FRANKLIN TEMPLETON INVESTMENTS

Mutual International Fund—Class A

PRODUCT PROFILE FOURTH QUARTER 2013

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol	FMIAX
Fund Inception Date	5/1/09
Dividends	Semiannually in September and December
Investment Style	Deep Value
Benchmark	MSCI EAFE (Net Dividends) (Local) Index
Lipper Classification	International Multi-Cap Value
Morningstar Category™	US OE Foreign Large Value
Total Net Assets—All Share Classes	64 million
Number of Issuers	96
Maximum Initial Sales Charge	5.75%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

★★★

Load Waived

★★★

As of December 31, 2013 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 3 star Morningstar Rating™, measuring risk-adjusted returns against 304 U.S.-domiciled US OE Foreign Large Value funds over the 3- year period. 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.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

FUND DESCRIPTION

The fund seeks capital appreciation, with income as a secondary goal, by investing predominantly in securities of companies located outside the United States. It will focus primarily on undervalued securities of mid- and large capitalization companies and, to a lesser extent, distressed securities and merger arbitrage.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended December 31, 2013 (%)

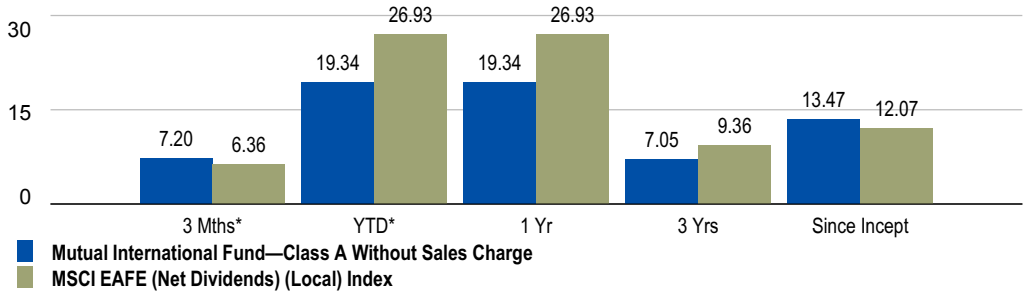
	3 Mths*	YTD*	1 Yr	3 Yrs	Since Incept (5/1/09)
With Sales Charge	1.02	12.45	12.45	4.96	12.04
Without Sales Charge	7.20	19.34	19.34	7.05	13.47
MSCI EAFE (Net Dividends) (Local) Index	6.36	26.93	26.93	9.36	12.07

Total Annual Operating Expenses—*With Waiver:* *1.20%* ***Without Waiver:*** *1.20%*

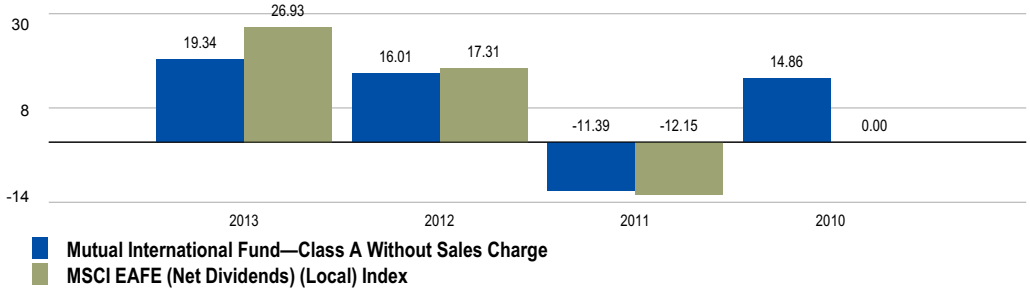
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

The fund has an expense reduction contractually guaranteed through at least April 30, 2014. The fund may also have a fee waiver associated with any investments it makes in a Franklin Templeton money fund, an arrangement that is contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the expense reduction and fee waiver, as applicable; without these reductions, the results would have been lower.

Average Annual Total Returns for Periods Ended December 31, 2013 (%)



Calendar Year Returns As of December 31, 2013 (%)



If the Fund's sales charge had been included, the returns would have been lower.

*Cumulative Total Returns.

