FRANKLIN TEMPLETON INVESTMENTS

Semiannual Report and Shareholder Letter
June 30, 2015

Franklin Mutual European Fund

A SERIES OF FRANKLIN MUTUAL SERIES FUNDS

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Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.[1] We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/14. Clients are represented by the total number of shareholder accounts.

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Contents

Shareholder Letter 1

Semiannual Report

Franklin Mutual European Fund 3

Performance Summary 8

Your Fund's Expenses 11

Financial Highlights and Statement of Investments 13

Financial Statements 23

Notes to Financial Statements 27

Meeting of Shareholders 40

Shareholder Information 42

Shareholder Letter

Dear Franklin Mutual European Fund Shareholder:

The global economy grew moderately during the six months under review. Global financial liquidity remained high as major developed market central banks maintained their accommodative monetary policies and certain emerging market central banks eased monetary policies. Investor concerns persisted about moderating global economic growth and geopolitical tensions in certain regions. Additionally, the devaluation of many foreign currencies against the U.S. dollar hindered returns of many assets in U.S. dollar terms. Greece's default on its loans weighed on emerging market stocks toward period-end. For the six months ended June 30, 2015, European stock market performance, as measured by the MSCI Europe Index, generated positive returns.

Although the global economy continued to face challenges, we remained encouraged as many European economies continued to show signs of improvement. With this economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which are characteristics that have historically been favorable for stock markets. In addition, we believe that current accommodative monetary policy and low interest rates have supported many bond markets and limited losses in others. Keep in mind, in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin Mutual European Fund's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and a discussion from the portfolio managers. Please remember all securities markets fluctuate in value, as do mutual fund share prices.

If you would like more frequent updates, **franklintempleton.com** provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, and find helpful financial planning tools. We hope you will take advantage of these online services.

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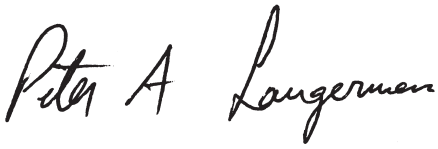
We believe active management serves investors well. We also recognize the important role financial advisors serve in today's markets and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery since 2009 may continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook will be well positioned for the years ahead.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to continuing to serve your investment needs.

Sincerely,



Peter A. Langerman
Chairman, President and Chief Executive Officer
Franklin Mutual Advisers, LLC

This letter reflects our analysis and opinions as of June 30, 2015. The information is not a complete analysis of every aspect of any market, country, industry, security or fund.

Semiannual Report

Franklin Mutual European Fund

This semiannual report for Franklin Mutual European Fund covers the period ended June 30, 2015.

Your Fund's Goals and Main Investments

The Fund seeks capital appreciation, with income as a secondary goal, by investing at least 80% of its net assets in securities of European companies that the manager believes are available at market prices less than their intrinsic value. The Fund defines European companies as issuers organized under the laws of, or whose principal business operations are located in, or who earn at least 50% of their revenue from, European countries, as defined in the prospectus.

Performance Overview

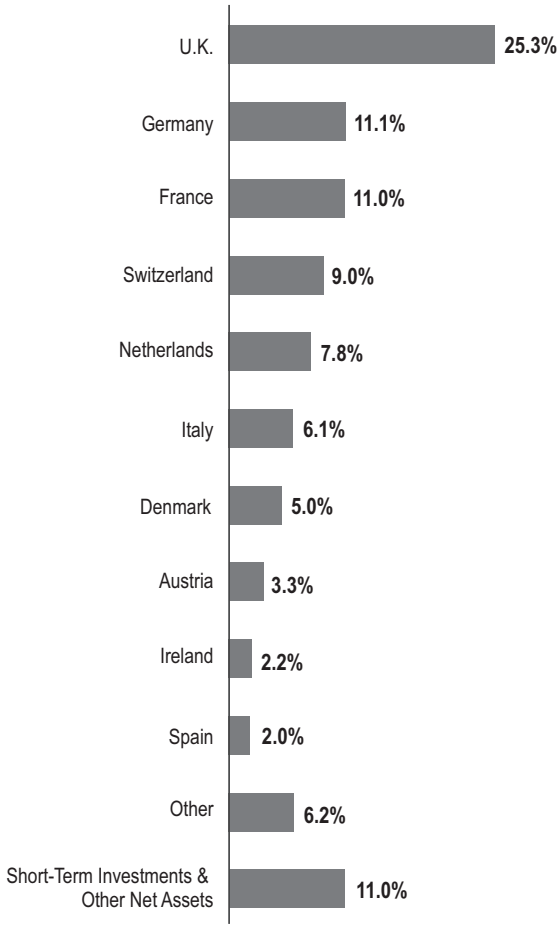
The Fund's Class Z shares delivered a +5.94% cumulative total return for the six months under review. For comparison, the Fund's benchmark, the MSCI Europe Index, which tracks equity performance in Europe's developed markets, produced a +7.25% total return in local currency terms.[1] You can find more of the Fund's performance data in the Performance Summary beginning on page 8.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

Economic and Market Overview

The global economy expanded moderately during the six months under review despite slowing growth in some countries. As measured by the MSCI Europe Index, European stock markets overall advanced in local currency terms during the six-month period amid a generally accommodative monetary policy environment, signs of economic improvement in Europe and euro depreciation versus the U.S. dollar. Oil prices rebounded from earlier lows as demand picked up despite rising inventories and strong global supply, while the price of gold declined marginally during the period under review.

Geographic Breakdown*
Based on Total Net Assets as of 6/30/15



*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

The U.K. economy slowed in 2015's first quarter as the mining and agriculture sectors contracted. In the eurozone, the European Central Bank (ECB) maintained its benchmark interest rates during the period and also expanded its asset purchases to boost inflation and the economy. First-quarter economic growth showed the fastest pace of expansion in two years as activity picked up in France, Italy returned to growth and Spain expanded at a solid pace. Germany was a notable exception as economic growth slowed sharply due to sluggish exports, while

1. Source: Morningstar.
The unmanaged index is calculated in local currency and includes reinvested daily net dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.
See www.franklintempletondatasources.com for additional data provider information.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 18.

Greece slipped back into recession. The region generally benefited from a weaker euro that helped exports, the ECB's accommodative policy and an improved 2015 eurozone growth forecast, which helped lessen fears about Greece's debt situation.

Investment Strategy

We follow a distinctive value investment approach that combines investments in what we believe are undervalued common stocks with distressed debt investing and merger arbitrage. Our style aims to provide our shareholders with superior risk-adjusted results over time. We employ rigorous, fundamental analysis to find compelling situations. In our opinion, successful investing is as much about assessing risk and containing losses as it is about achieving profits. In choosing investments, we look at the market price of an individual company's securities relative to our evaluation of its intrinsic value based on factors including book value, cash flow generation, long-term earnings potential and earnings multiples. We may invest in bankrupt or distressed companies if we believe the market overreacted to adverse developments or failed to appreciate positive changes.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

What is meant by "hedge"?

To hedge an investment is to take a position intended to offset potential losses/gains that may be incurred by a companion financial instrument.

Manager's Discussion

During the six months ended June 30, 2015, European equities rebounded while overall global markets slowed after a three-year ascent. Globally, major central banks remained accommodative while fiscal authorities focused on budgetary discipline. Large companies also remained disciplined about operating costs. To drive further growth, companies started looking externally to mergers and acquisitions (M&A), taking advantage of low interest rates to finance deals. In this environment, we saw many opportunities.

Equity prices are typically forward looking, reflecting investors' beliefs about how various factors and events will play out in the future. Global equity prices at period-end were not at distressed levels but, from our perspective, they reflected a consensus view of a modest global recovery and the persistence of historically high profit margins. Some countries, such as Greece and China, and sectors, such as energy, have been subject to significant market movements, but the global equity market as a whole has been relatively stable. Global quantitative easing has provided a supportive backdrop, and corporations, in general, have built strong balance sheets and focused intensely on improving efficiency.

Top 10 Sectors/Industries
Based on Equity Securities as of 6/30/15

	% of Total Net Assets
Insurance	15.4%
Banks	12.4%
Diversified Telecommunication Services	9.2%
Oil, Gas & Consumable Fuels	6.4%
Media	4.9%
Metals & Mining	3.9%
Specialty Retail	3.6%
Construction & Engineering	3.1%
Marine	2.3%

The acceleration of 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, as happened with Comcast's failed attempt to acquire Time Warner Cable. Environments like this — active M&A combined with regulatory uncertainty and market volatility — have historically presented opportunities for us. As we discussed in the 2014 annual report, 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.

The Fund's investment in merger arbitrage was not a traditional situation, such as those positions established after a deal announcement to capture the merger spread. Rather, the Fund was invested in the target, U.K.-based beverage can maker Rexam, when it received an unsolicited offer from U.S.-based metals packaging manufacturer Ball in February 2015. The proposed deal contained some of the characteristics that we typically find attractive in a merger arbitrage opportunity: cost savings, greater geographic presence and increased competitive capabilities. The planned merger would combine two of the three largest can makers and give the new company a better ability to meet the increased customer desire to negotiate global procurement contracts. Although our analysis of the proposed deal indicated an attractive degree of potential value creation for the new company, we subsequently exited the position as antitrust concerns began to intensify on a request for more information by the U.S. Federal Trade Commission in April.

Distressed debt remained a difficult market in which we could 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 six months we found fewer new opportunities in this sector than we expected.

The Fund recently added new positions in German telecommunications incumbent Deutsche Telekom (DT) and Swiss cement maker Holcim. We viewed DT's core German market as attractive, given competition amid industry consolidation and potential upside from data usage as smartphone and 4G penetration increases. The company also launched a quad play service (home and mobile broadband, and unlimited calls and texts) that lowered subscriber turnover and generated incremental revenue. In addition to having operations in Germany, DT has assets in multiple geographies across Europe and the U.S. In particular, the company's T-Mobile subsidiary in the U.S. is very well positioned, in our view, as other U.S. fixed and mobile operators seek scale. Although DT is in no rush to sell T-Mobile, we believe it could ultimately be for sale and that the valuation could rise upon consolidation.

Holcim is a manufacturer of cement, aggregates and other construction products. At period-end, the company was in the process of merging with France's Lafarge, another major European cement maker, with the deal expected to close in July 2015. The merger would create a global company with a presence in over 90 countries that, in our view, would likely produce significant synergies, help to improve operating profitability and generate strong cash flows.

