SEMIANNUAL REPORT AND SHAREHOLDER LETTER

FRANKLIN MUTUAL FINANCIAL SERVICES FUND

A Series of Franklin Mutual Series Funds

June 30, 2019

FRANKLIN TEMPLETON

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FRANKLIN TEMPLETON

Successful investing begins with ambition. And achievement only comes when you reach for it. That's why we continually strive to deliver better outcomes for investors. No matter what your goals are, our deep, global investment expertise allows us to offer solutions that can help.

During our more than 70 years of experience, we've managed through all kinds of markets—up, down and those in between. We're always preparing for what may come next. It's because of this, combined with our strength as one of the world's largest asset managers that we've earned the trust of millions of investors around the world.

Dear Franklin Mutual Financial Services Fund Shareholder:

The markets came into 2019 in a fog of uncertainty. The outlook for economic growth had become less bright and fears were mounting that the U.S. Federal Reserve (Fed) would make a policy misstep in raising interest rates too far. Over the past six months, many of these economic concerns have eased, as the Fed and other major central banks like the European Central Bank (ECB) turned more dovish amid signs that growth was becoming a bit more sluggish. The ECB suggested it would act should growth soften and inflation not materialize. This dovishness helped propel the U.S. equity market back toward record highs in June. Bond yields, meanwhile, fell on the prospect for increased central bank-driven liquidity, with some sovereign European bonds sliding back into negative territory.

Although the prospects of a more accommodative monetary policy eased fears about the economic outlook, persistent trade tensions between the U.S. and China, among other nations, kept markets on edge. This was on full display in May when markets fell sharply on a ratcheting up of tensions and after the U.S. government threatened to place tariffs on Mexican goods. Mideast tensions also began to heat up in June with attacks on oil tankers in the Persian Gulf and greater tensions between the U.S. and Iran.

How, and even whether, the U.K. will leave the European Union has also remained unresolved. At period-end, the U.K. Conservative Party was conducting a leadership contest, which has the potential to complicate future Brexit negotiations and leave markets vulnerable to increased volatility.

Despite all this uncertainty, for the six-month period ended June 30, 2019, U.S. stocks, as measured by the Standard & Poor's 500® Index (S&P 500®), posted a +18.54% total return, while stocks in global developed markets, as measured by the MSCI World Index, posted a +17.38% total return.[1]

As has been the case in recent years, growth stocks, particularly in the technology sector, have outperformed over the six-month period. Value stocks generally have remained disfavored in this environment where, at times, economic factors and monetary policy have had greater sway on equity returns than corporate fundamentals.

We recognize the important role of financial advisors in today's markets and encourage investors to continue to seek their advice. Amid changing markets and economic conditions, we are confident investors with a well-diversified portfolio and a patient, long-term outlook will be well positioned for the years ahead.

On the following pages, the Fund's portfolio management team reviews investment decisions that pertain to performance during the past six months considering the

1. Source: Morningstar.
See www.franklintempletondatasources.com for additional data provider information.

economic environment and other factors. Please remember all securities markets fluctuate, as do mutual fund share prices.

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

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, 2019, unless otherwise indicated. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Contents

Semiannual Report

Visit **franklintempleton.com** for fund updates, to access your account, or to find helpful financial planning tools.

SEMIANNUAL REPORT

Franklin Mutual Financial Services Fund

This semiannual report for Franklin Mutual Financial Services Fund covers the period ended June 30, 2019.

Your Fund's Goal and Main Investments

The Fund seeks capital appreciation, which may occasionally be short term, with income as a secondary goal. Under normal market conditions, the Fund invests at least 80% of its net assets in securities of financial services companies that the investment manager believes are available at market prices less than their intrinsic value. The Fund invests primarily in equity securities, mainly common stocks with a current focus on mid- and large cap companies. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest in foreign securities without limit. The Geographic Composition bar chart on this page lists the leading countries where the Fund invests.

Performance Overview

The Fund's Class Z shares posted a cumulative total return of +10.95% for the six months ended June 30, 2019. For comparison, the Fund's primary benchmark, the MSCI World Financials Index (USD), which captures large and midcap representation across 23 developed markets countries, posted a +15.60% total return, while its secondary benchmark, the Standard & Poor's 500 (S&P 500®) Financials Index, which tracks financials stocks in the S&P 500 Index, posted a +17.24% total return.[1] You can find more of the Fund's performance data in the Performance Summary beginning on page 9.

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.***

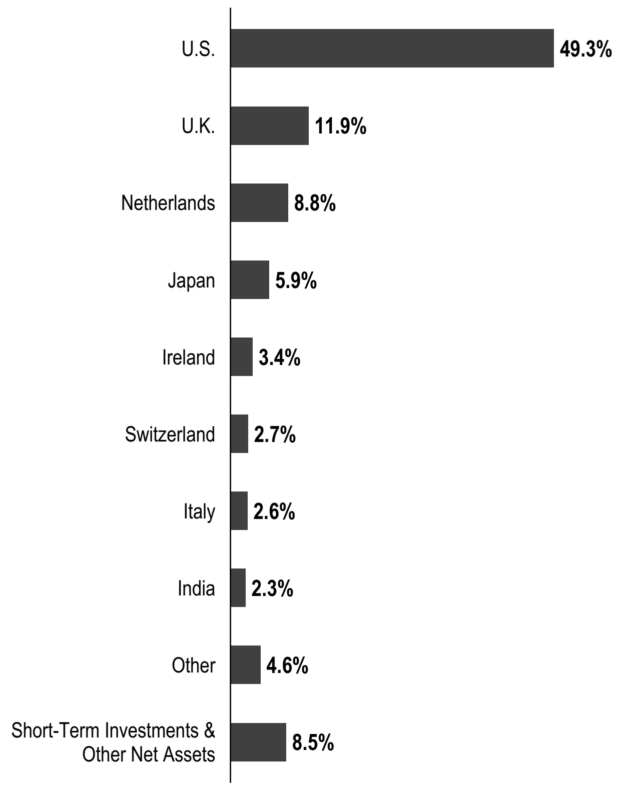
Economic and Market Overview

The global economy expanded during the six months ended June 30, 2019 despite weakness in certain regions. Global developed and emerging market stocks were aided by upbeat economic data in some regions, encouraging corporate earnings reports and periods of optimism about a potential U.S.-China trade deal. Further supporting markets were the U.S. Federal Reserve's (Fed's) patient approach to its monetary policy in 2019 and recent indication it will act as appropriate to sustain U.S. economic expansion.

