

Franklin Mutual International Value Fund

Class Z: MEURX Class A: TEMIX

Commentary | as of March 31, 2025

Key Takeaways

- **Markets:** International equities, as measured by the MSCI EAFE Index, rose in US dollar terms during the first quarter, amid increasing enthusiasm for both European and Asian equities. Signs of economic improvements in the eurozone, the United Kingdom and Japan and interest-rate cuts by the European Central Bank and the Bank of England supported investor sentiment.
- **Contributors:** Stock selection in financials and industrials, as well as an underweight in materials, contributed to relative performance. Individual contributors included Deutsche Bank, Prudential plc and BNP Paribas.
- **Detractors:** An overweight in information technology, stock selection and an underweight in utilities and stock selection in health care curbed relative results. Detractors included Denso, Kering and Olympus.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term. Concurrently, US policy shifts are leading European officials to enact changes which we think are creating fertile conditions for improved economic growth and competitiveness. When coupled with already low valuations within the region, we see potential for compelling investment opportunities.

Performance Review

- The Fund (Class Z) outperformed its benchmark, the MSCI EAFE Value Index, for the quarter ended March 31, 2025.
- Deutsche Bank contributed to relative performance, on optimism about a return to growth and fiscal spending in Germany that could lead to more loan growth and greater capital markets activity. Additionally, Deutsche Bank expects expenses to decline in 2025, which can boost profitability.
- UK-listed insurer Prudential supported relative results. Full-year 2024 financial reflect stabilization from the sales noise seen coming out of the Covid shutdown, and the insurer is forecasting improving cash flow through 2027. We believe the demerging of its US and UK businesses make it a pure play on the demographic and economic growth potential in Asia.
- Japanese auto parts maker Denso curbed relative results amid worries about the impact of US tariffs on its business. We believe that the potential impact from tariffs is likely modest due to its global business and the likelihood it will likely pass higher costs onto customers.
- Luxury goods company Kering hindered relative performance as the company continues to deal with weakness in its Gucci brand as well as disappointment with the choice of a new Gucci creative director. While it may take some time for the impact of the new creative director's vision to be realized, we believe the choice is a sound one. Kering is also addressing broader industry headwinds, such as pricing, quality and innovation.

Outlook

- While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term.
- Recent US policy shifts have led European officials to enact changes which we think are creating fertile conditions for improved economic growth and competitiveness over the coming few years. When coupled with already low valuations within the region, we see potential for compelling investment opportunities.
- The European Central Bank cut rates in March and guided towards "meaningfully less restrictive" policy. The reduced cost of borrowing comes at a time of accelerating loan growth within the region. Despite pockets of strength within the economy, the Bank cut their economic growth forecast for 2025, citing trade and policy uncertainty.
- The Tokyo Stock Exchange (TSE) is encouraging companies to improve their returns in a push to make the country more investable. Organizations with clear plans to improve returns and margins while reducing their cost of capital, and that are willing to buy back stock trading below book value following the unwinding of cross shareholdings, are particularly appealing for more intense analysis, in our opinion.
- 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.

Morningstar Rating™

Overall Rating as of March 31, 2025



(4-Star) Class Z



(4-Star) Class A

As of 03/31/2025 the fund's Class A and Class Z shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 341, 317 and 224 Foreign Large Value funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Top Holdings (% of Total)

Holding	Fund
BNP PARIBAS SA	3.93
DEUTSCHE BANK AG	3.90
PRUDENTIAL PLC	3.47
BP PLC	3.10
ROCHE HOLDING AG	3.04
NOVARTIS AG	2.91
MITSUBISHI UFJ FINANCIAL GROUP INC	2.76
SCHLUMBERGER LTD	2.70
DBS GROUP HOLDINGS LTD	2.68
SHELL PLC	2.68

Sector Allocation (% of Total)

Sector	Fund
Financials	28.19
Industrials	14.12
Health Care	11.14
Consumer Staples	8.94
Energy	8.48
Consumer Discretionary	7.99
Communication Services	6.56
Information Technology	6.12
Other	5.11
Cash & Cash Equivalents	3.33

Average annual total returns and fund expenses (%)

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	628380503	MEURX	14.46	14.46	13.24	12.68	17.35	5.56	9.54	14.46	14.46	13.24	12.68	17.35	5.56	9.54	0.95	0.95	—	—	7/3/1996
Class A	628380834	TEMIX	14.41	14.41	12.94	12.41	17.06	5.30	9.20	8.10	8.10	6.74	10.30	15.75	4.71	8.99	1.20	1.20	5.50	—	7/3/1996
Benchmark	—	—	11.56	11.56	12.85	9.69	14.77	5.06	—	11.56	11.56	12.85	9.69	14.77	5.06	—	—	—	—	—	—

Benchmark(s)

Benchmark =MSCI EAFE 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 04/30/2025 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 fund invests in companies in a specific **country or region**, the fund may experience greater volatility than a fund that is more broadly diversified geographically. **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. 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

The **MSCI EAFE Index** is a free float-adjusted market capitalization-weighted index designed to measure developed market equity performance, excluding the U.S. and Canada. 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.

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.

The **MSCI EAFE Value Index** is designed to measure performance of stocks exhibiting overall value style characteristics in developed markets, excluding the U.S. and Canada. 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. Net Returns (NR) include income net of tax withholding when dividends are paid.

Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Morningstar Rating™: Source: Morningstar®, 03/31/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 5, 5 and 3 and fund's Class Z shares received a Morningstar Rating of 5, 5 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Class Z shares only. Other share classes may have different Morningstar ratings.

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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.