FRANKLIN TEMPLETON INVESTMENTS

Franklin Mutual Shares Fund—Class A

Product Profile First Quarter 2015

FUND CHARACTERISTICS (AS OF 3/31/15)

NASDAQ Symbol	TESIX
Fund Inception Date	7/1/49
Dividends	Semiannually in September and December
Investment Style	Deep Value
Benchmark	S&P 500 Index
Lipper Classification	Multi-Cap Value Funds
Morningstar Category™	Large Value
Total Net Assets—All Share Classes	16,545 million
Number of Issuers	113
Maximum Initial Sales Charge	5.75%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

★★★

Load Waived

★★★

As of March 31, 2015 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 1125, 991 and 689 U.S.-domiciled 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. 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.

Effective June 30, 2014, Mutual Shares Fund was renamed Franklin Mutual Shares Fund.

FUND DESCRIPTION

The fund seeks capital appreciation, with income as a secondary goal. Its strategy is focused on undervalued mid- and large-cap equity securities, which may include foreign securities and, to a lesser extent, distressed securities and merger arbitrage.

PERFORMANCE DATA

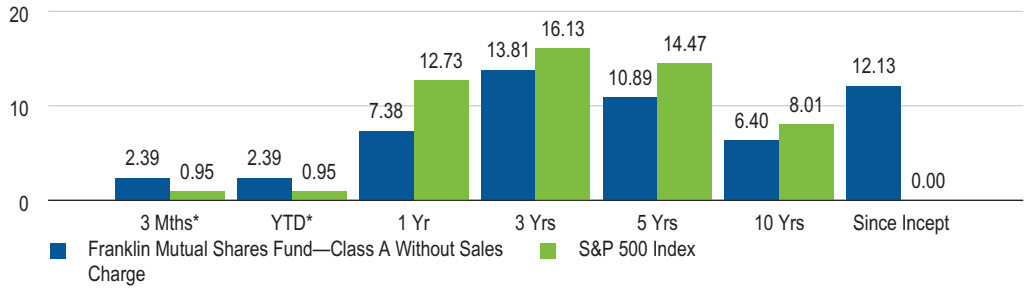
Average Annual Total Returns for Periods Ended March 31, 2015 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (7/1/49)
With Sales Charge	-3.51	-3.51	1.19	11.59	9.59	5.77	12.03
Without Sales Charge	2.39	2.39	7.38	13.81	10.89	6.40	12.13
S&P 500 Index	0.95	0.95	12.73	16.13	14.47	8.01	N/A

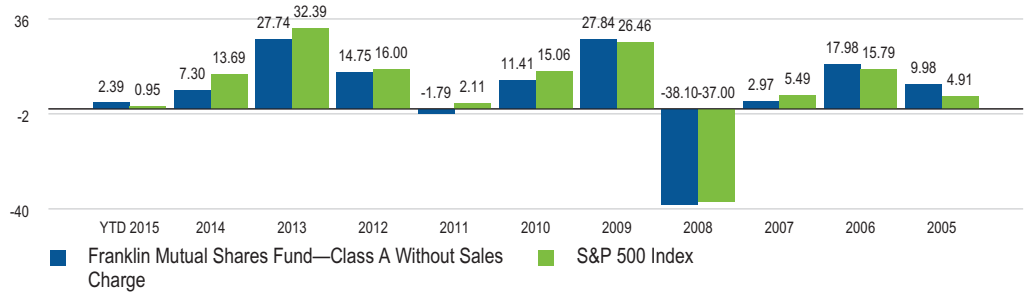
Total Annual Operating Expenses—*1.09%*

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value 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.

Average Annual Total Returns for Periods Ended March 31, 2015 (%)



Calendar Year Returns As of March 31, 2015 (%)



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.