Turning to Fund performance, top contributors included hotel operator Accor, telecommunications provider Koninklijke KPN and bank ING Groep.

Improving economic conditions in Europe benefited France-based hotel operator Accor. In February, Accor's management stated that it would accelerate its restructuring plan in 2015, an action that we view positively. The plan involved separating the streamlined, asset-heavy hotel property ownership division from the well-run, asset-light hotel management division. In April, the company reported improved demand in France and other important European markets. Finally, we believed Accor would further benefit from the economic stimulus provided by the ECB's quantitative easing program that could improve consumer confidence and European demand, as well as from a weaker euro that could encourage tourism in the European region.

KPN is the incumbent telecommunications operator in the Netherlands. Company financial trends improved during the period as the number of subscribers increased and equipment sales rose. In April, KPN sold BASE Company, a Belgium-based mobile business, as part of an ongoing process to simplify its structure to focus on the core business and improve operating performance. We believe that the majority of proceeds from the sale of BASE and other divestments would likely be passed through to KPN shareholders via dividend payments. We also viewed as positive KPN's selection in February of Duco Sickinghe for chairman because he has a strong management record in the industry.

Shares of Netherlands-based bank ING Groep rallied, particularly in the first quarter of 2015, as the company continued to reduce its ownership of NN Group, also a Fund holding. This is one of the final steps in the company's transformation into a simple and well-capitalized bank following the sale of its U.S. insurance operations, Voya Financial, and its stake in Brazil-based insurer SulAmerica. NN Group includes ING's European and Japanese insurance and investment management businesses. The bank also announced in February the resumption of its regular dividend, and the market anticipated a material special dividend once the disposal of NN Group is completed in 2016. Investors were also encouraged by the company's positive outlook communicated during its first-quarter earnings call.

During the period under review, some of the Fund's investments that negatively affected performance were offshore energy services company DeepOcean Group Holding, travel retailer Dufry and Hellenic Telecommunications Organization.

DeepOcean operates in the offshore energy industry and provides seabed mapping and subsea services, including installation, inspection, maintenance and repairs. After oil prices plunged in the second half of 2014, their further erosion during the first quarter of 2015 continued to weigh on the company as the oil industry has been forced to reassess expensive projects, such as deepwater drilling, and trim capital spending plans.

Dufry is a Switzerland-based global travel retailer with duty-free and duty-paid stores in airports and other transportation-related facilities. In January, the stock declined after a surprise move by the Swiss National Bank to abandon its cap on the Swiss franc's exchange rate against the euro. In addition, weak economic conditions and currency headwinds in Brazil and Russia severely curtailed sales. The stock received a temporary boost from the late-March announcement of a binding agreement to acquire competitor World Duty Free. At period-end, we viewed the transaction as a longer-term positive but a near-term drag on Dufry's financial performance.

Top 10 Equity Holdings
6/30/15

Company *Sector/Industry, Country*	% of Total Net Assets
A.P. Moeller-Maersk AS, B *Marine, Denmark*	2.3%
Koninklijke KPN NV *Diversified Telecommunication Services, Netherlands*	2.3%
Vodafone Group PLC *Wireless Telecommunication Services, U.K.*	2.2%
XL Group PLC *Insurance, Ireland*	2.2%
Direct Line Insurance Group PLC *Insurance, U.K.*	2.2%
Enel SpA *Electric Utilities, Italy*	2.2%
Accor SA *Hotels, Restaurants & Leisure, France*	2.1%
Kingfisher PLC *Specialty Retail, U.K.*	2.1%
BNP Paribas SA *Banks, France*	2.1%
UniCredit SpA Banks, Italy	2.1%

Hellenic Telecommunications, partially owned by Deutsche Telekom, is an Athens-based company that provides fixed and mobile telecommunication services in Greece and neighboring European countries. The stock experienced heightened volatility, driven largely by the new Syriza government's stand-off with eurozone leaders and creditors about Greece's debts and the terms of the country's bailout program. These geopolitical developments overshadowed relatively positive quarterly company results reported in March based on some improvement in Hellenic's Greek mobile and fixed line businesses and cash flow that exceeded company guidance. As the Greek crisis continued during the period, we reduced the size of this position by more than half, and at period-end it was only 0.32% of total net assets.

During the period, the Fund held currency forwards and futures to hedge a significant portion of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a positive impact on the Fund's performance during the period.

What is a currency forward contract?

A currency forward contract, or a currency forward, is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

What is a futures contract?

A futures contract, or a future, is an agreement between the Fund and a counterparty made through a U.S. or foreign futures exchange to buy or sell an underlying instrument or asset at a specific price on a future date.

As fellow shareholders, we found recent relative performance disappointing, but it is not uncommon for our strategy to lag amid a strong equity market. We remain committed to our disciplined, value investment approach as we seek to generate attractive, long-term, risk-adjusted returns for shareholders. Thank you for your continued participation in Franklin Mutual European Fund. We look forward to continuing to serve your investment needs.

Philippe Brugere-Trelat
Co-Portfolio Manager

Katrina Dudley, CFA
Co-Portfolio Manager

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2015, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

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Philippe Brugere-Trelat has been co-portfolio manager for Franklin Mutual European Fund since 2010 and portfolio manager since 2005. He also has been portfolio manager for Franklin Mutual Global Discovery Fund since 2009. He has been a member of the management team of the Franklin Mutual Series Funds since 2004, when he rejoined Franklin Templeton Investments. Previously, he was president and portfolio manager of Eurovest. Between 1984 and 1994, Mr. Brugere-Trelat was employed at Heine Securities Corporation, the Fund's former manager.

Katrina Dudley has been co-portfolio manager for Franklin Mutual European Fund since 2010 and was assistant portfolio manager since 2007. She follows industrial companies including transportation, manufacturers, machinery, electrical equipment and general industrial, as well as health care services companies. Prior to joining Franklin Templeton Investments in 2002, Ms. Dudley was an investment analyst at Federated Investors, Inc., responsible for the technology and health care sectors. From 1995 to 2001, Ms. Dudley was a senior manager in the corporate finance division of Ernst & Young LLP, where she specialized in valuation and litigation consulting.

Performance Summary as of June 30, 2015

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Net Asset Value

Share Class (Symbol)	**6/30/15**	**12/31/14**	**Change**
Z (MEURX)	$22.10	$20.86	+$1.24
A (TEMIX)	$21.51	$20.33	+$1.18
C (TEURX)	$21.47	$20.37	+$1.10
R (N/A)	$21.17	$20.04	+$1.13
R6 (FMEUX)	$22.10	$20.85	+$1.25

Performance as of 6/30/15

Cumulative total return excludes sales charges. Average annual total return and value of $10,000 investment include maximum sales charges. ***Class Z/R/R6:*** *no sales charges;* ***Class A:*** *5.75% maximum initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only.*

Share Class	Cumulative Total Return[1]	Average Annual Total Return[2]	Value of $10,000 Investment[3]	Total Annual Operating Expenses[4]
Z				1.04%
6-Month	+5.94%	+5.94%	$10,594	
1-Year	+1.21%	+1.21%	$10,121	
5-Year	+56.76%	+9.41%	$15,676	
10-Year	+113.35%	+7.87%	$21,335	
A				1.34%
6-Month	+5.80%	-0.28%	$9,972	
1-Year	+0.92%	-4.88%	$9,512	
5-Year	+54.44%	+7.80%	$14,555	
10-Year	+107.18%	+6.92%	$19,524	
C				2.04%
6-Month	+5.40%	+4.40%	$10,440	
1-Year	+0.20%	-0.68%	$9,932	
5-Year	+49.07%	+8.31%	$14,907	
10-Year	+93.12%	+6.80%	$19,312	
R				1.54%
6-Month	+5.64%	+5.64%	$10,564	
1-Year	+0.66%	+0.66%	$10,066	
5-Year	+52.82%	+8.85%	$15,282	
Since Inception (10/30/09)	+53.63%	+7.87%	$15,363	
R6				0.89%
6-Month	+6.00%	+6.00%	$10,600	
1-Year	+1.35%	+1.35%	$10,135	
Since Inception (5/1/13)	+21.23%	+9.30%	$12,123	

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236****.*

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, 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. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. 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. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class Z: Shares are available to certain eligible investors as described in the prospectus.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

1. Cumulative total return represents the change in value of an investment over the periods indicated.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
3. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
4. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value,
   then $8,600 ÷ $1,000 = 8.6.

2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50,
   then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 1/1/15	Ending Account Value 6/30/15	Expenses Paid During Period* 1/1/15–6/30/15
Z			
Actual	$1,000	$1,059.40	$ 5.26
Hypothetical (5% return before expenses)	$1,000	$1,019.69	$ 5.16
A			
Actual	$1,000	$1,058.00	$ 6.79
Hypothetical (5% return before expenses)	$1,000	$1,018.20	$ 6.66
C			
Actual	$1,000	$1,054.00	$10.34
Hypothetical (5% return before expenses)	$1,000	$1,014.73	$10.14
R			
Actual	$1,000	$1,056.40	$ 7.80
Hypothetical (5% return before expenses)	$1,000	$1,017.21	$ 7.65
R6			
Actual	$1,000	$1,060.00	$ 4.49
Hypothetical (5% return before expenses)	$1,000	$1,020.43	$ 4.41

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (Z: 1.03%; A: 1.33%; C: 2.03%; R: 1.53%; and R6: 0.88%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Financial Highlights

	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2014	2013	2012	2011	2010
Class Z						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$20.86	$24.76	$21.13	$18.95	$21.47	$20.39
Income from investment operations[a]:						
Net investment income[b]	0.39	0.73[c]	0.49	0.44	0.50	0.34
Net realized and unrealized gains (losses)	0.85	(1.73)	5.12	2.89	(2.25)	1.40
Total from investment operations	1.24	(1.00)	5.61	3.33	(1.75)	1.74
Less distributions from:						
Net investment income	—	(0.67)	(0.46)	(0.68)	(0.77)	(0.66)
Net realized gains	—	(2.23)	(1.52)	(0.47)	—	—
Total distributions	—	(2.90)	(1.98)	(1.15)	(0.77)	(0.66)
Net asset value, end of period	$22.10	$20.86	$24.76	$21.13	$18.95	$21.47
Total return[d]	5.94%	(4.00)%	26.68%	17.73%	(8.01)%	8.61%
Ratios to average net assets[e]						
Expenses[f]	1.03%	1.04%[g]	1.07%[g]	1.13%	1.11%	1.10%
Expenses incurred in connection with securities sold short	—%[h]	0.01%	—%[h]	—%	—%	—%
Net investment income	3.54%	2.93%[c]	2.04%	2.16%	2.43%	1.65%
Supplemental data						
Net assets, end of period (000's)	$1,493,220	$1,128,769	$1,399,294	$1,101,659	$964,069	$1,057,801
Portfolio turnover rate	21.00%	54.05%	39.05%	41.69%	32.60%	35.44%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.29 per share received in the form of a special dividend paid in connection with certain Fund's holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.74%.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

[g]Benefit of expense reduction rounds to less than 0.01%.

