

ANNUAL REPORT AND SHAREHOLDER LETTER

# FRANKLIN MUTUAL SHARES FUND

**A Series of Franklin Mutual Series Funds**

December 31, 2019



**FRANKLIN  
TEMPLETON**

**Internet Delivery of Fund Reports Unless You Request Paper Copies:** Effective January 1, 2021, as permitted by the SEC, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request them from the Fund or your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you have not signed up for electronic delivery, we would encourage you to join fellow shareholders who have. You may elect to receive shareholder reports and other communications electronically from the Fund by calling (800) 632-2301 or by contacting your financial intermediary.

You may elect to continue to receive paper copies of all your future shareholder reports free of charge by contacting your financial intermediary or, if you invest directly with a Fund, calling (800) 632-2301 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.

# 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 Shares Fund Shareholder:

As we enter 2020, the factors that lifted stocks to record highs in 2019—accommodative central bank monetary policies and progress on a proposed trade deal between the U.S. and China—continue to be sources of optimism for growth. The near-term threat of recession has eased, with the U.S. economy showing resilience as low unemployment and moderately rising wages have encouraged consumer spending, which has supported the expansion. In contrast, business investment and exports were weak in 2019, but there are nascent signs of increasing industrial activity.

Tariffs, trade battles and geopolitical conflict may continue to dominate headlines in 2020 and account for a disproportionate source of market volatility. The U.S. and China agreed in principle to a phase-one trade agreement in late 2019. However, a re-escalation of the tariff dispute between the world's two largest economies is not out of the question, as negotiations on a phase-two trade agreement are scheduled to start after the anticipated phase-one signing ceremony in January. There was clarity on Brexit as British voters delivered a resounding election victory to Prime Minister Boris Johnson and his Conservative Party, which should pave the way for a conclusive exit agreement. The terms of U.K. departure, however, must still be finalized. Late in the period, tensions in the Middle East were on the rise, following the death of an American contractor in Iraq in late December and a retaliatory U.S. military strike two days later.

During the period, we took advantage of market turbulence to seek out a larger number of stocks whose risk/reward profiles turned more favorable. Subsequently, we used the market appreciation to exit from or trim select positions that reached or exceeded our estimates of intrinsic value. Market volatility continues to present occasional opportunities in

individual stocks, and in certain sectors, notably those considered to be economically sensitive. We continue to focus on situations in which company-specific actions are more important than economic improvement in driving shareholder value.

Valuation is an essential factor in our analysis, and we always ask ourselves if current and potential investments represent an attractive balance of risk and reward. Amid the all-time highs reached by the Standard & Poor's® 500 Index (S&P 500®) during the period, we maintained our focus on individual securities and the prospects for each business in the context of its valuation and the backdrop of potential political and economic risks.

We continue to adhere to a bottom-up stock selection process that is disciplined, driven by rigorous fundamental analysis, and that attempts to limit downside risk. In our view, actively investing in underappreciated and misunderstood companies with identifiable catalysts for unlocking shareholder value can offer meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

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 12 months considering the

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

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 December 31, 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

---

### Annual Report

Franklin Mutual Shares Fund .....	3
Performance Summary .....	9
Your Fund's Expenses .....	12
Financial Highlights and Statement of Investments .....	13
Financial Statements .....	25
Notes to Financial Statements .....	30
Report of Independent Registered Public Accounting Firm .....	44
Tax Information .....	45
Board Members and Officers .....	46
Shareholder Information .....	51

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

# ANNUAL REPORT

## Franklin Mutual Shares Fund

This annual report for Franklin Mutual Shares Fund covers the fiscal year ended December 31, 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 primarily in equity securities, primarily common stock, of U.S. and foreign companies that we believe are available at market prices less than their intrinsic value. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest up to 35% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt. 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 +23.13% for the 12 months ended December 31, 2019. For comparison, the Fund's benchmark, the Standard & Poor's 500 Index (S&P 500), which is a broad measure of U.S. stock performance, posted a total return of +31.49%.<sup>1</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 9.

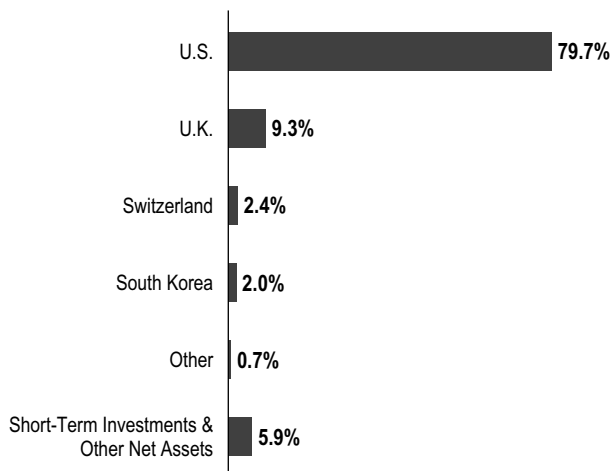
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

### Economic and Market Overview

Global developed and emerging market stocks, as measured by the MSCI All Country World Index (USD), posted a +27.30% total return during the 12 months ended December 31, 2019.<sup>1</sup> Although global economic growth slowed from 2018, interest-rate cuts from many central banks and the easing of trade tensions near period-end

### Geographic Composition\*

Based on Total Net Assets as of 12/31/19



\*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.

contributed to the generally positive environment for equities worldwide. Reflecting investor optimism and slowing but resilient economic growth, stocks advanced in every major region of the globe.

In the U.S., solid economic growth also supported equities, as healthy consumer spending and a strong labor market kept the economy afloat. The unemployment rate fell during the year, reaching 3.5% in September, November and December 2019, the lowest recorded unemployment rate in 50 years.<sup>2</sup> Wages also grew, albeit at a moderate pace, and inflation remained persistently low. In addition, deficit spending by the U.S. government boosted current growth at the expense of long-term debt. Despite the strength in the consumer sector, some parts of the economy struggled, particularly heavy industry. Annual industrial production contracted late in the reporting period, manufacturing output stalled and capital spending declined.

The U.S. Federal Reserve (Fed) provided a substantial boost to equity markets early in the reporting period as it shifted to a more accommodative monetary policy. In January 2019,

1. Source: Morningstar.

The index is unmanaged and includes reinvestment of any income or distributions. It does 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.

2. Source: U.S. Bureau of Labor Statistics.

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 18.

the Fed signaled the end of its tightening cycle and cut the federal funds rate three times thereafter, lowering it to a range of 1.50%–1.75%. Stocks responded positively to the interest-rate cuts and gained further in December 2019 after the Fed indicated it would likely leave interest rates unchanged in 2020.

Growth slowed overall in the eurozone, particularly in Germany and Italy. Germany, which is heavily reliant on exports, was adversely affected by the trade conflict between the U.S. and China and the resulting slowdown in global trade. In Italy, political uncertainty and budget concerns caused the country's annual gross domestic product (GDP) growth to stall in 2019's first quarter before modestly improving in the second and third quarters. Despite sluggish economic conditions, European developed market equities, as measured by the MSCI Europe Index-NR (Local Currency), posted a +23.75% total return for the 12-month period, as easing trade tensions buoyed investor optimism and an electoral victory by the Conservative Party in the U.K. alleviated uncertainty surrounding Brexit.<sup>3</sup> Although the European Central Bank left its headline refinancing rate unchanged, it lowered the deposit rate and restarted its bond-buying stimulus program, further supporting stocks.

Economic growth in Asia was relatively solid overall, despite slowdowns in several large emerging market countries, such as China and India. Japan's economy grew amid the Bank of Japan's sizable stimulus program. The trade war between the U.S. and China provided the backdrop for Asian stocks, which rose and fell in sync with investor sentiment regarding a trade deal. A phase one trade agreement between the two countries reached in December 2019 propelled Asian developed and emerging market stocks, which ultimately ended with a +19.23% total return over the 12-month period, as measured by the MSCI All Country Asia Index (USD).<sup>4</sup>

Emerging market stocks overall experienced several sharp selloffs and subsequent rebounds throughout the reporting period before ending with gains. In aggregate, economic growth slowed somewhat from 2018 but remained solid, although there was some variation among individual countries. Many central banks in emerging markets cut interest rates throughout the reporting period, which, along with resilient GDP growth, provided a supportive environment for equities. Russian stocks posted the highest returns among emerging markets as the threat of further sanctions receded and a solid fiscal environment reassured investors. Overall, global emerging markets, as measured by

the MSCI Emerging Markets Index (USD), posted a +18.90% total return for the 12-month period.<sup>1</sup>

## Investment Strategy

At Franklin Mutual Series, we are committed to our distinctive value approach to investing, which we believe can generate above-average risk-adjusted returns over time for our shareholders. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. This strict value approach is not only intended to improve the likelihood of capital appreciation, but also reduces the risk of substantial declines, in our opinion. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well.

To a lesser extent, we complement this more traditional investment strategy with two others. One is distressed investing, a highly specialized field that has proven quite profitable during certain periods over the years. Distressed investing is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as deals, the target company may trade at a discount to the bid it ultimately accepts. One form of arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and avoid rumored deals or other situations we consider relatively risky. In

3. Source: Morningstar. Net Returns (NR) include income net of tax withholding when dividend are paid.

4. Source: MSCI.

addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

#### 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

The end of a decade is a natural time for reflection about the years that have just passed and to look ahead to what the next 10 might have in store. Across Wall Street, we see many prognostications, and while we are not in the forecasting business, we do allow ourselves to think about investment opportunities over such an extended time period. But experience has taught us that while trying to predict the exact course of markets and/or economic and political events that will drive them may be fun, it is not all that useful.

As 2010 began, the global economy was still recovering from the Global Financial Crisis. The U.S. government owned significant portions of the banking and automotive sectors. The Fed had already started quantitative easing (QE), with QE 2 and QE 3 still to come. In Europe, concerns about Greece's finances were emerging, and in China the effects of 2009's massive stimulus programs were starting to take hold.

