



Franklin Mutual Quest Fund—Class A, C

Deep Value
Equity
December 31, 2019

Product Profile

Product Details¹

Fund Assets	\$4,305,288,046.73
Fund Inception Date	09/26/1980
Number of Issuers	86
Investment Style	Deep Value
Benchmark	MSCI World Index
Lipper Classification	Flexible Portfolio Funds
Morningstar Category™	World Allocation
Dividend Frequency	Semiannually in October and December

Inception Date

Class A	09/26/1980
Class C	09/26/1980

CUSIP NASDAQ Symbol

Class A	628 380 800	TEQIX
Class C	628 380 883	TEMQX

Maximum Sales Charges

Class A	5.50% initial sales charge
Class C	1.00% contingent deferred sales charge (CDSC) in the first year only

Total Annual Operating Expenses

Class A	1.03%
Class C	1.78%

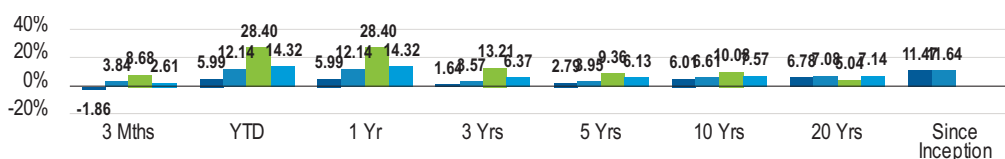
Fund Description

The fund seeks capital appreciation with income as a secondary goal. Its strategy is focused on undervalued mid- to large-cap equity securities with a significant portion of its assets in foreign securities. The fund also invests in merger arbitrage securities and securities of distressed companies.

Performance Data^{2,3}

Average Annual Total Returns^{4,5} (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	-1.86	5.99	5.99	1.64	2.79	6.01	6.78	11.47
Class A - Without Sales Charges	3.84	12.14	12.14	3.57	3.95	6.61	7.08	11.64
Class C - With Sales Charges	2.64	10.26	10.26	2.81	3.18	5.84	6.35	10.71
Class C - Without Sales Charges	3.64	11.26	11.26	2.81	3.18	5.84	6.35	10.71
MSCI World Index	8.68	28.40	28.40	13.21	9.36	10.08	5.04	-
Bloomberg Barclays US Corporate High Yield Index	2.61	14.32	14.32	6.37	6.13	7.57	7.14	-



- Class A - With Sales Charges
- Class A - Without Sales Charges
- MSCI World Index
- Bloomberg Barclays US Corporate High Yield Index

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 at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Class A and Class C: Prior to 11/01/1996, the fund offered only a single class of shares without a sales charge and Rule 12b-1 expenses, Class Z shares. Figures reflect a restatement of the original share class to include both the Rule 12b-1 fees and maximum initial sales charges (when quoting figures with sales charges) applicable to each share class as though in effect from the fund's inception. For periods after 11/01/1996, actual performance is used, reflecting all charges and fees applicable to that class. Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
3. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
4. Periods shorter than one year are shown as cumulative total returns.
5. Since inception return for the benchmark is calculated to the fund inception date.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calendar Year Returns (% Without Sales Charges)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Class A	12.14	-7.36	6.95	16.04	-5.85	3.11	25.61	12.21	-2.10	9.86
Class C	11.26	-8.01	6.17	15.10	-6.49	2.42	24.74	11.42	-2.82	9.08
MSCI World Index	28.40	-8.20	23.07	8.15	-0.32	5.50	27.37	16.54	-5.02	12.34
Bloomberg Barclays US Corporate High Yield Index	14.32	-2.08	7.50	17.13	-4.47	2.45	7.44	15.81	4.98	15.12

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

Portfolio Manager Insight⁶

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	British American Tobacco p.l.c.	Consumer Staples	United States
	Baidu Inc.	Communication Services	United Kingdom
	Discovery Communications Inc.	Financials	China
HURT	SORENSEN COMMUNICATIONS INC.	Utilities	Luxembourg
	Intelsat SA	Materials	—
	Vistra Energy Corp.	Information Technology	—

