



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](http://www.franklintempleton.ca) or SEDAR at [www.sedar.com](http://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

**Timothy Rankin, CFA**

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 26 years

Location: Short Hills, NJ

Co-Lead Manager

**Christian Correa**

Franklin Mutual Advisers, LLC (Sub-Advisor)

Industry Experience: 15 years

Location: Short Hills, NJ

## RESULTS OF OPERATIONS

As at June 30, 2018, total net asset value of the Fund was \$774.7 million, a decrease of 11.5% from December 31, 2017. This was primarily driven by \$85.9 million in net redemptions and a decrease of \$14.4 million in net assets from operations. The Fund paid or made payable \$72,000 in cash distributions to unitholders.

During the past six months, the Fund's Series A units generated total returns of -2.4%. Over the same time period, the Fund's benchmark, the MSCI World Total Return Index (the "Index"), returned 5.7%, 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, mainly due to stock selection in the Consumer Discretionary sector, stock selection in and an underweight exposure to the Information Technology sector, and stock selection in and an overweight exposure to the Financials sector. Conversely, stock selection in the Health Care sector, an overweight exposure to the Energy sector, and an underweight exposure to the Industrials sector aided performance.

Over the period under review, approximately 85-95% of the Fund's non-Canadian dollar exposure was hedged to the Canadian dollar and close to half of the Fund's equity investment exposure was to US securities. Movements in exchange rates can be an important determinant of returns in Canadian dollar terms, and the Fund's policy of generally hedging currencies is different than its benchmark. During the period, the Fund's currency hedge largely offset the impact of a depreciation in the Canadian dollar against other major currencies. As a result, the currency hedge's contribution to return during the period was -294 basis points.

Merger-arbitrage and distressed investment allocations were small over the period and impacted 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 British American Tobacco and General Electric.

British American Tobacco's stock price faced downward pressure due to the potential for additional regulation in the United States and concerns regarding next generation products. In March 2018, the US Food and Drug Administration issued an Advance Notice of Proposed Rulemaking, which started the process of examining the possibility of regulating nicotine levels in combustible cigarettes. The process may not result in regulation, but if it does, many experts believe the review could take seven to 10 years before a rule is adopted in the marketplace. Meanwhile, JUUL (not a Fund holding) has emerged as a popular e-cigarette in the United States. JUUL's growth rate is high and its product is popular with young consumers. It is unclear to what degree JUUL is cannibalizing the combustible market, which has weighed on the industry.

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, we believe 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 Sky and GlaxoSmithKline.

In February 2018, shares of Sky jumped when US-based cable company Comcast made a surprise bid for the company. The Comcast bid was higher than that of Twenty-First Century Fox (not a Fund holding), which has been in the process of acquiring the 61% of Sky it does not own. The stock price rose further in June as Twenty-First Century Fox received regulatory approval to proceed with its purchase of Sky and the possibility of a bidding war for Twenty-First Century Fox's cable and studio assets, which investors believed could potentially lead to increased bids for Sky. Comcast made an offer to purchase the Twenty-First Century Fox assets that exceeded an earlier bid by The Walt Disney Company, but Disney promptly countered with an offer that topped Comcast's price.

Investors reacted positively to GlaxoSmithKline's March announcements that it had pulled out of the auction for Pfizer's (not a fund holding) consumer health business and agreed to buy Novartis out of its consumer health care joint venture. In the portfolio manager's view, not purchasing the Pfizer consumer business at a high price demonstrated capital discipline and restraint to not overpay for strategically desirable assets, thus enhancing management credibility.

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. Income received from investments held, excluding net realized and/or unrealized gain (loss) on investments and derivatives, as applicable, decreased 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

Global corporate and economic fundamentals remain generally favourable for equity markets. Lower corporate taxes and the repatriation of foreign earnings appear to be providing a boost to US corporate earnings, business investment and shareholder returns. In Europe, a softening of economic activity data appears to be reversing and corporate earnings growth remains healthy. In Japan, the government's additional amendments to its Corporate Governance Code could drive further improvements in capital allocation and operating discipline.

