

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol FKRCX
Fund Inception Date 5/19/69
Dividends Annually in December
Investment Style Sector
Benchmark FTSE Gold Mines
Index

Lipper Classification Precious Metals Equity Funds

Morningstar Category™ US OE Equity Precious

Metals

Total Net Assets—All Share 873 million

Classes
Number of Holdings

Maximum Initial Sales Charge 5.75%

70

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional



Load Waived



As of December 31, 2013 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 3 star Morningstar Rating™, measuring risk-adjusted returns against 71, 65 and 49 U.S.-domiciled US OE Equity Precious Metals funds over the 3-, 5- and 10-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

Franklin Gold and Precious Metals Fund—Class A

PRODUCT PROFILE FOURTH QUARTER 2013

FUND DESCRIPTION

The fund seeks capital appreciation by investing at least 80% of its net assets in the securities of companies around the world that mine, process or deal in gold and other precious metals such as platinum, palladium and silver. The fund has a secondary goal of current income.

PERFORMANCE DATA

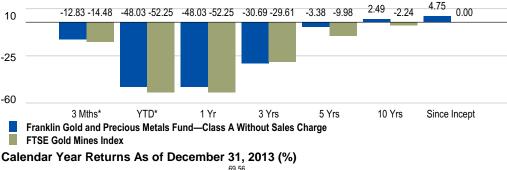
Average Annual Total Returns for Periods Ended December 31, 2013 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (5/19/69)
With Sales Charge	-17.86	-51.01	-51.01	-32.05	-4.51	1.89	4.61
Without Sales Charge	-12.83	-48.03	-48.03	-30.69	-3.38	2.49	4.75
FTSE Gold Mines Index	-14.48	-52.25	-52.25	-29.61	-9.98	-2.24	N/A

Total Annual Operating Expenses—1.01%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

Average Annual Total Returns for Periods Ended December 31, 2013 (%)





Franklin Gold and Precious Metals Fund—Class A Without Sales Charge
FTSE Gold Mines Index

If the Fund's sales charge had been included, the returns would have been lower.

For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

^{*}Cumulative Total Returns.

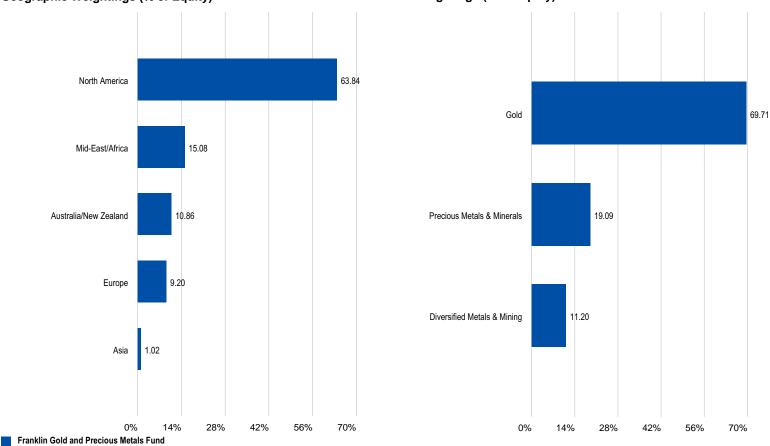
PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

Top Ten Holdings

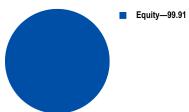
Issuer Name	C	ountry		% of Total
1. PLATINUM GROUP METALS LTD	* Ca	anada	Materials	5.61
2. GOLDCORP INC	* Ca	anada	Materials	5.36
3. B2GOLD CORP	* Ca	anada	Materials	4.98
4. RANDGOLD RESOURCES LTD	Uı	nited Kingdom	Materials	4.84
5. ANGLOGOLD ASHANTI LTD		outh Africa	Materials	4.47
6. IMPALA PLATINUM HOLDINGS LTD	So	outh Africa	Materials	4.42
7. BARRICK GOLD CORP	W Ca	anada	Materials	4.35
8. NEVSUN RESOURCES LTD	W Ca	anada	Materials	4.24
9. OSISKO MINING CORP	W Ca	anada	Materials	4.15
10. NEWCREST MINING LTD	At At	ustralia	Materials	3.82
Total				46.24

Geographic Weightings (% of Equity)

Sector Weightings (% of Equity)



Portfolio Allocation (%)



PORTFOLIO CHARACTERISTICS (AS OF 12/31/13)—Fund vs. FTSE Gold Mines Index

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	4,733	10,426
Median Market Capitalization (Millions USD)	718	2,630

