



Franklin Mutual Quest Fund

United States - Retail

Class Z
Class A
December 31, 2024

Product Commentary

Performance Review

- During the fourth quarter of 2024, global stocks, as measured by the MSCI World Index, were pressured by investor concerns about economic growth and persistent inflation in some regions and despite the potential for further interest-rate cuts in 2025. Concerns about the potential impact of US tariffs on global trade were also a drag on stocks.

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
HELPED	Sorenson Communications LLC	Utilities (Stock Selection)	United States (Stock Selection)
	Apollo Global Management Inc.	Information Technology (Stock Selection)	United Kingdom (Stock Selection)
	Walt Disney Co.	Materials (Stock Selection)	Luxembourg (Stock Selection)
HURT	Elevance Health Inc.	Health Care (Stock Selection)	South Korea (Off-benchmark Exposure)
	Capri Holdings Ltd.	Consumer Discretionary (Stock Selection)	Netherlands (Overweight)
	CVS Health Corp.	Financials (Stock Selection, Underweight)	Japan (Stock Selection)

- Apollo Global Management contributed after it hosted an investor day and announced better-than-expected five-year targets. In addition, the company reported quarterly earnings with strong origination volumes and capital formation. We believe the supply and demand dynamics for private credit are favorable and can support sustainable earnings growth.
- Walt Disney supported relative results on strong earnings and a positive outlook. The media company posted solid quarterly results on advertising stability, profitability in its direct-to-consumer business, and strong film box office numbers. While earnings at the parks business are expected to be soft in the current quarter, Disney anticipates double-digit earnings per share growth in fiscal 2026 and 2027.
- Managed care company Elevance Health weighed on relative returns after it posted weaker-than-expected financial results due to a miss in its Medicaid business. We believe this Medicaid issue will resolve itself over time given that Medicaid reimbursements are updated annually.

Outlook Strategy

- While we believe there are reasons to be optimistic about the markets, geopolitical risks and the uncertainty surrounding recent and upcoming elections could be a destabilizing factor in the near term. The US election outcome has introduced new uncertainty into the global economic picture, and we worry about the potential for a reignition of inflationary pressure. However, the job market remains stable and moderate economic growth continues.
- The Federal Reserve has indicated any further rate cuts will be data dependent. The expected interest rate path could shift depending on how the economic picture develops. The European Central Bank continues to ease amid economic weakness but remains data driven in its decisions. We expect interest rates to remain relatively range bound and for the investment implications of normalized rate policy to affect companies' capital allocation decisions and stimulate merger and initial public offering activity.
- We are finding investment opportunities globally, with a particular focus in Europe and Asia, as there are quality companies with depressed valuations in these regions.
- We view AI innovation as a long-term driver of economic and business growth. As such, we are positioned to benefit from this theme through exposure to participating industrials and utilities companies.
- 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.

Fund Details

Inception Date	09/26/1980
Benchmark	Blended 70% MSCI World Value-NR + 30% Bloomberg US Corporate High Yield Index, MSCI World Value Index-NR, Bloomberg US Corporate High Yield Index

Fund Description

The fund seeks capital appreciation with income as a secondary goal. Its strategy is focused on undervalued mid- to large-cap equity securities with a significant portion of its assets in foreign securities. The fund also invests in merger arbitrage securities and securities of distressed companies.

Performance Data¹Average Annual Total Returns² (%)

	1 Mth	3 Mths	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Class Z - With Sales Charges ^a	-4.32	-2.78	8.80	3.85	4.16	4.19	11.18	09/26/1980
Class Z - Without Sales Charges ^a	-4.32	-2.78	8.80	3.85	4.16	4.19	11.18	09/26/1980
Class A - With Sales Charges ^a	-9.61	-8.14	2.65	1.65	2.72	3.34	10.59	09/26/1980
Class A - Without Sales Charges ^a	-4.33	-2.82	8.61	3.60	3.90	3.93	10.73	09/26/1980
Blended 70% MSCI World Value-NR + 30% Bloomberg US Corporate High Yield Index	-4.13	-2.87	10.57	4.56	6.28	6.32	-	-
MSCI World Value Index-NR	-5.72	-4.20	11.47	5.13	6.97	6.65	9.40	-
Bloomberg US Corporate High Yield Index	-0.43	0.17	8.19	2.92	4.21	5.17	-	-

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. 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 call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit www.franklintempleton.com.

An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Share Class Details

	CUSIP	Ticker	Sales Charges		Expenses	
			Max	CDSC	Gross	Net
Class Z	628380206	MQIFX	—	—	0.80%	0.80%
Class A	628380800	TEQIX	5.50%	—	1.05%	1.05%

Net Returns (NR) include income net of tax withholding when dividends are paid. The **Blended Benchmark (70% MSCI World Value Index-NR (USD) + 30% Bloomberg U.S. Corporate High Yield Bond Index)** is a combination of leading global stock and U.S. high-yield bond indexes. The MSCI World Value Index-NR (USD) is a market capitalization-weighted index of stocks exhibiting overall value style characteristics in global developed markets. The Bloomberg U.S. Corporate High Yield Bond Index measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. 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. Bloomberg Indices.

Net Returns (NR) include income net of tax withholding when dividends are paid. 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.

The **Bloomberg U.S. Corporate High Yield Bond Index** measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. Source: Bloomberg Indices.

Portfolio Diversification

Top Holdings

% of Total

Top Holdings	%
SORENSEN COMMUNICATIONS LLC	7.10
EVEREST GROUP LTD	2.07
BP PLC	1.80
RECKITT BENCKISER GROUP PLC	1.75
NEPTUNE BIDCO US INC (NIELSEN FINANCE)	1.72
RIO TINTO PLC	1.71
BAKER HUGHES CO	1.66
MICHAELS COMPANIES INC	1.65
GLOBAL PAYMENTS INC	1.64
WALT DISNEY CO/THE	1.64

1. Effective December 1, 2021, Blended 70% MSCI World Value-NR+30% Bloomberg US Corporate High Yield Index was added as a primary benchmark. MSCI World Value Index-NR was changed to a second benchmark and Bloomberg U.S. Corporate High Yield Index became the third benchmark.

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

Investment Team

Keith W. Luh, CFA

Years with Firm 19

Years Experience 28

Andrew B. Dinnhaupt, CFA

Years with Firm 13

Years Experience 29

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 fund invests in companies in a specific **country or region**, the fund may experience greater volatility than a fund that is more broadly diversified geographically. **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.

Important Information

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.

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. Please read it carefully.

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a. 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.

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