

Franklin Mutual International Value Fund

Class Z: MEURX Class A: TEMIX

Commentary | as of June 30, 2025

Key Takeaways

- **Markets:** International equity markets, as measured by the MSCI EAFE Index in US dollar terms, rose in the second quarter of 2025, overcoming the increased volatility at the start of the period following the US tariff announcement. Easing global trade tensions, which reduced fears of a recession, as well as a weaker US dollar supported non-US equities.
- **Contributors:** Stock selection in financials and industrials supported relative results. Individual contributors included Babcock International Group, Deutsche Bank and St. James's Place.
- **Detractors:** Security selection in energy and information technology, as well as an overweight in health care, curbed relative performance. Among the detractors were SLB, BP 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 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 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.

Performance Review

- The Fund (Class Z) underperformed its benchmark, the MSCI EAFE Value Index, for the quarter ended June 30, 2025.
- Babcock International, a UK-based defense company, contributed to relative returns on optimism the company may benefit from a step-up in UK and European defense spending. The company also boosted its fiscal year earnings forecast on strong growth in its nuclear and marine businesses and announced a share buyback program.
- 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.
- 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.
- UK-based oil major BP was a notable detractor amid both declining oil prices and weaker first-quarter earnings, particularly in its gas trading business, despite modest improvements in downstream reliability and cost cuts. Its higher leverage makes it more vulnerable to a downcycle, making consistent operational delivery and key investments critical to upside performance.

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.
- 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 leaving the outlook for the short-term somewhat weak.
- 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 continue to make international investments more attractive to investors worldwide.
- 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 June 30, 2025



(4-Star) Class Z



(4-Star) Class A

As of 06/30/2025 the fund's Class Z and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 339, 320 and 235 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	3.64
DEUTSCHE BANK AG	3.55
ROCHE HOLDING AG	3.37
PRUDENTIAL PLC	3.24
NOVARTIS AG	2.82
SBI HOLDINGS INC	2.81
AERCAP HOLDINGS NV	2.39
ST JAMES'S PLACE PLC	2.36
DBS GROUP HOLDINGS LTD	2.32
BP PLC	2.32

Sector Allocation (% of Total)

Sector	Fund
Financials	26.84
Industrials	13.16
Consumer Staples	11.53
Health Care	9.91
Consumer Discretionary	7.41
Energy	6.40
Information Technology	6.18
Communication Services	5.89
Other	7.33
Cash & Cash Equivalents	5.35

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

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	8.83	24.58	21.74	17.69	15.52	6.70	9.78	8.83	24.58	21.74	17.69	15.52	6.70	9.78	0.99	0.95	—	—	7/3/1996
Class A	628380834	TEMIX	8.77	24.44	21.44	17.39	15.24	6.43	9.43	2.80	17.58	14.77	15.21	13.95	5.83	9.22	1.24	1.20	5.50	—	7/3/1996
Benchmark	—	—	10.11	22.84	24.24	18.38	14.30	6.05	—	10.11	22.84	24.24	18.38	14.30	6.05	—	—	—	—	—	—

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

A **buyback** is the repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market.

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

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.

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

Morningstar Rating™: Source: Morningstar®, 06/30/2025. 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 4, 4 and 3 and fund's Class Z shares received a Morningstar Rating of 4, 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.