Over the subsequent years we saw ongoing, global QE, culminating in trillions of dollars of debt yielding negative interest rates. The European Union (EU) was in continuous upheaval, with Greece threatening to leave, but eventually staying in the eurozone; the U.K. pursuing and achieving Brexit; and ongoing strain between core members Germany, France, Italy and Spain. In the U.S., average annual economic growth was restrained and finished the decade below 2%, trailing the minimum 3% expectation of prior decades. Strong corporate profits and lower corporate tax rates were bright spots.

Equity markets delivered a very good decade—one of the best in history—with the S&P 500 and the MSCI World Index (USD) posting average annual total returns of +13.56% and +10.08%, respectively.<sup>5</sup> During the decade, Franklin Mutual

## Top 10 Sectors/Industries

Based on Equity Securities as of 12/31/19

	% of Total Net Assets
Pharmaceuticals	9.9%
Banks	9.7%
Insurance	8.2%
Oil, Gas & Consumable Fuels	7.7%
Media	6.1%
Technology Hardware, Storage & Peripherals	4.3%
Tobacco	3.1%
Food Products	3.1%
Health Care Equipment & Supplies	3.0%
Software	3.0%

Shares Fund, Class Z posted an average annual total return of +9.01%, a solid absolute return that nonetheless lagged the S&P 500, its benchmark. The Fund's value strategy, which seeks to identify mispriced securities and limit downside risk, was out of favor in an environment that generally encouraged investors to assume more risk. Conversely, the Fund's Class Z shares posted an average annual total return of +5.27% in the prior decade, compared with -0.95% for the S&P 500.<sup>1</sup> Our active investment approach focusing on individual opportunities was more conducive to the prior decade's greater volatility.

In our view, going forward we expect more political and monetary uncertainty and economic growth in unexpected places. Corporate profits will have good years and bad years. Some industries will be massively disrupted, while others will find a way to adjust and prosper, even within the context of artificial intelligence and machine learning. Recent events, such as the coronavirus outbreak, have caused, and may continue to cause, uncertainty and volatility in the Chinese economy, potentially leading to vulnerability in 2020 global growth expectations. As for investment positioning, we intend to avoid forecasts that would lead us to make the Fund's success dependent on a specific set of outcomes. Rather, we will seek to continue with our time-tested value process and complement it with new tools that enhance our security evaluation and selection process. To that end, we have integrated risk and quantitative portfolio analysis tools that provide us with fresh insights about performance, and help us identify companies and securities that we believe

5. 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.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.



satisfy our investors' goals of risk-adjusted returns that are not wholly dependent on any one economic or political scenario.

## Fund Performance

Turning to Fund performance, top positive contributors included U.S.-based companies Charter Communications, Citigroup and Walt Disney. These companies are listed among the Fund's largest positions in the Top 10 Equity Holdings table on this page.

Shares of cable operator Charter Communications surged after the company reported operating and financial results that were broadly ahead of consensus estimates. Capital expenditures were lower than expected and drove free cash flow, which was used during the period to buy back \$3.1 billion of the company's stock. The market was anticipating share repurchases totaling \$2.25 billion. Revenue accelerated 5.1% compared with consensus forecasts of 4.5%. The increased revenue, however, did not reflect the impact of a broad-based increase in per subscriber fees implemented during the period, which could drive revenue growth and margin expansion in 2020. According to the company's management, there has not been a meaningful decrease in customers as a result of the higher per subscriber fees.

Investors bid up shares of bank and financial services provider Citigroup following the release of third-quarter earnings that beat consensus expectations. Highlights included increases in deposits of 6% quarter-over-quarter and 11% year-over-year; growth in revenues and purchase volumes in the North America-branded credit cards division by 11% and 7% year-over-year, respectively; and strong results in the bank's Asian operations across the board. Management also repurchased 76 million, or 3.3%, of outstanding shares of the company during the period.

Shares of family entertainment and media enterprise Walt Disney surged in late 2019. The rally was kicked off by an earnings report characterized by across-the-board outperformance of Disney legacy assets and a better-than-expected outlook for fiscal-year 2020 earnings. The company's stock continued to rise following the successful launch of Disney+, its subscription video on-demand streaming service, which reported more than 10 million subscribers on the first day of service, exceeding forecasts. The box office performance of Frozen II, which set a record for Thanksgiving-weekend receipts, also helped boost the stock's performance.

## Top 10 Equity Holdings

12/31/19

Company Sector/Industry, Country	% of Total Net Assets
Medtronic PLC <i>Health Care Equipment &amp; Supplies, U.S.</i>	3.0%
Novartis AG <i>Pharmaceuticals, Switzerland</i>	2.4%
The Walt Disney Co. <i>Entertainment, U.S.</i>	2.3%
Charter Communications Inc. <i>Media, U.S.</i>	2.3%
GlaxoSmithKline PLC <i>Pharmaceuticals, U.K.</i>	2.3%
Alleghany Corp. <i>Insurance, U.S.</i>	2.2%
JPMorgan Chase & Co. <i>Banks, U.S.</i>	2.2%
American International Group Inc. <i>Insurance, U.S.</i>	2.2%
Citigroup Inc. <i>Banks, U.S.</i>	2.1%
Wells Fargo & Co. <i>Banks, U.S.</i>	2.1%

During the period under review, Fund investments that detracted from performance included U.S.-based companies Fluor (not held at period-end), Occidental Petroleum and Walgreens Boots Alliance.

The share price of Fluor, a global engineering and construction company, fell significantly during the period. The company withdrew 2019 guidance after reporting significant project charges and materially lower-than-expected earnings and revenues. Following these disappointing results, the company announced the return of the former chief executive officer (CEO) as executive chairman, promoted the general counsel to CEO, rehired the former chief financial officer and initiated a strategic review that recommends simplifying the company's business model by divesting of non-core businesses.

The stock of Occidental Petroleum, a petroleum and chemical products company, traded lower in 2019 as investors struggled to accept its acquisition of Anadarko Petroleum, during a period in which energy stocks were under pressure from falling crude oil prices. We think the Anadarko deal should be highly beneficial to the company's per share metrics, although the acquisition will make the company more dependent on oil prices, while significantly weakening its balance sheet. The acquired Permian Basin



assets complement Occidental's existing portfolio, and the considerable free cash flow generated from Anadarko's Gulf of Mexico operations can help reduce debt and support its dividend. Occidental's management is strengthening the company's financial position by disposing of non-core assets, which is key to restoring investor confidence, in our view.

Shares of drug store services provider Walgreens Boots Alliance began to sell off early in 2019, when the chief financial officer cited negative industry trends in drug prices and pharmacy benefit manager (PBM) reimbursement rates. Shares also fell in reaction to the company's limited success in offsetting those challenges by increasing its volume of drug sales or renegotiating with PBMs. These pressures, and weakness in both its U.S. and U.K. stores, resulted in a cut to full-year guidance in April. However, Walgreens is reducing costs throughout the enterprise, and is attempting to reduce exposure to lower margin categories within the front of its stores, which we believe can help boost growth and profitability over the longer term. The company's share price rallied in early November based on news that global investment firm KKR had approached the company about taking it private via a leveraged buyout that would likely be the largest in history. However, the stock retreated later when deal terms failed to materialize.

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 modestly positive overall impact on the Fund's performance.

#### **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 Shares Fund. We look forward to continuing to serve your investment needs.



A handwritten signature in black ink that reads "Peter A. Langerman".

Peter A. Langerman  
Co-Portfolio Manager



A handwritten signature in black ink that reads "F. David Segal".

F. David Segal, CFA  
Co-Portfolio Manager



A handwritten signature in black ink that reads "Debbie Turner".

Debbie A. Turner, CFA  
Co-Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 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 December 31, 2019

The performance table and graphs do 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 12/31/19<sup>1</sup>

*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](http://franklintempleton.com).*

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
<b>Z</b>		
1-Year	+23.13%	+23.13%
5-Year	+35.59%	+6.28%
10-Year	+136.87%	+9.01%
<b>A<sup>4</sup></b>		
1-Year	+22.86%	+16.09%
5-Year	+33.88%	+4.82%
10-Year	+130.40%	+8.09%

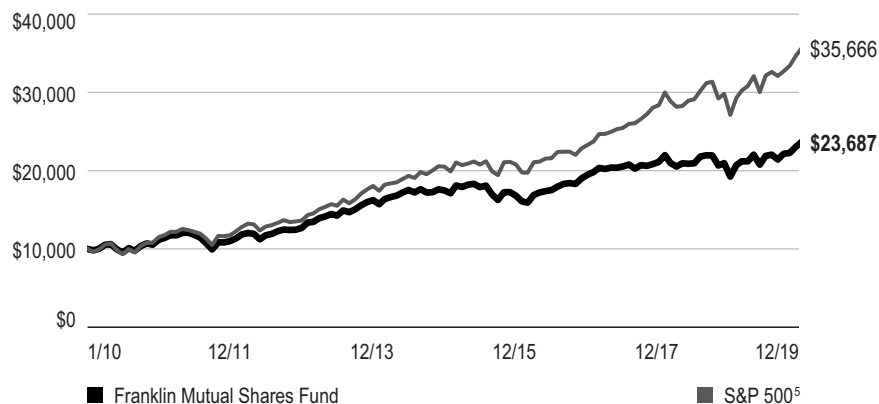
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

See page 11 for Performance Summary footnotes.

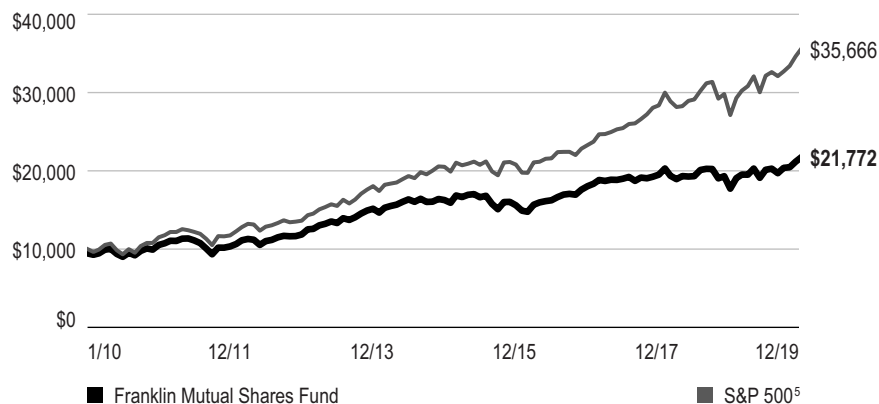
## Total Return Index Comparison for a Hypothetical \$10,000 Investment<sup>1</sup>

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

### Class Z (1/1/10–12/31/19)



### Class A (1/1/10–12/31/19)



See page 11 for Performance Summary footnotes.

