



FRANKLIN TEMPLETON
INVESTMENTS

December 31, 2017

Annual Management Report of Fund Performance



This annual management report of fund performance contains financial highlights but does not contain the complete financial statements of the investment fund. If you have not received a copy of the annual financial statements with this report, you can get a copy of the annual financial statements at your request, and at no cost, by calling 1.800.387.0830, by writing to us at 5000 Yonge Street, Suite 900, Toronto ON M2N 0A7, or by visiting our website at www.franklintempleton.ca or SEDAR at www.sedar.com. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Co-Lead Manager (Underlying Fund)

Peter A. Langerman, CFA, MBA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 31 years

Location: Short Hills, NJ

Co-Lead Manager (Underlying Fund)

F. David Segal, CFA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 27 years

Location: Short Hills, NJ

Co-Lead Manager (Underlying Fund)

Debbie Turner, CFA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 26 years

Location: Short Hills, NJ

INVESTMENT OBJECTIVE AND STRATEGIES

Franklin Mutual U.S. Shares Corporate Class (the “Fund”) aims to grow investors’ capital over the long term by investing substantially all of its assets in Franklin Mutual U.S. Shares Fund (the “Underlying Fund”). The Underlying Fund aims to grow investors’ capital over the long term by investing primarily in equity and debt securities of US issuers, but may also invest in issuers around the world.

The Underlying Fund’s portfolio sub-advisor (the “portfolio manager”) is dedicated to a unique style of deep-value investing, searching aggressively for opportunities among undervalued stocks. The Underlying Fund may hold equities, debt or money market securities in any proportion provided that, in normal market conditions, not less than 75% of assets (not including cash and money market securities) are invested in common stock, preferred stock and debt securities convertible into common or preferred stock. Debt securities can be rated or unrated.

The Underlying Fund may purchase senior or subordinated debt obligations from banks where the debt purchased represents the indebtedness of a company to the bank. Debt instruments issued by companies recently emerging from or facing financial restructuring may also be purchased. The Underlying Fund may also invest in companies involved in mergers, consolidations, liquidations and reorganizations.

The portfolio manager is committed to a distinct, three-pronged approach that seeks (a) fundamentally strong companies with robust balance sheets, high-quality assets and shareholder-oriented management teams, (b) carefully selected opportunities in distressed or bankrupt companies, and (c) risk arbitrage situations, specifically, announced takeover deals.

RISK

The risks of investing in the Fund remain as stated in the prospectus. The Fund is suitable for investors who are seeking a fund investing primarily in undervalued US securities, willing to accept low to medium investment risk and planning to hold their investment for the medium to long term.

The investment strategy of the Fund involves the possibility that some investments, specifically investments in troubled companies, may face substantial loss as a result of the creditworthiness of the troubled company. The portfolio manager attempts to select only those securities that, based on proper analysis of actual risk as opposed to the risk perceived by the market, appear to have strong potential for gain.

RESULTS OF OPERATIONS

As at December 31, 2017, total net asset value of the Fund was \$6.3 million, a decrease of 14.1% from December 31, 2016. This was primarily driven by \$1.4 million in net redemptions and partially offset by an increase of \$381,000 in net assets from operations. The Fund paid out \$38,000 in cash distributions to shareholders.

During the past year, the Fund’s Series A shares generated total returns of 5.1%. Over the same time period, the Fund’s benchmark, the S&P 500 Total Return Index (the “Index”), returned 14.1%, in Canadian-dollar terms. The performance of the Fund’s other series is similar to that of its Series A shares, except for differences in expense structure. For the return of the Fund’s other series (if applicable), please refer to the “Past Performance” section.

The Fund invests substantially all of its assets in units of Franklin Mutual U.S. Shares Fund, and accordingly the discussion that follows pertains to this Underlying Fund. The Fund trailed the Index during the reporting period, mainly due to negative stock selection in the Consumer Discretionary and Consumer Staples sectors, as well as from an underweighting and stock selection in the Information Technology sector. The Fund’s cash position also weighed on relative returns.