For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

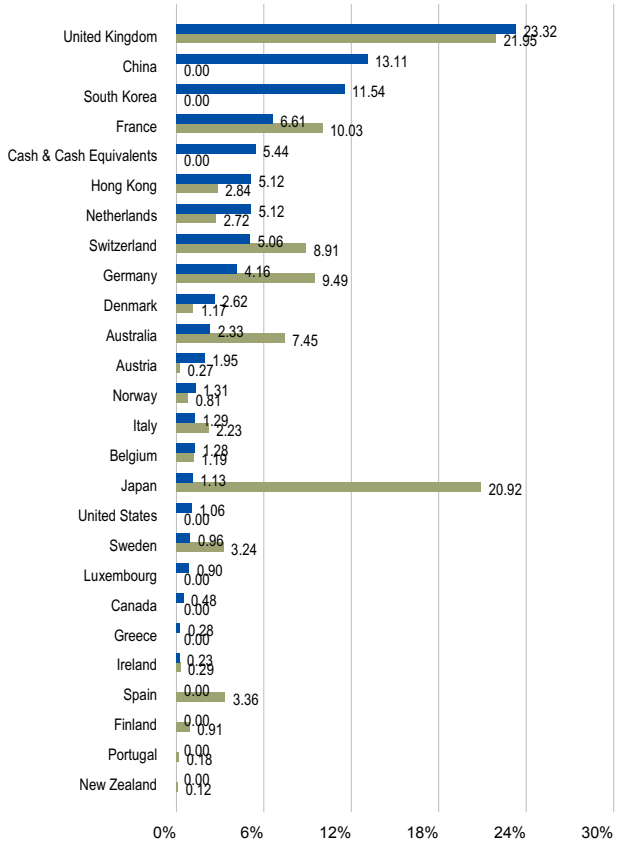
NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

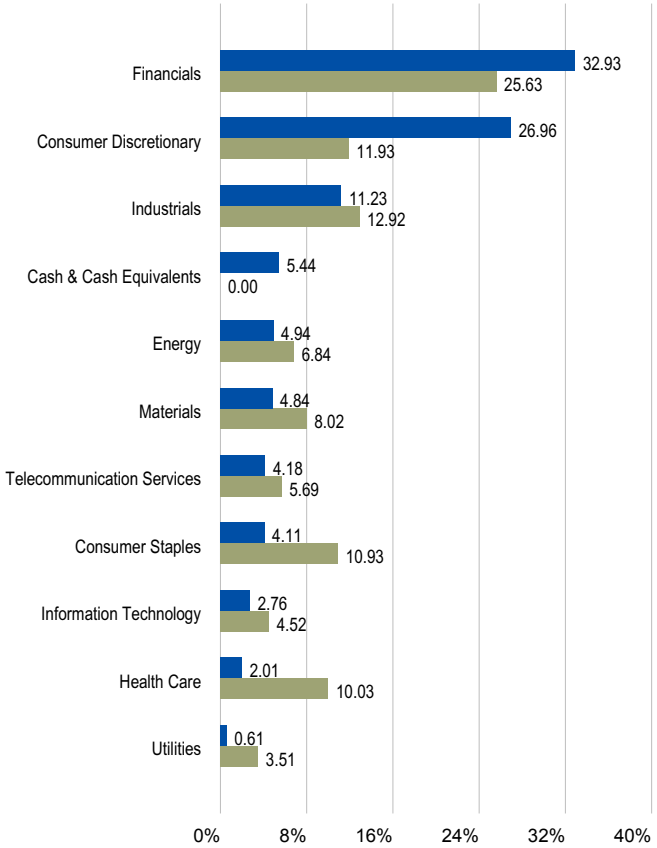
Top Ten Holdings

Issuer Name	Country	Industry	% of Total
1. DUFRY AG	Switzerland	Retailing	1.87
2. INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA	United Kingdom	Transportation	1.78
3. ING GROEP NV	Netherlands	Diversified Financials	1.59
4. UNIQA INSURANCE GROUP AG	Austria	Insurance	1.58
5. DIRECT LINE INSURANCE GROUP PLC	United Kingdom	Insurance	1.56
6. SAMSUNG ELECTRONICS CO LTD	South Korea	Semiconductors & Semiconductor Equipment	1.53
7. HANA FINANCIAL GROUP INC	South Korea	Banks	1.51
8. HYUNDAI MOTOR CO	South Korea	Automobiles & Components	1.51
9. AP MOELLER - MAERSK A/S	Denmark	Transportation	1.48
10. METRO AG	Germany	Food & Staples Retailing	1.48
Total			**15.89**

Geographic Weightings vs. Benchmark (% of Total)

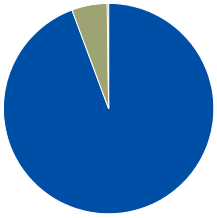


Sector Weightings vs. Benchmark (% of Total)



Mutual International Fund
MSCI EAFE (Net Dividends) (Local) Index

Portfolio Allocation (%)



Undervalued Equities—94.34
Cash & Other Net Assets—5.44
Other—0.23

For information related to the "Portfolio Diversification" section, please see Explanatory Notes.