## Distributions (1/1/19–12/31/19)

Share Class	Net Investment Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
Z	\$0.7149	\$0.0648	\$1.4468	\$2.2265
A	\$0.6430	\$0.0648	\$1.4468	\$2.1546
C	\$0.4236	\$0.0648	\$1.4468	\$1.9352
R	\$0.5479	\$0.0648	\$1.4468	\$2.0595
R6	\$0.7317	\$0.0648	\$1.4468	\$2.2433

## Total Annual Operating Expenses<sup>6</sup>

Share Class	With Fee Waiver	Without Fee Waiver
Z	0.77%	0.77%
A	1.02%	1.02%

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. 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's prospectus also includes a description of the main investment risks.

1. 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 4/30/20. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. 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.
4. 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%.
5. Source: Morningstar. The S&P 500 is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.
6. 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. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## 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  $\$8,600 \div \$1,000 = 8.6$* ). 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  $8.6 \times \$7.50 = \$64.50$* ). 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.

Share Class	Beginning Account Value 7/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/19	Expenses Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	Ending Account Value 12/31/19	Expenses Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	
<b>Z</b>	\$1,000	\$1,082.20	\$4.09	\$1,021.27	\$3.97	0.78%
<b>A</b>	\$1,000	\$1,081.30	\$5.40	\$1,020.01	\$5.24	1.03%
<b>C</b>	\$1,000	\$1,076.80	\$9.32	\$1,016.23	\$9.05	1.78%
<b>R</b>	\$1,000	\$1,079.60	\$6.71	\$1,018.75	\$6.51	1.28%
<b>R6</b>	\$1,000	\$1,082.90	\$3.68	\$1,021.68	\$3.57	0.70%

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 184/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

## Financial Highlights

### Franklin Mutual Shares Fund

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class Z</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$24.25	\$28.63	\$28.22	\$26.00	\$29.52
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.63	0.51	0.65 <sup>c</sup>	0.63 <sup>d</sup>	0.54
Net realized and unrealized gains (losses) . . . . .	4.90	(3.11)	1.73	3.48	(1.71)
Total from investment operations . . . . .	5.53	(2.60)	2.38	4.11	(1.17)
Less distributions from:					
Net investment income . . . . .	(0.71)	(0.53)	(0.68)	(0.64)	(0.59)
Net realized gains . . . . .	(1.51)	(1.25)	(1.29)	(1.25)	(1.76)
Total distributions . . . . .	(2.22)	(1.78)	(1.97)	(1.89)	(2.35)
Net asset value, end of year . . . . .	\$27.56	\$24.25	\$28.63	\$28.22	\$26.00
Total return . . . . .	23.13%	(8.95)%	8.49%	15.88%	(3.81)%
<b>Ratios to average net assets</b> . . . . .					
Expenses <sup>e,f</sup> . . . . .	0.78% <sup>g</sup>	0.76% <sup>g</sup>	0.78%	0.80% <sup>g</sup>	0.81% <sup>g</sup>
Expenses incurred in connection with securities sold short . . . . .	0.02%	—% <sup>h</sup>	—%	0.01%	0.02%
Net investment income . . . . .	2.32%	1.77%	2.23% <sup>c</sup>	2.33% <sup>d</sup>	1.82%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$5,472,276	\$5,189,476	\$6,229,996	\$7,681,881	\$6,770,056
Portfolio turnover rate . . . . .	21.71%	20.72%	18.15%	20.56%	19.99%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 1.69%.

<sup>d</sup>Net investment income per share includes approximately \$0.10 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 1.96%.

<sup>e</sup>Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Rounds to less than 0.01%.



**Franklin Mutual Shares Fund** (continued)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class A</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$24.00	\$28.35	\$27.97	\$25.78	\$29.29
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.56	0.43	0.58 <sup>c</sup>	0.56 <sup>d</sup>	0.45
Net realized and unrealized gains (losses) . . . . .	4.85	(3.07)	1.70	3.45	(1.69)
Total from investment operations . . . . .	5.41	(2.64)	2.28	4.01	(1.24)
Less distributions from:					
Net investment income . . . . .	(0.64)	(0.46)	(0.61)	(0.57)	(0.51)
Net realized gains . . . . .	(1.51)	(1.25)	(1.29)	(1.25)	(1.76)
Total distributions . . . . .	(2.15)	(1.71)	(1.90)	(1.82)	(2.27)
Net asset value, end of year . . . . .	\$27.26	\$24.00	\$28.35	\$27.97	\$25.78
Total return <sup>e</sup> . . . . .	22.86%	(9.18)%	8.21%	15.61%	(4.10)%
<b>Ratios to average net assets</b>					
Expenses <sup>f,g</sup> . . . . .	1.03% <sup>h</sup>	1.01% <sup>h</sup>	1.03%	1.05% <sup>h</sup>	1.09% <sup>h</sup>
Expenses incurred in connection with securities sold short . . . . .	0.02%	—% <sup>i</sup>	—%	0.01%	0.02%
Net investment income . . . . .	2.07%	1.52%	1.98% <sup>c</sup>	2.08% <sup>d</sup>	1.54%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$4,042,626	\$3,852,134	\$4,386,829	\$4,737,576	\$4,819,868
Portfolio turnover rate . . . . .	21.71%	20.72%	18.15%	20.56%	19.99%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 1.44%.

<sup>d</sup>Net investment income per share includes approximately \$0.10 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 1.71%.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>f</sup>Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

<sup>g</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>h</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>i</sup>Rounds to less than 0.01%.

**Franklin Mutual Shares Fund** (continued)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class C</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$23.97	\$28.04	\$27.68	\$25.54	\$29.02
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.36	0.21	0.35 <sup>c</sup>	0.35 <sup>d</sup>	0.24
Net realized and unrealized gains (losses) . . . . .	4.82	(3.00)	1.67	3.40	(1.67)
Total from investment operations . . . . .	5.18	(2.79)	2.02	3.75	(1.43)
Less distributions from:					
Net investment income . . . . .	(0.42)	(0.03)	(0.37)	(0.36)	(0.29)
Net realized gains . . . . .	(1.51)	(1.25)	(1.29)	(1.25)	(1.76)
Total distributions . . . . .	(1.93)	(1.28)	(1.66)	(1.61)	(2.05)
Net asset value, end of year . . . . .	\$27.22	\$23.97	\$28.04	\$27.68	\$25.54
Total return <sup>e</sup> . . . . .	21.93%	(9.87)%	7.37%	14.77%	(4.79)%
<b>Ratios to average net assets</b>					
Expenses <sup>f,g</sup> . . . . .	1.78% <sup>h</sup>	1.76% <sup>h</sup>	1.78%	1.80% <sup>h</sup>	1.81% <sup>h</sup>
Expenses incurred in connection with securities sold short . . . . .	0.02%	—% <sup>i</sup>	—%	0.01%	0.02%
Net investment income . . . . .	1.32%	0.77%	1.23% <sup>c</sup>	1.33% <sup>d</sup>	0.82%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$302,296	\$309,756	\$995,665	\$1,114,760	\$1,101,302
Portfolio turnover rate . . . . .	21.71%	20.72%	18.15%	20.56%	19.99%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 0.69%.

<sup>d</sup>Net investment income per share includes approximately \$0.10 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 0.96%.

<sup>e</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>f</sup>Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

<sup>g</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>h</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>i</sup>Rounds to less than 0.01%.

**Franklin Mutual Shares Fund** (continued)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class R</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$23.91	\$28.21	\$27.83	\$25.66	\$29.14
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.49	0.36	0.50 <sup>c</sup>	0.49 <sup>d</sup>	0.38
Net realized and unrealized gains (losses) . . . . .	4.83	(3.05)	1.70	3.42	(1.67)
Total from investment operations . . . . .	5.32	(2.69)	2.20	3.91	(1.29)
Less distributions from:					
Net investment income . . . . .	(0.55)	(0.36)	(0.53)	(0.49)	(0.43)
Net realized gains . . . . .	(1.51)	(1.25)	(1.29)	(1.25)	(1.76)
Total distributions . . . . .	(2.06)	(1.61)	(1.82)	(1.74)	(2.19)
Net asset value, end of year . . . . .	\$27.17	\$23.91	\$28.21	\$27.83	\$25.66
Total return . . . . .	22.55%	(9.41)%	7.96%	15.31%	(4.32)%
<b>Ratios to average net assets</b>					
Expenses <sup>e,f</sup> . . . . .	1.28% <sup>g</sup>	1.26% <sup>g</sup>	1.28%	1.30% <sup>g</sup>	1.31% <sup>g</sup>
Expenses incurred in connection with securities sold short . . . . .	0.02%	—% <sup>h</sup>	—% <sup>c</sup>	0.01%	0.02%
Net investment income . . . . .	1.82%	1.27%	1.73% <sup>c</sup>	1.83% <sup>d</sup>	1.32%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$66,038	\$74,345	\$107,660	\$123,013	\$134,050
Portfolio turnover rate . . . . .	21.71%	20.72%	18.15%	20.56%	19.99%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 1.19%.

<sup>d</sup>Net investment income per share includes approximately \$0.10 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 1.46%.

<sup>e</sup>Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Rounds to less than 0.01%.

