

JANUARY 31, 2014

SEMIANNUAL REPORT
AND SHAREHOLDER LETTER

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SECTOR

FRANKLIN GOLD AND PRECIOUS METALS FUND



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MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATELY MANAGED ACCOUNTS



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Shareholder Letter

Dear Shareholder:

The global economy grew moderately during the six months ended January 31, 2014. Amid a generally accommodative monetary policy environment, manufacturing and global trade improved. Some concerns about the timing of the U.S. Federal Reserve Board's (Fed's) potential reduction of its asset purchase program led Treasury prices to decline as yields rose. Global financial liquidity remained high, however, as the Bank of Japan maintained its stimulus plan and the European Central Bank reduced interest rates. In December, the Fed decided the U.S. economy had shown enough progress for the Fed to begin reducing its asset purchase program. Spot gold prices reached a period low during the month as concerns about inflation waned. Gold and gold mining stocks, as measured by the FTSE® Gold Mines Index, declined for the period.¹ Global government bonds, as measured by the Citigroup World Government Bond Index, delivered six-month gains.² U.S. stocks, as measured by the Standard & Poor's® 500 Index,³ and global developed market stocks, as measured by the MSCI World Index,⁴ rose for the period, while emerging markets in the MSCI Emerging Markets Index⁴ were relatively flat. Near period-end, investors became concerned about weakness in China, the eurozone and emerging markets and gold rebounded somewhat as investors sought to hedge against equity market volatility.

We remain encouraged as the U.S. economy strengthened, the eurozone economy expanded slightly and many emerging market economies continued to show signs of growth. With this economic environment, we believe companies generally could continue to deliver healthy earnings and cash flow, which have historically been favorable for financial markets. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Franklin Gold and Precious Metals Fund's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and a discussion from the portfolio manager. Please remember all securities markets fluctuate, as do mutual fund share prices.

If you would like more frequent updates, franklintempleton.com provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, read timely articles and find helpful financial planning tools. We hope you will take advantage of these online services.

We believe active management serves investors well. We also see the important role financial advisors serve in markets like these and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery will continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook should be well positioned for the years ahead.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your future investment needs.

Sincerely,

A handwritten signature in black ink that reads "Edward B. Jamieson". The signature is fluid and cursive, with the first name "Edward" being more prominent and the last name "Jamieson" written in a more compact, flowing style.

Edward B. Jamieson
President and Chief Executive Officer – Investment Management
Franklin Gold and Precious Metals Fund

This letter reflects our analysis and opinions as of January 31, 2014. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

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Semiannual Report

Franklin Gold and Precious Metals Fund

Your Fund's Goals and Main Investments: Franklin Gold and Precious Metals Fund seeks capital appreciation, with current income as its secondary goal, by investing at least 80% of its net assets in securities of gold and precious metals operation companies.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.

This semiannual report for Franklin Gold and Precious Metals Fund covers the period ended January 31, 2014.

Performance Overview

Franklin Gold and Precious Metals Fund – Class A had a -1.35% cumulative total return for the six months ended January 31, 2014. In comparison, the Standard & Poor's 500 Index (S&P 500®), which is a broad measure of U.S. stock performance, returned +6.86%.^{1, 2} For the same period, the sector-specific FTSE Gold Mines Index, which comprises companies whose principal activity is gold mining, had a -7.62% total return.^{1, 3} You can find the Fund's long-term performance data in the Performance Summary beginning on page 10.

Economic and Market Overview

Solid U.S. economic growth underpinned by consumer and business spending, rising inventories and increasing exports characterized the six months under review. Low mortgage interest rates and improving consumer confidence aided the housing market recovery. Manufacturing expanded while the unemployment rate declined to 6.6% in January 2014 from 7.3% in July 2013.⁴ Inflation remained well below the Federal Reserve Board's (Fed's) 2.0% target. In October 2013, the federal government temporarily shut down after Congress failed to authorize routine federal funding amid a disagreement over a new health care law. However, Congress passed a \$1.1 trillion spending bill toward the end of the review period to fund the government through September 2014. Encouraged by positive economic and employment reports, the Fed began reducing its monthly bond purchases by \$10 billion in January 2014, although it maintained its commitment to keeping interest rates low.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 19.

