

ANNUAL REPORT AND SHAREHOLDER LETTER

# FRANKLIN MUTUAL FINANCIAL SERVICES FUND

**A Series of Franklin Mutual Series Funds**

December 31, 2021



FRANKLIN  
TEMPLETON

# SHAREHOLDER LETTER

Dear Franklin Mutual Financial Services Fund Shareholder:

After a difficult period of lockdowns, anxiety and grief, the start of 2021 brought much needed optimism. Prior to the start of the period, authorities in the United States and Europe 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 the year.

The rotation into many “reopening” names meant 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 positioned to benefit from economic reopening, such as hotels, casinos, restaurants, and other leisure companies, received a boost. Smaller capitalization companies, which tend to be more sensitive to the economic cycle, outperformed their larger capitalization counterparts during 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 successfully passed 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 the market upward, such as the financials and energy sectors, growing investor concern about rising interest rates 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 once again generally outperformed value stocks during much of the late summer and fall.

Volatility increased in September 2021 and markets fell over the final weeks of the third calendar quarter, as continued supply chain disruptions, inflationary pressures and hawkish central bank commentary stoked investor anxiety. Markets stabilized and rebounded in October with some indices reaching new records. However, high volatility crept in again in late November as the COVID-19 Omicron variant emerged, but it was short lived. At year-end, both growth and value returns for the 12-month period were strong, as the two styles ended the year with comparable results.

Not all progress is evidenced by a steady march forward. Ongoing uncertainties surrounding COVID-19, supply chain disruptions and inflation continued 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, Franklin Mutual Series remains 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 reviews investment decisions made during the past 12 months, considering the economic environment and other factors. Please remember all securities markets fluctuate, as do mutual fund share prices.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to continuing to serve your investment needs in the years ahead.

Sincerely,

Christian Correa, CFA  
President and Chief Investment Officer  
Franklin Mutual Advisers, LLC

*This letter reflects our analysis and opinions as of December 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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# ANNUAL REPORT

## Franklin Mutual Financial Services Fund

This annual report for Franklin Mutual Financial Services Fund covers the fiscal year ended December 31, 2021.

### Your Fund's Goal and Main Investments

The Fund seeks capital appreciation, which may occasionally be short term. Its secondary goal is income. Under normal market conditions, the Fund invests at least 80% of its net assets in securities of financial services companies that we believe are available at market prices less than their intrinsic value. The Fund invests primarily in undervalued equity securities, mainly common stocks with a substantial focus on mid- and large cap companies and may invest a significant portion of its equity portfolio in small-cap companies. To a significantly lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest in foreign securities without limit. The Geographic Composition table on this page lists the leading countries where the Fund invests.

### Performance Overview

The Fund's Class Z shares posted a +23.98% cumulative total return for the 12 months ended December 31, 2021. For comparison, the Fund's primary benchmark, the MSCI World Financials Index-NR (USD), which captures large- and mid-cap representation across developed market countries, posted a +27.87% cumulative total return.<sup>1</sup> Also for comparison, the Standard & Poor's® 500 (S&P 500®) Financials Index, which consists of all financial stocks in the S&P 500, posted a +28.71% cumulative total return.<sup>1</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.*

1. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

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 15.

### Geographic Composition 12/31/21

	% of Total Net Assets
United States	51.4%
Netherlands	10.9%
United Kingdom	9.1%
France	4.3%
Germany	3.5%
Italy	3.1%
Austria	3.0%
Spain	2.8%
Ireland	2.7%
Jordan	2.4%
China	1.8%
Switzerland	1.7%
Other	1.0%
Short-Term Investments & Other Net Assets	2.3%

### Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index-NR (USD), posted a +18.54% total return for the 12 months ended December 31, 2021.<sup>1</sup> Global equities benefited from monetary and fiscal stimulus measures, easing COVID-19 pandemic restrictions in certain regions and the development of treatments and vaccines. However, the Chinese government's imposition of additional restrictions on some businesses pressured Asian and global emerging market stocks. Additionally, the spread of the Delta and Omicron variants and higher inflation in an environment of persistent supply-chain disruptions and wage increases hindered global equities at certain points during the 12-month period.

In the U.S., the economy continued to recover and equities rallied amid monetary and fiscal stimulus measures and the continued progress of vaccination programs. Gross domestic product (GDP) growth was generally robust, as the lifting of many COVID-19 restrictions and strong consumer spending supported the economy. A rebound in corporate earnings and the passage of a bipartisan infrastructure bill further bolstered investor sentiment. 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%. While the Fed also maintained quantitative easing measures with U.S. Treasury and mortgage bond purchasing, it began to reduce the rate of purchases beginning in November 2021 and accelerated the pace of tapering in December. The Fed also noted that it expected easing supply constraints to help reduce inflationary pressures and that further employment progress was needed before the Fed would consider raising the range for the federal funds target rate.

The economic recovery in the eurozone was slow, as quarter-over-quarter GDP growth contracted in 2021's first quarter before returning to growth in 2021's second and third quarters. GDP growth rates were initially sluggish among the region's largest economies, although most showed signs of improvement later in the 12-month period. Business activity growth also helped European developed market equities, as measured by the MSCI Europe Index-NR (USD), to post a +16.30% total return for the 12 months under review.<sup>1</sup> However, in November 2021, the annual inflation rate in the eurozone reached the highest level since the introduction of the euro, and the prospect of energy shortages during the winter months tempered investor optimism.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index-NR (USD), posted a -2.49% total return for the 12-month period.<sup>1</sup> While many Asian countries experienced improving economic conditions, Japan's quarter-over-quarter GDP contracted in 2021's third quarter. China's economic recovery continued, although the country's quarter-over-quarter GDP growth in 2021's first three quarters was slower than in 2020's second half, pressured by higher commodity prices. Unexpected regulatory changes by the Chinese government, which negatively impacted education- and technology-related businesses, and concerns about a large Chinese property developer's solvency and several smaller developer defaults pressured Asian stocks during 2021's fourth quarter.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index-NR (USD), posted a -2.54% total return for the 12 months under review.<sup>1</sup> Higher inflation led many central banks in emerging market countries to raise interest rates, which dampened economic growth. The Omicron variant of COVID-19 also negatively impacted global emerging markets, as some countries reimplemented restrictions in an effort to counter rising infections.