On the other hand, further escalation of trade-related rhetoric and tariffs could have important consequences. Disruptions to global supply chains have emerged. Additional tariffs from the United States and its trading partners could rattle business confidence, curb earnings growth, 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 \$5.1 million (2017—\$5.9 million), after management fee waivers of \$13,000 (2017—\$13,000).

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 six months ended June 30, 2018, the Fund paid Administration Fees of \$895,000 (2017—\$1.0 million).

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**

As at June 30, 2018, Franklin Mutual Global Discovery Corporate Class held 22% 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.

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.

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND  
**MANAGEMENT REPORT OF FUND PERFORMANCE**  
**Summary of Investment Portfolio** (AS AT JUNE 30, 2018)

**REGIONAL WEIGHTINGS (%)\***

North America	52.71
Europe	33.38
Asia	6.00
Middle East & Africa	1.80

**INDUSTRY WEIGHTINGS (%)\***

Banks	11.52
Pharmaceuticals	9.90
Oil, Gas & Consumable Fuels	9.65
Insurance	8.56
Media	5.74
Software	4.61
Health Care Equipment & Supplies	4.43
Tobacco	3.02
Automobiles	2.91
Communications Equipment	2.76
Technology Hardware, Storage & Peripherals	2.68
Diversified Telecommunication Services	2.56
Multi-Utilities	2.41
Hotels, Restaurants & Leisure	2.29
Industrial Conglomerates	1.85
IT Services	1.63
Consumer Finance	1.57
Capital Markets	1.35
Health Care Providers & Services	1.27
Wireless Telecommunication Services	1.16
Aerospace & Defense	1.00
Energy Equipment & Services	0.95
Food & Staples Retailing	0.95
Metals & Mining	0.95
Construction Materials	0.90
Building Products	0.87
Diversified Financial Services	0.85
Machinery	0.73
Containers & Packaging	0.72
Independent Power and Renewable Electricity Producers	0.62
Semiconductors & Semiconductor Equipment	0.62
Specialty Retail	0.51
Auto Components	0.41
Real Estate Management & Development	0.04

**ASSET CLASS WEIGHTINGS (%)**

Common Stocks	90.26
Bonds	1.90
Preferred Stocks	1.73
Short-term securities and all other assets, net	6.11

**TOP 25 HOLDINGS (%)**

Cash and cash equivalents**	5.32
Medtronic PLC	2.70
Eli Lilly & Co.	2.58
Novartis AG, American Depositary Receipt	2.54
Merck & Co. Inc.	2.42
GlaxoSmithKline PLC	2.36
The Walt Disney Co.	2.28
Citizens Financial Group Inc.	1.99
NN Group NV	1.87
General Electric Co.	1.85
Samsung Electronics Co. Ltd.	1.85
Enel SpA	1.83
Check Point Software Technologies Ltd.	1.80
Wells Fargo & Co.	1.74
Koninklijke Philips NV	1.73
Volkswagen AG, Preferred	1.73
Accor SA	1.69
Cognizant Technology Solutions Corp., A	1.63
Citigroup Inc.	1.62
British American Tobacco PLC	1.57
American International Group Inc.	1.54
Microsoft Corp.	1.52
Charter Communications Inc., A	1.50
Koninklijke KPN NV	1.45
The Hartford Financial Services Group Inc.	1.34

**TOTAL NET ASSET VALUE: \$774,691,000**

\* 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](http://www.franklintempleton.ca).

## FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

## 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 unit (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
<b>Net assets – beginning of period</b>	<b>\$19.40</b>	<b>\$18.55</b>	<b>\$17.18</b>	<b>\$17.91</b>	<b>\$17.08</b>	<b>\$13.46</b> <sup>†</sup>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.26	0.53	0.43	0.54	0.45	0.37
Total expenses	(0.25)	(0.50)	(0.44)	(0.48)	(0.46)	(0.41)
Realized gains (losses) for the period	0.83	1.80	1.52	0.48	0.50	0.67
Unrealized gains (losses) for the period	(1.28)	(0.69)	(0.17)	(0.72)	0.54	3.13
<b>Total increase (decrease) from operations (2)</b>	<b>(0.44)</b>	<b>1.14</b>	<b>1.34</b>	<b>(0.18)</b>	<b>1.03</b>	<b>3.76</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	(0.25)	(0.22)	(0.47)	(0.19)	(0.14)
From capital gains	–	–	–	–	–	–
Returns of capital	–	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.25)</b>	<b>(0.22)</b>	<b>(0.47)</b>	<b>(0.19)</b>	<b>(0.14)</b>
<b>Net assets – end of period</b>	<b>\$18.93</b>	<b>\$19.40</b>	<b>\$18.55</b>	<b>\$17.18</b>	<b>\$17.91</b>	<b>\$17.08</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (\$ millions) (1)	\$371.55	\$427.66	\$495.39	\$574.67	\$674.09	\$672.88
Number of units outstanding	19,628,069	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%	2.60%	2.64%
Management expense ratio before waivers or absorptions	2.60%	2.60%	2.60%	2.60%	2.60%	2.84%
Trading expense ratio (3)	0.06%	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$18.93	\$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.

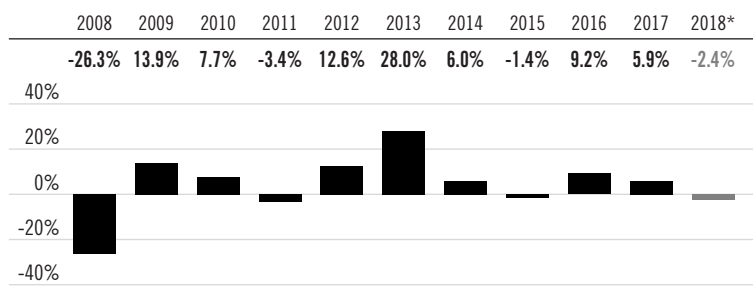
<sup>†</sup> The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

## 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 GLOBAL DISCOVERY FUND

## 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 unit (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
<b>Net assets – beginning of period</b>	<b>\$22.85</b>	<b>\$21.60</b>	<b>\$19.78</b>	<b>\$20.39</b>	<b>\$19.22</b>	<b>\$14.97†</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.31	0.61	0.50	0.62	0.51	0.41
Total expenses	(0.17)	(0.33)	(0.28)	(0.31)	(0.29)	(0.25)
Realized gains (losses) for the period	0.95	2.03	1.82	0.53	0.60	0.74
Unrealized gains (losses) for the period	(1.52)	(0.77)	(0.22)	(0.87)	0.57	3.47
<b>Total increase (decrease) from operations (2)</b>	<b>(0.43)</b>	<b>1.54</b>	<b>1.82</b>	<b>(0.03)</b>	<b>1.39</b>	<b>4.37</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	(0.29)	(0.25)	(0.54)	(0.21)	(0.16)
From capital gains	–	–	–	–	–	–
Returns of capital	–	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.29)</b>	<b>(0.25)</b>	<b>(0.54)</b>	<b>(0.21)</b>	<b>(0.16)</b>
<b>Net assets – end of period</b>	<b>\$22.43</b>	<b>\$22.85</b>	<b>\$21.60</b>	<b>\$19.78</b>	<b>\$20.39</b>	<b>\$19.22</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (\$ millions) (1)	\$37.17	\$38.72	\$34.41	\$70.08	\$75.60	\$64.85
Number of units outstanding	1,656,604	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%	1.45%	1.46%
Management expense ratio before waivers or absorptions	1.45%	1.45%	1.45%	1.45%	1.45%	1.56%
Trading expense ratio (3)	0.06%	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$22.43	\$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.

