FRANKLIN TEMPLETON

Franklin Gold and Precious Metals Fund–Class A, C

Sector Equity
September 30, 2020

Product Profile

Product Details[1]

Fund Assets	$1,291,549,592.97
Fund Inception Date	05/19/1969
Number of Issuers	84
Investment Style	Sector
Benchmark	FTSE Gold Mines Index S&P 500 Index
Lipper Classification	Precious Metals Equity Funds
Morningstar Category™	Equity Precious Metals
Dividend Frequency	Annually in December

	Inception Date
Class A	05/19/1969
Class C	05/01/1995

	CUSIP	NASDAQ Symbol
Class A	353 535 107	FKRCX
Class C	353 535 206	FRGOX

	Maximum Sales Charges
Class A	5.50% initial sales charge
Class C	1.00% contingent deferred sales charge (CDSC) in the first year only

	Total Annual Operating Expenses
Class A	0.98%
Class C	1.73%

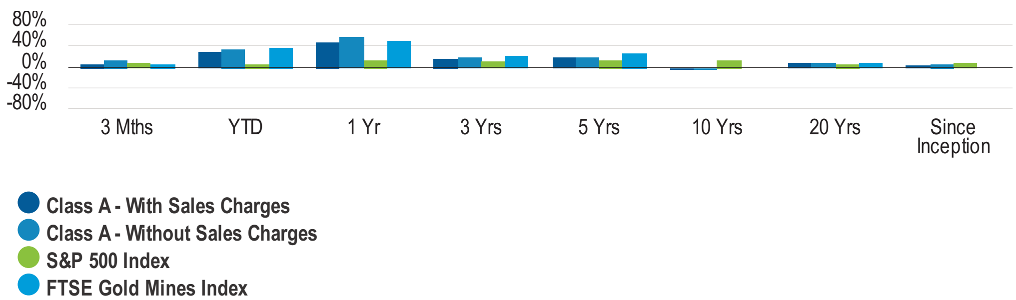
Fund Description

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 or other precious metals such as silver, platinum and palladium. The fund has a secondary goal of current income.

Performance Data[2,3]

Average Annual Total Returns[4,5] (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	7.18	29.15	49.07	17.40	18.91	-4.12	9.05	5.23
Class A - Without Sales Charges	13.40	36.66	57.74	19.64	20.26	-3.57	9.36	5.35
Class C - With Sales Charges	12.16	34.84	55.50	18.73	19.37	-4.29	8.54	4.53
Class C - Without Sales Charges	13.16	35.84	56.50	18.73	19.37	-4.29	8.54	4.53
S&P 500 Index	8.93	5.57	15.15	12.28	14.14	13.74	6.42	10.21
FTSE Gold Mines Index	7.65	37.87	49.99	21.57	26.50	-2.17	8.03	-



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

Calendar Year Returns (% Without Sales Charges)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Class A	51.48	-18.11	-0.12	55.61	-22.41	-10.16	-48.03	-14.78	-24.84	49.21
Class C	50.42	-18.70	-0.96	54.47	-22.98	-10.79	-48.42	-15.40	-25.40	48.09
S&P 500 Index	31.49	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06
FTSE Gold Mines Index	42.68	-10.04	10.23	60.72	-20.47	-14.18	-52.25	-14.01	-15.06	29.93

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

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Effective 05/01/1994, the fund implemented a Rule 12b-1 plan, which affects subsequent performance. Class A: Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%. Class C: Prior to 01/01/2004, these shares were offered with an initial sales charge; thus actual returns may differ. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
3. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
4. Periods shorter than one year are shown as cumulative total returns.
5. Since inception return for the benchmark is calculated to the fund inception date.

