FRANKLIN TEMPLETON INVESTMENTS

Mutual Beacon Fund—Class A

PRODUCT PROFILE FOURTH QUARTER 2013

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol	TEBIX
Fund Inception Date	6/29/62
Dividends	Semiannually in September and December
Investment Style	Deep Value
Benchmark	S&P 500 Index
Lipper Classification	Multi-Cap Value Funds
Morningstar Category™	US OE Large Blend
Total Net Assets—All Share Classes	4,365 million
Number of Issuers	93
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 2 star overall Morningstar Rating™ and a load waived 3 star Morningstar Rating™, measuring risk-adjusted returns against 1355, 1215 and 794 U.S.-domiciled US OE Large Blend 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.

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 equities and, to a lesser extent, distressed securities and merger arbitrage.

PERFORMANCE DATA

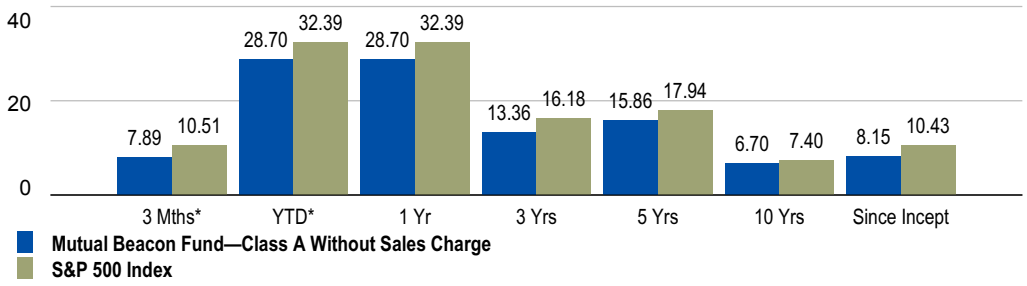
Average Annual Total Returns for Periods Ended December 31, 2013 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (6/29/62)
With Sales Charge	1.68	21.30	21.30	11.14	14.49	6.07	8.02
Without Sales Charge	7.89	28.70	28.70	13.36	15.86	6.70	8.15
S&P 500 Index	10.51	32.39	32.39	16.18	17.94	7.40	10.43

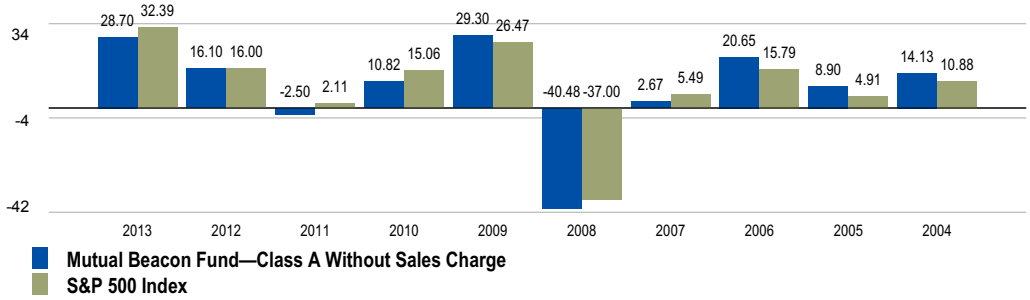
Total Annual Operating Expenses—*1.14%*

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.

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.