## Portfolio Composition

12/31/21

	% of Total Net Assets
Banks	38.6%
Insurance	37.5%
Diversified Financial Services	6.1%
Capital Markets	5.7%
IT Services	4.4%
Household Durables	2.4%
Consumer Finance	1.3%
Equity Real Estate Investment Trusts (REITs)	1.1%
Other	0.6%
Short-Term Investments & Other Net Assets	2.3%

## Investment Strategy

We strive to provide investors with superior risk-adjusted returns over time through our distinctive, value investment style, which includes investments in undervalued common stocks, and to a significantly lesser extent, distressed debt and merger arbitrage. Rigorous fundamental analysis drives our investment process. We attempt to determine each investment's intrinsic value as well as the price at which we would be willing to commit shareholder funds. While valuation remains our key consideration, we utilize numerous fundamental factors such as return on equity, financial leverage and long-term earnings power. We also consider factors such as management quality and competitive position. As always, our approach to investing is as much about assessing risk and containing losses as it is about achieving profits. Our portfolio selection process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

## Manager's Discussion

In 2021, the Fund underperformed its benchmark, as security selection in the capital markets industry, stock selection and off-benchmark exposure to the information technology sector, where the Fund holds a few payments companies, and stock selection in the diversified financials industry, detracted from relative results. Conversely, security selection in the banks and consumer finance industries boosted relative returns.

During the 12-month period, investments that detracted from Fund performance included Direct Line Insurance Group, Credit Suisse Group and Global Payments.

Personal and small business general insurer Direct Line Insurance Group detracted from relative returns during the year amid concerns about a pricing review from regulators. Nonetheless, the insurance business remains robust as the pandemic has led to fewer claims overall, particularly in the motor vehicle business, and its cash generation remains strong as evidenced by its recent dividend increase.

Switzerland-based Credit Suisse Group detracted from relative returns after dealing with several scandals earlier in the year, including exposure to the collapse of Greensill (not a Fund holding), a supply chain finance provider, and the failure of prime broker client Archegos Capital Management (not a Fund holding). As a result, the shares are trading at a significant discount to peers, despite the company's premier wealth management platform with strong positions in Europe, Asia, and Latin America. The company's new management team is focused on turning around the business and further building its wealth management operations in Asia and the Middle East.

Payments firm Global Payments was a relative detractor during the period. The stock has been under pressure as concerns remain over potential market share losses to the modern age FinTech players and a slew of new listings lead to a rotation of capital in the space. Nonetheless, we see opportunity for Global Payments over the longer term, as we believe it is well-positioned to benefit from the continued shift from cash to electronic payments and has good exposure to the high-yielding smaller- and medium-sized merchants.

Top positive contributors to performance during the 12-month period included Capital One Financial, ING Groep and BAWAG Group. ING Groep is listed among the Fund's largest positions in the Top 10 Holdings table on this page.

Capital One Financial boosted relative performance amid a strong period for financial stocks in general in 2021. We believe Capital One is one of the best managed and positioned consumer banks in the United States, 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.

ING Groep, a Dutch financial services firm, supported relative performance following upbeat financial results during the year. The company benefited from lower-than-expected credit loss provisions, higher fees, and reduced

costs. Net interest income was down, however. ING expects to see ongoing growth in fees as it adds new services and reprices existing ones. Furthermore, the bank has ample excess capital that we expect will continue to be returned to shareholders.

### Top 10 Holdings

12/31/21

Company Industry, Country	% of Total Net Assets
BNP Paribas SA <i>Banks, France</i>	4.3%
ING Groep NV <i>Banks, Netherlands</i>	4.3%
Wells Fargo & Co. <i>Banks, United States</i>	4.2%
Citizens Financial Group, Inc. <i>Banks, United States</i>	4.1%
Hartford Financial Services Group, Inc. (The) <i>Insurance, United States</i>	4.1%
Everest Re Group Ltd. <i>Insurance, United States</i>	4.0%
Voya Financial, Inc. <i>Diversified Financial Services, United States</i>	3.9%
Barclays plc <i>Banks, United Kingdom</i>	3.7%
MetLife, Inc. <i>Insurance, United States</i>	3.6%
Alleghany Corp. <i>Insurance, United States</i>	3.5%

Austrian bank BAWAG Group was a relative contributor for the year. The bank is one of the most profitable in Europe, by our analysis, with a good management team and the ability to undertake profitable acquisitions. Management also laid out ambitious goals to boost growth and improve returns. Furthermore, the bank has ample excess capital, a portion of which is in the process of being returned to shareholders.

During the period, the Fund held currency forwards and futures, seeking to substantially hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a positive overall impact on the Fund's performance as the U.S. dollar rose against most currencies during the period.

As fellow shareholders, we found recent relative performance disappointing, but our strategy of seeking undervalued stocks and focus on special situation investments, including distressed investments and merger arbitrage, can lag the growth equity markets at times. We remain committed to our disciplined, value investment approach as we seek to generate attractive, long-term, risk-adjusted returns for shareholders.

Thank you for your participation in Franklin Mutual Financial Services Fund. We look forward to continuing to serve your investment needs.

Andrew B. Dinnhaupt, CFA  
Lead Portfolio Manager

Luis Hernandez  
Portfolio Manager

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 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 December 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 12/31/21

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. **Class A:** 5.50% maximum initial sales charge; For other share classes, visit [franklintempleton.com](http://franklintempleton.com).*

Share Class	Cumulative Total Return <sup>1</sup>	Average Annual Total Return <sup>2</sup>
<b>Z</b>		
1-Year	+23.98%	+23.98%
5-Year	+30.94%	+5.54%
10-Year	+165.96%	+10.28%
<b>A<sup>3</sup></b>		
1-Year	+23.70%	+16.89%
5-Year	+29.37%	+4.11%
10-Year	+158.77%	+9.36%

*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.*

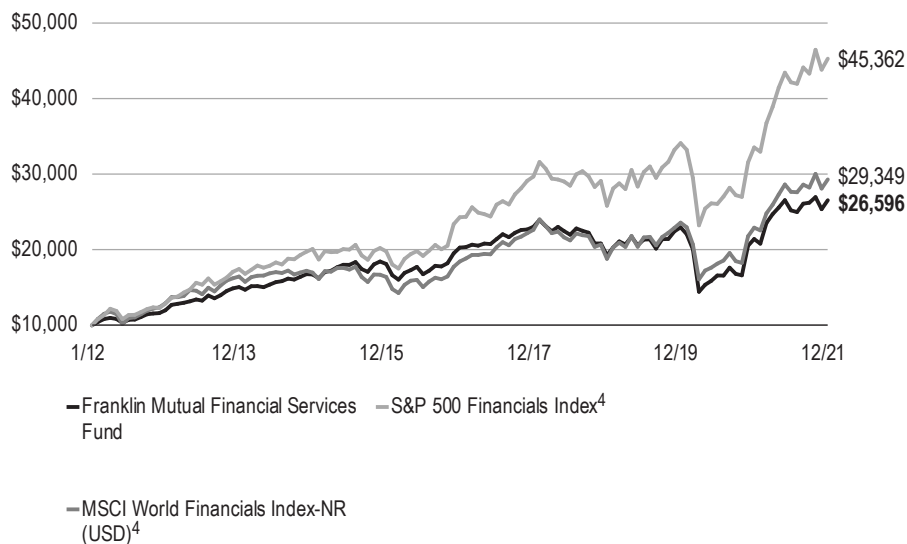
See page 9 for Performance Summary footnotes.



