



Franklin Mutual Financial Services Fund—Class A, C

Financial Services
Equity
June 30, 2019

Product Profile

Product Details¹

Fund Assets	\$489,045,480.42
Fund Inception Date	08/19/1997
Number of Issuers	43
Investment Style	Financial Services
Benchmark	MSCI World Financials Sector Index S&P Financials Index
Lipper Classification	Global Financial Services Funds
Morningstar Category™	Financial
Dividend Frequency	Semiannually in October and December
Inception Date	
Class A	08/19/1997
Class C	08/19/1997

	CUSIP	NASDAQ Symbol
Class A	354 026 106	TFSIX
Class C	354 026 205	TMFSX

Maximum Sales Charges

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

Total Annual Operating Expenses

Class A	1.34%
Class C	2.09%

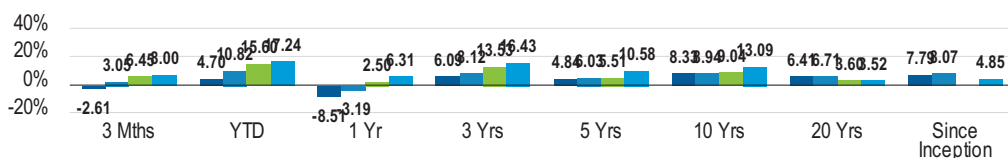
Fund Description

The fund seeks capital appreciation, which may occasionally be short term, with income as a secondary goal, investing at least 80% of its net assets in securities of financial services companies. It focuses primarily on undervalued equity securities which may include foreign securities and, to a significantly lesser extent, merger arbitrage securities and securities of distressed companies.

Performance Data^{2,3}

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

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	-2.61	4.70	-8.51	6.09	4.84	8.33	6.41	7.79
Class A - Without Sales Charges	3.05	10.82	-3.19	8.12	6.03	8.94	6.71	8.07
Class C - With Sales Charges	1.89	9.40	-4.85	7.31	5.26	8.15	5.97	7.33
Class C - Without Sales Charges	2.89	10.40	-3.92	7.31	5.26	8.15	5.97	7.33
MSCI World Financials Sector Index	6.45	15.60	2.50	13.53	5.51	9.04	3.60	-
S&P Financials Index	8.00	17.24	6.31	16.43	10.58	13.09	3.52	4.85



- Class A - With Sales Charges
- Class A - Without Sales Charges
- MSCI World Financials Sector Index
- S&P Financials Index

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Class A and Class C: Prior to 08/19/1997, the fund offered only a single class of shares without a sales charge and Rule 12b-1 expenses, Class Z shares. Figures reflect a restatement of the original share class to include both the Rule 12b-1 fees and maximum initial sales charges (when quoting figures with sales charges) applicable to each share class as though in effect from the fund's inception. For periods after 08/19/1997, actual performance is used, reflecting all charges and fees applicable to that class. Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
3. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
4. Periods shorter than one year are shown as cumulative total returns.
5. Since inception return for the benchmark is calculated to the fund inception date.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calendar Year Returns (% Without Sales Charges)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Class A	-16.72	13.35	11.61	8.05	10.71	25.32	19.55	-9.49	12.45	14.53
Class C	-17.35	12.50	10.79	7.30	9.93	24.50	18.67	-10.13	11.69	13.64
MSCI World Financials Sector Index	-16.46	23.41	13.18	-2.87	3.67	27.95	30.12	-18.07	5.07	31.81
S&P Financials Index	-13.03	22.18	22.80	-1.53	15.20	35.63	28.82	-17.06	12.13	17.22

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Portfolio Manager Insight⁶

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Industries
Helped	American International Group, Inc.	Insurance
	Hartford Financial Services Group, Inc.	Diversified Financial Services
	Everest Re Group, Ltd.	Banks
Hurt	Yes Bank Limited	Thriffs & Mortgage Finance
	Indiabulls Housing Finance Ltd.	Household Durables
	Credito Valtellinese SCARL	Capital Markets

- Shares of American International Group (AIG), a US-based insurer, rose following its latest earnings release, which indicated a stabilization in its business. AIG has been repositioning itself to focus on writing more profitable business and reducing its overall risk exposure. As a result, the insurer expects to report an underwriting profit for the full year.
- Shares of Hartford Financial Services Group performed well after the firm posted a solid set of quarterly results that beat consensus estimates. Going forward, we believe the company can deliver higher returns through its franchise property/casualty, group benefits and asset management businesses.
- Shares of India-based Yes Bank tumbled after the bank posted an unexpected loss on weaker fee income and deteriorating credit quality. The bank's new chief executive officer is beginning a new strategy to focus more on retail and digital banking in an effort to turn the bank around after recent weakness.

