



FRANKLIN TEMPLETON
INVESTMENTS

June 30, 2018

Semi-Annual Management Report of Fund Performance



This semi-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 semi-annual financial statements with this report, you can get a copy of the semi-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

Peter A. Langerman, CFA, MBA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 32 years

Location: Short Hills, NJ

Co-Lead Manager

Debbie Turner, CFA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 26 years

Location: Short Hills, NJ

Co-Lead Manager

F. David Segal, CFA

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 27 years

Location: Short Hills, NJ

RESULTS OF OPERATIONS

As at June 30, 2018, total net asset value of the Fund was \$5.3 million, a decrease of 15.8% from December 31, 2017. This was primarily driven by \$752,000 in net redemptions and a decrease of \$232,000 in net assets from operations. The Fund paid or made payable \$18,000 in cash distributions to shareholders.

During the past six months, the Fund's Series A shares generated total returns of -4.5%. Over the same time period, the Fund's benchmark, the S&P 500 Total Return Index (the "Index"), returned 7.3%, 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 stock selection in the Consumer Discretionary sector, stock selection in and an underweight exposure to the Information Technology sector, and an overweight exposure to and stock selection in the Financials sector. Conversely, stock selection in and overweight to the Energy sector, stock selection in Health Care sector, and an underweight exposure to and stock selection in the Telecommunication Services sector aided performance.

Over the six-month period under review, 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. Over the period, the Fund's currency hedge largely offset the impact of an appreciation in the US dollar against the Canadian dollar (+4.7%). The euro and the British pound also appreciated against the Canadian dollar, but Fund exposure to those currencies was considerably smaller. At period end, the contribution to return attributable to the currency hedge was -445 bps.

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 Symantec and General Electric.

Shares of Symantec tumbled in May 2018 when it disclosed an internal investigation resulting from concerns raised by a former employee that could result in a restatement of prior financials, as well as lowered earnings guidance. The stock partially recovered when Symantec's management provided more information regarding the investigation and reassured investors that financial statements would likely not need to be restated.

In January 2018, General Electric (GE) announced a \$6.2 billion after-tax charge related to its insurance subsidiary at GE Capital, a greater-than-expected amount. Management also moved ahead with what amounts to a breakup of GE. In May 2018, the company announced the merger of its transportation operations into Wabtec (not a Fund holding), and in June 2018 it announced a plan to spin off its health care division and divest its stake in oil-services firm Baker Hughes. Once completed, the portfolio manager believes the moves will streamline GE and enable the company to reduce debt and build up a cash buffer, as well as help management better focus on its key aviation, power and renewable energy divisions.

Conversely, two of the Fund's key contributors were Anadarko Petroleum and Microsoft.

Shares of Anadarko Petroleum, a US-based oil and gas exploration and production company, were supported by rising crude oil prices, and continued disciplined capital allocation by management. Oil prices rose through the period, and in May 2018, Anadarko announced it would accelerate the completion of an existing \$3 billion share buyback plan and consider further buybacks if the favourable operating environment persists and drives further increases in its free cash flow.

Multinational software company Microsoft continued to reap the rewards of its rapidly growing cloud computing business and its effort to move Microsoft Office software clients to its subscription-based services. During the 12-month review period, Microsoft reported solid quarterly growth in revenues and earnings per share. The company also increased its operating margin estimate for 2018. The portfolio manager believes Microsoft's cloud computing and subscription-based services can continue to grow at a strong pace, which may further lift its operating margin.

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 decreased for the six months ended June 30, 2018. This has resulted in a corresponding decrease in expenses.

RECENT DEVELOPMENTS

Corporate and economic fundamentals in the United States remain positive catalysts for US equity markets. Barring negative disruptions from geopolitical events, the consensus view is for the US economy to grow at a solid year-over-year rate. Lower corporate taxes and the repatriation of foreign earnings appear to be providing a boost to corporate earnings, business investment and shareholder returns.

Further escalation of trade-related rhetoric and tariffs could have important consequences. The Fund has already begun to see disruptions to global supply chains. Additional tariffs from the United States and its trading partners could rattle business confidence, curb corporate earnings growth, undermine favourable fundamentals in specific industries (e.g., automobiles), provoke financial market volatility and raise uncertainty for economic growth.

Rising crude oil prices have led to a rally in Energy sector stocks. While company valuations are generally less attractive now than at the start of the year, the portfolio manager believes some upside potential still exists, as the demand for crude oil is likely to grow faster than supply. The portfolio manager believes the more compelling investments are among infrastructure companies, which are likely to benefit from increasing US onshore crude oil production, while having limited direct exposure to potentially volatile commodity prices.