However, markets reflected concerns about political uncertainties in the U.S. and the European Union, geopolitical risks in certain regions, and the impact of U.S. trade disputes with China and other trading partners on global growth and corporate earnings. In this environment,

Geographic Composition*

Based on Total Net Assets as of 6/30/19



*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.

1. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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 16.

global developed and emerging market stocks, as measured by the MSCI All Country World Index, posted a +16.60% total return for the six-month period.[1]

The U.S. economy grew during the six months ended June 30, 2019. After moderating for two consecutive quarters, the economy grew significantly faster in 2019's first quarter, driven by growth in consumer spending, inventory investment, exports, business investment, and state and local government spending. However, the economy moderated again in the second quarter, due to weakness in inventory investment, exports, business investment and housing investment. The unemployment rate decreased from 3.9% in December 2018 to 3.7% at period-end.[2] The annual inflation rate, as measured by the Consumer Price Index, decreased from 1.9% in December 2018 to 1.6% at period-end.[2]

The Fed held its target range for the federal funds rate unchanged, at 2.25%–2.50%, during the reporting period. In March, the Fed mentioned it would end its balance sheet normalization program by the end of September 2019. In June, the Fed indicated increased uncertainties around its views on economic activity and the labor market. With market-based inflation measures remaining low recently, the market has interpreted the Fed's recent statements to mean it will likely cut rates in 2019's second half to foster continued economic growth while attempting to achieve its inflation objective.

In Europe, the U.K.'s quarterly gross domestic product (GDP) growth accelerated in 2019's first quarter, but GDP contracted in the second quarter compared with the first quarter as Brexit uncertainties weighed on business sentiment. The Bank of England left its key policy rate unchanged during the period. The eurozone's quarterly GDP accelerated in 2019's first quarter but moderated in the second quarter, and the bloc's annual inflation rate marginally decreased by period-end. The European Central Bank (ECB) kept its benchmark interest rate unchanged for the same time. In June, the ECB mentioned it would leave interest rates unchanged through the first half of 2020, provided details of its new stimulus, and indicated its openness to cut rates or increase stimulus.

In Asia, Japan's quarterly GDP growth accelerated in 2019's first quarter. In June, the Bank of Japan also left its benchmark interest rate unchanged, while continuing its stimulus measures, and expressed its openness to cut interest rates or increase stimulus.

In larger emerging markets, Brazil's quarterly GDP growth contracted in 2019's first quarter. The Central Bank of Brazil left its benchmark interest rate unchanged during the period. Russia's annual GDP growth moderated in 2019's first quarter. The Bank of Russia cut its key rate once during the period. China's annual GDP growth rate stabilized in 2019's first quarter. The People's Bank of China left its benchmark interest rate unchanged, but it took measures to improve financial liquidity to mitigate the effects of the U.S.-China trade dispute and support economic growth. Overall, global emerging market stocks, as measured by the MSCI Emerging Markets Index, posted a +10.78% total return during the six-month period.[1]

Investment Strategy

We strive to provide investors with superior risk-adjusted returns over time through our distinctive, value investment style, which includes investments in undervalued common stocks, and to a significantly lesser extent, distressed debt and merger arbitrage. Rigorous fundamental analysis drives our investment process. We attempt to determine each investment's intrinsic value as well as the price at which we would be willing to commit shareholder funds. While valuation remains our key consideration, we utilize numerous fundamental factors such as return on equity, financial leverage and long-term earnings power. We also consider factors such as management quality and competitive position. As always, our approach to investing is as much about assessing risk and containing losses as it is about achieving profits. In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

What is return on equity?

Return on equity is a measure of profitability, expressed as a percentage, calculated by dividing a company's net income by total shareholder equity for a given period. Return on equity tells common shareholders how effectually their money is being employed. Comparing percentages for current and prior periods also reveals trends, and comparison with industry composites reveals how well a company is holding its own against its competitors.

2. Source: U.S. Bureau of Labor Statistics.
See www.franklintempletondatasources.com for additional data provider information.

What is meant by ″hedge″?

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

Manager's Discussion

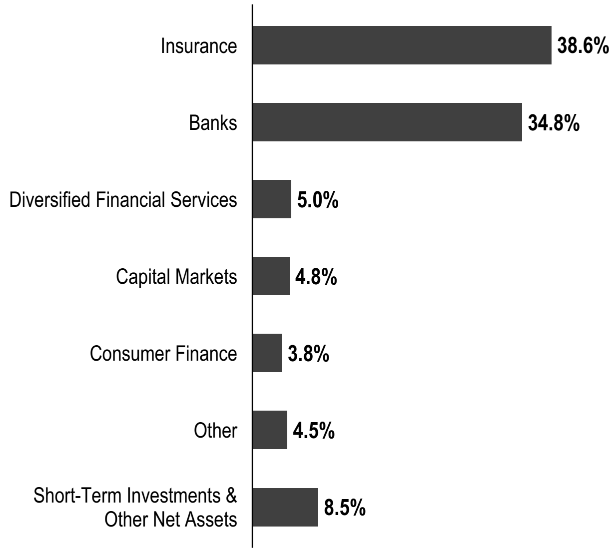
Franklin Mutual Series has long analyzed companies in many ways beyond just looking at the numbers. We analyze the way a company is run and how decisions are made at the executive and board levels. We look at the sustainability of a company, including the relationships with employees and customers, as well as the environmental impacts of a company's business. In many ways this is common sense. A company that takes advantage of customers and unsustainably produces environmental waste is worth less than one that does not do these things. Similarly, a company that is well-run and responsive to shareholders is worth more than one whose executives manage the company for their private benefit. However, disclosure has been limited on many relevant issues, and there is disagreement among companies, shareholders and data providers about which factors should be measured and how they should be measured.

This type of analysis is labeled ESG analysis, where ESG stands for environmental, social, and governance factors. Many firms, including Franklin Templeton, are incorporating ESG factors in their investment research. In addition, there are other bodies such as the Sustainable Accounting Standards Board that are working on standardizing metrics for companies and industries to improve their reporting on these factors, particularly in the environmental and social areas. As a result, ESG analysis is improving across the market, and Franklin Mutual Series analysts are better able to analyze non-traditional factors, including greenhouse gas emissions, water consumption, energy usage, talent management, diversity and inclusion, executive compensation, and enterprise risk management, to name a few. ESG investing should not be confused with social or exclusionary types of investing, but should rather be viewed as an additional tool analysts and portfolio managers use in the investment process to identify and measure non-traditional, potential business risks and opportunities at a company.