**Franklin Mutual Shares Fund** (continued)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class R6</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$24.23	\$28.61	\$28.21	\$25.98	\$29.51
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.64	0.53	0.70 <sup>c</sup>	0.66 <sup>d</sup>	0.57
Net realized and unrealized gains (losses) . . . . .	4.92	(3.11)	1.71	3.49	(1.71)
Total from investment operations . . . . .	5.56	(2.58)	2.41	4.15	(1.14)
Less distributions from:					
Net investment income . . . . .	(0.73)	(0.55)	(0.72)	(0.67)	(0.63)
Net realized gains . . . . .	(1.51)	(1.25)	(1.29)	(1.25)	(1.76)
Total distributions . . . . .	(2.24)	(1.80)	(2.01)	(1.92)	(2.39)
Net asset value, end of year . . . . .	\$27.55	\$24.23	\$28.61	\$28.21	\$25.98
Total return . . . . .	23.26%	(8.88)%	8.61%	16.05%	(3.71)%
<b>Ratios to average net assets</b>					
Expenses <sup>e,f</sup> . . . . .	0.70% <sup>g</sup>	0.69% <sup>g</sup>	0.67%	0.68% <sup>g</sup>	0.69% <sup>g</sup>
Expenses incurred in connection with securities sold short . . . . .	0.02%	—% <sup>h</sup>	—%	0.01%	0.02%
Net investment income . . . . .	2.40%	1.84%	2.34% <sup>c</sup>	2.45% <sup>d</sup>	1.94%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,680,600	\$3,160,186	\$3,741,430	\$1,896,497	\$1,923,466
Portfolio turnover rate . . . . .	21.71%	20.72%	18.15%	20.56%	19.99%

<sup>a</sup>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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 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 1.80%.

<sup>d</sup>Net investment income per share includes approximately \$0.10 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 2.08%.

<sup>e</sup>Includes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(e).

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>g</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>h</sup>Rounds to less than 0.01%.

## Statement of Investments, December 31, 2019

## Franklin Mutual Shares Fund

	Country	Shares/ Rights/ Units/ Warrants	Value
<b>Common Stocks and Other Equity Interests 91.1%</b>			
<b>Aerospace &amp; Defense 2.3%</b>			
BAE Systems PLC . . . . .	United Kingdom	15,590,083	\$ 116,621,514
Huntington Ingalls Industries Inc. . . . .	United States	609,698	152,961,034
			<u>269,582,548</u>
<b>Auto Components 0.0%†</b>			
<sup>a,b,c,d</sup> International Automotive Components Group Brazil LLC . . . . .	Brazil	7,234,813	<u>262,624</u>
<b>Automobiles 1.2%</b>			
General Motors Co. . . . .	United States	3,805,294	<u>139,273,760</u>
<b>Banks 9.7%</b>			
Cadence Bancorp . . . . .	United States	1,604,557	29,090,619
CIT Group Inc. . . . .	United States	2,228,261	101,675,550
Citigroup Inc. . . . .	United States	3,077,706	245,877,932
Citizens Financial Group Inc. . . . .	United States	4,361,671	177,127,459
Columbia Banking System Inc. . . . .	United States	75,396	3,067,486
JPMorgan Chase & Co. . . . .	United States	1,827,190	254,710,286
Synovus Financial Corp. . . . .	United States	1,882,029	73,775,537
Wells Fargo & Co. . . . .	United States	4,450,830	239,454,654
			<u>1,124,779,523</u>
<b>Building Products 1.2%</b>			
Johnson Controls International PLC . . . . .	United States	3,293,400	<u>134,074,314</u>
<b>Communications Equipment 0.8%</b>			
Cisco Systems Inc. . . . .	United States	2,020,910	<u>96,922,844</u>
<b>Consumer Finance 1.5%</b>			
Capital One Financial Corp. . . . .	United States	1,731,205	<u>178,158,307</u>
<b>Containers &amp; Packaging 1.6%</b>			
International Paper Co. . . . .	United States	3,220,137	148,287,309
WestRock Co. . . . .	United States	968,212	41,545,977
			<u>189,833,286</u>
<b>Diversified Financial Services 1.6%</b>			
Voya Financial Inc. . . . .	United States	2,937,130	<u>179,106,187</u>
<b>Diversified Telecommunication Services 0.7%</b>			
Koninklijke KPN NV . . . . .	Netherlands	26,172,465	<u>77,222,773</u>
<b>Electrical Equipment 1.8%</b>			
<sup>a</sup> Sensata Technologies Holding PLC . . . . .	United States	3,755,370	<u>202,301,782</u>
<b>Electronic Equipment, Instruments &amp; Components 1.0%</b>			
Corning Inc. . . . .	United States	4,042,414	<u>117,674,671</u>
<b>Energy Equipment &amp; Services 1.7%</b>			
Baker Hughes Co., A . . . . .	United States	2,405,627	61,656,220
Schlumberger Ltd. . . . .	United States	3,224,000	129,604,800
			<u>191,261,020</u>
<b>Entertainment 2.3%</b>			
The Walt Disney Co. . . . .	United States	1,853,574	<u>268,082,408</u>

## Franklin Mutual Shares Fund (continued)

	Country	Shares/ Rights/ Units/ Warrants	Value
<b>Common Stocks and Other Equity Interests (continued)</b>			
<b>Equity Real Estate Investment Trusts (REITs) 1.7%</b>			
Alexander's Inc. . . . .	United States	231,286	\$ 76,405,330
Vornado Realty Trust . . . . .	United States	1,752,422	116,536,063
			<u>192,941,393</u>
<b>Food &amp; Staples Retailing 2.7%</b>			
The Kroger Co. . . . .	United States	6,370,986	184,694,884
Walgreens Boots Alliance Inc. . . . .	United States	2,104,829	124,100,718
			<u>308,795,602</u>
<b>Food Products 3.1%</b>			
Archer-Daniels-Midland Co. . . . .	United States	2,402,500	111,355,875
Conagra Brands Inc. . . . .	United States	1,481,783	50,736,250
The Kraft Heinz Co. . . . .	United States	6,008,600	193,056,318
			<u>355,148,443</u>
<b>Health Care Equipment &amp; Supplies 3.0%</b>			
Medtronic PLC. . . . .	United States	3,107,601	352,557,333
<b>Health Care Providers &amp; Services 1.7%</b>			
CVS Health Corp. . . . .	United States	2,595,215	192,798,522
<b>Household Durables 3.0%</b>			
Lennar Corp., A . . . . .	United States	2,046,900	114,196,551
Newell Brands Inc. . . . .	United States	8,492,195	163,219,988
Toll Brothers Inc. . . . .	United States	1,715,500	67,779,405
			<u>345,195,944</u>
<b>Household Products 0.7%</b>			
Energizer Holdings Inc. . . . .	United States	1,538,433	77,260,105
<b>Independent Power &amp; Renewable Electricity Producers 0.1%</b>			
Vistra Energy Corp. . . . .	United States	658,165	15,131,213
<b>Industrial Conglomerates 1.1%</b>			
General Electric Co. . . . .	United States	11,699,600	130,567,536
<b>Insurance 8.2%</b>			
<sup>a</sup> Alleghany Corp. . . . .	United States	325,189	260,011,369
American International Group Inc. . . . .	United States	4,874,739	250,220,353
Chubb Ltd. . . . .	United States	195,858	30,487,256
Everest Re Group Ltd. . . . .	United States	444,994	123,192,139
The Hartford Financial Services Group Inc. . . . .	United States	3,214,299	195,332,950
MetLife Inc. . . . .	United States	1,833,830	93,470,315
			<u>952,714,382</u>
<b>IT Services 1.5%</b>			
Cognizant Technology Solutions Corp., A . . . . .	United States	2,857,050	177,194,241
<b>Machinery 0.9%</b>			
CNH Industrial NV . . . . .	United Kingdom	3,744,919	41,115,449
CNH Industrial NV, special voting . . . . .	United Kingdom	5,296,616	58,151,524
			<u>99,266,973</u>

**Franklin Mutual Shares Fund** (continued)

	Country	Shares/ Rights/ Units/ Warrants	Value
<b>Common Stocks and Other Equity Interests</b> (continued)			
<b>Media 6.1%</b>			
<sup>a</sup> Charter Communications Inc., A . . . . .	United States	543,329	\$ 263,558,031
Comcast Corp., A . . . . .	United States	4,398,700	197,809,539
<sup>a</sup> Discovery Inc., C . . . . .	United States	4,106,800	125,216,332
<sup>a</sup> DISH Network Corp., A . . . . .	United States	2,477,837	87,888,878
<sup>a</sup> iHeartMedia Inc., A . . . . .	United States	1,795,072	30,336,717
<sup>a,c</sup> iHeartMedia Inc., B . . . . .	United States	35,201	505,662
<sup>a</sup> iHeartMedia Inc., wts., A, 5/01/39 . . . . .	United States	1,786	30,182
			<u>705,345,341</u>
<b>Oil, Gas &amp; Consumable Fuels 7.7%</b>			
BP PLC . . . . .	United Kingdom	26,357,264	164,630,268
Kinder Morgan Inc. . . . .	United States	9,925,540	210,123,682
Marathon Oil Corp. . . . .	United States	9,432,085	128,087,714
Occidental Petroleum Corp. . . . .	United States	1,825,516	75,229,514
Plains All American Pipeline LP . . . . .	United States	3,323,700	61,122,843
Royal Dutch Shell PLC, A (EUR Traded) . . . . .	United Kingdom	1,219,903	35,795,296
Royal Dutch Shell PLC, A (GBP Traded) . . . . .	United Kingdom	2,719,064	80,488,256
The Williams Cos. Inc. . . . .	United States	5,465,884	129,650,769
			<u>885,128,342</u>
<b>Pharmaceuticals 9.9%</b>			
Allergan PLC . . . . .	United States	703,000	134,392,510
<sup>a</sup> Bristol-Myers Squibb Co., rts., 2/01/49 . . . . .	United States	1,368,343	4,118,712
Eli Lilly & Co. . . . .	United States	1,790,643	235,344,210
GlaxoSmithKline PLC . . . . .	United Kingdom	11,072,484	260,889,483
Merck & Co. Inc. . . . .	United States	1,660,972	151,065,403
Novartis AG, ADR . . . . .	Switzerland	2,881,641	272,862,586
Perrigo Co. PLC . . . . .	United States	1,643,800	84,918,708
			<u>1,143,591,612</u>
<b>Software 3.0%</b>			
<sup>a</sup> Avaya Holdings Corp. . . . .	United States	364	4,914
<sup>a</sup> Avaya Holdings Corp., wts., 12/15/22 . . . . .	United States	276,741	332,089
NortonLifeLock Inc. . . . .	United States	8,128,551	207,440,622
Oracle Corp. . . . .	United States	2,686,800	142,346,664
			<u>350,124,289</u>
<b>Specialty Retail 0.2%</b>			
<sup>a,b,c</sup> TRU Kids Parent LLC . . . . .	United States	7,469	27,867,828
<sup>a,b,c</sup> Wayne Services Legacy Inc. . . . .	United States	7,469	—
			<u>27,867,828</u>
<b>Technology Hardware, Storage &amp; Peripherals 4.3%</b>			
Hewlett Packard Enterprise Co. . . . .	United States	7,532,314	119,462,500
Samsung Electronics Co. Ltd. . . . .	South Korea	4,751,619	229,362,140
Western Digital Corp. . . . .	United States	2,337,857	148,383,784
			<u>497,208,424</u>