Outlook & Strategy

- Although we expect to see slower economic growth and a modest improvement in corporate earnings in 2019, the size of those changes has become more uncertain in recent months. The US Federal Reserve's (Fed's) policy shift lessened investor concern about a near-term recession, despite continued downside risks to the global economy. Market expectations about the Fed's next move have swung from near certainty of another rate hike to near certainty of a rate cut in a fairly short time. Other central banks have also sounded more dovish, as they navigate a cloudy economic outlook.
- In addition, we are keeping an eye on the race to become the next UK prime minister and the impact new leadership could have on Brexit negotiations. US-China trade discussions and the effectiveness of China's stimulus measures also remain at the forefront for investors. Investors appear to us to generally expect reasonably positive outcomes from all these processes, yet Brexit and trade tensions still are far from resolved, leaving financial markets vulnerable to renewed volatility and another downturn.
- US tariffs and supply chain disruptions have added to economic, financial and credit market pressures in China. However, the government has remained resolute in its attempt to dampen the country's reliance on leverage, which has weighed on economic activity. Although China's government has enacted some stimulus measures, such as tax cuts, we believe the measures will be less impactful than fiscal spending measures.
- While we are finding individual opportunities broadly, we remain discerning given the risk of falling interest rates around the world. We favor insurers over banks currently. We believe that US regional and commercial banks face elevated competition and peak earnings and multiples are making them less attractive than before. Lenders in Europe have been dealing with strong competition, as well as high levels of required liquidity in some markets and elevated capital requirements.
- Value investing often requires an investor to be contrarian in nature. We continue to maintain a bottom-up stock-picking process that is disciplined, driven by rigorous fundamental analysis, and attempts to limit downside risk. In our view, investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

6. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics^{7,8,9}

	Portfolio	MSCI World Financials Sector Index
Price to Earnings (12-Month Trailing)	12.53x	12.42x
Price to Book	0.79x	1.21x
Price to Cash Flow	3.65x	11.22x
Market Capitalization (Millions in USD)	44,000	93,553

Portfolio Diversification**Top Ten Holdings**¹⁰

Percent of Total

Top Holdings	Sector	Country	%
HARTFORD FINANCIAL SERVICES GROUP INC	Insurance	United States	5.23
AMERICAN INTERNATIONAL GROUP INC	Insurance	United States	4.98
VOYA FINANCIAL INC	Diversified Financials	United States	4.93
EVEREST RE GROUP LTD	Insurance	United States	4.35
JPMORGAN CHASE & CO	Banks	United States	4.20
ALLEGHANY CORP	Insurance	United States	4.06
SHINSEI BANK LTD	Banks	Japan	3.60
CITIZENS FINANCIAL GROUP INC	Banks	United States	3.52
STANDARD CHARTERED PLC	Banks	United Kingdom	3.20
WELLS FARGO & CO	Banks	United States	3.13

7. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

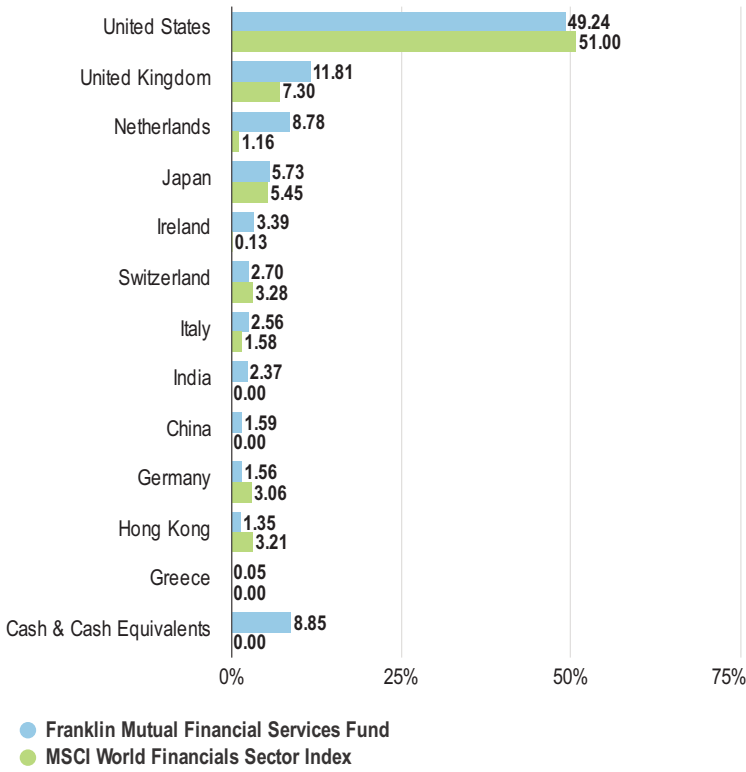
8. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted.