During the past 12 months, approximately 85–95% of the Fund’s non-Canadian-dollar exposure was hedged to the Canadian dollar, and a majority of the Fund’s investment exposure was to US securities. Changes in the exchange rate can be an important determinant of returns in Canadian-dollar terms. The Fund’s currency hedge largely mitigated the negative impact of a meaningful appreciation of the Canadian dollar against the US dollar. The Canadian dollar depreciated against the euro and, to a lesser extent, the British pound, but Fund exposure to those currencies was considerably smaller. At period-end, the currency hedge added 535 basis points.

In addition, on a relative sector basis, stock selection within Materials, including not holding poorly performing names, aided results. Underweighted exposures in the Telecommunication Services and Utilities sectors also had positive impacts.

Distressed and merger-arbitrage investments remained relatively modest allocations over the period. Both impacted returns to a considerably lesser degree than the Fund’s deep-value equity investments.

Two of the Fund’s most significant detractors were General Electric Co. and Rite Aid Corp.

The stock price of General Electric, a US-based industrials company with a wide range of business units, declined as investors became more downbeat about the company’s poor cash-flow generation, significantly underfunded pension liability, bloated cost structure and weak prospects

for the power market. Intensifying pressure by activist investors led to CEO Jeffrey Immelt's resignation in June 2017 and the promotion of John Flannery to that position. However, the stock price continued to slide after General Electric lowered its 2017 earnings guidance in October, which heightened investor concern about a potential dividend cut. In November, a dividend cut of 50%, larger than most investors had speculated, was announced, along with the incoming CEO's plan for portfolio optimization and significant cost reductions. The series of negative events has not altered the portfolio manager's view that the company has well-positioned businesses. If General Electric delivers on its plan to improve free cash-flow generation and reduce overhead expenses, the portfolio manager believes there is upside potential in the stock price.

Shares of Rite Aid, a US-based drugstore chain, steadily declined during the period as a deal to be acquired by Walgreens Boots Alliance Inc. fell apart. The transaction was mired in antitrust review by the Federal Trade Commission (FTC), and in June 2017, Walgreens terminated the merger agreement. Rite Aid subsequently agreed to sell a significant number of its stores and related distribution assets to Walgreens. The new agreement was approved by the FTC in September 2017, but investors were skeptical about Rite Aid's ability to successfully compete against larger industry peers and potentially new competitors, such as Amazon.com Inc., which is not a Fund holding.

Conversely, two of the Fund's key contributors were Microsoft Corp. and Caterpillar Inc.

Microsoft, a multinational software company, continued to reap the rewards from its rapidly growing cloud business and the shift of Microsoft Office software clients to its subscription-based services. Microsoft reported solid results each quarter, including an improvement in operating margins, and also provided upward guidance to 2018 operating margins. In addition, Microsoft announced a reorganization of its commercial field sales teams in July 2017 as part of its increased focus on cloud computing.

Caterpillar, a manufacturer of construction and mining equipment, raised its 2017 revenue and earnings guidance on multiple occasions during the year, as demand generally improved across all of its divisions. An upturn in global economic conditions, as well as a rebound in Chinese construction activity, were significant catalysts for the increase in demand. In September, Caterpillar's new CEO, Jim Umpleby, hosted an investor day at which he outlined his vision for the company. In particular, the company highlighted significant new growth opportunities in each of its business units, as well as margin targets that exceeded analyst expectations.

Index performance comparison information is provided for reference only. It is important to note that the Fund's return reflects the effect of fees and expenses for professional management, while an index does not have such costs.

Average net assets of the series of the Fund that bear expenses have remained relatively flat for the year ended December 31, 2017, resulting in expenses remaining relatively unchanged during the period. Income received from investments held, excluding net realized and/or unrealized

gain (loss) on investments and derivatives, increased due to the results of the Fund's investment activities, including, but not limited to, those previously discussed for the period in review.

RECENT DEVELOPMENTS

General expectations among economists for US economic growth in 2018 look positive. While job growth has moderated, it remains at a level that economists believe will result in further tightening of the labour markets. At the same time, other economic activity indicators have continued to point to solid momentum. Economic conditions, along with the potential benefits of lower corporate taxes and the repatriation of foreign earnings, have led to an upbeat outlook for corporate earnings. According to investment data analytics firm FactSet, the consensus view among analysts is for earnings growth of 13%, which would be a solid increase at this stage of the business cycle and equity bull market.

