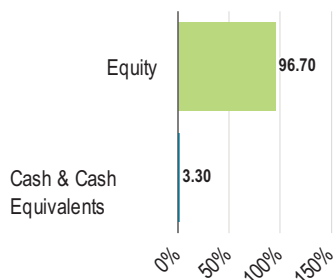


Product Profile
Product Details¹

Fund Assets	\$196,119,523.38
Fund Inception Date	12/12/1995
Number of Issuers	72
NASDAQ Symbol	FVRMX
Maximum Sales Charge	0.00
Investment Style	Value
Benchmark	Russell 2000 Value Index
Lipper Classification	Small-Cap Value Funds
Morningstar Category™	Small Value
Dividend Frequency	Annually in December

Asset Allocation²

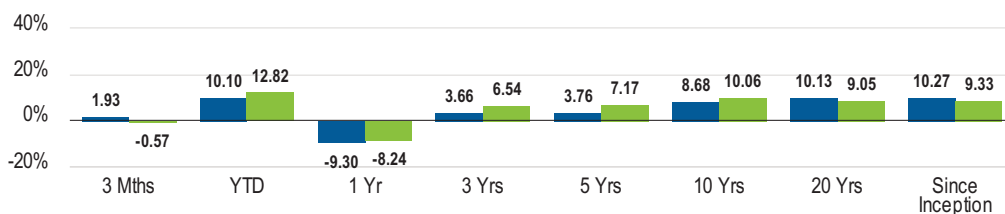
Percent of Total


Fund Description

The fund seeks high total return by investing at least 80% of its net assets in companies with a total market capitalization of less than \$500 million at the time of purchase.

Performance Data^{3,4}
Average Annual Total Returns⁵ (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (12/12/1995)
Advisor Class	1.93	10.10	-9.30	3.66	3.76	8.68	10.13	10.27
Russell 2000 Value Index	-0.57	12.82	-8.24	6.54	7.17	10.06	9.05	9.33



● Advisor Class
● Russell 2000 Value Index

Total Annual Operating Expenses—With Waiver:0.92% Without Waiver: 0.93%

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

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 02/29/2020. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Advisor Class	-17.52	8.48	29.22	-7.10	-3.55	35.99	20.83	0.10	22.41	28.05
Russell 2000 Value Index	-12.86	7.84	31.74	-7.47	4.22	34.52	18.05	-5.50	24.50	20.58

1. All holdings are subject to change. Holdings of the same issuers have been combined.

2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

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

5. Periods shorter than one year are shown as cumulative total returns.

Portfolio Manager Insight⁶

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors
Helped	Photronics, Inc.	Consumer Discretionary
	LSI Industries Inc.	Industrials
	Rocky Brands, Inc.	Information Technology
Hurt	Northeast Bank	Energy
	Titan Machinery Inc.	Materials
	Natural Gas Services Group, Inc.	Communication Services

- Photronics is a leading manufacturer of photomasks, high precision glass plates used in making integrated circuits. The company reported quarterly results that were fairly in line with consensus. Management revealed that their new facilities in China are beginning to contribute to revenue, and they have good line of sight towards improving profitability over the coming year. Moreover, the heavy capital spending related to these new facilities appears to be peaking and is expected to decline significantly next year. The company also announced a significant share buyback program at the end of August.
- Spartan Motors, a specialty manufacturer of commercial delivery and emergency response vehicles, reported quarterly results that topped consensus expectations. Demand has been strong for its last-mile-delivery vehicles, and in July there were orders for 2,200 walk-in vans from a leading e-commerce customer. The emergency response segment, which has struggled to achieve consistent profitability, also performed well in the quarter. Management increased its full-year revenue and profit guidance and does not anticipate any material negative impact from recent tariff announcements.
- Natural Gas Services, a leading provider of compression equipment to the natural gas industry, reported mixed quarterly results. The industry environment is poor owing to historically low natural gas prices, and as such the company reported weak compressor unit sales. However, the larger rental business has continued to grow, due in part to customer demand for larger horsepower units, and the company has been expanding its rental fleet. Despite weak industry fundamentals, management has been able to maintain consistent profitability and a low debt balance sheet.