[h]Rounds to less than 0.01%.

	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2014	2013	2012	2011	2010
Class A						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$20.33	$24.21	$20.71	$18.59	$21.06	$20.02
Income from investment operations[a]:						
Net investment income[b]	0.35	0.61[c]	0.42	0.37	0.44	0.27
Net realized and unrealized gains (losses)	0.83	(1.66)	4.99	2.84	(2.20)	1.37
Total from investment operations	1.18	(1.05)	5.41	3.21	(1.76)	1.64
Less distributions from:						
Net investment income	—	(0.60)	(0.39)	(0.62)	(0.71)	(0.60)
Net realized gains	—	(2.23)	(1.52)	(0.47)	—	—
Total distributions	—	(2.83)	(1.91)	(1.09)	(0.71)	(0.60)
Net asset value, end of period	$21.51	$20.33	$24.21	$20.71	$18.59	$21.06
Total return[d]	5.80%	(4.31)%	26.30%	17.37%	(8.27)%	8.25%
Ratios to average net assets[e]						
Expenses[f]	1.33%	1.34%[g]	1.37%[g]	1.43%	1.41%	1.40%
Expenses incurred in connection with securities sold short	—%[h]	0.01%	—%[h]	—%	—%	—%
Net investment income	3.24%	2.63%[c]	1.74%	1.86%	2.13%	1.35%
Supplemental data						
Net assets, end of period (000's)	$1,109,382	$843,836	$839,655	$653,435	$593,825	$765,304
Portfolio turnover rate	21.00%	54.05%	39.05%	41.69%	32.60%	35.44%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.29 per share received in the form of a special dividend paid in connection with certain Fund's holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.44%.

[d]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

[g]Benefit of expense reduction rounds to less than 0.01%.

[h]Rounds to less than 0.01%.

	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2014	2013	2012	2011	2010
Class C						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$20.37	$24.25	$20.79	$18.66	$21.10	$20.05
Income from investment operations[a]:						
Net investment income[b]	0.28	0.43[c]	0.24	0.24	0.31	0.13
Net realized and unrealized gains (losses)	0.82	(1.64)	5.02	2.83	(2.20)	1.36
Total from investment operations	1.10	(1.21)	5.26	3.07	(1.89)	1.49
Less distributions from:						
Net investment income	—	(0.44)	(0.28)	(0.47)	(0.55)	(0.44)
Net realized gains	—	(2.23)	(1.52)	(0.47)	—	—
Total distributions	—	(2.67)	(1.80)	(0.94)	(0.55)	(0.44)
Net asset value, end of period	$21.47	$20.37	$24.25	$20.79	$18.66	$21.10
Total return[d]	5.40%	(4.97)%	25.44%	16.54%	(8.90)%	7.52%
Ratios to average net assets[e]						
Expenses[f]	2.03%	2.04%[g]	2.07%[g]	2.13%	2.11%	2.10%
Expenses incurred in connection with securities sold short	—%[h]	0.01%	—%[h]	—%	—%	—%
Net investment income	2.54%	1.93%[c]	1.04%	1.16%	1.43%	0.65%
Supplemental data						
Net assets, end of period (000's)	$302,659	$216,258	$198,491	$122,438	$127,012	$171,750
Portfolio turnover rate	21.00%	54.05%	39.05%	41.69%	32.60%	35.44%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.29 per share received in the form of a special dividend paid in connection with certain Fund's holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.74%.

[d]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

[g]Benefit of expense reduction rounds to less than 0.01%.

[h]Rounds to less than 0.01%.

	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2014	2013	2012	2011	2010
Class R						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$20.04	$23.95	$20.55	$18.47	$21.00	$19.98
Income from investment operations[a]:						
Net investment income[b]	0.37	0.41[c]	0.31	0.33	0.16	0.19
Net realized and unrealized gains (losses)	0.76	(1.49)	5.02	2.81	(1.97)	1.42
Total from investment operations	1.13	(1.08)	5.33	3.14	(1.81)	1.61
Less distributions from:						
Net investment income	—	(0.60)	(0.41)	(0.59)	(0.72)	(0.59)
Net realized gains	—	(2.23)	(1.52)	(0.47)	—	—
Total distributions	—	(2.83)	(1.93)	(1.06)	(0.72)	(0.59)
Net asset value, end of period	$21.17	$20.04	$23.95	$20.55	$18.47	$21.00
Total return[d]	5.64%	(4.52)%	26.05%	17.16%	(8.45)%	8.02%
Ratios to average net assets[e]						
Expenses[f]	1.53%	1.54%[g]	1.57%[g]	1.63%	1.61%	1.60%
Expenses incurred in connection with securities sold short	—%[h]	0.01%	—%[h]	—%	—%	—%
Net investment income	3.04%	2.43%[c]	1.54%	1.66%	1.93%	1.15%
Supplemental data						
Net assets, end of period (000's)	$858	$421	$133	$46	$31	$21
Portfolio turnover rate	21.00%	54.05%	39.05%	41.69%	32.60%	35.44%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Net investment income per share includes approximately $0.29 per share received in the form of a special dividend paid in connection with certain Fund's holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.24%.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Includes dividend expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

[g]Benefit of expense reduction rounds to less than 0.01%.

[h]Rounds to less than 0.01%.

	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2014	2013[a]
Class R6			
Per share operating performance (for a share outstanding throughout the period)			
Net asset value, beginning of period	$20.85	$24.75	$22.54
Income from investment operations[b]:			
Net investment income[c]	0.40	0.75[d]	0.28
Net realized and unrealized gains (losses)	0.85	(1.71)	3.95
Total from investment operations	1.25	(0.96)	4.23
Less distributions from:			
Net investment income	—	(0.71)	(0.50)
Net realized gains	—	(2.23)	(1.52)
Total distributions	—	(2.94)	(2.02)
Net asset value, end of period	$22.10	$20.85	$24.75
Total return[e]	6.00%	(3.88)%	18.99%
Ratios to average net assets[f]			
Expenses[g]	0.88%	0.89%[h]	0.90%[h]
Expenses incurred in connection with securities sold short	—%[i]	0.01%	—%[i]
Net investment income	3.69%	3.08%[d]	2.21%
Supplemental data			
Net assets, end of period (000's)	$406,924	$334,396	$317,690
Portfolio turnover rate	21.00%	54.05%	39.05%

[a]For the period May 1, 2013 (effective date) to December 31, 2013.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Net investment income per share includes approximately $0.29 per share received in the form of a special dividend paid in connection with certain Fund's holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.89%.

[e]Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Includes dividend expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

[h]Benefit of expense reduction rounds to less than 0.01%.

[i]Rounds to less than 0.01%.

Statement of Investments, June 30, 2015 (unaudited)

	Country	Shares	Value
Common Stocks 87.8%			
Air Freight & Logistics 1.0%			
Deutsche Post AG	Germany	1,130,348	$ 33,010,866
Airlines 0.9%			
[a] International Consolidated Airlines Group SA	United Kingdom	3,883,692	30,183,035
Auto Components 1.2%			
Cie Generale des Etablissements Michelin, B	France	388,660	40,711,030
Banks 12.4%			
Barclays PLC	United Kingdom	12,185,662	49,869,276
BNP Paribas SA	France	1,157,580	69,857,022
[a] Commerzbank AG	Germany	4,654,815	59,475,359
Danske Bank AS	Denmark	117,227	3,446,359
HSBC Holdings PLC	United Kingdom	4,359,540	39,045,224
ING Groep NV, IDR	Netherlands	3,294,487	54,375,523
Societe Generale SA	France	1,426,820	66,578,306
UniCredit SpA	Italy	10,178,557	68,344,545
			410,991,614
Capital Markets 1.9%			
UBS Group AG	Switzerland	2,902,839	61,558,440
Chemicals 1.8%			
Arkema SA	France	818,295	58,939,255
Commercial Services & Supplies 1.0%			
G4S PLC	United Kingdom	8,083,768	34,111,126
Communications Equipment 1.7%			
Nokia Corp., ADR	Finland	5,416,684	37,104,285
Nokia OYJ, A	Finland	2,949,534	20,018,489
			57,122,774
Construction & Engineering 3.1%			
Balfour Beatty PLC	United Kingdom	12,287,260	46,694,650
FLSmidth & Co. AS	Denmark	1,157,049	55,656,441
			102,351,091
Construction Materials 1.8%			
[a] Holcim Ltd., B	Switzerland	827,050	61,027,109
Diversified Financial Services 0.1%			
Oslo Bors VPS Holding ASA	Norway	340,000	3,945,749
Diversified Telecommunication Services 9.2%			
Deutsche Telekom AG	Germany	3,708,720	63,857,678
[a] Euskaltel SA	Spain	2,929,285	31,013,146
Hellenic Telecommunications Organization SA	Greece	1,256,459	10,585,211
Koninklijke KPN NV	Netherlands	19,594,565	74,901,469
[a,b] Sunrise Communications Group AG, 144A	Switzerland	721,147	60,269,103
TDC AS	Denmark	4,091,585	29,992,691
Telenor ASA	Norway	1,503,222	32,934,831
			303,554,129
Electric Utilities 2.2%			
Enel SpA	Italy	15,854,087	71,805,139
Energy Equipment & Services 0.4%			
[a] DeepOcean Group Holding BV	Netherlands	915,467	13,732,005