Today, Franklin Mutual Series analysts review and analyze ESG reports produced by third parties or the companies themselves to assess potential risks that could have an impact on shareholder value. In addition, we have discussions with management teams around ESG risks, how they deal with them and the potential impact on stakeholders. Our discussions have included issues such as water consumption in mining, the impact of changing carbon dioxide emission standards on the automotive industry and discussions with boards and management teams around management pay. Although more work needs to be done to standardize data from companies within industries so that comparisons can be relevant, the identification and discussion of ESG risk factors is an input we consider in helping frame the potential negative events individual companies or industries may face. In our view, solid ESG ratings are an output of fundamentally good business practices, not an input. As the data and information regarding ESG risk factors continue to evolve, we believe the increased information will highlight additional risk factors to enterprises and help us make more informed investment decisions going forward.

Portfolio Composition*

Based on Total Net Assets as of 6/30/19



*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.

Mergers and Acquisitions

Merger and acquisition (M&A) activity remained healthy in the first half of 2019. The health care sector led the way, with pharmaceuticals megamergers among the biggest transactions. The pending acquisitions of Celgene and Allergan (these companies are not held by the Fund), each worth almost $90 billion, exemplify this strength. Large deals have also been announced in the defense, oil and gas exploration and production, and diversified financial services industries, underlying the broad strength of the M&A boom. The Portfolio Composition bar chart on this page lists diversified financial services and other leading financial industries in which the Fund currently invests. In addition, U.S. and foreign regulators appear to be more amenable to deals, leading markets to expect fewer regulatory surprises. We are closely monitoring the U.S.-China trade conflict, because flare-ups could potentially impact pending and future deals. We expect M&A activity to remain strong for as long as the equity markets remain positive, as has been the historical pattern.

Credit Markets

Opportunities to invest in mispriced risk across global fixed income markets remained limited in the first half of 2019. The low interest-rate environment kept credit widely available, and default rates are still at historically low levels. Debt covenant terms, which include restrictions on the borrower's financial activities, remain loose or nonexistent. In such an environment, we believe it is prudent to focus our efforts on investing in short-term mispriced risk and catalyst-driven credit opportunities.

On the restructuring side, we are hopeful more opportunities may emerge as the business and economic cycles elongate amid persistent uncertainties. We will continue to seek to invest across the capital structures of companies that avail themselves of opportunities to bolster liquidity through internally generated free cash flow and corporate actions, including asset sales and debt refinancing.

Fund Performance

Top positive contributors to performance included Voya Financial, American International Group and Shinsei Bank. These companies are listed among the Fund's largest positions in the Top 10 Equity Holdings table on this page.

Positive business trends helped U.S.-based Voya Financial, a provider of retirement planning, investment and insurance services, to post strong quarterly results in February. Voya also announced a share repurchase plan for 2019, provided a positive full-year outlook and restated its commitment to achieving 10% annual earnings growth through 2021. Even after Voya's solid operating and financial performance, we believe the stock remains attractively valued.

Shares of American International Group (AIG), a U.S.-based insurer, rose following its fiscal first-quarter 2019 earnings release in May, 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 its full fiscal year.

Top 10 Equity Holdings
6/30/19

Company ***Sector/Industry, Country***	**% of Total Net Assets**
The Hartford Financial Services Group Inc. *Insurance, U.S.*	5.2%
American International Group Inc. *Insurance, U.S.*	5.0%
Voya Financial Inc. *Diversified Financial Services, U.S.*	5.0%
Everest Re Group Ltd. *Insurance, U.S.*	4.4%
JPMorgan Chase & Co. *Banks, U.S.*	4.2%
Alleghany Corp. *Insurance, U.S.*	4.1%
Shinsei Bank Ltd. *Banks, Japan*	3.6%
Citizens Financial Group Inc. *Banks, U.S.*	3.5%
Standard Chartered PLC *Banks, U.K.*	3.2%
Wells Fargo & Co. *Banks, U.S.*	3.1%

Shares of Japan-based leading diversified financial institution Shinsei Bank rose steadily in January and February. The company's earnings through the first three quarters of its 2018 fiscal year ending March 31, 2019, were ahead of Shinsei's conservative guidance. Shinsei Bank's operating costs were well contained and its unsecured loan business is close to reversing a downward trend that began at the start of the 2018 fiscal year.

During the period under review, Fund investments that detracted from performance included Indiabulls Housing Finance, Yes Bank and Credito Valtellinese.

Shares of Indiabulls Housing Finance, an India-based consumer finance company, declined after a criminal writ was filed alleging financial fraud. The company described the allegations as baseless, and the writ was subsequently withdrawn. The company has continued its pursuit to merge parts of its business with a local bank. Indiabulls seeks to gain a banking license through the deal and has received some regulatory approval. The deal remains subject to the receipt of additional regulatory and shareholder approvals.

Shares of India-based Yes Bank tumbled after the bank posted an unexpected loss largely due to weaker fee income and deteriorating credit quality. However, investors favored the appointment of a new chief executive officer (CEO) from outside the bank, following the Royal Bank of India (RBI) denying a request to allow the founder to stay on as the CEO until September 2019. Investors also favorably viewed RBI's latest risk assessment of Yes Bank that showed no issues. The bank's new CEO is beginning a new strategy to focus more on retail and digital banking in an effort to turn the bank around after recent weakness.

Despite improved first-quarter results, shares of Italy-based commercial bank Credito Valtellinese suffered due to non-performing asset exposure, including non-performing loans. In February, the company announced the appointment of a new CEO who planned to create a three-year strategic plan. In June, the company approved a new 2019–2023 business plan that included revamping its commercial platform with a stronger customer-centered business model, a more efficient operational structure and a redesigned lending process and monitoring. The plan also included improving the company's risk profile by creating a separate portfolio of non-performing loans with the goal of an 80% reduction by 2023 and by reducing securities holdings and issuing new bonds to support new funding.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a positive overall impact on the Fund's performance because of the appreciation of the U.S. dollar versus the hedged currencies.

What is a currency forward?

A currency forward is a direct agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date.

What is a future?

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 the equity markets at times. 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 participation in Franklin Mutual Financial Services Fund. We look forward to continuing to serve your investment needs.

Andrew Sleeman, CFA
Co-Portfolio Manager

Andrew B. Dinnhaupt, CFA
Co-Portfolio Manager

Luis Hernandez
Co-Portfolio Manager

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The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2019, 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.

Performance Summary as of June 30, 2019

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. 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.