Outside the U.S., the U.K. showed strong growth, and economic activity in Japan and the eurozone continued to show signs of improvement. Growth in the U.K. was driven by easier credit conditions and stronger consumer confidence. In Japan, improving business sentiment, personal consumption and higher exports resulting from a weaker yen supported the economy, and the unemployment rate reached its lowest level in six years. The Bank of Japan announced it would provide additional monetary stimulus if required. Although technically out of recession, the eurozone experienced weak employment trends, deflationary risks and political turmoil in some of the peripheral countries. However, German Chancellor Angela Merkel's reelection and the European Central Bank's rate cut to a record low helped partly restore investor confidence in the region.

Growth in many emerging market economies moderated based on lower domestic demand, falling exports and weakening commodity prices. However, select emerging market economies such as those of China, Malaysia, South Korea, Poland and Hungary improved in 2013's second half. Monetary policies tightened in several emerging market countries, including Brazil, India, Turkey and South Africa, as their central banks raised interest rates to curb inflation and support their currencies.

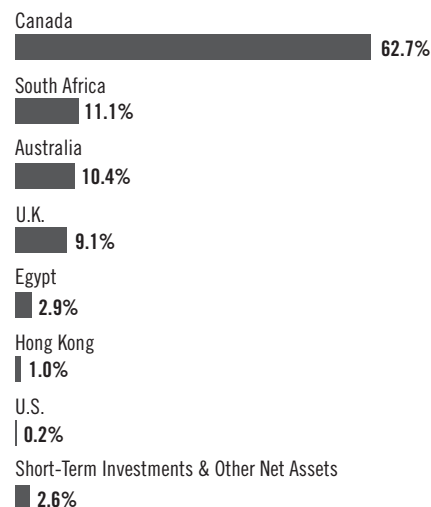
Stocks in the eurozone led developed markets, which advanced for most of the period before a sharp decline in January 2014 stemming from concerns of a slowdown in China, mixed corporate earnings and continuing reduction of the Fed's asset purchase program. Political turmoil in certain emerging markets and tight credit conditions in China further weighed on emerging market equities, resulting in relatively flat performance for the period. An emerging market sell-off led to several currencies' depreciation against the U.S. dollar, especially in January 2014. Gold prices declined for the period despite a January rally when some investors sought to limit exposure to slipping global equities.

Precious Metals Sector Overview

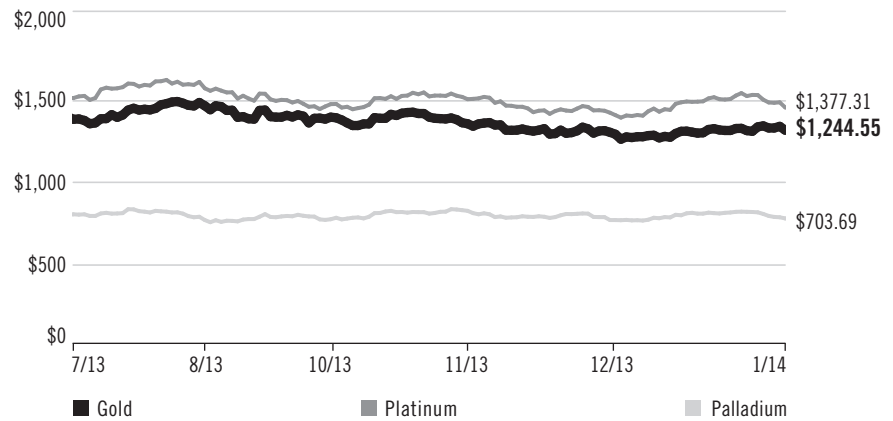
Prices for all four major precious metals — gold, silver, platinum and palladium — fell during the six-month period under pressure from a stronger U.S. dollar and weakening investment demand, led by a 6.1% decline in gold's spot price.⁵ Spot silver prices began the period at \$20 and rose in late August to a period high of \$24 as good news regarding China's and Europe's economic performance quickly boosted expectations of demand for silver.⁵ Nonetheless, silver declined 3.3% for the period as accelerating growth in key economies, central bank stimulus measures and a return by many investors to mainstream equity investments weighed on prices for both metals.⁵

Geographic Breakdown

Based on Total Net Assets as of 1/31/14



Precious Metals Prices (7/31/13–1/31/14)*



*Source: Bloomberg LP. Amounts shown are based on spot prices quoted in U.S. dollars per troy ounce. For illustrative purposes only; not representative of the Fund's portfolio composition or performance.