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

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

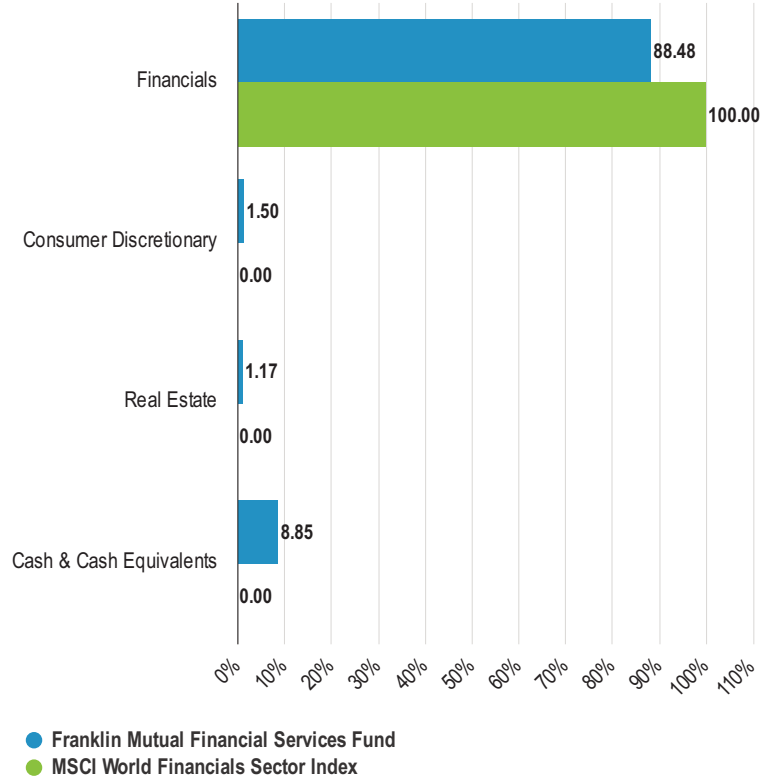
Geographic Weightings vs. MSCI World Financials Sector Index^{11,12}

Percent of Total



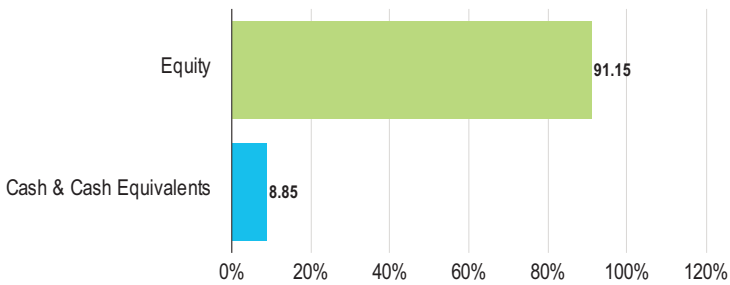
Sector Weightings vs. MSCI World Financials Sector Index^{13,14}

Percent of Total



Asset Allocation¹⁵

Percent of Total



11,13,15. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.
 12,14. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Supplemental Performance Statistics

Supplemental Risk Statistics^{16,17}

Class A

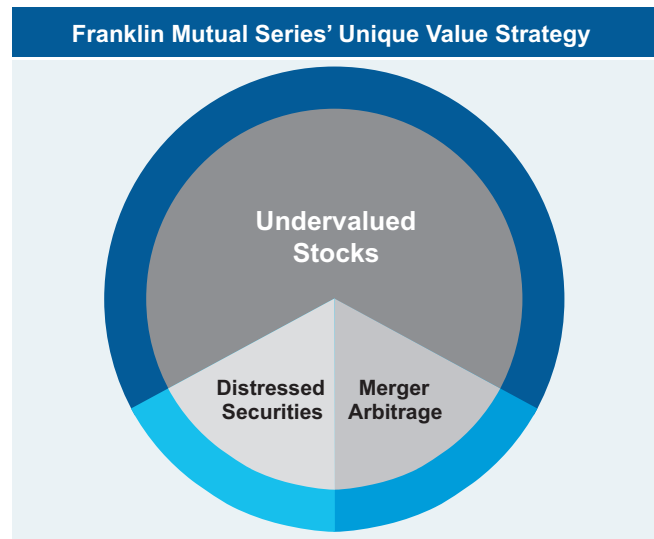
	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	11.48	11.69	12.11
Tracking Error (%)	4.08	4.59	7.13
Information Ratio	-1.32	0.11	-0.01
Beta	0.79	0.78	0.66
Sharpe Ratio	0.59	0.44	0.70

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Investment Philosophy and Process

Bottom-Up Value Approach

- We seek to buy companies at a significant discount to their intrinsic value.
- We seek to understand and limit downside risk.
- We think and act like owners of the business.
- Undervalued stocks comprise the bulk of our portfolios.
- We search for catalysts to unlock value:
 - Corporate restructuring
 - Spin-offs
 - Share buybacks
 - Our own initiatives



Investment Team

Franklin Mutual Financial Services Fund Management Team	Years with Firm	Years Experience
Andrew Sleeman, CFA	10	31
Andrew B. Dinnhaupt, CFA	6	22
Richard Cetlin	7	23

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

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

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

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

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

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

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

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

What Are The Risks?

All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated or may decline further in value. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investing in a single-sector fund involves special risks, including greater sensitivity to economic, political or regulatory developments impacting the sector. Because the fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in companies in Europe. Smaller-company stocks have exhibited greater price volatility than larger-company stocks, particularly over the short term. The fund's investments in companies engaged in mergers, reorganizations or liquidations also involve special risks as pending deals may not be completed on time or on favorable terms. The fund may invest in lower-rated bonds, which entail higher credit risk. Please consult the prospectus for a more detailed description of the fund's risks.

Important Legal Information

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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