Performance as of 6/30/19

Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. ***Class A:*** *5.50% maximum initial sales charge. For other share classes, visit* ***franklintempleton.com****.*

Share Class	Cumulative Total Return[1]	Average Annual Total Return[2]
Z		
6-Month	+10.95%	+10.95%
1-Year	-2.93%	-2.93%
5-Year	+35.92%	+6.33%
10-Year	+142.15%	+9.25%
A[3]		
6-Month	+10.82%	+4.70%
1-Year	-3.19%	-8.51%
5-Year	+34.04%	+4.84%
10-Year	+135.42%	+8.33%

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****.*

See page 10 for Performance Summary footnotes.

Total Annual Operating Expenses[4]

Share Class	
Z	1.09%
A	1.34%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

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. 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.

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. Return for less than one year, if any, has not been annualized.
3. Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%, thus actual returns (with sales charges) would have differed. Average annual total returns (with sales charges) have been restated to reflect the current maximum initial sales charge of 5.50%.
4. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. 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: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) 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 table below 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 table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. 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*): Divide your account value by $1,000 (*if your account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6*). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50*). In this illustration, the actual expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

		Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		
Share Class	**Beginning Account Value 1/1/19**	**Ending Account Value 6/30/19**	**Expenses Paid During Period 1/1/19–6/30/19[1, 2]**	**Ending Account Value 6/30/19**	**Expenses Paid During Period 1/1/19–6/30/19[1, 2]**	**Net Annualized Expense Ratio[2]**
Z	$1,000	$1,109.50	$ 5.81	$1,019.29	$ 5.56	1.11%
A	$1,000	$1,107.60	$ 7.11	$1,018.05	$ 6.81	1.36%
C	$1,000	$1,104.00	$11.01	$1,014.33	$10.54	2.11%
R6	$1,000	$1,110.30	$ 5.08	$1,019.98	$ 4.86	0.97%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.
2. Reflects expenses after fee waivers and expense reimbursements, for Class R6.

Financial Highlights

Franklin Mutual Financial Services Fund

	Six Months Ended June 30, 2019 (unaudited)	Year Ended December 31,				
		2018	2017	2016	2015	2014
Class Z						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$19.46	$24.14	$21.65	$19.63	$18.40	$16.90
Income from investment operations[a]:						
Net investment income[b]	0.24	0.38[c]	0.22	0.31[d]	0.30[e]	0.25
Net realized and unrealized gains (losses)	1.89	(4.37)	2.76	2.00	1.23	1.62
Total from investment operations	2.13	(3.99)	2.98	2.31	1.53	1.87
Less distributions from:						
Net investment income	—	(0.17)	(0.49)	(0.29)	(0.30)	(0.37)
Net realized gains	—	(0.52)	—	—	—	—
Total distributions	—	(0.69)	(0.49)	(0.29)	(0.30)	(0.37)
Net asset value, end of period	$21.59	$19.46	$24.14	$21.65	$19.63	$18.40
Total return[f]	10.95%	(16.49)%	13.77%	11.79%	8.34%	11.07%
Ratios to average net assets[g]						
Expenses[h]	1.11%	1.09%[i]	1.09%	1.13%[i]	1.13%	1.14%
Net investment income	2.26%	1.61%[c]	0.95%	1.64%[d]	1.53%[e]	1.44%
Supplemental data						
Net assets, end of period (000's)	$142,247	$142,212	$210,825	$162,687	$178,157	$112,156
Portfolio turnover rate	6.21%	33.11%	67.89%	34.58%	25.43%	33.69%

[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 $0.08 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.29%.

[d]Net investment income per share includes approximately $0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.38%.

[e]Net investment income per share includes approximately $0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.81%.

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

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

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

[i]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Mutual Financial Services Fund (continued)

	Six Months Ended June 30, 2019 (unaudited)	Year Ended December 31, 2018	2017	2016	2015	2014
Class A						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$19.52	$24.21	$21.70	$19.69	$18.46	$16.96
Income from investment operations[a]:						
Net investment income[b]	0.21	0.31[c]	0.16	0.26[d]	0.25[e]	0.20
Net realized and unrealized gains (losses)	1.89	(4.36)	2.78	1.99	1.23	1.61
Total from investment operations	2.10	(4.05)	2.94	2.25	1.48	1.81
Less distributions from:						
Net investment income	—	(0.12)	(0.43)	(0.24)	(0.25)	(0.31)
Net realized gains	—	(0.52)	—	—	—	—
Total distributions	—	(0.64)	(0.43)	(0.24)	(0.25)	(0.31)
Net asset value, end of period	$21.62	$19.52	$24.21	$21.70	$19.69	$18.46
Total return[f]	10.76%	(16.72)%	13.55%	11.46%	8.05%	10.71%
Ratios to average net assets[g]						
Expenses[h]	1.36%	1.34%[i]	1.34%	1.38%[i]	1.41%	1.44%
Net investment income	2.01%	1.36%[c]	0.70%	1.39%[d]	1.25%[e]	1.14%
Supplemental data						
Net assets, end of period (000's)	$288,380	$298,878	$368,850	$346,008	$360,278	$255,242
Portfolio turnover rate	6.21%	33.11%	67.89%	34.58%	25.43%	33.69%

[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 $0.08 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.04%.

[d]Net investment income per share includes approximately $0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.13%.

[e]Net investment income per share includes approximately $0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.53%.

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

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

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

[i]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Mutual Financial Services Fund (continued)

	Six Months Ended June 30, 2019 (unaudited)	Year Ended December 31,				
		2018	2017	2016	2015	2014
Class C						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$19.32	$24.08	$21.60	$19.61	$18.41	$16.92
Income from investment operations[a]:						
Net investment income (loss)[b]	0.13	0.15[c]	(0.01)	0.12[d]	0.10[e]	0.08
Net realized and unrealized gains (losses)	1.88	(4.33)	2.74	1.96	1.24	1.60
Total from investment operations	2.01	(4.18)	2.73	2.08	1.34	1.68
Less distributions from:						
Net investment income	—	(0.06)	(0.25)	(0.09)	(0.14)	(0.19)
Net realized gains	—	(0.52)	—	—	—	—
Total distributions	—	(0.58)	(0.25)	(0.09)	(0.14)	(0.19)
Net asset value, end of period	$21.33	$19.32	$24.08	$21.60	$19.61	$18.41
Total return[f]	10.40%	(17.35)%	12.66%	10.64%	7.30%	9.93%
Ratios to average net assets[g]						
Expenses[h]	2.11%	2.09%[i]	2.09%	2.13%[i]	2.13%	2.14%
Net investment income (loss)	1.26%	0.61%[c]	(0.05)%	0.64%[d]	0.53%[e]	0.44%
Supplemental data						
Net assets, end of period (000's)	$53,853	$58,610	$134,117	$128,766	$132,975	$89,341
Portfolio turnover rate	6.21%	33.11%	67.89%	34.58%	25.43%	33.69%

[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 $0.08 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.29%.