Price to Earnings

	Fund	Benchmark
Weighted Average	12.66x	11.45x
Median	16.64x	14.26x

Price to Cash Flow

	Fund	Benchmark
Weighted Average	6.86x	4.31x
Median	7.19x	3.96x

Price to Book Value

	Fund	Benchmark
Weighted Average	0.84x	0.95x
Median	0.86x	0.83x

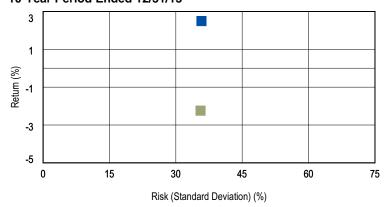
PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 12/31/13)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	31.61	34.02	35.79
Alpha	-0.26	7.75	5.12
Beta	1.02	1.00	0.96
Sharpe Ratio	-0.97	-0.10	0.03
Information Ratio	-0.11	0.62	0.46
Tracking Error	9.95	10.56	10.27
R-Squared	90.13	90.36	91.91

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

Risk vs. Return 10-Year Period Ended 12/31/13



Franklin Gold and Precious Metals Fund—Class A Without Sales Charge FTSE Gold Mines Index

If the Fund's sales charge had been included, the returns would have been lower.

GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.

Benchmark: An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

<u>Information Ratio:</u> In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share.

Price to Book Value (P/BV): The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the ratio is the weighted average price/book ratio of the stocks it holds. Price to Cash Flow (P/CF): Supplements price/earnings ratio as a measure of relative value; represents a weighted average of the price/cash flow ratios for the underlying fund holdings.

<u>Price to Earnings (P/E)</u>: The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the weighted average P/E ratio of the stocks in the portfolio. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.

R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

<u>Standard Deviation:</u> A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.

<u>Tracking Error:</u> Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

MARKET REVIEW

Despite a rally for global developed-market equities in 2013's final quarter, most commodities declined amid lackluster demand and growing supplies, and the relatively unchanged value of the US dollar had little overall influence on commodities prices. In the metals markets, prices for base metals, as well as precious metals platinum and palladium, were fairly resilient, while gold and silver lacked key support catalysts such as investment demand for perceived "safe havens," inflation concerns or falling US dollar values.

The ongoing demand support of physical consumer purchases of gold jewelry, bars and coins (particularly in China) was clearly evident in late 2013, yet gold spot prices steadily declined and eventually dipped below US\$1,200 per troy ounce in December, ultimately ending the year at \$1,205.65. For the fourth quarter and full-year 2013, spot gold prices declined 9.3% and 28.0%, respectively, capping the metal's largest annual slump in three decades and the first annual decline since 2000 as an improving global economy amid benign inflation cut demand for wealth protection. In similar fashion, silver prices were down 10.3% in the fourth quarter and 35.8% for 2013--their worst calendar year performance since 1981.

Prices for both gold and silver declined largely due to accelerating growth in key economies, central bank stimulus measures that failed to substantially weaken the US dollar or boost inflation, and a return by many investors to mainstream equity investments, partially offset by an increase in physical demand from developing markets such as India and China. As investment demand waned, assets in exchange-traded products (ETPs) backed by gold fell 33% to the lowest level since 2009.1 Net sales in ETPs showed gold disposals of 865 metric tons (mt) in 2013 that were more than the combined inflows for the previous three years.

Meanwhile, tightening supplies and forecasts for increased manufacturing demand for platinum and palladium kept the prices of both metals relatively buoyant. Platinum was the only precious metal to advance in the fourth quarter, as prices increased 2.5% to \$1,369.45 an ounce. Demand for palladium has been growing just as deliveries from Russian stockpiles have diminished, yet palladium prices still fell 1.0% in the fourth quarter to end 2013 at \$716.45 per ounce. Looking forward, China's new emissions standards are scheduled to be implemented in 2014 as the country aims to cut vehicle pollution by 40%, and these restrictions may boost demand for catalytic converters, which rely on platinum-group metals. In the base metals complex, copper rose to its highest price in eight months in December as global stockpiles waned amid a recent upswing in Chinese copper