Franklin Mutual Shares Fund (continued)

	Country	Shares/ Rights/ Units/ Warrants	Value
<b>Common Stocks and Other Equity Interests (continued)</b>			
<b>Textiles, Apparel &amp; Luxury Goods 1.2%</b>			
PVH Corp. . . . .	United States	1,285,900	\$ 135,212,385
<b>Tobacco 3.1%</b>			
Altria Group Inc. . . . .	United States	2,023,360	100,985,898
British American Tobacco PLC. . . . .	United Kingdom	3,767,740	161,257,769
British American Tobacco PLC, ADR . . . . .	United Kingdom	1,424,588	60,488,007
Imperial Brands PLC. . . . .	United Kingdom	1,507,727	37,322,229
			360,053,903
<b>Wireless Telecommunication Services 0.5%</b>			
Vodafone Group PLC . . . . .	United Kingdom	30,709,264	59,691,525
<b>Total Common Stocks and Other Equity Interests (Cost \$7,458,792,081) . . . . .</b>			<b>10,532,331,383</b>
		<b>Principal Amount</b>	
<b>Corporate Notes and Senior Floating Rate Interests 3.5%</b>			
<sup>e</sup> Banff Merger Sub Inc., senior note, 144A, 9.75%, 9/01/26 . . . . .	United States	\$ 59,688,000	60,584,812
Frontier Communications Corp.,			
senior note, 10.50%, 9/15/22. . . . .	United States	72,365,000	35,481,428
senior note, 11.00%, 9/15/25. . . . .	United States	81,506,000	39,734,175
<sup>e</sup> senior secured note, first lien, 144A, 8.00%, 4/01/27 . . . . .	United States	19,878,000	20,809,284
<sup>f,g</sup> Veritas U.S. Inc.,			
Term Loan B1, 6.299%, (1-month USD LIBOR + 4.50%), 1/27/23 . . . . .	United States	48,688,224	47,065,300
Term Loan B1, 6.445%, (3-month USD LIBOR + 4.50%), 1/27/23 . . . . .	United States	9,353,364	9,041,589
<sup>e</sup> Veritas U.S. Inc./Veritas Bermuda Ltd.,			
senior note, 144A, 7.50%, 2/01/23 . . . . .	United States	9,656,000	9,660,007
senior note, 144A, 10.50%, 2/01/24 . . . . .	United States	76,705,000	71,175,720
<sup>f,g</sup> Windstream Services LLC,			
<sup>h</sup> Revolving Commitment, 7.75%, (Prime + 3.00%), 4/24/20 . . . . .	United States	91,322,291	85,614,648
Term Loan B6, 9.75%, (Prime + 5.00%), 3/30/21 . . . . .	United States	23,496,000	22,543,566
<b>Total Corporate Notes and Senior Floating Rate Interests (Cost \$466,961,562) . . . . .</b>			<b>401,710,529</b>
<b>Corporate Notes in Reorganization (Cost \$30,683,169) 0.0%<sup>†</sup></b>			
<sup>e,i</sup> McDermott Technology Americas Inc., senior note, 144A, 10.625%, 5/01/24 . . . . .	United States	32,043,000	2,813,696
		<b>Shares</b>	
<b>Companies in Liquidation 0.0%<sup>†</sup></b>			
<sup>a,c,j</sup> Clear Channel Communications Inc., Contingent Distribution. . . . .	United States	74,295,000	—
<sup>a,c,j</sup> iHeartCommunications Inc., Contingent Distribution . . . . .	United States	125,033,338	—
<sup>a,c,j</sup> Tribune Media, Litigation Trust, Contingent Distribution . . . . .	United States	1,000,497	—
<sup>a,c,j</sup> Vistra Energy Corp., Litigation Trust, Contingent Distribution . . . . .	United States	194,177,556	106,797

**Franklin Mutual Shares Fund** (continued)

	Country	Shares	Value
<b>Companies in Liquidation</b> (continued)			
<sup>a,c,j</sup> Walter Energy Inc., Litigation Trust, Contingent Distribution . . . . .	United States	20,046,000	\$ —
<b>Total Companies in Liquidation (Cost \$6,071,371)</b> . . . . .			106,797
<b>Total Investments before Short Term Investments (Cost \$7,962,508,183)</b> . . . . .			10,936,962,405
		<b>Principal Amount</b>	
<b>Short Term Investments 5.6%</b>			
<b>U.S. Government and Agency Securities 5.6%</b>			
<sup>k</sup> FHLB, 1/02/20 . . . . .	United States	\$ 16,300,000	16,300,000
<sup>k</sup> U.S. Treasury Bill, <sup>l</sup> 2/06/20 - 3/19/20 . . . . .	United States	83,000,000	82,794,435
1/02/20 - 5/28/20 . . . . .	United States	550,000,000	548,666,202
<b>Total U.S. Government and Agency Securities (Cost \$647,476,582)</b> . . . . .			647,760,637
<b>Total Investments (Cost \$8,609,984,765) 100.2%</b> . . . . .			11,584,723,042
<b>Securities Sold Short (0.5)%</b> . . . . .			(53,876,501)
<b>Other Assets, less Liabilities 0.3%</b> . . . . .			32,989,498
<b>Net Assets 100.0%</b> . . . . .			\$11,563,836,039
		<b>Shares</b>	
<sup>m</sup> <b>Securities Sold Short (Proceeds \$46,531,474) (0.5)%</b>			
<b>Common Stocks (0.5)%</b>			
<b>Biotechnology (0.5)%</b>			
AbbVie Inc. . . . .	United States	608,499	(53,876,501)

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>a</sup>Non-income producing.

<sup>b</sup>See Note 11 regarding holdings of 5% voting securities.

<sup>c</sup>Fair valued using significant unobservable inputs. See Note 13 regarding fair value measurements.

<sup>d</sup>See Note 9 regarding restricted securities.

<sup>e</sup>Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. At December 31, 2019, the aggregate value of these securities was \$165,043,519, representing 1.4% of net assets.

<sup>f</sup>The coupon rate shown represents the rate at period end.

<sup>g</sup>See Note 1(g) regarding senior floating rate interests.

<sup>h</sup>A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).

<sup>i</sup>See Note 8 regarding credit risk and defaulted securities.

<sup>j</sup>Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

<sup>k</sup>The security was issued on a discount basis with no stated coupon rate.

<sup>l</sup>A portion or all of the security has been segregated as collateral for securities sold short and/or open forward exchange contracts. At December 31, 2019, the aggregate value of these securities pledged amounted to \$ 32,911,646, representing 0.3% of net assets.

<sup>m</sup>See Note 1(e) regarding securities sold short.

**Franklin Mutual Shares Fund** (continued)

At December 31, 2019, the Fund had the following futures contracts outstanding. See Note 1(d).

**Futures Contracts**

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
<b>Currency Contracts</b>					
EUR/USD. ....	Short	728	\$102,666,200	3/16/20	\$ (986,062)
GBP/USD. ....	Short	1,814	150,698,050	3/16/20	(1,171,780)
Total Futures Contracts. ....					<u>\$(2,157,842)</u>

\*As of period end.

At December 31, 2019, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

**Forward Exchange Contracts**

Currency	Counterparty <sup>a</sup>	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
<b>OTC Forward Exchange Contracts</b>							
Euro .....	BOFA	Buy	10,161,789	\$11,340,783	1/15/20	\$ 66,124	\$ —
Euro .....	BOFA	Sell	1,218,207	1,354,210	1/15/20	—	(13,263)
Euro .....	HSBK	Buy	1,110,000	1,247,152	1/15/20	—	(1,144)
Euro .....	HSBK	Buy	2,961,420	3,298,217	1/15/20	26,065	—
Euro .....	HSBK	Sell	1,218,207	1,355,146	1/15/20	—	(12,328)
Euro .....	SSBT	Sell	18,399,108	21,014,725	1/15/20	361,184	—
Euro .....	UBSW	Sell	18,399,108	21,014,817	1/15/20	361,276	—
British Pound .....	BOFA	Buy	418,966	548,451	1/16/20	6,712	—
British Pound .....	BOFA	Sell	7,030,724	8,843,987	1/16/20	—	(472,283)
British Pound .....	HSBK	Sell	19,661,567	24,815,811	1/16/20	—	(1,237,331)
South Korean Won .....	HSBK	Sell	72,308,874,616	60,555,797	1/17/20	—	(2,016,839)
South Korean Won .....	UBSW	Buy	2,494,512,800	2,159,377	1/17/20	—	(746)
South Korean Won .....	UBSW	Buy	9,612,263,500	8,159,124	1/17/20	158,869	—
South Korean Won .....	UBSW	Sell	44,474,572,809	37,585,034	1/17/20	—	(901,131)
British Pound .....	HSBK	Sell	8,780,856	11,016,979	2/14/20	—	(627,650)
British Pound .....	SSBT	Sell	4,975,490	6,060,595	2/14/20	—	(537,593)
Euro .....	SSBT	Sell	15,316,719	17,033,110	2/18/20	—	(196,695)
Euro .....	SSBT	Sell	4,202,801	4,707,276	4/07/20	—	(35,189)
Euro .....	UBSW	Sell	4,202,802	4,707,251	4/07/20	—	(35,215)
British Pound .....	BOFA	Sell	5,860,227	7,577,918	4/24/20	—	(208,052)
British Pound .....	HSBK	Sell	11,856,261	15,358,325	4/24/20	—	(394,050)
South Korean Won .....	HSBK	Sell	100,408,792,211	86,620,257	5/15/20	—	(604,932)
South Korean Won .....	UBSW	Sell	58,942,998,018	50,943,023	5/15/20	—	(260,800)
Euro .....	SSBT	Sell	12,813,030	14,364,816	5/21/20	—	(133,135)
Euro .....	UBSW	Sell	12,813,030	14,365,905	5/21/20	—	(132,046)
British Pound .....	BOFA	Sell	6,752,067	8,822,422	5/22/20	—	(155,018)

**Franklin Mutual Shares Fund** (continued)

**Forward Exchange Contracts** (continued)

Currency	Counterparty <sup>a</sup>	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
<b>OTC Forward Exchange Contracts</b> (continued)							
British Pound . . . . .	HSBK	Sell	62,688,202	\$81,305,529	5/22/20	\$ —	\$ (2,043,695)
Total Forward Exchange Contracts . . . . .						\$980,230	\$(10,019,135)
Net unrealized appreciation (depreciation) . . . . .							\$ (9,038,905)

<sup>a</sup>May be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Note 10 regarding other derivative information.