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 six months ended June 30, 2018, the Fund paid management fees of \$50,000 (2017–\$66,000).

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 six months ended June 30, 2018, the Fund paid Administration Fees of \$9,000 (2017–\$12,000).

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 JUNE 30, 2018)

REGIONAL WEIGHTINGS(%)*

North America	85.06
Europe	5.33
Asia	1.11
Latin America & Caribbean	0.25

INDUSTRY WEIGHTINGS(%)*

Banks	9.32
Oil, Gas & Consumable Fuels	8.56
Pharmaceuticals	8.09
Insurance	7.99
Media	6.83
Software	5.86
Health Care Equipment & Supplies	3.80
Food & Staples Retailing	3.07
Tobacco	2.84
Communications Equipment	2.42
Industrial Conglomerates	2.14
Auto Components	1.98
Technology Hardware, Storage & Peripherals	1.97
Containers & Packaging	1.94
Consumer Finance	1.93
IT Services	1.87
Wireless Telecommunication Services	1.52
Health Care Providers & Services	1.51
Electrical Equipment	1.51
Energy Equipment & Services	1.40
Automobiles	1.39
Equity Real Estate Investment Trusts (REITs)	1.36
Diversified Financial Services	1.23
Diversified Telecommunication Services	1.22
Beverages	1.02
Building Products	1.02
Construction & Engineering	0.92
Household Products	0.88
Metals & Mining	0.78
Multi-Utilities	0.66
Professional Services	0.33
Household Durables	0.13

ASSET CLASS WEIGHTINGS(%)

Common Stocks	86.38
Bonds	4.26
Preferred Stocks	1.11
Short-term securities and all other assets, net	8.25

TOP 25 HOLDINGS(%)

Cash and cash equivalents**	7.30
Medtronic PLC	3.80
Eli Lilly & Co.	3.38
Merck & Co. Inc.	3.27
Microsoft Corp.	2.43
Cisco Systems Inc.	2.42
American International Group Inc.	2.31
Wells Fargo & Co.	2.22
JPMorgan Chase & Co.	2.21
Anadarko Petroleum Corp.	2.20
The Walt Disney Co.	2.20
General Electric Co.	2.14
Citizens Financial Group Inc.	2.05
Charter Communications Inc., A	1.96
Cognizant Technology Solutions Corp., A	1.87
The Kroger Co.	1.82
Citigroup Inc.	1.77
Alleghany Corp.	1.67
Kinder Morgan Inc.	1.57
Symantec Corp.	1.53
International Automotive Components Group North America LLC	1.52
CVS Health Corp.	1.51
Sensata Technologies Holding PLC	1.51
Novartis AG, American Depositary Receipt	1.43
CA Inc.	1.42

TOTAL NET ASSET VALUE: \$5,333,000

* 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).

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.

MANAGEMENT REPORT OF FUND PERFORMANCE

Series A (AS AT JUNE 30, 2018)

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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per share (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$6.42	\$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	(0.08)	(0.17)	(0.15)	(0.16)	(0.15)	(0.14)
Realized gains (losses) for the period	0.31	0.52	0.34	0.69	0.41	0.27
Unrealized gains (losses) for the period	(0.49)	(0.09)	0.52	(0.97)	0.29	0.94
Total increase (decrease) from operations (2)	(0.26)	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	\$6.13	\$6.42	\$6.11	\$5.79	\$6.03	\$5.39
Ratios and supplemental data:	Jun. 30, 2018	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$3,149	\$3,846	\$4,919	\$5,420	\$7,322	\$7,602
Number of shares outstanding	513,336	599,052	805,380	936,435	1,213,732	1,409,306
Management expense ratio (2)	2.67%	2.67%	2.67%	2.64%	2.63%	2.76%
Management expense ratio before waivers or absorptions	2.67%	2.67%	2.67%	2.64%	2.63%	3.41%
Trading expense ratio (3)	0.02%	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–	–
Net asset value per share	\$6.13	\$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.