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

The fund performed better than the benchmark FTSE Gold Mines Index in 2013's fourth quarter due mainly to an off-index allocation in the diversified metals and mining industry and a substantial overweighting in the precious metals and minerals industry. In the latter group, off-index Platinum Group Metals (PGM) was a major contributor to relative and absolute performance. PGM holds a majority interest in the WBJV project in South Africa's Bushveld Complex, which is under construction, as well as an exploration lease in the North West part of South Africa, called Waterberg. PGM's shares benefited from positive drilling results that showed a wider swath of mineralization than previously expected in the Waterberg extension, which appears to be a continuation of the platinum, palladium and gold ore body the company had already discovered. PGM also secured new funding near quarter-end, bolstering the cash on its balance sheet. Other key contributors from the diversified metals and mining industry were Imperial Metals and Nevsun Resources. Imperial Metals, which has base and precious metals properties in Canada and the US, was in the process of building a medium-sized mine at the Red Chris copper-gold deposit in British Columbia. Financing uncertainty was temporarily assuaged in late December as the company secured interim funding while management finalizes a financing package that will allow the company to finish construction. Nevsun Resources announced it had reached commercial production for the copper expansion at its mine site in early December, ahead of schedule and under budget. Impala Platinum Holdings was another off-index position that helped relative results as its shares declined much less than the index for the quarter.

Although most gold mining stocks posted declines, the fund held an off-index position in Pretium Resources that instead posted gains. Vancouver-based Pretium has been looking to develop a mine at its Brucejack project, a high-grade gold project in British Columbia. Published results from a bulk sample test were encouraging, delivering more ounces-per-ton than expected. This result gave strong early-stage support to the idea that the Bruceiack deposit may be holding significant high-grade gold potential. As prior skepticism about the viability of the project began to fade, Pretium's shares moved higher. Other major contributors relative to the benchmark included overweightings in African Barrick Gold and Centamin, both of which registered absolute gains for the quarter. African Barrick reported better-than-expected third-quarter earnings results and received a favorable ruling from the Tanzanian government regarding its environmental permit for the North Mara mine's water discharge, aiding costs. Centamin announced solid third-quarter production results for its Egyptian gold mine, which through recent drilling has shown a higher grade of mineralization from the small underground operation that supplements the company's large open pit site. Investors also welcomed news that an expansion currently underway at the mine site was on schedule and on budget. Underweightings of certain poor-performing securities were of further benefit to relative returns, including Gold Fields, Newcrest Mining and Newmont Mining.

The fund held several off-index positions and/or overweightings in smaller-capitalization gold companies, many of which tend to be more sensitive to gold price movements compared to some of the larger mining companies in the index. Falling gold prices weighed on several key detractors for the period, including St. Barbara Limited, Colossus Minerals, Guyana Goldfields, Detour Gold and Torex Gold Resources. Our overweighted stake in Australian gold miner St. Barbara Limited declined in value after the company released disappointing third-quarter operating results as ongoing costs at its Pacific operations came in higher than investors were expecting. Its share-price declines were exacerbated in US-dollar terms by a depreciating Australian dollar, which also affected our other Australia-based holdings. Off-index shares in Colossus Minerals lost considerable value as the company faced renewed uncertainties related to financing and delays in the ramp-up of its precious metals project at Serra Pelada, in northern Brazil. By December, the company stopped underground development due to insufficient funds. Despite positive news for Guyana Goldfields regarding both its financial position and development progress of its solitary mine, its shares were negatively affected by falling gold prices. An off-index position in Detour Gold shed significant value in November as management uncertainty surfaced with the surprise departure of the company's chief executive officer, leaving a wake of leadership speculation at a time when investors were already concerned that the company's mine may need additional financing. Development-stage gold miner Torex Gold Resources also sold off on financing uncertainty. The company has secured the permits to develop and operate its Morelos gold project in Mexico, but its estimate for capital expenditures to complete construction of the mine have been edging up, and new taxation laws in Mexico have only added to the uncertainty. Other detractors from relative results included significant underweightings in Barrick Gold and Agnico Eagles Mines, as both companies fared much better than the index.

Portfolio Positioning

The fund's strategy is to seek capital appreciation by investing at least 80% of its net assets in the

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

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MARKET REVIEW (CONTINUED)

imports, while positive US labor market data bolstered investors' confidence in the economy. Both of these factors helped erase the declines copper incurred over October and November. Overall, copper futures prices edged up by 0.8% to US\$7,360 per mt for the fourth quarter.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (CONTINUED)

securities of companies around the world that mine, process or deal in gold and other precious metals such as silver, platinum and palladium.