See Abbreviations on page 43.

## Statement of Assets and Liabilities

December 31, 2019

### Franklin Mutual Shares Fund

**Assets:**

Investments in securities:

Cost - Unaffiliated issuers . . . . .	\$ 8,568,582,657
Cost - Non-controlled affiliates (Note 3f and 11) . . . . .	41,402,108

Value - Unaffiliated issuers . . . . .	\$11,556,592,590
Value - Non-controlled affiliates (Note 3f and 11) . . . . .	28,130,452

Cash . . . . .	1,113,363
----------------	-----------

Foreign currency, at value (cost \$1,411,958) . . . . .	1,437,774
---	-----------

Receivables:

Investment securities sold . . . . .	17,702,299
Capital shares sold . . . . .	2,350,436
Dividends and interest . . . . .	38,443,445
European Union tax reclaims . . . . .	7,226,216

Deposits with brokers for:

Securities sold short . . . . .	54,941,618
Futures contracts . . . . .	6,001,320

Unrealized appreciation on OTC forward exchange contracts . . . . .	980,230
---	---------

Other assets . . . . .	3,404,432
------------------------	-----------

Total assets . . . . .	11,718,324,175
------------------------	----------------

**Liabilities:**

Payables:

Investment securities purchased . . . . .	63,315,638
Capital shares redeemed . . . . .	14,589,686
Management fees . . . . .	6,380,412
Distribution fees . . . . .	1,132,078
Transfer agent fees . . . . .	1,466,901
Trustees' fees and expenses . . . . .	1,035,874
Variation margin on futures contracts . . . . .	1,921,345

Securities sold short, at value (proceeds \$46,531,474) . . . . .	53,876,501
---	------------

Unrealized depreciation on OTC forward exchange contracts . . . . .	10,019,135
---	------------

Accrued expenses and other liabilities . . . . .	750,566
--	---------

Total liabilities . . . . .	154,488,136
-----------------------------	-------------

Net assets, at value . . . . .	\$11,563,836,039
--------------------------------	------------------

**Net assets consist of:**

Paid-in capital . . . . .	\$ 8,421,411,264
---------------------------	------------------

Total distributable earnings (losses) . . . . .	3,142,424,775
---	---------------

Net assets, at value . . . . .	\$11,563,836,039
--------------------------------	------------------

## Statement of Assets and Liabilities (continued)

December 31, 2019

### Franklin Mutual Shares Fund

#### Class Z:

Net assets, at value	\$5,472,276,431
Shares outstanding	198,525,310
Net asset value and maximum offering price per share	\$27.56

#### Class A:

Net assets, at value	\$4,042,625,849
Shares outstanding	148,318,618
Net asset value per share <sup>a</sup>	\$27.26
Maximum offering price per share (net asset value per share ÷ 94.50%)	\$28.85

#### Class C:

Net assets, at value	\$ 302,296,402
Shares outstanding	11,105,781
Net asset value and maximum offering price per share <sup>a</sup>	\$27.22

#### Class R:

Net assets, at value	\$ 66,037,699
Shares outstanding	2,430,462
Net asset value and maximum offering price per share	\$27.17

#### Class R6:

Net assets, at value	\$1,680,599,658
Shares outstanding	61,009,188
Net asset value and maximum offering price per share	\$27.55

<sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

# Statement of Operations

for the year ended December 31, 2019

## Franklin Mutual Shares Fund

**Investment income:**

## Dividends: (net of foreign taxes)\*

Unaffiliated issuers . . . . .	\$ 309,359,245
Non-controlled affiliates (Note 3f and 11) . . . . .	4,162,293

## Interest:

Unaffiliated issuers . . . . .	82,188,646
--------------------------------	------------

## Income from securities loaned:

Unaffiliated issuers (net of fees and rebates) . . . . .	1,068,265
Non-controlled affiliates (Note 3f) . . . . .	72,310

Other income (Note 1h) . . . . .	793,071
----------------------------------	---------

Total investment income . . . . .	397,643,830
-----------------------------------	-------------

**Expenses:**

Management fees (Note 3a) . . . . .	83,782,616
-------------------------------------	------------

## Distribution fees: (Note 3c)

Class A . . . . .	10,168,543
Class C . . . . .	3,090,467
Class R . . . . .	379,992

## Transfer agent fees: (Note 3e)

Class Z . . . . .	5,200,484
Class A . . . . .	3,951,134
Class C . . . . .	300,191
Class R . . . . .	74,246
Class R6 . . . . .	656,681

Custodian fees (Note 4) . . . . .	507,645
-----------------------------------	---------

Reports to shareholders . . . . .	631,778
-----------------------------------	---------

Registration and filing fees . . . . .	203,710
--	---------

Professional fees <sup>a</sup> . . . . .	(893,326)
--	-----------

Trustees' fees and expenses . . . . .	795,433
---------------------------------------	---------

Dividends on securities sold short . . . . .	2,140,623
--	-----------

Other . . . . .	295,205
-----------------	---------

Total expenses . . . . .	111,285,422
--------------------------	-------------

Expense reductions (Note 4) . . . . .	(52,940)
---------------------------------------	----------

Expenses waived/paid by affiliates (Note 3f and 3g) . . . . .	(62,512)
---	----------

Net expenses . . . . .	111,169,970
------------------------	-------------

Net investment income . . . . .	286,473,860
---------------------------------	-------------

**Realized and unrealized gains (losses):**

## Net realized gain (loss) from:

## Investments:

Unaffiliated issuers . . . . .	599,564,227
Non-controlled affiliates (Note 3f and 11) . . . . .	(20,456,067)

Foreign currency transactions . . . . .	1,247,570
---	-----------

Forward exchange contracts . . . . .	31,064,320
--------------------------------------	------------

Futures contracts . . . . .	5,392,979
-----------------------------	-----------

Securities sold short . . . . .	(27,564,705)
---------------------------------	--------------

Net realized gain (loss) . . . . .	589,248,324
------------------------------------	-------------

## Net change in unrealized appreciation (depreciation) on:

## Investments:

Unaffiliated issuers . . . . .	1,754,817,383
Non-controlled affiliates (Note 3f and 11) . . . . .	35,369,848

Translation of other assets and liabilities denominated in foreign currencies . . . . .	(90,460)
--	----------



## Statement of Operations (continued)

for the year ended December 31, 2019

### Franklin Mutual Shares Fund

Forward exchange contracts . . . . .	(16,802,196)
Futures contracts . . . . .	(2,622,855)
Securities sold short . . . . .	(32,850,352)
Net change in unrealized appreciation (depreciation) . . . . .	1,737,821,368
Net realized and unrealized gain (loss) . . . . .	2,327,069,692
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$2,613,543,552</u>

\*Foreign taxes withheld on dividends. . . . . \$ 5,327,021

<sup>a</sup>Includes unaffiliated reimbursement of legal fees incurred in connection with certain Fund holdings.

## Statements of Changes in Net Assets

### Franklin Mutual Shares Fund

	Year Ended December 31,	
	2019	2018
Increase (decrease) in net assets:		
Operations:		
Net investment income. . . . .	\$ 286,473,860	\$ 244,198,602
Net realized gain (loss) . . . . .	589,248,324	1,079,036,473
Net change in unrealized appreciation (depreciation). . . . .	1,737,821,368	(2,582,054,169)
Net increase (decrease) in net assets resulting from operations . . . . .	2,613,543,552	(1,258,819,094)
Distributions to shareholders:		
Class Z . . . . .	(424,957,060)	(359,738,797)
Class A . . . . .	(310,738,396)	(258,843,422)
Class C . . . . .	(20,683,973)	(16,133,984)
Class R . . . . .	(5,167,516)	(4,696,240)
Class R6 . . . . .	(180,523,371)	(218,275,931)
Total distributions to shareholders. . . . .	(942,070,316)	(857,688,374)
Capital share transactions: (Note 2)		
Class Z . . . . .	(407,966,163)	(162,098,601)
Class A . . . . .	(326,358,495)	114,605,103
Class C . . . . .	(49,007,989)	(631,170,380)
Class R . . . . .	(18,388,105)	(21,048,937)
Class R6 . . . . .	(1,891,813,271)	(59,462,529)
Total capital share transactions . . . . .	(2,693,534,023)	(759,175,344)
Net increase (decrease) in net assets . . . . .	(1,022,060,787)	(2,875,682,812)
Net assets:		
Beginning of year . . . . .	12,585,896,826	15,461,579,638
End of year . . . . .	\$11,563,836,039	\$12,585,896,826

# Notes to Financial Statements

## Franklin Mutual Shares 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 Shares Fund (Fund) is included in this report. The Fund offers five classes of shares: Class Z, Class A, Class C, Class R 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.

Investments in open-end mutual funds are valued at the closing NAV.

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.

