



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

Philippe Brugère-Trélat

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 34 years

Location: Short Hills, NJ

Co-Lead Manager

Peter A. Langerman, CFA, MBA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 32 years

Location: Short Hills, NJ

Co-Lead Manager

Timothy Rankin, CFA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 26 years

Location: Short Hills, NJ

INVESTMENT OBJECTIVE AND STRATEGIES

Franklin Mutual Global Discovery Fund (the “Fund”) aims to grow investors’ capital over the long term by investing primarily in equity and debt securities of issuers around the world.

The 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 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.

The Fund may hold equities, debt or money market securities in any proportion, provided that in normal market conditions, not less than 65% of its assets (not including cash and cash equivalents and direct or indirect US government obligations) are invested in common stock, preferred stock and debt securities convertible to common or preferred stock. Debt securities can be rated or unrated. The Fund may invest up to 100% of its assets in non-US equity and debt securities, which may involve participation in sovereign debt and foreign government debt issues. The Fund may purchase debt obligations from banks where the debt purchased represents the indebtedness of a company to the bank. Such debt instruments will usually be in default or at substantial risk of default. Debt instruments issued by companies recently emerging from or facing financial restructuring may also be purchased. The Fund may also invest in companies involved in mergers, consolidations, liquidations and reorganizations.

RISK

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

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 compared 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 \$875.1 million, a decrease of 8.2% from December 31, 2016. This was primarily driven by \$141.6 million in net redemptions and partially offset by an increase of \$64.5 million in net assets from operations. The Fund paid out \$555,000 in cash distributions to unitholders.

During the past year, the Fund’s Series A units generated total returns of 5.9%. Over the same time period, the Fund’s benchmark, the MSCI World Total Return Index (the “Index”), returned 15.0%, in Canadian-dollar terms. The performance of the Fund’s other series is similar to that of its Series A units, 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 trailed the Index during the reporting period. Stock selection in and an overweighted exposure to the Financials sector, stock selection in and underweighted exposure to the Information Technology sector, and stock selection in the Consumer Discretionary sector hindered performance. The Fund’s cash position also weighed on relative returns.

On the other hand, the Fund’s currency hedge added 263 basis points to overall results, as approximately 85–95% of the Fund’s non-Canadian dollar exposure was hedged to the Canadian dollar. During the period, the Canadian dollar appreciated against the US dollar, but depreciated against the euro and, to a lesser extent, the British pound. In addition, on a sector basis, stock selection within the Utilities sector, including not holding poorly performing names, and having almost no exposure to the Real Estate sector aided performance.

Merger-arbitrage and distressed investment allocations were small over the period, impacting returns to a lesser degree than the Fund’s currency hedge and deep-value equity investments.

Two of the Fund’s most significant detractors were General Electric Co. and Teva Pharmaceutical Industries Ltd.

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 uncertain prospects for the power market. Intensifying pressure by activist investors led to chief executive officer’s (CEO’s) Jeffrey Immelt’s resignation in June 2017 and the promotion of John Flannery to CEO. However, the stock price continued to slide after the company lowered its 2017 earnings guidance in October, which heightened investor concern of 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 General Electric has well positioned businesses. If the company 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.

Teva Pharmaceutical Industries, an Israel-based pharmaceutical services provider, experienced a challenging year. In January 2017, Teva provided downbeat earnings guidance, while a US federal court invalidated four patents for its top-selling multiple sclerosis drug, Copaxone. The resignations of Teva's CEO and chief financial officer in the first half of 2017 further weighed on the stock price. In the second half of the year, weak operating results, a dividend cut and a debt-rating downgrade escalated investor concern. Teva did manage to ease some investor anxiety in the latter stages of 2017. In September, Teva announced Kare Schultz, a well-regarded industry veteran, as the new CEO, as well as the divestiture of certain non-core assets and amendments to certain debt instruments. The portfolio manager was also encouraged by the details of a restructuring plan announced in December.

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 construction and mining equipment manufacturer, 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. Management also surprised investors in April by announcing a plan to cancel existing treasury shares held by the company.