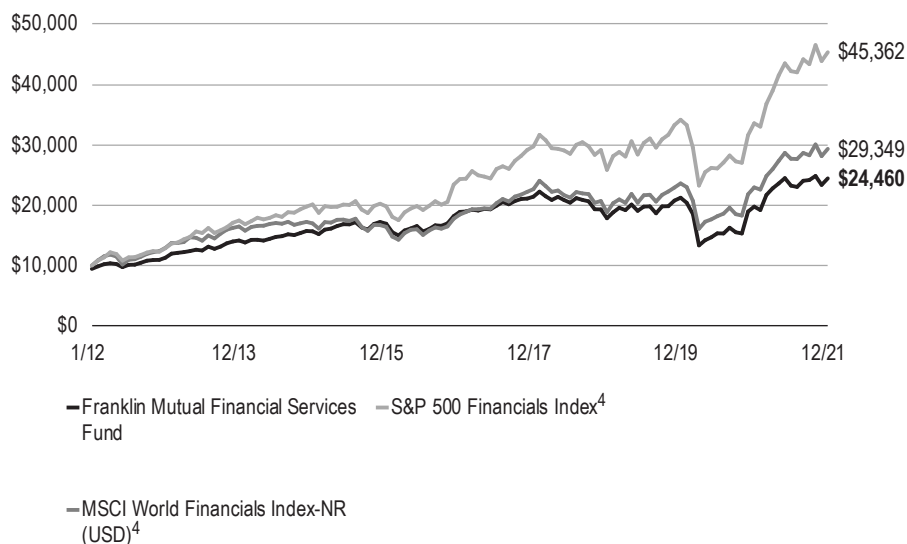
## Total Return Index Comparison for a Hypothetical \$10,000 Investment

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 indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

### Class Z (1/1/12–12/31/21)



### Class A (1/1/12–12/31/21)



See page 9 for Performance Summary footnotes.

## Distributions (1/1/21–12/31/21)

Share Class	Net Investment Income
Z	\$0.3767
A	\$0.3156
C	\$0.0943
R6	\$0.4036

Total Annual Operating Expenses<sup>5</sup>

Share Class	
Z	1.14%
A	1.39%

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. The Fund concentrates its investments in companies operating in the financial services industry, and is particularly sensitive to associated risks, including interest rate risks, economic risks, competition and political risks. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investing in a single-sector fund involves special risks, including greater sensitivity to economic, political or regulatory developments impacting the sector. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Current political uncertainty concerning the economic consequences of the departure of the U.K. from the European Union may increase market volatility. Smaller-company stocks have exhibited greater price volatility than larger-company stocks, particularly over the short term. 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. Cumulative total return represents the change in value of an investment over the periods indicated.

2. 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.

3. 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%.

4. Source: Morningstar. The MSCI World Financials Index-NR (USD) captures large- and mid-cap representation across developed market countries. Net Returns (NR) include income net of tax withholding when dividends are paid. The S&P 500 Financials Index is market capitalization-weighted and consists of all financial stocks in the S&P 500. The S&P 500 is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

5. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

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

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 7/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/21	Expenses Paid During Period 7/1/21–12/31/21 <sup>1,2</sup>	Ending Account Value 12/31/21	Expenses Paid During Period 7/1/21–12/31/21 <sup>1,2</sup>	
Z	\$1,000	\$1,053.60	\$5.96	\$1,019.40	\$5.86	1.15%
A	\$1,000	\$1,052.20	\$7.25	\$1,018.14	\$7.13	1.40%
C	\$1,000	\$1,047.90	\$11.09	\$1,014.38	\$10.91	2.15%
R6	\$1,000	\$1,054.00	\$5.42	\$1,019.93	\$5.33	1.05%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/365 to reflect the one-half year period.

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

## Financial Highlights

### Franklin Mutual Financial Services Fund

	Year Ended December 31,				
	2021	2020	2019	2018	2017
<b>Class Z</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$20.89	\$22.78	\$19.46	\$24.14	\$21.65
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.46	0.18	0.38	0.38 <sup>c</sup>	0.22
Net realized and unrealized gains (losses) . . . . .	4.54	(1.72)	3.38	(4.37)	2.76
Total from investment operations . . . . .	5.00	(1.54)	3.76	(3.99)	2.98
Less distributions from:					
Net investment income . . . . .	(0.38)	(0.35)	(0.44)	(0.17)	(0.49)
Net realized gains . . . . .	—	—	—	(0.52)	—
Total distributions . . . . .	(0.38)	(0.35)	(0.44)	(0.69)	(0.49)
Net asset value, end of year . . . . .	\$25.51	\$20.89	\$22.78	\$19.46	\$24.14
Total return . . . . .	23.98%	(6.70)%	19.32%	(16.49)%	13.77%
<b>Ratios to average net assets</b>					
Expenses <sup>d</sup> . . . . .	1.12% <sup>e</sup>	1.14% <sup>e</sup>	1.10%	1.09% <sup>e</sup>	1.09%
Net investment income . . . . .	1.87%	0.99%	1.80%	1.61% <sup>c</sup>	0.95%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$128,352	\$104,183	\$139,189	\$142,212	\$210,825
Portfolio turnover rate . . . . .	28.64%	28.18%	17.06%	33.11%	67.89%

<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 \$0.08 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 1.29%.

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

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

**Franklin Mutual Financial Services Fund** (continued)

	Year Ended December 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 . . . . .	\$20.95	\$22.85	\$19.52	\$24.21	\$21.70
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.40	0.26	0.33	0.31 <sup>c</sup>	0.16
Net realized and unrealized gains (losses) . . . . .	4.56	(1.86)	3.38	(4.36)	2.78
Total from investment operations . . . . .	4.96	(1.60)	3.71	(4.05)	2.94
Less distributions from:					
Net investment income . . . . .	(0.32)	(0.30)	(0.38)	(0.12)	(0.43)
Net realized gains . . . . .	—	—	—	(0.52)	—
Total distributions . . . . .	(0.32)	(0.30)	(0.38)	(0.64)	(0.43)
Net asset value, end of year . . . . .	\$25.59	\$20.95	\$22.85	\$19.52	\$24.21
Total return <sup>d</sup> . . . . .	23.70%	(6.95)%	19.06%	(16.72)%	13.55%
<b>Ratios to average net assets</b>					
Expenses <sup>e</sup> . . . . .	1.37% <sup>f</sup>	1.39% <sup>f</sup>	1.35%	1.34% <sup>f</sup>	1.34%
Net investment income . . . . .	1.62%	1.42%	1.55%	1.36% <sup>c</sup>	0.70%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$259,203	\$209,222	\$278,968	\$298,878	\$368,850
Portfolio turnover rate . . . . .	28.64%	28.18%	17.06%	33.11%	67.89%

<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 \$0.08 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 1.04%.