[d]Net investment income per share includes approximately $0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.38%.

[e]Net investment income per share includes approximately $0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been (0.19)%.

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

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

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

[i]Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Franklin Mutual Financial Services Fund (continued)

	Six Months Ended June 30, 2019 (unaudited)	Year Ended December 31,				
		2018	2017	2016	2015	2014
Class R6						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$19.58	$24.30	$21.79	$19.76	$18.52	$16.88
Income from investment operations[a]:						
Net investment income[b]	0.25	0.41[c]	0.25	0.32[d]	0.07[e]	0.25
Net realized and unrealized gains (losses)	1.91	(4.41)	2.78	2.03	1.49	1.66
Total from investment operations	2.16	(4.00)	3.03	2.35	1.56	1.91
Less distributions from:						
Net investment income	—	(0.20)	(0.52)	(0.32)	(0.32)	(0.27)
Net realized gains	—	(0.52)	—	—	—	—
Total distributions	—	(0.72)	(0.52)	(0.32)	(0.32)	(0.27)
Net asset value, end of period	$21.74	$19.58	$24.30	$21.79	$19.76	$18.52
Total return[f]	11.03%	(16.41)%	13.92%	11.93%	8.55%	11.23%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates	1.05%	1.06%	0.97%	0.99%	1.16%	2.61%
Expenses net of waiver and payments by affiliates[h]	0.97%	0.97%	0.95%	0.96%	0.96%	0.97%
Net investment income	2.40%	1.73%[c]	1.09%	1.81%[d]	1.70%[e]	1.61%
Supplemental data						
Net assets, end of period (000's)	$3,760	$3,371	$4,523	$2,601	$1,421	$12
Portfolio turnover rate	6.21%	33.11%	67.89%	34.58%	25.43%	33.69%

[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 $0.08 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.41%.

[d]Net investment income per share includes approximately $0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.55%.

[e]Net investment income per share includes approximately $0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.98%.

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

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

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

Statement of Investments, June 30, 2019 (unaudited)

Franklin Mutual Financial Services Fund

	Country	Shares	Value
Common Stocks 91.5%			
Banks 34.8%			
[a] AB&T Financial Corp.	United States	226,100	$ 118,714
AIB Group PLC	Ireland	2,267,537	9,269,947
Barclays PLC	United Kingdom	2,700,433	5,137,263
CIT Group Inc.	United States	123,611	6,494,522
Citigroup Inc.	United States	180,610	12,648,118
Citizens Financial Group Inc.	United States	487,200	17,227,392
[b] Credito Valtellinese SpA	Italy	117,345,631	7,537,348
First Horizon National Corp.	United States	386,229	5,766,399
ING Groep NV	Netherlands	1,200,685	13,917,528
JPMorgan Chase & Co.	United States	183,680	20,535,424
Shinsei Bank Ltd.	Japan	1,134,000	17,595,826
Southern National Bancorp of Virginia Inc.	United States	649,760	9,947,826
Standard Chartered PLC	United Kingdom	1,728,056	15,673,438
Synovus Financial Corp.	United States	121,311	4,245,885
UniCredit SpA	Italy	404,554	4,979,064
Wells Fargo & Co.	United States	323,670	15,316,064
Yes Bank Ltd.	India	2,293,512	3,617,396
			170,028,154
Capital Markets 4.8%			
Credit Suisse Group AG	Switzerland	1,102,649	13,217,785
Deutsche Bank AG	Germany	991,436	7,641,833
Guotai Junan Securities Co. Ltd.	China	1,396,063	2,487,561
			23,347,179
Consumer Finance 3.8%			
Capital One Financial Corp.	United States	132,810	12,051,179
Sun Hung Kai & Co. Ltd.	Hong Kong	14,145,704	6,609,169
			18,660,348
Diversified Financial Services 5.0%			
Voya Financial Inc.	United States	436,050	24,113,565
Equity Real Estate Investment Trusts (REITs) 0.8%			
Brixmor Property Group Inc.	United States	215,900	3,860,292
Household Durables 1.5%			
[b] Cairn Homes PLC	Ireland	5,428,109	7,318,742
Insurance 38.6%			
[b] Alleghany Corp.	United States	29,137	19,845,502
American International Group Inc.	United States	456,658	24,330,738
ASR Nederland NV	Netherlands	352,478	14,329,555
[b] Brighthouse Financial Inc.	United States	106,843	3,920,070
China Pacific Insurance Group Co. Ltd., H	China	1,351,600	5,285,533
Chubb Ltd.	United States	34,050	5,015,224
Direct Line Insurance Group PLC	United Kingdom	3,006,354	12,667,856
Everest Re Group Ltd.	United States	86,000	21,257,480
The Hartford Financial Services Group Inc.	United States	458,972	25,573,920
Lancashire Holdings Ltd.	United Kingdom	603,347	5,275,428
MetLife Inc.	United States	172,370	8,561,618

Franklin Mutual Financial Services Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
NN Group NV	Netherlands	365,392	$ 14,705,015
RSA Insurance Group PLC	United Kingdom	1,959,394	14,352,701
Sabre Insurance Group PLC	United Kingdom	1,343,342	4,657,318
T&D Holdings Inc.	Japan	812,169	8,809,420
			188,587,378
Real Estate Management & Development 0.6%			
[b] Dolphin Capital Investors Ltd.	Greece	3,979,650	255,225
Kenedix Inc.	Japan	500,197	2,491,242
			2,746,467
Thrifts & Mortgage Finance 1.6%			
Indiabulls Housing Finance Ltd.	India	907,348	7,997,032
Total Common Stocks (Cost $457,357,659)			446,659,157
		Principal Amount	
Short Term Investments 8.6%			
U.S. Government and Agency Securities 8.6%			
[c] FHLB, 7/01/19	United States	$ 22,000,000	22,000,000
[c] U.S. Treasury Bill,			
7/02/19 - 10/24/19	United States	17,500,000	17,457,846
[d] 10/31/19	United States	2,500,000	2,482,990
Total U.S. Government and Agency Securities (Cost $41,926,832)			41,940,836
Total Investments (Cost $499,284,491) 100.1%			488,599,993
Other Assets, less Liabilities (0.1)%			(361,210)
Net Assets 100.0%			$488,238,783

[a] See Note 10 regarding holdings of 5% voting securities.

[b] Non-income producing.

[c] The security was issued on a discount basis with no stated coupon rate.