PORTFOLIO CHARACTERISTICS (AS OF 12/31/13)—Fund vs. MSCI EAFE (Net Dividends) (Local) Index

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	25,550	59,058
Median Market Capitalization (Millions USD)	7,761	9,092

Price to Earnings

	Fund	Benchmark
Weighted Average	11.64x	17.05x
Median	14.33x	18.06x

Price to Book Value

	Fund	Benchmark
Weighted Average	1.36x	1.71x
Median	1.49x	1.73x

Price to Cash Flow

	Fund	Benchmark
Weighted Average	5.79x	9.18x
Median	7.48x	10.93x

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 12/31/13)

Performance Risk Statistics	3 Years
Standard Deviation	13.83
Alpha	-2.10
Beta	1.02
Sharpe Ratio	0.51
Information Ratio	-0.38
Tracking Error	6.03
R-Squared	80.99

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GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.
Benchmark: An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.
Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.
Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.
Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share.
Price to Book Value (P/BV): The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the ratio is the weighted average price/book ratio of the stocks it holds.
Price to Cash Flow (P/CF): Supplements price/earnings ratio as a measure of relative value; represents a weighted average of the price/cash flow ratios for the underlying fund holdings.
Price to Earnings (P/E): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the weighted average P/E ratio of the stocks in the portfolio. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.
R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.
Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.
Standard Deviation: A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.
Tracking Error: Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

MARKET REVIEW

Global stock markets generally advanced in the fourth quarter as developed-market equities delivered strong gains and outperformed emerging-market stocks, which also produced positive results. The US Federal Reserve (Fed) surprised financial markets in December by announcing that it would begin to modestly taper monthly bond purchases in January 2014. The Fed also promised to keep US interest rates exceptionally low--likely to 2015--eliminating some uncertainty for investors.

European stocks as a whole delivered strong returns in the fourth quarter, mainly due to solid gains from the region's developed markets. In the third quarter, eurozone economic growth slowed, prompting the European Central Bank (ECB) to lower its benchmark interest rate 25 basis points in November. With signs in the fourth quarter that economic activity in the eurozone was picking up, the ECB held rates steady in December at a record low of 0.25%.

Overall, Asian equities advanced slightly during the fourth quarter, with both China and Japan posting positive returns. Although China's economy accelerated in the third quarter, it appeared to lose some momentum in the fourth quarter. Japan's economy continued to expand in the third quarter.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

During the fourth quarter of 2013, three of the fund's largest contributors to absolute performance were Rexlot, Aegon and International Consolidated Airlines. Hong Kong-based Rexlot is involved with most parts of the lottery business in China. Growth in sales has remained robust, and the company has been raising its dividend payout, which served to highlight the stability of its earnings, robust balance sheets and significant discount to intrinsic value.

Aegon is a provider of life insurance, pensions and asset management services. Better-than-expected earnings, due partly to one-time items, helped move the stock higher. Shares of Aegon, like other US insurers, have also benefited from a more favorable US economic environment and higher interest rates. Despite a majority of the company's earnings coming from its US life insurance businesses, we believe the stock had been underperforming its US peers due to its association with the Dutch economy and exposure--albeit limited--to the Dutch residential real estate markets. In addition, management has been able to generate cash, delever the balance sheet and increase its ability to return capital to shareholders through a growing dividend and share buyback.

International Consolidated Airlines is a UK-based holding company that owns British Airways, Iberia and discount carrier Vueling. Shares of the company continued to rally on investor optimism regarding the success of management's efforts to cut costs, eliminate unprofitable routes and increase margins on routes where it has pricing power. In our view, a growing belief among investors that Europe's economy has bottomed could provide an additional tailwind for the stock, as any economic improvement is likely to benefit the company through greater passenger traffic, especially among the higher-value premium passengers. In addition, the restructuring process remains a work in progress that should generate additional profit upside even if economic growth is delayed.