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

The global economy appears to have converged into a synchronized pace of steady growth, while corporate earnings in the United States, Europe and Japan have been solid. Eurozone economic growth was probably the strongest since 2007, and economists expect a similar pace of growth in 2018. In the United States, job growth has moderated, but remains at a level that economists believe will result in further tightening of the labour market. At the same time, the potential benefits of lower corporate taxes and the repatriation of foreign earnings could provide some additional support to US economic growth and corporate earnings in 2018, which were already expected to grow at a solid year-over-year pace.

While inflation remains generally subdued in developed markets, economic conditions, particularly tighter labour markets, are likely to lead to gradual increases in price levels, providing major central banks with justification to move gradually away from their loose monetary policies. The portfolio manager agrees with the general investor view that monetary policy is not likely to change significantly when US Federal Reserve (Fed) governor Jerome Powell assumes his role as the next Fed chair in February 2018, although some loosening in financial regulation is possible. At the same time, the European Central Bank's caution in scaling back its quantitative easing program means monetary policy will likely remain relatively accommodative in 2018.

While this constructive backdrop suggests a strong likelihood of continued stock market gains, the portfolio manager is highly aware of elevated levels of overall equity market valuations (e.g., price-to-earnings, price-to-book or price-to-sales), relative to most historical benchmarks. Many of the recent increases in major indices have 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 raise the overall risk profile of equity markets, particularly should the backdrop 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 among global equities are generally found in cyclical sectors, such as Industrials, Materials, Energy and certain segments of the Consumer Discretionary and Financials sectors. Many defensive areas of the market have been trading at elevated valuations in recent years, but will likely have less potential earnings upside than cyclicals. Within the Financials sector, the portfolio manager believes certain segments had moved towards being fully valued at the end of 2017, particularly US regional banks. However, the portfolio manager continues to find opportunities in other Financials-sector segments and regions.

Geographically, the portfolio manager continues to be optimistic about European equities, but believes selectivity remains crucial. While some political risk still exists in Europe (e.g., Brexit and March 2018 elections

in Italy), the risk is notably lower than a year ago. The portfolio manager is particularly hopeful that French President Emmanuel Macron will push through his agenda of economic reforms, which could help lower the chronically high unemployment rate, boost business and consumer spending, fuel credit growth and improve corporate profitability in France.

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 \$11.5 million (2016–\$12.4 million), after management fee waivers of \$27,000 (2016–\$34,000).

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 PF and PFT, which have an annual Administration Fee of 0.15%, and 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 \$2.0 million (2016–\$2.2 million).

During the year ended December 31, 2017, the Manager waived fund costs of \$2,000 (2016–\$2,000).

As at December 31, 2017, Franklin Mutual Global Discovery Corporate Class held 21% of the Fund.

Portfolio Advisor

The Manager is the portfolio advisor of the Fund. The Manager has engaged Franklin Mutual Advisers, LLC., an affiliate of the Manager, as sub-advisor (the “Sub-Advisor”). The Sub-Advisor 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-Advisors 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 units 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) units of the Fund, as applicable.

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
MANAGEMENT REPORT OF FUND PERFORMANCE

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 units.

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 expenses, and other (%)
A	2.00	53.86	46.14
F**	1.00	–	100.00
I**	1.35	55.49	44.51
PF	0.80	–	100.00
PFT	0.80	–	100.00
T	2.00	56.72	43.28
T USD**	2.00	100.00	–

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

** Management Fee waiver is applied to the following series at the specified rates— Series F—0.03%; Series I—0.05%; Series T-USD—0.18%;

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

- First C\$200,000 to under \$2.5 million—0.95%

- Next C\$2.5 million to under \$5 million—0.80%
- C\$5 million and over—0.75%

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	55.43
Europe	31.56
Asia	3.79
Middle East & Africa	1.84
Latin America & Caribbean	1.10

INDUSTRY WEIGHTINGS (%)*

Banks	11.84
Insurance	10.81
Oil, Gas & Consumable Fuels	7.82
Media	7.53
Pharmaceuticals	7.39
Health Care Equipment & Supplies	5.10
Software	5.06
Tobacco	3.17
Automobiles	2.79
Communications Equipment	2.51
Diversified Financial Services	2.40
Food & Staples Retailing	2.19
Electric Utilities	2.13
Technology Hardware, Storage & Peripherals	2.09
Diversified Telecommunication Services	1.91
Consumer Finance	1.88
Machinery	1.74
Hotels, Restaurants & Leisure	1.63
Industrial Conglomerates	1.44
IT Services	1.41
Metals & Mining	1.32
Wireless Telecommunication Services	1.28
Chemicals	1.17
Containers & Packaging	0.82
Beverages	0.79
Energy Equipment & Services	0.77
Building Products	0.74
Capital Markets	0.51
Construction Materials	0.50
Specialty Retail	0.50
Independent Power and Renewable Electricity Producers	0.44
Multi-Utilities	0.38
Real Estate Management & Development	0.19
Auto Components	0.11
Aerospace & Defense	0.06