Prices for platinum fell 4.3% and for palladium declined 3.4% during the period under review.⁵ These changes were fairly muted considering workers at the three largest platinum and palladium producers, all based in South Africa, went on strike in January over wage disputes. South Africa accounts for a majority of the world's mine output, and the strike came amid an uptick in industrial demand that has drawn down existing stockpiles.

After reaching a three-year low in late December, gold prices rebounded somewhat in January despite a rallying U.S. dollar and the Fed's resolve to diminish its accommodative monetary policy, decreasing the perceived threat of inflation. Instead, investors sought gold in January as a hedge against a spike in stock market volatility and as an alternative currency amid deepening concerns over the health of emerging markets and their currencies.

Investment Strategy

We believe that investing in securities of gold and precious metals operation companies offers an excellent opportunity for diversification in an attractive asset class over the long term. We like companies with multiple mines, attractive production profiles, strong reserve bases and active exploration programs that can drive future reserve and production growth. While the sector can be volatile, especially over the short term, precious metals, such as gold, can be attractive because they are hard assets not tied to any particular country or financial system.

Manager's Discussion

Merger and acquisition activity continued, although at a slower pace given the uncertainty and capital constraints in the industry. B2Gold acquired Volta Resources (both owned in the Fund) giving B2Gold leverage to higher gold prices with the option to develop Volta's large low-grade deposit in Burkina Faso. Fund holding Primero Mining announced plans to merge with Brigus Gold, bringing a second producing mine to Primero's portfolio and expanding its growth options. Near period-end, Goldcorp announced a hostile bid for Osisko Mining, which is discussed in more detail later in the report.

During the period, some gold and precious metals companies were able to navigate through the challenging gold price environment. Key contributors to the Fund's absolute performance included Osisko Mining, African Barrick Gold and Imperial Metals.

Osisko Mining shares surged in mid-January 2014 following the announcement of an unsolicited takeover bid from Goldcorp. The Osisko Board of Directors subsequently issued a statement recommending shareholders reject the offer, arguing that the meager takeover premium failed to fully appreciate the cash flow generation potential of Osisko's Canadian Malartic mine. At period-end, Osisko shares continued to trade above the value implied by Goldcorp's cash and stock offer.

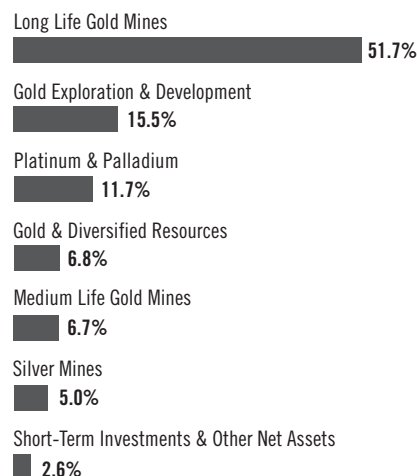
African Barrick Gold is Tanzania's largest gold producer and one of the five largest in Africa. Although the company reported a large net loss in 2013 owing to significant impairment charges, investors seemed more focused on the implementation of major cost-cutting measures under the guidance of a new chief executive officer, including reductions in international headcount and a shift to less labor-intensive mining methods, and the company's share price nearly doubled during the period.

Imperial Metals is a diversified Canadian miner with operations focused in British Columbia. Its share price rose steadily during the period as the company reported strong year-over-year growth in third-quarter 2013 revenues and net income, attributable to increased sales volumes. In January 2014, management reported full-year 2013 copper and gold production was close to their targets and silver production exceeded prior guidance. Most importantly, Imperial continued to make good progress with its development of its Red Chris deposit, which is a high-grade gold and copper mine scheduled to start up in the second half of 2014.

In contrast, key detractors from the Fund's absolute performance included Newcrest Mining, Alamos Gold and Banro.