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

<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 Financial Services Fund** (continued)

	Year Ended December 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 . . . . .	\$20.78	\$22.65	\$19.32	\$24.08	\$21.60
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	0.20	0.12	0.18	0.15 <sup>c</sup>	(0.01)
Net realized and unrealized gains (losses) . . . . .	4.52	(1.86)	3.32	(4.33)	2.74
Total from investment operations . . . . .	4.72	(1.74)	3.50	(4.18)	2.73
Less distributions from:					
Net investment income . . . . .	(0.09)	(0.13)	(0.17)	(0.06)	(0.25)
Net realized gains . . . . .	—	—	—	(0.52)	—
Total distributions . . . . .	(0.09)	(0.13)	(0.17)	(0.58)	(0.25)
Net asset value, end of year . . . . .	\$25.41	\$20.78	\$22.65	\$19.32	\$24.08
Total return <sup>d</sup> . . . . .	22.74%	(7.66)%	18.15%	(17.35)%	12.66%
<b>Ratios to average net assets</b>					
Expenses <sup>e</sup> . . . . .	2.12% <sup>f</sup>	2.14% <sup>f</sup>	2.10%	2.09% <sup>f</sup>	2.09%
Net investment income (loss) . . . . .	0.83%	0.69%	0.80%	0.61% <sup>c</sup>	(0.05)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$25,503	\$27,498	\$46,132	\$58,610	\$134,117
Portfolio turnover rate . . . . .	28.64%	28.18%	17.06%	33.11%	67.89%

<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 \$0.08 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>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<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 Financial Services Fund** (continued)

	Year Ended December 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 . . . . .	\$21.03	\$22.93	\$19.58	\$24.30	\$21.79
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.47	0.33	0.42	0.41 <sup>c</sup>	0.25
Net realized and unrealized gains (losses) . . . . .	4.58	(1.85)	3.40	(4.41)	2.78
Total from investment operations . . . . .	5.05	(1.52)	3.82	(4.00)	3.03
Less distributions from:					
Net investment income . . . . .	(0.40)	(0.38)	(0.47)	(0.20)	(0.52)
Net realized gains . . . . .	—	—	—	(0.52)	—
Total distributions . . . . .	(0.40)	(0.38)	(0.47)	(0.72)	(0.52)
Net asset value, end of year . . . . .	\$25.68	\$21.03	\$22.93	\$19.58	\$24.30
Total return . . . . .	24.09%	(6.57)%	19.51%	(16.41)%	13.92%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.19%	1.16%	1.05%	1.06%	0.97%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	1.02%	1.02%	0.97%	0.97%	0.95%
Net investment income . . . . .	1.89%	1.83%	1.93%	1.73% <sup>c</sup>	1.09%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$2,995	\$2,191	\$2,931	\$3,371	\$4,523
Portfolio turnover rate . . . . .	28.64%	28.18%	17.06%	33.11%	67.89%

<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 \$0.08 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>Benefit of expense reduction rounds to less than 0.01%.

## Statement of Investments, December 31, 2021

## Franklin Mutual Financial Services Fund

	Country	Shares	Value
<b>Common Stocks 97.7%</b>			
<b>Banks 38.6%</b>			
<sup>a</sup> AB&T Financial Corp. ....	United States	226,100	\$221,578
Bank of America Corp. ....	United States	191,738	8,530,424
Barclays plc ....	United Kingdom	5,970,072	15,194,989
<sup>b</sup> BAWAG Group AG, 144A, Reg S. ....	Austria	206,132	12,632,354
BNP Paribas SA ....	France	259,382	17,919,770
CaixaBank SA. ....	Spain	4,277,324	11,674,879
Citizens Financial Group, Inc. ....	United States	360,057	17,012,693
First Horizon Corp. ....	United States	454,876	7,428,125
ING Groep NV ....	Netherlands	1,280,801	17,792,911
Primis Financial Corp. ....	United States	718,833	10,811,248
Synovus Financial Corp. ....	United States	234,111	11,206,894
UniCredit SpA. ....	Italy	834,672	12,819,898
Wells Fargo & Co. ....	United States	361,870	17,362,523
			160,608,286
<b>Capital Markets 5.7%</b>			
Credit Suisse Group AG, A ....	Switzerland	749,626	7,259,723
<sup>c</sup> Deutsche Bank AG ....	Germany	1,162,459	14,467,005
<sup>b</sup> Guotai Junan Securities Co. Ltd., H, 144A, Reg S. ....	China	1,396,063	2,168,163
			23,894,891
<b>Consumer Finance 1.3%</b>			
Capital One Financial Corp. ....	United States	36,844	5,345,696
<b>Diversified Financial Services 6.1%</b>			
M&G plc. ....	United Kingdom	3,333,617	9,011,160
Voya Financial, Inc. ....	United States	244,300	16,199,533
			25,210,693
<b>Equity Real Estate Investment Trusts (REITs) 1.1%</b>			
Vornado Realty Trust. ....	United States	105,533	4,417,611
<b>Household Durables 2.4%</b>			
Cairn Homes plc ....	Ireland	7,837,963	10,091,631
<b>Insurance 37.5%</b>			
<sup>c</sup> Alleghany Corp. ....	United States	21,755	14,523,420
ASR Nederland NV ....	Netherlands	307,350	14,143,291
<sup>c</sup> Brighthouse Financial, Inc. ....	United States	64,778	3,355,500
<sup>c</sup> BRP Group, Inc., A ....	United States	229,709	8,294,792
China Pacific Insurance Group Co. Ltd., H. ....	China	1,953,200	5,307,356
Conduit Holdings Ltd. ....	United States	1,482,895	8,673,966
Direct Line Insurance Group plc ....	United Kingdom	3,601,222	13,596,527
Everest Re Group Ltd. ....	United States	60,088	16,459,305
Hartford Financial Services Group, Inc. (The) ....	United States	245,601	16,956,293
International General Insurance Holdings Ltd. ....	Jordan	1,211,455	9,812,785
MetLife, Inc. ....	United States	237,570	14,845,749
NN Group NV ....	Netherlands	244,661	13,220,880
<sup>c</sup> Ryan Specialty Group Holdings, Inc., A ....	United States	25,642	1,034,655
T&D Holdings, Inc. ....	Japan	314,469	4,015,139
Willis Towers Watson plc. ....	United States	49,920	11,855,501
			156,095,159
<b>IT Services 4.4%</b>			
Alliance Data Systems Corp. ....	United States	78,702	5,239,192
<sup>c</sup> Fiserv, Inc. ....	United States	59,472	6,172,599
Global Payments, Inc. ....	United States	50,009	6,760,217
			18,172,008