ASSET CLASS WEIGHTINGS (%)

Common Stocks	90.66
Preferred Stocks	1.76
Bonds	1.30
Short-term securities and all other assets, net	6.28

TOP 25 HOLDINGS (%)

Cash and cash equivalents**	2.89
Novartis AG, American Depositary Receipt	2.40
NN Group NV	2.40
Time Warner Inc.	2.26
Medtronic PLC	2.25
Eli Lilly & Co.	2.12
The Walt Disney Co.	1.98
XL Group Ltd.	1.97
Koninklijke Philips NV	1.96
Citigroup Inc.	1.95
Volkswagen AG, Preferred	1.91
Microsoft Corp.	1.76
Enel SpA	1.75
Citizens Financial Group Inc.	1.71
Merck & Co. Inc.	1.66
General Electric Co.	1.55
Accor SA	1.54
Wells Fargo & Co.	1.54
British American Tobacco PLC	1.52
American International Group Inc.	1.51
Hightower Holding LLC, B, I ¹	1.51
Samsung Electronics Co. Ltd.	1.48
Koninklijke KPN NV	1.47
Check Point Software Technologies Ltd.	1.46
JPMorgan Chase & Co.	1.43

TOTAL NET ASSET VALUE: \$875,056,000

* Excluding short-term securities and all other assets, net.

** Cash and cash equivalents may include bonds that have a remaining term to maturity of 365 days or less that are issued by certain governments, supranational agencies or financial institutions and have a "designated rating" (as defined in Canadian securities law).

Above is an outline of the investments held in the Fund as a percentage of the Fund's net assets. Due to ongoing portfolio transactions, the investments and percentages may have changed by the time you purchase units 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.

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
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 unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$18.55	\$17.18	\$17.91	\$17.08	\$13.46[†]
Increase (decrease) from operations:					
Total revenue	0.53	0.43	0.54	0.45	0.37
Total expenses	(0.50)	(0.44)	(0.48)	(0.46)	(0.41)
Realized gains (losses) for the period	1.80	1.52	0.48	0.50	0.67
Unrealized gains (losses) for the period	(0.69)	(0.17)	(0.72)	0.54	3.13
Total increase (decrease) from operations (2)	1.14	1.34	(0.18)	1.03	3.76
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.25)	(0.22)	(0.47)	(0.19)	(0.14)
From capital gains	–	–	–	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	(0.25)	(0.22)	(0.47)	(0.19)	(0.14)
Net assets – end of period	\$19.40	\$18.55	\$17.18	\$17.91	\$17.08
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$427.66	\$495.39	\$574.67	\$674.09	\$672.88
Number of units outstanding	22,048,354	26,711,044	33,449,374	37,633,069	39,395,460
Management expense ratio (2)	2.60%	2.60%	2.60%	2.60%	2.64%
Management expense ratio before waivers or absorptions	2.60%	2.60%	2.60%	2.60%	2.84%
Trading expense ratio (3)	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$19.40	\$18.55	\$17.18	\$17.91	\$17.08

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

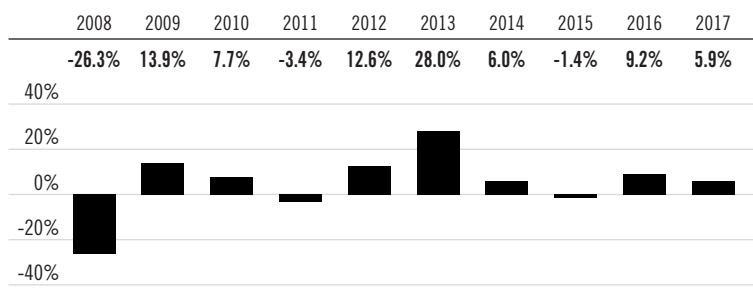
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 Units	5.9%	4.5%	9.1%	4.3%	6.8%
MSCI World Index	15.0%	12.8%	17.5%	8.2%	8.4%