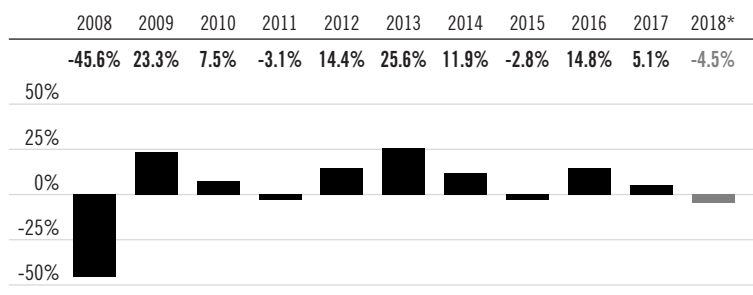
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



*For the period January 1 to June 30, 2018

MANAGEMENT REPORT OF FUND PERFORMANCE

Series F (AS AT JUNE 30, 2018)

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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per share (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$7.72	\$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	(0.06)	(0.12)	(0.10)	(0.11)	(0.10)	(0.09)
Realized gains (losses) for the period	0.36	0.65	0.41	0.75	0.48	0.30
Unrealized gains (losses) for the period	(0.58)	(0.14)	0.78	(0.96)	0.36	1.17
Total increase (decrease) from operations (2)	(0.28)	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	\$7.42	\$7.72	\$7.27	\$6.81	\$7.01	\$6.20
Ratios and supplemental data:	Jun. 30, 2018	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$560	\$724	\$573	\$409	\$568	\$573
Number of shares outstanding	75,507	93,783	78,835	60,035	80,993	92,521
Management expense ratio (2)	1.56%	1.56%	1.54%	1.48%	1.47%	1.59%
Management expense ratio before waivers or absorptions	1.56%	1.56%	1.54%	1.48%	1.47%	2.14%
Trading expense ratio (3)	0.02%	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–	–
Net asset value per share	\$7.42	\$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.

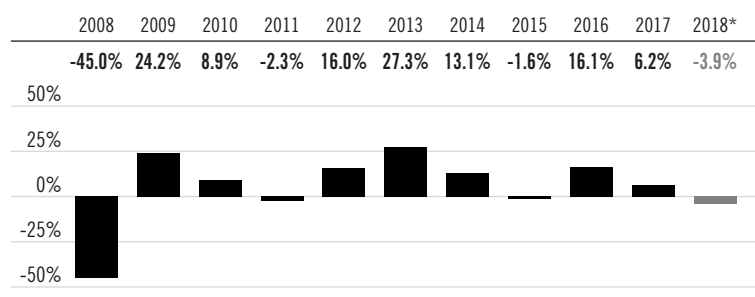
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



*For the period January 1 to June 30, 2018

MANAGEMENT REPORT OF FUND PERFORMANCE

Series I (AS AT JUNE 30, 2018)

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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per share (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$7.34	\$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	(0.07)	(0.14)	(0.11)	(0.12)	(0.11)	(0.10)
Realized gains (losses) for the period	0.35	0.62	0.39	0.71	0.46	0.32
Unrealized gains (losses) for the period	(0.58)	(0.15)	0.61	(1.04)	0.28	0.96
Total increase (decrease) from operations (2)	(0.30)	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	\$7.04	\$7.34	\$6.93	\$6.51	\$6.73	\$5.97
Ratios and supplemental data:	Jun. 30, 2018	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$218	\$235	\$256	\$253	\$346	\$342
Number of shares outstanding	30,923	31,964	36,964	38,872	51,334	57,258
Management expense ratio (2)	1.91%	1.91%	1.84%	1.81%	1.80%	1.77%
Management expense ratio before waivers or absorptions	1.91%	1.91%	1.84%	1.81%	1.80%	2.33%
Trading expense ratio (3)	0.02%	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–	–
Net asset value per share	\$7.04	\$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.

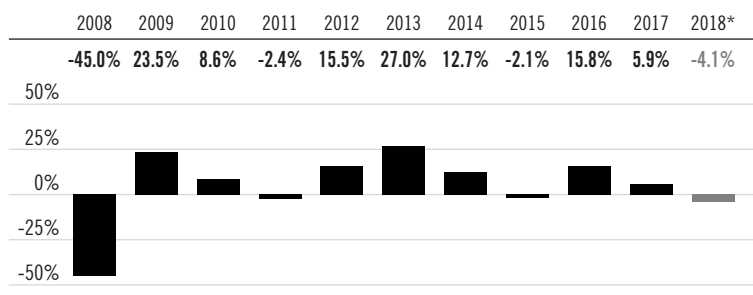
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



*For the period January 1 to June 30, 2018

MANAGEMENT REPORT OF FUND PERFORMANCE

Series 0 (AS AT JUNE 30, 2018)

