

ANNUAL REPORT AND SHAREHOLDER LETTER

# FRANKLIN VALUE INVESTORS TRUST

October 31, 2021



FRANKLIN  
TEMPLETON

Franklin MicroCap Value Fund

Franklin Mutual U.S. Value Fund

Franklin Small Cap Value Fund

# SHAREHOLDER LETTER

Dear Franklin Fund Shareholder:

After a difficult period of lockdowns, the end of 2020 brought much needed optimism during the 12-month period ended October 31, 2021. In November 2020, scientists announced several viable vaccine candidates. By the end of December 2020, authorities in the U.S. and Europe had approved the first vaccines for emergency use. The U.S. also passed an additional stimulus package, delivering financial assistance to many people in need. Ten-year U.S. Treasury yields rose as investors began to anticipate a possible economic recovery. This economic optimism sparked a rotation out of growth stocks and into value stocks over the first half of 2021.

The rotation into many “reopening” positions meant that companies which had benefited from consumer behavior shifts during the lockdown, such as online payment processors, online retailers, and remote worker infrastructure providers, fell out of favor. Instead, companies that stood to benefit from economic reopening, such as hotels, casinos, restaurants, and other leisure companies, got a boost. Smaller capitalization companies, which tend to be more sensitive to the economic cycle, outperformed their larger-capitalization counterparts the first half of the period. The new Biden administration, and its focus on overhauling America’s infrastructure, also supported a rally in building products companies and other potential beneficiaries of greater stimulus spending. The U.S. government proposed another stimulus bill in March 2021.

By the late spring of 2021, massive amounts of fiscal and monetary stimulus, combined with increased consumer spending and supply chain difficulties, led to building inflationary pressure and rising interest rates. While this propelled some areas of global markets upward, such as the financials and energy sectors, growing investor concern stoked pockets of volatility. Furthermore, differences in regional vaccination rates constrained a widespread economic reopening as the highly contagious COVID-19 Delta variant forced some countries to reinstate business and travel restrictions. The reopening trade stalled, and growth stocks generally outperformed value stocks during the second half of the review period. Volatility increased in September 2021 and markets fell over the final weeks of the calendar quarter, as continued supply chain disruptions, inflationary pressures and hawkish central bank commentary stoked investor anxiety. Markets rebounded in October 2021, however, with some indices reaching new records.

Not all progress is evidenced by a steady march forward. Strong consumer demand, combined with increasingly tight supplies of components and logistical difficulties, could push up prices over the coming months. Global vaccine distribution and ongoing uncertainties surrounding COVID-19 continue to affect financial markets. As these elements influence investor behavior, pockets of volatility may continue to crop up. However, market volatility can often present opportunities. As an organization, we remain dedicated to using fundamental research, coupled with a long-term approach, to identify attractively valued companies that can offer both meaningful upside potential and a degree of downside protection in periods of financial market turbulence.

On the following pages, the portfolio management team of each Fund reviews investment decisions made during this period. 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,

Christian Correa, CFA  
President and Chief Investment Officer  
Franklin Value Investors Trust

*This letter reflects our analysis and opinions as of October 31, 2021, 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.*

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

# ANNUAL REPORT

## Economic and Market Overview

U.S. equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), posted a +42.91% total return for the 12 months ended October 31, 2021.<sup>1</sup> Stocks benefited from the continued economic recovery, monetary and fiscal stimulus measures, development of highly effective COVID-19 vaccines, implementation of vaccination programs and easing pandemic restrictions. As many businesses reopened, stimulus payments and generally high household savings contributed to increased consumer spending. A rebound in corporate earnings and the U.S. Senate's passage of a bipartisan infrastructure bill further bolstered investor sentiment, helping equities to reach new all-time price highs late in the 12-month period.

Gross domestic product growth was robust during most of the period, as the lifting of many COVID-19 restrictions and strong consumer spending continued to support the economy. Both exports and imports increased significantly in an environment of high business confidence and recovering industrial production. The continued growth of the economy led the U.S. to surpass its pre-pandemic output in 2021's second quarter.

The inflation rate was elevated during the 12-month period amid increased demand, supply-chain bottlenecks and wage growth. U.S. consumer spending on goods remained strong, adding to pressure on the prices of many products. Consequently, the personal consumption expenditures index, a measure of inflation, rose dramatically during the period, representing the highest 12-month increase in decades. The unemployment rate declined from 6.9% in October 2020 to 4.6% in October 2021 as job openings increased, but a relative lack of available workers fueled wage growth, adding to some investors' inflation concerns.

In an effort to support the economy, the U.S. Federal Reserve (Fed) kept the federal funds target rate at a record-low range of 0.00%–0.25%. The Fed also maintained quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended U.S. Treasury, mortgage bond and corporate bond purchasing. In its September 2021 meeting statement, the Fed indicated that it soon plans to reduce its purchases of U.S. Treasury and mortgage-backed securities. The Fed also noted that it views inflation as partially transitory, and that further employment progress was needed before the Fed would consider raising the range for the federal funds target rate.

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*The foregoing information reflects our analysis and opinions as of October 31, 2021. 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.*

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

# Franklin MicroCap Value Fund

This annual report for Franklin MicroCap Value Fund covers the fiscal year ended October 31, 2021.

## Your Fund's Goal and Main Investments

The Fund seeks high total return, of which capital appreciation and income are components. Under normal market conditions, the Fund invests at least 80% of its net assets in securities of microcap companies with market capitalizations of \$1 billion or less, or a total market capitalization within the bottom 40% of the Russell 2000 Value Index, whichever is higher at the time of purchase, that we believe are undervalued in the marketplace and have the potential for capital appreciation.<sup>1</sup> The Fund invests predominantly in common stocks. The Fund may invest up to 25% of its total assets in foreign securities.

## Performance Overview

The Fund's Class A shares posted a +57.97% cumulative total return for the 12 months under review. In comparison, the Russell 2000® Value Index, which measures the performance of those Russell 2000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates, posted a +64.30% cumulative total return for the same period.<sup>2</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 7.

*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.*

## Investment Strategy

Our strategy is to buy shares of companies that we believe are undervalued at the time of purchase and have the potential for capital appreciation. This includes, among other things, those that may be considered out of favor due to actual or perceived cyclical or secular challenges, or are experiencing temporary setbacks, diminished expectations, mismanagement or undermanagement, or are financially stressed. This strategy is not aimed at short-term trading

1. The Russell 2000 Value Index is market capitalization weighted and measures the performance of those Russell 2000 Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

2. Source: Morningstar.

Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

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.

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

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 27.

gains, nor do we consider the composition of any index.

Rather, we try to identify individual companies that meet our investment criteria and we assume at purchase that we will hold the positions for several years.

## Portfolio Composition

10/31/21

	% of Total Net Assets
Banks	20.3%
Machinery	7.9%
Thriffs & Mortgage Finance	5.9%
Equity Real Estate Investment Trusts (REITs)	4.7%
Health Care Equipment & Supplies	4.3%
Textiles, Apparel & Luxury Goods	4.2%
Hotels, Restaurants & Leisure	3.9%
Specialty Retail	3.7%
Construction & Engineering	3.3%
Electronic Equipment, Instruments & Components	3.0%
Electrical Equipment	2.9%
Health Care Technology	2.6%
Communications Equipment	2.6%
Water Utilities	2.3%
Other*	25.1%
Short-Term Investments & Other Net Assets	3.3%

\*Categories within the Other category are listed in full in the Fund's Statement of Investments (SOI), which can be found later in this report.

## Manager's Discussion

For the 12-month period, the consumer discretionary, utilities and financials sectors were the largest contributors to relative performance. Within consumer discretionary, stock selection and a relative overweighting to the sector bolstered returns. Within utilities, an underweighting to the sector provided the largest benefit, and stock selection was moderately additive. Stock selection provided the main benefit within the financials sector. Conversely, positioning within the energy, industrials and information technology sectors detracted from relative returns. Stock selection across all three sectors curbed relative performance. Within the energy sector, an underweighted position was also a hindrance.

On an absolute basis, Shyft Group, Genesco and First Internet Bancorp were the largest contributors to portfolio results during the 12 months under review. First Internet Bancorp is listed among the Fund's largest positions in the Top 10 Holdings table on this page.

We believe Shyft Group, a specialty manufacturer of commercial delivery vehicles, is a long-term beneficiary of the growth in e-commerce, and that the pandemic has accelerated adoption of online purchasing by consumers and businesses alike. As a result, the company's backlog of orders continues to grow. Furthermore, management is making prudent investments in the areas of electric vehicles and refrigerated vehicles to expand the company's portfolio of products and services. Debt on the balance sheet from prior acquisitions has declined significantly as a result of healthy cash flow generated from operations and puts the company in a strong position to weather any industry volatility or pursue further acquisitions, in our view.

Genesco appreciated throughout the 12-month period. The footwear retailer operates Journey's and Johnston & Murphy stores. The business fared relatively well throughout the pandemic due to healthy sales trends in its teen and family footwear business lines, offered primarily through its Journey's stores. However, its dress footwear line, operated primarily through Johnston & Murphy, was challenged since people were not going into the office. As part of economic reopening, people are starting to go back into the office, and we believe this will drive a recovery for the Johnston & Murphy business.

First Internet Bancorp is an online bank headquartered in Indiana. Prior to the start of the 12-month period, the stock came under pressure due to concerns about potential credit losses attributable to COVID-19 shutdowns, particularly with its concentration in single tenant lease financing, which includes restaurant chains Red Lobster and Bob Evans (not Fund holdings). However, the anticipated credit issues were not realized, and the stock price recovered throughout the 12-month reporting period. In addition, the bank has been able to protect and improve margins by significantly reducing its cost of funds, which is a positive side effect of the Fed's low interest rate regime. We believe the bank's fundamental operations could continue to improve throughout 2022.

Holdings that detracted from absolute Fund performance during the period included Invacare, Daktronics and Graham.

Medical equipment manufacturer Invacare detracted from returns over the period. The company has seen strong demand and orders for its products during its latest quarter, but parts and labor shortages have made fulfilling orders

more difficult. As a result, the company reduced its full-year outlook. However, the company does expect the labor and parts shortages to ease over time, which could result in a recovery in order fulfillment.

### Top 10 Holdings

10/31/21

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
First Internet Bancorp <i>Banks, United States</i>	2.0%
Indus Realty Trust, Inc. <i>Equity Real Estate Investment Trusts (REITs), United States</i>	2.0%
Southern Missouri Bancorp, Inc. <i>Thriffs &amp; Mortgage Finance, United States</i>	2.0%
First Business Financial Services, Inc. <i>Banks, United States</i>	1.9%
Northeast Bank <i>Banks, United States</i>	1.8%
Premier Financial Corp. <i>Thriffs &amp; Mortgage Finance, United States</i>	1.8%
Resources Connection, Inc. <i>Professional Services, United States</i>	1.8%
Peapack-Gladstone Financial Corp. <i>Banks, United States</i>	1.8%
Utah Medical Products, Inc. <i>Health Care Equipment &amp; Supplies, United States</i>	1.8%
Ardmore Shipping Corp. <i>Oil, Gas &amp; Consumable Fuels, Ireland</i>	1.8%

Graham, an industrial manufacturer of specialized vacuum and heat transfer equipment, reported decent results that exhibited management's strategy to diversify the business away from significant energy exposure and more towards defense. Despite this, the stock reacted poorly in the period as its energy division has yet to recover to pre-COVID-19 levels. Although the majority of the firm's order backlog relates to the defense industry (mostly long-duration Navy contracts) and gives management good visibility into near-term business trends, we believe it will take time for the market to appreciate these benefits before eventually being recognized in the stock price.

Daktronics is a supplier of large-scale display solutions, such as scoreboards for stadiums, convention centers and other outdoor venues such as Times Square. The business was severely hit by the pandemic due to its reliance on large public gatherings. Despite the prospect of economic reopening, the stock's recovery has thus far been muted, but we believe we could see a gradual improvement as more people get vaccinated and restrictions are eased at large public venues. In the meantime, the company carries no debt and is in what we consider strong financial shape, which gives us comfort that the company can weather near-term volatility.

Thank you for your participation in Franklin MicroCap Value Fund. We look forward to continuing to serve your investment needs.

Oliver Wong, CFA  
Portfolio Manager

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of October 31, 2021, 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 October 31, 2021

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 10/31/21<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; **Advisor Class:** no sales charges. 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>A<sup>4</sup></b>		
1-Year	+57.97%	+49.26%
5-Year	+62.97%	+9.02%
10-Year	+155.59%	+9.22%
<b>Advisor</b>		
1-Year	+58.40%	+58.40%
5-Year	+64.94%	+10.53%
10-Year	+161.79%	+10.10%

*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.*

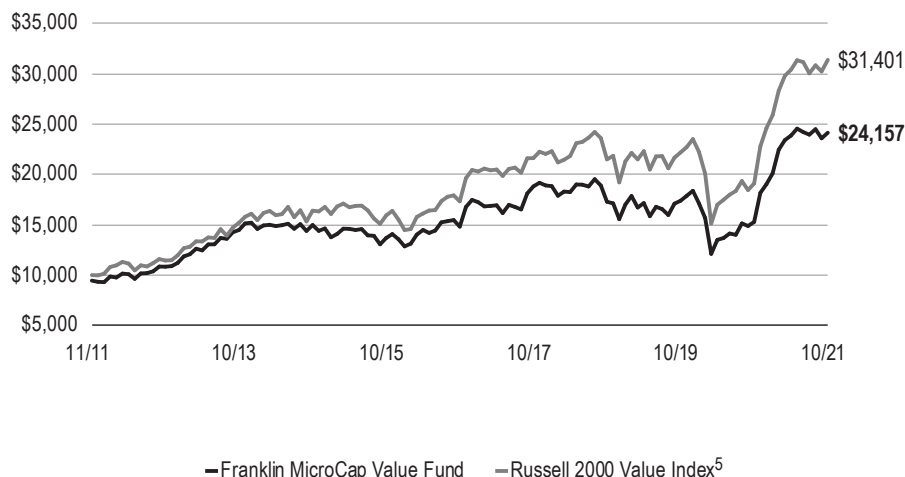
See page 9 for Performance Summary footnotes.



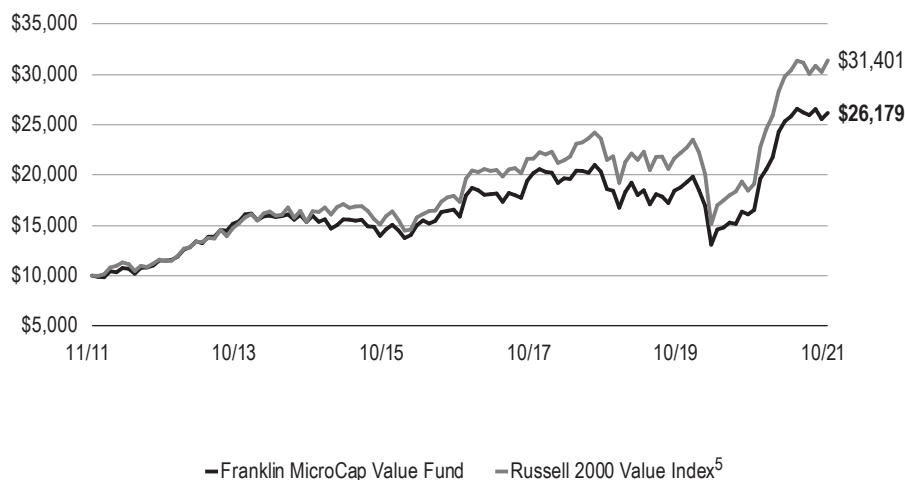
## Total Return Index Comparison for a Hypothetical \$10,000 Investment<sup>1</sup>

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 A (11/1/11–10/31/21)



### Advisor Class (11/1/11–10/31/21)



See page 9 for Performance Summary footnotes.

## Distributions (11/1/20–10/31/21)

Share Class	Net Investment Income	Long-Term Capital Gain	Total
A	\$0.1069	\$1.3383	\$1.4452
R6	\$0.1997	\$1.3383	\$1.5380
Advisor	\$0.1773	\$1.3383	\$1.5156

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

Share Class	With Fee Waiver	Without Fee Waiver
A	1.28%	1.29%
Advisor	1.03%	1.04%

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. The Fund's ability to invest in smaller-company securities that may have limited liquidity involves additional risks, such as relatively small revenues, limited product lines and small market share. Historically, these stocks have exhibited greater price volatility than larger-company stocks, especially over the short term. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. Value securities may not increase in price as anticipated or may decline further in value. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. 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 2/28/22. 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 Russell 2000 Value Index is market capitalization weighted and measures the performance of those Russell 2000 Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.
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 5/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 10/31/21	Expenses Paid During Period 5/1/21–10/31/21 <sup>1,2</sup>	Ending Account Value 10/31/21	Expenses Paid During Period 5/1/21–10/31/21 <sup>1,2</sup>	
A	\$1,000	\$1,011.80	\$6.39	\$1,018.86	\$6.41	1.26%
R6	\$1,000	\$1,013.70	\$4.52	\$1,020.71	\$4.54	0.89%
Advisor	\$1,000	\$1,013.20	\$5.10	\$1,020.14	\$5.12	1.01%

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.

# Franklin Mutual U.S. Value Fund

This annual report for Franklin Mutual U.S. Value Fund covers the fiscal year ended October 31, 2021.

## Your Fund's Goal and Main Investments

The Fund seeks high total return, of which capital appreciation and income are components. Under normal market conditions, the Fund invests in equity securities of mid- and large-cap U.S. companies with the remaining portion in smaller companies that we believe are available at market prices less than their intrinsic value. The Fund is not limited to pre-set maximums or minimums governing the size of the companies in which it may invest. The Fund invests predominantly in equity securities (including securities convertible into, or that we expect to be exchanged for, common or preferred stock). The Fund currently does not expect to invest more than 10% of its net assets in non-U.S. securities. The income the Fund receives from investments in dividend paying stocks, preferred stocks and convertible securities varies depending upon current market and economic conditions.

## Performance Overview

The Fund's Class A shares posted a +51.14% cumulative total return for the 12 months under review. In comparison, the Russell 3000® Value Index, which measures the performance of those Russell 3000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates, posted a +44.97% cumulative total return for the same period.<sup>1</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 13.