Portfolio Breakdown

Based on Total Net Assets as of 1/31/14



Top 10 Holdings

1/31/14

Company Sector/Industry, Country	% of Total Net Assets
Goldcorp Inc. <i>Long Life Gold Mines, Canada</i>	5.6%
B2Gold Corp. <i>Long Life Gold Mines, Canada</i>	5.2%
AngloGold Ashanti Ltd., ADR <i>Long Life Gold Mines, South Africa</i>	5.1%
Platinum Group Metals Ltd., ord. & 144A <i>Platinum & Palladium, Canada</i>	5.0%
Randgold Resources Ltd., ADR <i>Long Life Gold Mines, U.K.</i>	4.7%
Barrick Gold Corp. <i>Long Life Gold Mines, Canada</i>	4.3%
Newcrest Mining Ltd. <i>Long Life Gold Mines, Australia</i>	4.2%
Nevsun Resources Ltd., 144A <i>Gold & Diversified Resources, Canada</i>	4.1%
Eldorado Gold Corp. <i>Long Life Gold Mines, Canada</i>	3.9%
Impala Platinum Holdings Ltd., ord. & ADR <i>Platinum & Palladium, South Africa</i>	3.4%

In August 2013, independent credit rating agency Standard & Poor's downgraded Newcrest Mining's debt after Australia's largest gold miner reported a record net loss for the 2013 fiscal year. The company reported stronger-than-expected production and cost reduction numbers for the quarter ended December 2013, but investors remained unconvinced. Although they rebounded somewhat in January 2014, Newcrest shares ended the period with a substantial loss in value.

Despite reporting fourth-quarter and full-year 2013 production and cost figures that met targets, Alamos Gold shares tumbled 17% in a single day in January after the company issued lower production and higher cost guidance for 2014. Management attributed the decrease in planned production to lower budgeted grades at its Escondida Deep and San Carlos mining areas and the increase in costs to a transition to underground mining, a higher waste-to-ore ratio and a shift to contractor mining following the introduction of a new mining tax system in Mexico.

Banro has four gold properties located in the Democratic Republic of the Congo. In December 2013, the company's second open pit project, Namoya, began gold production with the pouring of the first 320 ounces, and management expected commercial production to be achieved before the end of 2014's second quarter. In January 2014, Banro reported fourth-quarter 2013 production at its Twangiza mine that was higher than in the third quarter. Nonetheless, shares remained under pressure amid concern about the company's cash position and ended the period with a significant loss in value.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the six months ended January 31, 2014, the U.S. dollar rose in value relative to some currencies. As a result, the Fund's currency exposure weighed on performance given the portfolio's investment predominantly in securities with non-U.S. currency exposure.

Thank you for your continued participation in Franklin Gold and Precious Metals Fund. We look forward to serving your future investment needs.



Stephen M. Land

Stephen M. Land, CFA
Portfolio Manager
Franklin Gold and Precious Metals Fund

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The foregoing information reflects our analysis, opinions and portfolio holdings as of January 31, 2014, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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4. Source: Bureau of Labor Statistics.

5. Source: Bloomberg LP.

Performance Summary as of 1/31/14

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price Information

Class A (Symbol: FKRCX)	Change	1/31/14	7/31/13
Net Asset Value (NAV)	-\$0.24	\$17.48	\$17.72
Class C (Symbol: FRGOX)	Change	1/31/14	7/31/13
Net Asset Value (NAV)	-\$0.29	\$16.41	\$16.70
Class R6 (Symbol: n/a)	Change	1/31/14	7/31/13
Net Asset Value (NAV)	-\$0.17	\$18.45	\$18.62
Advisor Class (Symbol: FGADX)	Change	1/31/14	7/31/13
Net Asset Value (NAV)	-\$0.23	\$18.36	\$18.59

Performance Summary *(continued)*

Performance¹

Cumulative total return excludes sales charges. Aggregate and average annual total returns and value of \$10,000 investment include maximum sales charges. **Class A:** 5.75% maximum initial sales charge; **Class C:** 1% contingent deferred sales charge in first year only; **Class R6/Advisor Class:** no sales charges.