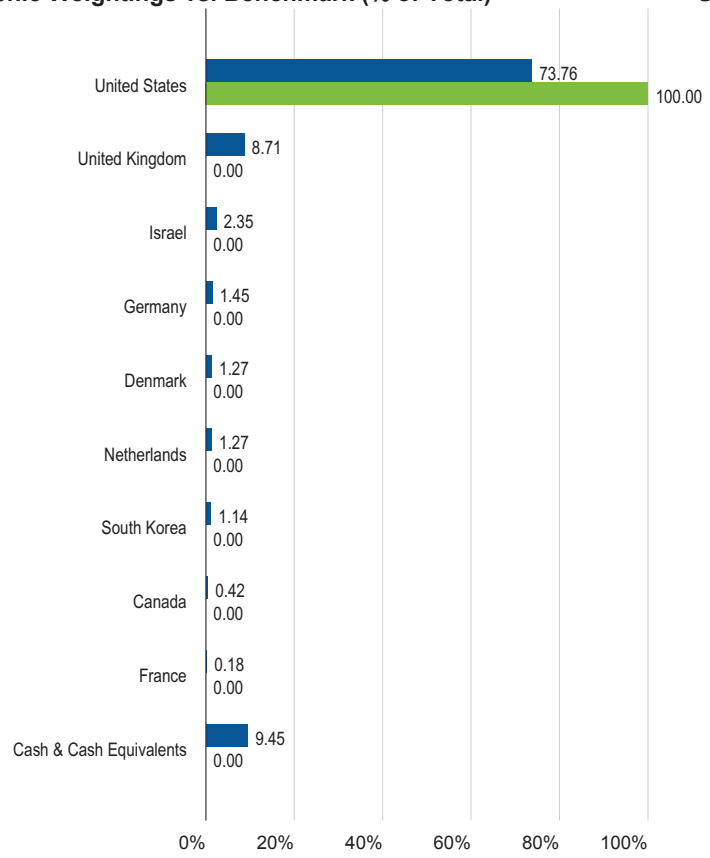
Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 3/31/15)