Portfolio Manager Insight[6]

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Industries
HELPED	Chalice Gold Mines (Off-Benchmark Exposure)	Gold (Stock Selection)
	Red 5 (Off-Benchmark Exposure)	Precious Metals and Minerals (Off-Benchmark Exposure)
	Newmont (Significant Underweight)	Silver (Off-Benchmark Exposure)
HURT	Agnico Eagle Mines (Significant Underweight)	—
	Gold Fields (Significant Underweight)	—
	OceanaGold (Overweight)	—

- Throughout the summer, company-specific improvements resulted in major rallies for several of our Australia-based holdings. In terms of key contributors to the fund's relative outperformance, exploration-focused Chalice Gold Mines' share price nearly tripled during the third quarter as it continued to rapidly advance the Julimar project, a high-grade palladium/platinum/nickel/copper/cobalt discovery about an hour's drive from the city of Perth. Positive preliminary metallurgical test results and the latest drill intersections—which extended three known high-grade zones on the property—helped push the stock higher. Drilling activity at Pyramid Hill, a gold-focused project in the South East part of Australia also yielded some promising results across several gold zones as Chalice continued to define the extent of the overall resource.
- While many gold-mining companies came under selling pressure in the latter half of the period, the portfolio's platinum- and palladium-focused holdings in the precious metals and minerals industry fared well by comparison (including key contributors Impala Platinum Holdings and Royal Bafokeng Platinum), as did our off-index positions in silver- and copper-focused miners. These three industry allocations, which comprised 12% of the overall portfolio, proved highly beneficial in both relative and absolute terms as their combined returns topped those for gold producers.
- Three of the fund's largest quarterly detractors—Agnico Eagle Mines, Gold Fields and Kirkland Lake—were still meaningful contributors in the absolute (more than doubling the FTSE Gold Mines' return), but they pressured relative performance versus the benchmark due to our lighter-than-index exposures (they comprised 16.2% of the index's overall composition compared to 3.5% of the fund's total net assets). In particular, shares of South Africa-based global gold miner Gold Fields rose impressively as the firm began to reopen their South Deep mine in South Africa following coronavirus-induced shutdowns. With relatively high operating costs and a wide production base, Gold Fields is leveraged to the price of gold, hence the sizable move to the upside.

Outlook & Strategy

- Gold prices shot up in late July and early August, hitting a new all-time intraday high of US$2,075 on 6 August, but prices pulled back in the latter half of the quarter. Physical gold held globally by exchange-traded funds (ETFs) increased by 7.7 million ounces during the period, bringing total holdings to 110.6 million ounces at the end of September—a new high that was well above the previous cycle peak of 82.7 million ounces back in December 2012.
- According to the World Gold Council's second-quarter 2020 review (released in August), 2Q20 gold demand was down 11% on the back of weak jewelry sales and slower central bank purchases, offset somewhat by robust ETF demand. Central banks continued to be net buyers, but their 2Q20 purchases of 114 mt were down 50% from the same period in 2019. Total supply in 2Q20 was down 15% from 2Q19 on the back of a 10% drop in mine supply, an 8% drop in recycled gold, and net producer hedge buybacks in the quarter. Virus-related mine supply disruptions helped keep the market tight despite very weak jeweler demand.
- Gold prices averaged US$1,911 in the third quarter, once again setting the industry up for continued quarter-over-quarter gains considering the US$1,714 per ounce average for the second quarter of 2020. Operationally, most of the mine disruptions experienced in late winter and early spring were due to various government measures to slow the spread of COVID-19. Most of those operations are now back near full capacity (although with slightly higher cost). So far, gold prices have moved up much faster than costs, leaving room for margin expansion.
- Gold has been performing well, but we still see a number of potential drivers that could move the metal even higher. In our view, gold may benefit from bouts of elevated market volatility and concerns over the impact of the coronavirus as investors seek perceived safe-haven assets. Gold has a very low correlation with other asset classes, supporting increased interest in gold as a portfolio diversification tool. That said, gold often declines with other assets in a true crisis as investors sell all assets to increase liquidity—but gold also frequently holds up better and recovers sooner than other financial assets under such circumstances, just as we experienced this year given the March sell-off and spring recovery.
- Gold equities remain closely correlated to gold bullion, but with higher beta, continuing a trend seen over the past few years. Many gold-focused companies struggled to generate free cash flow in a US$1,250-per-ounce gold environment as total costs for many producers are close to that level, according to our analysis. Mining costs tend to be relatively fixed, so higher gold prices can flow straight to the bottom line, and the move above US$1,900 should provide a very significant lift in cash flow across the industry.
- Merger-and-acquisition (M&A) activity continued with a muted pace in 3Q20. Endeavour Mining (a fund holding) closed its stock acquisition of Semafo (previously a fund holding) in July, and Zijin Mining (not a fund holding) closed the takeout of Guyana Goldfields (a fund holding until the deal closed) for cash at the end of August. Meanwhile, TMAC (previously held by the fund) is still awaiting final approval for its acquisition by Shandong Gold (a fund holding). Alacer Gold (a fund holding before the merger) and SSR Mining (a new fund holding after the combination) closed on their no-premium merger of equals in mid-September, thereby creating a global multi-mine effort based in Denver with operations in Nevada (USA), Canada and Turkey. Given several years of underinvestment by the gold industry, we expect further M&A activity in the months ahead, although the pace has been impacted in the near term by travel restrictions and other short-term business impairments associated with the pandemic.
- We continue to see attractive opportunities in gold- and precious metals-focused equities, especially if gold prices can hold current levels or move even higher. Even when we factor in the strong share-price rebounds from March's lows, many gold companies have seen their forecasted cash flow increase faster than their stock prices over the past year, resulting in contracting equity valuation multiples despite the improving fundamentals. With