While inflation remains subdued, economic conditions are likely to lead to gradual increases in price levels, providing the US Federal Reserve (Fed) with justification to continue gradually increasing the federal funds rate as part of its broader plan to normalize monetary policy. The portfolio manager agrees with the general investor view that monetary policy is not likely to change significantly when Fed governor Jerome Powell assumes his role as the next Fed chair, although some loosening in financial regulation is possible.

This constructive backdrop suggests continued stock market gains. However, overall equity market valuations (e.g., price-to-earnings, price-to-book or price-to-sales) remain elevated relative to most historical benchmarks, and the portfolio manager sees potential investor complacency, as reflected in recent historically low readings of the Chicago Board Options Exchange Volatility Index (VIX). Much of the recent increases in US equity markets has been concentrated in a limited number of stocks, which has allowed the portfolio manager to continue to find select opportunities in areas that have lagged. Nonetheless, elevated valuation levels and low VIX readings raise the overall risk profile of the US equity market, leaving it vulnerable to an increase in volatility should the current outlook change due to some geopolitical event, greater-than-expected interest rate hikes or other unexpected factors.

At the start of 2018, the portfolio manager believes the more attractive investment opportunities within US equities are generally found in cyclical sectors, such as Industrials, Materials, Energy and certain segments of the Consumer Discretionary sector. Many defensive areas of the market have been trading at elevated valuations in recent years but will likely have less earnings upside potential than cyclicals. The portfolio manager also expects a continuation in technology disruption, such as the rapid market-share shift to online retailing away from traditional brick and mortar-dominated retailers that are often labelled as value stocks. Within the Financials sector, the portfolio manager believes certain segments had moved toward being fully valued at the end of 2017, particularly US regional banks. However, the portfolio manager continues to find opportunities in other segments of the sector.

FORWARD-LOOKING STATEMENTS

Investors should take note that certain statements in this report about a fund, including its strategy and expected future performance, are forward-looking. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate” or other similar expressions. Any statement that is made concerning future strategies or performance is also a forward-looking statement. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements.

The forward-looking statements are by their nature based on numerous assumptions, which include, amongst other things, that (i) the Fund can attract and maintain investors and has sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the portfolio manager, and (iii) the markets will react and perform in a manner consistent with the investment strategies. Although the forward-looking statements contained herein are based upon what the portfolio manager believes to be reasonable assumptions, the portfolio manager cannot assure that actual results will be consistent with these forward-looking statements.

Forward-looking statements are not guarantees of future performance. Any number of factors could contribute to differing results, including, among other things, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings and catastrophic events. This list of factors is not exhaustive. Investors should not place undue reliance on forward-looking information and should be aware that the Fund may not update any forward-looking statements, whether as a result of new information, future events or otherwise.

RELATED PARTY TRANSACTIONS

The Manager is an indirect wholly-owned subsidiary of Franklin Resources, Inc., a global investment management organization known as Franklin Templeton Investments. The Manager is the manager, registrar and transfer agent and a principal distributor of the Fund. The Manager provides or arranges for the provision of these services for day-to-day Fund operations, including the marketing, promotion and distribution of the Fund and portfolio advisory services. In consideration of these management and portfolio advisory services, the Fund pays the Manager a monthly management fee plus applicable taxes, based on the average net asset value of each series of the Fund (except Series O and OT, as applicable), calculated daily, as set out under Management Fees below. During the year ended December 31, 2017, the Fund paid management fees of \$126,000 (2016–\$133,000).

Franklin Templeton Services, LLC (FTS) provides the Manager with fund accounting and portfolio valuation services in connection with the Fund, and provides certain back office administration services to the Manager. The Administration Fee, as discussed below, covers the cost of the services provided by FTS.

The Manager pays the operating expenses of the Fund, other than certain fund costs—which include, but are not limited to, the cost of compliance with new governmental and regulatory requirements, fees and expenses of the Fund’s Independent Review Committee (IRC), borrowing and interest costs and investor meeting costs (as permitted by Canadian securities regulation)—in exchange for the payment by the Fund of an annual fixed-rate administration fee of 0.33% plus applicable taxes, applied against the average daily net assets of the Fund (“Administration Fee”), except for Series O and OT, which have no annual Administration Fee. The Manager will pay all operating expenses of Series O and OT, as applicable, as part of its agreement with each investor. The Manager may, at its discretion, waive a portion of a series’ Administration Fee or absorb certain fund costs. During the year ended December 31, 2017, the Fund paid Administration Fees of \$22,000 (2016–\$23,000).