Outlook & Strategy

- Although we expect a decline in economic growth and limited improvement in corporate earnings in 2019, the size of those changes has become more uncertain in recent months. As ambiguity lingers, the impact is likely to carry over into 2020, in our view. The US Federal Reserve (Fed) indicated that it is willing to take steps to support the economy, but it is unclear whether their actions will be enough, should the trade conflict with China worsen or the global macro economy deteriorate further.
- The Fed has cut interest rates twice in 2019 as “insurance” against a downturn, despite multiple dissenting opinions among Federal Open Market Committee (FOMC) members. Future policy decisions will be guided by economic data, as the FOMC signaled that their goal is to sustain the current expansion. Other central banks have either reduced rates in recent months or announced an intention to do so, should conditions warrant it.
- US-China trade discussions and the effectiveness of China’s stimulus measures remain at the forefront for investors, with escalating tensions increasing the risk of a more significant “trade war” and economic upheaval. In addition, we are monitoring the continued wrangling over Brexit in the United Kingdom, as well as several other geopolitical flashpoints that could destabilize the global economy. While investors are justifiably nervous, they have generally remained engaged in the market, amid this heightened level of uncertainty. Given these unresolved tensions, financial markets, in our view, may be vulnerable to renewed volatility and a potential downturn.
- Due to considerable economic uncertainty, small caps have generally lagged large caps, and cyclical stocks have underperformed defensive ones. This environment has provided an opportunity to deploy capital in what we believe to be rewarding, long-term investments.
- Value investing often requires an investor to be contrarian in nature. We will continue to target investments in historically successful companies, with sustainable business models, good corporate governance and low debt, that are temporarily trading at depressed levels relative to future earnings power. We believe this investment framework constitutes our competitive advantage and can offer both meaningful upside potential, and a degree of downside protection in periods of financial market turbulence.

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

Portfolio Characteristics^{7,8,9}

	Portfolio	Russell 2000 Value Index
Price to Earnings (12-Month Trailing)	14.74x	13.10x
Price to Book	1.06x	1.31x
Price to Cash Flow	9.92x	7.07x
Market Capitalization (Millions in USD)	434	1,995

Portfolio Diversification

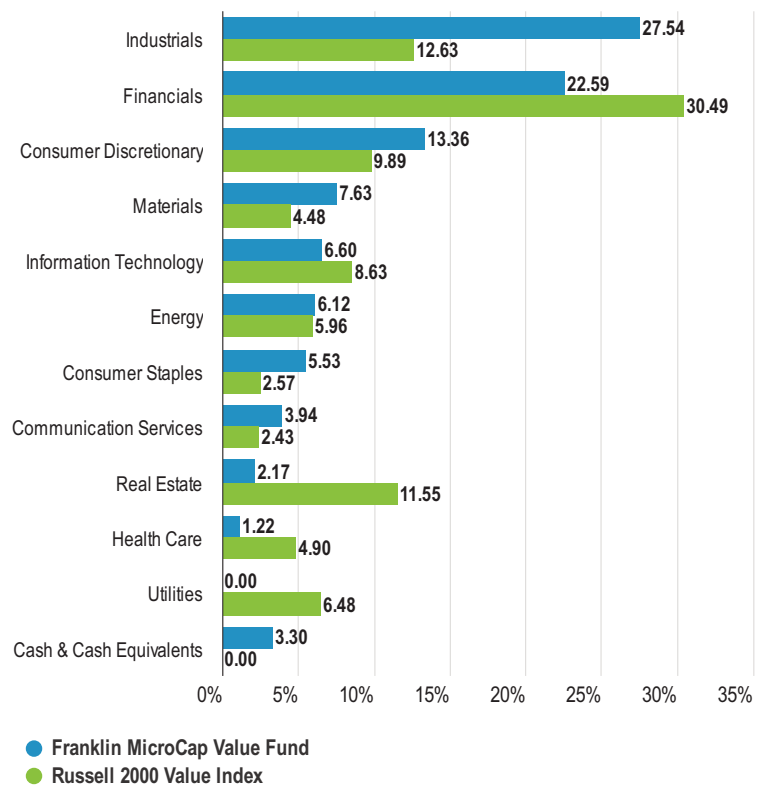
Top Ten Holdings¹⁰

Equity as a Percent of Total

Top Holdings	%
NORTHEAST BANK	2.93
SENECA FOODS CORP	2.80
BAR HARBOR BANKSHARES	2.77
VILLAGE SUPER MARKET INC	2.73
WSFS FINANCIAL CORP	2.62
INVESTAR HOLDING CORP	2.56
FIRST DEFIANCE FINANCIAL CORP	2.50
MONARCH CEMENT CO	2.49
PHOTRONICS INC	2.41
ROCKY BRANDS INC	2.33

