58	8.37	10.32	-3.48	-2.45	1.55	11.27	8.35	7.75	10.14	1.20	1.20	5.50	—	12/31/1992
Benchmark	—	—	3.84	14.74	18.57	19.08	11.54	10.04	—	3.84	14.74	18.57	19.08	11.54	10.04	—	—	—	—	—	—

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 04/30/2027 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

Capital Expenditure (capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Duration is a measure of the sensitivity of a bond's price to changes in interest rates.

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.

Reflation is a fiscal or monetary policy designed to expand a country's output and curb the effects of deflation.

Important Information

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.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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