During the year ended December 31, 2017, the Manager waived fund costs of \$1,000 (2016–\$1,000).

Portfolio Advisor (Underlying Fund)

Franklin Mutual Advisers, LLC (the “Sub-Advisor”), an affiliate of the Manager, provides investment analysis and recommendations to the Manager and executes or arranges for brokers to execute portfolio transactions in respect of the Fund. A portion of the management fee payable by the Fund to the Manager is paid to the Sub-Advisor with respect to portfolio sub-advisory services.

Principal Distributor

As a principal distributor of the Fund, the Manager markets the Fund and arranges for the sale of the Fund through dealers across Canada. The Manager may retain companies to assist in the sale of certain series of shares of the Fund.

The Manager’s affiliate, FTC Investor Services Inc. (“FTC ISI”), also acts as a principal distributor for Series F, O, OT, FT, PF and PF (Hedged) shares of the Fund, as applicable.

For acting as a principal distributor of the applicable series, FTC ISI receives an inter-company service fee of 0.20% of the assets under management of the applicable series from the Manager with respect to those series of shares.

Registrar and Transfer Agent

In addition to management and portfolio advisory services, the Manager acts as the registrar and transfer agent of the Fund. These services are in the normal course of operations and are covered by the Administration Fee paid by the Fund to the Manager.

Standing Instructions from the Independent Review Committee

The Manager relied on standing instructions from the IRC with respect to the allocation of any operating expenses not covered by the Administration Fee. The Manager relied, or may rely, on standing instructions from the IRC in respect of securities trades amongst mutual funds, investment funds or managed accounts managed by the Manager or an affiliate of the Manager. In both cases, the standing instructions require the Manager to comply with the policies and procedures presented to the IRC with respect to the above matters and to provide periodic reports to the IRC in accordance with NI 81-107.

MANAGEMENT FEES

A portion of the management fee paid by the Fund to the Manager is for trail fees and sales commissions the Manager pays to dealers (“Dealer Compensation”). The trail fees are a percentage of the daily average net asset value of each series of the Fund, which is held by the dealer’s clients. The remaining portion of the management fee is used to pay for portfolio advisory and administrative services related to the provision of portfolio advisory services. The table below outlines the Fund’s annual management fee, as well as the portion of the management fee used to pay for Dealer Compensation and for portfolio advisory services as an approximate percentage of the management fee for each series:

Series	Management Fee (%)	Dealer Compensation (%)*	Investment management, investment management expenses, and other (%)
A	2.00	50.77	49.23
F	1.00	–	100.00
I	1.35	55.57	44.43
T	2.00	55.32	44.68

*Dealer compensation may include other fees related to distribution, which are not payable directly to dealers.

The management and administration fees for Series O are paid for by the shareholder directly to the Manager as follows:

- First C\$200,000 to under \$2.5 million—0.90%
- Next C\$2.5 million to under \$5 million—0.75%
- C\$5 million and over—0.65%

Certain institutional investors may negotiate the management and administration fees by written agreement with Franklin Templeton Investments.

MANAGEMENT REPORT OF FUND PERFORMANCE

Summary of Investment Portfolio (AS AT DECEMBER 31, 2017)

REGIONAL WEIGHTINGS (%)*

North America	85.80
Europe	5.67
Asia	1.07
Latin America & Caribbean	0.76

INDUSTRY WEIGHTINGS (%)*

Banks	9.43
Insurance	8.24
Oil, Gas & Consumable Fuels	7.80
Media	7.41
Pharmaceuticals	7.18
Software	6.22
Health Care Equipment & Supplies	5.37
Food & Staples Retailing	4.58
Auto Components	3.34
Tobacco	3.22
Containers & Packaging	2.47
Communications Equipment	2.28
IT Services	2.03
Consumer Finance	1.90
Technology Hardware, Storage & Peripherals	1.85
Industrial Conglomerates	1.55
Electrical Equipment	1.51
Equity Real Estate Investment Trusts (REITs)	1.36
Automobiles	1.35
Machinery	1.33
Chemicals	1.30
Diversified Financial Services	1.16
Beverages	1.00
Energy Equipment & Services	0.88
Metals & Mining	0.87
Building Products	0.76
Construction & Engineering	0.71
Professional Services	0.60
Electric Utilities	0.56
Wireless Telecommunication Services	0.39
Household Products	0.39
Real Estate Management & Development	0.33
Hotels, Restaurants & Leisure	0.17