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

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
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 unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$21.60	\$19.78	\$20.39	\$19.22	\$14.97[†]
Increase (decrease) from operations:					
Total revenue	0.61	0.50	0.62	0.51	0.41
Total expenses	(0.33)	(0.28)	(0.31)	(0.29)	(0.25)
Realized gains (losses) for the period	2.03	1.82	0.53	0.60	0.74
Unrealized gains (losses) for the period	(0.77)	(0.22)	(0.87)	0.57	3.47
Total increase (decrease) from operations (2)	1.54	1.82	(0.03)	1.39	4.37
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.29)	(0.25)	(0.54)	(0.21)	(0.16)
From capital gains	–	–	–	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	(0.29)	(0.25)	(0.54)	(0.21)	(0.16)
Net assets – end of period	\$22.85	\$21.60	\$19.78	\$20.39	\$19.22
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$38.72	\$34.41	\$70.08	\$75.60	\$64.85
Number of units outstanding	1,694,243	1,593,065	3,542,259	3,708,183	3,374,080
Management expense ratio (2)	1.45%	1.45%	1.45%	1.45%	1.46%
Management expense ratio before waivers or absorptions	1.45%	1.45%	1.45%	1.45%	1.56%
Trading expense ratio (3)	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$22.85	\$21.60	\$19.78	\$20.39	\$19.22

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

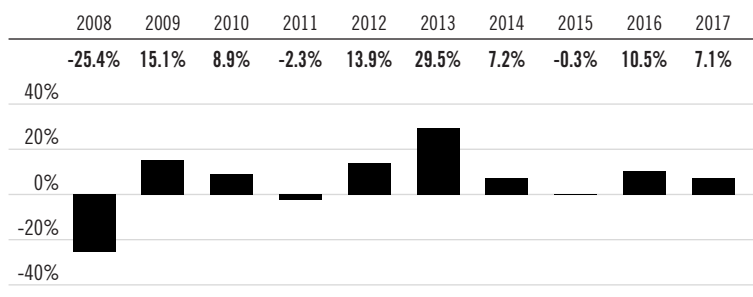
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 Units	7.1%	5.7%	10.4%	5.5%	8.0%
MSCI World Index	15.0%	12.8%	17.5%	8.2%	8.4%

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

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
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 unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$14.17	\$13.01	\$13.46	\$12.73	\$9.95[†]
Increase (decrease) from operations:					
Total revenue	0.41	0.32	0.41	0.34	0.24
Total expenses	(0.27)	(0.24)	(0.25)	(0.24)	(0.22)
Realized gains (losses) for the period	1.37	1.12	0.33	0.37	0.45
Unrealized gains (losses) for the period	(0.54)	0.13	(0.73)	0.41	2.60
Total increase (decrease) from operations (2)	0.97	1.33	(0.24)	0.88	3.07
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.19)	(0.17)	(0.35)	(0.14)	(0.11)
From capital gains	–	–	–	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	(0.19)	(0.17)	(0.35)	(0.14)	(0.11)
Net assets – end of period	\$14.94	\$14.17	\$13.01	\$13.46	\$12.73
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$23.44	\$25.85	\$23.07	\$18.86	\$8.61
Number of units outstanding	1,568,951	1,824,313	1,772,650	1,400,869	676,428
Management expense ratio (2)	1.82%	1.82%	1.81%	1.78%	1.81%
Management expense ratio before waivers or absorptions	1.82%	1.82%	1.81%	1.78%	1.96%
Trading expense ratio (3)	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$14.94	\$14.17	\$13.01	\$13.46	\$12.73

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

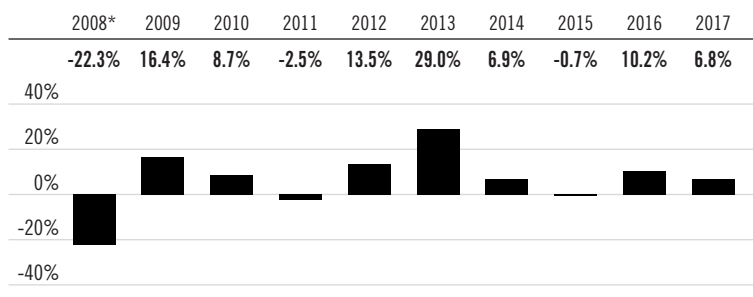
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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.