	Country	Shares	Value
Common Stocks (continued)			
Food & Staples Retailing 1.8%			
Metro AG	Germany	1,835,451	$ 57,847,260
Hotels, Restaurants & Leisure 2.1%			
Accor SA	France	1,399,341	70,598,365
Industrial Conglomerates 1.4%			
Koninklijke Philips NV	Netherlands	1,848,706	47,015,827
Insurance 15.4%			
Ageas	Belgium	1,593,889	61,380,378
Assicurazioni Generali SpA	Italy	3,477,131	62,621,433
Direct Line Insurance Group PLC	United Kingdom	13,726,246	72,411,687
Lancashire Holdings Ltd.	United Kingdom	4,225,023	40,920,259
NN Group NV	Netherlands	2,423,079	68,090,596
RSA Insurance Group PLC	United Kingdom	10,023,189	62,544,823
[a] Storebrand ASA	Norway	4,727,765	19,498,673
UNIQA Insurance Group AG	Austria	5,362,759	48,344,125
XL Group PLC	Ireland	2,003,580	74,533,176
			510,345,150
Machinery 1.2%			
CNH Industrial NV (EUR Traded)	United Kingdom	1,741,006	15,871,361
CNH Industrial NV, special voting (EUR Traded)	United Kingdom	833,461	7,597,998
[a] Vossloh AG	Germany	293,290	17,503,194
			40,972,553
Marine 2.3%			
A.P. Moeller-Maersk AS, B	Denmark	41,600	75,318,863
Media 4.9%			
[a] Liberty Global PLC, C	United Kingdom	1,232,436	62,398,235
Reed Elsevier PLC	United Kingdom	2,683,818	43,638,481
Societe Television Francaise 1	France	3,345,852	57,684,300
			163,721,016
Metals & Mining 3.9%			
Anglo American PLC	United Kingdom	1,119,118	16,148,465
ThyssenKrupp AG	Germany	2,040,995	53,077,485
Voestalpine AG	Austria	1,448,869	60,276,455
			129,502,405
Oil, Gas & Consumable Fuels 6.4%			
BG Group PLC	United Kingdom	3,385,143	56,344,845
BP PLC	United Kingdom	7,513,891	49,595,865
[a] Cairn Energy PLC	United Kingdom	12,858,240	34,300,103
Repsol SA	Spain	2,111,007	37,053,635
Royal Dutch Shell PLC, A	United Kingdom	1,173,388	33,175,899
			210,470,347
Pharmaceuticals 2.0%			
Novartis AG	Switzerland	669,384	65,964,855
Road & Rail 0.6%			
[a,c,d] Euro Wagon LP	Jersey Islands	16,127,149	19,530,433

	Country	Shares	Value
Common Stocks (continued)			
Specialty Retail 3.6%			
[a] Dufry AG	Switzerland	345,245	$ 48,070,686
Kingfisher PLC	United Kingdom	12,840,634	70,059,569
			118,130,255
Technology Hardware, Storage & Peripherals 0.4%			
Wincor Nixdorf AG	Germany	370,405	14,563,508
Trading Companies & Distributors 0.8%			
Kloeckner & Co. SE	Germany	3,062,430	27,627,629
Wireless Telecommunication Services 2.3%			
Vodafone Group PLC	United Kingdom	20,642,358	74,538,393
Total Common Stocks (Cost $2,811,300,482)			2,909,190,221
Preferred Stocks (Cost $41,798,325) 1.2%			
Automobiles 1.2%			
Volkswagen AG, pfd.	Germany	172,556	39,999,447
Total Investments before Short Term Investments (Cost $2,853,098,807)			2,949,189,668
		Principal Amount	
Short Term Investments 10.8%			
U.S. Government and Agency Securities 10.8%			
FHLB, 7/01/15	United States	$ 29,200,000	29,200,000
U.S. Treasury Bills,			
8/27/15	United States	58,000,000	58,000,696
[e,f] 10/22/15	United States	60,000,000	59,997,660
[e,f] 7/09/15 - 12/24/15	United States	210,000,000	209,992,247
Total U.S. Government and Agency Securities (Cost $357,146,026)			357,190,603
Total Investments (Cost $3,210,244,833) 99.8%			3,306,380,271
Other Assets, less Liabilities 0.2%			6,663,447
Net Assets 100.0%			$3,313,043,718

[a]Non-income producing.

[b]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2015, the value of this security was $60,269,103, representing 1.82% of net assets.

[c]See Note 11 regarding holdings of 5% voting securities.

[d]See Note 9 regarding restricted securities.

[e]The security is traded on a discount basis with no stated coupon rate.

[f]Security or a portion of the security has been pledged as collateral for open forward contracts. At June 30, 2015, the aggregate value of these securities and/or cash pledged as collateral was $41,598,564, representing 1.26% of net assets.

At June 30, 2015, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Value	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
Currency Contracts						
CHF/USD	Short	82	$ 10,990,050	9/14/15	$ 80,171	$ —
EUR/USD	Short	3,206	447,076,700	9/14/15	5,495,119	—
GBP/USD	Short	1,988	195,383,125	9/14/15	—	(4,740,965)
Totals					$5,575,290	$(4,740,965)
Net unrealized appreciation (depreciation)					$ 834,325	

At June 30, 2015, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Euro	BANT	Buy	2,983,192	$ 3,330,365	7/20/15	$ —	$ (4,832)
Euro	BANT	Sell	22,144,965	25,304,304	7/20/15	618,058	—
Euro	BBU	Sell	2,104,347	2,371,141	7/20/15	25,306	—
Euro	BONY	Buy	1,245,110	1,400,325	7/20/15	—	(12,331)
Euro	BONY	Sell	7,391,258	8,362,864	7/20/15	123,411	—
Euro	DBFX	Buy	8,923,035	10,091,203	7/20/15	605	(144,796)
Euro	DBFX	Sell	88,478,279	102,456,463	7/20/15	3,824,717	—
Euro	FBCO	Sell	16,776,788	19,204,671	7/20/15	502,636	—
Euro	HSBC	Buy	3,209,066	3,653,871	7/20/15	—	(76,544)
Euro	HSBC	Sell	18,396,534	21,098,638	7/20/15	590,980	—
Euro	SSBT	Buy	3,816,664	4,268,748	7/20/15	—	(14,096)
Euro	SSBT	Sell	87,732,209	101,659,411	7/20/15	3,859,351	—
British Pound	BANT	Sell	24,932,465	37,879,074	7/21/15	—	(1,283,948)
British Pound	BBU	Sell	3,588,163	5,508,153	7/21/15	—	(128,005)
British Pound	DBFX	Sell	3,588,164	5,512,030	7/21/15	—	(124,129)
British Pound	FBCO	Sell	3,413,711	5,059,564	7/21/15	—	(302,571)
British Pound	HSBC	Sell	33,495,794	50,712,632	7/21/15	—	(1,901,360)
British Pound	SSBT	Sell	4,738,763	7,205,353	7/21/15	—	(238,127)
Swiss Franc	BANT	Buy	873,201	933,880	8/12/15	1,525	—
Swiss Franc	BANT	Sell	27,919,369	30,268,680	8/12/15	471,341	(110,913)
Swiss Franc	BONY	Sell	3,677,268	3,843,400	8/12/15	—	(95,824)
Swiss Franc	DBFX	Sell	8,945,670	9,353,794	8/12/15	—	(229,135)
Swiss Franc	FBCO	Sell	9,428,728	10,059,309	8/12/15	59,140	(100,230)
Swiss Franc	HSBC	Buy	2,000,000	2,127,397	8/12/15	15,076	—
Swiss Franc	HSBC	Sell	905,000	929,158	8/12/15	—	(40,311)
Swiss Franc	SSBT	Buy	3,086,747	3,304,722	8/12/15	1,914	—
Swiss Franc	SSBT	Sell	17,940,541	19,054,778	8/12/15	132,562	(296,350)
British Pound	BANT	Buy	10,449,781	16,177,255	8/19/15	252,084	(18,687)
British Pound	BANT	Sell	44,315,437	67,643,335	8/19/15	—	(1,950,973)
British Pound	BBU	Buy	15,540,400	23,843,511	8/19/15	561,604	—
British Pound	BBU	Sell	692,885	1,054,263	8/19/15	—	(33,865)
British Pound	BONY	Buy	3,862,683	5,812,456	8/19/15	253,619	—
British Pound	BONY	Sell	7,185,474	11,083,306	8/19/15	—	(200,980)
British Pound	DBFX	Buy	3,838,665	5,889,262	8/19/15	139,093	—
British Pound	DBFX	Sell	6,041,445	9,088,974	8/19/15	—	(398,696)

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
British Pound	FBCO	Buy	3,279,500	$ 5,091,804	8/19/15	$ 73,557	$ (15,135)
British Pound	FBCO	Sell	34,643,072	53,006,944	8/19/15	—	(1,397,587)
British Pound	HSBC	Buy	8,000,000	12,707,720	8/19/15	—	(144,277)
British Pound	HSBC	Sell	25,154,151	38,490,355	8/19/15	—	(1,012,487)
British Pound	SSBT	Buy	11,479,914	17,906,313	8/19/15	149,917	(27,824)
British Pound	SSBT	Sell	8,049,576	12,371,444	8/19/15	—	(269,853)
Swiss Franc	BONY	Sell	520,000	556,535	8/19/15	—	(660)
Norwegian Krone	BONY	Buy	650,000	83,427	8/21/15	—	(637)
Norwegian Krone	BONY	Sell	9,260,000	1,174,505	8/21/15	68	(5,014)
Norwegian Krone	DBFX	Buy	2,589,245	329,665	8/21/15	128	—
Norwegian Krone	SSBT	Sell	436,068,705	57,777,340	8/21/15	2,238,187	(3,194)
Euro	BANT	Sell	127,940,246	142,056,442	8/31/15	1,133,962	(1,786,268)
Euro	DBFX	Sell	15,238,330	16,381,882	8/31/15	9,379	(624,830)
Euro	FBCO	Sell	59,530,297	67,009,642	8/31/15	1,037,500	(429,904)
Euro	HSBC	Sell	53,476,745	57,636,046	8/31/15	107,454	(2,121,124)
Euro	SSBT	Sell	51,343,793	55,142,694	8/31/15	22,463	(2,150,321)
Euro	BANT	Sell	141,766,987	152,126,056	10/16/15	43,304	(6,169,414)
Euro	BONY	Sell	4,550,199	5,091,536	10/16/15	12,224	—
Euro	FBCO	Sell	115,255,253	124,046,704	10/16/15	77,035	(4,687,882)
Euro	HSBC	Sell	11,438,832	12,780,409	10/16/15	54,657	(43,228)
Euro	SSBT	Sell	3,705,241	3,959,523	10/16/15	472	(177,049)
British Pound	BANT	Buy	2,849,848	4,478,149	10/22/15	—	(4,664)
British Pound	BANT	Sell	34,807,836	51,863,676	10/22/15	—	(2,775,135)
British Pound	DBFX	Buy	2,849,848	4,476,612	10/22/15	—	(3,128)
British Pound	DBFX	Sell	4,326,935	6,536,342	10/22/15	—	(255,766)
British Pound	FBCO	Buy	4,672,914	7,135,256	10/22/15	199,944	—
British Pound	FBCO	Sell	33,650,164	50,138,744	10/22/15	—	(2,682,837)
British Pound	HSBC	Buy	2,586,929	4,062,410	10/22/15	—	(1,637)
Euro	BANT	Sell	107,551,530	121,617,299	11/18/15	1,836,611	(351,650)
Euro	DBFX	Sell	49,120,715	55,883,778	11/18/15	1,017,182	—
Euro	FBCO	Sell	5,700,429	6,436,381	11/18/15	111,625	(42,479)
Euro	HSBC	Sell	54,035,722	61,278,341	11/18/15	945,750	(23,942)
Euro	SSBT	Sell	30,726,377	34,680,324	11/18/15	378,932	(19,192)
British Pound	BANT	Sell	31,197,621	48,356,313	11/23/15	—	(605,728)
British Pound	SSBT	Sell	29,596,537	45,874,632	11/23/15	—	(574,642)
Totals Forward Exchange Contracts unrealized appreciation (depreciation)						$20,883,373	$(36,114,191)
Net unrealized appreciation (depreciation)							$(15,230,818)