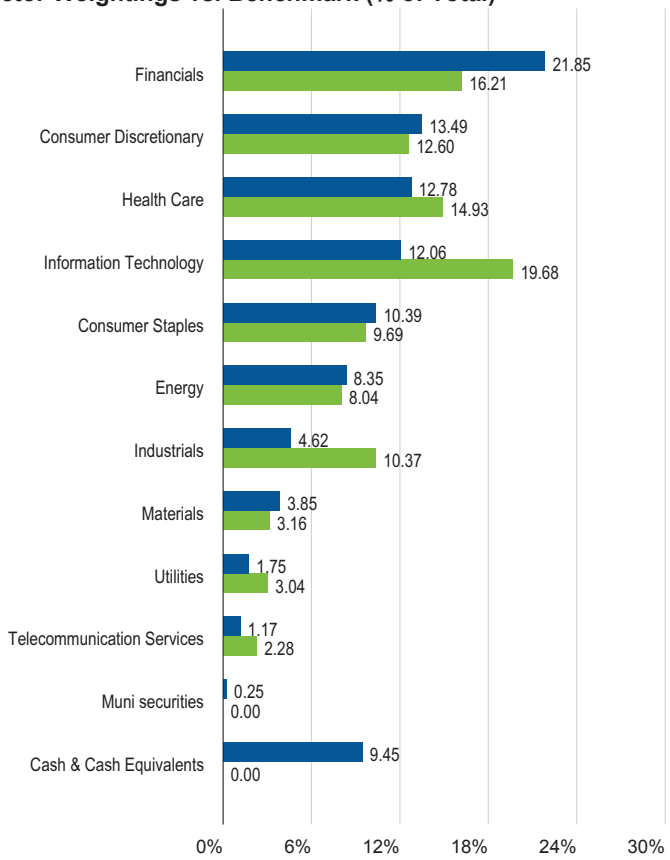
Top Ten Holdings

Issuer Name	Country	Industry	% of Total
1. WHITE MOUNTAINS INSURANCE GROUP LTD	United States	Insurance	2.71
2. MICROSOFT CORP	United States	Software & Services	2.62
3. MEDTRONIC PLC	United States	Health Care Equipment & Services	2.60
4. MERCK & CO INC	United States	Pharmaceuticals, Biotechnology & Life Sciences	2.59
5. TEVA PHARMACEUTICAL INDUSTRIES LTD	Israel	Pharmaceuticals, Biotechnology & Life Sciences	2.34
6. APPLE INC	United States	Technology Hardware & Equipment	2.11
7. PNC FINANCIAL SERVICES GROUP INC	United States	Banks	1.94
8. ELI LILLY & CO	United States	Pharmaceuticals, Biotechnology & Life Sciences	1.71
9. TWENTY-FIRST CENTURY FOX INC	United States	Media	1.69
10. AMERICAN INTERNATIONAL GROUP INC	United States	Insurance	1.68
Total			**21.99**

Geographic Weightings vs. Benchmark (% of Total)



Sector Weightings vs. Benchmark (% of Total)



Franklin Mutual Shares Fund
S&P 500 Index

Portfolio Allocation

	%
Undervalued Equities	81.59
Cash & Other Net Assets	9.45
Distressed Investments	6.34
Merger Arbitrage	2.62

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

PORTFOLIO CHARACTERISTICS (AS OF 3/31/15)—Fund vs. S&P 500 Index

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	89,392	132,947
Median Market Capitalization (Millions USD)	33,561	18,759

Price to Earnings	Fund	Benchmark
Weighted Average	18.19x	19.01x
Median	19.54x	21.04x

Price to Book Value	Fund	Benchmark
Weighted Average	1.83x	2.85x
Median	1.70x	3.20x

Price to Cash Flow	Fund	Benchmark
Weighted Average	8.86x	10.96x
Median	10.44x	13.25x

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 3/31/15)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	8.85	11.50	13.54
Alpha	-0.53	-1.49	-0.80
Beta	0.90	0.87	0.88
Sharpe Ratio	1.56	0.94	0.37
Information Ratio	-0.88	-1.13	-0.39
Tracking Error	2.63	3.17	4.13
R-Squared	92.31	94.53	92.29

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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. 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

Broad US stock market gauges ended the first quarter of 2015 in positive territory, but they were periodically unsettled by signs of weakness in corporate earnings and forward guidance, plus volatility in currency and energy markets. Projections by US companies in the S&P 500 at March-end indicated a 4.6% year-over-year decline in first-quarter 2015 earnings--impacted by the stronger dollar and harsh winter weather in the eastern United States--which would be the first retreat since the third quarter of 2012. The market environment was further complicated by the US dollar and crude oil prices. On a trade-weighted basis, the US dollar rose to a 12-year high, raising investor concerns about profits for US multinational corporations and the competitiveness of US exports. Rising crude oil inventories and uncertainty about the level of remaining storage capacity in the United States created further volatility for crude oil prices and, to a lesser extent, US equities.

Markets often shifted abruptly as investor perceptions changed about the timing of an eventual Federal Reserve (Fed) interest-rate increase with dovish March comments providing a notable boost to stocks. Brisk merger-and-acquisition activity and low inflation were also supportive of US equities. Amid continued modest US economic growth, the unemployment rate remained near a seven-year low, consumer confidence measures saw strong increases, home-sales improved and home-price appreciation generally accelerated. However, weather-related setbacks may have contributed to ebbing retail sales and consumer spending. Additionally, growth in manufacturing activity slowed amid falling exports and curbed production.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

During the first quarter of 2015, three of the fund's largest contributors to absolute performance were Hospira, Apple and Cigna. Hospira is a global pharmaceutical and medical device company specializing in injectable generic drugs and biosimilars--highly similar to other licensed biological drugs. Hospira was the fund's top individual contributor, driven by the early February announcement that Pfizer (not a fund holding) reached an agreement to acquire Hospira. Hospira offers Pfizer a strong leadership position in injectables, an attractive high-growth market in the generic segment and places Pfizer as a top-tier biosimilars company with a strong pipeline. In our view, the acquisition also provides substantial room for cost synergies. These elements are supportive of our investment thesis and part of what attracted us to making an investment in Hospira.