**Franklin Mutual Shares Fund** (continued)

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, 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. Securities Purchased on a Delayed Delivery Basis**

The Fund purchases securities on a delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

**d. 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

**Franklin Mutual Shares Fund** (continued)

**1. Organization and Significant Accounting Policies** (continued)

**d. Derivative Financial Instruments** (continued)

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 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 December 31, 2019, the Fund had OTC derivatives in a net liability position of \$9,038,905 and the aggregate value of collateral pledged for such contracts was \$6,335,838.

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.

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 10 regarding other derivative information.

**e. Securities Sold Short**

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short.

**Franklin Mutual Shares Fund** (continued)

The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

**f. 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 December 31, 2019, the Fund had no securities on loan.

**g. Senior Floating Rate Interests**

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct

Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

**h. 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



**Franklin Mutual Shares Fund** (continued)

**1. Organization and Significant Accounting Policies** (continued)

**h. Income and Deferred Taxes** (continued)

its technical merits. As of December 31, 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.

**i. 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 and dividends declared on securities sold short are 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.

**j. 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.

**k. 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. 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.



**Franklin Mutual Shares Fund** (continued)**2. Shares of Beneficial Interest**

At December 31, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
<b>Class Z Shares:</b>				
Shares sold . . . . .	5,703,921	\$ 154,451,161	10,029,587	\$ 284,766,342
Shares issued in reinvestment of distributions . . . . .	13,821,998	375,962,807	13,492,550	320,309,753
Shares redeemed . . . . .	(35,007,575)	(938,380,131)	(27,123,733)	(767,174,696)
Net increase (decrease) . . . . .	(15,481,656)	\$ (407,966,163)	(3,601,596)	\$(162,098,601)
<b>Class A Shares:</b>				
Shares sold <sup>a</sup> . . . . .	9,660,276	\$ 258,457,935	25,412,499	\$ 710,808,675
Shares issued in reinvestment of distributions . . . . .	10,821,922	290,798,586	10,148,432	238,431,075
Shares redeemed . . . . .	(32,673,689)	(875,615,016)	(29,787,083)	(834,634,647)
Net increase (decrease) . . . . .	(2,191,491)	\$ (326,358,495)	5,773,848	\$ 114,605,103
<b>Class C Shares:</b>				
Shares sold . . . . .	1,854,760	\$ 49,227,044	2,074,273	\$ 57,275,560
Shares issued in reinvestment of distributions . . . . .	765,482	20,460,413	675,227	15,942,868
Shares redeemed <sup>a</sup> . . . . .	(4,437,754)	(118,695,446)	(25,329,240)	(704,388,808)
Net increase (decrease) . . . . .	(1,817,512)	\$ (49,007,989)	(22,579,740)	\$(631,170,380)
<b>Class R Shares:</b>				
Shares sold . . . . .	246,671	\$ 6,553,429	347,792	\$ 9,776,448
Shares issued in reinvestment of distributions . . . . .	193,343	5,163,831	199,115	4,662,921
Shares redeemed . . . . .	(1,118,911)	(30,105,365)	(1,253,910)	(35,488,306)
Net increase (decrease) . . . . .	(678,897)	\$ (18,388,105)	(707,003)	\$ (21,048,937)
<b>Class R6 Shares:</b>				
Shares sold . . . . .	7,406,299	\$ 199,310,809	14,420,824	\$ 412,295,163
Shares issued in reinvestment of distributions . . . . .	6,673,123	180,428,324	9,195,249	218,103,352
Shares redeemed . . . . .	(83,508,648)	(2,271,552,404)	(23,959,670)	(689,861,044)
Net increase (decrease) . . . . .	(69,429,226)	\$(1,891,813,271)	(343,597)	\$ (59,462,529)

<sup>a</sup>May include a portion of Class C shares that were automatically converted to Class A.

**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

**Franklin Mutual Shares Fund** (continued)

**3. Transactions with Affiliates** (continued)

**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:

<b>Annualized Fee Rate</b>	<b>Net Assets</b>
0.675%	Up to and including \$5 billion
0.645%	Over \$5 billion, up to and including \$10 billion
0.625%	Over \$10 billion, up to and including \$15 billion
0.595%	Over \$15 billion, up to and including \$20 billion
0.585%	Over \$20 billion, up to and including \$25 billion
0.565%	Over \$25 billion, up to and including \$30 billion
0.555%	Over \$30 billion, up to and including \$35 billion
0.545%	In excess of \$35 billion

For the year ended December 31, 2019, the gross effective investment management fee rate was 0.652% of the Fund's average daily net assets.

**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 and R compensation distribution plans, 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 for each class. 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%
Class R . . . . .	0.50%

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 Shares Fund** (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 year:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers . . . . .	\$218,747
CDSC retained . . . . .	\$ 6,949

**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 year ended December 31, 2019, the Fund paid transfer agent fees of \$10,182,736, of which \$5,367,848 was retained by Investor Services.

**f. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2019, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Income from securities loaned
<b>Non-Controlled Affiliates</b>								
Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .	\$ —	\$176,535,000	\$(176,535,000)	\$ —	\$ —	\$— <sup>a</sup>	—	\$72,310

<sup>a</sup>As of December 31, 2019, no longer held by the Fund.

**g. 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.

**h. Other Affiliated Transactions**

At December 31, 2019, one or more of the funds in Franklin Fund Allocator Series owned 13.0% of the Fund's outstanding shares.

## Franklin Mutual Shares Fund (continued)

### 3. Transactions with Affiliates (continued)

#### i. 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 year ended December 31, 2019, these purchase and sale transactions aggregated \$0 and \$39,927,317, 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 year ended December 31, 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.

During the year ended December 31, 2019, the Fund's projected benefit obligation and benefit payments under the Plan were as follows:

<sup>a</sup> Projected benefit obligation at December 31, 2019. . . . .	\$1,035,874
<sup>b</sup> Increase in projected benefit obligation . . . . .	\$ 96,893
Benefit payments made to retired trustees . . . . .	\$ (16,724)

<sup>a</sup>The projected benefit obligation is included in trustees' fees and expenses in the Statement of Assets and Liabilities.

<sup>b</sup>The increase in projected benefit obligation is included in trustees' fees and expenses in the Statement of Operations.

### 6. Income Taxes

The tax character of distributions paid during the years ended December 31, 2019 and 2018, was as follows:

	2019	2018
Distributions paid from:		
Ordinary income . . . . .	\$304,453,606	\$273,584,591
Long term capital gain . . . . .	637,616,710	584,103,783
	<u>\$942,070,316</u>	<u>\$857,688,374</u>

**Franklin Mutual Shares Fund** (continued)

At December 31, 2019, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments . . . . .	<u>\$8,555,810,833</u>
Unrealized appreciation . . . . .	\$3,304,897,841
Unrealized depreciation . . . . .	<u>(341,052,602)</u>
Net unrealized appreciation (depreciation) . . . . .	<u>\$2,963,845,239</u>
Distributable earnings:	
Undistributed ordinary income . . . . .	\$ 45,344,212
Undistributed long term capital gains . . . . .	<u>126,870,225</u>
Total distributable earnings . . . . .	<u>\$ 172,214,437</u>

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, pass-through entity income and defaulted securities.

The Fund utilized a tax accounting practice to treat a portion of the proceeds from capital shares redeemed as a distribution from realized capital gains.

**7. Investment Transactions**

Purchases and sales of investments (excluding short term securities and securities sold short) for the year ended December 31, 2019, aggregated \$2,568,929,331 and \$5,148,623,495, respectively.

**8. Credit Risk and Defaulted Securities**

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest.

At December 31, 2019, the aggregate long value of distressed company securities for which interest recognition has been discontinued represents less than 0.1% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

**9. Restricted Securities**

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

**Franklin Mutual Shares Fund** (continued)

**9. Restricted Securities** (continued)

At December 31, 2019, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
7,234,813	International Automotive Components Group Brazil LLC, (Value is 0.0%† of Net Assets)	4/13/06 - 12/26/08	\$4,804,678	\$262,624

†Rounds to less than 0.1% of net assets.

**10. Other Derivative Information**

At December 31, 2019, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Foreign exchange contracts. . . . .	Variation margin on futures contracts	\$ —	Variation margin on futures contracts	\$ 2,157,842 <sup>a</sup>
	Unrealized appreciation on OTC forward exchange contracts	980,230	Unrealized depreciation on OTC forward exchange contracts	10,019,135
Totals . . . . .		<u>\$980,230</u>		<u>\$12,176,977</u>

<sup>a</sup>This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year 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 year ended December 31, 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 Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts. . . . .	Forward exchange contracts	\$31,064,320	Forward exchange contracts	\$(16,802,196)
	Futures contracts	5,392,979	Futures contracts	(2,622,855)
Totals . . . . .		<u>\$36,457,299</u>		<u>\$(19,425,051)</u>

For the year ended December 31, 2019, the average month end notional amount of futures contracts represented \$290,533,947. The average month end contract value of forward exchange contracts was \$574,888,214.

See Note 1(d) regarding derivative financial instruments.

**Franklin Mutual Shares Fund** (continued)**11. 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 year ended December 31, 2019, investments in "affiliated companies" were as follows:

Name of Issuer	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares/Units Held at End of Year	Dividend Income
<b>Non-Controlled Affiliates</b>								
Alexander's Inc. . . . .	\$ 99,550,939	\$ —	\$(23,452,339)	\$ 20,501,406	\$ — <sup>a</sup>	\$ — <sup>a</sup>	— <sup>a</sup>	\$4,162,293
International Automotive Components Group Brazil LLC . . . . .	306,590	—	—	—	(43,966)	262,624	7,234,813	—
International Automotive Components Group North America LLC . . . . .	7,519,120	—	(9,398,900)	(42,263,636)	44,143,416	— <sup>b</sup>	—	—
TRU Kids Parent LLC . . . . .	—	36,597,430 <sup>c</sup>	—	—	(8,729,602)	27,867,828	7,469	—
Wayne Services Legacy Inc. . . . .	—	2,612,332 <sup>c</sup>	(3,918,495) <sup>c</sup>	1,306,163	—	—	7,469	—
<b>Total Affiliated Securities</b> (Value is 0.2% of Net Assets) . . . . .	<u>\$107,376,649</u>	<u>\$ 39,209,762</u>	<u>\$(36,769,734)</u>	<u>\$(20,456,067)</u>	<u>\$35,369,848</u>	<u>\$28,130,452</u>		<u>\$4,162,293</u>

<sup>a</sup>As of December 31, 2019, no longer an affiliate.