[a]May be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Abbreviations on page 39.

Financial Statements

Statement of Assets and Liabilities

June 30, 2015 (unaudited)

Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$3,203,962,324
Cost - Controlled affiliated issuers (Note 11)	6,282,509
Total cost of investments	$3,210,244,833
Value - Unaffiliated issuers	$3,286,849,838
Value - Controlled affiliated issuers (Note 11)	19,530,433
Total value of investments	3,306,380,271
Cash	19,797,270
Restricted Cash (Note 1d)	3,020,000
Foreign currency, at value (cost $15,556,332)	15,536,745
Receivables:	
Capital shares sold	11,214,089
Dividends and interest	14,818,595
Due from brokers	14,709,490
Variation margin	4,520,250
Unrealized appreciation on OTC forward exchange contracts	20,883,373
Other assets	1,082
Total assets	3,410,881,165
Liabilities:	
Payables:	
Investment securities purchased	51,540,847
Capital shares redeemed	2,804,269
Management fees	2,335,843
Distribution fees	1,058,690
Transfer agent fees	642,482
Trustees' fees and expenses	101,510
Due to brokers	3,020,000
Unrealized depreciation on OTC forward exchange contracts	36,114,191
Accrued expenses and other liabilities	219,615
Total liabilities	97,837,447
Net assets, at value	$3,313,043,718
Net assets consist of:	
Paid-in capital	$3,019,744,250
Undistributed net investment income	51,702,525
Net unrealized appreciation (depreciation)	81,610,428
Accumulated net realized gain (loss)	159,986,515
Net assets, at value	$3,313,043,718

Statement of Assets and Liabilities (continued)
June 30, 2015 (unaudited)

Class Z:	
Net assets, at value	$1,493,220,317
Shares outstanding	67,568,269
Net asset value and maximum offering price per share	$22.10
Class A:	
Net assets, at value	$1,109,382,070
Shares outstanding	51,585,554
Net asset value per share[a]	$21.51
Maximum offering price per share (net asset value per share ÷ 94.25%)	$22.82
Class C:	
Net assets, at value	$ 302,658,818
Shares outstanding	14,095,433
Net asset value and maximum offering price per share[a]	$21.47
Class R:	
Net assets, at value	$ 858,165
Shares outstanding	40,532
Net asset value and maximum offering price per share	$21.17
Class R6:	
Net assets, at value	$ 406,924,348
Shares outstanding	18,412,058
Net asset value and maximum offering price per share	$22.10

[a]Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Statement of Operations

for the six months ended June 30, 2015 (unaudited)

Investment income:	
Dividends (net of foreign taxes of $7,300,712)	$ 67,420,119
Interest	135,406
Total investment income	67,555,525
Expenses:	
Management fees (Note 3a)	12,520,566
Distribution fees: (Note 3c)	
Class A	1,469,158
Class C	1,294,182
Class R	1,455
Transfer agent fees: (Note 3e)	
Class Z	1,021,681
Class A	749,819
Class C	198,119
Class R	445
Class R6	968
Custodian fees (Note 4)	163,492
Reports to shareholders	80,690
Registration and filing fees	102,666
Professional fees	55,433
Trustees' fees and expenses	33,124
Dividends on securities sold short	44,451
Other	32,701
Total expenses	17,768,950
Net investment income	49,786,575
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	16,629,885
Foreign currency transactions	161,129,924
Futures contracts	28,906,560
Securities sold short	82,534
Net realized gain (loss)	206,748,903
Net change in unrealized appreciation (depreciation) on:	
Investments	517,520
Translation of other assets and liabilities denominated in foreign currencies	(118,765,910)
Futures contracts	(7,772,484)
Net change in unrealized appreciation (depreciation)	(126,020,874)
Net realized and unrealized gain (loss)	80,728,029
Net increase (decrease) in net assets resulting from operations	$ 130,514,604

Statements of Changes in Net Assets

	Six Months Ended June 30, 2015 (unaudited)	Year Ended December 31, 2014
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 49,786,575	$ 80,865,875
Net realized gain (loss)	206,748,903	170,420,243
Net change in unrealized appreciation (depreciation)	(126,020,874)	(384,541,282)
Net increase (decrease) in net assets resulting from operations	130,514,604	(133,255,164)
Distributions to shareholders from:		
Net investment income:		
Class Z	—	(33,590,853)
Class A	—	(22,317,956)
Class C	—	(4,219,670)
Class R	—	(11,161)
Class R6	—	(10,013,981)
Net realized gains:		
Class Z	—	(111,120,702)
Class A	—	(82,617,039)
Class C	—	(21,329,977)
Class R	—	(41,595)
Class R6	—	(31,288,445)
Total distributions to shareholders	—	(316,551,379)
Capital share transactions: (Note 2)		
Class Z	305,105,591	(63,822,544)
Class A	222,997,767	153,553,663
Class C	77,005,954	55,952,304
Class R	424,235	356,413
Class R6	53,314,704	72,186,056
Total capital share transactions	658,848,251	218,225,892
Net increase (decrease) in net assets	789,362,855	(231,580,651)
Net assets:		
Beginning of period	2,523,680,863	2,755,261,514
End of period	$ 3,313,043,718	$2,523,680,863
Undistributed net investment income included in net assets:		
End of period	$ 51,702,525	$ 1,915,950

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin Mutual Series Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of seven separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Mutual European Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. The Fund offers five classes of shares: Class Z, Class A, Class C, Class R and Class R6. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments (derivatives) listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the date that the values of the foreign debt securities are determined.

Certain derivatives trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. At June 30, 2015, a market event occurred resulting in a portion of the securities held by the Fund being valued using fair value procedures.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Derivative Financial Instruments

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from $100,000 to $250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives.

The Fund entered into exchange traded futures contracts primarily to manage exposure to certain foreign currencies. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset for a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

The Fund entered into OTC forward exchange contracts primarily to manage exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

See Note 10 regarding other derivative information.

d. Restricted Cash

At June 30, 2015, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian/counterparty broker and is reflected in the Statement of Assets and Liabilities.

e. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund. At June 30, 2015, the Fund had no securities sold short.

f. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

1. Organization and Significant Accounting Policies (continued)

f. Income and Deferred Taxes *(continued)*

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date. As a result of several court cases, in certain countries across the European Union, the Fund has filed additional tax reclaims for previously withheld taxes on dividends earned in those countries. These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. At this time, uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment, and accordingly, no amounts are reflected in the financial statements.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2015, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction's statute of limitation.

g. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income and dividends declared on securities sold short are recorded on the ex-dividend date except for certain dividends from foreign securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

h. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

i. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At June 30, 2015, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2015		Year Ended December 31, 2014	
	Shares	Amount	Shares	Amount
Class Z Shares:				
Shares sold	19,821,609	$ 445,405,928	19,112,824	$ 467,220,561
Shares issued in reinvestment of distributions	—	—	6,540,426	135,963,256
Shares redeemed	(6,364,285)	(140,300,337)	(28,053,784)	(667,006,361)
Net increase (decrease)	13,457,324	$ 305,105,591	(2,400,534)	$ (63,822,544)
Class A Shares:				
Shares sold	15,402,562	$ 338,516,402	16,444,913	$ 390,643,608
Shares issued in reinvestment of distributions	—	—	4,183,197	84,743,971
Shares redeemed	(5,324,054)	(115,518,635)	(13,806,874)	(321,833,916)
Net increase (decrease)	10,078,508	$ 222,997,767	6,821,236	$ 153,553,663
Class C Shares:				
Shares sold	4,505,692	$ 99,174,622	3,504,884	$ 83,819,205
Shares issued in reinvestment of distributions	—	—	1,147,068	23,294,092
Shares redeemed	(1,027,395)	(22,168,668)	(2,221,185)	(51,160,993)
Net increase (decrease)	3,478,297	$ 77,005,954	2,430,767	$ 55,952,304
Class R Shares:				
Shares sold	22,974	$ 498,928	15,696	$ 370,698
Shares issued in reinvestment of distributions	—	—	2,643	52,756
Shares redeemed	(3,477)	(74,693)	(2,847)	(67,041)
Net increase (decrease)	19,497	$ 424,235	15,492	$ 356,413
Class R6 Shares:				
Shares sold	2,976,571	$ 66,613,254	4,003,505	$ 98,368,915
Shares issued in reinvestment of distributions	—	—	1,728,585	35,897,725
Shares redeemed	(605,859)	(13,298,550)	(2,525,555)	(62,080,584)
Net increase (decrease)	2,370,712	$ 53,314,704	3,206,535	$ 72,186,056

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

3. Transactions with Affiliates (continued)

a. Management Fees

The Fund pays an investment management fee to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.875%	Up to and including $1 billion
0.845%	Over $1 billion, up to and including $2 billion
0.825%	Over $2 billion, up to and including $5 billion
0.805%	In excess of $5 billion

b. Administrative Fees

Under an agreement with Franklin Mutual, FT Services provides administrative services to the Fund. The fee is paid by Franklin Mutual based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class Z and Class R6 shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C and R compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31 for each fund.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.35%
Class C	1.00%
Class R	0.50%

The Board set the current rate at 0.30% per year for Class A shares. On May 18, 2015, the Board approved to set the rate at 0.25% per year for Class A shares, effective August 1, 2015, until further notice and approval by the Board.