*2008 Series I return: April 7 to December 31

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 Units	6.8%	5.3%	10.0%	N/A	5.9%
MSCI World Index	15.0%	12.8%	17.5%	N/A	8.7%

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

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
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 unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$26.62	\$24.03	\$24.41	\$22.68	\$17.41 †
Increase (decrease) from operations:					
Total revenue	0.78	0.61	0.74	0.60	0.48
Total expenses	–	–	–	–	–
Realized gains (losses) for the period	2.64	2.17	0.63	0.66	0.89
Unrealized gains (losses) for the period	(1.08)	(0.39)	(0.94)	0.71	4.09
Total increase (decrease) from operations (2)	2.34	2.39	0.43	1.97	5.46
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.36)	(0.31)	(0.65)	(0.26)	(0.19)
From capital gains	–	–	–	–	–
Returns of capital	–	–	–	–	–
Total annual distributions (3)	(0.36)	(0.31)	(0.65)	(0.26)	(0.19)
Net assets – end of period	\$28.58	\$26.62	\$24.03	\$24.41	\$22.68
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$340.98	\$363.55	\$463.99	\$541.66	\$505.05
Number of units outstanding	11,930,989	13,655,222	19,309,256	22,190,295	22,269,964
Management expense ratio (2)	–	–	–	–	–
Management expense ratio before waivers or absorptions	–	–	–	–	0.07%
Trading expense ratio (3)	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$28.58	\$26.62	\$24.03	\$24.41	\$22.68

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

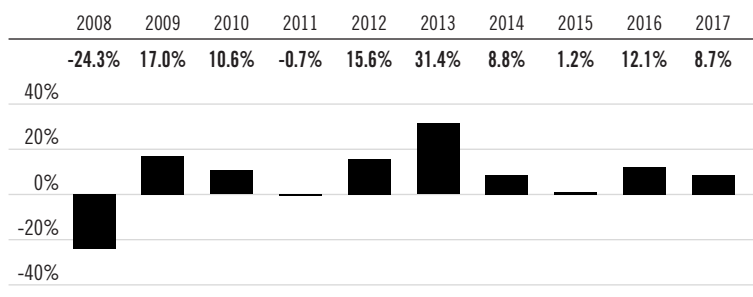
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 Units	8.7%	7.2%	12.0%	7.1%	9.6%
MSCI World Index	15.0%	12.8%	17.5%	8.2%	8.4%

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

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
 Series PF (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 unit (1)	2017	2016
Net assets – beginning of period	\$10.60	\$10.00
Increase (decrease) from operations:		
Total revenue	0.30	0.08
Total expenses	(0.12)	(0.03)
Realized gains (losses) for the period	0.96	(0.07)
Unrealized gains (losses) for the period	(0.38)	0.37
Total increase (decrease) from operations (2)	0.76	0.35
Distributions:		
From income (excluding dividends)	–	–
From dividends	(0.14)	(0.12)
From capital gains	–	–
Returns of capital	–	–
Total annual distributions (3)	(0.14)	(0.12)
Net assets – end of period	\$11.26	\$10.60
Ratios and supplemental data:	2017	2016
Total net asset value (\$ millions) (1)	\$40.91	\$29.72
Number of units outstanding	3,633,881	2,803,250
Management expense ratio (2)	1.06%	1.08%
Management expense ratio before waivers or absorptions	1.06%	1.08%
Trading expense ratio (3)	0.04%	0.03%
Portfolio turnover rate (4)	15.72%	16.71%
Net asset value per unit	\$11.26	\$10.60

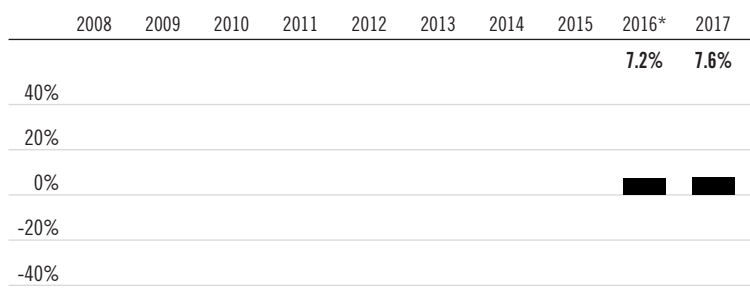
For explanatory notes, please refer to “Explanatory Notes to Financial Highlights” at the end of the section.