ASSET CLASS WEIGHTINGS (%)

Common Stocks	88.46
Bonds	3.77
Preferred Stocks	1.07
Short-term securities and all other assets, net	6.70

TOP 25 HOLDINGS (%)

Cash and cash equivalents**	4.35
Medtronic PLC	3.58
Merck & Co. Inc.	2.96
Eli Lilly & Co.	2.89
International Automotive Components Group North America LLC	2.79
Microsoft Corp.	2.64
Time Warner Inc.	2.34
Cisco Systems Inc.	2.28
American International Group Inc.	2.21
JPMorgan Chase & Co.	2.14
The Walt Disney Co.	2.11
Citizens Financial Group Inc.	2.07
Charter Communications Inc., A	2.01
Symantec Corp.	1.87
Stryker Corp.	1.79
Citigroup Inc.	1.75
Alleghany Corp.	1.70
The Kroger Co.	1.64
CVS Health Corp.	1.59
Cognizant Technology Solutions Corp., A	1.56
General Electric Co.	1.55
Sensata Technologies Holding NV	1.51
Kinder Morgan Inc.	1.50
Anadarko Petroleum Corp.	1.46
Marathon Oil Corp.	1.46

TOTAL NET ASSET VALUE: \$6,335,000

The Fund invests substantially all of its assets in units of Franklin Mutual U.S. Shares Fund. Above is an outline of the investments held in Franklin Mutual U.S. Shares Fund as a percentage of its net assets. Due to ongoing portfolio transactions, the investments and percentages may have changed by the time you purchase shares of the Fund. The top 25 holdings are made available quarterly, 60 days after the quarter-end. To obtain a copy, please contact a member of our client services team at 1.800.387.0830 or visit www.franklintempleton.ca. The simplified prospectus and other information about the Underlying Fund are available at www.franklintempleton.ca or at www.sedar.com.

FRANKLIN MUTUAL U.S. SHARES CORPORATE CLASS
MANAGEMENT REPORT OF FUND PERFORMANCE
Series A (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per share (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$6.11	\$5.79	\$6.03	\$5.39	\$4.29 [†]
Increase (decrease) from operations:					
Total revenue [§]	0.04	0.02	0.33	0.08	0.03
Total expenses	(0.17)	(0.15)	(0.16)	(0.15)	(0.14)
Realized gains (losses) for the period	0.52	0.34	0.69	0.41	0.27
Unrealized gains (losses) for the period	(0.09)	0.52	(0.97)	0.29	0.94
Total increase (decrease) from operations (2)	0.30	0.73	(0.11)	0.63	1.10
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	(0.01)	–	–	–
From capital gains	–	(0.43)	(0.08)	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	–	(0.44)	(0.08)	–	–
Net assets – end of period	\$6.42	\$6.11	\$5.79	\$6.03	\$5.39
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$3,846	\$4,919	\$5,420	\$7,322	\$7,602
Number of shares outstanding	599,052	805,380	936,435	1,213,732	1,409,306
Management expense ratio (2)	2.67%	2.67%	2.64%	2.63%	2.76%
Management expense ratio before waivers or absorptions	2.67%	2.67%	2.64%	2.63%	3.41%
Trading expense ratio (3)	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$6.42	\$6.11	\$5.79	\$6.03	\$5.39

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

[§] Total revenue includes total investment income net of any provision for or recoverable from income taxes.