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the period:

Sales charges retained net of commissions paid to unaffiliated broker/dealers	$406,551
CDSC retained	$ 26,054

e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended June 30, 2015, the Fund paid transfer agent fees of $1,971,032, of which $979,367 was retained by Investor Services.

f. Waiver and Expense Reimbursements

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.01% until April 30, 2016. There were no Class R6 transfer agent fees waived during the period ended June 30, 2015.

g. Other Affiliated Transactions

At June 30, 2015, one or more of the funds in Franklin Fund Allocator Series owned 8.83% of the Fund's outstanding shares.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2015, there were no credits earned.

5. Independent Trustees' Retirement Plan

On January 1, 1993, the Trust adopted an Independent Trustees' Retirement Plan (Plan). The Plan is an unfunded defined benefit plan that provides benefit payments to Trustees whose length of service and retirement age meets the eligibility requirements of the Plan. Benefits under the Plan are based on years of service and fees paid to each trustee at the time of retirement. Effective in December 1996, the Plan was closed to new participants.

During the period ended June 30, 2015, the Fund's projected benefit obligation and benefit payments under the Plan were as follows:

[a]Projected benefit obligation at June 30, 2015	$90,462
[b]Increase in projected benefit obligation	$ 1,876
Benefit payments made to retired trustees	$ (1,240)

[a]The projected benefit obligation is included in trustees' fees and expenses in the Statement of Assets and Liabilities.
[b]The increase in projected benefit obligation is included in trustees' fees and expenses in the Statement of Operations.

6. Income Taxes

At June 30, 2015, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$3,223,959,879
Unrealized appreciation	$ 248,528,148
Unrealized depreciation	(166,107,756)
Net unrealized appreciation (depreciation)	$ 82,420,392

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions.

7. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the period ended June 30, 2015, aggregated $1,191,146,997 and $535,282,115, respectively.

8. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At June 30, 2015, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares	Issuer	Acquisition Dates	Cost	Value
16,127,149	Euro Wagon LP (Value is 0.59% of Net Assets)	12/08/05 - 1/02/08	$6,282,509	$19,530,433

10. Other Derivative Information

At June 30, 2015, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Foreign exchange contracts	Variation margin	$ 5,575,290[a]	Variation margin	$ 4,740,965[a]
	Unrealized appreciation on OTC forward exchange contracts	20,883,373	Unrealized depreciation on OTC forward exchange contracts	36,114,191
Totals		$26,458,663		$40,855,156

[a]This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended June 30, 2015, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Locations	Net Realized Gain (Loss) for the Period	Statement of Operations Locations	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts	Foreign currency transactions	$162,033,323[a]	Translation of other assets and liabilities denominated in foreign currencies	$(118,820,328)[a]
	Futures contracts	28,906,560	Futures contracts	(7,772,484)
Totals		$190,939,883		$(126,592,812)

[a]Forward exchange contracts are included in net realized gain (loss) from foreign currency transactions and net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies in the Statement of Operations.

For the period ended June 30, 2015, the average month end fair value of derivatives represented 3.59% of average month end net assets. The average month end number of open derivative contracts for the period was 250.

At June 30, 2015, the Fund's OTC derivative assets and liabilities, are as follows:

	Gross and Net Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities	
	Assets[a]	Liabilities[a]
Derivatives		
Forward exchange contracts	$20,883,373	$36,114,191

[a]Absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

At June 30, 2015, the Fund's OTC derivative assets which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received[a,b]	Cash Collateral Received	Net Amount (Not less than zero)
Counterparty					
BANT	$ 4,356,885	$ (4,356,885)	$ —	$ —	$ —
BBU	586,910	(161,870)	(125,040)	(300,000)	—
BONY	389,322	(315,446)	—	—	73,876
DBFX	4,991,104	(1,780,480)	—	(2,720,000)	490,624
FBCO	2,061,437	(2,061,437)	—	—	—
HSBC	1,713,917	(1,713,917)	—	—	—
SSBT	6,783,798	—	—	—	6,783,798
Total	$20,883,373	$(10,390,035)	$(125,040)	$(3,020,000)	$7,348,298

[a]At June 30, 2015, the Fund received U.S. Treasury Bonds as collateral for derivatives.

[b]In some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit the collateral amounts to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

10. Other Derivative Information (continued)

At June 30, 2015, the Fund's OTC derivative liabilities which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged[a,b]	Cash Collateral Pledged	Net Amount (Not less than zero)
Counterparty					
BANT	$15,062,212	$ (4,356,885)	$(10,705,327)	$ —	$ —
BBU	161,870	(161,870)	—	—	—
BONY	315,446	(315,446)	—	—	—
DBFX	1,780,480	(1,780,480)	—	—	—
FBCO	9,658,625	(2,061,437)	(7,597,188)	—	—
HSBC	5,364,910	(1,713,917)	(3,650,993)	—	—
SSBT	3,770,648	—	—	—	3,770,648
Total	$36,114,191	$(10,390,035)	$(21,953,508)	$ —	$3,770,648

[a]See the accompanying Statement of Investments for securities pledged as collateral for derivatives.
[b]In some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit the collateral amounts to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

See Note 1(c) regarding derivative financial instruments.

See Abbreviations on page 39.

11. Holdings of 5% Voting Securities of Portfolio Companies

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Fund for the period ended June 30, 2015, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Gain (Loss)
Controlled Affiliates[a]							
Euro Wagon LP (Value is 0.59% of Net Assets)	16,127,149	—	—	16,127,149	$19,530,433	$ —	$ —

[a]Issuer in which the Fund owns 25% or more of the outstanding voting securities.

12. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $2 billion (Global Credit Facility) which matures on February 12, 2016. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2015, the Fund did not use the Global Credit Facility.

13. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 2015, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Diversified Telecommunication Services	$ 292,968,918	$ 10,585,211	$ —	$ 303,554,129
Energy Equipment & Services	—	—	13,732,005	13,732,005
Machinery	33,374,555	7,597,998	—	40,972,553
Road & Rail	—	—	19,530,433	19,530,433
All Other Equity Investments[b]	2,571,400,548	—	—	2,571,400,548
Short Term Investments	327,990,603	29,200,000	—	357,190,603
Total Investments in Securities	$3,225,734,624	$ 47,383,209	$33,262,438	$3,306,380,271
Other Financial Instruments				
Futures Contracts	$ 5,575,290	$ —	$ —	$ 5,575,290
Forward Exchange Contracts	—	20,883,373	—	20,883,373
Total Other Financial Instruments	$ 5,575,290	$ 20,883,373	$ —	$ 26,458,663
Liabilities:				
Other Financial Instruments				
Futures Contracts	$ 4,740,965	$ —	$ —	$ 4,740,965
Forward Exchange Contracts	—	36,114,191	—	36,114,191
Total Other Financial Instruments	$ 4,740,965	$ 36,114,191	$ —	$ 40,855,156

[a]Includes common and preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

13. Fair Value Measurements (continued)

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the period. At June 30, 2015, the reconciliation of assets is as follows:

	Balance at Beginning of Period	Purchases	Sales	Transfers Into (Out of) Level 3	Cost Basis Adjustments[a]	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
Assets:									
Investments in Securities:									
Equity Investments:[b]									
Energy Equipment & Services	$22,886,675	$ —	$ —	$ —	$ —	$ —	$(9,154,670)	$13,732,005	$(9,154,670)
Insurance	—[c]	—	—	—	(6,265)	(1,495,939)	1,502,204	—	—
Real Estate Management & Development	1,619,612	—	(1,924,237)	—	—	1,137,811	(833,186)	—	—
Road & Rail	18,528,986	—	—	—	—	—	1,001,447	19,530,433	1,001,447
Total Investments in Securities	$43,035,273	$ —	$(1,924,237)	$ —	$(6,265)	$ (358,128)	$(7,484,205)	$33,262,438	$(8,153,223)

[a]May include accretion, amortization, partnership adjustments, and/or other cost basis adjustments.
[b]Includes common and preferred stocks.
[c]Includes securities determined to have no value.

Significant unobservable valuation inputs developed by the VLOC for material Level 3 financial instruments and impact to fair value as a result of changes in unobservable valuation inputs as of June 30, 2015, are as follows:

Description	Fair Value at End of Period	Valuation Technique	Unobservable Inputs	Amount	Impact to Fair Value if Input Increases[a]
Assets:					
Investments in Securities:					
Equity Investments:					
Road & Rail	$19,530,433	Market comparables	Discount for lack of marketability	15%	Decrease[b]
All Other Investments[c]	13,732,005				
Total	$33,262,438				

[a]Represents the directional change in the fair value of the Level 3 financial instruments that would result froma significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.
[b]Represents a significant impact to fair value but not net assets.
[c]Includes financial instruments with values derived using prior transaction prices or third party pricing information without adjustment for which such inputs are unobservable. May also include fair value of immaterial financial instruments developed using various valuation techniques and unobservable inputs.

14. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Abbreviations

Counterparty		Currency		Selected Portfolio	
BANT	Bank of America N.A.	**CHF**	Swiss Franc	**ADR**	American Depositary Receipt
BBU	Barclays Bank PLC	**EUR**	Euro	**FHLB**	Federal Home Loan Bank
BONY	Bank of New York Mellon	**GBP**	British Pound	**IDR**	International Depositary Receipt
DBFX	Deutsche Bank AG	**USD**	United States Dollar		
FBCO	Credit Suisse Group AG				
HSBC	HSBC Bank USA, N.A.				
SSBT	State Street Bank and Trust Co., N.A.				