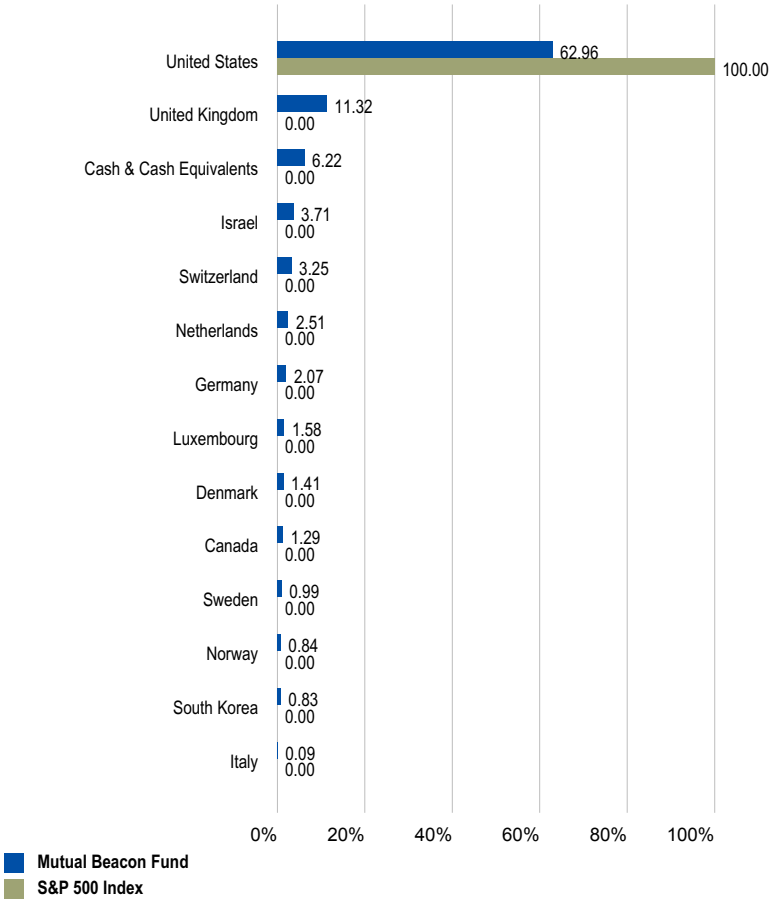
For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

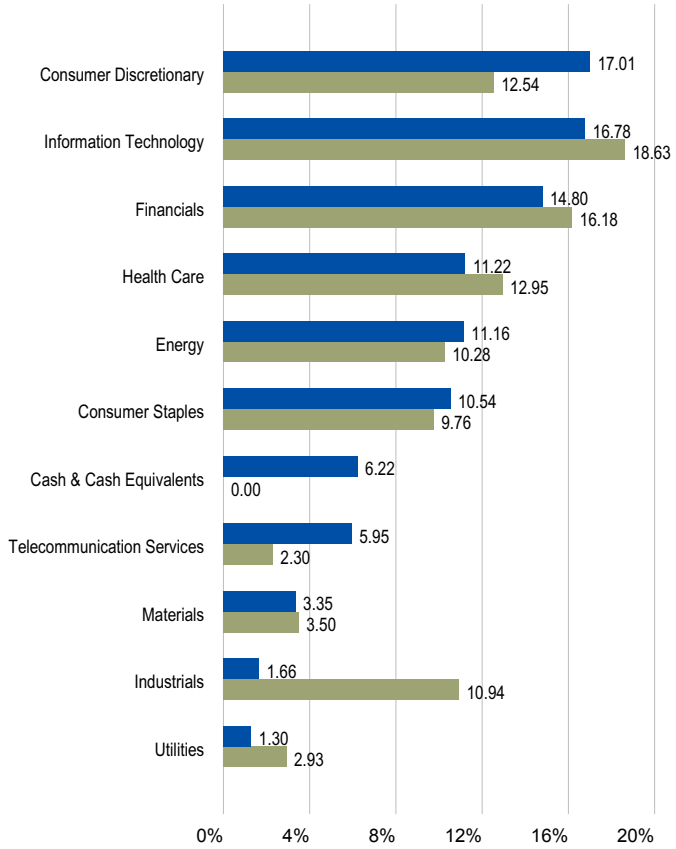
Top Ten Holdings

Issuer Name	Country	Industry	% of Total
1. VODAFONE GROUP PLC	United Kingdom	Telecommunication Services	3.14
2. MICROSOFT CORP	United States	Software & Services	2.92
3. TWENTY-FIRST CENTURY FOX INC	United States	Media	2.92
4. MEDTRONIC INC	United States	Health Care Equipment & Services	2.69
5. APPLE INC	United States	Technology Hardware & Equipment	2.39
6. BRITISH AMERICAN TOBACCO PLC	United Kingdom	Food Beverage & Tobacco	2.37
7. MERCK & CO INC	United States	Pharmaceuticals, Biotechnology & Life Sciences	2.30
8. WELLS FARGO & CO	United States	Banks	2.28
9. WPX ENERGY INC	United States	Energy	2.20
10. CHECK POINT SOFTWARE TECHNOLOGIES LTD	Israel	Software & Services	2.18
Total			**25.37**

