FRANKLIN TEMPLETON INVESTMENTS

Franklin Mutual Beacon Fund—Class A

Product Profile Second Quarter 2015

FUND CHARACTERISTICS (AS OF 6/30/15)

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	Global Multi-Cap Value
Morningstar Category™	Large Blend
Total Net Assets—All Share Classes	4,262 million
Number of Issuers	74
Maximum Initial Sales Charge	5.75%

Effective June 30, 2014, Mutual Beacon Fund was renamed Franklin Mutual Beacon 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 equities and, to a lesser extent, distressed securities and merger arbitrage.

PERFORMANCE DATA

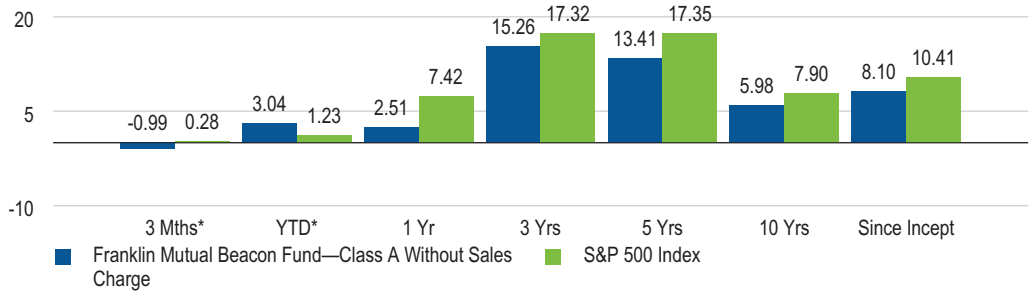
Average Annual Total Returns for Periods Ended June 30, 2015 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (6/29/62)
With Sales Charge	-6.71	-2.86	-3.40	13.00	12.07	5.35	7.97
Without Sales Charge	-0.99	3.04	2.51	15.26	13.41	5.98	8.10
S&P 500 Index	0.28	1.23	7.42	17.32	17.35	7.90	10.41

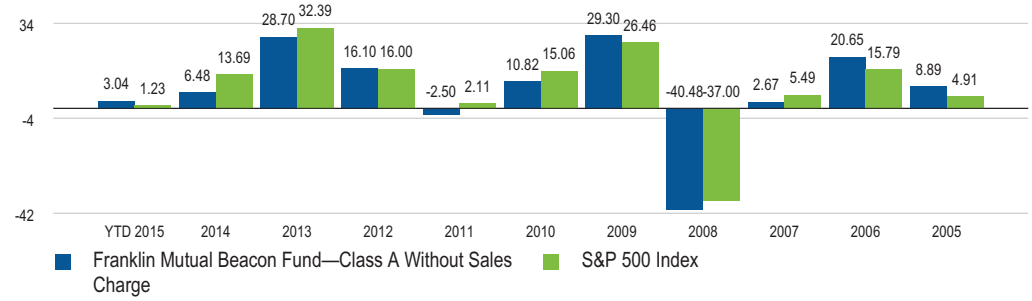
Total Annual Operating Expenses—*1.13%*

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 June 30, 2015 (%)



Calendar Year Returns As of June 30, 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" and "Performance Data" sections, please see Explanatory Notes.