**Franklin Mutual Financial Services Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Media 0.3%</b>			
<sup>c</sup> Loyalty Ventures, Inc. ....	United States	44,524	\$1,338,837
<b>Trading Companies &amp; Distributors 0.3%</b>			
<sup>c</sup> AerCap Holdings NV. ....	Ireland	17,426	1,140,009
<b>Total Common Stocks (Cost \$331,582,264)</b> .....			<b>406,314,821</b>
<b>Short Term Investments 0.7%</b>			
	Country	Principal Amount <sup>*</sup>	Value
<b>U.S. Government and Agency Securities 0.7%</b>			
<sup>d</sup> FHLB, 1/03/22 .....	United States	1,000,000	1,000,000
<sup>d</sup> U.S. Treasury Bills,			
4/28/22 .....	United States	1,000,000	999,772
5/26/22 .....	United States	1,000,000	999,647
			1,999,419
<b>Total U.S. Government and Agency Securities (Cost \$2,999,499)</b> .....			<b>2,999,419</b>
<b>Total Short Term Investments (Cost \$2,999,499)</b> .....			<b>2,999,419</b>
<b>Total Investments (Cost \$334,581,763) 98.4%</b> .....			<b>\$409,314,240</b>
<b>Other Assets, less Liabilities 1.6%</b> .....			<b>6,738,226</b>
<b>Net Assets 100.0%</b> .....			<b>\$416,052,466</b>

<sup>\*</sup>The principal amount is stated in U.S. dollars unless otherwise indicated.

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

<sup>b</sup>Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2021, the aggregate value of these securities was \$14,800,517, representing 3.6% of net assets.

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

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

**Franklin Mutual Financial Services Fund** (continued)

At December 31, 2021, the Fund had the following futures contracts outstanding. See Note 1(c).

**Futures Contracts**

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
<b>Foreign exchange contracts</b>					
Foreign Exchange EUR/USD .....	Short	62	\$8,836,938	3/14/22	\$(47,118)
Foreign Exchange GBP/USD .....	Short	112	9,471,700	3/14/22	(203,939)
Total Futures Contracts .....					<u>\$(251,057)</u>

\*As of period end.

At December 31, 2021, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

**Forward Exchange Contracts**

Currency	Counter-party <sup>a</sup>	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
<b>OTC Forward Exchange Contracts</b>							
British Pound .....	BOFA	Buy	298,944	396,544	1/18/22	\$7,742	\$—
British Pound .....	BOFA	Sell	7,278,624	10,042,127	1/18/22	198,645	—
British Pound .....	HSBK	Buy	1,100,575	1,466,510	1/18/22	21,887	—
British Pound .....	HSBK	Sell	656,319	909,562	1/18/22	21,969	—
British Pound .....	SSBT	Sell	15,872,449	22,005,520	1/18/22	539,901	—
British Pound .....	UBSW	Sell	1,374,411	1,889,979	1/18/22	35,325	(4,074)
Japanese Yen .....	BOFA	Buy	5,345,973	47,039	1/18/22	—	(587)
Japanese Yen .....	BOFA	Sell	8,632,000	76,072	1/18/22	1,068	—
Japanese Yen .....	UBSW	Buy	37,736,280	332,095	1/18/22	—	(4,202)
Japanese Yen .....	UBSW	Sell	465,099,651	4,104,850	1/18/22	63,562	—
Swiss Franc .....	HSBK	Sell	6,990,327	7,570,680	1/20/22	—	(95,280)
Swiss Franc .....	UBSW	Buy	444,592	481,624	1/20/22	5,940	—
Euro .....	BOFA	Sell	4,627,687	5,431,956	1/24/22	165,340	—
Euro .....	HSBK	Sell	5,777,447	6,789,617	1/24/22	214,498	—
Euro .....	SSBT	Sell	869,195	1,020,038	1/24/22	30,835	—
Euro .....	UBSW	Sell	873,390	1,023,098	1/24/22	29,122	—
Euro .....	BOFA	Sell	8,996,386	10,455,500	2/07/22	214,135	—
Euro .....	HSBK	Sell	929,255	1,080,909	2/07/22	23,058	—
Euro .....	SSBT	Sell	9,193,578	10,684,631	2/07/22	218,784	—
Euro .....	UBSW	Sell	513,694	596,947	2/07/22	12,164	—
Euro .....	BOFA	Sell	9,775,445	11,223,140	4/19/22	76,551	—
Euro .....	HSBK	Sell	149,946	171,100	4/19/22	122	—
Euro .....	UBSW	Sell	9,775,120	11,222,473	4/19/22	76,255	—
Total Forward Exchange Contracts .....						<u>\$1,956,903</u>	<u>\$(104,143)</u>
Net unrealized appreciation (depreciation) .....						<u>\$1,852,760</u>	

\*In U.S. dollars unless otherwise indicated.

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

**Franklin Mutual Financial Services Fund** (continued)

See Note 10 regarding other derivative information.

See Abbreviations on page 35.

# Statement of Assets and Liabilities

December 31, 2021

**Franklin Mutual  
Financial  
Services Fund**

**Assets:**

Investments in securities:

Cost - Unaffiliated issuers . . . . .	\$332,355,008
Cost - Non-controlled affiliates (Note 3f and 11) . . . . .	2,226,755
Value - Unaffiliated issuers . . . . .	\$409,092,662
Value - Non-controlled affiliates (Note 3f and 11) . . . . .	221,578

Cash . . . . .	4,498,310
Restricted cash for OTC derivative contracts (Note 1d) . . . . .	1,833,000

Receivables:

Capital shares sold . . . . .	132,602
Dividends and interest . . . . .	564,327
European Union tax reclaims (Note 1f) . . . . .	359,672
Deposits with brokers for:	
Futures contracts . . . . .	388,280

Unrealized appreciation on OTC forward exchange contracts . . . . .	1,956,903
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Other assets . . . . .	256,585
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Total assets . . . . .	419,303,919
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**Liabilities:**

Payables:

Capital shares redeemed . . . . .	177,487
Management fees . . . . .	303,788
Distribution fees . . . . .	75,509
Transfer agent fees . . . . .	53,671
Trustees' fees and expenses . . . . .	42,598
IRS closing agreement fees for European Union tax reclaims (Note 1f) . . . . .	304,490
Variation margin on futures contracts . . . . .	62,763

Due to brokers . . . . .	1,833,000
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Unrealized depreciation on OTC forward exchange contracts . . . . .	104,143
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Accrued expenses and other liabilities . . . . .	294,004
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Total liabilities . . . . .	3,251,453
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Net assets, at value . . . . .	\$416,052,466
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**Net assets consist of:**

Paid-in capital . . . . .	\$393,356,295
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Total distributable earnings (losses) . . . . .	22,696,171
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Net assets, at value . . . . .	\$416,052,466
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## Statement of Assets and Liabilities (continued)