Meeting of Shareholders

Meeting of Shareholders, April 7, 2015 (unaudited)

A Special Joint Meeting of Shareholders of the Franklin Mutual Series Funds (the "Trust"), Franklin Alternative Strategies Funds, Franklin Managed Trust and Franklin Value Investors Trust was held at the offices of Franklin Templeton Investments, One Franklin Parkway, San Mateo, California, on April 7, 2015. The purpose of the meeting was to elect Trustees of the Trust and to vote on the following Proposals: to approve an amendment to the current fundamental investment restriction regarding investments in commodities, to approve the use of a "manager of managers" structure whereby the Fund's investment manager would be able to hire and replace subadvisers without shareholder approval, and to approve a new subadvisory agreement with Franklin Templeton Investment Management Limited ("FTIML"). At the meeting, the following persons were elected by the shareholders to serve as Independent Trustees of the Trust: Edward I. Altman, Ann Torre Bates, Burton J. Greenwald, Keith Mitchell, David W. Niemiec, Charles Rubens II, Jan Hopkins Trachtman, Robert E. Wade and Gregory H. Williams. Gregory E. Johnson and Peter A. Langerman were elected by the shareholders to serve as Interested Trustees. Shareholders also approved an amendment to the current fundamental investment restriction regarding investments in commodities, the use of a "manager of managers" structure whereby the Fund's investment manager would be able to hire and replace subadvisers without shareholder approval, and a new subadvisory agreement with FTIML. While shareholders approved the new subadvisory agreement with FTIML, such subadvisory agreement has not been implemented because the analyst intended to be added to the Fund's portfolio management team is no longer with FTIML. No other business was transacted at the meeting with respect to the Fund.

The results of the voting at the meeting are as follows:

Proposal 1. The Election of Trustees:

Name	For	% of Outstanding Shares	% of Shares Present	Withheld	% of Outstanding Shares	% of Shares Present
Edward I. Altman	1,236,485,215.809	58.623%	96.480%	45,113,387.353	2.139%	3.520%
Ann Torre Bates	1,234,563,307.049	58.532%	96.330%	47,035,296.113	2.230%	3.670%
Burton J. Greenwald	1,233,208,194.741	58.468%	96.224%	48,390,408.421	2.294%	3.776%
Keith Mitchell	1,237,640,726.035	58.678%	96.570%	43,957,877.127	2.084%	3.430%
David W. Niemiec	1,236,141,837.871	58.607%	96.453%	45,456,765.291	2.155%	3.547%
Charles Rubens II	1,232,596,562.441	58.439%	96.176%	49,002,040.721	2.323%	3.824%
Jan Hopkins Trachtman	1,235,533,578.967	58.578%	96.406%	46,065,024.195	2.184%	3.594%
Robert E. Wade	1,235,129,695.816	58.559%	96.374%	46,468,907.346	2.203%	3.626%
Gregory H. Williams	1,235,660,731.763	58.584%	96.416%	45,937,871.399	2.178%	3.584%
Gregory E. Johnson	1,236,519,365.270	58.625%	96.483%	45,079,237.892	2.137%	3.517%
Peter A. Langerman	1,237,976,469.621	58.694%	96.596%	43,622,133.541	2.068%	3.404%

Proposal 2. To approve an amendment to the current fundamental investment restriction regarding investments in commodities.

	Shares Voted	% of Outstanding Shares	% of Shares Present
For	59,020,144.792	48.527%	75.146%
Against	4,666,447.356	3.837%	5.942%
Abstain	2,464,057.493	2.026%	3.137%
Broker Non-Votes	12,389,697.000	10.187%	15.775%

Proposal 3. To approve the use of a "manager of managers" structure whereby the Fund's investment manager would be able to hire and replace subadvisers without shareholder approval.

	Shares Voted	% of Outstanding Shares	% of Shares Present
For	58,670,522.323	48.239%	74.701%
Against	5,267,181.796	4.331%	6.706%
Abstain	2,212,945.522	1.820%	2.818%
Broker Non-Votes	12,389,697.000	10.187%	15.775%

Proposal 5. To approve a new subadvisory agreement with Franklin Templeton Investment Management Limited.

	Shares Voted	% of Outstanding Shares	% of Shares Present
For	60,400,001.608	49.662%	76.903%
Against	3,156,133.450	2.595%	4.019%
Abstain	2,594,514.583	2.133%	3.303%
Broker Non-Votes	12,389,697.000	10.187%	15.775%

Shareholder Information

Board Review of Investment Management Agreement

The Board of Trustees (Board), including the independent trustees, at a Board meeting held on May 18, 2015, unanimously approved the renewal of the Fund's investment management agreement. Prior to a meeting of all of the trustees for the purpose of considering such approval, the independent trustees participated in two other meetings held in connection with the renewal process (those trustees unable to attend in person were present by telephonic conference means). Throughout the process, the independent trustees received assistance and advice from and met separately with independent counsel. The independent trustees met with and interviewed officers of the investment manager (including portfolio managers), the transfer agent and shareholder services group and the distributor. In approving the renewal of the investment management agreement for the Fund, the Board, including the independent trustees, determined that the investment management fee structure was fair and reasonable and that continuance of the agreement was in the best interests of the Fund and its shareholders.

In reaching their decision on the investment management agreement, the trustees took into account information furnished throughout the year at regular Board meetings, as well as information specifically requested and furnished for the renewal process, which culminated in the meetings referred to above for the specific purpose of considering such agreement. Information furnished throughout the year included, among others, reports on the Fund's investment performance, expenses, portfolio composition, portfolio brokerage execution, client commission arrangements, derivatives, securities lending, asset segregation, portfolio turnover, Rule 12b-1 plans, distribution, shareholder servicing, legal and compliance matters, pricing of securities and sales and redemptions, and marketing support payments made to financial intermediaries, as well as a third-party survey of transfer agent fees charged funds within the Franklin Templeton Investments (FTI) complex in comparison with those charged other fund complexes deemed comparable. Also, related financial statements and other information about the scope and quality of services provided by the investment manager and its affiliates and enhancements to such services over the past year were provided. In addition, the trustees received periodic reports throughout the year and during the renewal process relating to compliance with the Fund's investment policies and restrictions. During the renewal process, the independent trustees considered the investment manager's methods of operation within the Franklin Templeton group and its activities on behalf of other clients.

The information obtained by the trustees during the renewal process also included a special report prepared by Lipper, Inc. (Lipper), an independent third-party analyst, comparing the Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper (Lipper Section 15(c) Report). The trustees reviewed the Lipper Section 15(c) Report and its usefulness in the approval process with respect to matters such as comparative fees, expenses, expense ratios, performance and volatility. They concluded that the report continues to be a reliable resource in the performance of their duties.

In addition, the trustees received a Profitability Study (Profitability Study) prepared by management discussing the profitability to FTI from its overall U.S. Fund operations, as well as on an individual fund-by-fund basis. Over the past year, the Board and counsel to the independent trustees continued to receive reports on management's handling of recent regulatory inquiries and pending legal actions against the investment manager and its affiliates. The independent trustees were satisfied with the actions taken to date by management in response to such regulatory and legal matters.

Particular attention was given to management's diligent risk management program, including continual monitoring and management of counterparty credit risk and attention given to derivatives and other complex instruments that are held and expected to be held by the Fund and how such instruments are used to carry out the Fund's investment goals. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Fund and other accounts managed by FTI to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the investment manager's parent company and its commitment to the mutual fund business. In addition, the Board received updates from management on the Securities and Exchange Commission's (SEC) progress in implementing the rule-making requirements established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which was enacted July 21, 2010, and the investment manager's compliance with rules and regulations already promulgated by the SEC under such act.

In addition to the above and other matters considered by the trustees throughout the course of the year, the following discussion relates to certain primary factors relevant to the Board's decision. This discussion of the information and factors considered by the Board (as well as the discussion above) is not intended to be exhaustive, but rather summarizes certain factors considered by the Board. In view of the wide variety of factors considered, the Board did not, unless otherwise noted, find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual trustees may have assigned different weights to various factors.

NATURE, EXTENT AND QUALITY OF SERVICES. The trustees reviewed the nature, extent and quality of the services provided by the investment manager. In this regard, they reviewed the Fund's investment approach and concluded that, in their view, it continues to differentiate the Fund from typical core investment products in the mutual fund field. The trustees cited the investment manager's ability to implement the Fund's disciplined value investment approach and its long-term relationship with the Fund as reasons that shareholders choose to invest, and remain invested, in the Fund. The trustees reviewed the Fund's portfolio management team, including its performance, staffing, skills and compensation program. With respect to portfolio manager compensation, management assured the trustees that the Fund's long-term performance is a significant component of incentive-based compensation and noted that a portion of a portfolio manager's incentive-based compensation is paid in shares of predesignated funds from the portfolio manager's fund management area. The trustees noted that the portfolio manager compensation program aligned the interests of the portfolio managers with that of Fund shareholders. The trustees discussed with management various other products, portfolios and entities that are advised by the investment manager and the allocation of assets and expenses among and within them, as well as their relative fees and reasons for differences with respect thereto and any potential conflicts. During regular Board meetings and the aforementioned meetings of the independent trustees, the trustees received reports and presentations on the investment manager's best execution trading policies. The trustees considered periodic reports provided to them showing that the investment manager complied with the investment policies and restrictions of the Fund as well as other reports periodically furnished to the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics covering the investment management personnel, the adherence to fair value pricing procedures established by the Board and the accuracy of net asset value calculations. The Board noted the extent of the benefits provided to Fund shareholders from being part of the Franklin Templeton group, including the right to exchange investments between funds (same class) without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings of other funds to obtain reduced sales charges. The trustees considered the investment manager's significant efforts in developing and implementing compliance procedures established in accordance with SEC and other requirements.

The trustees also reviewed the nature, extent and quality of the Fund's other service agreements to determine that, on an overall basis, Fund shareholders were well served. In this connection, the Board also took into account transfer agent and shareholder services provided to Fund shareholders by an affiliate of the investment manager, noting continuing expenditures by management to increase and improve the scope of such services and favorable periodic reports on shareholder services conducted by independent third parties. While such considerations directly affected the trustees' decision in renewing the Fund's transfer agent and shareholder services agreement, the Board also considered these commitments as incidental benefits to Fund shareholders deriving from the investment management relationship.

Based on their review, the trustees were satisfied with the nature and quality of the overall services provided by the investment manager and its affiliates to the Fund and its shareholders and were confident in the abilities of the management team to continue the disciplined value investment approach of the Fund and to provide quality services to the Fund and its shareholders.