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.



*2016 Series PF return: October 3 to December 31

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 PF Units	7.6%	N/A	N/A	N/A	12.2%
MSCI World Index	15.0%	N/A	N/A	N/A	15.7%

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

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
 Series PFT (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 unit (1)	2017	2016
Net assets – beginning of period	\$15.70	\$15.00
Increase (decrease) from operations:		
Total revenue	0.45	0.09
Total expenses	(0.17)	(0.04)
Realized gains (losses) for the period	1.52	0.09
Unrealized gains (losses) for the period	(0.69)	0.89
Total increase (decrease) from operations (2)	1.11	1.03
Distributions:		
From income (excluding dividends)	–	–
From dividends	(0.20)	–
From capital gains	–	–
Returns of capital	(1.26)	(0.20)
Total annual distributions (3)	(1.46)	(0.20)
Net assets – end of period	\$15.43	\$15.70
Ratios and supplemental data:	2017	2016
Total net asset value (\$ millions) (1)	\$0.18	\$0.14
Number of units outstanding	11,873	9,162
Management expense ratio (2)	1.08%	1.07%
Management expense ratio before waivers or absorptions	1.08%	1.07%
Trading expense ratio (3)	0.04%	0.03%
Portfolio turnover rate (4)	15.72%	16.71%
Net asset value per unit	\$15.43	\$15.70

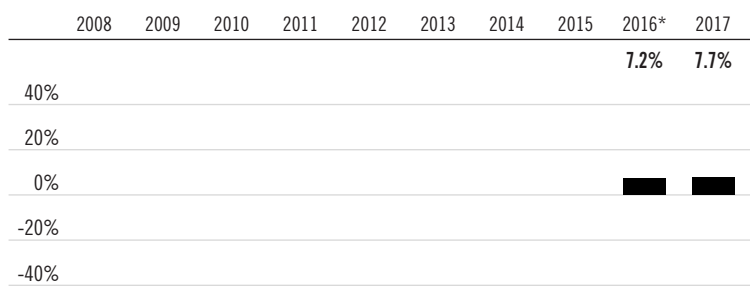
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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.



*2016 Series PFT return: October 3 to December 31

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 PFT Units	7.7%	N/A	N/A	N/A	12.3%
MSCI World Index	15.0%	N/A	N/A	N/A	15.7%

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
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 unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$7.70	\$7.76	\$8.77	\$9.05	\$7.66[†]
Increase (decrease) from operations:					
Total revenue	0.21	0.19	0.26	0.23	0.20
Total expenses	(0.20)	(0.19)	(0.22)	(0.23)	(0.22)
Realized gains (losses) for the period	0.73	0.67	0.22	0.27	0.36
Unrealized gains (losses) for the period	(0.28)	(0.16)	(0.35)	0.32	1.72
Total increase (decrease) from operations (2)	0.46	0.51	(0.09)	0.59	2.06
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.10)	(0.09)	(0.21)	(0.09)	(0.08)
From capital gains	–	–	–	–	–
Returns of capital	(0.62)	(0.62)	(0.70)	(0.72)	(0.61)
Total annual distributions (3)	(0.72)	(0.71)	(0.91)	(0.81)	(0.69)
Net assets – end of period	\$7.44	\$7.70	\$7.76	\$8.77	\$9.05
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$2.96	\$3.46	\$4.57	\$5.09	\$4.96
Number of units outstanding	397,980	449,125	589,742	580,512	548,405
Management expense ratio (2)	2.56%	2.56%	2.57%	2.55%	2.61%
Management expense ratio before waivers or absorptions	2.56%	2.56%	2.57%	2.55%	2.63%
Trading expense ratio (3)	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$7.44	\$7.70	\$7.76	\$8.77	\$9.05