[d] A portion or all of the security has been segregated as collateral for open forward exchange contracts. At June 30, 2019, the value of this security pledged amounted to $547,251, representing 0.1% of net assets.

Franklin Mutual Financial Services Fund (continued)

At June 30, 2019, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Currency Contracts					
EUR/USD	Short	154	$22,034,513	9/16/19	$(64,917)
GBP/USD	Short	141	11,235,056	9/16/19	17,236
Total Futures Contracts					$(47,681)

*As of period end.

At June 30, 2019, 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	BOFA	Buy	4,729,298	$ 5,298,015	7/15/19	$ 86,343	$ —
Euro	BOFA	Sell	283,727	324,931	7/15/19	1,904	—
Euro	BOFA	Sell	4,285,359	4,863,774	7/15/19	—	(15,153)
Euro	BONY	Sell	561,990	649,693	7/15/19	9,861	—
Euro	HSBK	Buy	92,699	103,586	7/15/19	1,953	—
Euro	HSBK	Sell	140,000	158,732	7/15/19	—	(659)
Euro	HSBK	Sell	25,741,132	29,507,369	7/15/19	200,805	—
Euro	SSBT	Sell	140,000	158,736	7/15/19	—	(655)
Euro	SSBT	Sell	476,744	549,896	7/15/19	7,117	—
Euro	UBSW	Buy	2,098,948	2,378,878	7/15/19	10,798	—
Euro	UBSW	Sell	1,781,726	2,054,305	7/15/19	25,789	—
Swiss Franc	HSBK	Buy	340,225	339,098	7/15/19	9,912	—
Swiss Franc	HSBK	Sell	191,753	193,436	7/15/19	—	(3,268)
Swiss Franc	UBSW	Sell	12,776,508	12,717,126	7/15/19	—	(389,234)
British Pound	BOFA	Buy	3,884,986	4,931,028	7/16/19	7,307	—
British Pound	HSBK	Buy	241,590	307,815	7/16/19	—	(723)
British Pound	HSBK	Buy	517,395	651,938	7/16/19	5,740	—
British Pound	HSBK	Sell	6,952,726	9,023,846	7/16/19	186,004	—
British Pound	UBSW	Buy	47,715	60,715	7/16/19	—	(63)
British Pound	UBSW	Buy	1,435,573	1,816,433	7/16/19	8,371	—
British Pound	BOFA	Sell	389,221	504,194	8/14/19	8,770	—
British Pound	BONY	Sell	26,574,856	34,551,750	8/14/19	725,672	—
British Pound	HSBK	Sell	366,014	475,197	8/14/19	9,312	—
British Pound	UBSW	Sell	403,293	522,764	8/14/19	9,429	—
Japanese Yen	UBSW	Sell	101,400,693	943,945	8/26/19	—	(765)
Japanese Yen	UBSW	Sell	2,830,472,629	26,407,661	8/26/19	37,285	—
Euro	BONY	Sell	109,502	125,652	10/18/19	57	—
Euro	SSBT	Sell	109,502	125,652	10/18/19	58	—
Euro	SSBT	Sell	2,565,269	2,902,730	10/18/19	—	(39,520)
British Pound	UBSW	Sell	350,000	459,389	10/24/19	12,655	—

Franklin Mutual Financial Services Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	HSBK	Sell	7,705,877	$8,734,249	11/07/19	$ —	$ (117,763)
Euro	UBSW	Sell	4,331,528	4,907,924	11/07/19	—	(67,855)
Euro	BOFA	Sell	30,046	34,463	11/21/19	—	(89)
Euro	SSBT	Sell	7,053,194	8,001,143	11/21/19	—	(109,919)
British Pound	SSBT	Sell	3,166,961	4,035,105	11/22/19	—	(11,596)
Total Forward Exchange Contracts						$ 1,365,142	$ (757,262)
Net unrealized appreciation (depreciation)						$ 607,880	

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

See Note 9 regarding other derivative information.

See Abbreviations on page 34.

Statement of Assets and Liabilities

June 30, 2019 (unaudited)

Franklin Mutual Financial Services Fund

Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$497,057,736
Cost - Non-controlled affiliates (Note 10)	2,226,755
Value - Unaffiliated issuers	$488,481,279
Value - Non-controlled affiliates (Note 10)	118,714
Cash	45,750
Foreign currency, at value (cost $753,088)	754,470
Receivables:	
Capital shares sold	134,376
Dividends	1,092,181
European Union tax reclaims	836,507
Deposits with brokers for:	
Futures contracts	623,680
Unrealized appreciation on OTC forward exchange contracts	1,365,142
Other assets	367
Total assets	493,452,466
Liabilities:	
Payables:	
Investment securities purchased	2,462,231
Capital shares redeemed	1,048,133
Management fees	349,552
Distribution fees	213,702
Transfer agent fees	134,852
Trustees' fees and expenses	37,454
Variation margin on futures contracts	44,631
Unrealized depreciation on OTC forward exchange contracts	757,262
Accrued expenses and other liabilities	165,866
Total liabilities	5,213,683
Net assets, at value	$488,238,783
Net assets consist of:	
Paid-in capital	$512,635,601
Total distributable earnings (loss)	(24,396,818)
Net assets, at value	$488,238,783

Statement of Assets and Liabilities (continued)

June 30, 2019 (unaudited)

Franklin Mutual Financial Services Fund

Class Z:	
Net assets, at value	$142,246,979
Shares outstanding	6,590,038
Net asset value and maximum offering price per share	$21.59
Class A:	
Net assets, at value	$288,379,527
Shares outstanding	13,337,476
Net asset value per share[a]	$21.62
Maximum offering price per share (net asset value per share ÷ 94.50%)	$22.88
Class C:	
Net assets, at value	$ 53,852,684
Shares outstanding	2,525,052
Net asset value and maximum offering price per share[a]	$21.33
Class R6:	
Net assets, at value	$ 3,759,593
Shares outstanding	172,941
Net asset value and maximum offering price per share	$21.74

[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, 2019 (unaudited)

