

# Franklin Mutual Beacon Fund

Class Z: BEGRX Class A: TEBIX

Commentary | as of March 31, 2025

## Key Takeaways

- **Markets:** After starting 2025 on a strong note, global equities collectively declined the last half of the quarter, as measured by the MSCI World Index in US dollar terms. Investor concerns about US economic growth and President Trump's trade policy weighed on returns.
- **Contributors:** Stock selection and an overweight in health care, stock selection and an underweight in information technology, and stock selection in consumer discretionary supported relative results. Individual contributors included Progressive, BNP Paribas and Roche Holdings.
- **Detractors:** Stock selection in industrials, communication services and real estate curbed relative returns. Individual detractors included Global Payments, Ferguson Enterprises and BlackRock.
- **Outlook:** While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term. Currently, several parts of the US economy, such as employment, remain robust. Recent US policy shifts have led European officials to enact changes which we think are creating fertile conditions for improved economic growth and competitiveness. When coupled with already low valuations within the region, we see potential for compelling investment opportunities.

## Performance Review

- The Fund (Class Z) outperformed its benchmark, the MSCI World Value Index, for the quarter ended March 31, 2025.
- US insurer Progressive supported relative returns. The multiline insurer reported strong premium growth in early 2025. We believe Progressive's technological advantage allows it to price new business and renewals with better insights, leading to market share gains. We believe the tailwind on pricing and market share gains should continue well into 2025.
- France-based BNP Paribas bolstered relative results, as it anticipates improved returns from the buildout of its insurance, wealth and asset management businesses and better performance of its French retail banking business. We believe BNP is one of the best banks in Europe and should deliver predictable and sustainable double-digit returns through the economic cycle.
- US-based Global Payments detracted from relative results, as the company's earnings were noisy and reminded the market of the complex transformation work ahead. Nonetheless, we believe that Global Payments is taking the right steps by consolidating its multiple acquiring platforms, which should help improve its organic growth rate over the long run.
- Building products firm Ferguson Enterprises detracted from relative returns amid ongoing softness in the repair and remodel markets. We believe the company's scaled business model generates a flywheel effect of strong organic growth, margin expansion, and free cash flow creation.

## Outlook

- While we believe there are reasons to be optimistic about the markets, we think uncertainty surrounding trade and geopolitics could continue to be destabilizing factors in the near term.
- Several parts of the US economy, such as employment, remain robust. For the US economy to stay healthy, policies regarding tariffs, taxes and government spending need predictability and clarity. Although the US Federal Reserve kept rates unchanged in March, policymakers acknowledge increased uncertainty around the economic outlook and are guiding towards an interest rate cut later this year.
- The European Central Bank cut rates in March and guided towards "meaningfully less restrictive" policy. The reduced cost of borrowing comes at a time of accelerating loan growth within the region. Despite pockets of strength within the economy, the Bank cut their economic growth forecast for 2025, citing trade and policy uncertainty.
- Recent US policy shifts have led European officials to enact changes which we think are creating fertile conditions for improved economic growth and competitiveness. When coupled with already low valuations within the region, we see potential for compelling investment opportunities.
- We remain focused on identifying opportunities to acquire stocks at attractive valuations based upon our assessment of fundamental value. Our process of finding underappreciated and misunderstood companies with identifiable catalysts to unlock shareholder value may provide meaningful upside potential and possible downside risk management during turbulent periods.

## Top Holdings (% of Total)

Holding	Fund
JPMORGAN CHASE & CO	4.57
DBS GROUP HOLDINGS LTD	4.56
HALEON PLC	4.41
MEDTRONIC PLC	4.34
PROGRESSIVE CORP/THE	4.20
HARTFORD INSURANCE GROUP INC/THE	4.17
JOHNSON CONTROLS INTERNATIONAL PLC	3.90
RECKITT BENCKISER GROUP PLC	3.89
CIE FINANCIERE RICHEMONT SA	3.81
ROCHE HOLDING AG	3.69

## Sector Allocation (% of Total)

Sector	Fund
Financials	25.48
Health Care	22.14
Industrials	10.87
Consumer Staples	8.99
Consumer Discretionary	7.94
Energy	6.49
Information Technology	5.18
Communication Services	5.17
Real Estate	2.66
Materials	2.60
Cash & Cash Equivalents	2.48

## Average annual total returns and fund expenses (%)

Class	CUSIP	Ticker	Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception Date
			3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	
Class Z	628380305	BEGRX	6.19	6.19	6.51	7.01	14.15	7.12	8.41	6.19	6.19	6.51	7.01	14.15	7.12	8.41	0.77	0.77	—	—	6/29/1962
Class A	628380875	TEBIX	6.15	6.15	6.26	6.75	13.85	6.85	7.95	0.30	0.30	0.42	4.76	12.57	6.24	7.85	1.02	1.02	5.50	—	6/29/1962
Benchmark	—	—	4.81	4.81	8.69	7.02	14.99	7.14	—	4.81	4.81	8.69	7.02	14.99	7.14	—	—	—	—	—	

## Benchmark(s)

Benchmark = Linked MSCI World Value Index-NR

**Performance data quoted represents past performance, which does not guarantee future results.** Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit [franklintempleton.com](http://franklintempleton.com). The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

## What are the Risks?

All investments involve risks, including possible loss of principal. The investment style may become out of favor, which may have a negative impact on performance. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. 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. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

## Glossary

**Free cash flow (FCF)** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

The **MSCI World Index** is a free float-adjusted market-capitalization index that is designed to measure global developed market equity performance. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

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The **Linked MSCI World Value Index-NR** reflects the performance of MSCI World Index from the fund's inception through 12/31/1974 and MSCI World Value Index-NR thereafter. The **MSCI World Value Index** is a market capitalization-weighted index designed to measure the performance of stocks exhibiting overall value style characteristics in developed markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI. Net Returns (NR) include income net of tax withholding when dividends are paid.

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**Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at [www.franklintempleton.com](http://www.franklintempleton.com). Please read it carefully.**