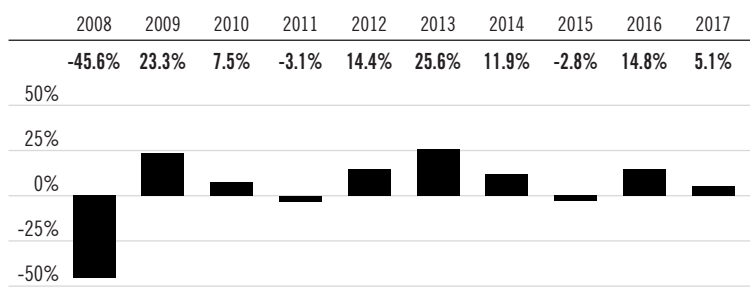
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.[‡]

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series A Shares	5.1%	5.4%	10.5%	2.8%	2.6%
S&P 500 TR Index	14.1%	14.4%	21.4%	11.1%	5.8%

[‡] For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

FRANKLIN MUTUAL U.S. SHARES CORPORATE CLASS
MANAGEMENT REPORT OF FUND PERFORMANCE
Series F (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per share (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$7.27	\$6.81	\$7.01	\$6.20	\$4.87 [†]
Increase (decrease) from operations:					
Total revenue [§]	0.07	0.03	0.43	0.08	0.02
Total expenses	(0.12)	(0.10)	(0.11)	(0.10)	(0.09)
Realized gains (losses) for the period	0.65	0.41	0.75	0.48	0.30
Unrealized gains (losses) for the period	(0.14)	0.78	(0.96)	0.36	1.17
Total increase (decrease) from operations (2)	0.46	1.12	0.11	0.82	1.40
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	(0.01)	–	–	–
From capital gains	–	(0.50)	(0.09)	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	–	(0.51)	(0.09)	–	–
Net assets – end of period	\$7.72	\$7.27	\$6.81	\$7.01	\$6.20
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$724	\$573	\$409	\$568	\$573
Number of shares outstanding	93,783	78,835	60,035	80,993	92,521
Management expense ratio (2)	1.56%	1.54%	1.48%	1.47%	1.59%
Management expense ratio before waivers or absorptions	1.56%	1.54%	1.48%	1.47%	2.14%
Trading expense ratio (3)	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$7.72	\$7.27	\$6.81	\$7.01	\$6.20

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

[§] Total revenue includes total investment income net of any provision for or recoverable from income taxes.

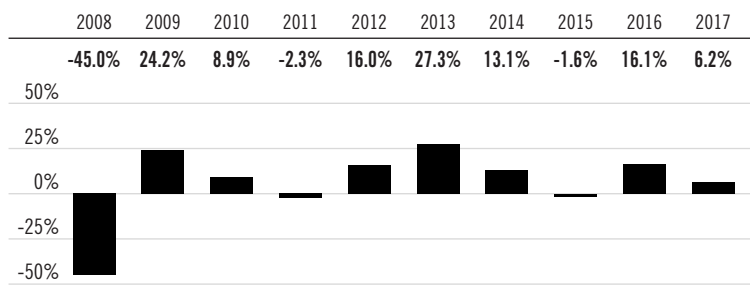
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.[‡]

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series F Shares	6.2%	6.6%	11.8%	3.9%	3.8%
S&P 500 TR Index	14.1%	14.4%	21.4%	11.1%	5.8%

[‡] For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

FRANKLIN MUTUAL U.S. SHARES CORPORATE CLASS
MANAGEMENT REPORT OF FUND PERFORMANCE
Series I (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per share (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$6.93	\$6.51	\$6.73	\$5.97	\$4.70 [†]
Increase (decrease) from operations:					
Total revenue [§]	0.05	0.02	0.36	0.07	0.06
Total expenses	(0.14)	(0.11)	(0.12)	(0.11)	(0.10)
Realized gains (losses) for the period	0.62	0.39	0.71	0.46	0.32
Unrealized gains (losses) for the period	(0.15)	0.61	(1.04)	0.28	0.96
Total increase (decrease) from operations (2)	0.38	0.91	(0.09)	0.70	1.24
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	(0.01)	–	–	–
From capital gains	–	(0.48)	(0.08)	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	–	(0.49)	(0.08)	–	–
Net assets – end of period	\$7.34	\$6.93	\$6.51	\$6.73	\$5.97
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$235	\$256	\$253	\$346	\$342
Number of shares outstanding	31,964	36,964	38,872	51,334	57,258
Management expense ratio (2)	1.91%	1.84%	1.81%	1.80%	1.77%
Management expense ratio before waivers or absorptions	1.91%	1.84%	1.81%	1.80%	2.33%
Trading expense ratio (3)	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$7.34	\$6.93	\$6.51	\$6.73	\$5.97

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

[§] Total revenue includes total investment income net of any provision for or recoverable from income taxes.