*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.*

## Investment Strategy

We employ a research driven, fundamental value strategy for the Fund that focuses on the market price of a company's securities relative to our own evaluation of the company's asset value, including an analysis of cash flow potential, balance sheet strength, long-term earnings,

and multiples of earnings and book value. The types of companies the Fund may invest in include those that may be considered out of favor due to actual or perceived cyclical or secular challenges, or are experiencing temporary setbacks, diminished expectations, mismanagement or undermanagement, or are financially stressed.

## Portfolio Composition

10/31/21

	% of Total Net Assets
Banks	9.8%
Insurance	7.4%
Pharmaceuticals	6.9%
Equity Real Estate Investment Trusts (REITs)	6.4%
IT Services	5.9%
Food Products	4.8%
Health Care Providers & Services	4.6%
Chemicals	4.5%
Electric Utilities	3.5%
Aerospace & Defense	3.1%
Specialty Retail	3.0%
Diversified Financial Services	2.5%
Machinery	2.5%
Building Products	2.5%
Other*	27.8%
Short-Term Investments & Other Net Assets	4.8%

\*Categories within the Other category are listed in full in the Fund's Statement of Investments (SOI), which can be found later in this report.

## Manager's Discussion

For the 12-month period, the consumer discretionary, industrials and financials sectors were the largest contributors to relative performance. Stock selection helped results across all three sectors. Within financials, an underweighted position in the sector also benefited results. Conversely, positioning within the energy and information technology sectors detracted from relative returns. Stock selection across both sectors curbed relative performance, as did an underweighting in the energy sector.

On an absolute basis, Bank of America, Capital One Financial and The Hartford Financial Services Group were the largest contributors to portfolio results during the 12-month period. Bank of America and The Hartford Financial Services Group are listed among the Fund's largest positions in the Top 10 Holdings table on page 12.

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.

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

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 36.

**Top 10 Holdings**

10/31/21

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
GlaxoSmithKline plc <i>Pharmaceuticals, United Kingdom</i>	3.6%
Kraft Heinz Co. (The) <i>Food Products, United States</i>	3.5%
Bank of America Corp. <i>Banks, United States</i>	2.9%
Everest Re Group Ltd. <i>Insurance, United States</i>	2.6%
ING Groep NV <i>Banks, Netherlands</i>	2.6%
Hartford Financial Services Group, Inc. (The) <i>Insurance, United States</i>	2.6%
Voya Financial, Inc. <i>Diversified Financial Services, United States</i>	2.5%
Johnson Controls International plc <i>Building Products, United States</i>	2.5%
CVS Health Corp. <i>Health Care Providers &amp; Services, United States</i>	2.4%
NortonLifeLock, Inc. <i>Software, United States</i>	2.3%

Shares of Bank of America benefited from a rotation into cyclical, value-oriented stocks near the beginning of the reporting period. Later in the period, investor optimism around normalization of the economy as it continues to emerge from the COVID-19 pandemic, along with rising long-term interest rates, supported the stock price. The U.S. bank expects business to continue to rebound as the economy further reopens over the coming months.

Capital One Financial boosted performance, amid a strong period for financial stocks in general. We believe Capital One is one of the best-managed and best-positioned consumer banks in the U.S., with a good brand and strong franchises in credit card and auto lending. Furthermore, the bank has invested heavily in technology as evidenced by being the first U.S. bank to migrate its technology to the cloud. That said, we eliminated the position and deployed the proceeds into positions with a more attractive risk-reward profile.

Shares of Hartford Financial Services rose based on a positive general environment for financials stocks and after the company posted several positive earnings updates during the reporting period. Events such as Hurricane Ida and prescribed charges related to a legal settlement are likely to impact future earnings, but we believe risk management initiatives from reinsurance could blunt the impact.

During the 12-month period, Fiserv, HeidelbergCement and Global Payments were among the leading detractors from absolute performance.

Fiserv, a global payment and financial services technology company, was a detractor. The payments space has come under pressure in 2021 as investors have worried about financial technology companies such as Square (not owned in the portfolio) taking market share. However, we believe Fiserv's payment volumes are poised to increase as in-store spending picks up and Fiserv's cloud-based, point-of-sale technology Clover business gives it an underappreciated presence in new payment technology.

Germany-based cement construction materials manufacturer HeidelbergCement weighed on performance. The company faces higher energy costs that could limit earnings growth over the near term. In our view, HeidelbergCement's new management team is focusing on value accretion and improving the company's return on invested capital, which should drive shareholder value creation.

Payments firm Global Payments was a detractor, as the payments space has come under pressure in 2021 as concerns about market share losses to the digital players and a slew of new listings leading to rotation of capital in the space. Nonetheless, we see what we consider an opportunity for Global Payments over the longer term, as it is well-positioned to benefit from the continued shift from cash to card/digital payments and has good exposure to the high-yielding smaller and medium-sized businesses segment and the e-commerce market.

Thank you for your participation in Franklin Mutual U.S. Value Fund. We look forward to continuing to serve your investment needs.

Grace Hoefig  
Lead Portfolio Manager

Srini Vijay, CFA  
Portfolio Manager

*The foregoing information reflects our analysis, opinions and portfolio holdings as of October 31, 2021, 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 October 31, 2021

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 10/31/21<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; **Advisor Class:** no sales charges. 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>A<sup>4</sup></b>		
1-Year	+51.14%	+42.81%
5-Year	+70.55%	+10.02%
10-Year	+161.68%	+9.48%
<b>Advisor</b>		
1-Year	+51.57%	+51.57%
5-Year	+72.77%	+11.56%
10-Year	+168.31%	+10.37%

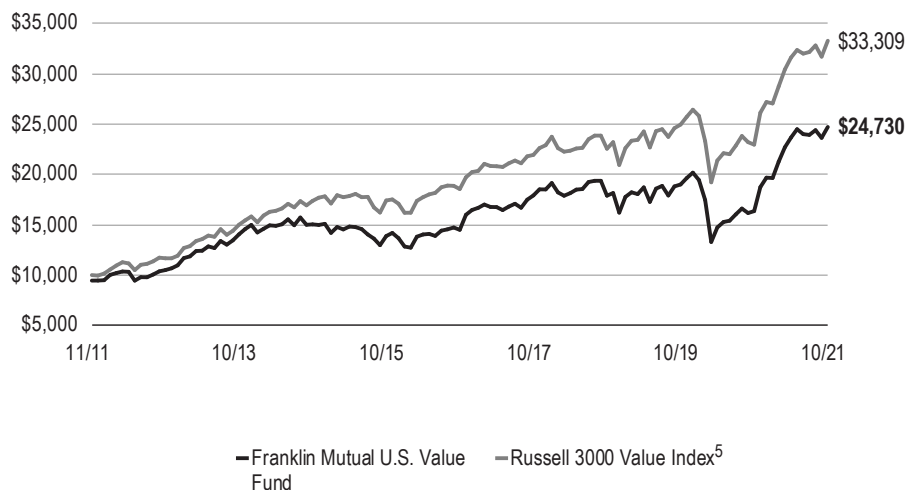
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com)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

See page 15 for Performance Summary footnotes.

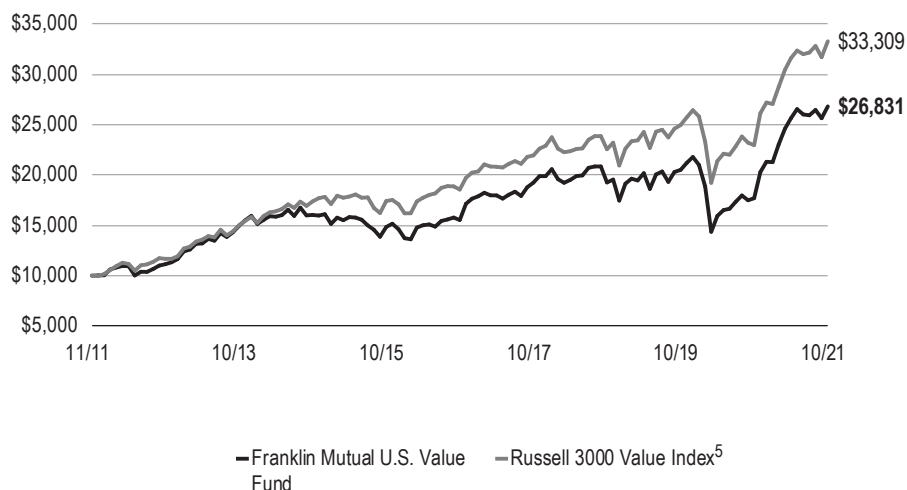
## Total Return Index Comparison for a Hypothetical \$10,000 Investment<sup>1</sup>

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 A (11/1/11–10/31/21)



### Advisor Class (11/1/11–10/31/21)



See page 15 for Performance Summary footnotes.

## Distributions (11/1/20–10/31/21)

Share Class	Net Investment Income
A	\$1.1865
C	\$0.9325
R	\$1.1054
R6	\$1.3023
Advisor	\$1.2618

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

Share Class	With Fee Waiver	Without Fee Waiver
A	0.96%	0.98%
Advisor	0.71%	0.73%

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. While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve heightened risks and should be considered speculative. Historically, smaller- and midsize-company securities have been more volatile in price than larger-company securities, especially over the short term. The Fund may invest in foreign securities, which may involve special risks, including currency fluctuations and economic and political uncertainty. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. 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 2/28/22. 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 Russell 3000 Value Index is market capitalization weighted and measures the performance of those Russell 3000 Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.
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 5/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 10/31/21	Expenses Paid During Period 5/1/21–10/31/21 <sup>1,2</sup>	Ending Account Value 10/31/21	Expenses Paid During Period 5/1/21–10/31/21 <sup>1,2</sup>	
A	\$1,000	\$1,044.40	\$4.72	\$1,020.58	\$4.67	0.92%
C	\$1,000	\$1,040.60	\$8.57	\$1,016.81	\$8.47	1.67%
R	\$1,000	\$1,043.70	\$6.01	\$1,019.32	\$5.94	1.17%
R6	\$1,000	\$1,046.70	\$2.84	\$1,022.43	\$2.81	0.55%
Advisor	\$1,000	\$1,046.00	\$3.43	\$1,021.85	\$3.39	0.67%

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.

# Franklin Small Cap Value Fund

This annual report for Franklin Small Cap Value Fund covers the fiscal year ended October 31, 2021. The Fund closed to new investors on May 27, 2021. Existing investors who had an open and funded account on May 27, 2021, can continue to invest through exchanges and additional purchases.

## Your Fund's Goals and Main Investments

The Fund seeks long-term total return. The Fund generally invests in equity securities that the Fund's investment manager believes are undervalued at the time of purchase and have the potential for capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small-capitalization (small-cap) companies. We define small-cap companies as those with market capitalizations not exceeding either: the highest market capitalization in the Russell 2000® Index;<sup>1</sup> or the 12-month average of the highest market capitalization in the Russell 2000® Index, whichever is greater at the time of purchase. The Fund invests predominantly in common stocks. The Fund may invest up to 25% of its total assets in foreign securities.

## Performance Overview

The Fund's Class A shares posted a +49.59% cumulative total return for the 12 months under review. In comparison, the Russell 2000® Value Index, which measures the performance of those Russell 2000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates, posted a +64.30% cumulative total return for the same period.<sup>2</sup> You can find more of the Fund's performance data in the Performance Summary beginning on page 20.

*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.*

## Investment Strategy

Our strategy is to invest in small-cap companies that we believe are undervalued at the time of purchase and have the potential for capital appreciation. A stock is undervalued when it trades at less than the price at which we believe it would trade if the market reflected all factors relating to the company's worth. Following this strategy, the Fund invests in companies that we believe have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price. The Fund also may invest in equity real estate investment trusts (REITs).

## Portfolio Composition

10/31/21

	% of Total Net Assets
Insurance	9.9%
Machinery	9.7%
Banks	9.1%
Hotels, Restaurants & Leisure	7.6%
Chemicals	7.4%
Building Products	5.7%
Construction & Engineering	4.4%
Electronic Equipment, Instruments & Components	4.3%
Oil, Gas & Consumable Fuels	4.1%
Specialty Retail	4.0%
Equity Real Estate Investment Trusts (REITs)	3.5%
Trading Companies & Distributors	3.4%
Software	3.3%
Energy Equipment & Services	2.4%
Other*	20.3%
Short-Term Investments & Other Net Assets	0.9%

\*Categories within the Other category are listed in full in the Fund's Statement of Investments (SOI), which can be found later in this report.

## Manager's Discussion

For the 12-month period, the health care, consumer staples and utilities sectors were the largest contributors to relative performance. Within health care and utilities, relative underweightings versus the benchmark helped results. Stock

1. The Russell 2000 Index is market capitalization weighted and measures the performance of the approximately 2,000 smallest companies in the Russell 3000 Index, which represent a small amount of the total market capitalization of the Russell 3000 Index.

2. 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.

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

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 44.

selection within the consumer staples sector also boosted relative returns. Conversely, positioning within the consumer discretionary, financials and materials sectors detracted from relative returns. Stock selection across all three sectors curbed relative performance, as did an overweighted position in consumer discretionary and an underweighting in financials.

On an absolute basis, Crescent Point Energy, Avient and First Horizon were the largest contributors to portfolio results during the 12-month period. Crescent Point Energy and Avient are listed among the Fund's largest positions in the Top 10 Holdings table on this page.

### Top 10 Holdings

10/31/21

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
Hanover Insurance Group, Inc. (The) <i>Insurance, United States</i>	2.9%
Knowles Corp. <i>Electronic Equipment, Instruments &amp; Components, United States</i>	2.7%
Timken Co. (The) <i>Machinery, United States</i>	2.6%
WillScot Mobile Mini Holdings Corp. <i>Construction &amp; Engineering, United States</i>	2.6%
Hilton Grand Vacations, Inc. <i>Hotels, Restaurants &amp; Leisure, United States</i>	2.5%
Ashland Global Holdings, Inc. <i>Chemicals, United States</i>	2.5%
Avient Corp. <i>Chemicals, United States</i>	2.4%
Crescent Point Energy Corp. <i>Oil, Gas &amp; Consumable Fuels, Canada</i>	2.3%
UFP Industries, Inc. <i>Building Products, United States</i>	2.3%
Jack in the Box, Inc. <i>Hotels, Restaurants &amp; Leisure, United States</i>	2.3%

Shares of Crescent Point Energy, a Canada-based exploration and production company, rose along with the price of oil as an increase in demand was met by a muted domestic supply response and modest Organization of the Petroleum Exporting Countries output growth. The market also reacted favorably to an announcement in February 2021 that Crescent Point was acquiring certain Canadian assets from Royal Dutch Shell (not a Fund holding) for approximately \$900 million, a surprise dividend boost in September 2021, a reduction in debt and a positive free cash flow outlook.

Shares of Avient, a higher value-add chemicals company, rose due to stronger-than-expected earnings results driven by sequential improvement in demand across all regions and end markets including health care, consumer discretionary and automobiles. The company also completed the acquisition of Clariant's Masterbatch business on

July 1, 2020, which further improved Avient's exposure to specialty applications and broadened its business mix, with the company now deriving much of its revenues from the consumer, packaging and health care end markets. Additionally, management guided for higher cost synergies from the transaction compared to initial estimates and remains committed to returning cash to shareholders and deleveraging the balance sheet.

Shares of First Horizon, a regional bank with a southeastern U.S. footprint, rose during the period as the economy recovered from COVID-19-related dislocations. While interest rates and spread-based income remained low relative to historical periods, First Horizon's diversified fee-based revenue lines, including fixed income capital markets and mortgage banking, performed well. Additionally, asset quality trends benefited from the reopening of the economy, resulting in the bank experiencing very low credit losses relative to fears early in the pandemic.

On an absolute basis, Bed Bath & Beyond, Dufry and ACI Worldwide were the largest detractors from portfolio results during the 12 months under review.

Bed Bath & Beyond, a home goods retailer, underperformed after reporting a disappointing August 2021 financial quarter that included weaker-than-expected same-store sales and a declining gross margin. The same-store sales miss was attributed to self-inflicted execution and marketing mistakes during the quarter, which hurt store traffic. This was compounded by margin weakness from significantly higher-than-expected shipping and logistics costs due to freight shortages that are impacting the broader industry. We exited the position by period-end.

Shares of Dufry, a global travel retail operator, declined as the company's operations continue to be negatively impacted by the slower-than-expected easing of international travel restrictions due to the increase in COVID-19 Delta variant cases during the reporting period. With nearly half of its stores still closed due to travel restrictions, Dufry sales remain well below pre-coronavirus levels. Longer term, we believe sales will improve as there is continued progress on vaccinations and international travel restrictions begin to ease.

Shares of ACI Worldwide, a provider of software products and solutions that facilitate electronic payments, detracted from results for the period. While the company met expectations for its latest quarter, near-term guidance was light due to the timing of license renewals. Management expects growth to accelerate in the fourth quarter of 2021, however, and introduced its revenue guidance while

maintaining its earnings before interest, taxes, depreciation, and amortization (a measure of a company's overall financial performance) guidance for the year.

Thank you for your participation in Franklin Small Cap Value Fund. We look forward to continuing to serve your investment needs.

Steven B. Raineri  
Lead Portfolio Manager

Nicholas Karzon, CFA  
Christopher Meeker, CFA

Portfolio Management Team

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of October 31, 2021, 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 October 31, 2021

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 10/31/21<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; **Advisor Class:** no sales charges. 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>A<sup>4</sup></b>		
1-Year	+49.59%	+41.35%
5-Year	+75.11%	+10.60%
10-Year	+202.38%	+11.07%
<b>Advisor</b>		
1-Year	+49.98%	+49.98%
5-Year	+77.32%	+12.14%
10-Year	+210.61%	+12.00%

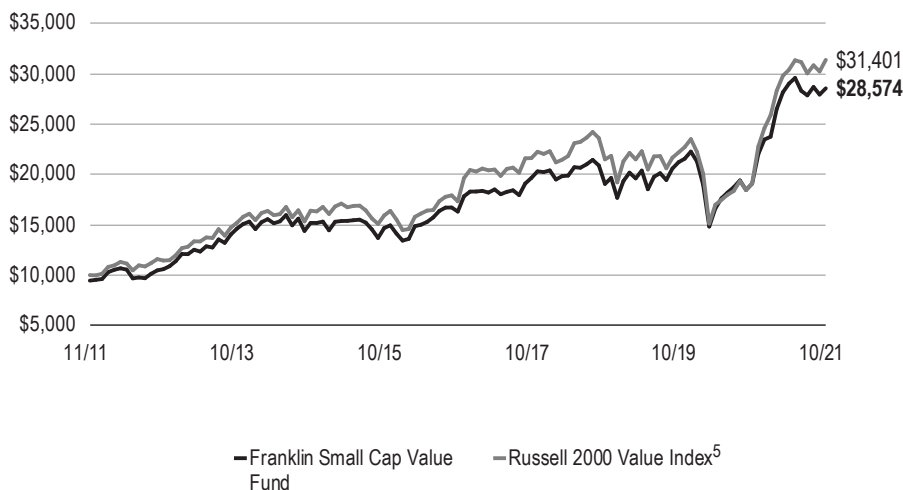
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com)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

See page 22 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 A (11/1/11–10/31/21)



### Advisor Class (11/1/11–10/31/21)



See page 22 for Performance Summary footnotes.