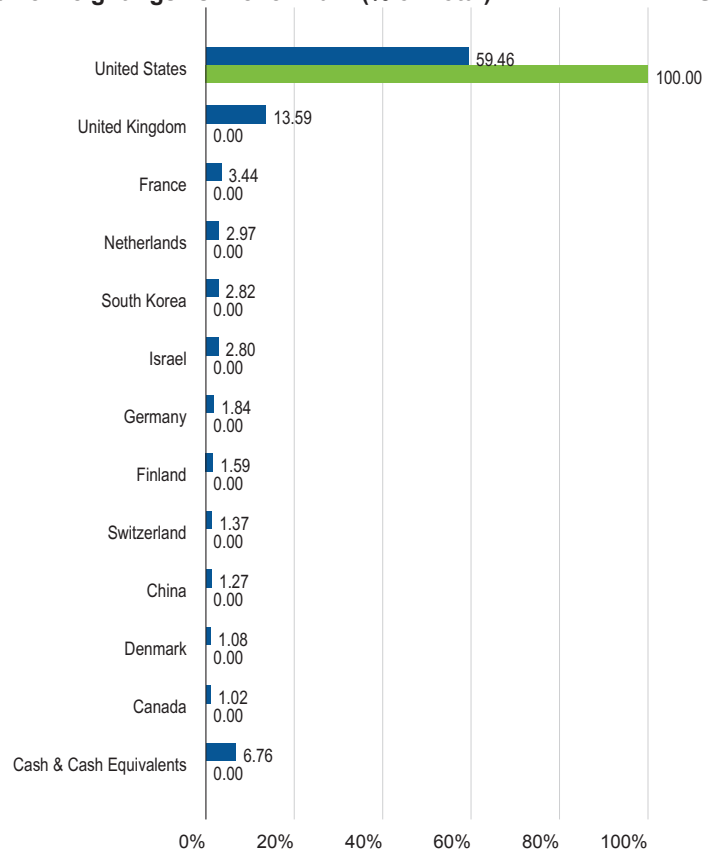
Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 6/30/15)

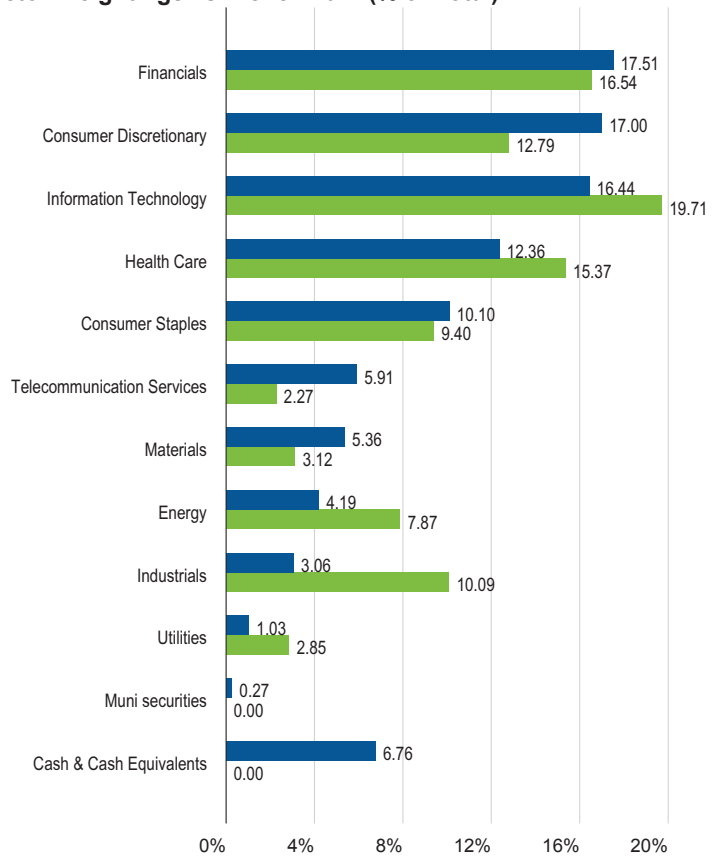
Top Ten Holdings

Issuer Name	Country	Industry	% of Total
1. MERCK & CO INC	United States	Pharmaceuticals, Biotechnology & Life Sciences	3.13
2. TWENTY-FIRST CENTURY FOX INC	United States	Media	3.09
3. JPMORGAN CHASE & CO	United States	Banks	3.04
4. KONINKLIJKE KPN NV	Netherlands	Telecommunication Services	2.97
5. WELLS FARGO & CO	United States	Banks	2.89
6. SAMSUNG ELECTRONICS CO LTD	South Korea	Technology Hardware & Equipment	2.82
7. BRITISH AMERICAN TOBACCO PLC	United Kingdom	Food Beverage & Tobacco	2.82
8. MEDTRONIC PLC	United States	Health Care Equipment & Services	2.76
9. MICROSOFT CORP	United States	Software & Services	2.76
10. SYMANTEC CORP	United States	Software & Services	2.71
Total			**28.98**