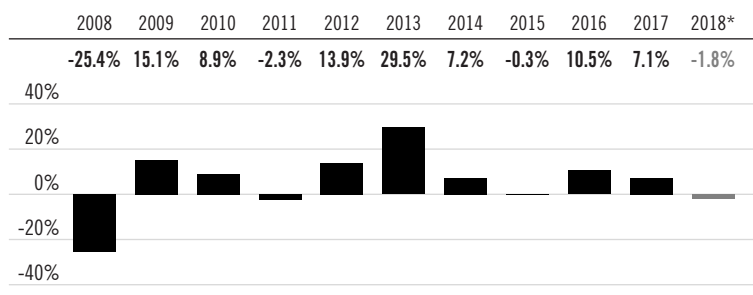
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

## 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 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.

<b>Net assets per unit (1)</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Net assets – beginning of period</b>	<b>\$14.94</b>	<b>\$14.17</b>	<b>\$13.01</b>	<b>\$13.46</b>	<b>\$12.73</b>	<b>\$9.95<sup>†</sup></b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.20	0.41	0.32	0.41	0.34	0.24
Total expenses	(0.14)	(0.27)	(0.24)	(0.25)	(0.24)	(0.22)
Realized gains (losses) for the period	0.64	1.37	1.12	0.33	0.37	0.45
Unrealized gains (losses) for the period	(0.99)	(0.54)	0.13	(0.73)	0.41	2.60
<b>Total increase (decrease) from operations (2)</b>	<b>(0.29)</b>	<b>0.97</b>	<b>1.33</b>	<b>(0.24)</b>	<b>0.88</b>	<b>3.07</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	(0.19)	(0.17)	(0.35)	(0.14)	(0.11)
From capital gains	–	–	–	–	–	–
Returns of capital	–	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.19)</b>	<b>(0.17)</b>	<b>(0.35)</b>	<b>(0.14)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$14.63</b>	<b>\$14.94</b>	<b>\$14.17</b>	<b>\$13.01</b>	<b>\$13.46</b>	<b>\$12.73</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (\$ millions) (1)	\$20.41	\$23.44	\$25.85	\$23.07	\$18.86	\$8.61
Number of units outstanding	1,394,434	1,568,951	1,824,313	1,772,650	1,400,869	676,428
Management expense ratio (2)	1.81%	1.82%	1.82%	1.81%	1.78%	1.81%
Management expense ratio before waivers or absorptions	1.81%	1.82%	1.82%	1.81%	1.78%	1.96%
Trading expense ratio (3)	0.06%	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$14.63	\$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.

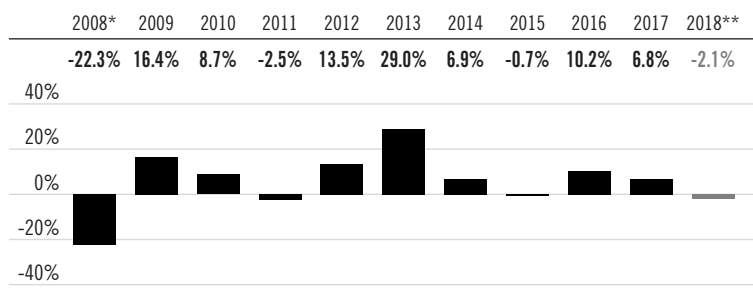
<sup>†</sup> The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

**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.



\* 2008 Series I return: April 7 to December 31

\*\* For the period January 1 to June 30, 2018



## FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

## 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 unit (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
<b>Net assets – beginning of period</b>	<b>\$28.58</b>	<b>\$26.62</b>	<b>\$24.03</b>	<b>\$24.41</b>	<b>\$22.68</b>	<b>\$17.41†</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.39	0.78	0.61	0.74	0.60	0.48
Total expenses	–	–	–	–	–	–
Realized gains (losses) for the period	1.22	2.64	2.17	0.63	0.66	0.89
Unrealized gains (losses) for the period	(1.90)	(1.08)	(0.39)	(0.94)	0.71	4.09
<b>Total increase (decrease) from operations (2)</b>	<b>(0.29)</b>	<b>2.34</b>	<b>2.39</b>	<b>0.43</b>	<b>1.97</b>	<b>5.46</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	(0.36)	(0.31)	(0.65)	(0.26)	(0.19)
From capital gains	–	–	–	–	–	–
Returns of capital	–	–	–	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.36)</b>	<b>(0.31)</b>	<b>(0.65)</b>	<b>(0.26)</b>	<b>(0.19)</b>
<b>Net assets – end of period</b>	<b>\$28.26</b>	<b>\$28.58</b>	<b>\$26.62</b>	<b>\$24.03</b>	<b>\$24.41</b>	<b>\$22.68</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (\$ millions) (1)	\$303.25	\$340.98	\$363.55	\$463.99	\$541.66	\$505.05
Number of units outstanding	10,731,625	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)	0.06%	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$28.26	\$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.