<sup>b</sup>As of December 31, 2019, no longer held by the Fund.

<sup>c</sup>May include accretion, amortization, partnership adjustments, and/or corporate actions.

**12. 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 matured 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. Effective February 7, 2020, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 5, 2021, for a total of \$2 billion.

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 year ended December 31, 2019, the Fund did not use the Global Credit Facility.

**13. 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

**Franklin Mutual Shares Fund** (continued)

**13. Fair Value Measurements** (continued)

- 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 December 31, 2019, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments: <sup>b</sup>				
Auto Components . . . . .	\$ —	\$ —	\$ 262,624	\$ 262,624
Machinery . . . . .	41,115,449	58,151,524	—	99,266,973
Media . . . . .	704,839,679	—	505,662	705,345,341
Specialty Retail . . . . .	—	—	27,867,828 <sup>c</sup>	27,867,828
All Other Equity Investments . . . . .	9,699,588,617	—	—	9,699,588,617
Corporate Notes and Senior Floating Rate Interests . . . . .	—	401,710,529	—	401,710,529
Corporate Notes in Reorganization . . . . .	—	2,813,696	—	2,813,696
Companies in Liquidation . . . . .	—	—	106,797 <sup>c</sup>	106,797
Short Term Investments . . . . .	631,460,637	16,300,000	—	647,760,637
Total Investments in Securities . . . . .	\$ 11,077,004,382	\$ 478,975,749	\$ 28,742,911	\$ 11,584,723,042
Other Financial Instruments:				
Forward Exchange Contracts . . . . .	\$ —	\$ 980,230	\$ —	\$ 980,230
<b>Liabilities:</b>				
Other Financial Instruments:				
Securities Sold Short <sup>a</sup> . . . . .	\$ 53,876,501	\$ —	\$ —	\$ 53,876,501
Futures Contracts . . . . .	2,157,842	—	—	2,157,842
Forward Exchange Contracts . . . . .	—	10,019,135	—	10,019,135
Total Other Financial Instruments . . . . .	\$ 56,034,343	\$ 10,019,135	\$ —	\$ 66,053,478

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup>Includes common stocks as well as other equity interests.

<sup>c</sup>Includes securities determined to have no value at December 31, 2019.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the year.

**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 other than those already disclosed in the financial statements.



**Franklin Mutual Shares Fund** (continued)

**Abbreviations**

<b>Counterparty</b>		<b>Currency</b>		<b>Selected Portfolio</b>	
<b>BOFA</b>	Bank of America Corp.	<b>EUR</b>	Euro	<b>ADR</b>	American Depositary Receipt
<b>HSBK</b>	HSBC Bank PLC	<b>GBP</b>	British Pound	<b>FHLB</b>	Federal Home Loan Bank
<b>SSBT</b>	State Street Bank and Trust Co., N.A.	<b>USD</b>	United States Dollar	<b>LIBOR</b>	London InterBank Offered Rate
<b>UBSW</b>	UBS AG				

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Mutual Series Funds and Shareholders of Franklin Mutual Shares Fund:

### Opinion on the Financial Statements

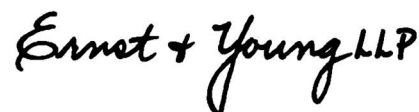
We have audited the accompanying statement of assets and liabilities of Franklin Mutual Shares Fund (the "Fund") (one of the funds constituting Franklin Mutual Series Funds), including the schedule of investments, as of December 31, 2019, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Franklin Mutual Shares Fund (one of the funds constituting Franklin Mutual Series Funds) at December 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019, by correspondence with the custodian or by other appropriate auditing procedures where replies from others were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The signature of Ernst & Young LLP is written in a stylized, cursive script. The words "Ernst & Young" are connected, and "LLP" is written separately to the right.

We have served as the auditor of one or more Franklin investment companies since 1987.

Boston, Massachusetts  
February 21, 2020

## Franklin Mutual Shares Fund

**Tax Information (unaudited)**

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$757,400,294 as a long term capital gain dividend for the fiscal year ended December 31, 2019.

Under Section 871(k)(2)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$26,825,217 as a short term capital gain dividend for purposes of the tax imposed under Section 871(a)(1)(A) of the Internal Revenue Code for the fiscal year ended December 31, 2019.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 62.80% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2019.

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$280,960,099 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended December 31, 2019. Distributions, including qualified dividend income, paid during calendar year 2019 will be reported to shareholders on Form 1099-DIV by mid-February 2020. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Under Section 871(k)(1)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$57,644,174 as interest related dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Internal Revenue Code for the fiscal year ended December 31, 2019.

## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Edward I. Altman, Ph.D. (1941)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 1987	12	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Max L. Heine Professor of Finance, Emeritus and Director of The Credit and Debt Markets Research Program, Salomon Center, Stern School of Business, New York University; editor and author of numerous financial publications; financial consultant; an adviser to numerous financial and publishing organizations; and <b>formerly</b> , Vice Director, Salomon Center, Stern School of Business, New York University.				
<b>Ann Torre Bates (1958)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee and Chairperson	Trustee since 1995 and Chairperson since January 2020	33	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
<b>Burton J. Greenwald (1929)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2002	12	Franklin Templeton Emerging Markets Debt Opportunities Fund PLC (1999-present) and Fiduciary International Ireland Limited (1999-2015).
<b>Principal Occupation During at Least the Past 5 Years:</b> Managing Director, B.J. Greenwald Associates (management consultants to the financial services industry); and <b>formerly</b> , Chairman, Fiduciary Trust International Funds; Executive Vice President, L.F. Rothschild Fund Management, Inc.; President and Director, Merit Mutual Funds; President, Underwriting Division and Director, National Securities & Research Corporation; Governor, Investment Company Institute; and Chairman, ICI Public Information Committee.				
<b>Jan Hopkins Trachtman (1947)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2009	12	FinTech Acquisition Corp. III (special purpose fintech acquisition company) (2018-present)
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Founder, The Jan Hopkins Group (communications consulting firm); serves on Alumni Advisory Board of Knight Bagehot Fellowship; and <b>formerly</b> , President, Economic Club of New York (2007-2015); Anchor/Correspondent, CNN Financial News (until 2003); Managing Director and Head of Client Communications, Citigroup Private Bank (until 2005); Off-Air reporter, ABC News' World News Tonight; and Editor, CBS Network News.				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Keith Mitchell (1954)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2009	12	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various boards of asset management firms; and <b>formerly</b> , Managing Member, Mitchell, Hartley & Bechtel Advisers, LLC (formerly, Mitchell Advisers, LLC) (advisory firm) (2003-2015) and Managing Director, Putman Lovell NBF.				
<b>David W. Niemiec (1949)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2015	33	Hess Midstream LP (oil and gas midstream infrastructure) (2017-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Advisor, Saratoga Partners (private equity fund); and <b>formerly</b> , Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				
<b>Charles Rubens II (1930)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 1998	12	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Private investor and president of non-profit organizations; and <b>formerly</b> , an executive of Time, Inc.; and Trustee of Colorado College.				
<b>Robert E. Wade (1946)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 1991	33	El Oro Ltd (investments) (2003-2019).
<b>Principal Occupation During at Least the Past 5 Years:</b> Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.				
<b>Gregory H. Williams (1943)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2015	12	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Private investor; Consultant; and <b>formerly</b> , President, University of Cincinnati (2009-2012); President, The City College of New York (2001-2009); Dean, College of Law, Ohio State University (1993-2001); and Associate Vice President, Academic Affairs and Professor of Law, University of Iowa (1977-1993).				

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	144	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and <b>formerly</b> , President, Franklin Resources, Inc. (1994-2015).				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Peter A. Langerman (1955)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee, President, and Chief Executive Officer – Investment Management	Trustee since 2007, President, and Chief Executive Officer – Investment Management since 2005	7	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Chairman of the Board, Chief Executive Officer and President, Franklin Mutual Advisers, LLC; and officer and/or director, as the case may be, of three of the investment companies in Franklin Templeton.				
<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Interim Chief Compliance Officer	Since January 2020	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Vice President since 2009 and Secretary since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Robert G. Kubilis (1973)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting; and officer of 15 of the investment companies in Franklin Templeton.				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.				

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

\*\*Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Peter A. Langerman is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer of Franklin Mutual Advisers, LLC, which is the Fund's investment manager.

Note 1: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the U.S. Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated each of Edward I. Altman, Ph.D., Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Messrs. Altman and Niemiec and Ms. Bates qualify as such an expert in view of their extensive business background and experience. Mr. Altman has served as a member of the Fund Audit Committee since 1987. He currently serves as a Max L. Hine Professor of Finance, Emeritus and Director of The Credit and Debt Markets Research Program, Salomon Center, Stern School of Business, New York University. Ms. Bates has served as a member of the Fund Audit Committee since 1995. She currently serves as a director of Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. Mr. Niemiec has served as a member of the Fund Audit Committee since 2015, currently serves as an Advisor to Saratoga Partners and was formerly its Managing Director from 1998 to 2001 and serves as a director of Hess Midstream LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Messrs. Altman and Niemiec and Ms. Bates have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Messrs. Altman and Niemiec and Ms. Bates are independent Board members as that term is defined under the applicable U.S. Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.



## Shareholder Information

### 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](http://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](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://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](http://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.

### Householding of Reports and Prospectuses

You will receive the Fund's financial reports every six months as well as an annual updated summary prospectus (prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

This page intentionally left blank.

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.



**Annual Report and Shareholder Letter**  
**Franklin Mutual Shares Fund**

**Investment Manager**  
Franklin Mutual Advisers,  
LLC

**Distributor**  
Franklin Templeton Distributors, Inc.  
(800) DIAL BEN® / 342-5236  
[franklintempleton.com](http://franklintempleton.com)

**Shareholder Services**  
(800) 632-2301 - (Class A, C, R &  
R6)  
(800) 448-FUND - (Class Z)