



Franklin Mutual European Fund—Class A, C

Value
Equity
June 30, 2019

Product Profile

Product Details¹

Fund Assets	\$1,601,751,667.93
Fund Inception Date	07/03/1996
Number of Issuers	51
Investment Style	Value
Benchmark	MSCI Europe (Net Returns) Local Index
Lipper Classification	European Region Funds
Morningstar Category™	Europe Stock
Dividend Frequency	Semiannually in October and December

Inception Date

Class A	07/03/1996
Class C	07/03/1996

CUSIP NASDAQ Symbol

Class A	628 380 834	TEMIX
Class C	628 380 826	TEURX

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	1.29%
Class C	2.04%

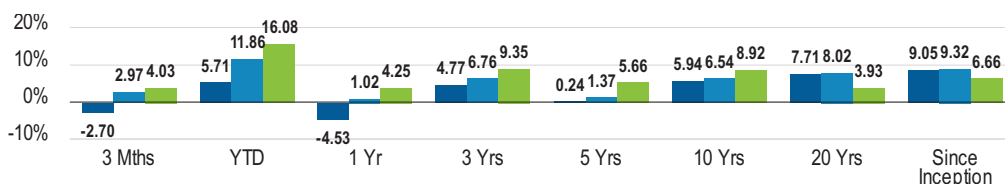
Fund Description

The fund seeks capital appreciation, with income as a secondary goal, by investing at least 80% of its net assets in the securities of European companies. It focuses mainly on undervalued equity securities and, to a lesser extent, distressed securities and merger arbitrage opportunities.

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	-2.70	5.71	-4.53	4.77	0.24	5.94	7.71	9.05
Class A - Without Sales Charges	2.97	11.86	1.02	6.76	1.37	6.54	8.02	9.32
Class C - With Sales Charges	1.73	10.38	-0.75	5.95	0.62	5.78	7.28	8.60
Class C - Without Sales Charges	2.73	11.38	0.23	5.95	0.62	5.78	7.28	8.60
MSCI Europe (Net Returns) Local Index	4.03	16.08	4.25	9.35	5.66	8.92	3.93	6.66



- Class A - With Sales Charges
- Class A - Without Sales Charges
- MSCI Europe (Net Returns) Local 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.

Calendar Year Returns (% Without Sales Charges)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Class A	-11.29	10.14	2.12	0.57	-4.31	26.30	17.37	-8.27	8.25	22.68
Class C	-11.96	9.37	1.32	-0.16	-4.97	25.44	16.54	-8.90	7.52	21.76
MSCI Europe (Net Returns) Local Index	-10.59	13.06	7.23	4.91	4.67	21.55	15.61	-9.34	6.83	27.70

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	Standard Chartered PLC	Consumer Discretionary	United Kingdom
	JM AB	Financials	France
	RSA Insurance Group plc	Communication Services	Sweden
Hurt	Dufry AG	Consumer Staples	Switzerland
	British American Tobacco p.l.c.	—	Ireland
	Vossloh AG	—	Germany

- Banking group Standard Chartered performed well, as it reported solid earnings and announced a sizable share repurchase program. The bank's results were ahead of analyst expectations as expenses declined and impairments fell in the first quarter.
- RSA Insurance is a global, commercial insurer that provides property, automobile, liability, and specialty insurance products. Shares rose after its chief executive officer announced that the company was on track to improve its underwriting after a difficult 2018. Management has successfully executed a turnaround, has exited business lines where it has no competitive advantage and remains focused on disciplined underwriting.
- UK-based British American Tobacco (BATS) detracted from portfolio performance during the period under review. The stock has come under pressure recently after BATS reported a decline in cigarette market share together with lower-than-expected sales growth in its "alternative cigarette" products. Despite recent challenges, the company reaffirmed continued expansion in its new category products and anticipates revenue growth toward the higher end of their guidance.