## Distributions (11/1/20–10/31/21)

Share Class	Net Investment Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
A	\$0.3539	\$0.6479	\$0.1058	\$1.1076
C	\$0.0886	\$0.6479	\$0.1058	\$0.8423
R	\$0.2443	\$0.6479	\$0.1058	\$0.9980
R6	\$0.5514	\$0.6479	\$0.1058	\$1.3051
Advisor	\$0.4896	\$0.6479	\$0.1058	\$1.2433

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

Share Class	With Fee Waiver	Without Fee Waiver
A	1.08%	1.09%
Advisor	0.83%	0.84%

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. The Fund's investments in smaller company stocks carry special risks as such stocks have historically exhibited greater price volatility than larger-company stocks, particularly over the short term. Value securities may not increase in price as anticipated or may decline further in value. Additionally, smaller companies often have relatively small revenues, limited product lines and small market share. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. REITS may be affected by any change in the value of the properties owned and other factors, and their prices tend to go up and down. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. 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 2/28/22. 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 Russell 2000 Value Index is market capitalization weighted and measures the performance of those Russell 2000 Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.
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 5/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 10/31/21	Expenses Paid During Period 5/1/21–10/31/21 <sup>1,2</sup>	Ending Account Value 10/31/21	Expenses Paid During Period 5/1/21–10/31/21 <sup>1,2</sup>	
A	\$1,000	\$983.80	\$5.10	\$1,020.07	\$5.19	1.02%
C	\$1,000	\$979.90	\$8.84	\$1,016.28	\$9.00	1.77%
R	\$1,000	\$982.40	\$6.35	\$1,018.80	\$6.47	1.27%
R6	\$1,000	\$985.80	\$2.96	\$1,022.22	\$3.02	0.59%
Advisor	\$1,000	\$985.00	\$3.82	\$1,021.36	\$3.89	0.76%

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 MicroCap Value Fund

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class A</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$21.77	\$29.32	\$31.06	\$36.43	\$31.33
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	0.11 <sup>c</sup>	0.11	0.06	(0.04)	0.01
Net realized and unrealized gains (losses) . . . . .	12.15	(2.89)	(0.03)	(2.70)	8.20
Total from investment operations . . . . .	12.26	(2.78)	0.03	(2.74)	8.21
Less distributions from:					
Net investment income . . . . .	(0.11)	(0.06)	—	(—) <sup>d</sup>	(0.11)
Net realized gains . . . . .	(1.34)	(4.71)	(1.77)	(2.63)	(3.00)
Total distributions . . . . .	(1.45)	(4.77)	(1.77)	(2.63)	(3.11)
Net asset value, end of year . . . . .	\$32.58	\$21.77	\$29.32	\$31.06	\$36.43
Total return <sup>e</sup> . . . . .	57.97%	(12.10)%	0.58%	(8.11)%	26.98%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.23%	1.28%	1.22%	1.17%	1.16%
Expenses net of waiver and payments by affiliates . . . . .	1.23% <sup>f</sup>	1.27% <sup>g</sup>	1.21% <sup>g</sup>	1.16% <sup>g</sup>	1.15% <sup>g</sup>
Net investment income (loss) . . . . .	0.37% <sup>c</sup>	0.50%	0.23%	(0.11)%	0.03%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$161,200	\$94,015	\$145,897	\$184,613	\$238,337
Portfolio turnover rate . . . . .	31.98%	31.04%	7.04%	4.08%	8.82%

<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 \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.20%.

<sup>d</sup>Amount rounds to less than \$0.01 per share.

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

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

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

**Franklin MicroCap Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class R6</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$22.17	\$29.80	\$31.43	\$36.85	\$31.66
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.22 <sup>c</sup>	0.20	0.16	0.08	0.12
Net realized and unrealized gains (losses) . . . . .	12.36	(2.94)	(0.02)	(2.74)	8.30
Total from investment operations . . . . .	12.58	(2.74)	0.14	(2.66)	8.42
Less distributions from:					
Net investment income . . . . .	(0.20)	(0.18)	—	(0.13)	(0.23)
Net realized gains . . . . .	(1.34)	(4.71)	(1.77)	(2.63)	(3.00)
Total distributions . . . . .	(1.54)	(4.89)	(1.77)	(2.76)	(3.23)
Net asset value, end of year . . . . .	\$33.21	\$22.17	\$29.80	\$31.43	\$36.85
Total return . . . . .	58.51%	(11.80)%	0.97%	(7.83)%	27.46%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.91%	0.95%	0.89%	0.85%	0.80%
Expenses net of waiver and payments by affiliates . . . . .	0.88%	0.91% <sup>d</sup>	0.86% <sup>d</sup>	0.82% <sup>d</sup>	0.79% <sup>d</sup>
Net investment income . . . . .	0.72% <sup>c</sup>	0.86%	0.58%	0.23%	0.39%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$23,137	\$12,299	\$19,266	\$21,070	\$27,107
Portfolio turnover rate . . . . .	31.98%	31.04%	7.04%	4.08%	8.82%

<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 \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.54%.

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

**Franklin MicroCap Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Advisor Class</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$22.01	\$29.62	\$31.28	\$36.67	\$31.52
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.19 <sup>c</sup>	0.17	0.15	0.05	0.09
Net realized and unrealized gains (losses) . . . . .	12.28	(2.94)	(0.04)	(2.72)	8.25
Total from investment operations . . . . .	12.47	(2.77)	0.11	(2.67)	8.34
Less distributions from:					
Net investment income . . . . .	(0.18)	(0.13)	—	(0.09)	(0.19)
Net realized gains . . . . .	(1.34)	(4.71)	(1.77)	(2.63)	(3.00)
Total distributions . . . . .	(1.52)	(4.84)	(1.77)	(2.72)	(3.19)
Net asset value, end of year . . . . .	\$32.96	\$22.01	\$29.62	\$31.28	\$36.67
Total return . . . . .	58.40%	(11.95)%	0.87%	(7.90)%	27.29%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.98%	1.03%	0.97%	0.92%	0.92%
Expenses net of waiver and payments by affiliates . . . . .	0.98% <sup>d</sup>	1.02% <sup>e</sup>	0.96% <sup>e</sup>	0.91% <sup>e</sup>	0.91% <sup>e</sup>
Net investment income . . . . .	0.60% <sup>c</sup>	0.73%	0.48%	0.14%	0.27%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$38,829	\$22,429	\$29,687	\$53,329	\$76,228
Portfolio turnover rate . . . . .	31.98%	31.04%	7.04%	4.08%	8.82%

<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 \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.43%.

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

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

## Statement of Investments, October 31, 2021

## Franklin MicroCap Value Fund

	Country	Shares	Value
<b>Common Stocks 96.7%</b>			
<b>Aerospace &amp; Defense 1.7%</b>			
<sup>a</sup> Ducommun, Inc. . . . .	United States	38,600	\$1,867,854
Magellan Aerospace Corp. . . . .	Canada	213,900	1,831,602
			3,699,456
<b>Banks 20.3%</b>			
American National Bankshares, Inc. . . . .	United States	94,823	3,517,933
Arrow Financial Corp. . . . .	United States	98,824	3,542,840
Bar Harbor Bankshares. . . . .	United States	121,700	3,614,490
First Business Financial Services, Inc. . . . .	United States	145,900	4,260,280
First Internet Bancorp . . . . .	United States	133,575	4,546,893
<sup>a</sup> First Western Financial, Inc. . . . .	United States	110,706	3,212,688
Investar Holding Corp. . . . .	United States	202,455	3,785,908
Northeast Bank. . . . .	United States	124,375	4,116,813
Northrim BanCorp, Inc. . . . .	United States	65,600	2,913,952
Orrstown Financial Services, Inc. . . . .	United States	110,325	2,615,806
Peapack-Gladstone Financial Corp. . . . .	United States	120,885	4,055,692
Peoples Financial Services Corp. . . . .	United States	82,013	3,754,555
WesBanco, Inc. . . . .	United States	42,357	1,472,753
			45,410,603
<b>Biotechnology 0.9%</b>			
<sup>a</sup> Anika Therapeutics, Inc. . . . .	United States	47,392	1,973,877
<b>Chemicals 1.5%</b>			
<sup>a</sup> Trecora Resources . . . . .	United States	429,318	3,340,094
<b>Commercial Services &amp; Supplies 1.2%</b>			
<sup>a</sup> Heritage-Crystal Clean, Inc. . . . .	United States	76,900	2,666,123
<b>Communications Equipment 2.6%</b>			
<sup>a</sup> Digi International, Inc. . . . .	United States	113,801	2,452,411
<sup>a</sup> PCTEL, Inc. . . . .	United States	341,431	1,966,643
<sup>a</sup> Sierra Wireless, Inc. . . . .	Canada	78,100	1,307,394
			5,726,448
<b>Construction &amp; Engineering 3.3%</b>			
<sup>a</sup> Matrix Service Co. . . . .	United States	229,741	2,350,250
<sup>a</sup> Northwest Pipe Co. . . . .	United States	65,700	1,561,032
<sup>a</sup> Sterling Construction Co., Inc. . . . .	United States	143,851	3,458,178
			7,369,460
<b>Containers &amp; Packaging 0.8%</b>			
<sup>a</sup> UFP Technologies, Inc. . . . .	United States	27,200	1,683,408
<b>Diversified Telecommunication Services 0.5%</b>			
ATN International, Inc. . . . .	United States	29,000	1,182,620
<b>Electrical Equipment 2.9%</b>			
LSI Industries, Inc. . . . .	United States	309,318	2,301,326
Powell Industries, Inc. . . . .	United States	71,900	1,859,334
Preformed Line Products Co. . . . .	United States	32,700	2,269,380
			6,430,040
<b>Electronic Equipment, Instruments &amp; Components 3.0%</b>			
<sup>a</sup> Daktronics, Inc. . . . .	United States	630,758	3,500,707
<sup>a</sup> Kimball Electronics, Inc. . . . .	United States	108,100	3,107,875
			6,608,582

**Franklin MicroCap Value Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Energy Equipment &amp; Services 1.2%</b>			
<sup>a</sup> Geospace Technologies Corp. ....	United States	290,312	\$2,760,867
<b>Equity Real Estate Investment Trusts (REITs) 4.7%</b>			
Alpine Income Property Trust, Inc. ....	United States	157,721	2,908,375
CTO Realty Growth, Inc. ....	United States	59,099	3,168,297
Indus Realty Trust, Inc. ....	United States	64,378	4,487,147
			10,563,819
<b>Food &amp; Staples Retailing 1.5%</b>			
Village Super Market, Inc., A ....	United States	148,898	3,315,958
<b>Food Products 0.9%</b>			
<sup>a</sup> Seneca Foods Corp., A ....	United States	38,840	2,005,309
<b>Health Care Equipment &amp; Supplies 4.3%</b>			
<sup>a</sup> IntriCon Corp. ....	United States	205,677	3,496,509
<sup>a</sup> Invacare Corp. ....	United States	426,735	2,108,071
Utah Medical Products, Inc. ....	United States	41,696	4,037,424
			9,642,004
<b>Health Care Technology 2.6%</b>			
<sup>a</sup> CareCloud, Inc. ....	United States	390,791	3,020,814
<sup>a</sup> Computer Programs and Systems, Inc. ....	United States	79,600	2,873,560
			5,894,374
<b>Hotels, Restaurants &amp; Leisure 3.9%</b>			
<sup>a</sup> Century Casinos, Inc. ....	United States	234,162	3,465,598
<sup>a</sup> Chuy's Holdings, Inc. ....	United States	81,100	2,364,876
<sup>a</sup> Ruth's Hospitality Group, Inc. ....	United States	147,000	2,842,980
			8,673,454
<b>Household Durables 1.4%</b>			
Hooker Furnishings Corp. ....	United States	79,000	1,991,590
<sup>a</sup> Purple Innovation, Inc. ....	United States	61,900	1,194,670
			3,186,260
<b>Independent Power and Renewable Electricity Producers 1.2%</b>			
Polaris Infrastructure, Inc. ....	Canada	177,300	2,638,231
<b>Interactive Media &amp; Services 1.7%</b>			
<sup>a</sup> DHI Group, Inc. ....	United States	830,765	3,904,596
<b>IT Services 1.4%</b>			
Hackett Group, Inc. (The) ....	United States	152,200	3,217,508
<b>Machinery 7.9%</b>			
Alamo Group, Inc. ....	United States	18,100	2,736,720
Graham Corp. ....	United States	246,397	3,131,706
Hurco Cos., Inc. ....	United States	95,500	3,098,975
<sup>a</sup> L B Foster Co., A ....	United States	160,143	2,551,078
Miller Industries, Inc. ....	United States	65,300	2,359,942
Shyft Group, Inc. (The) ....	United States	90,017	3,709,600
			17,588,021
<b>Metals &amp; Mining 1.5%</b>			
Haynes International, Inc. ....	United States	30,620	1,228,781
Schnitzer Steel Industries, Inc., A ....	United States	37,400	2,012,120
			3,240,901

## Franklin MicroCap Value Fund (continued)

	Country	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Oil, Gas &amp; Consumable Fuels 1.8%</b>			
<sup>a</sup> Ardmore Shipping Corp. ....	Ireland	998,200	\$3,962,854
<b>Paper &amp; Forest Products 0.9%</b>			
Mercer International, Inc. ....	Germany	192,300	2,071,071
<b>Professional Services 1.8%</b>			
Resources Connection, Inc. ....	United States	233,100	4,058,271
<b>Semiconductors &amp; Semiconductor Equipment 2.2%</b>			
<sup>a</sup> AXT, Inc. ....	United States	254,300	2,077,631
<sup>a</sup> Photronics, Inc. ....	United States	220,700	2,866,893
			4,944,524
<b>Specialty Retail 3.7%</b>			
<sup>a</sup> Children's Place, Inc. (The) ....	United States	30,300	2,511,567
<sup>a</sup> Genesco, Inc. ....	United States	59,200	3,586,928
Hibbett, Inc. ....	United States	28,100	2,176,064
			8,274,559
<b>Textiles, Apparel &amp; Luxury Goods 4.2%</b>			
<sup>a</sup> Delta Apparel, Inc. ....	United States	94,000	2,523,900
Rocky Brands, Inc. ....	United States	66,620	3,634,121
<sup>a</sup> Vera Bradley, Inc. ....	United States	321,100	3,149,991
			9,308,012
<b>Thrifts &amp; Mortgage Finance 5.9%</b>			
Premier Financial Corp. ....	United States	127,500	4,064,700
Southern Missouri Bancorp, Inc. ....	United States	80,900	4,400,960
Territorial Bancorp, Inc. ....	United States	112,239	2,816,077
WSFS Financial Corp. ....	United States	34,300	1,777,083
			13,058,820
<b>Water Utilities 2.3%</b>			
Consolidated Water Co. Ltd. ....	United States	216,067	2,400,504
<sup>a</sup> Pure Cycle Corp. ....	United States	178,887	2,806,737
			5,207,241
<b>Wireless Telecommunication Services 1.0%</b>			
Spok Holdings, Inc. ....	United States	215,800	2,220,582
<b>Total Common Stocks (Cost \$139,211,113) .....</b>			<b>215,827,947</b>
<b>Short Term Investments 3.6%</b>			
	Country	Shares	Value
<b>Money Market Funds 3.6%</b>			
<sup>b,c</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% .....	United States	7,943,014	7,943,014
<b>Total Money Market Funds (Cost \$7,943,014) .....</b>			<b>7,943,014</b>
<b>Total Short Term Investments (Cost \$7,943,014) .....</b>			<b>7,943,014</b>
<b>Total Investments (Cost \$147,154,127) 100.3% .....</b>			<b>\$223,770,961</b>
<b>Other Assets, less Liabilities (0.3%) .....</b>			<b>(603,732)</b>
<b>Net Assets 100.0% .....</b>			<b>\$223,167,229</b>

**Franklin MicroCap Value Fund** (continued)

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

<sup>b</sup> See Note 3(f) regarding investments in affiliated management investment companies.

<sup>c</sup> The rate shown is the annualized seven-day effective yield at period end.

## Financial Highlights

### Franklin Mutual U.S. Value Fund

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class A</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$27.59	\$34.61	\$37.93	\$41.08	\$35.40
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.43	1.14 <sup>c</sup>	0.52	0.45	0.38 <sup>d</sup>
Net realized and unrealized gains (losses) . . . . .	13.37	(5.47)	1.13	(0.43)	7.79
Total from investment operations . . . . .	13.80	(4.33)	1.65	0.02	8.17
Less distributions from:					
Net investment income . . . . .	(1.19)	(0.54)	(0.46)	(0.46)	(0.18)
Net realized gains . . . . .	—	(2.15)	(4.51)	(2.71)	(2.31)
Total distributions . . . . .	(1.19)	(2.69)	(4.97)	(3.17)	(2.49)
Net asset value, end of year . . . . .	\$40.20	\$27.59	\$34.61	\$37.93	\$41.08
Total return <sup>e</sup> . . . . .	51.14%	(13.94)%	6.22%	(0.15)%	23.63%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.91%	0.95%	0.93%	0.91%	0.92%
Expenses net of waiver and payments by affiliates <sup>f</sup> . . . . .	0.91% <sup>g</sup>	0.93%	0.89%	0.86%	0.87%
Net investment income . . . . .	1.18%	3.94% <sup>c</sup>	1.55%	1.13%	0.97% <sup>d</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$790,329	\$538,538	\$735,919	\$772,976	\$841,367
Portfolio turnover rate . . . . .	60.45%	57.78%	44.31%	29.85%	24.68%

<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 \$0.69 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.55%.