gold moving even higher and input cost pressures subsiding on the back of lower fuel prices and favorable currency movements in many parts of the world, the compressed valuations make gold equites look even more compelling to us now. Most mining companies have maintained a focus on improving the cost structure of their operations, debt repayment and asset rationalization, which we believe should result in better businesses and improved stock performance potential going forward as management teams look increasingly focused on turning higher gold prices into free cash flow that can be reinvested in high-return projects (or returned to shareholders via dividends). In addition, we believe small- and middle-capitalization gold equities may present some of the best opportunities given their generally lower valuations and the industry's recent uptick in M&A activity, which has been receiving a boost as mining companies seek to replenish their resources following several years of limited exploration and development activity.

6. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics[7,8]

	Portfolio	FTSE Gold Mines Index
Market Capitalization (Millions in USD)	9,876	25,649
Return on Equity	-0.50%	15.46%
Historical 3-Year EPS Growth	-27.39%	43.72%
Estimated 3-5 Yr EPS Growth	28.99%	19.76%
Price to Earnings (12 Month Forward)	13.27x	17.68x

Portfolio Diversification

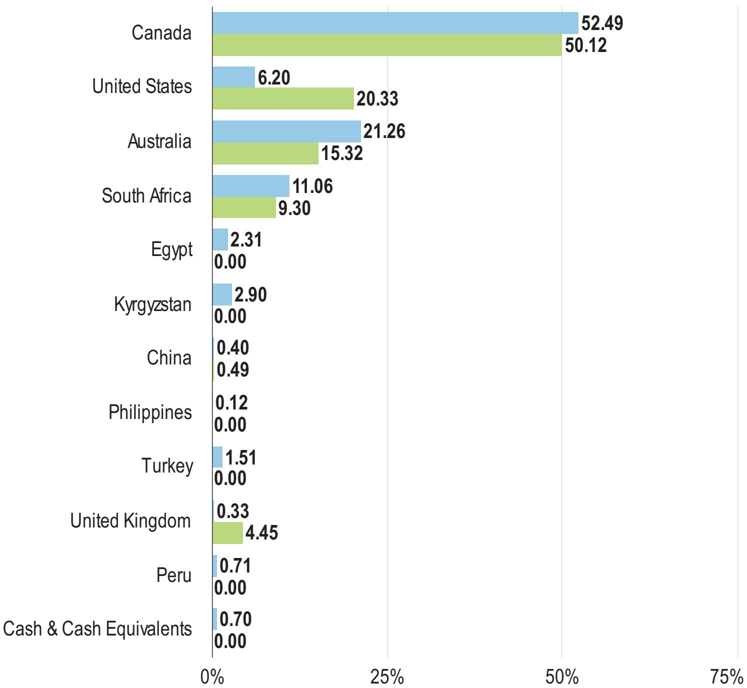
Top Ten Holdings[9]