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ²	-1.35%	-39.89%	-6.30%	+55.23%
Average Annual Total Return ³	-7.02%	-43.34%	-2.45%	+3.88%
Value of \$10,000 Investment ⁴	\$9,298	\$5,666	\$8,832	\$14,630
Avg. Ann. Total Return (12/31/13) ⁵		-51.01%	-4.51%	+1.89%
Total Annual Operating Expenses ⁶	1.01%			
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ²	-1.74%	-40.33%	-9.70%	+44.13%
Average Annual Total Return ³	-2.72%	-40.93%	-2.02%	+3.72%
Value of \$10,000 Investment ⁴	\$9,728	\$5,907	\$9,030	\$14,413
Avg. Ann. Total Return (12/31/13) ⁵		-48.93%	-4.10%	+1.74%
Total Annual Operating Expenses ⁶	1.76%			
Class R6	6-Month	Inception (5/1/13)		
Cumulative Total Return ²	-0.91%			-13.02%
Aggregate Total Return ⁷	-0.91%			-13.02%
Value of \$10,000 Investment ⁴	\$9,909			\$8,698
Aggregate Total Return (12/31/13) ^{5, 7}				-20.61%
Total Annual Operating Expenses ⁶	0.53%			
Advisor Class	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ²	-1.24%	-39.74%	-5.13%	+59.06%
Average Annual Total Return ³	-1.24%	-39.74%	-1.05%	+4.75%
Value of \$10,000 Investment ⁴	\$9,876	\$6,026	\$9,487	\$15,906
Avg. Ann. Total Return (12/31/13) ⁵		-47.89%	-3.13%	+2.75%
Total Annual Operating Expenses ⁶	0.76%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

Performance Summary *(continued)*

All investments involve risks, including possible loss of principal. Investing in a nondiversified 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 prices 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. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual total returns would have differed. These shares have higher annual fees and expenses than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
7. Aggregate total return represents the change in value of an investment for the periods indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The “Ending Account Value” is derived from the Fund’s actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by \$1,000.
If an account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$.
2. Multiply the result by the number under the heading “Expenses Paid During Period.”
If Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50 .

In this illustration, the estimated expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical “Ending Account Value” is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund’s actual return. The figure under the heading “Expenses Paid During Period” shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 8/1/13	Ending Account Value 1/31/14	Expenses Paid During Period* 8/1/13–1/31/14
Actual	\$1,000	\$ 986.50	\$5.76
Hypothetical (5% return before expenses)	\$1,000	\$1,019.41	\$5.85
Class C			
Actual	\$1,000	\$ 982.60	\$9.49
Hypothetical (5% return before expenses)	\$1,000	\$1,015.63	\$9.65
Class R6			
Actual	\$1,000	\$ 990.90	\$2.86
Hypothetical (5% return before expenses)	\$1,000	\$1,022.33	\$2.91
Advisor Class			
Actual	\$1,000	\$ 987.60	\$4.51
Hypothetical (5% return before expenses)	\$1,000	\$1,020.67	\$4.58

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.15%; C: 1.90%; R6: 0.57%; and Advisor: 0.90%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Gold and Precious Metals Fund

Financial Highlights

Class A	Year Ended July 31,					
	Six Months Ended January 31, 2014 (unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period . . .	\$17.72	\$28.58	\$46.61	\$43.51	\$33.56	\$35.01
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.05)	0.03	(0.01)	(0.17)	(0.21)	0.07
Net realized and unrealized gains (losses)	(0.19)	(10.51)	(15.86)	11.20	12.96	(1.40)
Total from investment operations	(0.24)	(10.48)	(15.87)	11.03	12.75	(1.33)
Less distributions from:						
Net investment income	—	(0.04)	(0.86)	(4.57)	(2.22)	—
Net realized gains	—	(0.34)	(1.30)	(3.36)	(0.58)	(0.12)
Total distributions	—	(0.38)	(2.16)	(7.93)	(2.80)	(0.12)
Redemption fees ^c	—	—	—	—	—	— ^d
Net asset value, end of period	\$17.48	\$17.72	\$28.58	\$46.61	\$43.51	\$33.56
Total return ^e	(1.35)%	(37.24)%	(35.48)%	24.47%	38.02%	(3.48)%
Ratios to average net assets^f						
Expenses	1.15%	1.01% ^g	0.96%	0.91%	0.95% ^g	1.01% ^g
Net investment income (loss)	(0.53)%	0.10%	(0.01)%	(0.36)%	(0.52)%	0.24%
Supplemental data						
Net assets, end of period (000's)	\$664,352	\$682,385	\$1,574,870	\$2,546,553	\$2,011,603	\$1,297,172
Portfolio turnover rate	9.30%	7.36%	8.34%	8.06%	17.63%	17.17%

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cEffective September 1, 2008, the redemption fee was eliminated.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Franklin Gold and Precious Metals Fund