December 31, 2021

	Franklin Mutual Financial Services Fund
<b>Class Z:</b>	
Net assets, at value	\$128,352,133
Shares outstanding	5,032,372
Net asset value and maximum offering price per share	\$25.51
<b>Class A:</b>	
Net assets, at value	\$259,202,825
Shares outstanding	10,130,467
Net asset value per share <sup>a</sup>	\$25.59
Maximum offering price per share (net asset value per share ÷ 94.50%)	\$27.08
<b>Class C:</b>	
Net assets, at value	\$25,502,902
Shares outstanding	1,003,517
Net asset value and maximum offering price per share <sup>a</sup>	\$25.41
<b>Class R6:</b>	
Net assets, at value	\$2,994,606
Shares outstanding	116,602
Net asset value and maximum offering price per share	\$25.68

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

## Statement of Operations

for the year ended December 31, 2021

Franklin Mutual  
Financial  
Services Fund

Investment income:	
Dividends: (net of foreign taxes of \$543,775)	
Unaffiliated issuers	\$11,540,731
Non-controlled affiliates (Note 3f and 11)	1,151
Interest:	
Unaffiliated issuers	6,494
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	2,917
Non-controlled affiliates (Note 3f)	7
Other income (Note 1f)	432,976
Total investment income	11,984,276
Expenses:	
Management fees (Note 3a)	3,512,685
Distribution fees: (Note 3c)	
Class A	618,013
Class C	280,023
Transfer agent fees: (Note 3e)	
Class Z	167,109
Class A	334,007
Class C	37,834
Class R6	5,120
Custodian fees (Note 4)	15,379
Reports to shareholders fees	114,122
Registration and filing fees	70,409
Professional fees	119,415
Trustees' fees and expenses	30,877
Other	97,356
Total expenses	5,402,349
Expense reductions (Note 4)	(104)
Expenses waived/paid by affiliates (Note 3f and 3g)	(4,448)
Net expenses	5,397,797
Net investment income	6,586,479
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	3,663,450
Foreign currency transactions	(37,494)
Forward exchange contracts	457,176
Futures contracts	875,154
Net realized gain (loss)	4,958,286
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	62,480,351
Non-controlled affiliates (Note 3f and 11)	74,613
Translation of other assets and liabilities denominated in foreign currencies	(58,294)
Forward exchange contracts	6,031,883
Futures contracts	(53,110)
Net change in unrealized appreciation (depreciation)	68,475,443
Net realized and unrealized gain (loss)	73,433,729
Net increase (decrease) in net assets resulting from operations	\$80,020,208

## Statements of Changes in Net Assets

	Franklin Mutual Financial Services Fund	
	Year Ended December 31, 2021	Year Ended December 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$6,586,479	\$4,006,314
Net realized gain (loss) . . . . .	4,958,286	(47,662,001)
Net change in unrealized appreciation (depreciation) . . . . .	68,475,443	(3,964,320)
Net increase (decrease) in net assets resulting from operations . . . . .	80,020,208	(47,620,007)
Distributions to shareholders:		
Class Z . . . . .	(1,873,457)	(1,737,034)
Class A . . . . .	(3,171,283)	(3,028,717)
Class C . . . . .	(94,563)	(172,058)
Class R6 . . . . .	(45,462)	(39,029)
Total distributions to shareholders . . . . .	(5,184,765)	(4,976,838)
Capital share transactions: (Note 2)		
Class Z . . . . .	1,153,445	(19,671,087)
Class A . . . . .	4,267,198	(38,992,744)
Class C . . . . .	(7,775,630)	(12,372,390)
Class R6 . . . . .	478,344	(493,087)
Total capital share transactions . . . . .	(1,876,643)	(71,529,308)
Net increase (decrease) in net assets . . . . .	72,958,800	(124,126,153)
Net assets:		
Beginning of year . . . . .	343,093,666	467,219,819
End of year . . . . .	\$416,052,466	\$343,093,666

# Notes to Financial Statements

## Franklin Mutual Financial Services Fund

### 1. Organization and Significant Accounting Policies

Franklin Mutual Series Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of six separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Mutual Financial Services Fund (Fund) is included in this report. The Fund offers four classes of shares: Class Z, Class A, Class C and Class R6. 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.

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is

determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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

Certain derivative financial instruments trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of



## Franklin Mutual Financial Services Fund (continued)

### 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 Fund's 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 Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 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 Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

#### b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will

decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

#### c. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements

**Franklin Mutual Financial Services Fund** (continued)**1. Organization and Significant Accounting Policies**  
(continued)**c. Derivative Financial Instruments** (continued)

with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2021, the Fund had no OTC derivatives in a net liability position for such contracts.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its

counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

At December 31, 2021, the Fund received \$413,348 in United Kingdom Treasury Bonds and U.S. Treasury Bonds and Notes as collateral for derivatives.

The Fund entered into exchange traded futures contracts primarily to manage exposure to certain foreign currencies. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

The Fund entered into OTC forward exchange contracts primarily to manage exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

See Note 10 regarding other derivative information.

**d. Restricted Cash**

At December 31, 2021, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's counterparty broker and is reflected in the Statement of Assets and Liabilities.

**e. Securities Lending**

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the

## Franklin Mutual Financial Services Fund (continued)

### 1. Organization and Significant Accounting Policies

(continued)

#### e. Securities Lending (continued)

borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2021, the Fund had no securities on loan.

#### f. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. Any fees associated with these filings are reflected in other expenses in the Statement of Operations. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax

purposes, EU reclaims received by the Fund, if any, reduce the amount of foreign taxes Fund shareholders can use as tax deductions or credits on their income tax returns. In the event that EU reclaims received by the Fund during a fiscal year exceed foreign withholding taxes paid by the Fund, and the Fund previously passed through to its shareholders foreign taxes incurred by the Fund to be used as a credit or deduction on a shareholder's income tax return, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders. The Fund previously entered into a closing agreement with the IRS and any adjustments to the estimated fees are reflected as other income in the Statement of Operations.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2021, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

#### g. 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 Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

**Franklin Mutual Financial Services Fund** (continued)**1. Organization and Significant Accounting Policies**  
(continued)**g. Security Transactions, Investment Income, Expenses and Distributions** (continued)

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.