Outlook & Strategy

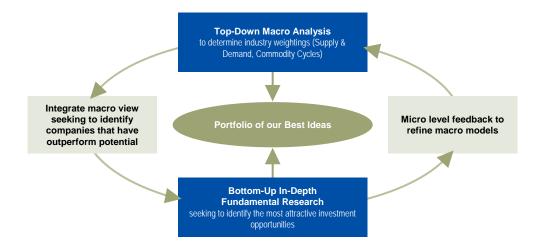
The fourth quarter drop in gold prices brought further challenges for the gold mining industry, forcing some companies to cut discretionary spending, reduce headcount and optimize mining operations to lower gold prices. Despite the large decline in the price of gold over the past year, our analysis indicates many gold companies still have robust businesses with attractive growth options to potentially create shareholder value even if gold prices stay at year-end 2013 levels. In our view, the pullback in gold prices in 2013 sent a clear message that companies cannot simply rely on higher market prices to counter rising operating costs, and we see the management teams of most gold companies responding with a healthier focus on cost controls and disciplined capital investment. Third-quarter earnings results demonstrated some encouraging progress with cost reduction as management teams focus on optimizing existing operations instead of chasing new growth options, but we believe this trend needs to continue into 2014 to regain investor trust. Regardless of the future direction of precious metals prices, we remain focused on identifying what we regard as the best-positioned companies to potentially create shareholder value by delivering gold production from existing operations, reducing costs, developing new projects and discovering more gold ore through those companies' exploration efforts.

Although gold prices are nearly impossible to forecast, we believe there are compelling portfolio diversification benefits to holding gold through related equities in the current environment. Gold can serve as a hedge against currency weakness, inflation and general economic uncertainty, and although the global economic environment appeared to be improving at period-end, there were still significant risks to a smooth recovery. Given the uncertainty of the US budget and debt limit issues and the long-term impact these factors might have on the US and global economy, investors may still look to gold for its potential as a store of value and as a hedge against US dollar weakness or longer-term inflation.

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INVESTMENT STRATEGY AND PROCESS

- Top-down/bottom-up approach
- · Diversified by industry subsectors
- · Valuation discipline
- · Consistent management style
- · Research driven
- · Actively managed with long-term focus



INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/13)

Franklin Gold and Precious Metals Fund Management Team	Years with Firm	Years Experience
Steve Land, CFA	16	17
Fred Fromm, CFA	21	22
Franklin Equity Group Management Team	Years with Firm	Years Experience
Edward Jamieson - CIO Franklin Equity Group	26	38
Edward Perks, CFA - Director of Portfolio Management	21	21
Coleen Barbeau, CFA - Director of Global Growth	30	33
Donald G. Taylor - CIO U.S. Value	17	32
Michael McCarthy, CFA - Director of Equity Research	21	22
Franklin Sector Strategy and Research Team	Number of Members	Average Years Experience
Portfolio Managers	4	19
Portfolio Managers/Analysts	2	19
Research Analysts	13	12

WHAT ARE THE RISKS

All investments involve risks, including possible loss of principal. Investing in a non-diversified fund involves the risk of greater price fluctuation than a more diversified portfolio. Also, the fund concentrates in the precious metals sector which involves fluctuations in the price of gold and other precious metals and increased susceptibility to adverse economic and regulatory developments affecting the sector. In addition, the fund is subject to the risks of currency fluctuation and political uncertainty associated with foreign investing. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. The fund may also invest in smaller companies, which can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. These and other risks are described more fully in the fund's prospectus.

EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Holdings: All portfolio holdings are subject to change.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 12/31/13. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Class A shares of Franklin Gold and Precious Metals Fund received a traditional Morningstar Rating of 2, 2 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin Gold and Precious Metals Fund received Morningstar Ratings of 2, 3 and 3 star(s) for the 3-, 5- and 10- year periods, respectively. The Morningstar Rating may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. Past performance does not guarantee future results. ©2014 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance. Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

On 5/1/94, the fund implemented a Rule 12b-1 plan, which affects subsequent performance.

PORTFOLIO DIVERSIFICATION

<u>Top Ten Holdings</u>: Holdings of the same issuer have been combined. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.

Geographic/Sector Weightings: Weightings as percent of equity (unless otherwise noted). Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics.

PORTFOLIO CHARACTERISTICS

The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. All portfolio holdings are subject to change.

Source: FactSet. For the portfolio, the Price to Earnings, Price to Cash Flow, and Price to Book Value calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalization statistics are indicated in the base currency for the portfolio presented.

PERFORMANCE RISK STATISTICS

<u>Risk vs. Return</u>: Risk is measured by the annualized standard deviation of monthly total returns. Performance of the fund does not include sales charges (if applicable), but it does include dividends and capital gains reinvested at net asset value. Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

The fund offers other share classes subject to different fees and expenses, which will affect their performance.



Franklin Templeton Distributors, Inc. One Franklin Parkway San Mateo, California 94403-1906 (800) DIAL BEN® (800) 342-5236 franklintempleton.com Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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