<sup>d</sup>Net investment income per share includes approximately \$0.09 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 0.73%.

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

<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%.



**Franklin Mutual U.S. Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class C</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$26.21	\$32.97	\$36.13	\$39.27	\$34.01
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.15	0.93 <sup>c</sup>	0.26	0.15	0.08 <sup>d</sup>
Net realized and unrealized gains (losses) . . . . .	12.72	(5.28)	1.09	(0.41)	7.49
Total from investment operations . . . . .	12.87	(4.35)	1.35	(0.26)	7.57
Less distributions from:					
Net investment income . . . . .	(0.93)	(0.26)	—	(0.17)	—
Net realized gains . . . . .	—	(2.15)	(4.51)	(2.71)	(2.31)
Total distributions . . . . .	(0.93)	(2.41)	(4.51)	(2.88)	(2.31)
Net asset value, end of year . . . . .	\$38.15	\$26.21	\$32.97	\$36.13	\$39.27
Total return <sup>e</sup> . . . . .	50.06%	(14.57)%	5.41%	(0.91)%	22.73%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.66%	1.70%	1.68%	1.66%	1.67%
Expenses net of waiver and payments by affiliates <sup>f</sup> . . . . .	1.66% <sup>g</sup>	1.68%	1.64%	1.61%	1.62%
Net investment income . . . . .	0.42%	3.36% <sup>c</sup>	0.80%	0.38%	0.22% <sup>d</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$20,132	\$15,881	\$27,443	\$33,854	\$65,586
Portfolio turnover rate . . . . .	60.45%	57.78%	44.31%	29.85%	24.68%

<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 \$0.66 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 0.97%.

<sup>d</sup>Net investment income per share includes approximately \$0.09 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 (0.02)%.

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

<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%.

**Franklin Mutual U.S. Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class R</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$27.67	\$34.70	\$37.99	\$41.10	\$35.42
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.34	1.11 <sup>c</sup>	0.44	0.35	0.29 <sup>d</sup>
Net realized and unrealized gains (losses) . . . . .	13.44	(5.55)	1.14	(0.42)	7.80
Total from investment operations . . . . .	13.78	(4.44)	1.58	(0.07)	8.09
Less distributions from:					
Net investment income . . . . .	(1.11)	(0.44)	(0.36)	(0.33)	(0.10)
Net realized gains . . . . .	—	(2.15)	(4.51)	(2.71)	(2.31)
Total distributions . . . . .	(1.11)	(2.59)	(4.87)	(3.04)	(2.41)
Net asset value, end of year . . . . .	\$40.34	\$27.67	\$34.70	\$37.99	\$41.10
Total return . . . . .	50.87%	(14.16)%	5.94%	(0.39)%	23.33%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.16%	1.20%	1.18%	1.16%	1.17%
Expenses net of waiver and payments by affiliates <sup>e</sup> . . . . .	1.16% <sup>f</sup>	1.18%	1.14%	1.11%	1.12%
Net investment income . . . . .	0.93%	3.80% <sup>c</sup>	1.30%	0.88%	0.72% <sup>d</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$6,362	\$4,465	\$6,764	\$7,280	\$7,884
Portfolio turnover rate . . . . .	60.45%	57.78%	44.31%	29.85%	24.68%

<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 \$0.70 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.41%.

<sup>d</sup>Net investment income per share includes approximately \$0.09 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 0.48%.

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

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

**Franklin Mutual U.S. Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class R6</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$28.73	\$35.93	\$39.20	\$42.38	\$36.40
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.59	1.27 <sup>c</sup>	0.67	0.61	0.75 <sup>d</sup>
Net realized and unrealized gains (losses) . . . . .	13.91	(5.65)	1.18	(0.45)	7.83
Total from investment operations . . . . .	14.50	(4.38)	1.85	0.16	8.58
Less distributions from:					
Net investment income . . . . .	(1.30)	(0.67)	(0.61)	(0.63)	(0.29)
Net realized gains . . . . .	—	(2.15)	(4.51)	(2.71)	(2.31)
Total distributions . . . . .	(1.30)	(2.82)	(5.12)	(3.34)	(2.60)
Net asset value, end of year . . . . .	\$41.93	\$28.73	\$35.93	\$39.20	\$42.38
Total return . . . . .	51.74%	(13.61)%	6.61%	0.19%	24.10%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.59%	0.61%	0.59%	0.57%	0.57%
Expenses net of waiver and payments by affiliates <sup>e</sup> . . . . .	0.55%	0.55%	0.52%	0.50%	0.47%
Net investment income . . . . .	1.54%	4.24% <sup>c</sup>	1.92%	1.49%	1.37% <sup>d</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$39,290	\$27,952	\$36,398	\$36,580	\$34,673
Portfolio turnover rate . . . . .	60.45%	57.78%	44.31%	29.85%	24.68%

<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 \$0.72 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 1.85%.

<sup>d</sup>Net investment income per share includes approximately \$0.09 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.13%.

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

**Franklin Mutual U.S. Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Advisor Class</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$28.80	\$36.01	\$39.26	\$42.39	\$36.45
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.55	1.28 <sup>c</sup>	0.63	0.57	0.49 <sup>d</sup>
Net realized and unrealized gains (losses) . . . . .	13.95	(5.72)	1.19	(0.46)	8.04
Total from investment operations . . . . .	14.50	(4.44)	1.82	0.11	8.53
Less distributions from:					
Net investment income . . . . .	(1.26)	(0.62)	(0.56)	(0.53)	(0.28)
Net realized gains . . . . .	—	(2.15)	(4.51)	(2.71)	(2.31)
Total distributions . . . . .	(1.26)	(2.77)	(5.07)	(3.24)	(2.59)
Net asset value, end of year . . . . .	\$42.04	\$28.80	\$36.01	\$39.26	\$42.39
Total return . . . . .	51.57%	(13.71)%	6.48%	0.07%	23.98%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.66%	0.70%	0.68%	0.66%	0.67%
Expenses net of waiver and payments by affiliates <sup>e</sup> . . . . .	0.66% <sup>f</sup>	0.68%	0.64%	0.61%	0.62%
Net investment income . . . . .	1.43%	4.22% <sup>c</sup>	1.80%	1.38%	1.22% <sup>d</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$56,787	\$34,029	\$47,427	\$48,616	\$57,402
Portfolio turnover rate . . . . .	60.45%	57.78%	44.31%	29.85%	24.68%

<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 \$0.72 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 1.83%.

<sup>d</sup>Net investment income per share includes approximately \$0.09 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.98%.

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

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

## Statement of Investments, October 31, 2021

## Franklin Mutual U.S. Value Fund

	Country	Shares	Value
<b>Common Stocks 95.2%</b>			
<b>Aerospace &amp; Defense 3.1%</b>			
<sup>a</sup> Airbus SE . . . . .	France	88,110	\$11,301,952
Huntington Ingalls Industries, Inc. . . . .	United States	83,900	17,009,047
			28,310,999
<b>Automobiles 1.9%</b>			
<sup>a</sup> General Motors Co. . . . .	United States	309,976	16,871,994
<b>Banks 9.8%</b>			
Bank of America Corp. . . . .	United States	556,714	26,599,795
Citizens Financial Group, Inc. . . . .	United States	400,511	18,976,211
ING Groep NV . . . . .	Netherlands	1,582,825	24,007,648
PNC Financial Services Group, Inc. (The) . . . . .	United States	93,000	19,625,790
			89,209,444
<b>Building Products 2.5%</b>			
Johnson Controls International plc. . . . .	United States	304,966	22,375,355
<b>Chemicals 4.5%</b>			
Ashland Global Holdings, Inc. . . . .	United States	218,459	20,974,249
Avient Corp. . . . .	United States	193,446	10,422,870
Huntsman Corp. . . . .	United States	301,250	9,814,725
			41,211,844
<b>Commercial Services &amp; Supplies 1.4%</b>			
Tetra Tech, Inc. . . . .	United States	73,200	12,858,312
<b>Construction Materials 1.1%</b>			
HeidelbergCement AG . . . . .	Germany	133,884	10,081,255
<b>Diversified Financial Services 2.5%</b>			
Voya Financial, Inc. . . . .	United States	328,100	22,891,537
<b>Electric Utilities 3.5%</b>			
Entergy Corp. . . . .	United States	119,509	12,311,817
Evergy, Inc. . . . .	United States	173,117	11,036,209
Pinnacle West Capital Corp. . . . .	United States	135,100	8,712,599
			32,060,625
<b>Electrical Equipment 1.1%</b>			
Regal Rexnord Corp. . . . .	United States	68,765	10,474,972
<b>Electronic Equipment, Instruments &amp; Components 1.2%</b>			
Corning, Inc. . . . .	United States	312,271	11,107,479
<b>Energy Equipment &amp; Services 1.9%</b>			
Schlumberger NV . . . . .	United States	549,841	17,737,871
<b>Equity Real Estate Investment Trusts (REITs) 6.4%</b>			
Brixmor Property Group, Inc. . . . .	United States	862,100	20,207,624
Healthcare Realty Trust, Inc. . . . .	United States	566,752	18,736,821
Vornado Realty Trust. . . . .	United States	466,443	19,884,465
			58,828,910
<b>Food Products 4.8%</b>			
Archer-Daniels-Midland Co. . . . .	United States	185,700	11,929,368
Kraft Heinz Co. (The) . . . . .	United States	881,132	31,623,827
			43,553,195
<b>Health Care Equipment &amp; Supplies 1.5%</b>			
Medtronic plc . . . . .	United States	112,789	13,518,890
<b>Health Care Providers &amp; Services 4.6%</b>			
Anthem, Inc. . . . .	United States	45,393	19,751,856

## Franklin Mutual U.S. Value Fund (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Health Care Providers &amp; Services</b> (continued)			
CVS Health Corp. . . . .	United States	244,125	\$21,795,480
			41,547,336
<b>Household Durables 1.8%</b>			
DR Horton, Inc. . . . .	United States	188,806	16,854,712
<b>Independent Power and Renewable Electricity Producers 1.9%</b>			
AES Corp. (The) . . . . .	United States	704,762	17,710,669
<b>Industrial Conglomerates 2.0%</b>			
General Electric Co. . . . .	United States	176,564	18,516,267
<b>Insurance 7.4%</b>			
Everest Re Group Ltd. . . . .	United States	92,335	24,145,603
Hartford Financial Services Group, Inc. (The) . . . . .	United States	322,500	23,519,925
Willis Towers Watson plc . . . . .	United States	82,219	19,920,019
			67,585,547
<b>IT Services 5.9%</b>			
Alliance Data Systems Corp. . . . .	United States	132,501	11,295,710
Cognizant Technology Solutions Corp., A. . . . .	United States	256,208	20,007,283
<sup>a</sup> Fiserv, Inc. . . . .	United States	142,400	14,024,976
Global Payments, Inc. . . . .	United States	62,097	8,879,250
			54,207,219
<b>Machinery 2.5%</b>			
Oshkosh Corp. . . . .	United States	99,900	10,689,300
Timken Co. (The) . . . . .	United States	171,038	12,135,146
			22,824,446
<b>Media 2.1%</b>			
<sup>a</sup> Charter Communications, Inc., A. . . . .	United States	13,979	9,434,287
Comcast Corp., A . . . . .	United States	187,471	9,641,634
			19,075,921
<b>Oil, Gas &amp; Consumable Fuels 1.5%</b>			
Chevron Corp. . . . .	United States	118,735	13,593,970
<b>Pharmaceuticals 6.9%</b>			
<sup>a</sup> Elanco Animal Health, Inc. . . . .	United States	292,815	9,627,757
GlaxoSmithKline plc . . . . .	United Kingdom	1,577,300	32,744,860
Merck & Co., Inc. . . . .	United States	230,307	20,278,532
			62,651,149
<b>Professional Services 1.7%</b>			
KBR, Inc. . . . .	United States	369,013	15,660,912
<b>Software 2.3%</b>			
NortonLifeLock, Inc. . . . .	United States	825,138	20,999,762
<b>Specialty Retail 3.0%</b>			
Best Buy Co., Inc. . . . .	United States	156,087	19,080,075
Dick's Sporting Goods, Inc. . . . .	United States	66,522	8,262,698
			27,342,773
<b>Technology Hardware, Storage &amp; Peripherals 2.1%</b>			
<sup>a</sup> Western Digital Corp. . . . .	United States	372,325	19,468,874
<b>Textiles, Apparel &amp; Luxury Goods 2.1%</b>			
Tapestry, Inc. . . . .	United States	480,477	18,728,993

**Franklin Mutual U.S. Value Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Trading Companies &amp; Distributors 0.2%</b>			
<sup>a</sup> AerCap Holdings NV . . . . .	Ireland	28,194	\$1,664,574
<b>Total Common Stocks (Cost \$685,531,745)</b> . . . . .			<b>869,525,806</b>
<b>Short Term Investments 5.2%</b>			
	Country	Shares	Value
<b>Money Market Funds 5.2%</b>			
<sup>b,c</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% . . . . .	United States	47,616,094	47,616,094
<b>Total Money Market Funds (Cost \$47,616,094)</b> . . . . .			<b>47,616,094</b>
<b>Total Short Term Investments (Cost \$47,616,094)</b> . . . . .			<b>47,616,094</b>
<b>Total Investments (Cost \$733,147,839) 100.4%</b> . . . . .			<b>\$917,141,900</b>
<b>Other Assets, less Liabilities (0.4)%</b> . . . . .			<b>(4,242,823)</b>
<b>Net Assets 100.0%</b> . . . . .			<b>\$912,899,077</b>

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

<sup>b</sup>See Note 3(f) regarding investments in affiliated management investment companies.

<sup>c</sup>The rate shown is the annualized seven-day effective yield at period end.

## Financial Highlights

### Franklin Small Cap Value Fund

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class A</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$41.84	\$49.48	\$52.59	\$59.07	\$51.45
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.47 <sup>c</sup>	0.45	0.51 <sup>d</sup>	0.39 <sup>e</sup>	0.31 <sup>f</sup>
Net realized and unrealized gains (losses) . . . . .	20.03	(5.01)	4.00	(1.95)	10.04
Total from investment operations . . . . .	20.50	(4.56)	4.51	(1.56)	10.35
Less distributions from:					
Net investment income . . . . .	(0.35)	(0.58)	(0.44)	(0.42)	(0.12)
Net realized gains . . . . .	(0.75)	(2.50)	(7.18)	(4.50)	(2.61)
Total distributions . . . . .	(1.10)	(3.08)	(7.62)	(4.92)	(2.73)
Net asset value, end of year . . . . .	\$61.24	\$41.84	\$49.48	\$52.59	\$59.07
Total return <sup>g</sup> . . . . .	49.59%	(10.04)%	11.35%	(3.04)%	20.53%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.00%	1.08%	1.06%	1.05%	1.05%
Expenses net of waiver and payments by affiliates . . . . .	1.00% <sup>h</sup>	1.07% <sup>i</sup>	1.05% <sup>j</sup>	1.03% <sup>j</sup>	1.03% <sup>j</sup>
Net investment income . . . . .	0.81% <sup>c</sup>	1.08%	1.10% <sup>d</sup>	0.69% <sup>e</sup>	0.58% <sup>f</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,577,561	\$1,123,039	\$1,334,235	\$1,366,866	\$1,364,629
Portfolio turnover rate . . . . .	52.76%	67.46%	57.84%	53.26%	33.38%

<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 \$0.15 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 0.56%.

<sup>d</sup>Net investment income per share includes approximately \$0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.80%.

<sup>e</sup>Net investment income per share includes approximately \$0.09 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 0.52%.

<sup>f</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 0.29%.

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

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

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



**Franklin Small Cap Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class C</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$35.87	\$42.84	\$46.45	\$52.75	\$46.42
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	0.02 <sup>c</sup>	0.12	0.15 <sup>d</sup>	(0.02) <sup>e</sup>	(0.09) <sup>f</sup>
Net realized and unrealized gains (losses) . . . . .	17.20	(4.33)	3.42	(1.72)	9.03
Total from investment operations . . . . .	17.22	(4.21)	3.57	(1.74)	8.94
Less distributions from:					
Net investment income . . . . .	(0.09)	(0.26)	—	(0.06)	—
Net realized gains . . . . .	(0.75)	(2.50)	(7.18)	(4.50)	(2.61)
Total distributions . . . . .	(0.84)	(2.76)	(7.18)	(4.56)	(2.61)
Net asset value, end of year . . . . .	\$52.25	\$35.87	\$42.84	\$46.45	\$52.75
Total return <sup>g</sup> . . . . .	48.51%	(10.73)%	10.52%	(3.77)%	19.62%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.75%	1.83%	1.81%	1.80%	1.80%
Expenses net of waiver and payments by affiliates . . . . .	1.75% <sup>h</sup>	1.82% <sup>i</sup>	1.80% <sup>i</sup>	1.78% <sup>i</sup>	1.78% <sup>i</sup>
Net investment income (loss) . . . . .	0.05% <sup>c</sup>	0.34%	0.35% <sup>d</sup>	(0.06)% <sup>e</sup>	(0.17)% <sup>f</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$99,994	\$77,586	\$111,639	\$138,188	\$225,228
Portfolio turnover rate . . . . .	52.76%	67.46%	57.84%	53.26%	33.38%

<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 \$0.15 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 (0.20)%.

<sup>d</sup>Net investment income per share includes approximately \$0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.05%.

<sup>e</sup>Net investment income per share includes approximately \$0.09 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 (0.23)%.

<sup>f</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 (0.46)%.

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

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

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

**Franklin Small Cap Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class R</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$41.31	\$48.88	\$51.98	\$58.37	\$50.87
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.32 <sup>c</sup>	0.35	0.40 <sup>d</sup>	0.25 <sup>e</sup>	0.18 <sup>f</sup>
Net realized and unrealized gains (losses) . . . . .	19.79	(4.97)	3.94	(1.93)	9.93
Total from investment operations . . . . .	20.11	(4.62)	4.34	(1.68)	10.11
Less distributions from:					
Net investment income . . . . .	(0.24)	(0.45)	(0.26)	(0.21)	—
Net realized gains . . . . .	(0.75)	(2.50)	(7.18)	(4.50)	(2.61)
Total distributions . . . . .	(0.99)	(2.95)	(7.44)	(4.71)	(2.61)
Net asset value, end of year . . . . .	\$60.43	\$41.31	\$48.88	\$51.98	\$58.37
Total return . . . . .	49.22%	(10.27)%	11.06%	(3.28)%	20.23%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.25%	1.33%	1.31%	1.30%	1.30%
Expenses net of waiver and payments by affiliates . . . . .	1.25% <sup>g</sup>	1.32% <sup>h</sup>	1.30% <sup>h</sup>	1.28% <sup>h</sup>	1.28% <sup>h</sup>
Net investment income . . . . .	0.56% <sup>c</sup>	0.84%	0.85% <sup>d</sup>	0.44% <sup>e</sup>	0.33% <sup>f</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$150,288	\$106,201	\$143,634	\$158,678	\$209,627
Portfolio turnover rate . . . . .	52.76%	67.46%	57.84%	53.26%	33.38%

<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 \$0.15 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 0.32%.