Geographic Weightings vs. Benchmark (% of Total)



Sector Weightings vs. Benchmark (% of Total)



Franklin Mutual Beacon Fund
S&P 500 Index

Portfolio Allocation

	%
Undervalued Equities	82.71
Cash & Other Net Assets	6.76
Merger Arbitrage	5.85
Distressed Investments	4.68

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

PORTFOLIO CHARACTERISTICS (AS OF 6/30/15)—Fund vs. S&P 500 Index

Price to Earnings	Fund	Benchmark
Weighted Average	15.68x	19.09x
Median	18.91x	20.77x

Price to Book Value	Fund	Benchmark
Weighted Average	1.78x	2.82x
Median	2.38x	3.16x

Price to Cash Flow	Fund	Benchmark
Weighted Average	10.19x	11.19x
Median	13.24x	13.31x

Market Capitalization (Millions USD)	Fund	Benchmark
Weighted Average	78,791	134,866
Median	27,153	17,984

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 6/30/15)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	7.72	11.01	14.09
Alpha	1.20	-1.48	-1.19
Beta	0.81	0.88	0.91
Sharpe Ratio	1.97	1.21	0.33
Information Ratio	-0.53	-1.04	-0.41
Tracking Error	3.86	3.77	4.61
R-Squared	79.15	90.02	90.15

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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.
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.

Beta, Information Ratio, R-Squared, and Tracking Error are measured against the S&P 500 Index.
For information related to the “Portfolio Characteristics” section, please see Explanatory Notes.

MARKET REVIEW

Major US stock market indexes ended the second quarter of 2015 on somewhat a muted note and lagged many markets across Europe and Asia in US-dollar terms. Equity markets in the United States were pulled down in June by a worsening debt crisis in Greece and a sharp decline in China's equity markets driven by an unwinding of leveraged positions and reduced market liquidity. Additionally, lackluster US profits aligned with weak first-quarter economic growth to produce the lowest level of year-over-year corporate earnings growth in 11 quarters, though earnings managed to exceed analysts' consensus expectations by a wide margin.

Economic conditions in the United States generally improved as the quarter progressed. Consumer confidence in June was notably more upbeat and the June release of consumer spending data for May showed a rebound. Improved consumer behavior was supported by a strengthening labor market. The early June Employment Situation Report showed that hiring in May increased while weekly initial jobless claims continued to run below 300,000, marking the longest such stretch since 2006. Additionally, US housing indicators were generally favorable with reports in May showing a surge in housing starts along with rises in home prices and new-home sales.

Eurozone economic data were consistent with a generally improving economy, including April figures that indicated a decrease in the number of unemployed, a small decline in the rate of unemployment and a gain in retail sales. The May report on first-quarter economic growth showed the fastest pace of expansion in two years.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

During the second quarter, three of the fund's largest detractors from absolute performance were Tronox, Samsung Electronics and Xerox. Tronox mines and processes minerals, including titanium ore, zircon, and trona ore, and manufactures titanium dioxide (TiO2) pigments. Tronox shares were weak as TiO2 prices continued to weaken this spring, reflecting weaker than expected demand, in contrast to expectations that they might begin to strengthen from low levels. This weakness was worsened by the weaker Euro as Tronox and its competitors were unable to raise prices in Europe sufficiently to offset the currency moves. In early April, Tronox also closed its deal to acquire the alkali chemicals business of FMC (not a fund holding), which is an attractive if low-growth business. For Tronox, it provides a tangible path to increased monetization of its very substantial tax attributes, but leaves Tronox with a levered balance sheet and may have disappointed some investors who thought a sale of the company may have been likely.