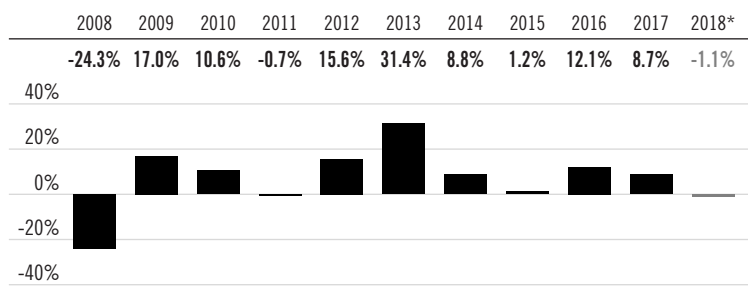
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

## 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 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 GLOBAL DISCOVERY FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Series PF (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 unit (1)	Jun. 30, 2018	2017	2016
<b>Net assets – beginning of period</b>	<b>\$11.26</b>	<b>\$10.60</b>	<b>\$10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.15	0.30	0.08
Total expenses	(0.06)	(0.12)	(0.03)
Realized gains (losses) for the period	0.47	0.96	(0.07)
Unrealized gains (losses) for the period	(0.75)	(0.38)	0.37
<b>Total increase (decrease) from operations (2)</b>	<b>(0.19)</b>	<b>0.76</b>	<b>0.35</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	–	(0.14)	(0.12)
From capital gains	–	–	–
Returns of capital	–	–	–
<b>Total annual distributions (3)</b>	<b>–</b>	<b>(0.14)</b>	<b>(0.12)</b>
<b>Net assets – end of period</b>	<b>\$11.07</b>	<b>\$11.26</b>	<b>\$10.60</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>
Total net asset value (\$ millions) (1)	\$39.35	\$40.91	\$29.72
Number of units outstanding	3,553,940	3,633,881	2,803,250
Management expense ratio (2)	1.06%	1.06%	1.08%
Management expense ratio before waivers or absorptions	1.06%	1.06%	1.08%
Trading expense ratio (3)	0.06%	0.04%	0.03%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%
Net asset value per unit	\$11.07	\$11.26	\$10.60

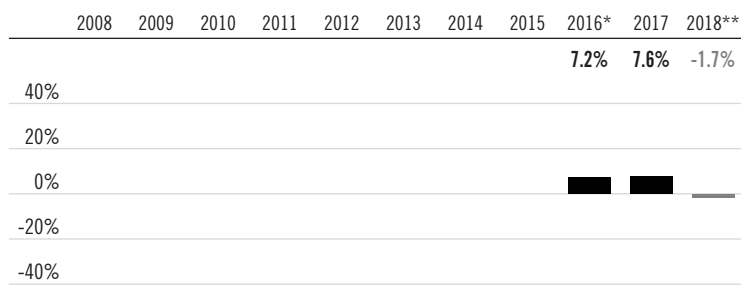
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