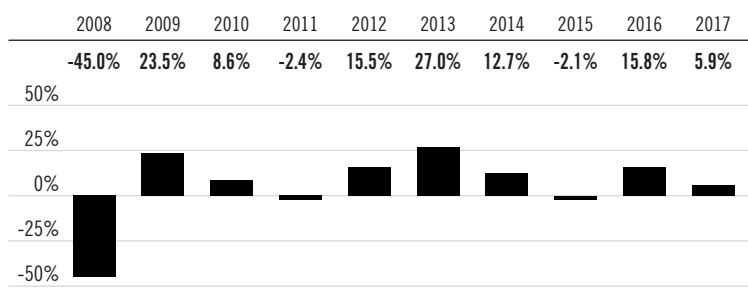
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.[‡]

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series I Shares	5.9%	6.3%	11.5%	3.6%	3.4%
S&P 500 TR Index	14.1%	14.4%	21.4%	11.1%	5.8%

[‡] For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

FRANKLIN MUTUAL U.S. SHARES CORPORATE CLASS
MANAGEMENT REPORT OF FUND PERFORMANCE
Series 0 (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per share (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$9.24	\$8.52	\$8.65	\$7.54	\$5.83 [†]
Increase (decrease) from operations:					
Total revenue [§]	0.07	0.04	0.60	0.14	0.03
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	0.80	0.52	1.00	0.60	0.36
Unrealized gains (losses) for the period	(0.13)	0.84	(1.55)	0.44	1.44
Total increase (decrease) from operations (2)	0.74	1.40	0.05	1.18	1.83
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	(0.01)	–	–	–
From capital gains	–	(0.63)	(0.11)	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	–	(0.64)	(0.11)	–	–
Net assets – end of period	\$9.97	\$9.24	\$8.52	\$8.65	\$7.54
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$949	\$1,065	\$953	\$969	\$762
Number of shares outstanding	95,180	115,244	111,805	111,930	100,974
Management expense ratio (2)	–	–	–	–	–
Management expense ratio before waivers or absorptions	0.07%	0.06%	0.04%	0.03%	0.49%
Trading expense ratio (3)	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$9.97	\$9.24	\$8.52	\$8.65	\$7.54

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

[§] Total revenue includes total investment income net of any provision for or recoverable from income taxes.

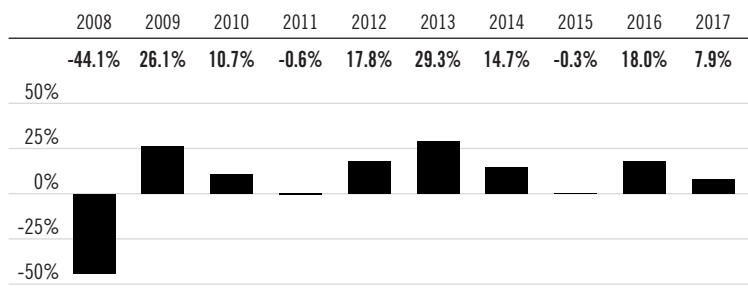
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.[‡]

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series 0 Shares	7.9%	8.3%	13.5%	5.6%	5.4%
S&P 500 TR Index	14.1%	14.4%	21.4%	11.1%	5.8%

[‡] For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

FRANKLIN MUTUAL U.S. SHARES CORPORATE CLASS
MANAGEMENT REPORT OF FUND PERFORMANCE
Series T (AS AT DECEMBER 31, 2017)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the fiscal periods ended December 31.