Percent of Total

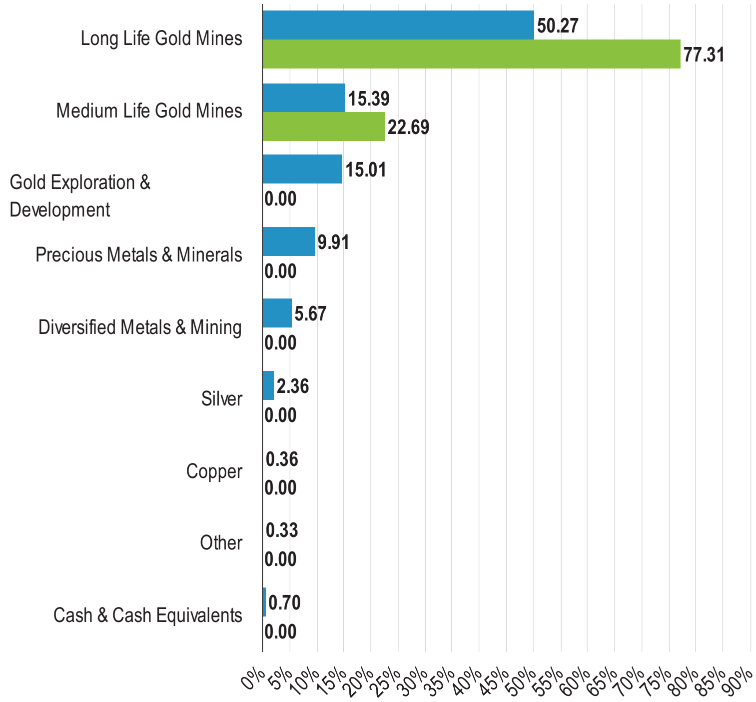
Top Holdings	Country	%
BARRICK GOLD CORP	Canada	6.71
NEWMONT CORP	United States	4.60
B2GOLD CORP	Canada	4.43
NEWCREST MINING LTD	Australia	4.21
ANGLOGOLD ASHANTI LTD	South Africa	3.67
ALAMOS GOLD INC	Canada	3.54
PERSEUS MINING LTD	Australia	3.19
CHALICE GOLD MINES LTD	Australia	3.11
TERANGA GOLD CORP	Canada	2.99
CENTERRA GOLD INC	Kyrgyzstan	2.90

7. 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. Source: FactSet. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. All holdings are subject to change.
8. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
9. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager reserves the right to withhold release of information with respect to holdings that would otherwise be included.

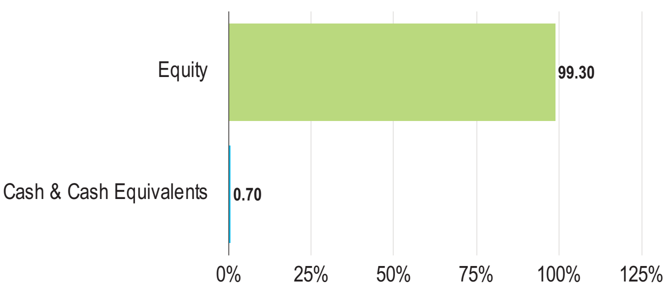
Geographic Weightings vs. FTSE Gold Mines Index[10,11]
Percent of Total



Sector Weightings vs. FTSE Gold Mines Index[12,13]
Percent of Total



Asset Allocation[14]
Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics[15,16]
Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	35.71	37.54	35.39
Tracking Error (%)	29.91	34.77	33.56
Information Ratio	0.25	0.18	-0.52
Beta	1.12	0.96	0.86
Sharpe Ratio	0.51	0.51	-0.12