<sup>d</sup>Net investment income per share includes approximately \$0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.55%.

<sup>e</sup>Net investment income per share includes approximately \$0.09 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 0.27%.

<sup>f</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 0.04%.

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

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

**Franklin Small Cap Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Class R6</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$44.37	\$52.29	\$55.17	\$61.71	\$53.60
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.71 <sup>c</sup>	0.65	0.75 <sup>d</sup>	0.66 <sup>e</sup>	0.58 <sup>f</sup>
Net realized and unrealized gains (losses) . . . . .	21.27	(5.27)	4.23	(2.05)	10.49
Total from investment operations . . . . .	21.98	(4.62)	4.98	(1.39)	11.07
Less distributions from:					
Net investment income . . . . .	(0.55)	(0.80)	(0.68)	(0.65)	(0.35)
Net realized gains . . . . .	(0.75)	(2.50)	(7.18)	(4.50)	(2.61)
Total distributions . . . . .	(1.30)	(3.30)	(7.86)	(5.15)	(2.96)
Net asset value, end of year . . . . .	\$65.05	\$44.37	\$52.29	\$55.17	\$61.71
Total return . . . . .	50.21%	(9.65)%	11.82%	(2.63)%	21.07%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.62%	0.68%	0.66%	0.66%	0.60%
Expenses net of waiver and payments by affiliates . . . . .	0.59%	0.64% <sup>g</sup>	0.61% <sup>g</sup>	0.60% <sup>g</sup>	0.58% <sup>g</sup>
Net investment income . . . . .	1.15% <sup>c</sup>	1.47%	1.54% <sup>d</sup>	1.12% <sup>e</sup>	1.03% <sup>f</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,336,020	\$510,946	\$362,397	\$270,426	\$221,246
Portfolio turnover rate . . . . .	52.76%	67.46%	57.84%	53.26%	33.38%

<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 \$0.15 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 0.90%.

<sup>d</sup>Net investment income per share includes approximately \$0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.24%.

<sup>e</sup>Net investment income per share includes approximately \$0.09 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 0.95%.

<sup>f</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 0.74%.

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

**Franklin Small Cap Value Fund** (continued)

	Year Ended October 31,				
	2021	2020	2019	2018	2017
<b>Advisor Class</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$44.44	\$52.36	\$55.19	\$61.66	\$53.58
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.63 <sup>c</sup>	0.58	0.67 <sup>d</sup>	0.56 <sup>e</sup>	0.48 <sup>f</sup>
Net realized and unrealized gains (losses) . . . . .	21.30	(5.29)	4.24	(2.06)	10.48
Total from investment operations . . . . .	21.93	(4.71)	4.91	(1.50)	10.96
Less distributions from:					
Net investment income . . . . .	(0.49)	(0.71)	(0.56)	(0.47)	(0.27)
Net realized gains . . . . .	(0.75)	(2.50)	(7.18)	(4.50)	(2.61)
Total distributions . . . . .	(1.24)	(3.21)	(7.74)	(4.97)	(2.88)
Net asset value, end of year . . . . .	\$65.13	\$44.44	\$52.36	\$55.19	\$61.66
Total return . . . . .	49.98%	(9.81)%	11.61%	(2.81)%	20.84%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.75%	0.83%	0.81%	0.80%	0.80%
Expenses net of waiver and payments by affiliates . . . . .	0.75% <sup>d</sup>	0.82% <sup>h</sup>	0.80% <sup>h</sup>	0.78% <sup>h</sup>	0.78% <sup>h</sup>
Net investment income . . . . .	1.01% <sup>c</sup>	1.30%	1.35% <sup>d</sup>	0.94% <sup>e</sup>	0.83% <sup>f</sup>
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,687,270	\$646,240	\$522,329	\$544,792	\$583,364
Portfolio turnover rate . . . . .	52.76%	67.46%	57.84%	53.26%	33.38%

<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 \$0.15 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 0.76%.

<sup>d</sup>Net investment income per share includes approximately \$0.14 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.05%.

<sup>e</sup>Net investment income per share includes approximately \$0.09 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 0.77%.

<sup>f</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 0.54%.

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

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

## Statement of Investments, October 31, 2021

## Franklin Small Cap Value Fund

	Country	Shares	Value
<b>Common Stocks 99.1%</b>			
<b>Auto Components 1.9%</b>			
<sup>a</sup> Adient plc . . . . .	United States	1,472,962	\$61,304,679
LCI Industries . . . . .	United States	217,546	30,378,123
			91,682,802
<b>Banks 9.1%</b>			
Atlantic Union Bankshares Corp. . . . .	United States	1,153,814	41,387,308
Bryn Mawr Bank Corp. . . . .	United States	988,052	45,786,330
Camden National Corp. . . . .	United States	314,399	14,965,392
Columbia Banking System, Inc. . . . .	United States	1,655,576	56,504,809
First Horizon Corp. . . . .	United States	2,995,863	50,839,795
First Interstate BancSystem, Inc., A. . . . .	United States	162,736	6,764,936
<sup>b</sup> First of Long Island Corp. (The). . . . .	United States	1,230,606	24,772,099
German American Bancorp, Inc. . . . .	United States	571,608	22,532,787
Peoples Bancorp, Inc. . . . .	United States	617,140	19,723,794
SouthState Corp. . . . .	United States	1,063,502	83,048,871
TriCo Bancshares . . . . .	United States	908,962	39,839,805
Washington Trust Bancorp, Inc. . . . .	United States	616,609	33,703,848
			439,869,774
<b>Biotechnology 0.2%</b>			
<sup>a</sup> Mirum Pharmaceuticals, Inc. . . . .	United States	159,163	2,527,509
<sup>a</sup> Rhythm Pharmaceuticals, Inc. . . . .	United States	808,479	9,305,593
			11,833,102
<b>Building Products 5.7%</b>			
<sup>b</sup> Apogee Enterprises, Inc. . . . .	United States	1,535,111	64,367,204
Insteel Industries, Inc. . . . .	United States	422,236	17,172,338
<sup>a</sup> Masonite International Corp. . . . .	United States	442,544	53,109,706
UFP Industries, Inc. . . . .	United States	1,379,175	112,857,890
Zurn Water Solutions Corp. . . . .	United States	769,080	27,902,222
			275,409,360
<b>Chemicals 7.4%</b>			
Ashland Global Holdings, Inc. . . . .	United States	1,250,955	120,104,189
Avient Corp. . . . .	United States	2,131,616	114,851,470
<sup>a</sup> Elementis plc . . . . .	United Kingdom	22,200,006	42,381,088
Minerals Technologies, Inc. . . . .	United States	1,126,413	79,907,738
			357,244,485
<b>Communications Equipment 1.7%</b>			
<sup>a</sup> NetScout Systems, Inc. . . . .	United States	3,138,981	84,940,826
<b>Construction &amp; Engineering 4.4%</b>			
Argan, Inc. . . . .	United States	586,192	24,186,282
<sup>a,b</sup> Great Lakes Dredge & Dock Corp. . . . .	United States	4,091,750	62,276,435
<sup>a</sup> WillScot Mobile Mini Holdings Corp. . . . .	United States	3,604,622	125,260,614
			211,723,331
<b>Construction Materials 2.2%</b>			
<sup>a</sup> Summit Materials, Inc., A. . . . .	United States	3,008,434	107,250,672
<b>Electric Utilities 0.8%</b>			
IDACORP, Inc. . . . .	United States	364,837	38,059,796
<b>Electrical Equipment 1.9%</b>			
Regal Rexnord Corp. . . . .	United States	592,924	90,320,113
<b>Electronic Equipment, Instruments &amp; Components 4.3%</b>			
<sup>b</sup> Benchmark Electronics, Inc. . . . .	United States	2,564,535	59,779,311
CTS Corp. . . . .	United States	159,272	5,673,269

**Franklin Small Cap Value Fund (continued)**

	Country	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Electronic Equipment, Instruments &amp; Components (continued)</b>			
<sup>a</sup> II-VI, Inc. ....	United States	176,983	\$10,709,241
<sup>a,b</sup> Knowles Corp. ....	United States	6,274,688	130,764,498
			206,926,319
<b>Energy Equipment &amp; Services 2.4%</b>			
Hunting plc ....	United Kingdom	4,813,093	11,157,900
<sup>a</sup> Natural Gas Services Group, Inc. ....	United States	531,000	6,037,470
<sup>a</sup> NexTier Oilfield Solutions, Inc. ....	United States	4,790,885	21,367,347
<sup>a</sup> TechnipFMC plc ....	United Kingdom	10,649,964	78,490,235
			117,052,952
<b>Equity Real Estate Investment Trusts (REITs) 3.5%</b>			
Alexander & Baldwin, Inc. ....	United States	1,390,506	34,109,112
Healthcare Realty Trust, Inc. ....	United States	1,565,354	51,750,603
Highwoods Properties, Inc. ....	United States	910,267	40,816,372
Kimco Realty Corp. ....	United States	34,636	782,774
<sup>a</sup> Sunstone Hotel Investors, Inc. ....	United States	3,459,017	42,684,270
			170,143,131
<b>Food &amp; Staples Retailing 0.2%</b>			
<sup>a</sup> BJ's Wholesale Club Holdings, Inc. ....	United States	201,565	11,779,459
<b>Food Products 1.7%</b>			
Glanbia plc ....	Ireland	5,155,886	84,194,036
<b>Gas Utilities 0.1%</b>			
Spire, Inc. ....	United States	76,415	4,795,805
<b>Health Care Equipment &amp; Supplies 2.3%</b>			
<sup>a</sup> Envista Holdings Corp. ....	United States	1,470,995	57,515,905
<sup>a</sup> Integer Holdings Corp. ....	United States	625,374	56,296,167
			113,812,072
<b>Hotels, Restaurants &amp; Leisure 7.6%</b>			
<sup>a,b</sup> Dalata Hotel Group plc ....	Ireland	11,474,366	49,073,911
<sup>a,b</sup> Denny's Corp. ....	United States	5,238,722	83,295,680
<sup>a</sup> Hilton Grand Vacations, Inc. ....	United States	2,420,911	121,723,405
<sup>b</sup> Jack in the Box, Inc. ....	United States	1,139,195	112,723,345
			366,816,341
<b>Household Durables 0.1%</b>			
<sup>a</sup> M/I Homes, Inc. ....	United States	72,295	4,139,612
<b>Insurance 9.9%</b>			
Argo Group International Holdings Ltd. ....	United States	435,707	24,007,456
CNO Financial Group, Inc. ....	United States	3,578,579	86,386,897
Hanover Insurance Group, Inc. (The). ....	United States	1,110,912	139,974,913
Horace Mann Educators Corp. ....	United States	2,031,284	79,585,707
Old Republic International Corp. ....	United States	2,907,251	75,094,293
Selective Insurance Group, Inc. ....	United States	958,808	75,141,783
			480,191,049
<b>IT Services 1.4%</b>			
Alliance Data Systems Corp. ....	United States	787,191	67,108,033
<b>Leisure Products 1.4%</b>			
Brunswick Corp. ....	United States	714,832	66,543,711
<b>Machinery 9.7%</b>			
Astec Industries, Inc. ....	United States	230,038	12,279,428
Columbus McKinnon Corp. ....	United States	292,721	13,836,922

**Franklin Small Cap Value Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Machinery</b> (continued)			
Flowserve Corp. . . . .	United States	1,774,702	\$59,665,481
<sup>b</sup> Greenbrier Cos., Inc. (The) . . . . .	United States	2,638,829	108,244,766
Mueller Industries, Inc. . . . .	United States	536,425	28,237,412
Mueller Water Products, Inc., A . . . . .	United States	3,891,727	63,863,240
REV Group, Inc. . . . .	United States	2,273,579	34,353,779
Terex Corp. . . . .	United States	535,689	23,998,867
Timken Co. (The) . . . . .	United States	1,772,598	125,765,828
			<u>470,245,723</u>
<b>Metals &amp; Mining 0.3%</b>			
Kaiser Aluminum Corp. . . . .	United States	156,230	<u>15,176,182</u>
<b>Multi-Utilities 1.5%</b>			
Black Hills Corp. . . . .	United States	1,065,010	<u>70,695,364</u>
<b>Oil, Gas &amp; Consumable Fuels 4.1%</b>			
Crescent Point Energy Corp. . . . .	Canada	22,628,136	113,698,203
<sup>a</sup> Green Plains, Inc. . . . .	United States	2,231,429	84,682,731
			<u>198,380,934</u>
<b>Professional Services 1.8%</b>			
ICF International, Inc. . . . .	United States	308,855	31,036,839
Stantec, Inc. . . . .	Canada	998,269	55,159,221
			<u>86,196,060</u>
<b>Semiconductors &amp; Semiconductor Equipment 0.0%†</b>			
<sup>a</sup> Cohu, Inc. . . . .	United States	38,544	<u>1,234,950</u>
<b>Software 3.3%</b>			
<sup>a</sup> ACI Worldwide, Inc. . . . .	United States	3,337,303	102,388,456
Software AG . . . . .	Germany	1,469,946	60,451,420
			<u>162,839,876</u>
<b>Specialty Retail 4.0%</b>			
<sup>a</sup> Children's Place, Inc. (The) . . . . .	United States	470,537	39,002,812
<sup>a</sup> Dufry AG. . . . .	Switzerland	1,401,946	74,211,633
Group 1 Automotive, Inc. . . . .	United States	461,305	82,942,639
			<u>196,157,084</u>
<b>Textiles, Apparel &amp; Luxury Goods 0.4%</b>			
Carter's, Inc. . . . .	United States	219,540	<u>21,629,081</u>
<b>Thrifts &amp; Mortgage Finance 0.4%</b>			
<sup>a</sup> Enact Holdings, Inc. . . . .	United States	822,145	<u>18,892,892</u>
<b>Trading Companies &amp; Distributors 3.4%</b>			
Herc Holdings, Inc. . . . .	United States	333,957	60,793,532
<sup>b</sup> McGrath RentCorp . . . . .	United States	1,415,929	102,145,118
			<u>162,938,650</u>
<b>Total Common Stocks (Cost \$3,971,670,533)</b> . . . . .			<b><u>4,806,223,577</u></b>

**Franklin Small Cap Value Fund** (continued)

**Short Term Investments 1.0%**

	Country	Shares	Value
<b>Money Market Funds 1.0%</b>			
<sup>c,d</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% . . . . .	United States	50,903,498	\$50,903,498
<b>Total Money Market Funds (Cost \$50,903,498) . . . . .</b>			<b>50,903,498</b>
<b>Total Short Term Investments (Cost \$50,903,498) . . . . .</b>			<b>50,903,498</b>
<b>Total Investments (Cost \$4,022,574,031) 100.1% . . . . .</b>			<b>\$4,857,127,075</b>
<b>Other Assets, less Liabilities (0.1)% . . . . .</b>			<b>(5,995,092)</b>
<b>Net Assets 100.0% . . . . .</b>			<b>\$4,851,131,983</b>

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

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

<sup>b</sup> See Note 8 regarding holdings of 5% voting securities.

<sup>c</sup> See Note 3(f) regarding investments in affiliated management investment companies.

<sup>d</sup> The rate shown is the annualized seven-day effective yield at period end.