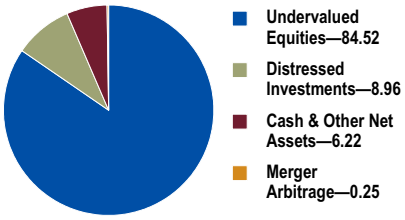
Geographic Weightings vs. Benchmark (% of Total)



Sector Weightings vs. Benchmark (% of Total)



Portfolio Allocation (%)



PORTFOLIO CHARACTERISTICS (AS OF 12/31/13)—Fund vs. S&P 500 Index

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	83,644	120,300
Median Market Capitalization (Millions USD)	24,227	16,429

Price to Earnings

	Fund	Benchmark
Weighted Average	12.71x	18.78x
Median	15.34x	20.98x

Price to Book Value

	Fund	Benchmark
Weighted Average	1.85x	2.67x
Median	2.24x	3.03x

Price to Cash Flow

	Fund	Benchmark
Weighted Average	9.10x	9.56x
Median	10.07x	13.09x

PERFORMANCE RISK STATISTICS - Class A

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

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	11.51	13.71	13.98
Alpha	-1.37	0.81	-0.13
Beta	0.93	0.84	0.91
Sharpe Ratio	1.16	1.15	0.37
Information Ratio	-0.85	-0.44	-0.15
Tracking Error	3.30	4.75	4.57
R-Squared	92.36	91.48	90.17

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.

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

The US equity bull market continued during the fourth quarter of 2013 and capped the best annual gain for the US stock market since 1997. Stocks of industries closely tied to economic growth generally fared best during the quarter. All 10 major equity sectors advanced, led by industrials, information technology, consumer discretionary and materials, while the more defensive and interest-rate-sensitive utilities and telecommunication services sectors had smaller gains. Geographically, US equities outperformed those of most other developed markets, as well as most emerging markets, for the quarter.

Key macroeconomic indicators, both domestic and foreign, bolstered the US stock market, as did the removal of uncertainty about when the US Federal Reserve (Fed) would begin tapering its bond-buying program. Diminished fiscal headwinds, low interest rates and continued strength in corporate earnings had a positive impact, as did indications of a modestly accelerating US economy. Unemployment reached a five-year low, manufacturing output hit a five-year high, exports climbed to a record level, and gross domestic product growth improved. Signs of progress outside the United States also factored in the equity market rally: The global economy resumed its momentum as trade picked up, Europe reported modest economic growth as it emerged from recession, Japan continued to address persistent deflation, and China proposed reforms that could lead to an economic transformation.

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 Microsoft, Apple and Vodafone. Microsoft's shares rallied during the period as the company reported better-than-expected quarterly results in October. Shares of the software company also appeared to get a boost in November from speculation that the software company had narrowed its list of candidates to replace Chief Executive Officer Steve Ballmer, and sales of the company's new Xbox gaming device were strong.

Apple shares performed well for the period on apparent strong sales of its new iPhone 5s and were further supported in October by Carl Icahn's appeal for Apple to raise its share buyback plan to $150 billion. Apple announced a plan earlier in the year to spend $100 billion on a combination of dividends and share repurchases over a three-year period through 2015. We also believe that investors have grown more optimistic about the financial implications of Apple signing a sales agreement with China Mobile.

The UK-based global Vodafone Group is a global mobile telecommunications company that provides a range of services, including voice and data communications. The company's stock continued its second-half rally driven largely by the long-anticipated sale of its 45% interest in Verizon Wireless-- at an attractive price--to Verizon. Vodafone said it planned to return two-thirds of the capital to shareholders and use the balance to invest in growth in its core markets, as well as reduce debt. Following the deal, we still saw Vodafone as a potentially compelling stock given that the economic environment in Europe has shown signs of stabilizing, the regulatory environment is easing and our belief that the company may be close to monetizing its investments in data services.

In contrast, three of the fund's main detractors from absolute performance for the quarter were RSA Insurance, Avon Products and CNH Industrial. 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 and Poor's also weighed on the stock.