Franklin Mutual Financial Services Fund

Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	$ 8,088,673
Non-controlled affiliates (Note 10)	287
Interest:	
Unaffiliated issuers	395,654
Total investment income	8,484,614
Expenses:	
Management fees (Note 3a)	2,203,397
Distribution fees: (Note 3c)	
Class A	372,806
Class C	285,915
Transfer agent fees: (Note 3e)	
Class Z	118,238
Class A	244,565
Class C	46,883
Class R6	1,882
Custodian fees (Note 4)	23,393
Reports to shareholders	39,871
Registration and filing fees	37,050
Professional fees	57,264
Trustees' fees and expenses	21,040
Other	15,765
Total expenses	3,468,069
Expense reductions (Note 4)	(1,506)
Expenses waived/paid by affiliates (Note 3f)	(1,396)
Net expenses	3,465,167
Net investment income	5,019,447
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(7,877,074)
Foreign currency transactions	13,982
Forward exchange contracts	3,610,188
Futures contracts	693,691
Net realized gain (loss)	(3,559,213)
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	52,132,628
Non-controlled affiliates (Note 10)	(7,902)
Translation of other assets and liabilities denominated in foreign currencies	(101,871)
Forward exchange contracts	(964,477)
Futures contracts	(74,350)
Net change in unrealized appreciation (depreciation)	50,984,028
Net realized and unrealized gain (loss)	47,424,815
Net increase (decrease) in net assets resulting from operations	$52,444,262

*Foreign taxes withheld on dividends . . . $ 290,712

Statements of Changes in Net Assets

Franklin Mutual Financial Services Fund

	Six Months Ended June 30, 2019 (unaudited)	Year Ended December 31, 2018
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 5,019,447	$ 8,665,785
Net realized gain (loss)	(3,559,213)	9,412,447
Net change in unrealized appreciation (depreciation)	50,984,028	(127,980,059)
Net increase (decrease) in net assets resulting from operations	52,444,262	(109,901,827)
Distributions to shareholders:		
Class Z	—	(4,996,108)
Class A	—	(9,609,536)
Class C	—	(1,856,107)
Class R6	—	(115,264)
Total distributions to shareholders	—	(16,577,015)
Capital share transactions: (Note 2)		
Class Z	(14,976,101)	(32,948,539)
Class A	(41,727,727)	734,715
Class C	(10,588,381)	(56,197,465)
Class R6	15,016	(354,486)
Total capital share transactions	(67,277,193)	(88,765,775)
Net increase (decrease) in net assets	(14,832,931)	(215,244,617)
Net assets:		
Beginning of period	503,071,714	718,316,331
End of period	$488,238,783	$ 503,071,714

Notes to Financial Statements (unaudited)

Franklin Mutual Financial Services Fund

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 Financial Services Fund (Fund) is included in this report. The Fund offers four classes of shares: Class Z, Class A, Class C and Class R6. Class C shares automatically convert to Class A shares after they have been held for 10 years. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees 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 (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. 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 Committee (VC). The Fund may 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 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 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time 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.

Certain derivative financial instruments 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 Fund 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 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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally,

Franklin Mutual Financial Services Fund (continued)

events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time 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 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC 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.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, 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 derivative financial instruments 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

Franklin Mutual Financial Services Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Derivative Financial Instruments (continued)

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. At June 30, 2019, the Fund had OTC derivatives in a net liability position of $508,105 and the aggregate value of collateral pledged for such contracts was $547,251.

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 the next business day, or 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. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

At June 30, 2019, the Fund received $1,066,916 in U.K. Treasury Bonds and U.S. Treasury Bills, Bonds and Notes as collateral for derivatives.

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 at 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 9 regarding other derivative information.

d. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At June 30, 2019, the Fund had no securities on loan.

Franklin Mutual Financial Services Fund (continued)

e. 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.

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 filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). 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. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, EU reclaims received by the Fund, if any, reduce the amounts of foreign taxes Fund shareholders can use as tax credits in their individual income tax returns.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2019, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. 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 is recorded on the ex-dividend date except for certain dividends from 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. Distributable earnings are determined according to income tax regulations (tax basis) and 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 or based on the ratio of number of shareholders of each Fund to the combined number of shareholders 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, excluding 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.

g. 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.

h. 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.

Franklin Mutual Financial Services Fund (continued)

1. Organization and Significant Accounting Policies (continued)

h. Guarantees and Indemnifications (continued)

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, 2019, 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, 2019		Year Ended December 31, 2018	
	Shares	**Amount**	**Shares**	**Amount**
Class Z Shares:				
Shares sold	509,025	$ 10,785,069	1,795,911	$ 42,587,212
Shares issued in reinvestment of distributions	—	—	232,915	4,484,624
Shares redeemed	(1,227,440)	(25,761,170)	(3,453,297)	(80,020,375)
Net increase (decrease)	(718,415)	$(14,976,101)	(1,424,471)	$(32,948,539)
Class A Shares:				
Shares sold[a]	453,668	$ 9,550,207	3,840,652	$ 88,515,496
Shares issued in reinvestment of distributions	—	—	483,446	9,333,950
Shares redeemed	(2,431,075)	(51,277,934)	(4,247,680)	(97,114,731)
Net increase (decrease)	(1,977,407)	$(41,727,727)	76,418	$ 734,715
Class C Shares:				
Shares sold	102,935	$ 2,132,582	619,361	$ 14,593,999
Shares issued in reinvestment of distributions	—	—	92,903	1,798,559
Shares redeemed[a]	(611,258)	(12,720,963)	(3,248,605)	(72,590,023)
Net increase (decrease)	(508,323)	$(10,588,381)	(2,536,341)	$(56,197,465)
Class R6 Shares:				
Shares sold	11,059	$ 232,597	79,359	$ 1,851,756
Shares issued in reinvestment of distributions	—	—	5,949	115,264
Shares redeemed	(10,250)	(217,581)	(99,309)	(2,321,506)
Net increase (decrease)	809	$ 15,016	(14,001)	$ (354,486)

[a]May include a portion of Class C shares that were automatically converted to Class A.

Franklin Mutual Financial Services Fund (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. 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

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. 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 compensation distribution plan, 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. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

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%

The Board has set the current rate at 0.25% per year for Class A shares until further notice and approval by the Board.

Franklin Mutual Financial Services Fund (continued)

3. Transactions with Affiliates (continued)

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 brokers/dealers	$9,649
CDSC retained	$3,253

e. Transfer Agent Fees

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. The fees are based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6 reimburses shareholder 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, 2019, the Fund paid transfer agent fees of $411,568, of which $196,703 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 0.02% based on the average net assets of the class until April 30, 2020. Prior to May 1, 2019, the Class R6 transfer agent fees were limited to 0.03%.

g. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the period ended June 30, 2019, these purchase and sale transactions aggregated $0 and $2,231,546, respectively.

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, 2019, the custodian fees were reduced as noted in the Statement of Operations.

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.

Franklin Mutual Financial Services Fund (continued)

During the period ended June 30, 2019, the Fund's projected benefit obligation and benefit payments under the Plan were as follows:

[a]Projected benefit obligation at June 30, 2019	$37,454
[b]Increase in projected benefit obligation	$ 4,865
Benefit payments made to retired trustees	$ (324)

[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

For tax purposes, the Fund may elect to defer any portion of a post-October capital loss to the first day of the following fiscal year. At December 31, 2018, the Fund deferred post-October capital losses of $6,531,857.