Shares of Samsung Electronics declined during the period due in part to quarterly earnings that declined from a year ago, led by weakness in its mobile division. Samsung is facing greater competition in China from domestic manufacturers, hurting demand for the company's lower-end phones. We also believe that investors were anxious about demand for the newly released Samsung Galaxy S6 and Galaxy S6 Edge phones given the importance of its high-end products on earnings. An ongoing positive for Samsung has been semiconductors, a high-margin business that continued to show strength in the first quarter.

The document technology and business process solutions company Xerox lowered its guidance for 2015 in April. The company also reported quarterly results that disappointed investors as margins deteriorated in its services unit; management attributed the margin decline to execution difficulties, particularly with its large healthcare related projects. Xerox has been struggling with its biggest government healthcare contracts within the services unit for a considerable period, causing a series of cost-driven misses. Outside of services, the document technology unit has been performing well and we believe the company's capital management has been good with the company continuing to repurchase shares.

In contrast, three of the fund's main contributors were JPMorgan Chase, Time Warner Cable and Eli Lilly. JPMorgan Chase (JPM), a US-based diversified financial services company, reported better-than-expected quarterly results in April with earnings and revenues beating consensus expectations. The positive performance was driven by the corporate and investment banking business. Mortgage originations for the quarter were also strong while the company experienced solid loan growth overall, although the low interest rate environment continued to pressure the bank's net interest margin.

Shares of media company Time Warner Cable (TWC) jumped in late May after Charter Communications (not a fund holding) stated that it reached a deal to acquire TWC. In April, a deal between Comcast and TWC fell apart as US regulators appeared poised to block the transaction. We believe the new deal faces a greater chance of approval by US regulators. In late April, TWC also reported quarterly earnings that topped consensus estimates.

Eli Lilly, a US-based pharmaceutical company, has been a strong contributor during this period as Wall Street has been gaining a better appreciation of its research and development capabilities and giving it more credit for its deep pipeline, which is in-line with our view of Lilly. Lilly has many attractive assets targeting end markets with high unmet medical need that positions its business to generate strong revenues and free cash flows in the long term, in our opinion.

Portfolio Positioning

At the conclusion of the second quarter, the fund's investment in equities was 84.9% while the level of cash and cash equivalents was approximately 6.8%. The fund was also 98.8% hedged back to the US dollar at quarter-end. The fund initiated or added to a few select positions during the period under review. Among the most notable of those new names was a European information technology company that made a recent acquisition. In our view, the deal will likely help the company become more competitive and global in presence, as well as provide it an opportunity to save a substantial amount of cost. We also exited and trimmed a few positions. Among the positions exited was US-based health insurer Cigna. The stock approached our sell target on investor speculation that it may seek to acquire a competitor or could itself be a potential takeover target. In June, the larger competitor Anthem offered to buy Cigna. Compared to the benchmark, the fund continued to have a meaningful overweight in consumer discretionary and a sizable underweight in industrials.

The fund had 3.7% of merger arbitrage exposure and 4.6% invested in distressed debt. The acceleration of mergers and acquisitions (M&A) that we have been waiting for is now well under way, with announcements of mega mergers in health care, telecommunications and technology. At the same time, regulatory scrutiny increased. Environments like this--active M&A combined with regulatory uncertainty and market volatility--have historically been a good combination for us. As we've mentioned before, we seek to use a mixture of merger arbitrage positions--positions constructed solely to benefit from deal completion--and investments in one or both of the companies involved in a deal to benefit from a deal spread and from possible value creation once the deal is completed. Distressed debt remained a difficult market for us to find compelling new opportunities. Low interest rates have kept credit widely available, and we saw little real distress. The biggest exception continued to be energy, where lower commodity prices created strain for some issuers. However, the modest recovery in energy prices since the beginning of the year relieved some of the pressure, and in the past few months we found fewer new opportunities in this sector than we expected.