Apple reported fiscal first-quarter results that were ahead of consensus revenue and earnings estimates. The company reported ongoing strength in iPhone 6 and 6 Plus sales that further improved the company's product mix in terms of sales as well as the overall average selling price for the period. The company also announced in February that sales of its new Apple Watch will begin shipping in April 2015. Apple's stock has performed well in recent quarters, but we believe a new capital return plan incorporating further stock buybacks and an increased dividend, as well as strong smartphone sales and the new watch have the potential to be positive catalysts.

Cigna, a global health insurance service company headquartered in the United States, reported fourth-quarter earnings that modestly beat expectations. The positive results were driven by strong earnings from its Global Health Care operations and improved earnings from its Group Insurance business unit. Cigna's stock also appeared to benefit from increased investor expectations of potential merger activity within the managed care industry.

In contrast, three of the fund's main detractors were Microsoft, Twenty-First Century Fox and Hewlett Packard. Shares of Microsoft declined as decent fiscal second-quarter results were trumped by signs of a slowdown in personal computer sales, along with mildly disappointing guidance for the second half of fiscal year 2015. Microsoft has experienced a broad slowdown in its higher margin transactional business that has yet to be fully offset by the growth in software subscriptions.

Twenty-First Century Fox comprises the global television and entertainment assets that were part of News Corporation prior to a mid-2013 split of the company. In February, the company lowered its outlook for 2015 earnings due to a number of reasons, including a stronger US-dollar, as well as worse-than-expected ratings at its broadcast network and box office performance during the 2014 winter holiday season. We continue to believe that Fox can benefit from growth in subscriber fees for its broadcast and cable networks in the United States and overseas. A meaningful component of our investment thesis is the potential for further increase in its capital returns to shareholders. In February, Fox raised its dividend by 20% and the company said it will revisit the potential for another stock buyback plan at year-end.

Information technology company Hewlett-Packard (HP) weighed on fund performance as it reported a mixed set of results for the first quarter and lowered its full-year guidance due to a stronger US dollar. Further, HP lowered its earnings outlook for 2015, as well as its full-year free cash flow estimate--a result of separation costs from its plan to break into two companies, higher working capital and lower earnings. While the cost of splitting into two separate companies has been viewed as expensive, we believe it is a positive move with the potential to unlock some value.

Portfolio Positioning

At the conclusion of the first quarter, the fund's investment in equities was 82.8% while the level of cash and cash equivalents stood at 9.5%. The fund was also 74.0% hedged back to the US dollar at quarter-end. We trimmed and exited a handful of positions during the period, including Switzerland-based Zurich Insurance. An appreciation in the stock last year pushed it to a level that we viewed as fully valued. We also eliminated our position in the apparel and home items retailer, Kohl's. The stock had rallied and reached our estimation of full value. At the same time, we also initiated a handful of positions, including a US-based insurer and an independent energy exploration and production company. Additionally, we added to an industrials sector holding whose price had been pulled down by the decline in oil and gas related capital spending. We believed the decline was overdone. Compared to the benchmark, the fund continued to have a meaningful overweight in financials and sizable underweights in information technology and industrials.

The fund had about 1.4% of merger arbitrage exposure and 6.3% invested in distressed debt. Merger and acquisition activity (M&A) remains robust and conditions as of period-end remained favorable for deals. In our view, deals have been largely driven by strategic growth opportunities and potential operational efficiency. Current deal spreads--the difference between the actual trading price of the target company and the offer price--are generally wider than those in the early stages of this M&A cycle (late 2013 into early 2014) as a couple of large deals fell apart last year and some current deals face greater regulatory uncertainty. The wider spreads have provided some increase in potential merger arbitrage candidates but not as many as we would have hoped. We will continue to search for new merger arbitrage opportunities amid the steady stream of new deals but will not alter our disciplined approach. Unfortunately, we also continue to see few compelling opportunities in the stressed credit universe. Our recent investments in stressed credit have been concentrated in the higher end of the capital structure--secured and senior securities, as well as refinancing deals. We expect the current trend for distressed credit to persist as long

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.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (*CONTINUED)*

as the outlook for interest rates remains fairly benign. However, our ability to invest anywhere in the capital structure does provide us an ability to approach the space opportunistically, and we will continue to seek investments with appropriate risk-reward profiles.

