FRANKLIN TEMPLETON

Franklin Mutual International Value Fund

Class Z: MEURX Class A: TEMIX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Markets:** International stock markets, as measured by the MSCI EAFE Index, posted mild gains in US dollar terms during the third quarter. Positive returns were bolstered by value stocks, which soundly outperformed their growth counterparts all three months of the period. Regional divergence outweighed a broadly resilient global growth backdrop. Japanese equities led developed markets, supported by robust corporate earnings, accelerating share buybacks and ongoing corporate governance reforms, while European equities underperformed, weighed down by a more aggressive European Central Bank tightening cycle.
- **Contributors:** Stock selection in the utilities and health care sectors, and underweights to information technology and real estate companies, contributed to performance. Leading individual contributors included SBI Holdings, Olympus and BP.
- **Detractors:** Stock selection in the industrials and financials sectors detracted from performance. Leading individual detractors included St. James's Place, Danone and Coca-Cola Bottlers Japan.
- **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
ROCHE HOLDING AG	3.56
SHELL PLC	3.44
HSBC HOLDINGS PLC	3.42
UNICREDIT SPA	3.36
NATWEST GROUP PLC	2.90
SBI HOLDINGS INC	2.63
ALLIANZ SE	2.63
COCA-COLA BOTTLERS JAPAN HOLDINGS INC	2.53
MITSUBISHI UFJ FINANCIAL GROUP INC	2.51
ASTRAZENECA PLC	2.47

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the MSCI EAFE Value Index, for the quarter ended September 30, 2026.
- UK-based wealth management firm St. James's Place weighed on relative performance. Decreased client fund inflows exacerbated fears of AI agent displacement of professional financial advisors weighing on investor sentiment during the quarter, as did several high profile team departures. The ongoing financial impact of the firm's new simplified fee structure also negatively impacted the stock.
- France-based food products company Danone was among the leading individual detractors from performance during the quarter. Normalizing infant nutrition growth and a struggling functional beverages business led to soft sales in China, which weighed on investor sentiment. In addition, despite making some progress, Danone continues to lose share in essential dairy in the US due to capacity constraints.
- 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.
- Olympus, a Japan-based medical technology firm which develops endoscopy systems and surgical devices, positively impacted relative performance as investors repriced the stock following a stronger-than-expected first-quarter report. Momentum from early EVIS X1/EDOF adoption and broad GIS strength, alongside disciplined cost initiatives and margin expansion plans, boosted investor confidence in durable growth and product mix quality.

Outlook

- 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.
- Despite elevated energy prices and higher borrowing costs, the eurozone job market remains resilient, with the unemployment rate hovering near recent lows. While the consistent demand for labor reflects a middling economy, which expanded at a 0.6% pace in the second quarter, the pace of employment growth has been slowing. According to the European Central Bank (ECB), increased prices have yet to translate into higher wages, which could reduce demand for labor.
- 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	628380503	MEURX	3.11	5.16	10.70	18.58	12.67	9.41	9.96	3.11	5.16	10.70	18.58	12.67	9.41	9.96	1.00	0.97	—	—	7/3/1996
Class A	628380834	TEMIX	3.01	4.94	10.40	18.27	12.38	9.14	9.62	-2.64	-0.84	4.34	16.07	11.12	8.52	9.41	1.26	1.22	5.50	—	7/3/1996
Benchmark	—	—	4.27	14.32	23.26	22.97	14.32	10.06	—	4.27	14.32	23.26	22.97	14.32	10.06	—	—	—	—	—	—

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. 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 04/30/2027 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.

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

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.

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.

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.

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Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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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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