Financial Highlights *(continued)*

Class C	Year Ended July 31,					
	Six Months Ended January 31, 2014 (unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.70	\$27.16	\$44.38	\$41.77	\$32.36	\$34.03
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.11)	(0.17)	(0.28)	(0.51)	(0.49)	(0.13)
Net realized and unrealized gains (losses)	(0.18)	(9.91)	(15.11)	10.75	12.47	(1.42)
Total from investment operations	(0.29)	(10.08)	(15.39)	10.24	11.98	(1.55)
Less distributions from:						
Net investment income	—	(0.04)	(0.53)	(4.27)	(1.99)	—
Net realized gains	—	(0.34)	(1.30)	(3.36)	(0.58)	(0.12)
Total distributions	—	(0.38)	(1.83)	(7.63)	(2.57)	(0.12)
Redemption fees ^c	—	—	—	—	—	— ^d
Net asset value, end of period	\$16.41	\$16.70	\$27.16	\$44.38	\$41.77	\$32.36
 Total return ^e	 (1.74)%	 (37.71)%	 (35.96)%	 23.55%	 37.01%	 (4.23)%
Ratios to average net assets^f						
Expenses	1.90%	1.76% ^g	1.71%	1.66%	1.70% ^g	1.76% ^g
Net investment income (loss)	(1.28)%	(0.65)%	(0.76)%	(1.11)%	(1.27)%	(0.51)%
Supplemental data						
Net assets, end of period (000's)	\$159,589	\$172,234	\$341,071	\$621,202	\$475,627	\$312,002
Portfolio turnover rate	9.30%	7.36%	8.34%	8.06%	17.63%	17.17%

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cEffective September 1, 2008, the redemption fee was eliminated.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Franklin Gold and Precious Metals Fund

Financial Highlights *(continued)*

	Six Months Ended January 31, 2014 (unaudited)	Period Ended July 31, 2013 ^a
Class R6		
Per share operating performance		
(for a share outstanding throughout the period)		
Net asset value, beginning of period	\$18.62	\$21.20
Income from investment operations ^b :		
Net investment income ^c	— ^d	0.01
Net realized and unrealized gains (losses)	(0.17)	(2.59)
Total from investment operations	(0.17)	(2.58)
Net asset value, end of period	\$18.45	\$18.62
 Total return ^e	 (0.91)%	 (12.17)%
Ratios to average net assets^f		
Expenses	0.57%	0.53% ^g
Net investment income	0.05%	0.58%
Supplemental data		
Net assets, end of period (000's)	\$5	\$4
Portfolio turnover rate	9.30%	7.36%

^aFor the period May 1, 2013 (commencement of operations) to July 31, 2013.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Franklin Gold and Precious Metals Fund

Financial Highlights *(continued)*

Advisor Class	Year Ended July 31,					
	Six Months Ended January 31, 2014 (unaudited)	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$18.59	\$29.89	\$48.65	\$45.13	\$34.71	\$36.11
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.03)	0.10	0.12	(0.09)	(0.12)	0.11
Net realized and unrealized gains (losses)	(0.20)	(11.02)	(16.60)	11.64	13.42	(1.39)
Total from investment operations	(0.23)	(10.92)	(16.48)	11.55	13.30	(1.28)
Less distributions from:						
Net investment income	—	(0.04)	(0.98)	(4.67)	(2.30)	—
Net realized gains	—	(0.34)	(1.30)	(3.36)	(0.58)	(0.12)
Total distributions	—	(0.38)	(2.28)	(8.03)	(2.88)	(0.12)
Redemption fees ^c	—	—	—	—	—	— ^d
Net asset value, end of period	\$18.36	\$18.59	\$29.89	\$48.65	\$45.13	\$34.71
 Total return ^e	 (1.24)%	 (37.07)%	 (35.32)%	 24.78%	 38.36%	 (3.26)%
Ratios to average net assets^f						
Expenses	0.90%	0.76% ^g	0.71%	0.66%	0.70% ^g	0.76% ^g
Net investment income (loss)	(0.28)%	0.35%	0.24%	(0.11)%	(0.27)%	0.49%
Supplemental data						
Net assets, end of period (000's)	\$132,240	\$143,843	\$317,488	\$582,994	\$269,979	\$147,197
Portfolio turnover rate	9.30%	7.36%	8.34%	8.06%	17.63%	17.17%

^aThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cEffective September 1, 2008, the redemption fee was eliminated.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

Franklin Gold and Precious Metals Fund

Statement of Investments, January 31, 2014 (unaudited)

	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests 97.4%			
Gold & Diversified Resources 6.8%			
^{a,b} Nevsun Resources Ltd., 144A	Canada	10,653,600	\$ 39,138,798
PanAust Ltd.	Australia	5,320,000	7,610,926
^c Sandfire Resources NL	Australia	2,347,870	11,935,985
^c Turquoise Hill Resources Ltd.	Canada	1,600,000	5,616,000
			<u>64,301,709</u>
Gold Exploration & Development 15.5%			
^c Belo Sun Mining Corp.	Canada	6,000,000	2,128,806
^{a,c} Belo Sun Mining Corp., 144A	Canada	3,800,000	1,348,244
^{b,c} Chalice Gold Mines Ltd.	Australia	31,072,008	3,670,381
^c Chaparral Gold Corp.	Canada	700,000	251,505
^{c,d} Colossus Minerals Inc., wts., 8/13/15	Canada	2,000,000	—
^c Continental Gold Ltd.	Canada	1,775,000	5,564,313
^{a,c} Gran Colombia Gold Corp., wts., 144A, 8/24/15	Canada	157,040	4,937
^{c,e} Great Basin Gold Ltd., 144A	South Africa	13,185,700	18,460
^{c,e} Great Basin Gold Ltd., wts., 144A, 3/30/14	South Africa	6,592,850	—
^{b,c} Guyana Goldfields Inc.	Canada	5,077,600	11,037,269
^{a,b,c} Guyana Goldfields Inc., 144A	Canada	6,070,000	13,194,467
^c Imperial Metals Corp.	Canada	1,615,000	24,399,802
^{a,b,c} INV Metals Inc., 144A	Canada	37,650,000	1,014,551
^c Ivanhoe Mines Ltd.	Canada	700,000	1,018,593
^{a,c} Ivanhoe Mines Ltd., 144A	Canada	2,585,000	3,761,520
^{b,c} Kula Gold Ltd.	Australia	11,101,016	864,492
^{b,c} Lion One Metals Ltd.	Canada	1,000,000	260,487
^{a,b,c} Lion One Metals Ltd., 144A	Canada	2,935,000	764,529
^c Lydian International Ltd.	Canada	1,975,000	1,809,485
^{a,c} Lydian International Ltd., 144A	Canada	4,250,000	3,893,829
^c Midas Gold Corp.	Canada	299,600	258,346
^{a,c} Midas Gold Corp., 144A	Canada	2,330,000	2,009,162
^c Midway Gold Corp.	Canada	5,756,700	5,986,968
^c Nautilus Minerals Inc.	Canada	3,711,450	800,097
^{a,c} Nautilus Minerals Inc., 144A	Canada	11,228,698	2,420,630
^c Pretium Resources Inc.	Canada	2,509,200	14,695,036
^{b,c} Red 5 Ltd.	Australia	91,361,661	7,194,731
^{b,c} Romarco Minerals Inc.	Canada	24,018,400	11,434,252
^{a,b,c} Romarco Minerals Inc., 144A	Canada	12,717,600	6,054,368
^{b,c,e} Romarco Minerals Inc., 144A	Canada	5,800,000	2,686,609
^{b,c} RTG Mining Inc.	Australia	4,791,186	365,805
^{a,b,c} RTG Mining Inc., 144A	Australia	23,977,900	1,830,703
^c St. Augustine Gold and Copper Ltd.	Canada	7,636,836	1,183,288
^{a,c} St. Augustine Gold and Copper Ltd., 144A	Canada	16,383,333	2,538,512
^{a,c} Torex Gold Resources Inc., 144A	Canada	13,500,000	13,945,028
			<u>148,409,205</u>
Long Life Gold Mines 51.7%			
African Barrick Gold Ltd.	United Kingdom	5,957,307	21,536,594
Agnico Eagle Mines Ltd.	Canada	85,000	2,641,800
Alamos Gold Inc.	Canada	1,271,900	11,675,935
^a Alamos Gold Inc., 144A	Canada	375,000	3,442,468
AngloGold Ashanti Ltd., ADR	South Africa	3,329,023	48,736,897

