

Franklin Mutual International Value Fund

Class Z: MEURX Class A: TEMIX
Commentary | as of December 31, 2025

Key Takeaways

- Markets:** International stock markets, as measured by the MSCI EAFE Index, advanced in US dollar terms in the fourth quarter of 2025. Optimism about the benefits of stronger European economic growth stemming from increased German fiscal spending helped boost regional stocks. Japanese equities, meanwhile, benefited from increased domestic spending and ongoing corporate reform efforts.
- Contributors:** Stock selection and an overweight in information technology, a lack of exposure to real estate and stock selection in consumer discretionary bolstered relative results. Samsung Electronics, Metso and AerCap were among the individual contributors to relative performance.
- Detractors:** Security selection in industrials, financials and consumer staples curbed relative returns. Individual detractors included Tencent, Mondelez International and RENK Group.
- 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.

Performance Review

- The Fund (Class Z without sales charges) underperformed its benchmark, the MSCI EAFE Value Index, for the quarter ended December 31, 2025.
- South Korean technology company Samsung Electronics contributed to relative results following solid earnings, optimism about a rebound in the memory chip cycle, positive news around an arrangement with artificial intelligence firm OpenAI, and expectations it will qualify at NVIDIA for high-bandwidth memory. The positive business momentum has led to upgraded 2026 earnings forecasts.
- Finnish mining equipment company Metso contributed to relative results following a strong quarterly report, supported by strong orders, resilient margins and improving working capital. We continue to believe that the market has not given the company enough credit for a portfolio overhaul that has made the business less cyclical and more focused on the attractive copper and gold markets.
- China-based gaming, online advertising and fintech company Tencent curbed relative results after a strong third quarter. Tencent's dominant position in China across gaming, advertising/communication, and fintech, and its investments companies across generative artificial intelligence and gaming leave it well placed to benefit from monetization opportunities as well as potential disruption.
- Food and beverage manufacturer Mondelez International weighed on relative results, as financial results for its latest quarter came in below expectations with profit margins falling on higher commodity costs. Results in Europe were affected by a hot summer and Mondelez saw weaker consumer demand in North America. We believe the company will be able to return to growth as it navigates higher costs.

Outlook

- Plans for increased competitiveness across the European Union are supporting spending, employment and growth. We expect German fiscal stimulus to feed through to the broader domestic and European economies in 2026. Not only will Germany and other European countries spend more on defense, but they also have begun to invest in a wider range of civilian infrastructure, which can benefit value industries focused on building materials, roads, rails and the like.
- Eurozone unemployment continues to sit near a record low. The European Central Bank expects strong consumer and government spending, improving financing conditions and increased foreign demand to support economic growth within the region in the coming year. However, we still expect lingering political instability in France and budget uncertainty in both France and the United Kingdom to serve as a modest near-term headwind to an already floundering economy.
- The United States' pullback from NATO has raised the risks of continued geopolitical uncertainty. As the world adjusts to new trade relationships, alienation of traditional US allies and a retooling of global trade are resulting in a small but increasing portion of global trade being conducted in currencies other than the US dollar, which may result in reduced demand for the dollar. Other things being equal, a weakening dollar can boost the return of non-dollar denominated assets.
- 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.
- 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 December 31, 2025


(4-Star) Class Z

(3-Star) Class A

As of 12/31/2025 the fund's Class Z shares received a 4 star and Class A shares received a 3 star overall Morningstar rating™, measuring risk-adjusted returns against 336, 318 and 243 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
ROCHE HOLDING AG	3.55
UNICREDIT SPA	2.90
BNP PARIBAS SA	2.69
PRUDENTIAL PLC	2.47
NOVARTIS AG	2.44
HALEON PLC	2.42
BP PLC	2.31
AVIVA PLC	2.30
CIE DE SAINT-GOBAIN SA	2.21
BRITISH AMERICAN TOBACCO PLC	2.20

Average annual total returns and fund expenses (%) - as of December 31, 2025

Class	CUSIP	Ticker	Without Sales Charge						With Maximum Sales Charge						Expenses		Sales Charges		Inception		
			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	5.26	39.94	39.94	19.19	14.39	8.49	10.04	5.26	39.94	39.94	19.19	14.39	8.49	10.04	0.99	0.95	—	—	7/3/1996
Class A	628380834	TEMIX	5.21	39.63	39.63	18.91	14.12	8.21	9.69	-0.57	31.94	31.94	16.70	12.83	7.60	9.48	1.24	1.20	5.50	—	7/3/1996
Benchmark	—	—	7.83	42.25	42.25	21.37	13.37	8.69	—	7.83	42.25	42.25	21.37	13.37	8.69	—	—	—	—	—	—

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

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.

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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.

Morningstar Rating™: Source: Morningstar®, 12/31/2025. 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 Z shares received a Morningstar Rating of 3, 5 and 3 and fund's Class A shares received a Morningstar Rating of 3, 4 and 2 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class Z and Class A shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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