INVESTMENT PERFORMANCE. The trustees reviewed and placed significant emphasis on the investment performance of the Fund over the one-, three-, five- and 10-year periods ended December 31, 2014. They considered the history of successful performance of the Fund relative to various benchmarks. As part of their review, they inquired of management regarding benchmarks, style drift and restrictions on permitted investments. Consideration was also given to performance in the context of available levels of cash during the periods. The trustees had meetings during the year, including the meetings referred to above held in connection with the approval process, with the Fund's portfolio managers to discuss performance and the management of the Fund. In addition, particular attention in assessing performance was given to the Lipper Section 15(c)

Board Review of Investment Management Agreement (continued)

Report. That report showed the investment performance of the Fund (Class A shares) in comparison to other funds determined comparable by Lipper.

The comparable funds to the Fund, as chosen by Lipper, included all retail and institutional European region funds. The Fund had total returns in the best performing quintile for the one-year period ended December 31, 2014, and had annualized total returns for the three- and five-year periods in the middle performing quintile. The trustees noted that the Fund's total return on an annualized basis for the 10-year period ended December 31, 2014, was in the best performing quintile and exceeded 7%, as shown in the Lipper Section 15(c) Report. The Board was satisfied with such comparative performance.

The trustees also compared Fund performance to other industry benchmarks, including measures of risk-adjusted performance of a fund, as part of their evaluation of investment performance. The trustees concluded that the Fund had continued to perform well in comparison to its various benchmarks and in the context of the Fund's objectives.

COMPARATIVE EXPENSES AND MANAGEMENT PROFITABILITY. The trustees considered the cost of the services provided and to be provided and the profits realized by the investment manager and its affiliates from their respective relationships with the Fund. As part of the approval process, they explored with management the trends in expense ratios over the past three fiscal years and the reasons for any increases in the Fund's expense ratios (or components thereof). In considering the appropriateness of the management fee and other expenses charged to the Fund, the Board took into account various factors including investment performance and matters relating to Fund operations, including, but not limited to, the quality and experience of its portfolio managers and research staff. Consideration was also given to a comparative analysis in the Lipper Section 15(c) Report of the investment management fee and total expense ratio of the Fund in comparison with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from the Fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses.

In reviewing comparative costs, emphasis was given to the Fund's contractual management fee in comparison with the contractual management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual management fee analysis includes administrative charges as being part of the management fee, and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares.

The Fund's contractual management fee rate was in the second-most expensive quintile of its Lipper expense group and its total expenses were in the second-least expensive quintile of such group. The Board noted that the Fund's contractual management fee rate was within 7.6 basis points (0.076%) of its Lipper expense group median. The Board found such comparative fees and expenses to be acceptable in view of factors relating to the Fund's operations, such as the quality and experience of its portfolio managers.

The trustees also reviewed the Profitability Study addressing profitability of Franklin Resources, Inc., from its overall U.S. fund business, as well as profitability to the Fund's investment manager and its affiliates, from providing investment management and other services to the Fund during the 12-month period ended September 30, 2014, the most recent fiscal year-end of Franklin Resources, Inc. The trustees reviewed the basis on which such reports are prepared and the cost allocation methodology utilized in the Profitability Study, it being recognized that allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that the reasonableness of the cost allocation methodologies was reviewed by independent accountants on an every other year basis.

The independent trustees met with management to discuss the Profitability Study. This included, among other things, a comparison of investment management income with investment management expenses of the Fund; comparison of underwriting revenues and expenses; the relative relationship of investment management and underwriting expenses; shareholder servicing profitability; economies of scale; and the relative contribution of the Fund to the profitability of the investment manager and

its parent. In discussing the Profitability Study with the Board, the investment manager stated its belief that the costs incurred in establishing the infrastructure necessary to operate the type of mutual fund operations conducted by it and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability.

The Board also took into account management's expenditures in improving shareholder services provided to the Fund, as well as the need to meet additional regulatory and compliance requirements resulting from the Sarbanes-Oxley Act, the Dodd-Frank Act and recent SEC and other regulatory requirements. The trustees also considered the extent to which the investment manager may derive ancillary benefits from Fund operations, including those derived from economies of scale, discussed below, the allocation of Fund brokerage and the use of commission dollars to pay for research and other similar services.

Based upon their consideration of all these factors, the trustees determined that the level of profits realized by the investment manager and its affiliates in providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The trustees considered economies of scale realized by the investment manager and its affiliates as the Fund grows larger and the extent to which they are shared with Fund shareholders, as for example, in the level of the investment management fee charged, in the quality and efficiency of services rendered and in increased capital commitments benefiting the Fund directly or indirectly. While recognizing that any precise determination is inherently subjective, the trustees noted that, based upon the Profitability Study, as some funds increase in size, at some point economies of scale may result in the investment manager realizing a larger profit margin on investment management services provided to such a fund. The trustees also noted that benefits of economies of scale will be shared with Fund shareholders due to the decline in the effective investment management fee rate as breakpoints are achieved by the Fund.

The trustees noted that breakpoints had been instituted as part of the Fund's investment management fee in 2004. The trustees assessed the savings to shareholders resulting from such breakpoints and believed they were, and continue to be, appropriate and they agreed to continue to monitor the appropriateness of the breakpoints. The trustees also considered the effects an increase in assets under management would have on the investment management fee and expense ratio of the Fund. To the extent further economies of scale may be realized by the investment manager and its affiliates, the Board believed the investment management and administrative fees provide a sharing of benefits with the Fund and its shareholders.

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

MS P-1 06/15

SUPPLEMENT DATED JUNE 1, 2015
TO THE PROSPECTUS DATED MAY 1, 2015
OF
FRANKLIN MUTUAL SERIES FUNDS

(Franklin Mutual Beacon Fund, Franklin Mutual European Fund, Franklin Mutual Financial Services Fund, Franklin Mutual Global Discovery Fund, Franklin Mutual International Fund, Franklin Mutual Quest Fund, Franklin Mutual Shares Fund)

The prospectus is amended as follows:

I. For the Franklin Mutual Global Discovery Fund, the "Fund Summary – Principle Investment Strategies" section, the fourth paragraph beginning on page 3 is revised as follows:

The Fund may invest substantially and potentially up to 100% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt. The Fund presently does not intend to invest more than a portion (no more than 25%) of its assets in securities of issuers located in emerging market countries.

II. For the "Fund Details – Principle Investment Policies and Practices" section, the fifth paragraph beginning on page 58 is revised as follows:

The Franklin Mutual Beacon and Franklin Mutual Shares Funds may invest a significant portion (up to 35%) of their assets in foreign securities, Franklin Mutual Quest Fund expects to invest a significant portion (up to 50%) of its assets in foreign securities and Franklin Mutual Global Discovery Fund may invest substantially and potentially up to 100% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt. The Franklin Mutual Global Discovery Fund presently does not intend to invest more than a portion (no more than 25%) of its assets in securities of issuers located in emerging market countries.

III. For the "Fund Details – Management" section beginning on page 102 is revised as follows:

Effective July 1, 2014, the Franklin Mutual Global Discovery Fund's investment management fees became:

- 0.875% of the value of net assets up to and including $4 billion;
- 0.845% of the value of net assets over $4 billion, up to and including $7 billion;
- 0.825% of the value of net assets over $7 billion, up to and including $10 billion;
- 0.805% of the value of net assets over $10 billion, up to and including $13 billion;
- 0.785% of the value of net assets over $13 billion, up to and including $16 billion;
- 0.765% of the value of net assets over $16 billion, up to and including $19 billion;
- 0.745% of the value of net assets over $19 billion, up to and including $22 billion;
- 0.725% of the value of net assets over $22 billion, up to and including $25 billion; and
- 0.705% of the value of net assets in excess of $25 billion.

Effective July 1, 2015, the Franklin Mutual Global Discovery Fund's investment management fees became:

- 0.875% of the value of net assets up to and including $4 billion;
- 0.845% of the value of net assets over $4 billion, up to and including $7 billion;
- 0.825% of the value of net assets over $7 billion, up to and including $10 billion;
- 0.805% of the value of net assets over $10 billion, up to and including $13 billion;
- 0.785% of the value of net assets over $13 billion, up to and including $16 billion;
- 0.765% of the value of net assets over $16 billion, up to and including $19 billion;
- 0.745% of the value of net assets over $19 billion, up to and including $22 billion;
- 0.725% of the value of net assets over $22 billion, up to and including $25 billion;
- 0.705% of the value of net assets over $25 billion, up to and including 28 billion; and
- 0.685% of the value of net assets in excess of $28 billion.

IV. For the "Fund Details – Management" section beginning on page 103 is revised to add the following:

Manager of Managers Structure

Franklin Mutual and the Trust have received an exemptive order from the SEC that allows the Fund to operate in a "manager of managers" structure whereby Franklin Mutual, as the Fund's investment manager, can appoint and replace both wholly-owned and unaffiliated sub-advisors, and enter into, amend and terminate sub-advisory agreements with such sub-advisors, each subject to board approval but without obtaining prior shareholder approval (the "Manager of Managers Structure"). The Fund will, however, inform shareholders of the hiring of any new sub-advisor within 90 days after the hiring. The SEC exemptive order provides the Fund with greater efficiency and without incurring the expense and delays associated with obtaining shareholder approval of sub-advisory agreements with such sub-advisors.

While there is no current intent for the Fund to operate in a Manager of Managers Structure, the use of the Manager of Managers Structure with respect to the Fund is subject to certain conditions that are set forth in the SEC exemptive order. Under the Manager of Managers Structure, Franklin Mutual has the ultimate responsibility, subject to oversight by the Fund's board of trustees, to oversee sub-advisors and recommend their hiring, termination and replacement. Franklin Mutual will also, subject to the review and approval of the Fund's board of trustees: set the Fund's overall investment strategy; evaluate, select and recommend sub-advisors to manage all or a portion of the Fund's assets; and implement procedures reasonably designed to ensure that each sub-advisor complies with the Fund's investment goal, policies and restrictions. Subject to review by the Fund's board of trustees, Franklin Mutual will allocate and, when appropriate, reallocate the Fund's assets among sub-advisors and monitor and evaluate the sub-advisors' performance.

Please keep this supplement with your prospectus for future reference.

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FRANKLIN TEMPLETON
INVESTMENTS

Semiannual Report and Shareholder Letter
Franklin Mutual European Fund

Investment Manager
Franklin Mutual Advisers, LLC

Distributor
Franklin Templeton Distributors, Inc.
(800) DIAL BEN® / 342-5236
franklintempleton.com

Shareholder Services
(800) 632-2301 - (Class A, C, R & R6)
(800) 448-FUND - (Class Z)

Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.

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478 S 08/15