Net assets per share (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$6.99	\$7.22	\$8.17	\$7.89	\$6.74†
Increase (decrease) from operations:					
Total revenue§	0.05	0.02	0.45	0.11	0.06
Total expenses	(0.18)	(0.17)	(0.21)	(0.21)	(0.21)
Realized gains (losses) for the period	0.59	0.41	0.92	0.58	0.43
Unrealized gains (losses) for the period	(0.13)	0.66	(1.28)	0.44	1.26
Total increase (decrease) from operations (2)	0.33	0.92	(0.12)	0.92	1.54
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	(0.01)	–	–	–
From capital gains	–	(0.53)	(0.11)	–	–
Returns of capital	(0.56)	(0.58)	(0.65)	(0.63)	(0.54)
Total annual distributions (3)	(0.56)	(1.12)	(0.76)	(0.63)	(0.54)
Net assets – end of period	\$6.78	\$6.99	\$7.22	\$8.17	\$7.89
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$581	\$563	\$565	\$701	\$742
Number of shares outstanding	85,752	80,597	78,267	85,883	94,052
Management expense ratio (2)	2.60%	2.58%	2.57%	2.55%	2.76%
Management expense ratio before waivers or absorptions	2.60%	2.58%	2.57%	2.55%	3.18%
Trading expense ratio (3)	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–
Net asset value per share	\$6.78	\$6.99	\$7.22	\$8.17	\$7.89

For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

§ Total revenue includes total investment income net of any provision for or recoverable from income taxes.

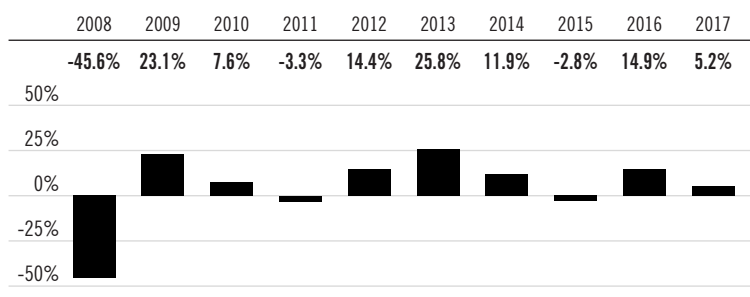
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

PAST PERFORMANCE

The following information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart shows the Fund's annual performance for each of the years shown, and illustrates how the investment Fund's performance has changed from year to year. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the December 31 of each year shown.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended December 31, 2017. The returns are compared against the benchmark(s) over the same period.‡

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series T Shares	5.2%	5.5%	10.6%	2.8%	2.3%
S&P 500 TR Index	14.1%	14.4%	21.4%	11.1%	10.3%

‡ For a definition of the benchmark(s), please refer to "Benchmark(s) Information" at the end of the section.

NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Share:

- (1) This information is derived from the Fund's audited annual financial statements. In the period a fund or series is established, the financial information is provided from the date of inception to the end of the period. In cases where the net assets per share presented in the financial statements differ from the net asset value calculated for Fund pricing purposes, an explanation of these differences can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of shares outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per share.
- (3) Dividends were paid in cash or reinvested in additional shares of the Fund or both, and exclude distributions of management fee reductions to shareholders.

Ratios and Supplemental Data:

- (1) This information is provided as at the period-end of the year shown.
- (2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period. For funds that invest in multiple Underlying Funds, the trading expense ratio represents the Fund's proportionate share of total commissions and other portfolio costs of the Underlying Fund as an annualized percentage of its daily average net assets during the period. For funds that invest substantially all of its assets in an Underlying Fund, the trading expense ratio shown is that of the Underlying Fund.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling each security in its portfolio once in the course of the relevant period. The higher the portfolio turnover rate in the period, the greater the trading costs payable by the Fund and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Where a fund has invested substantially all its assets in an Underlying Fund for the entire period, the portfolio turnover rate is zero.

OTHER FUND INFORMATION

Reported year-by-year returns for past years may be revised, based on the results of recalculations, audits and/or other historical review processes. Such revisions are considered immaterial to performance disclosure unless otherwise stated.

Series I and V, as applicable, are presently capped (closed to new investors). Investors who currently own shares of Series I and Series V may continue to purchase additional shares in those series. These series may become available for purchase by new investors at the discretion of the Manager.

BENCHMARK(S) INFORMATION

S&P 500 TR Index measures the total return of the broader US economy through changes in the aggregate market value of 500 stocks representing all major industries and assumes reinvestment of dividends. Index returns are shown in Canadian dollars.