**h. 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.

**i. Guarantees and Indemnifications**

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

**2. Shares of Beneficial Interest**

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

	<b>Year Ended December 31, 2021</b>		<b>Year Ended December 31, 2020</b>	
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>
<b>Class Z Shares:</b>				
Shares sold . . . . .	784,766	\$19,144,281	885,209	\$15,601,988
Shares issued in reinvestment of distributions . . . . .	70,399	1,743,108	78,955	1,603,385
Shares redeemed . . . . .	(810,179)	(19,733,944)	(2,087,013)	(36,876,460)
Net increase (decrease) . . . . .	44,986	\$1,153,445	(1,122,849)	\$(19,671,087)
<b>Class A Shares:</b>				
Shares sold <sup>a</sup> . . . . .	1,796,743	\$44,503,944	1,404,069	\$23,829,027
Shares issued in reinvestment of distributions . . . . .	123,180	3,061,930	143,965	2,928,431
Shares redeemed . . . . .	(1,774,053)	(43,298,676)	(3,772,083)	(65,750,202)
Net increase (decrease) . . . . .	145,870	\$4,267,198	(2,224,049)	\$(38,992,744)
<b>Class C Shares:</b>				
Shares sold . . . . .	196,028	\$4,867,182	164,610	\$2,798,831
Shares issued in reinvestment of distributions . . . . .	3,740	93,205	8,558	169,668
Shares redeemed <sup>a</sup> . . . . .	(519,218)	(12,736,017)	(886,887)	(15,340,889)
Net increase (decrease) . . . . .	(319,450)	\$(7,775,630)	(713,719)	\$(12,372,390)

## Franklin Mutual Financial Services Fund (continued)

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

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
<b>Class R6 Shares:</b>				
Shares sold . . . . .	131,569	\$3,272,275	68,045	\$1,147,174
Shares issued in reinvestment of distributions . . . . .	1,824	45,462	1,907	39,029
Shares redeemed . . . . .	(120,973)	(2,839,393)	(93,598)	(1,679,290)
Net increase (decrease) . . . . .	12,420	\$478,344	(23,646)	\$(493,087)

\*May include a portion of Class C shares that were automatically converted to Class A.

### 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

#### a. Management Fees

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

Annualized Fee Rate	Net Assets
0.875%	Up to and including \$1 billion
0.845%	Over \$1 billion, up to and including \$2 billion
0.825%	Over \$2 billion, up to and including \$5 billion
0.805%	In excess of \$5 billion

For the year ended December 31, 2021, the gross effective investment management fee rate was 0.875% of the Fund's average daily net assets.

#### b. Administrative Fees

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

#### c. Distribution Fees

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

**Franklin Mutual Financial Services Fund** (continued)**3. Transactions with Affiliates** (continued)**c. Distribution Fees** (continued)

Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

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

Class A . . . . .	0.35%
Class C . . . . .	1.00%

The Board has set the current rate at 0.25% per year for Class A shares until further notice and approval by the Board.

**d. Sales Charges/Underwriting Agreements**

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the year:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers . . . . .	\$28,026
CDSC retained . . . . .	\$2,223

**e. Transfer Agent Fees**

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. The fees are based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6, reimburses shareholder servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the year ended December 31, 2021, the Fund paid transfer agent fees of \$544,070, of which \$273,932 was retained by Investor Services.

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

The Fund invests 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 Fund does not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2021, the Fund held investments in affiliated management investment companies as follows:



## Franklin Mutual Financial Services Fund (continued)

### 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 Financial Services Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%.	\$—	\$1,089,000	\$(1,089,000)	\$—	\$—	\$—	—	\$7
<b>Total Affiliated Securities . . .</b>	<b>\$—</b>	<b>\$1,089,000</b>	<b>\$(1,089,000)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>		<b>\$7</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 April 30, 2022.

### 4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2021, the custodian fees were reduced as noted in the Statement of Operations.

### 5. Independent Trustees' Retirement Plan

On January 1, 1993, the Trust adopted an Independent Trustees' Retirement Plan (Plan). The Plan is an unfunded defined benefit plan that provides benefit payments to Trustees whose length of service and retirement age meets the eligibility requirements of the Plan. Benefits under the Plan are based on years of service and fees paid to each trustee at the time of retirement. Effective in December 1996, the Plan was closed to new participants.

During the year ended December 31, 2021, the Fund's projected benefit obligation and benefit payments under the Plan were as follows:

<sup>a</sup> Projected benefit obligation at December 31, 2021 . . . . .	\$41,786
<sup>b</sup> Increase (decrease) in projected benefit obligation . . . . .	\$6,305
Benefit payments made to retired trustees . . . . .	\$(193)

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

<sup>b</sup>The increase (decrease) in projected benefit obligation is reflected in trustees' fees and expenses in the Statement of Operations. The increase (decrease) was primarily due to demographic losses.

**Franklin Mutual Financial Services Fund** (continued)**6. Income Taxes**

For tax purposes, capital losses may be carried over to offset future capital gains.

At December 31, 2021, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

Short term . . . . .	\$3,091,768
Long term . . . . .	44,917,536
Total capital loss carryforwards . . . . .	<u>\$48,009,304</u>

During the year ended December 31, 2021, the Fund utilized \$10,606,401 of capital loss carryforwards.

For tax purposes, the Fund may elect to defer any portion of a post-October capital loss or late-year ordinary loss to the first day of the following fiscal year. At December 31, 2021, the Fund deferred late-year ordinary losses of \$97,336.

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

	2021	2020
Distributions paid from:		
Ordinary income . . . . .	<u>\$5,184,765</u>	<u>\$4,976,838</u>

At December 31, 2021, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments . . . . .	<u>\$340,331,935</u>
Unrealized appreciation. . . . .	\$93,903,830
Unrealized depreciation. . . . .	(23,319,822)
Net unrealized appreciation (depreciation). . . . .	<u>\$70,584,008</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, EU reclaims, passive foreign investment company shares, corporate actions and wash sales.

**7. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2021, aggregated \$114,906,007 and \$109,931,168, respectively.

**8. Concentration of Risk**

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. Political and financial uncertainty in many foreign regions may increase market volatility and the economic risk of investing in foreign securities. In addition, certain foreign securities may not be as liquid as U.S. securities.



**Franklin Mutual Financial Services Fund** (continued)

**9. 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 Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

**10. Other Derivative Information**

At December 31, 2021, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
<b>Franklin Mutual Financial Services Fund</b>				
Foreign exchange contracts . . .				
	Variation margin on futures contracts	\$—	Variation margin on futures contracts	\$251,057 <sup>a</sup>
	Unrealized appreciation on OTC forward exchange contracts	1,956,903	Unrealized depreciation on OTC forward exchange contracts	104,143
Total . . . . .		<u>\$1,956,903</u>		<u>\$355,200</u>

<sup>a</sup> This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the year ended December 31, 2021, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
Franklin Mutual Financial Services Fund				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts . . . . .				
	Futures contracts	\$875,154	Futures contracts	\$(53,110)
	Forward exchange contracts	457,176	Forward exchange contracts	6,031,883
Total . . . . .		<u>\$1,332,330</u>		<u>\$5,978,773</u>

For the year ended December 31, 2021, the average month end notional amount of futures contracts represented \$18,787,628. The average month end contract value of forward exchange contracts was \$115,704,446.

See Note 1(c) regarding derivative financial instruments.

**Franklin Mutual Financial Services Fund** (continued)**11. Holdings of 5% Voting Securities of Portfolio Companies**

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. 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 December 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 Mutual Financial Services Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
AB&T Financial Corp . .	\$146,965	\$—	\$—	\$—	\$74,613	\$221,578	226,100	\$1,151
<b>Total Affiliated Securities</b> (Value is 0.1% of Net Assets) . . . . .	\$146,965	\$—	\$—	\$—	\$74,613	\$221,578		\$1,151

**12. Credit Facility**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matured 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. Effective February 4, 2022, the Borrowers renewed the Global Credit Facility for a one-year term, maturing February 3, 2023, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2021, the Fund did not use the Global Credit Facility.