Outlook & Strategy

- Economic and political uncertainty in Europe remain elevated and expectations for the region are muted, given prolonged Brexit uncertainty and the spill-over effect from trade tensions.
- We do see some glimmers of hope for conditions to improve. Exports, an important driver of growth in the region, should improve as we annualize a significant number of one-off effects. In 2019, we also see an absence of headwinds that constrained growth in 2018. With low levels of leverage in the broad economy, capacity utilization at high levels and rising wages driving consumer confidence against the backdrop of low investor expectations for the region, we are positive on the outlook for European equities over the remainder of the year.
- From a sector perspective, our portfolio at quarter-end was overweight companies in financial services, with a greater focus on insurance companies compared to banks. The portfolio was underweight health care and consumer staples, as we have not found attractive opportunities in those areas yet despite the market selloff in late 2018.
- The value style has been out of favor for the past decade, but we remain committed to our approach. Over the long term, we believe a bottom-up stock picking process based on fundamental analysis will reward investors, while market dislocations offer opportunities to acquire companies in attractive end-markets trading at valuation levels that offer downside protection.
- Over the past year, we have seen an increase in activism in European companies, which we view as encouraging. We believe our approach to actively engaging with management teams and our long-term approach to investing with a disciplined focus on valuation will serve our shareholders well over the long term.

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 Europe (Net Returns) Local Index
Price to Earnings (12-Month Trailing)	14.63x	15.71x
Price to Book	1.12x	1.78x
Price to Cash Flow	5.35x	9.46x
Market Capitalization (Millions in USD)	42,082	71,179

Portfolio Diversification

Top Ten Holdings¹⁰

Percent of Total

Top Holdings	Sector	Country	%
LAFARGEHOLCIM LTD	Materials	Switzerland	3.67
GLAXOSMITHKLINE PLC	Pharmaceuticals, Biotechnology & Life Sciences	United Kingdom	3.56
HELLENIC TELECOMMUNICATIONS ORGANIZATION SA	Telecommunication Services	Greece	3.52
NOVARTIS AG	Pharmaceuticals, Biotechnology & Life Sciences	Switzerland	3.25
REXEL SA	Capital Goods	France	3.05
ROYAL DUTCH SHELL PLC	Energy	United Kingdom	2.99
STANDARD CHARTERED PLC	Banks	United Kingdom	2.81
VOLKSWAGEN AG	Automobiles & Components	Germany	2.72
CIE GENERALE DES ETABLISSEMENTS MICHELIN SCA	Automobiles & Components	France	2.71
RSA INSURANCE GROUP PLC	Insurance	United Kingdom	2.71

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.

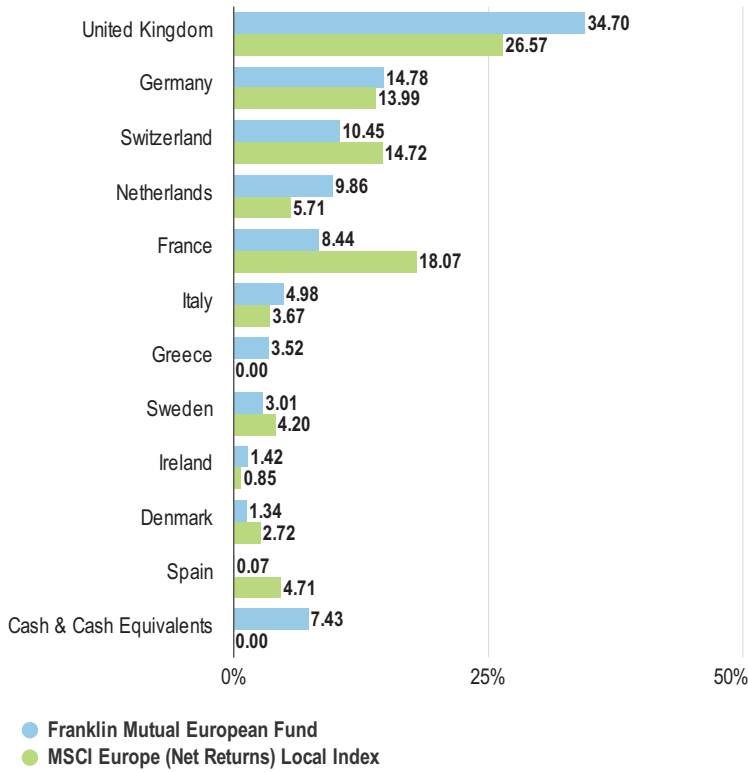
8. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

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.