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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per share (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$9.97	\$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	0.47	0.80	0.52	1.00	0.60	0.36
Unrealized gains (losses) for the period	(0.79)	(0.13)	0.84	(1.55)	0.44	1.44
Total increase (decrease) from operations (2)	(0.32)	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	\$9.66	\$9.97	\$9.24	\$8.52	\$8.65	\$7.54
Ratios and supplemental data:	Jun. 30, 2018	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$913	\$949	\$1,065	\$953	\$969	\$762
Number of shares outstanding	94,541	95,180	115,244	111,805	111,930	100,974
Management expense ratio (2)	–	–	–	–	–	–
Management expense ratio before waivers or absorptions	0.08%	0.07%	0.06%	0.04%	0.03%	0.49%
Trading expense ratio (3)	0.02%	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–	–
Net asset value per share	\$9.66	\$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.

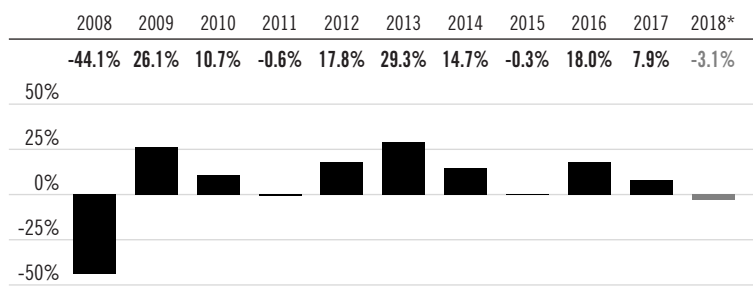
[†] The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

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 performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



*For the period January 1 to June 30, 2018

FRANKLIN MUTUAL U.S. SHARES CORPORATE CLASS

MANAGEMENT REPORT OF FUND PERFORMANCE

Series T (AS AT JUNE 30, 2018)

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 six months ended June 30, 2018, and for the fiscal periods ended December 31.

Net assets per share (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$6.78	\$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	(0.09)	(0.18)	(0.17)	(0.21)	(0.21)	(0.21)
Realized gains (losses) for the period	0.32	0.59	0.41	0.92	0.58	0.43
Unrealized gains (losses) for the period	(0.51)	(0.13)	0.66	(1.28)	0.44	1.26
Total increase (decrease) from operations (2)	(0.28)	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	(0.27)	(0.56)	(0.58)	(0.65)	(0.63)	(0.54)
Total annual distributions (3)	(0.27)	(0.56)	(1.12)	(0.76)	(0.63)	(0.54)
Net assets – end of period	\$6.21	\$6.78	\$6.99	\$7.22	\$8.17	\$7.89
Ratios and supplemental data:	Jun. 30, 2018	2017	2016	2015	2014	2013
Total net asset value ('000's) (1)	\$493	\$581	\$563	\$565	\$701	\$742
Number of shares outstanding	79,367	85,752	80,597	78,267	85,883	94,052
Management expense ratio (2)	2.60%	2.60%	2.58%	2.57%	2.55%	2.76%
Management expense ratio before waivers or absorptions	2.60%	2.60%	2.58%	2.57%	2.55%	3.18%
Trading expense ratio (3)	0.02%	0.01%	0.02%	0.09%	0.04%	0.07%
Portfolio turnover rate (4)	–	–	–	–	–	–
Net asset value per share	\$6.21	\$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.

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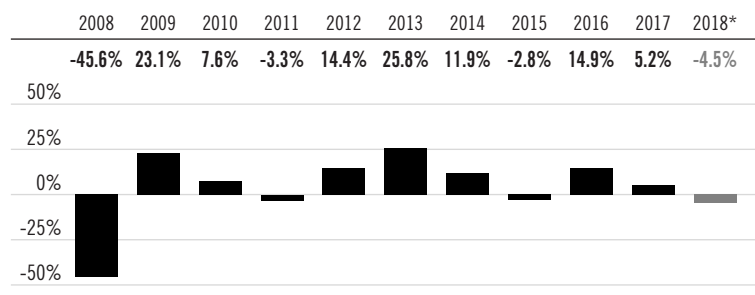
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PAST PERFORMANCE

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The bar chart shows the Fund's performance for the six-month period ended June 30, 2018, and for each of the previous 12-month periods ended December 31. In percentage terms, the bar chart indicates how much an investment made on January 1 would have grown or decreased by the end of the period.



*For the period January 1 to June 30, 2018

NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Share:

- (1) This information is derived from the Fund's unaudited interim financial statements and 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.