## 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 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.



\* 2016 Series PF return: October 3 to December 31

\*\* For the period January 1 to June 30, 2018

## FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Series PFT (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 unit (1)	Jun. 30, 2018	2017	2016
<b>Net assets – beginning of period</b>	<b>\$15.43</b>	<b>\$15.70</b>	<b>\$15.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.21	0.45	0.09
Total expenses	(0.08)	(0.17)	(0.04)
Realized gains (losses) for the period	0.65	1.52	0.09
Unrealized gains (losses) for the period	(1.14)	(0.69)	0.89
<b>Total increase (decrease) from operations (2)</b>	<b>(0.36)</b>	<b>1.11</b>	<b>1.03</b>
<b>Distributions:</b>			
From income (excluding dividends)	–	–	–
From dividends	–	(0.20)	–
From capital gains	–	–	–
Returns of capital	(0.62)	(1.26)	(0.20)
<b>Total annual distributions (3)</b>	<b>(0.62)</b>	<b>(1.46)</b>	<b>(0.20)</b>
<b>Net assets – end of period</b>	<b>\$14.57</b>	<b>\$15.43</b>	<b>\$15.70</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>
Total net asset value (\$ millions) (1)	\$0.19	\$0.18	\$0.14
Number of units outstanding	12,745	11,873	9,162
Management expense ratio (2)	1.07%	1.08%	1.07%
Management expense ratio before waivers or absorptions	1.07%	1.08%	1.07%
Trading expense ratio (3)	0.06%	0.04%	0.03%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%
Net asset value per unit	\$14.57	\$15.43	\$15.70

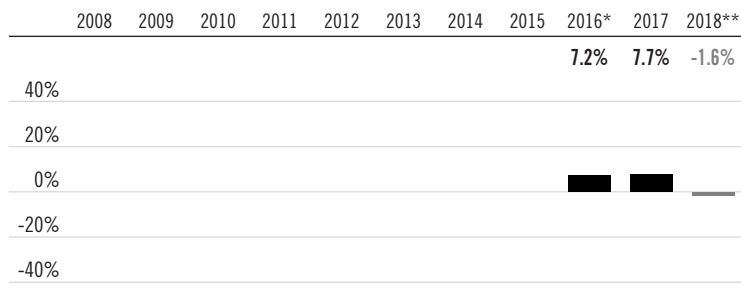
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

## 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 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.



\* 2016 Series PFT return: October 3 to December 31

\*\* For the period January 1 to June 30, 2018

## FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

## 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 unit (1)	Jun. 30, 2018	2017	2016	2015	2014	2013
<b>Net assets – beginning of period</b>	<b>\$7.44</b>	<b>\$7.70</b>	<b>\$7.76</b>	<b>\$8.77</b>	<b>\$9.05</b>	<b>\$7.66</b> <sup>†</sup>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.10	0.21	0.19	0.26	0.23	0.20
Total expenses	(0.09)	(0.20)	(0.19)	(0.22)	(0.23)	(0.22)
Realized gains (losses) for the period	0.31	0.73	0.67	0.22	0.27	0.36
Unrealized gains (losses) for the period	(0.48)	(0.28)	(0.16)	(0.35)	0.32	1.72
<b>Total increase (decrease) from operations (2)</b>	<b>(0.16)</b>	<b>0.46</b>	<b>0.51</b>	<b>(0.09)</b>	<b>0.59</b>	<b>2.06</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	(0.10)	(0.09)	(0.21)	(0.09)	(0.08)
From capital gains	–	–	–	–	–	–
Returns of capital	(0.30)	(0.62)	(0.62)	(0.70)	(0.72)	(0.61)
<b>Total annual distributions (3)</b>	<b>(0.30)</b>	<b>(0.72)</b>	<b>(0.71)</b>	<b>(0.91)</b>	<b>(0.81)</b>	<b>(0.69)</b>
<b>Net assets – end of period</b>	<b>\$6.97</b>	<b>\$7.44</b>	<b>\$7.70</b>	<b>\$7.76</b>	<b>\$8.77</b>	<b>\$9.05</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (\$ millions) (1)	\$2.60	\$2.96	\$3.46	\$4.57	\$5.09	\$4.96
Number of units outstanding	373,304	397,980	449,125	589,742	580,512	548,405
Management expense ratio (2)	2.56%	2.56%	2.56%	2.57%	2.55%	2.61%
Management expense ratio before waivers or absorptions	2.56%	2.56%	2.56%	2.57%	2.55%	2.63%
Trading expense ratio (3)	0.06%	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit	\$6.97	\$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.

