FRANKLIN TEMPLETON

Franklin Mutual International Value Fund

Class Z: MEURX Class A: TEMIX | **Commentary | as of March 31, 2026**

Key Takeaways

- **Markets:** International stock markets, as measured by the MSCI EAFE Index, declined in US dollar terms during the first quarter, amid fears about the impact spiking energy prices would have on the global economy following the closure of the Strait of Hormuz. Non-US stocks did perform better than US equities, given the greater focus on traditional value-oriented sectors which helped some regional markets ride out the volatility around artificial intelligence's impact on industries like software, earlier in the quarter.
- **Contributors:** Stock selection in materials and consumer staples bolstered relative results. Contributors included BP, Norsk Hydro, and SLB.
- **Detractors:** Security selection in the industrials and information technology sectors and stock selection and an overweight in consumer discretionary curbed relative performance. Detractors included Stellantis, Capgemini and Airbus.
- **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
BP PLC	3.55
ROCHE HOLDING AG	3.54
SHELL PLC	2.97
BNP PARIBAS SA	2.79
HSBC HOLDINGS PLC	2.75
HALEON PLC	2.65
DEUTSCHE TELEKOM AG	2.54
UNICREDIT SPA	2.50
PRUDENTIAL PLC	2.41
NOVARTIS AG	2.36

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the MSCI EAFE Value Index, for the quarter ended March 31, 2026.
- Auto maker Stellantis detracted from relative results, after it preannounced earnings due to a larger-than-expected cash restructuring charge for its electric vehicle business and weak earnings for the second half of the year, partly due to one-offs. As for its 2026 outlook, while it shows year-over-year improvement, it was below expectations. Despite the challenges, we continue to believe the turnaround is intact, but the speed of the margin recovery will be slower.
- IT services firm Capgemini curbed relative returns amid concerns about the impact artificial intelligence (AI) will have on its business. The company's fourth-quarter results were solid but did little to dispel concerns. Management acknowledged that AI in the enterprise is maturing, but said Capgemini would use its domain knowledge and its AI tools to enable enterprise-wide AI adoption.
- BP was a contributor following the spike in oil prices in March. Financial results have also been generally solid, with the company making progress in reducing costs and divesting certain businesses. Higher oil prices should further ease balance sheet constraints, while the new chief executive officer could catalyze upside via growth projects or shareholder return frameworks, in our view.
- Norsk Hydro, a Norway-based aluminum company, contributed to relative results. The aluminum market was already tight before the Iran conflict, which has caused supply disruptions that will likely take some time to restore, in our view. Higher prices are benefiting Norsk Hydro.

Outlook

- 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.
- 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.
- In Japan, the drive to improve governance continues, and the economy continues to strengthen slowly. 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.
- In late March, the European Central Bank (ECB) increased its 2026 headline inflation expectation to 2.6%, revised upward from the previous estimate due to increasing energy prices. Meanwhile, eurozone unemployment continues to sit near a record low. The ECB predicts moderate economic growth in the coming year despite ongoing global conflicts.
- 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 March 31, 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	628380503	MEURX	-1.07	-1.07	20.95	17.01	12.41	9.09	9.91	-1.07	-1.07	20.95	17.01	12.41	9.09	9.91	0.99	0.95	—	—	7/3/1996
Class A	628380834	TEMIX	-1.14	-1.14	20.66	16.72	12.14	8.82	9.57	-6.58	-6.58	14.03	14.54	10.88	8.20	9.36	1.24	1.20	5.50	—	7/3/1996
Benchmark	—	—	2.00	2.00	30.05	19.85	12.19	9.35	—	2.00	2.00	30.05	19.85	12.19	9.35	—	—	—	—	—	—

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. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 04/30/2026 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

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

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

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