- Investor sentiment for Baidu's shares improved after the Chinese internet company reported solid third-quarter earnings, and trade war risk between the United States and China receded. During the period, representatives from the world's two-largest economies formally announced a phase-one trade agreement. After posting a first-quarter loss, Baidu's earnings improved in subsequent periods. Management continues to invest heavily in its video-streaming platform and other initiatives, such as artificial intelligence. We believe these investments may help further diversify the company's business into new growth markets.
- A recovery in Discovery Communications' shares occurred following the release of third-quarter results that exceeded consensus estimates. Favorable returns on the company's investment in its direct-to-consumer (DTC) content platform also contributed to improved sentiment. Discovery stock sold off earlier in 2019 on concerns of an acceleration in cord cutting and increased operating and capital expenditures related to DTC initiatives. However, free cash flow continues to grow, enabling management to invest in the business, improve the balance sheet and return capital to shareholders.
- Shares of Vistra Energy declined after a Maryland consumer advocate filed a complaint against a Vistra subsidiary alleging that its salespeople used misleading tactics, including identity theft, to sign customers to expensive energy service contracts. The allegations, filed with the Maryland Public Service Commission, identifies Maryland Gas and Electric (MG&E) and two other utilities. Vistra bought Crius Energy, MG&E's parent, in July. A block sale of shares by an institutional investor also contributed to the selloff.

Outlook Strategy

- As we enter 2020, the factors that lifted stocks to record highs in 2019 – accommodative central bank monetary policies and progress on a proposed trade deal between the United States and China – continue to be sources of optimism for growth. The near-term threat of recession has eased, with the US economy showing resilience as low unemployment and moderately rising wages have encouraged consumer spending, which has supported the expansion.
- In contrast, business investment and exports were weak in 2019, although there are nascent signs that an increase in industrial activity may be on the near-term horizon. A majority of senior loan officers, in a third-quarter survey of bank lending practices by The Federal Reserve Board (Fed), claimed that their institutions eased some commercial and industrial loan terms in the spring and summer of 2019. This suggests that there could be a rise in industrial activity in the first half of 2020.
- Last year, most major central banks demonstrated their willingness to support the 11-year-old expansion by pursuing accommodative monetary policies. However, some members of the Fed's Open Market Committee raised concerns that excessive risk taking could result, due to the extended low-rate environment.
- Tariffs, trade battles and geopolitical conflict may continue to dominate headlines in 2020 and account for a disproportionate source of market volatility. A re-escalation of the tariff dispute between the United States and China is not out of the question as negotiations on a phase-two trade agreement are scheduled to start after the anticipated phase-one signing ceremony in January. There was clarity on Brexit as British voters delivered a resounding election victory to Prime Minister Boris Johnson and his Conservative Party, which should pave the way for a conclusive exit agreement. The terms of U.K. departure, however, must still be finalized. Late in the period, tensions in the Middle East were on the rise, following the death of an American contractor in Iraq in late December and a retaliatory US military strike two days later.
- Finding mispriced risk in credit markets was difficult in 2019, and we expect much of the same in 2020. Adding to the challenge is the decline in debt covenants. Our current focus is on out-of-favor industries with the potential to benefit most from liquidity-enhancing events, such as asset sales, secured debt issuances within existing agreements, and free-cash flow that could help a company weather a financial crisis. We are also monitoring the retail, telecommunications and semiconductor industries, which have several companies in need of restructuring.

- Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined, driven by rigorous fundamental analysis, and attempts to limit downside risk. In our view, investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential, and a degree of downside protection in periods of financial market turbulence.

6. 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.