After a meaningful run-up in the price of the stock during the first nine months of 2013, shares of the international cosmetics company Avon Products declined during the period. The shares weakened after quarterly results fell short of expectations and investors became concerned about the potential cost to settle a US government investigation examining payments made to foreign entities.

CNH Industrial, formally known as Fiat Industrial, was a material detractor from portfolio performance during the period as quarterly revenues fell short of expectations and results were negatively impacted by the stronger euro. As the year ended against a backdrop of significant declines in agricultural commodity prices, market sentiment about demand for agricultural equipment in 2014 was generally downbeat. However, we continued to view CNH as attractively valued with potential catalysts from a turnaround in its trucks business, a reduction in the company's financing costs and a lower tax rate following the corporate re-organization.

Portfolio Positioning

At the conclusion of the fourth quarter, the fund's investment in equities was approximately 84.5%, while the level of cash and cash equivalents stood near 6.2%. The fund's weighting in the consumer discretionary, telecommunications services and information technology sectors increased due to a combination of positive performances and increased allocations to select holdings. The fund added to its position in CBS, which is in the process of spinning off its outdoor advertising business with the intention of using the proceeds for additional share buybacks. The fund also exited its position in a UK-based tobacco company, due in part to industry headwinds and company-specific challenges. Overall, we still hold a general view that defensive sectors such as consumer staples and health care--regarded as the more traditional territory of value investors--have become more richly priced than more cyclical sectors, such as information technology, consumer discretionary and materials.

The fund had approximately 9.0% invested in distressed debt and a 0.3% merger arbitrage exposure in a lone holding. We have continued to observe rather limited opportunities within distressed debt investing. The prolonged period of low 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 expect to see in a challenging economic environment. 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.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (*CONTINUED)*

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 sheets; a preference from which we have benefited given the type of companies in which we typically invest.

Outlook & Strategy

Optimism about the sustainability of the US economic recovery appears to be growing with data near the later stages of 2013 steering the consensus view that 2014 gross domestic product may move incrementally higher. At the same time, however, equity markets have been rallying at a faster pace, resulting in an expansion in the price-to-earnings multiple. Therefore, US equity markets no longer appear broadly cheap to us.

Entering 2014, we anticipate the continuation of generally improving financial and economic conditions in the United States and abroad. The path of improvement is likely to 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 anticipate a continuation of subdued market correlations in 2014 barring a significant and unanticipated financial or political event.

In such an environment, we believe our process of bottom-up stock-picking, 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.

At this time, potential speed bumps for global financial markets and the economy appear to be skewed toward the United States in the early stages of 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.

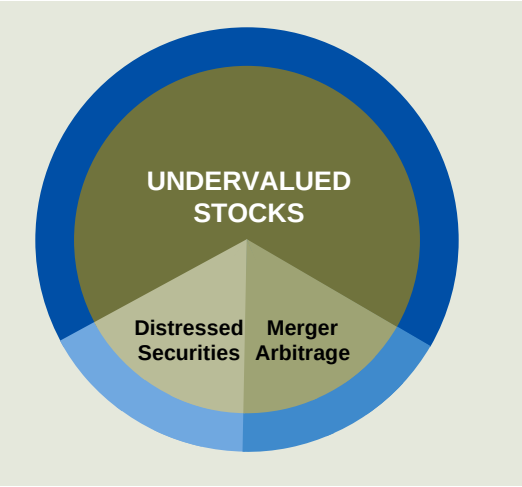
In a positive turn of events, we are encouraged about the prospects for Europe, as economic data appeared to show a general bottoming out of the economy in 2013, with the potential for improvement in the coming year. In our view, European stocks will enter the New Year more attractively valued relative 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 stock-pickers, we see attractive risk/reward profiles among companies with greater ties to the Continent, particularly out-of-favor businesses working out their own structural challenges.

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 Beacon Fund Management Team	Years with Firm	Years Experience
Christian Correa, CFA	10	12
Mandana Hormozi	10	23
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. The fund's investments in smaller-company stocks and foreign securities involve special risks. Smaller-company stocks have exhibited greater price volatility than larger-company stocks, particularly over the short term. Foreign securities risks include 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.

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

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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.

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.