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

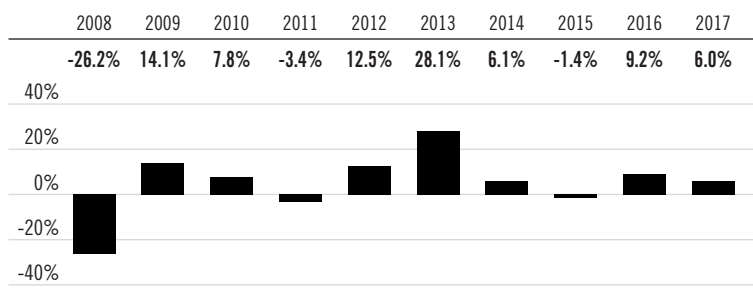
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 Units	6.0%	4.5%	9.2%	4.3%	3.7%
MSCI World Index	15.0%	12.8%	17.5%	8.2%	6.9%

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

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND
MANAGEMENT REPORT OF FUND PERFORMANCE
Series T-USD (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. The information presented below is presented in CAD, the functional currency of the Fund. The USD equivalent NAV is shown below, denoted by an asterisk (*).

Net assets per unit (1)	2017	2016	2015	2014	2013
Net assets – beginning of period	\$10.63	\$10.64	\$12.10	\$11.86	\$10.59†
Increase (decrease) from operations:					
Total revenue	0.29	0.25	0.35	0.32	0.27
Total expenses	(0.25)	(0.24)	(0.28)	(0.28)	(0.27)
Realized gains (losses) for the period	1.03	0.86	0.49	0.39	0.50
Unrealized gains (losses) for the period	(0.36)	(0.20)	(0.02)	0.40	2.39
Total increase (decrease) from operations (2)	0.71	0.67	0.54	0.83	2.89
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	(0.13)	(0.12)	(0.29)	(0.13)	(0.11)
From capital gains	–	–	–	–	–
Returns of capital	(0.82)	(0.81)	(1.07)	(1.04)	(0.88)
Total annual distributions (3)	(0.95)	(0.93)	(1.36)	(1.17)	(0.99)
Net assets – end of period	\$10.33	\$10.63	\$10.64	\$12.10	\$11.86
Ratios and supplemental data:	2017	2016	2015	2014	2013
Total net asset value (\$ millions) (1)	\$0.20	\$0.25	\$0.32	\$0.69	\$1.30
Number of units outstanding	19,548	23,283	30,296	56,820	104,297
Management expense ratio (2)	2.30%	2.33%	2.28%	2.27%	2.31%
Management expense ratio before waivers or absorptions	2.30%	2.33%	2.28%	2.27%	2.31%
Trading expense ratio (3)	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit (USD)*	\$8.22	\$7.92	\$7.69	\$10.42	\$11.78

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

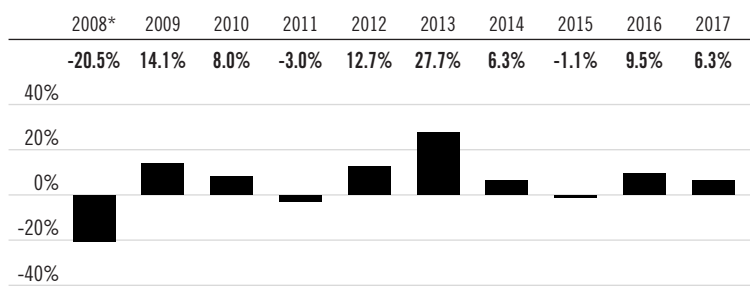
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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.



*2008 Series T-USD return: June 26 to December 31

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 USD Units	6.3%	4.8%	9.3%	N/A	5.7%
MSCI World Index	15.0%	12.8%	17.5%	N/A	9.6%

‡ 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 Unit:

- (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 unit 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 units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.
- (3) Distributions were paid in cash or reinvested in additional units of the Fund or both, and exclude distributions of management fee reductions to unitholders.

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.
- (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.

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 units of Series I and Series V may continue to purchase additional units in those series. These series may become available for purchase by new investors at the discretion of the Manager.

SERIES T-USD LAUNCH

Series T-USD units or shares are available for sale in US dollars only, and pay a fixed distribution rate in US dollars. This series is distinct from Series T units or shares offered in Canadian dollars. The financial data for Series T-USD units or shares are stated in Canadian dollars, the functional currency of the Fund.

BENCHMARK(S) INFORMATION

MSCI World TR Index measures the total return (dividends are reinvested) of equity securities available in developed markets globally. The Index is composed of approximately 1,335 companies, which represent 23 countries. Index returns are shown in Canadian dollars.