Portfolio Characteristics^{7,8,9}

	Portfolio	MSCI World Index
Price to Earnings (12-Month Trailing)	5.83x	20.03x
Price to Book	1.20x	2.57x
Price to Cash Flow	5.91x	12.48x
Market Capitalization (Millions in USD)	50,876	178,229

Portfolio Diversification

Top Ten Holdings¹⁰

Percent of Total

Top Holdings	Sector	Country	%
BRITISH AMERICAN TOBACCO PLC	Food, Beverage & Tobacco	United Kingdom	4.29
SORENSEN COMMUNICATIONS LLC	Technology Hardware & Equipment	United States	3.83
LEE ENTERPRISES INC	Media & Entertainment	United States	3.07
ENVISION HEALTHCARE CORP	Health Care Equipment & Services	United States	2.92
FRONTIER COMMUNICATIONS CORP	Telecommunication Services	United States	2.82
ELI LILLY & CO	Pharmaceuticals, Biotechnology & Life Sciences	United States	2.43
BAIDU INC	Media & Entertainment	China	2.36
VOYA FINANCIAL INC	Diversified Financials	United States	2.32
DISCOVERY INC	Media & Entertainment	United States	2.28
EVEREST RE GROUP LTD	Insurance	United States	2.27

7. 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. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

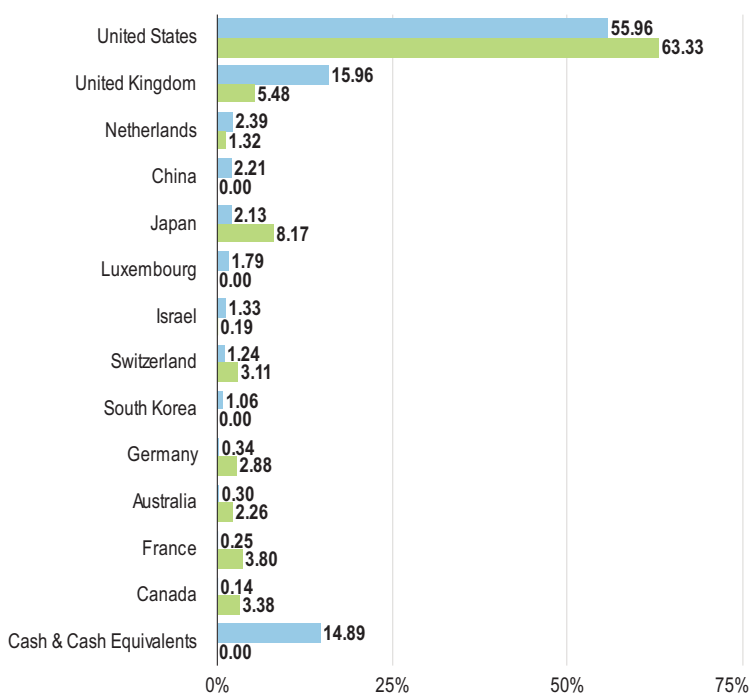
8. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

9. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

10. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

Geographic Weightings vs. MSCI World Index^{11,12}

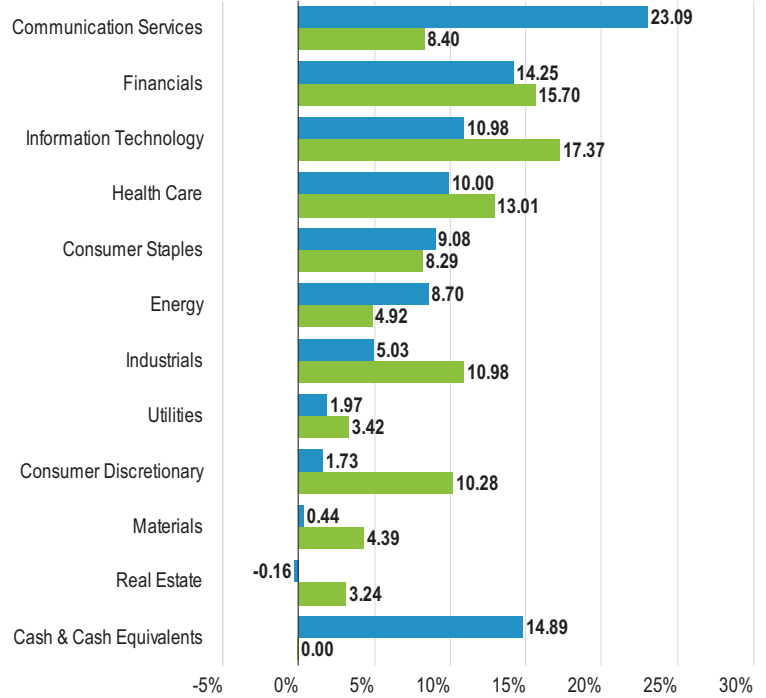
Percent of Total



● Franklin Mutual Quest Fund
● MSCI World Index

Sector Weightings vs. MSCI World Index^{13,14}

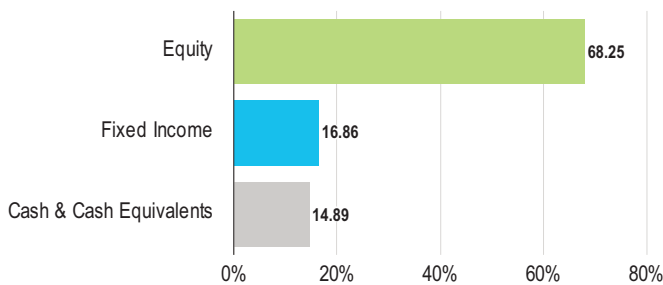
Percent of Total



● Franklin Mutual Quest Fund
● MSCI World Index

Asset Allocation¹⁵

Percent of Total



Supplemental Performance Statistics

Supplemental Performance Statistics^{16,17}

Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	8.52	8.58	9.27
Tracking Error (%)	5.31	5.53	5.62
Information Ratio	-1.81	-0.98	-0.62
Beta	0.68	0.66	0.66
Sharpe Ratio	0.23	0.34	0.65

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11,13,15. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

12,14. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

16. Beta, Information Ratio and Tracking Error information are measured against the MSCI World Index.

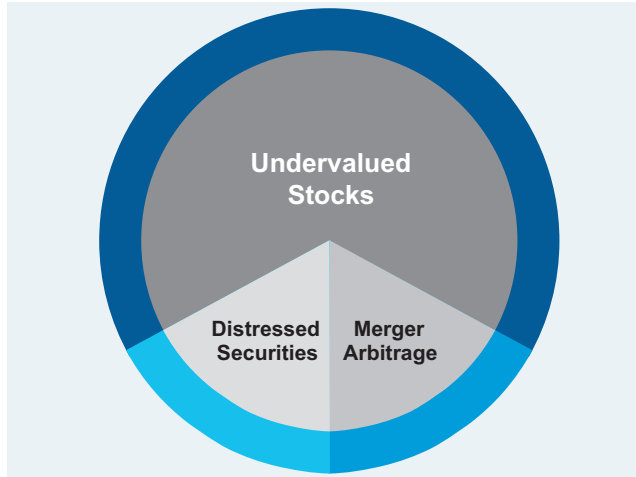
17. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

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 Team

Portfolio Manager	Years with Firm	Years Experience
Shawn Tumulty, Portfolio Manager/Research Analyst	19	31
Keith W. Luh, CFA, Portfolio Manager/Research Analyst	14	23

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. Market capitalization is expressed in millions of USD.

Price to Book Value: The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Cash Flow: Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

Price to Earnings (12-mo Trailing): The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

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 returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

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. Because the Fund may invest its assets in companies in a specific region, including Europe, 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. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in companies in Europe. Smaller-company stocks have exhibited greater price volatility than larger-company stocks, particularly over the short term. 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. The fund may invest in lower-rated bonds, which entail higher credit risk. Please consult the prospectus for a more detailed description of the fund's risks.

Important Legal Information

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/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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