Outlook & Strategy

The economic recovery in the United States continued to show mixed signs of improvement during the period and investors were encouraged by the positive eurozone economic activity data. We do remain cognizant of how uncertainty driven by geopolitical events, energy prices, deflation fears, exchange rates and future central bank actions continue to influence investor sentiment. Our bottom-up investment approach continues to uncover select companies trading at attractive valuations. However, we are maintaining a disciplined approach, including attempts to selectively build positions during market pullbacks.

Within the United States, we have been finding a greater proportion of opportunities among cyclical sector stocks, such as consumer discretionary and financials. In response to low interest rates and what has been a slow-moving economic recovery in the United States, investors piled into defensive sectors. As a result, many defensive-sector stocks have been trading at elevated valuation metrics.

European equity markets have enjoyed a strong recovery so far this year. Slowly improving macro-economic data, new and aggressive monetary policy by the European Central Bank, a weaker Euro and lower oil prices are all powerful drivers of an economic recovery for the region, the extent of which is, in our view, still underestimated by investors. These conditions should, we believe, lead to improved earnings among the region's corporates.

Last year's steep drop in oil prices, in our view, will remain an important factor for US and international markets. We believe that a strong rise in oil production has been the most important driver behind the price declines, more so than weaker demand driven by slow economic growth or efficiency gains in energy consumption. Lower oil prices, in our view, should be supportive of global economic growth--particularly in the United States--as it is likely to boost consumer confidence and free up disposable income. Within the energy sector, we are focusing our efforts on companies that have strong balance sheets and profitable reinvestment opportunities, while also preparing for eventual opportunities in the distressed debt of energy companies should this period of lower prices persist.

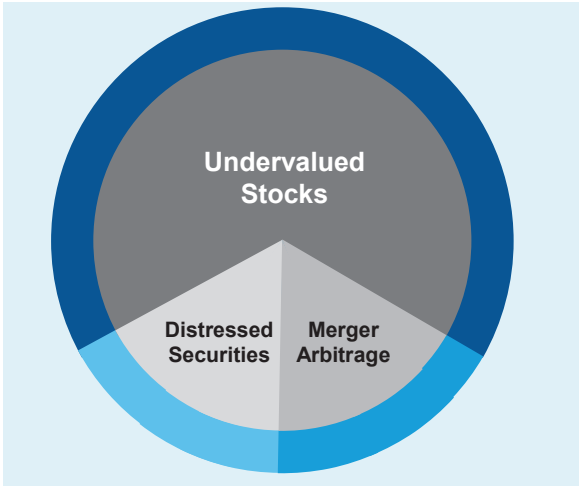
The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, 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

Franklin Mutual Series' Unique Value Strategy



INVESTMENT AND MANAGEMENT TEAM (AS OF 3/31/15)

Mutual Shares Fund Management Team	Years with Firm	Years Experience
Peter Langerman	25	29
David Segal, CFA	12	24
Deborah Turner, CFA	22	23
Mutual Series Team	**Number of Members**	**Average Years Experience**
Portfolio Managers/Analysts	14	21
Research Analysts	5	8
Traders	9	20

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. The fund's investments in foreign securities involve special risks including currency fluctuations, and economic and political uncertainties. The fund may also invest in companies engaged in mergers, reorganizations or liquidations, which involve special risks as pending deals may not be completed on time or on favorable terms, as well as lower-rated bonds, which entail higher credit risk. Please consult the prospectus for a more detailed description of the fund's risks.

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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® 3/31/15. 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 Franklin Mutual Shares Fund received a traditional Morningstar Rating of 2, 2 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin Mutual Shares Fund received Morningstar Ratings of 3, 2 and 3 star(s) for the 3-, 5- and 10- year periods, respectively. 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.** ©2015 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.

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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.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

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.

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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