At June 30, 2019, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$505,512,271
Unrealized appreciation	$ 49,494,869
Unrealized depreciation	(65,846,219)
Net unrealized appreciation (depreciation)	$ (16,351,350)

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 and passive foreign investment company shares.

7. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2019, aggregated $28,929,251 and $84,814,774, 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. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

Franklin Mutual Financial Services Fund (continued)

9. Other Derivative Information

At June 30, 2019, the 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 on futures contracts	$ 17,236[a]	Variation margin on futures contracts	$ 64,917[a]
	Unrealized appreciation on OTC forward exchange contracts	1,365,142	Unrealized depreciation on OTC forward exchange contracts	757,262
Totals		$1,382,378		$822,179

[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, 2019, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts	Forward exchange contracts	$3,610,188	Forward exchange contracts	$ (964,477)
	Futures contracts	693,691	Futures contracts	(74,350)
Totals		$4,303,879		$(1,038,827)

For the period ended June 30, 2019, the average month end notional amount of futures contracts represented $33,614,410. The average month end contract value of forward exchange contracts was $188,955,996.

See Note 1(c) regarding derivative financial instruments.

10. 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. During the period ended June 30, 2019, investments in "affiliated companies" were as follows:

Name of Issuer	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Dividend Income
Non-Controlled Affiliates								
AB&T Financial Corp. (Value is 0.0%† of Net Assets)	$126,616	$ —	$ —	$ —	$(7,902)	$118,714	226,100	$287

†Rounds to less than 0.1% of net assets.

Franklin Mutual Financial Services Fund (continued)

11. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling $2 billion (Global Credit Facility) which matures on February 7, 2020. 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 0.15% 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, 2019, the Fund did not use the Global Credit Facility.

12. 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.

A summary of inputs used as of June 30, 2019, 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:[a]				
Equity Investments	$ 446,659,157	$ —	$ —	$ 446,659,157
Short Term Investments	19,940,836	22,000,000	—	41,940,836
Total Investments in Securities	$ 466,599,993	$ 22,000,000	$ —	$ 488,599,993
Other Financial Instruments:				
Futures Contracts	$ 17,236	$ —	$ —	$ 17,236
Forward Exchange Contracts	—	1,365,142	—	1,365,142
Total Other Financial Instruments	$ 17,236	$ 1,365,142	$ —	$ 1,382,378
Liabilities:				
Other Financial Instruments:				
Futures Contracts	$ 64,917	$ —	$ —	$ 64,917
Forward Exchange Contracts	—	757,262	—	757,262
Total Other Financial Instruments	$ 64,917	$ 757,262	$ —	$ 822,179

[a]For detailed categories, see the accompanying Statement of Investments.

Franklin Mutual Financial Services Fund (continued)

13. New Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in the ASU modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for annual reporting periods ending after December 15, 2020. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

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.

Abbreviations

Counterparty		Currency		Selected Portfolio	
BOFA	Bank of America Corp.	**EUR**	Euro	**FHLB**	Federal Home Loan Bank
BONY	The Bank of New York Mellon Corp.	**GBP**	British Pound		
HSBK	HSBC Bank PLC	**USD**	United States Dollar		
SSBT	State Street Bank and Trust Co., N.A.				
UBSW	UBS AG				

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN MUTUAL SERIES FUNDS
Franklin Mutual Financial Services Fund
(Fund)

The Board of Trustees (Board), including a majority of trustees that are not "interested persons" as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as "independent trustees"), at an in-person meeting held on May 22, 2019, 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 renewal, the independent trustees participated in two other meetings held in connection with the renewal process. 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 plan, distribution, shareholder servicing, legal and compliance matters, pricing of securities, sales and redemptions, and marketing support payments made to financial intermediaries, as well as a third-party survey of transfer agent fees charged to funds within the Franklin Templeton Investments (FTI) complex in comparison with those charged to 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 Board also noted that it received an annual report on all payments made by FTI or the Fund to financial intermediaries engaged in the sale of Fund shares, as well as a memorandum relating to third-party servicing arrangements in response to a Guidance Update from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees.

The information obtained by the trustees during the renewal process also included a special report prepared by Broadridge Financial Solutions, Inc., an independent third-party analyst that utilizes data from Lipper, Inc. ("Lipper"), comparing the Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper (Broadridge Section 15(c) Report). The trustees reviewed the Broadridge Section 15(c) Report and its usefulness in the renewal 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.

The trustees reviewed the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of the investment manager. As part of this review, particular attention was given to management's diligent risk management program, including continual monitoring and management of cybersecurity, liquidity and 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 goal(s). 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. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management's commitment to facilitating Board oversight of particular areas, including derivatives and payments to intermediaries, by enhanced reporting.

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 (including the information and factors discussed 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, and to be provided, by the investment manager. 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 pre- designated 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 shareholders of the Fund. 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 of funds, 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 Board considered the investment manager's significant efforts in developing and implementing compliance procedures established in accordance with SEC and other requirements.

The Board considered the nature, extent and quality of the services to be provided under 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, and to be 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, 2018. 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 renewal process, with the Fund's portfolio managers to discuss performance and the management of the Fund. In addition to the materials provided by management in connection with the renewal process, the independent trustees requested throughout the year (and received) additional presentations from the investment manager and senior management of FTI regarding the performance of the investment manager and the Fund. As part of these presentations, the investment manager and senior management of FTI reviewed enhancements that have been made, and are being made, to the investment manager's investment process. In addition, particular attention in assessing performance was given to the Broadridge Section 15(c) 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 global financial services funds. The Fund had total returns in the middle performing quintile for the one-year period ended December 31, 2018, and had annualized total returns for the three- and five-year periods in the middle and second-best performing quintiles, respectively. The trustees noted that the Fund's total return on an annualized basis for the 10-year period ended December 31, 2018 was in the middle performing quintile. The Board concluded that such comparative performance was acceptable.

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 goals.

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 renewal process, the trustees 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 Broadridge 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 each 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 most expensive quintile of its Lipper expense group and its total expenses were in the second-most expensive quintile of such group. The Board noted that the Fund's total expenses were within 1 basis point 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, 2018, 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. 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 Board 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 and that the Board regularly evaluates whether additional breakpoints are appropriate. 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 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 Trust, on behalf of 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 as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT 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.

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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.

FRANKLIN TEMPLETON

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