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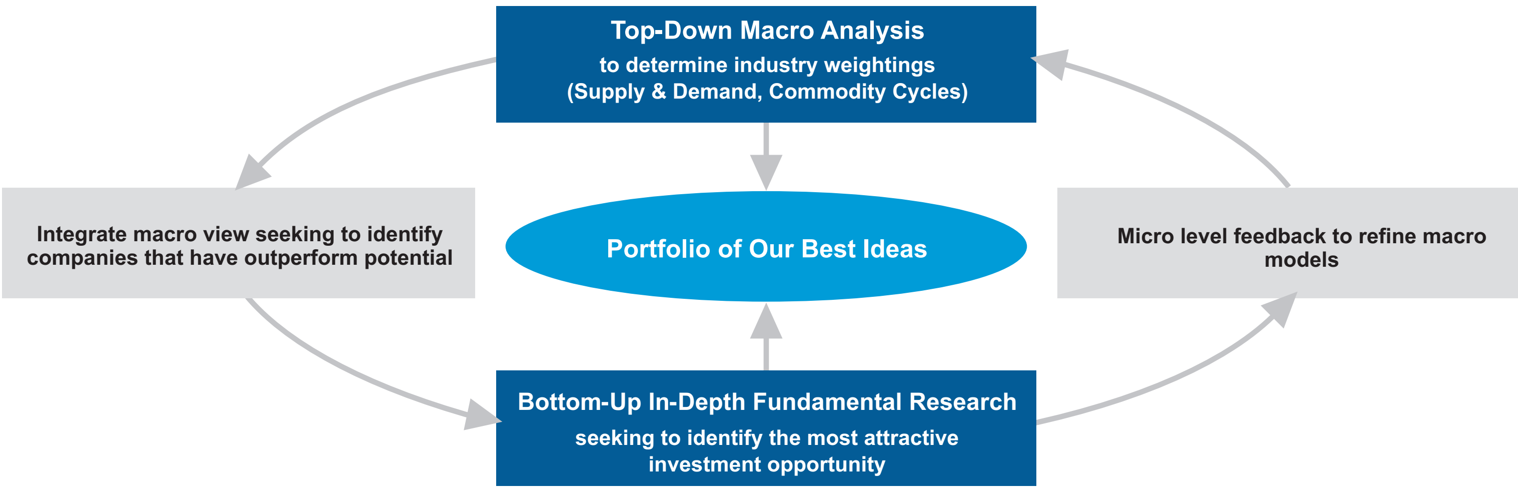
10,12,14. Percentage may not equal 100% due to rounding. All holdings are subject to change.
11,13. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
15. Information Ratio and Tracking Error information are displayed for the product versus the FTSE Gold Mines Index.
16. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Strategy & Process

- Actively managed with a long-term focus
- Research driven
- Top down/bottom-up approach
- Valuation discipline
- Diversified globally across precious metals
- Look to maintain a stable risk profile over time



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Steve Land, CFA	23	23
Fred Fromm, CFA	28	28

Glossary

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%.

Estimated 3-5 Year EPS Growth: An estimated measure of the growth of earnings per share over a forward-looking period. For a portfolio, the value represents a weighted average of the stocks it holds.

Historical 3-Year EPS Growth: A measure of the growth of earnings per share over a trailing 3 year period. For a portfolio, the value represents a weighted average of the stocks it holds.

Information Ratio: 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. Market capitalization is expressed in millions of USD.

Price to Earnings (12-mo Forward): A measure of the price to earnings ratio for a stock using the forecasted earnings for the next 12 months. For a portfolio, the value represents a weighted average of the stocks it holds.

Return on Equity: A measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. For a portfolio, the value represents a weighted average of the stocks it holds.

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.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

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

What Are The Risks?

All investments involve risks, including possible loss of principal. 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 times of stable economic growth, traditional equity and debt investments could offer greater appreciation potential and the prices of gold and other precious metals may be adversely affected. In addition, the fund is subject to the risks of currency fluctuation and political uncertainty associated with foreign (non-U.S.) investing. Investments in emerging and frontier 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 heavily 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. Investing in a non-diversified fund involves the risk of greater price fluctuation than a more diversified portfolio. These and other risks are described more fully in the fund's prospectus.

Important Legal Information

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 professional, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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