## Statements of Assets and Liabilities

October 31, 2021

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
<b>Assets:</b>			
Investments in securities:			
Cost - Unaffiliated issuers . . . . .	\$139,211,113	\$685,531,745	\$3,252,502,964
Cost - Non-controlled affiliates (Note 3f and 8) . . . . .	7,943,014	47,616,094	770,071,067
Value - Unaffiliated issuers . . . . .	\$215,827,947	\$869,525,806	\$4,008,781,210
Value - Non-controlled affiliates (Note 3f and 8) . . . . .	7,943,014	47,616,094	848,345,865
Cash . . . . .	—	—	23
Foreign currency, at value (cost \$—, \$— and \$61,178, respectively) . . . . .	—	—	61,178
Receivables:			
Investment securities sold . . . . .	—	925,158	18,927,518
Capital shares sold . . . . .	319,339	454,716	5,164,107
Dividends and interest . . . . .	21,879	400,398	1,037,009
Other assets . . . . .	—	1,196	—
Total assets . . . . .	224,112,179	918,923,368	4,882,316,910
<b>Liabilities:</b>			
Payables:			
Investment securities purchased . . . . .	417,033	4,479,767	21,320,255
Capital shares redeemed . . . . .	239,422	650,503	5,764,101
Management fees . . . . .	139,868	362,309	2,222,271
Distribution fees . . . . .	34,024	186,186	486,947
Transfer agent fees . . . . .	43,752	197,028	1,222,688
Professional fees . . . . .	51,378	55,512	61,146
Accrued expenses and other liabilities . . . . .	19,473	92,986	107,519
Total liabilities . . . . .	944,950	6,024,291	31,184,927
Net assets, at value . . . . .	\$223,167,229	\$912,899,077	\$4,851,131,983
<b>Net assets consist of:</b>			
Paid-in capital . . . . .	\$116,847,782	\$621,367,307	\$3,604,117,535
Total distributable earnings (losses) . . . . .	106,319,447	291,531,770	1,247,014,448
Net assets, at value . . . . .	\$223,167,229	\$912,899,077	\$4,851,131,983

# Statements of Assets and Liabilities (continued)

October 31, 2021

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
<b>Class A:</b>			
Net assets, at value	\$161,200,470	\$790,328,840	\$1,577,560,505
Shares outstanding	4,948,469	19,662,208	25,762,053
Net asset value per share <sup>a</sup>	\$32.58	\$40.20	\$61.24
Maximum offering price per share (net asset value per share + 94.50%)	\$34.48	\$42.54	\$64.80
<b>Class C:</b>			
Net assets, at value	\$—	\$20,131,529	\$99,993,940
Shares outstanding	—	527,736	1,913,851
Net asset value and maximum offering price per share <sup>a</sup>	\$—	\$38.15	\$52.25
<b>Class R:</b>			
Net assets, at value	\$—	\$6,361,617	\$150,287,780
Shares outstanding	—	157,709	2,486,939
Net asset value and maximum offering price per share	\$—	\$40.34	\$60.43
<b>Class R6:</b>			
Net assets, at value	\$23,137,415	\$39,290,193	\$1,336,019,606
Shares outstanding	696,797	937,100	20,537,044
Net asset value and maximum offering price per share	\$33.21	\$41.93	\$65.05
<b>Advisor Class:</b>			
Net assets, at value	\$38,829,344	\$56,786,898	\$1,687,270,152
Shares outstanding	1,178,186	1,350,884	25,906,126
Net asset value and maximum offering price per share	\$32.96	\$42.04	\$65.13

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

## Statements of Operations

for the year ended October 31, 2021

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
Investment income:			
Dividends: (net of foreign taxes of \$14,269, \$341,262 and \$225,383, respectively)			
Unaffiliated issuers . . . . .	\$3,240,585	\$16,780,129	\$66,064,850
Non-controlled affiliates (Note 3f and 8) . . . . .	542	2,345	8,538,703
Interest:			
Unaffiliated issuers . . . . .	—	513,300	49,852
Total investment income . . . . .	3,241,127	17,295,774	74,653,405
Expenses:			
Management fees (Note 3a) . . . . .	1,516,453	3,967,921	22,864,111
Distribution fees: (Note 3c)			
Class A . . . . .	360,471	1,782,086	3,823,183
Class C . . . . .	—	210,581	1,119,242
Class R . . . . .	—	29,278	737,210
Transfer agent fees: (Note 3e)			
Class A . . . . .	186,130	958,859	2,819,279
Class C . . . . .	—	28,310	206,367
Class R . . . . .	—	7,897	272,483
Class R6 . . . . .	11,182	24,053	609,556
Advisor Class . . . . .	49,654	67,676	2,462,563
Custodian fees (Note 4) . . . . .	869	4,447	22,002
Reports to shareholders fees . . . . .	28,121	106,796	264,367
Registration and filing fees . . . . .	56,853	98,805	234,111
Professional fees . . . . .	107,060	105,982	130,590
Trustees' fees and expenses . . . . .	12,370	50,260	236,133
Other . . . . .	9,137	22,830	64,659
Total expenses . . . . .	2,338,300	7,465,781	35,865,856
Expense reductions (Note 4) . . . . .	—	(6)	—
Expenses waived/paid by affiliates (Note 3f and 3g) . . . . .	(10,095)	(37,518)	(341,032)
Net expenses . . . . .	2,328,205	7,428,257	35,524,824
Net investment income . . . . .	912,922	9,867,517	39,128,581
Realized and unrealized gains (losses):			
Net realized gain (loss) from:			
Investments:			
Unaffiliated issuers . . . . .	32,607,209	156,901,654	431,391,179
Non-controlled affiliates (Note 3f and 8) . . . . .	—	—	13,402,303
Foreign currency transactions . . . . .	901	(8,020)	156,548
Net realized gain (loss) . . . . .	32,608,110	156,893,634	444,950,030
Net change in unrealized appreciation (depreciation) on:			
Investments:			
Unaffiliated issuers . . . . .	40,148,742	140,358,993	736,301,397
Non-controlled affiliates (Note 3f and 8) . . . . .	—	—	62,196,304
Translation of other assets and liabilities denominated in foreign currencies . . . . .	—	—	(10,798)
Net change in unrealized appreciation (depreciation) . . . . .	40,148,742	140,358,993	798,486,903
Net realized and unrealized gain (loss) . . . . .	72,756,852	297,252,627	1,243,436,933
Net increase (decrease) in net assets resulting from operations . . . . .	\$73,669,774	\$307,120,144	\$1,282,565,514

# Statements of Changes in Net Assets

	Franklin MicroCap Value Fund		Franklin Mutual U.S. Value Fund	
	Year Ended October 31, 2021	Year Ended October 31, 2020	Year Ended October 31, 2021	Year Ended October 31, 2020
Increase (decrease) in net assets:				
Operations:				
Net investment income . . . . .	\$912,922	\$826,718	\$9,867,517	\$27,754,071
Net realized gain (loss) . . . . .	32,608,110	8,450,976	156,893,634	(51,050,450)
Net change in unrealized appreciation (depreciation) . . . . .	40,148,742	(31,579,004)	140,358,993	(91,259,740)
Net increase (decrease) in net assets resulting from operations.	73,669,774	(22,301,310)	307,120,144	(114,556,119)
Distributions to shareholders:				
Class A . . . . .	(6,083,695)	(22,379,215)	(22,744,402)	(55,980,118)
Class C . . . . .	—	—	(552,317)	(1,950,834)
Class R . . . . .	—	—	(173,376)	(484,796)
Class R6 . . . . .	(884,169)	(3,108,432)	(1,236,499)	(2,794,097)
Advisor Class . . . . .	(1,530,858)	(4,396,451)	(1,479,012)	(3,607,514)
Total distributions to shareholders . . . . .	(8,498,722)	(29,884,098)	(26,185,606)	(64,817,359)
Capital share transactions: (Note 2)				
Class A . . . . .	20,172,380	(12,239,692)	8,798,321	(42,590,380)
Class C . . . . .	—	—	(2,860,901)	(5,609,273)
Class R . . . . .	—	—	(135,103)	(990,297)
Class R6 . . . . .	4,300,636	(1,373,665)	(1,292,605)	(1,026,422)
Advisor Class . . . . .	4,780,407	(308,576)	6,589,376	(3,496,139)
Total capital share transactions . . . . .	29,253,423	(13,921,933)	11,099,088	(53,712,511)
Net increase (decrease) in net assets . . . . .	94,424,475	(66,107,341)	292,033,626	(233,085,989)
Net assets:				
Beginning of year . . . . .	128,742,754	194,850,095	620,865,451	853,951,440
End of year . . . . .	\$223,167,229	\$128,742,754	\$912,899,077	\$620,865,451

## Statements of Changes in Net Assets (continued)

	Franklin Small Cap Value Fund	
	Year Ended October 31, 2021	Year Ended October 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$39,128,581	\$26,297,458
Net realized gain (loss) . . . . .	444,950,030	47,855,032
Net change in unrealized appreciation (depreciation) . . . . .	798,486,903	(292,809,144)
Net increase (decrease) in net assets resulting from operations . . . . .	1,282,565,514	(218,656,654)
Distributions to shareholders:		
Class A . . . . .	(27,860,860)	(82,154,393)
Class C . . . . .	(1,853,782)	(7,034,679)
Class R . . . . .	(2,516,577)	(8,475,708)
Class R6 . . . . .	(16,086,898)	(23,812,714)
Advisor Class . . . . .	(20,153,588)	(32,065,484)
Total distributions to shareholders . . . . .	(68,471,705)	(153,542,978)
Capital share transactions: (Note 2)		
Class A . . . . .	(46,025,652)	1,190,848
Class C . . . . .	(13,872,001)	(14,696,868)
Class R . . . . .	(4,495,364)	(14,716,760)
Class R6 . . . . .	552,286,445	194,123,939
Advisor Class . . . . .	685,131,851	196,078,056
Total capital share transactions . . . . .	1,173,025,279	361,979,215
Net increase (decrease) in net assets . . . . .	2,387,119,088	(10,220,417)
Net assets:		
Beginning of year . . . . .	2,464,012,895	2,474,233,312
End of year . . . . .	\$4,851,131,983	\$2,464,012,895

# Notes to Financial Statements

## 1. Organization and Significant Accounting Policies

Franklin Value Investors Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of three separate funds (Funds) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The classes of shares offered within each of the Funds are indicated below. Effective August 2, 2021, Class C shares automatically convert to Class A shares on a monthly basis, after they have been held for 8 years. Prior to August 2, 2021, Class C shares converted to Class A shares after a 10-year holding period. 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.

### **Class A, Class R6 & Advisor Class**

Franklin MicroCap Value Fund

### **Class A, Class C, Class R, Class R6 & Advisor Class**

Franklin Mutual U.S. Value Fund

Franklin Small Cap Value Fund<sup>a</sup>

<sup>a</sup>Effective May 27, 2021, the Franklin Small Cap Value Fund was closed to new investors with limited exceptions.

The following summarizes the Funds' significant accounting policies.

### **a. Financial Instrument Valuation**

The Funds' 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 Funds calculate 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 Funds' administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Funds may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities 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 Funds' 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.

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Funds primarily employ 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

## 1. Organization and Significant Accounting Policies

(continued)

### a. Financial Instrument Valuation (continued)

such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Funds' business day. Events can 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 Funds' 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, an independent pricing service may be used to adjust the value of the Funds' portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At October 31, 2021, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Funds' NAV is not calculated, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Funds 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 Funds 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 Funds do 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 Statements 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. Income and Deferred Taxes

It is each Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each 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 Funds 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 the Funds invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply, certain or all Funds record 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, certain or all Funds filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). Income recognized, if any, for EU reclaims is reflected as other income in the

**1. Organization and Significant Accounting Policies**

(continued)

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

Statements of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statements 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 Funds, if any, reduce the amount of foreign taxes Fund shareholders can use as tax deductions or credits on their income tax returns.

Each Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of October 31, 2021, each 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.

**d. Security Transactions, Investment Income, Expenses and Distributions**

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Funds. 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.

**e. 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.

**f. 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 Funds, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.



## 2. Shares of Beneficial Interest

At October 31, 2021, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	Franklin MicroCap Value Fund		Franklin Mutual U.S. Value Fund	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Year ended October 31, 2021				
Shares sold <sup>a</sup>	1,462,945	\$46,213,507	4,681,925	\$175,735,473
Shares issued in reinvestment of distributions	226,581	5,893,373	660,772	20,853,982
Shares redeemed	(1,059,767)	(31,934,500)	(5,202,212)	(187,791,134)
Net increase (decrease)	629,759	\$20,172,380	140,485	\$8,798,321
Year ended October 31, 2020				
Shares sold <sup>a</sup>	428,347	\$9,501,219	2,819,939	\$79,041,978
Shares issued in reinvestment of distributions	830,982	21,572,312	1,561,575	52,656,311
Shares redeemed	(1,916,035)	(43,313,223)	(6,123,604)	(174,288,669)
Net increase (decrease)	(656,706)	\$(12,239,692)	(1,742,090)	\$(42,590,380)
<b>Class C Shares:</b>				
Year ended October 31, 2021				
Shares sold	—	\$—	256,950	\$9,200,910
Shares issued in reinvestment of distributions	—	—	18,229	549,596
Shares redeemed <sup>a</sup>	—	—	(353,358)	(12,611,407)
Net increase (decrease)	—	\$—	(78,179)	\$(2,860,901)
Year ended October 31, 2020				
Shares sold	—	\$—	96,058	\$2,582,107
Shares issued in reinvestment of distributions	—	—	59,874	1,930,328
Shares redeemed <sup>a</sup>	—	—	(382,275)	(10,121,708)
Net increase (decrease)	—	\$—	(226,343)	\$(5,609,273)
<b>Class R Shares:</b>				
Year ended October 31, 2021				
Shares sold	—	\$—	25,435	\$959,623
Shares issued in reinvestment of distributions	—	—	5,464	173,376
Shares redeemed	—	—	(34,551)	(1,268,102)
Net increase (decrease)	—	\$—	(3,652)	\$(135,103)
Year ended October 31, 2020				
Shares sold	—	\$—	22,465	\$639,551
Shares issued in reinvestment of distributions	—	—	14,301	484,796
Shares redeemed	—	—	(70,324)	(2,114,644)
Net increase (decrease)	—	\$—	(33,558)	\$(990,297)

**2. Shares of Beneficial Interest** (continued)

	Franklin MicroCap Value Fund		Franklin Mutual U.S. Value Fund	
	Shares	Amount	Shares	Amount
<b>Class R6 Shares:</b>				
Year ended October 31, 2021				
Shares sold . . . . .	383,411	\$11,842,262	248,335	\$9,612,236
Shares issued in reinvestment of distributions . . . . .	4,821	127,434	37,469	1,229,343
Shares redeemed . . . . .	(246,239)	(7,669,060)	(321,570)	(12,134,184)
Net increase (decrease) . . . . .	141,993	\$4,300,636	(35,766)	\$(1,292,605)
Year ended October 31, 2020				
Shares sold . . . . .	283,278	\$6,707,316	249,050	\$7,046,896
Shares issued in reinvestment of distributions . . . . .	14,928	393,344	79,333	2,776,662
Shares redeemed . . . . .	(390,000)	(8,474,325)	(368,427)	(10,849,980)
Net increase (decrease) . . . . .	(91,794)	\$(1,373,665)	(40,044)	\$(1,026,422)
<b>Advisor Class Shares:</b>				
Year ended October 31, 2021				
Shares sold . . . . .	969,102	\$31,340,755	533,163	\$20,901,972
Shares issued in reinvestment of distributions . . . . .	56,508	1,483,316	44,043	1,450,354
Shares redeemed . . . . .	(866,250)	(28,043,664)	(407,969)	(15,762,950)
Net increase (decrease) . . . . .	159,360	\$4,780,407	169,237	\$6,589,376
Year ended October 31, 2020				
Shares sold . . . . .	386,269	\$8,110,912	322,101	\$9,451,208
Shares issued in reinvestment of distributions . . . . .	148,499	3,890,674	99,129	3,481,418
Shares redeemed . . . . .	(518,374)	(12,310,162)	(556,465)	(16,428,765)
Net increase (decrease) . . . . .	16,394	\$(308,576)	(135,235)	\$(3,496,139)
<b>Franklin Small Cap Value Fund</b>				
	Shares	Amount		
<b>Class A Shares:</b>				
Year ended October 31, 2021				
Shares sold <sup>a</sup> . . . . .	6,789,553	\$391,493,645		
Shares issued in reinvestment of distributions . . . . .	511,688	25,702,130		
Shares redeemed . . . . .	(8,383,289)	(463,221,427)		
Net increase (decrease) . . . . .	(1,082,048)	\$(46,025,652)		
Year ended October 31, 2020				
Shares sold <sup>a</sup> . . . . .	6,402,049	\$258,927,519		
Shares issued in reinvestment of distributions . . . . .	1,479,423	71,322,933		
Shares redeemed . . . . .	(8,004,098)	(329,059,604)		
Net increase (decrease) . . . . .	(122,626)	\$1,190,848		

## 2. Shares of Beneficial Interest (continued)

	Franklin Small Cap Value Fund	
	Shares	Amount
<b>Class C Shares:</b>		
Year ended October 31, 2021		
Shares sold . . . . .	748,913	\$36,643,555
Shares issued in reinvestment of distributions . . . . .	41,812	1,803,779
Shares redeemed <sup>a</sup> . . . . .	(1,039,615)	(52,319,335)
Net increase (decrease) . . . . .	(248,890)	\$(13,872,001)
Year ended October 31, 2020		
Shares sold . . . . .	494,796	\$17,484,715
Shares issued in reinvestment of distributions . . . . .	161,132	6,706,295
Shares redeemed <sup>a</sup> . . . . .	(1,099,019)	(38,887,878)
Net increase (decrease) . . . . .	(443,091)	\$(14,696,868)
<b>Class R Shares:</b>		
Year ended October 31, 2021		
Shares sold . . . . .	820,094	\$47,246,697
Shares issued in reinvestment of distributions . . . . .	50,187	2,493,272
Shares redeemed . . . . .	(954,221)	(54,235,333)
Net increase (decrease) . . . . .	(83,940)	\$(4,495,364)
Year ended October 31, 2020		
Shares sold . . . . .	620,441	\$24,909,293
Shares issued in reinvestment of distributions . . . . .	174,103	8,306,474
Shares redeemed . . . . .	(1,162,316)	(47,932,527)
Net increase (decrease) . . . . .	(367,772)	\$(14,716,760)
<b>Class R6 Shares:</b>		
Year ended October 31, 2021		
Shares sold . . . . .	14,413,112	\$885,847,704
Shares issued in reinvestment of distributions . . . . .	263,119	13,990,043
Shares redeemed . . . . .	(5,653,897)	(347,551,303)
Net increase (decrease) . . . . .	9,022,334	\$552,286,444
Year ended October 31, 2020		
Shares sold . . . . .	7,493,033	\$317,962,776
Shares issued in reinvestment of distributions . . . . .	404,768	20,618,886
Shares redeemed . . . . .	(3,313,426)	(144,457,723)
Net increase (decrease) . . . . .	4,584,375	\$194,123,939

**2. Shares of Beneficial Interest** (continued)

	Franklin Small Cap Value Fund	
	Shares	Amount
<b>Advisor Class Shares:</b>		
Year ended October 31, 2021		
Shares sold . . . . .	18,326,262	\$1,123,861,942
Shares issued in reinvestment of distributions . . . . .	308,116	16,422,595
Shares redeemed . . . . .	(7,270,843)	(455,152,686)
Net increase (decrease) . . . . .	11,363,535	\$685,131,851
Year ended October 31, 2020		
Shares sold . . . . .	8,573,228	\$364,499,694
Shares issued in reinvestment of distributions . . . . .	492,792	25,181,684
Shares redeemed . . . . .	(4,498,423)	(193,603,322)
Net increase (decrease) . . . . .	4,567,597	\$196,078,056

\*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 Trust 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 Distributors, LLC (Distributors) (formerly Franklin Templeton Distributors, Inc.)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

**a. Management Fees**

Franklin MicroCap Value Fund pays an investment management fee to Franklin Mutual of 0.75% per year of the average daily net assets of the Fund.

Franklin Mutual U.S. Value Fund pays an investment management fee to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

### 3. Transactions with Affiliates (continued)

#### a. Management Fees (continued)

Franklin Small Cap Value Fund pays an investment management fee to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.625%	Over \$500 million, up to and including \$1 billion
0.500%	Over \$1 billion, up to and including \$5 billion
0.490%	In excess of \$5 billion

For the year ended October 31, 2021, each Fund's gross effective investment management fee rate based on average daily net assets was as follows:

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
Gross effective investment management fee rate. . . . .	0.750%	0.480%	0.544%

#### b. Administrative Fees

Under an agreement with Franklin Mutual, FT Services provides administrative services to the Funds. The fee is paid by Franklin Mutual based on each of the Funds' average daily net assets, and is not an additional expense of the Funds.