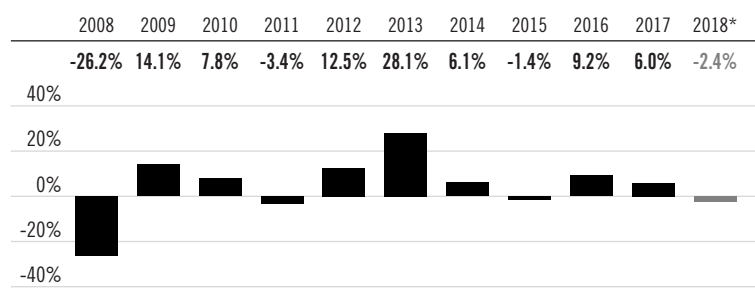
<sup>†</sup> The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

## 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 GLOBAL DISCOVERY FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Series T-USD (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. 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)	Jun. 30, 2018	2017	2016	2015	2014	2013
<b>Net assets – beginning of period</b>	<b>\$10.33</b>	<b>\$10.63</b>	<b>\$10.64</b>	<b>\$12.10</b>	<b>\$11.86</b>	<b>\$10.59</b> <sup>†</sup>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.14	0.29	0.25	0.35	0.32	0.27
Total expenses	(0.12)	(0.25)	(0.24)	(0.28)	(0.28)	(0.27)
Realized gains (losses) for the period	0.44	1.03	0.86	0.49	0.39	0.50
Unrealized gains (losses) for the period	(0.68)	(0.36)	(0.20)	(0.02)	0.40	2.39
<b>Total increase (decrease) from operations (2)</b>	<b>(0.22)</b>	<b>0.71</b>	<b>0.67</b>	<b>0.54</b>	<b>0.83</b>	<b>2.89</b>
<b>Distributions:</b>						
From income (excluding dividends)	–	–	–	–	–	–
From dividends	–	(0.13)	(0.12)	(0.29)	(0.13)	(0.11)
From capital gains	–	–	–	–	–	–
Returns of capital	(0.42)	(0.82)	(0.81)	(1.07)	(1.04)	(0.88)
<b>Total annual distributions (3)</b>	<b>(0.42)</b>	<b>(0.95)</b>	<b>(0.93)</b>	<b>(1.36)</b>	<b>(1.17)</b>	<b>(0.99)</b>
<b>Net assets – end of period</b>	<b>\$9.69</b>	<b>\$10.33</b>	<b>\$10.63</b>	<b>\$10.64</b>	<b>\$12.10</b>	<b>\$11.86</b>
<b>Ratios and supplemental data:</b>	<b>Jun. 30, 2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total net asset value (\$ millions) (1)	\$0.18	\$0.20	\$0.25	\$0.32	\$0.69	\$1.30
Number of units outstanding	18,886	19,548	23,283	30,296	56,820	104,297
Management expense ratio (2)	2.29%	2.30%	2.33%	2.28%	2.27%	2.31%
Management expense ratio before waivers or absorptions	2.29%	2.30%	2.33%	2.28%	2.27%	2.31%
Trading expense ratio (3)	0.06%	0.04%	0.03%	0.05%	0.07%	0.07%
Portfolio turnover rate (4)	12.12%	15.72%	16.71%	16.96%	26.91%	27.70%
Net asset value per unit (USD)*	\$7.37	\$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.

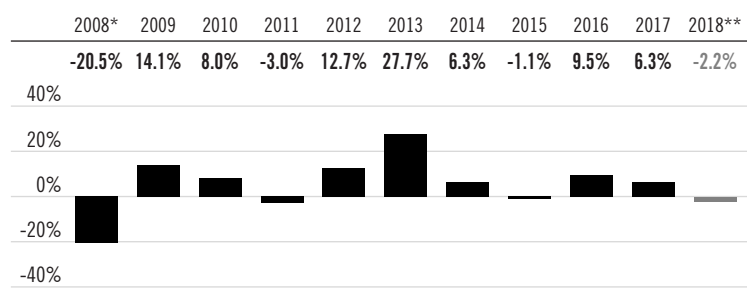
† The opening net assets have been adjusted in accordance with IFRS. Information pertaining to 2013 was derived from the audited annual financial statements prepared under Canadian GAAP.

## 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 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.



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

\*\* For the period January 1 to June 30, 2018

## **NOTES TO FINANCIAL HIGHLIGHTS**

### **Net Assets per Unit:**

- (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 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.