**13. Fair Value Measurements**

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

## Franklin Mutual Financial Services Fund (continued)

### 13. Fair Value Measurements (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2021, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin Mutual Financial Services Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Banks	\$72,573,485	\$88,034,801	\$—	\$160,608,286
Capital Markets	—	23,894,891	—	23,894,891
Consumer Finance	5,345,696	—	—	5,345,696
Diversified Financial Services	16,199,533	9,011,160	—	25,210,693
Equity Real Estate Investment Trusts (REITs)	4,417,611	—	—	4,417,611
Household Durables	10,091,631	—	—	10,091,631
Insurance	105,811,966	50,283,193	—	156,095,159
IT Services	18,172,008	—	—	18,172,008
Media	1,338,837	—	—	1,338,837
Trading Companies & Distributors	1,140,009	—	—	1,140,009
Short Term Investments	1,999,419	1,000,000	—	2,999,419
Total Investments in Securities	\$237,090,195	\$172,224,045 <sup>a</sup>	\$—	\$409,314,240
Other Financial Instruments:				
Forward exchange contracts	\$—	\$1,956,903	\$—	\$1,956,903
Total Other Financial Instruments	\$—	\$1,956,903	\$—	\$1,956,903
<b>Liabilities:</b>				
Other Financial Instruments:				
Forward exchange contracts	\$—	\$104,143	\$—	\$104,143
Futures contracts	251,057	—	—	251,057
Total Other Financial Instruments	\$251,057	\$104,143	\$—	\$355,200

<sup>a</sup> Includes foreign securities valued at \$171,224,045, 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.

### 14. 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.

### 15. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

**Franklin Mutual Financial Services Fund** (continued)

**Abbreviations**

**Counterparty**

<b>BOFA</b>	Bank of America N.A.
<b>HSBK</b>	HSBC Bank plc
<b>SSBT</b>	State Street Bank and Trust Co.
<b>UBSW</b>	UBS AG

**Currency**

<b>EUR</b>	Euro
<b>GBP</b>	British Pound
<b>USD</b>	United States Dollar

**Selected Portfolio**

<b>FHLB</b>	Federal Home Loan Banks
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## Report of Independent Registered Public Accounting Firm

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

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

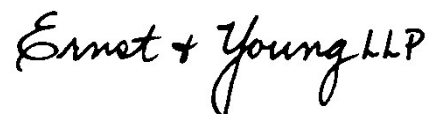
We have audited the accompanying statement of assets and liabilities of Franklin Mutual Financial Services Fund (the "Fund") (one of the funds constituting Franklin Mutual Series Funds), including the statement of investments, as of December 31, 2021, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Franklin Mutual Financial Services Fund (one of the funds constituting Franklin Mutual Series Funds) at December 31, 2021, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

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

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2021, by correspondence with the custodian and brokers. 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.



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

Boston, Massachusetts

February 18, 2022

## Tax Information (unaudited)

### Franklin Mutual Financial Services Fund

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 Fund is required to be furnished to shareholders with respect to income earned and distributions paid during its fiscal year.

The Fund hereby reports the following amounts, or if subsequently determined to be different, the maximum allowable amounts, for the fiscal year ended December 31, 2021:

	<b>Pursuant to:</b>	<b>Amount Reported</b>
Income Eligible for Dividends Received Deduction (DRD)	\$854(b)(1)(A)	\$3,324,005
Qualified Dividend Income Earned (QDI)	\$854(b)(1)(B)	\$10,459,435
Section 163(j) Interest Earned	\$163(j)	\$6,403
Interest Earned from Federal Obligations	Note (1)	\$2,108

Note (1) - The Law varies in each state as to whether and what percentage of dividend income attributable to Federal obligations is exempt from state income tax. Shareholders are advised to consult with their tax advisors to determine if any portion of the dividends received is exempt from state income taxes.

Under Section 853 of the Internal Revenue Code, the Fund intends to elect to pass through to its shareholders the following amounts, or amounts as finally determined, of foreign taxes paid and foreign source income earned by the Fund during the fiscal year ended December 31, 2021:

	<b>Amount Reported</b>
Foreign Taxes Paid	\$554,933
Foreign Source Income Earned	\$4,992,409

## 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> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 1987	11	None

#### Principal Occupation During at Least the Past 5 Years:

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 **formerly**, Vice Director, Salomon Center, Stern School of Business, New York University.

<b>Ann Torre Bates (1958)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee and Chairperson	Trustee since 1995 and Chairperson since 2020	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).
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#### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, 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>Jan Hopkins Trachtman (1947)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2009	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).
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#### Principal Occupation During at Least the Past 5 Years:

President and Founder, The Jan Hopkins Group (communications consulting firm); serves on Alumni Advisory Board of Knight Bagehot Fellowship; and **formerly**, President, Economic Club of New York (2007-2015); Anchor/Correspondent, CNN Financial News (until 2003); Managing Director and Head of Client Communications, Citigroup Private Bank (until 2005); Off-Air reporter, ABC News' World News Tonight; and Editor, CBS Network News.

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Keith Mitchell (1954)</b> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2009	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> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2015	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> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 1991	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> c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2015	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 2007	132	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.				



## 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>**Jennifer M. Johnson (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since March 2021	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 April 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	Vice President and Secretary	Vice President since 2009 and Secretary since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, FASA, LLC; Assistant Secretary, Franklin Distributors, LLC; and certain funds in the Franklin Templeton/Legg Mason fund complex.				
<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).				

## 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>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>Christopher Kings (1974)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since January 2022	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting; 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> Senior 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.				

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

\*\*Gregory E. Johnson and Jennifer M. Johnson are considered to be interested people 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.

Note 1: Gregory E. Johnson and Jennifer M. Johnson are siblings.

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.

Note 3: Effective September 30, 2021, Peter A. Langerman ceased to be a trustee of the Trust.

Note 4: Effective December 31, 2021, Burton J. Greenwald ceased to be a trustee of the Trust.

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 1995. She currently serves as a director of Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. Mr. Niemiec has served as a member of the Fund Audit Committee since 2015, currently serves as an Advisor to Saratoga Partners

## Interested Board Members and Officers (continued)

and was formerly its Managing Director from 1998 to 2001 and serves as a director of Hess Midstream LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that 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

### Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

### Quarterly Statement of Investments

The Trust, on behalf of the Fund, files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

### Householding of Reports and Prospectuses

You will receive, or receive notice of the availability of, the 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 Mutual Financial Services Fund**

**Investment Manager**  
Franklin Mutual Advisers,  
LLC

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

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