Outlook & Strategy

We believe the performance of US equity markets over the past three years has greatly reduced the number

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)*

of attractive opportunities for value oriented, bottom-up investors. Equity market valuations in the United States are not particularly compelling to us, especially given the tepid 2015 consensus estimates for US corporate earnings growth. Near the end of June negotiations between Greece and its lenders deteriorated and ongoing economic weakness in China added a degree of volatility that increased short-term investment uncertainty. However, we remain steadfast in our disciplined investment approach and are attempting to use bouts of volatility to selectively build positions in our more compelling investments. We are still managing to find a few new investments trading at what we believe to be attractive valuations.

The US economy continues to improve. After a weak performance in the first quarter similar to 2014, data began to show an upswing in activity with a monthly average of more than 220,000 new jobs during the second quarter, a rebound in the manufacturing purchasing managers' index and more signs of improvement in the housing market. Although the strength of the US dollar is a potential headwind for exports, it has not appeared to hamper the US economy. The US Federal Reserve (Fed) remains accommodative, holding interest rates at historically low levels to spur growth, and it continues to sound circumspect about the potential timing and pace of interest rates increases.

Consumer staples, utilities and other defensive sectors in the US equity market (which tend to have relatively high dividend yields) have been popular among investors in an economic environment of uncertain growth prospects, near-zero interest rates and the continued deferral of monetary policy tightening by the Fed. Given the economic conditions at period end, we believe the longer-term risk/reward profiles of cyclical sectors, such as industrials and consumer discretionary, are generally more attractive than for defensive sectors. If investors gain more confidence in the durability and growth prospects of the US economy and the Fed adroitly manages its first steps toward tightening monetary policy, we believe the attractiveness of cyclicals will likely continue to increase.

The unexpected events in late June and early July related to the debt crisis in Greece injected a significant element of uncertainty to the ultimate outcome of the crisis and once again provided a bout of sharply higher volatility in European credit and equity markets. As of July 6, we still believe a longer-term agreement made the most sense--and is genuinely desired--for all parties, but we tend to agree with economists and investors who believe that Greece's exit (Grexit), if it were to eventually occur, should not have a severe impact on the eurozone's nascent economic recovery since Greece accounts for less than 2% of the region's economy. A direct channel of contagion between Greece and the rest of Europe appears more limited than in the past because European banks no longer hold a meaningful amount of Greek public debt. In our view, the main threat from any potential Grexit would be a negative market perception that could raise questions as to the irreversibility of the eurozone.

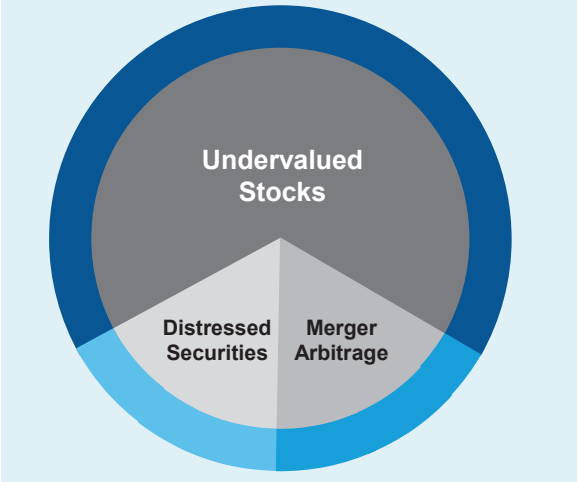
The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, 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 6/30/15)

Mutual Beacon Fund Management Team	Years with Firm	Years Experience
Christian Correa, CFA	12	13
Mandana Hormozi	11	24
Mutual Series Team	**Number of Members**	**Average Years Experience**
Portfolio Managers/Analysts	14	22
Research Analysts	5	9
Traders	9	21

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.

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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.

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.

Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, California 94403-1906
(800) DIAL BEN® (800) 342-5236
franklintempleton.com

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