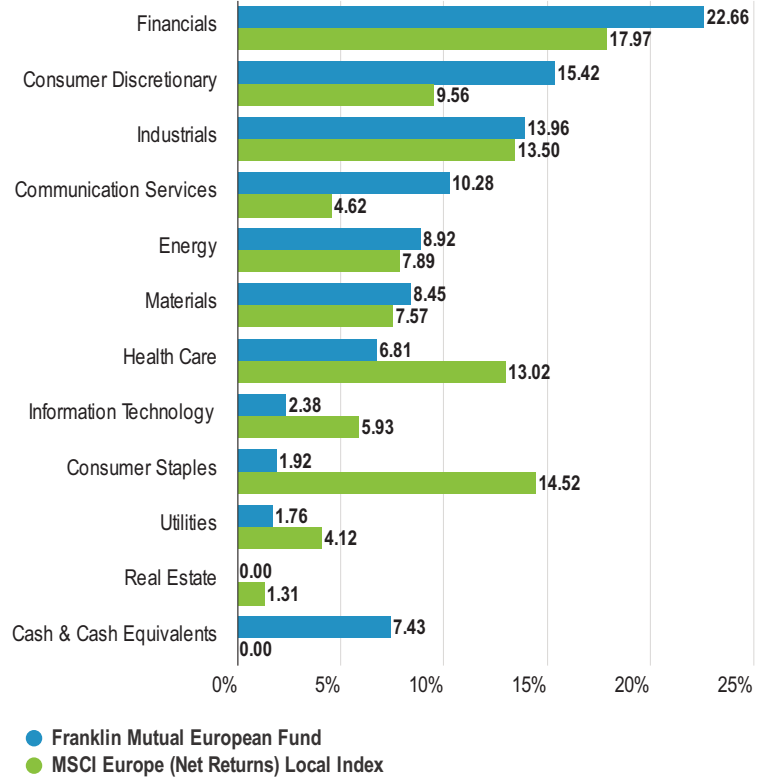
Geographic Weightings vs. MSCI Europe (Net Returns) Local Index^{11,12}

Percent of Total



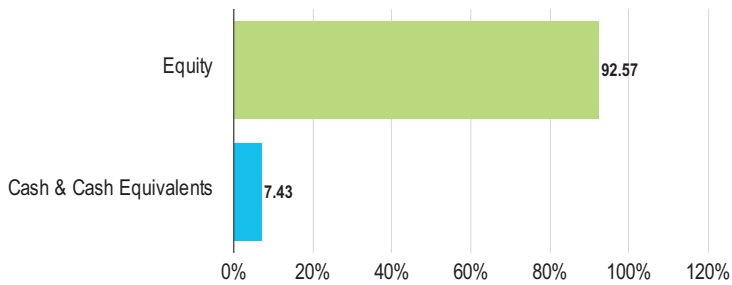
Sector Weightings vs. MSCI Europe (Net Returns) Local Index^{13,14}

Percent of Total



Asset Allocation¹⁵

Percent of Total



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.

Supplemental Performance Statistics

Supplemental Risk Statistics^{16,17}

Class A

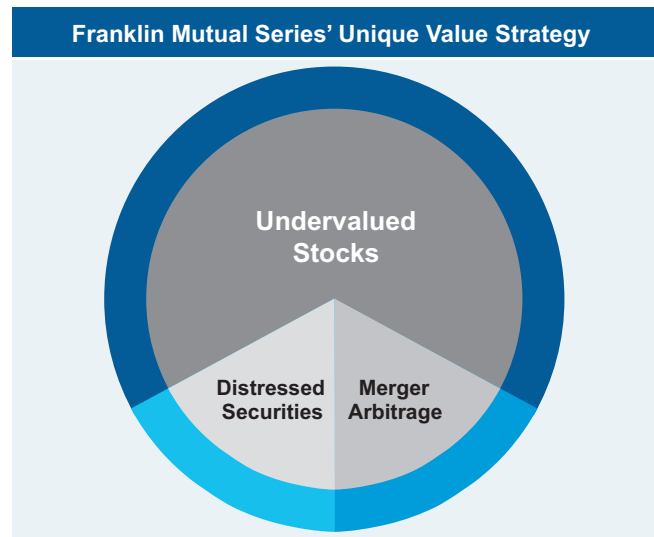
	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	10.92	11.83	12.41
Tracking Error (%)	3.78	4.22	3.85
Information Ratio	-0.68	-1.02	-0.62
Beta	1.02	1.00	0.97
Sharpe Ratio	0.49	0.04	0.49

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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



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Katrina Dudley, CFA, Portfolio Manager/Research Analyst	16	21
Mandana Hormozi, Portfolio Manager/Research Analyst	15	28
Todd Ostrow, Research Analyst	6	12

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.

16. Beta, Information Ratio and Tracking Error information are measured against the MSCI Europe (Net Returns) Local 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).

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 invests its assets primarily 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. The Fund's investments in smaller-company stocks carry an increased risk of price fluctuation, especially 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. These and other risk considerations are discussed in the fund's prospectus.

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

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