#### c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Funds' Class C and R compensation distribution plans, the Funds pay Distributors for costs incurred in connection with the servicing, sale and distribution of each 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 for each Fund.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
Reimbursement Plans:			
Class A . . . . .	0.25%	0.25%	0.35%
Compensation Plans:			
Class C . . . . .	—	1.00%	1.00%
Class R . . . . .	—	0.50%	0.50%

For Franklin Small Cap Value Fund, the Board has set the current rate at 0.25% per year for Class A shares until further notice and approval by the Board.

**3. Transactions with Affiliates** (continued)**d. Sales Charges/Underwriting Agreements**

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Funds. 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 Funds of the following commission transactions related to the sales and redemptions of the Funds' shares for the year:

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
Sales charges retained net of commissions paid to unaffiliated brokers/dealers . . . . .	\$45,361	\$81,164	\$172,417
CDSC retained . . . . .	\$27	\$2,413	\$17,533

**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 October 31, 2021, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
Transfer agent fees . . . . .	\$116,276	\$479,331	\$2,619,285

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

Certain or all Funds invest in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Funds do not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Funds are waived on assets invested in the affiliated management investment companies, as noted in the Statements of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended October 31, 2021, investments in affiliated management investment companies were 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	Investment Income
<b>Franklin MicroCap Value Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%.	\$2,721,839	\$74,840,300	\$(69,619,125)	\$—	\$—	\$7,943,014	7,943,014	\$542
<b>Total Affiliated Securities . . .</b>	<b>\$2,721,839</b>	<b>\$74,840,300</b>	<b>\$(69,619,125)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$7,943,014</b>		<b>\$542</b>

### 3. Transactions with Affiliates (continued)

#### f. Investments in Affiliated Management Investment Companies (continued)

	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	Investment Income
<b>Franklin Mutual U.S. Value Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%.	\$21,438,515	\$218,652,370	\$(192,474,791)	\$—	\$—	\$47,616,094	47,616,094	\$2,345
<b>Total Affiliated Securities . . .</b>	<b>\$21,438,515</b>	<b>\$218,652,370</b>	<b>\$(192,474,791)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$47,616,094</b>		<b>\$2,345</b>

#### Franklin Small Cap Value Fund

##### Non-Controlled Affiliates

								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%.	\$67,492,583	\$1,081,527,872	\$(1,098,116,957)	\$—	\$—	\$50,903,498	50,903,498	\$4,078
<b>Total Affiliated Securities . . .</b>	<b>\$67,492,583</b>	<b>\$1,081,527,872</b>	<b>\$(1,098,116,957)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$50,903,498</b>		<b>\$4,078</b>

#### 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 0.03% based on the average net assets of the class until February 28, 2022.

#### 4. Expense Offset Arrangement

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the year ended October 31, 2021, the custodian fees were reduced as noted in the Statements of Operations.

#### 5. Income Taxes

During the year ended October 31, 2021, Franklin Mutual U.S. Value Fund utilized \$51,110,257 of capital loss carryforwards.

The tax character of distributions paid during the years ended October 31, 2021 and 2020, was as follows:

	<b>Franklin MicroCap Value Fund</b>		<b>Franklin Mutual U.S. Value Fund</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Distributions paid from:				
Ordinary income . . . . .	\$743,894	\$775,806	\$26,185,606	\$12,937,860
Long term capital gain . . . . .	7,754,828	29,108,292	—	51,879,499
	<b>\$8,498,722</b>	<b>\$29,884,098</b>	<b>\$26,185,606</b>	<b>\$64,817,359</b>

**5. Income Taxes** (continued)

	<b>Franklin Small Cap Value Fund</b>	
	<b>2021</b>	<b>2020</b>
Distributions paid from:		
Ordinary income . . . . .	\$62,291,644	\$30,344,654
Long term capital gain . . . . .	6,180,061	123,198,324
	<b>\$68,471,705</b>	<b>\$153,542,978</b>

At October 31, 2021, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

	<b>Franklin MicroCap Value Fund</b>	<b>Franklin Mutual U.S. Value Fund</b>	<b>Franklin Small Cap Value Fund</b>
Cost of investments . . . . .	\$147,262,891	\$734,328,492	\$4,043,536,029
Unrealized appreciation. . . . .	\$83,719,503	\$194,845,778	\$925,162,721
Unrealized depreciation. . . . .	(7,211,433)	(12,032,370)	(111,571,675)
Net unrealized appreciation (depreciation). . . . .	<b>\$76,508,070</b>	<b>\$182,813,408</b>	<b>\$813,591,046</b>
Distributable earnings:			
Undistributed ordinary income. . . . .	\$3,689,006	\$7,733,915	\$227,434,766
Undistributed long term capital gains. . . . .	26,122,376	100,984,451	205,990,845
Total distributable earnings . . . . .	<b>\$29,811,382</b>	<b>\$108,718,366</b>	<b>\$433,425,611</b>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

The Funds utilized a tax accounting practice to treat a portion of the proceeds from capital shares redeemed as a distribution from net investment income and realized capital gains.

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the year ended October 31, 2021, were as follows:

	<b>Franklin MicroCap Value Fund</b>	<b>Franklin Mutual U.S. Value Fund</b>	<b>Franklin Small Cap Value Fund</b>
Purchases . . . . .	\$78,219,675	\$472,921,799	\$3,316,720,464
Sales . . . . .	\$61,322,860	\$498,205,815	\$2,140,902,759

**7. Novel Coronavirus Pandemic**

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Funds, their ability to buy and sell fund investments at appropriate valuations and their ability to achieve their investment objectives.



## 8. 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. Additionally, as defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated companies' outstanding shares or has the power to exercise control over management or policies of such company. During the year ended October 31, 2021, investments in "affiliated companies" were 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	Investment Income
<b>Franklin Small Cap Value Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Apogee Enterprises, Inc.	\$11,870,152	\$35,563,797	\$—	\$—	\$16,933,255	\$64,367,204	1,535,111	\$1,069,201
Benchmark Electronics, Inc. . . . .	17,701,417	47,645,006	—	—	(5,567,112)	59,779,311	2,564,535	1,120,286
Dalata Hotel Group plc .	6,404,704	44,484,582	—	—	(1,815,375)	49,073,911	11,474,366	—
Denny's Corp . . . . .	10,968,662	63,605,456	(4,630,788)	(1,126,462)	14,478,812	83,295,680	5,238,722	—
First of Long Island Corp. (The) . . . . .	18,988,250	—	—	—	5,783,849	24,772,099	1,230,606	947,567
Great Lakes Dredge & Dock Corp. . . . .	—	59,808,436	—	—	2,467,999	62,276,435	4,091,750	—
Greenbrier Cos., Inc. (The)	48,148,697	49,223,422	(10,528,034)	(1,791,928)	23,192,609	108,244,766	2,638,829	2,434,249
Jack in the Box, Inc. . . .	52,897,964	69,586,847	(15,279,899)	(660,004)	6,178,437	112,723,345	1,139,195	1,184,906
Knowles Corp . . . . .	—	128,129,092	—	—	2,635,406	130,764,498	6,274,688	—
McGrath RentCorp. . . .	34,616,737	62,185,646	(1,149,082)	127,094	6,364,723	102,145,118	1,415,929	1,623,851
Wabash National Corp..	39,682,215	—	(48,079,519)	16,853,603	(8,456,299)	— <sup>a</sup>	—	154,565
<b>Total Affiliated Securities</b> (Value is 16.4% of Net Assets) . . . . .	<b>\$241,278,798</b>	<b>\$560,232,284</b>	<b>\$(79,667,322)</b>	<b>\$13,402,303</b>	<b>\$62,196,304</b>	<b>\$797,442,367</b>		<b>\$8,534,625</b>

<sup>a</sup>As of October 31, 2021, no longer held by the fund.

## 9. Credit Facility

The Funds, 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 \$2.675 billion (Global Credit Facility) which matures on February 4, 2022. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their 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 Statements of Operations. During the year ended October 31, 2021, the Funds did not use the Global Credit Facility.

## 10. Fair Value Measurements

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Funds' 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 October 31, 2021, in valuing the Funds' assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin MicroCap Value Fund</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Common Stocks	\$215,827,947	\$—	\$—	\$215,827,947
Short Term Investments	7,943,014	—	—	7,943,014
Total Investments in Securities	\$223,770,961	\$—	\$—	\$223,770,961
<b>Franklin Mutual U.S. Value Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	17,009,047	11,301,952	—	28,310,999
Automobiles	16,871,994	—	—	16,871,994
Banks	65,201,796	24,007,648	—	89,209,444
Building Products	22,375,355	—	—	22,375,355
Chemicals	41,211,844	—	—	41,211,844
Commercial Services & Supplies	12,858,312	—	—	12,858,312
Construction Materials	—	10,081,255	—	10,081,255
Diversified Financial Services	22,891,537	—	—	22,891,537
Electric Utilities	32,060,625	—	—	32,060,625
Electrical Equipment	10,474,972	—	—	10,474,972
Electronic Equipment, Instruments & Components	11,107,479	—	—	11,107,479
Energy Equipment & Services	17,737,871	—	—	17,737,871
Equity Real Estate Investment Trusts (REITs)	58,828,910	—	—	58,828,910
Food Products	43,553,195	—	—	43,553,195
Health Care Equipment & Supplies	13,518,890	—	—	13,518,890
Health Care Providers & Services	41,547,336	—	—	41,547,336
Household Durables	16,854,712	—	—	16,854,712
Independent Power and Renewable Electricity Producers	17,710,669	—	—	17,710,669
Industrial Conglomerates	18,516,267	—	—	18,516,267
Insurance	67,585,547	—	—	67,585,547
IT Services	54,207,219	—	—	54,207,219
Machinery	22,824,446	—	—	22,824,446
Media	19,075,921	—	—	19,075,921
Oil, Gas & Consumable Fuels	13,593,970	—	—	13,593,970
Pharmaceuticals	29,906,289	32,744,860	—	62,651,149
Professional Services	15,660,912	—	—	15,660,912
Software	20,999,762	—	—	20,999,762

## 10. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
<b>Franklin Mutual U.S. Value Fund (continued)</b>				
<b>Assets: (continued)</b>				
Investments in Securities:				
Common Stocks:				
Specialty Retail . . . . .	\$27,342,773	\$—	\$—	\$27,342,773
Technology Hardware, Storage & Peripherals . . . . .	19,468,874	—	—	19,468,874
Textiles, Apparel & Luxury Goods . . . . .	18,728,993	—	—	18,728,993
Trading Companies & Distributors . . . . .	1,664,574	—	—	1,664,574
Short Term Investments . . . . .	47,616,094	—	—	47,616,094
Total Investments in Securities . . . . .	\$839,006,185	\$78,135,715 <sup>b</sup>	\$—	\$917,141,900
<b>Franklin Small Cap Value Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Auto Components . . . . .	91,682,802	—	—	91,682,802
Banks . . . . .	439,869,774	—	—	439,869,774
Biotechnology . . . . .	11,833,102	—	—	11,833,102
Building Products . . . . .	275,409,360	—	—	275,409,360
Chemicals . . . . .	357,244,485	—	—	357,244,485
Communications Equipment . . . . .	84,940,826	—	—	84,940,826
Construction & Engineering . . . . .	211,723,331	—	—	211,723,331
Construction Materials . . . . .	107,250,672	—	—	107,250,672
Electric Utilities . . . . .	38,059,796	—	—	38,059,796
Electrical Equipment . . . . .	90,320,113	—	—	90,320,113
Electronic Equipment, Instruments & Components . . . . .	206,926,319	—	—	206,926,319
Energy Equipment & Services . . . . .	117,052,952	—	—	117,052,952
Equity Real Estate Investment Trusts (REITs) . . . . .	170,143,131	—	—	170,143,131
Food & Staples Retailing . . . . .	11,779,459	—	—	11,779,459
Food Products . . . . .	—	84,194,036	—	84,194,036
Gas Utilities . . . . .	4,795,805	—	—	4,795,805
Health Care Equipment & Supplies . . . . .	113,812,072	—	—	113,812,072
Hotels, Restaurants & Leisure . . . . .	366,816,341	—	—	366,816,341
Household Durables . . . . .	4,139,612	—	—	4,139,612
Insurance . . . . .	480,191,049	—	—	480,191,049
IT Services . . . . .	67,108,033	—	—	67,108,033
Leisure Products . . . . .	66,543,711	—	—	66,543,711
Machinery . . . . .	470,245,723	—	—	470,245,723
Metals & Mining . . . . .	15,176,182	—	—	15,176,182
Multi-Utilities . . . . .	70,695,364	—	—	70,695,364
Oil, Gas & Consumable Fuels . . . . .	198,380,934	—	—	198,380,934
Professional Services . . . . .	86,196,060	—	—	86,196,060
Semiconductors & Semiconductor Equipment . . . . .	1,234,950	—	—	1,234,950
Software . . . . .	102,388,456	60,451,420	—	162,839,876
Specialty Retail . . . . .	121,945,451	74,211,633	—	196,157,084
Textiles, Apparel & Luxury Goods . . . . .	21,629,081	—	—	21,629,081
Thriffs & Mortgage Finance . . . . .	18,892,892	—	—	18,892,892
Trading Companies & Distributors . . . . .	162,938,650	—	—	162,938,650
Short Term Investments . . . . .	50,903,498	—	—	50,903,498
Total Investments in Securities . . . . .	\$4,638,269,986	\$218,857,089 <sup>c</sup>	\$—	\$4,857,127,075

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

<sup>b</sup>Includes foreign securities valued at \$78,135,715, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

<sup>c</sup>Includes foreign securities valued at \$218,857,089, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

## 11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB issued ASU No. 2021-01, with further amendments to Topic 848. The amendments in the ASUs provide optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 for certain LIBOR settings and 2023 for the remainder. The ASUs are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

## 12. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Value Investors Trust and Shareholders of Franklin MicroCap Value Fund, Franklin Mutual U.S. Value Fund, and Franklin Small Cap Value Fund:

### ***Opinion on the Financial Statements***

We have audited the accompanying statements of assets and liabilities of Franklin Value Investors Trust (the "Trust") (comprising Franklin MicroCap Value Fund, Franklin Mutual U.S. Value Fund (formerly, Franklin Balance Sheet Investment Fund), and Franklin Small Cap Value Fund (collectively referred to as the "Funds"), including the statements of investments, as of October 31, 2021, and the related statements 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, and the financial highlights for each of the four 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 each of the Funds comprising Franklin Value Investors Trust at October 31, 2021, the results of its operations for the year then ended, changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the four years in the period then ended, in conformity with U.S. generally accepted accounting principles.

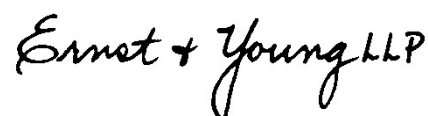
The financial highlights for the period then ended October 31, 2017 for each of the Funds were audited by another auditor, who expressed an unqualified opinion in their report, dated December 18, 2017.

### ***Basis for Opinion***

These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on the Funds' 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 Funds 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 Funds are not required to have, nor were we engaged to perform, an audit of the Funds' 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 Funds' 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 October 31, 2021, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers 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 cursive, handwritten style in black ink.

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

Boston, Massachusetts  
December 20, 2021

## Tax Information (unaudited)

By mid-February, tax information related to a shareholder's proportionate share of distributions paid during the preceding calendar year will be received, if applicable. Please also refer to [www.franklintempleton.com](http://www.franklintempleton.com) for per share tax information related to any distributions paid during the preceding calendar year. Shareholders are advised to consult with their tax advisors for further information on the treatment of these amounts on their tax returns.

The following tax information for the Funds is required to be furnished to shareholders with respect to income earned and distributions paid during their fiscal year.

The Funds below hereby report the following amounts, or if subsequently determined to be different, the maximum allowable amounts, for the fiscal year ended October 31, 2021:

	Pursuant to:	Franklin MicroCap Value Fund	Franklin Mutual U.S. Value Fund	Franklin Small Cap Value Fund
Long-Term Capital Gain Dividends Distributed	§852(b)(3)(C)	\$10,865,270	\$4,628,838	\$30,506,497
Income Eligible for Dividends Received Deduction (DRD)	§854(b)(1)(A)	\$2,057,988	\$12,197,581	\$69,622,547
Qualified Dividend Income Earned (QDI)	§854(b)(1)(B)	\$2,191,863	\$15,855,757	\$73,151,618
Short-Term Capital Gain Dividends Distributed	§871(k)(2)(C)	\$327,727	—	\$60,218,010

## 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/Legg Mason 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> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2015	11	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> One Franklin Parkway San Mateo, CA 94403-1906	Chairperson and Trustee	Chairperson since 2020 and Trustee since 2015	30	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), <b>formerly</b> , 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> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2001	11	Franklin Templeton Emerging Markets Debt Opportunities Fund PLC (1999-present) and <b>formerly</b> , 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.				

## 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>Jan Hopkins Trachtman (1947)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2015	11	FTAC Olympus Acquisition Corp. (special purpose fintech acquisition company) (2020-present) and FTAC Parnassus Acquisition Corp. (special purpose fintech acquisition company) (February 2021-present); and <b>formerly</b> , FinTech Acquisition Corp. III (special purpose fintech acquisition company) (2018-2021).
<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.				
<b>Keith E. Mitchell (1954)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2015	11	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 ( <b>formerly</b> , Mitchell Advisers, LLC) (advisory firm) (2003-2015) and Managing Director, Putman Lovell NBF.				
<b>David W. Niemiec (1949)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2011	30	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>Robert E. Wade (1946)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2004	30	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> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2008	11	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 2015	135	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Executive Chairman, Chairman of the Board and Director, 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 certain funds in the Franklin Templeton/Legg Mason fund complex; Vice Chairman, Investment Company Institute; and <b>formerly</b> , Chief Executive Officer (2013-2020) and President (1994-2015) Franklin Resources, Inc.				
<b>**Jennifer M. Johnson (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2015	70	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Executive Officer, President and Director, 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 certain funds in the Franklin Templeton/Legg Mason fund complex; and <b>formerly</b> , Chief Operating Officer and Executive Vice President, Franklin Resources, Inc. (1994-2015); Executive Vice President of Operations and Technology, Franklin Resources, Inc. (2005-2010); and Senior Vice President, Franklin Resources, Inc. (2003-2005).				
<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 certain funds in the Franklin Templeton/Legg Mason fund complex.				
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since 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 Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
<b>Christian K. Correa (1973)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	President, and Chief Executive Officer – Investment Management	Since March 2021	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President, Franklin Mutual Advisers, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Secretary and Vice President	Secretary since 2005 and Vice President since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, FASA, LLC; Assistant Secretary, Franklin Distributors, LLC; and certain funds in the Franklin Templeton/Legg Mason fund complex.				