Sector Weightings vs. Russell 2000 Value Index^{11,12}

Percent of Total



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

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

9,12. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

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

11. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

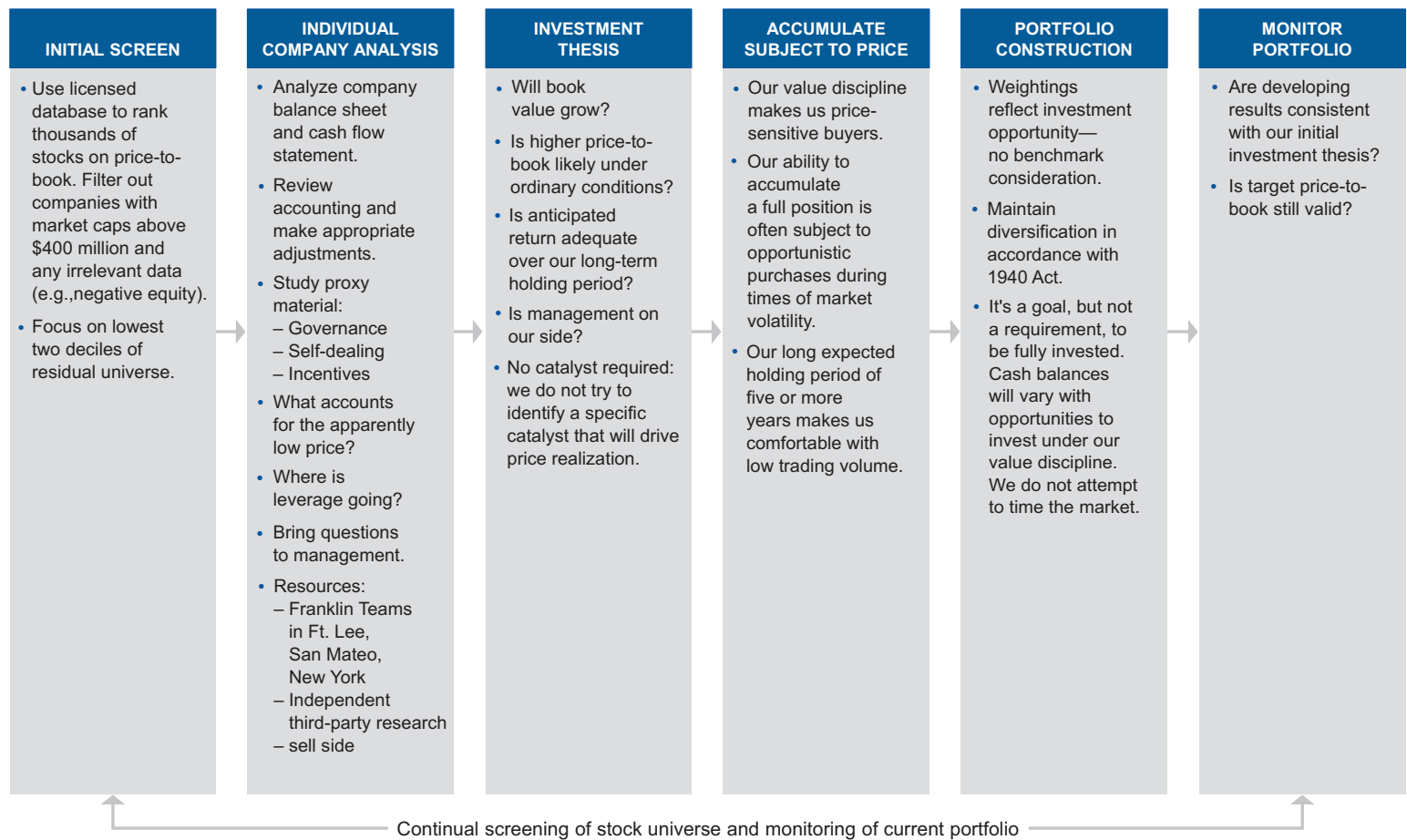
Supplemental Performance Statistics

Supplemental Risk Statistics^{13,14}

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	17.54	15.75	15.44
Tracking Error (%)	6.06	6.45	6.40
Information Ratio	-0.48	-0.53	-0.22
Beta	0.95	0.91	0.84
Sharpe Ratio	0.12	0.18	0.53

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

Investment Process



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Bruce Baughman, Portfolio Manager/Research Analyst	32	35
Oliver Haung Wong, CFA, Research Analyst	7	14

13. Beta, Information Ratio and Tracking Error information are measured against the Russell 2000 Value Index.

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

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

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

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

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

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

Price to Earnings (12-mo Forward): A measure of the price to earnings ratio (P/E) using the forecasted earnings for the next 12 months.

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

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

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

What Are The Risks?

All investments involve risks, including possible loss of principal. The fund's ability to invest in smaller-company securities that may have limited liquidity involves additional risks, such as relatively small revenues, limited product lines and small market share. Historically, these stocks have exhibited greater price volatility than larger-company stocks, especially over the short term. In addition, the fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. Value securities may not increase in price as anticipated or may decline further in value. These and other risks are detailed in the fund's prospectus.

Important Legal Information

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

Source: FTSE. Important data provider notices and terms available at www.franklintempletondatasources.com.

3. Effective 11/01/2005, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A performance, excluding the effect of Class A's maximum initial sales charge but reflecting the effect of the Class A Rule 12b-1 fees; and b) for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.



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