In contrast, three of the fund's main detractors from absolute performance for the quarter were RSA Insurance, Sinomedia Holding, and Marks & Spencer. Shares of RSA Insurance declined after the company announced in November that it was suspending the chief executive officer, chief financial officer and claims director of its Ireland business amid an investigation into aggressive reserve accounting practices. A subsequent credit-rating downgrade by Standard & Poor's also weighed on the stock.

Sinomedia Holding is a Beijing-based company that provides nationwide advertising coverage and campaign planning for advertisers. Shares pulled back during the period after a strong rally during the first half of the year. Advertising demand appeared to weaken during the fourth quarter which was due in part to delayed government spending--an important revenue source for Sinomedia Holding--related to budget uncertainty following China's Communist Party third plenary session in November.

Marks & Spencer is a UK-based retailer. The stock was adversely impacted by investor worries about trading into the all-important Christmas holiday season. Tepid economic conditions in the UK led many retailers to rely on sales and discounting to move merchandise, putting pressure on margins. In addition, the weather in early December was generally mild, impacting the sale of seasonal clothing such as winter coats. We remain, however, positive on the company's prospects in 2014. The company is planning to launch an updated website/online delivery service and further advance the implementation of its new logistics system. In addition, any improvement in the UK labor market or in wages resulting from stronger economic growth would provide an additional tailwind for the retailer.

Portfolio Positioning

At the end of the fourth quarter, the fund's investment in equities stood near 94.3%, while the level of cash and cash equivalents was 5.4%. The fund was also 72.0% hedged back to the US dollar at quarter-end. Exposure to the financials, information technology and telecommunication services sectors rose as we selectively initiated or increased positions. We initiated a position in an insurer that is in the midst of a restructuring as well as a memory chipmaker based in Asia and two positions in European telecomm companies. Earlier in the fourth quarter, the fund exited its position in the pharmaceuticals distributor and retailer Celesio. The US-based drug wholesaler McKesson launched a tender offer to purchase a majority stake in Celesio (which subsequent to the quarter-end failed as McKesson did not reach their tender offer threshold). The fund was most overweight in the consumer discretionary and financials sectors while most underweight in consumer staples and health care. The largest country exposures were to the UK, China, South Korea and France.

The fund had no exposure to distressed debt or merger arbitrage investments at period-end. We continued to observe rather limited opportunities within distressed debt investing. The prolonged period of low

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PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (*CONTINUED*)

interest rates has allowed highly levered institutions to borrow or refinance debt at fairly inexpensive levels, thereby holding down the rate of corporate bankruptcies that one might otherwise expect. We believe an uptick in opportunities may occur if interest rates begin to rise in reaction to Fed tapering, but the timing and degree of any such increase in distressed debt opportunities remain uncertain. Within the merger arbitrage space, we have seen some major deals, but the overall level of activity has remained subdued. We continue to believe a gradually improving economic and financial outlook bodes well for a greater willingness among companies to consider deals. For now, however, many companies continue to choose share buybacks or dividend increases as the preferred means to deploy the cash on their balance sheet; a preference from which we have benefited given the type of companies in which we typically invest.

Outlook & Strategy

Entering 2014, we anticipate the continuation of generally improving global financial and economic conditions. The path of improvement is likely to still include stretches of volatility, but we are encouraged by the fact that periods of uncertainty during 2013 did not prompt any spikes in equity-market correlations reminiscent of post-crisis years. Overall, we would expect muted market reactions in 2014 barring a significant and unanticipated financial or political event.

In such an environment, we believe our process of bottom-up stockpicking, driven by rigorous fundamental analysis, is well positioned to discover the best potential opportunities in 2014. The general erosion in correlations across and within equity markets would appear to validate this viewpoint, as we think fundamentals are likely to be a significant driver in the performance of individual stocks.

However, we are also keeping an eye on potential speed bumps for global financial markets and the economy in 2014. The Fed will initiate its tapering of monthly asset purchases, and politicians in Washington, D.C., look set to continue their battle over the debt ceiling. Elsewhere, although proposed structural reforms by China's government in the second half of 2013 are likely to be positive for the country's economy and capital markets over time, we realize that such measures may exert a drag on economic growth in the short term.