## 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>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 certain funds in the Franklin Templeton/Legg Mason fund complex; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 1989	124	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.				
<b>Susan Kerr (1949)</b> 620 Eighth Avenue New York, NY 10018	Vice President – AML Compliance	Since July 2021	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Compliance Analyst, Franklin Templeton; Chief Anti-Money Laundering Compliance Officer, Legg Mason & Co., or its affiliates; Anti Money Laundering Compliance Officer; Senior Compliance Officer, LMIS; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
<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, Franklin Templeton; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
<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 certain funds in the Franklin Templeton/Legg Mason fund complex.				
<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 certain funds in the Franklin Templeton/Legg Mason fund complex.				
<b>Ryan R. Wheeler (1985)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Interim Chief Financial Officer, Chief Accounting Officer and Treasurer	Since October 2021	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Director, Fund Administration & Reporting; officer of certain funds in the Franklin Templeton/Legg Mason fund complex; and <b>formerly</b> , Director, Senior Manager and Manager PricewaterhouseCoopers, LLC (2014-January 2021).				

## Interested Board Members and Officers (continued)

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton/Legg Mason 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. Jennifer M. Johnson is considered to be an interested person of the Fund under the federal securities laws due to her position as an officer and director of Resources.

Note 1: Gregory E. Johnson and Jennifer M. Johnson are siblings. Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson and Jennifer M. Johnson.

Note 2: 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 Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Ms. Bates and Mr. Niemiec qualify as such an expert in view of their extensive business background and experience. Ms. Bates has served as a member of the Fund Audit Committee since 2015. 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 2011, 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 Partners 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 Ms. Bates and Mr. Niemiec 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. Ms. Bates and Mr. Niemiec 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

### Board Review of Investment Management Agreements

#### FRANKLIN VALUE INVESTORS TRUST

**Franklin MicroCap Value Fund**

**Franklin Mutual U.S. Value Fund**

**Franklin Small Cap Value Fund**

(each a Fund)

The Board of Trustees (Board), including a majority of trustees that are not “interested persons” as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as “independent trustees”), at a meeting held on May 19, 2021, unanimously approved the renewal of the Fund’s investment management agreement. Prior to a meeting of all of the trustees for the purpose of considering such renewal, the independent trustees participated in two other meetings held in connection with the renewal process. Throughout the process, the independent trustees received assistance and advice from and met separately with independent counsel. The independent trustees met with and interviewed officers of the investment manager (including portfolio managers), the transfer agent and shareholder services group and the distributor. In approving the renewal of the investment management agreement for the Fund, the Board, including the independent trustees, determined that the investment management fee structure was fair and reasonable and that continuance of the agreement was in the best interests of the Fund and its shareholders.

In reaching their decision on the investment management agreement, the trustees took into account information furnished throughout the year at regular Board meetings, as well as information specifically requested and furnished for the renewal process, which culminated in the meetings referred to above for the specific purpose of considering such agreement. Information furnished throughout the year included, among others, reports on the Fund’s investment performance, expenses, portfolio composition, portfolio brokerage execution, client commission arrangements, derivatives, securities lending, asset segregation, portfolio turnover, Rule 12b-1 plan, distribution, shareholder servicing, legal and compliance matters, pricing of securities, sales and redemptions, and marketing support payments made to financial intermediaries, as well as a third-party survey of transfer agent fees charged to funds within the Franklin Templeton (FT) complex in comparison with those charged to other fund complexes deemed comparable. Also, related financial statements and other information about the scope

and quality of services provided by the investment manager and its affiliates and enhancements to such services over the past year were provided. In addition, the trustees received periodic reports throughout the year and during the renewal process relating to compliance with the Fund’s investment policies and restrictions. During the renewal process, the independent trustees considered the investment manager’s methods of operation within the Franklin Templeton group and its activities on behalf of other clients. The Board also reviewed and considered an annual report on payments made by FT or the Fund to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Fund.

The information obtained by the trustees during the renewal process also included a special report prepared by Broadridge Financial Solutions, Inc., an independent third-party analyst that utilizes data from Lipper, Inc. (“Lipper”), comparing the Fund’s investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper (Broadridge Section 15(c) Report). The trustees reviewed the Broadridge Section 15(c) Report and its usefulness in the renewal process with respect to matters such as comparative fees, expenses, expense ratios, performance and volatility. They concluded that the report continues to be a reliable resource in the performance of their duties.

In addition, the trustees received a Profitability Study (Profitability Study) prepared by management discussing the profitability to FT from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Over the past year, the Board and counsel to the independent trustees continued to receive reports on management’s handling of recent regulatory inquiries and pending legal actions against the investment manager and its affiliates. The independent trustees were satisfied with the actions taken to date by management in response to such regulatory and legal matters.

The trustees reviewed the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of the investment manager. As part of this review, particular attention was given to management’s diligent risk management program, including continual monitoring and management of cybersecurity, liquidity and counterparty credit risk, and attention given to derivatives and other complex instruments that are held and expected to be held by the Fund and how such instruments

are used to carry out the Fund's investment goal(s). The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Fund and other accounts managed by FT to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the investment manager's parent company and its commitment to the mutual fund business. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity in the current work-from-home environment and liquidity risk management. The Board also recognized management's commitment to facilitating Board oversight of particular areas, including derivatives and payments to intermediaries, by enhanced reporting.

In addition to the above and other matters considered by the trustees throughout the course of the year, the following discussion relates to certain primary factors relevant to the Board's decision. This discussion of the information and factors considered by the Board (including the information and factors discussed above) is not intended to be exhaustive, but rather summarizes certain factors considered by the Board. In view of the wide variety of factors considered, the Board did not, unless otherwise noted, find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual trustees may have assigned different weights to various factors.

**NATURE, EXTENT AND QUALITY OF SERVICES.** The trustees reviewed the nature, extent and quality of the services provided, and to be provided, by the investment manager. The trustees cited the investment manager's ability to implement the Fund's disciplined value investment approach and its long-term relationship with the Fund as reasons that shareholders choose to invest, and remain invested, in the Fund. The trustees reviewed the Fund's portfolio management team, including its performance, staffing, skills and compensation program. With respect to portfolio manager compensation, management assured the trustees that the Fund's long-term performance is a significant component of incentive-based compensation and noted that a portion of a portfolio manager's incentive-based compensation is paid in shares of pre-designated funds from the portfolio manager's fund management area. The trustees noted that the portfolio manager compensation program aligned the interests of the portfolio managers with that of shareholders of the Fund. The trustees discussed with management various other products, portfolios and entities that are advised by the investment manager and the

allocation of assets and expenses among and within them, as well as their relative fees and reasons for differences with respect thereto and any potential conflicts. During regular Board meetings and the aforementioned meetings of the independent trustees, the trustees received reports and presentations on the investment manager's best execution trading policies. The trustees considered periodic reports provided to them showing that the investment manager complied with the investment policies and restrictions of the Fund as well as other reports periodically furnished to the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics covering the investment management personnel, the adherence to fair value pricing procedures established by the Board and the accuracy of net asset value calculations. The Board noted the extent of the benefits provided to Fund shareholders from being part of the Franklin Templeton group of funds, including the right to exchange investments between funds (same class) without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings of other funds to obtain reduced sales charges. The Board considered the investment manager's significant efforts in developing and implementing compliance procedures established in accordance with SEC and other requirements.

The Board considered the nature, extent and quality of the services to be provided under the Fund's other service agreements to determine that, on an overall basis, Fund shareholders were well served. In this connection, the Board also took into account transfer agent and shareholder services provided to Fund shareholders by an affiliate of the investment manager, noting continuing expenditures by management to increase and improve the scope of such services and favorable periodic reports on shareholder services conducted by independent third parties. While such considerations directly affected the trustees' decision in renewing the Fund's transfer agent and shareholder services agreement, the Board also considered these commitments as incidental benefits to Fund shareholders deriving from the investment management relationship.

Based on their review, the trustees were satisfied with the nature and quality of the overall services provided, and to be provided, by the investment manager and its affiliates to the Fund and its shareholders and were confident in the abilities of the management team to continue the disciplined value investment approach of the Fund and to provide quality services to the Fund and its shareholders.

**INVESTMENT PERFORMANCE.** The trustees reviewed and placed significant emphasis on the investment performance of the Fund over the one-, three-, five- and 10-year periods ended December 31, 2020. They considered the history of performance of the Fund relative to various benchmarks. As part of their review, they inquired of management regarding benchmarks, style drift and restrictions on permitted investments. Consideration was also given to performance in the context of available levels of cash during the periods.

The trustees had meetings during the year, including the meetings referred to above held in connection with the renewal process, with the Fund's portfolio managers to discuss performance and the management of the Fund. As part of these discussions, the Board had extensive discussions with senior management of FT regarding the retirement of the Chief Investment Officer of the investment manager and the appointment of the new Chief Investment Officer effective November 2, 2020, as well as other personnel matters. In addition to the materials provided by management in connection with the renewal process, the independent trustees requested throughout the year (and received) additional presentations from the investment manager and senior management of FT regarding the performance of the investment manager and the Fund. As part of these presentations, the investment manager and senior management of FT reviewed enhancements that have been made, and are being made, to the investment manager's investment process.

Particular attention in assessing performance was given to the Broadridge Section 15(c) Report. That report showed the investment performance of the Fund (Class A shares) in comparison to other funds determined comparable by Lipper.

**Franklin Mutual U.S. Value Fund.** The comparable funds to the Fund, as chosen by Lipper, included all retail and institutional multi-cap value funds. The Fund had total returns in the lowest performing quintile for the one-year period ended December 31, 2020, and had annualized total returns for the three- and five-year periods also in the lowest performing quintile. The trustees noted that the Fund's total return on an annualized basis for the 10-year period ended December 31, 2020 was also in the lowest performing quintile. The trustees also compared Fund performance to other industry benchmarks, including measures of risk-adjusted performance of a fund, as part of their evaluation of investment performance. The trustees discussed with management the reasons for the relative underperformance for the one-, three-, five- and 10-year periods ended December 31, 2020. While disappointed with the relative underperformance of the Fund, the Board did not believe that any changes with respect to the Fund were warranted at

the time, particularly since the recent personnel changes had taken effect on November 2, 2020 and the enhancements to the investment manager's personnel and investment process continue to be implemented. The Board noted that it would continue to monitor future performance.

**Franklin MicroCap Value Fund.** The comparable funds to the Fund, as chosen by Lipper, included all retail and institutional small-cap value funds. The Fund had total returns in the middle performing quintile for the one-year period ended December 31, 2020, and had annualized total returns for the three- and five-year periods in the second-lowest performing quintile. The trustees noted that the Fund's total return on an annualized basis for the 10-year period ended December 31, 2020 was also in the second-lowest performing quintile. The trustees also compared Fund performance to other industry benchmarks, including measures of risk-adjusted performance of a fund, as part of their evaluation of investment performance. The Board noted that on a risk-adjusted basis, the Fund's relative performance was more favorable. The trustees discussed with management the reasons for the relative underperformance for the three-, five-, and 10-year periods ended December 31, 2020. While disappointed with the relative underperformance of the Fund, the Board did not believe that any changes with respect to the Fund were warranted at the time, particularly since the recent personnel changes had taken effect on November 2, 2020 and the enhancements to the investment manager's personnel and investment process continue to be implemented. The Board noted that it would continue to monitor future performance.

**Franklin Small Cap Value Fund.** The comparable funds to the Fund, as chosen by Lipper, included all retail and institutional small-cap value funds. The Fund had total returns in the second-best performing quintile for the one-year period ended December 31, 2020, and had annualized total returns for the three- and five-year periods in the best performing quintile. The trustees noted that the Fund's total return on an annualized basis for the 10-year period ended December 31, 2020 was also in the best performing quintile. The Board was satisfied with such comparative performance.

The trustees also compared Fund performance to other industry benchmarks, including measures of risk-adjusted performance of a fund, as part of their evaluation of investment performance. The trustees concluded that the Fund had continued to perform well in comparison to its various benchmarks and in the context of the Fund's goal.



## COMPARATIVE EXPENSES AND MANAGEMENT

**PROFITABILITY.** The trustees considered the cost of the services provided and to be provided and the profits realized by the investment manager and its affiliates from their respective relationships with the Fund. As part of the renewal process, the trustees explored with management the trends in expense ratios over the past three fiscal years and the reasons for any increases in the Fund's expense ratios (or components thereof). In considering the appropriateness of the management fee and other expenses charged to the Fund, the Board took into account various factors including investment performance and matters relating to Fund operations, including, but not limited to, the quality and experience of its portfolio managers and research staff. Consideration was also given to a comparative analysis in the Broadridge Section 15(c) Report of the investment management fee and total expense ratio of the Fund in comparison with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses.

In reviewing comparative costs, emphasis was given to the Fund's contractual management fee in comparison with the contractual management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual management fee analysis includes administrative charges as being part of the management fee, and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares.

**Franklin Mutual U.S. Value Fund.** The Fund's contractual management fee rate was in the least expensive quintile of its Lipper expense group and its total expenses were in the second-least expensive quintile of such group. The Board was satisfied with such comparative fees and expenses.

**Franklin MicroCap Value Fund.** The Fund's contractual management fee rate was in the second-least expensive quintile of its Lipper expense group and its total expenses were in the middle quintile of such group. The Board was satisfied with such comparative fees and expenses.

**Franklin Small Cap Value Fund.** The Fund's contractual management fee rate was in the least expensive quintile of its Lipper expense group and its total expenses were also in the least expensive quintile of such group. The Board was satisfied with such comparative fees and expenses.

The trustees also reviewed the Profitability Study addressing profitability of Franklin Resources, Inc., from its overall U.S. fund business, as well as profitability to the Fund's investment manager and its affiliates, from providing investment management and other services to the Fund during the 12-month period ended September 30, 2020, the most recent fiscal year-end of Franklin Resources, Inc. The trustees reviewed the basis on which such reports are prepared and the cost allocation methodology utilized in the Profitability Study, it being recognized that allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that the reasonableness of the cost allocation methodologies was reviewed by independent accountants on an every other year basis.

The independent trustees met with management to discuss the Profitability Study. This included, among other things, a comparison of investment management income with investment management expenses of the Fund; comparison of underwriting revenues and expenses; the relative relationship of investment management and underwriting expenses; shareholder servicing profitability; economies of scale; and the relative contribution of the Fund to the profitability of the investment manager and its parent. In discussing the Profitability Study with the Board, the investment manager stated its belief that the costs incurred in establishing the infrastructure necessary to operate the type of mutual fund operations conducted by it and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability.

The Board also took into account management's expenditures in improving shareholder services provided to the Fund, as well as the need to meet additional regulatory and compliance requirements. The trustees also considered the extent to which the investment manager may derive ancillary benefits from Fund operations, including those derived from economies of scale, discussed below, the allocation of Fund brokerage and the use of commission dollars to pay for research and other similar services.

Based upon their consideration of all these factors, the trustees determined that the level of profits realized by the investment manager and its affiliates in providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

**ECONOMIES OF SCALE.** The Board considered economies of scale realized by the investment manager and its affiliates as the Fund grows larger and the extent to which they are shared with Fund shareholders, as for example, in the level of the investment management fee charged, in the quality and efficiency of services rendered and in increased capital commitments benefiting the Fund directly or indirectly. While recognizing that any precise determination is inherently subjective, the trustees noted that, based upon the Profitability Study, as some funds increase in size, at some point economies of scale may result in the investment manager realizing a larger profit margin on investment management services provided to such a fund. With respect to all Funds other than the Franklin MicroCap Value Fund, the trustees also noted that benefits of economies of scale will be shared with Fund shareholders due to the decline in the effective investment management fee rate as breakpoints are achieved by the Fund.

With respect to the Franklin MicroCap Value Fund, the fee structure under the investment management agreement for the Fund provides a flat fee of 0.75% at all asset levels. It was noted the Fund primarily invests in domestic and foreign securities with a market capitalization of less than \$500 million that are believed to be undervalued at the time of purchase. Management stated its belief that such limited investment options curtail the potential size of the Fund, thus preventing the type of economies of scale that might benefit other funds from increases in size and also pointed out that the Fund, whose asset size was approximately \$210 million as of March 31, 2021, had been closed to new investors, with limited exceptions, since January 14, 2004, and reopened to new investors effective September 19, 2019. Management also expressed its view that this fee was relatively low for this type of a fund and pointed out the favorable comparison of fees and expenses within its Lipper expense group. The independent trustees acknowledged that management's explanation provided a reasonable basis for believing the existing fee rate under the investment management agreement was fair and that, in view of the Fund's current modest size, management was not benefiting from any meaningful economies of scale in its management of the Fund, but would continue to monitor such matters.

With respect to all of the other Funds, the trustees noted that breakpoints had been instituted as part of the Fund's investment management fee and that the Board regularly evaluates whether additional breakpoints are appropriate. The trustees assessed the savings to shareholders resulting from such breakpoints and believed they were, and continue to be, appropriate and they agreed to continue to monitor the appropriateness of the breakpoints. The trustees

also considered the effects an increase in assets under management would have on the investment management fee and expense ratio of the Fund. To the extent further economies of scale may be realized by the investment manager and its affiliates, the Board believed the investment management fees provide a sharing of benefits with the Fund and its shareholders.

## Liquidity Risk Management Program—Funds no HLIM

Each Fund has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the SEC (on a non-public basis).

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee, Product Management and Global Product Strategy.



In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

Each Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2021, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2020. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

## Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust'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 Trust'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 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, or receive notice of the availability of, each Fund's financial reports every six months. In addition, you will receive an annual updated summary prospectus (detail 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 (to the extent received by mail) 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.

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 Value Investors Trust**

**Investment Manager**  
Franklin Mutual Advisers,  
LLC

**Distributor**  
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