In a positive turn of events, we are fairly hopeful about the prospects for Europe, as economic data appeared to show a general bottoming out of the economy in 2013, with the potential for improvement in the coming year. In our view, European stocks enter the new year more attractively valued relative to other developed markets despite the 2013 rally. Economic and financial conditions have steadily moved in the right direction and appear poised to be a positive factor for equities, rather than simply being less of a drag. As Europe's prospects have evolved, so has our assessment of investment opportunities in the region. As bottom-up stockpickers, we see better risk/reward profiles among companies with greater ties to the Continent, particularly out-of-favor businesses working out their own structural challenges.

Within Asia, we have been finding investment opportunities, particularly within select areas of the consumer discretionary and financials sectors based on China's reform efforts, as well as a growing middle class across the region. We are also finding compelling opportunities among industries that were heretofore beset by inefficiency but are now rationalizing in response to market pressures. At the same time, we believe the rally in Japan's equity markets has been largely driven by increased liquidity and a weaker Japanese yen. In other words, the market has undergone a rerating with relatively little fundamental change in the earnings outlook on a company-by-company level. The potentially positive impact on exports from a weaker yen is likely to be offset by higher import prices for raw materials given the country's lack of natural resources. Indeed, we believe the early signs of this effect may be emerging. In addition, we think Japanese equities are no longer trading at compelling valuations in absolute terms or compared to other markets in the region.

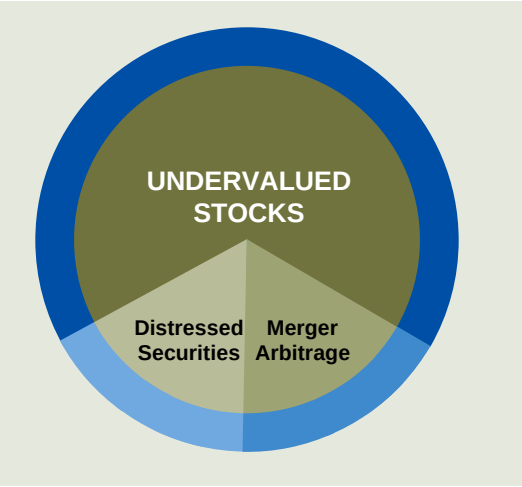
The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

INVESTMENT PHILOSOPHY AND PROCESS

Bottom-Up Value Approach

- We seek to buy companies at a significant discount to their intrinsic value.
- We seek to understand and limit downside risk.
- We think and act like owners of the business.
- Undervalued stocks comprise the bulk of our portfolios.
- We search for catalysts to unlock value:
  - Corporate restructuring
  - Spin-offs
  - Share buybacks
  - Our own initiatives

Mutual Series' Unique Value Strategy



INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/13)

Mutual International Fund Management Team	Years with Firm	Years Experience
Philippe Brugere-Trelat	18	30
Andrew Sleeman, CFA	6	27
Mutual Series Team	**Number of Members**	**Average Years Experience**
Portfolio Managers/Analysts	14	20
Research Analysts	5	11
Traders	9	19

WHAT ARE THE RISKS

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. Because the Fund invests its assets primarily in companies in a specific region, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current political uncertainty surrounding the European Union (EU) and its membership may increase market volatility. The financial instability of some countries in the EU, including Greece, Italy and Spain, together with the risk of that impacting other more stable countries may increase the economic risk of investing in companies in Europe. The Fund's 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. These and other risk considerations are discussed in the fund's prospectus.

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EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Issuers: All portfolio holdings are subject to change. Holdings of the same issuer have been combined.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 12/31/13. For each fund with at least a three-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 after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, 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. Class A shares of Mutual International Fund received a traditional Morningstar Rating of 3 star(s) for the 3-year period. Load-waived Class A shares of Mutual International Fund received a Morningstar Rating of 3 star(s) for the 3-year period. The Morningstar Rating™ may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. **Past performance does not guarantee future results.** ©2014 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and 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.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.
All MSCI data is provided "as is." The Fund described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the Fund described herein. Copying or redistributing the MSCI data is strictly prohibited.

PORTFOLIO DIVERSIFICATION

Top Ten Holdings: Holdings of the same issuer have been combined. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.
Geographic/Sector Weightings: Weightings as percent of equity (unless otherwise noted). Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics.

PORTFOLIO CHARACTERISTICS

The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. All portfolio holdings are subject to change.
Source: FactSet. For the portfolio, the Price to Earnings, Price to Cash Flow, and Price to Book Value calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalization statistics are indicated in the base currency for the portfolio presented.

FRANKLIN TEMPLETON INVESTMENTS

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Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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