Franklin Gold and Precious Metals Fund

Statement of Investments, January 31, 2014 (unaudited) (continued)

	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Long Life Gold Mines (continued)			
^c B2Gold Corp.	Canada	20,985,194	\$ 49,574,293
^{b,c} Banro Corp. (CAD Traded)	Canada	10,307,000	5,091,934
^{b,c} Banro Corp. (USD Traded)	Canada	3,000,000	1,515,300
^{a,b,c} Banro Corp., 144A	Canada	7,210,000	3,561,933
Barrick Gold Corp.	Canada	2,156,283	41,573,136
^c Beadell Resources Ltd.	Australia	17,378,639	11,024,574
^c Centamin PLC (CAD Traded)	Egypt	10,500,000	7,450,822
^c Centamin PLC (GBP Traded)	Egypt	3,994,532	2,905,902
^{a,c} Centamin PLC, 144A	Egypt	23,945,200	16,991,564
Centerra Gold Inc.	Canada	3,654,000	14,145,998
^a Centerra Gold Inc., 144A	Canada	2,893,400	11,201,432
^c Detour Gold Corp.	Canada	1,691,300	10,877,309
Eldorado Gold Corp.	Canada	5,797,500	36,869,038
^c G-Resources Group Ltd.	Hong Kong	370,770,400	9,455,991
Gold Fields Ltd.	South Africa	427,411	1,509,573
Goldcorp Inc.	Canada	2,158,845	53,733,652
Kinross Gold Corp.	Canada	515,194	2,364,719
Newcrest Mining Ltd.	Australia	4,788,461	40,432,569
Newmont Mining Corp.	United States	80,614	1,741,262
^{a,c} Osisko Mining Corp., 144A	Canada	4,924,300	29,546,685
Randgold Resources Ltd., ADR	United Kingdom	647,023	44,579,885
SEMAFO Inc.	Canada	1,810,000	5,836,612
^c Teranga Gold Corp.	Canada	4,000,000	3,341,417
^c Teranga Gold Corp., CDI	Canada	1,538,759	1,218,505
			<u>494,577,799</u>
Medium Life Gold Mines 6.7%			
Alacer Gold Corp.	Canada	2,279,700	4,812,086
^a Alacer Gold Corp., 144A	Canada	1,500,000	3,166,263
AuRico Gold Inc.	Canada	819,500	3,761,470
^c China Gold International Resources Corp. Ltd.	Canada	326,100	976,586
^{a,c} China Gold International Resources Corp. Ltd., 144A	Canada	598,100	1,708,397
Evolution Mining Ltd.	Australia	3,200,000	1,792,000
IAMGOLD Corp. (CAD Traded)	Canada	412,000	1,513,590
IAMGOLD Corp. (USD Traded)	Canada	195,000	711,750
^c New Gold Inc.	Canada	1,330,000	7,633,791
^c Primero Mining Corp.	Canada	925,000	5,201,204
^{a,c} Primero Mining Corp., 144A	Canada	2,600,000	14,619,599
^{a,c} Primero Mining Corp., wts., 144A, 7/20/15	Canada	1,040,000	812,719
^c Silver Lake Resources Ltd.	Australia	9,119,300	4,867,427
^{b,c} St. Barbara Ltd.	Australia	29,088,151	8,017,422
^a Yamana Gold Inc., 144A	Canada	500,000	4,684,272
			<u>64,278,576</u>
Platinum & Palladium 11.7%			
^c Anglo American Platinum Ltd.	South Africa	364,656	14,526,848
^{b,c} Eastern Platinum Ltd.	Canada	67,983,024	5,495,798
^{a,b,c} Eastern Platinum Ltd., 144A	Canada	7,430,600	600,695
Impala Platinum Holdings Ltd.	South Africa	1,585,000	16,464,717
Impala Platinum Holdings Ltd., ADR	South Africa	1,506,100	15,693,562

Franklin Gold and Precious Metals Fund

Statement of Investments, January 31, 2014 (unaudited) (continued)

	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Platinum & Palladium (continued)			
^c North American Palladium Ltd.	Canada	3,950,000	\$ 1,659,000
^c Northam Platinum Ltd.	South Africa	1,209,019	4,531,237
^{b,c} Platinum Group Metals Ltd.	Canada	30,221,620	35,561,235
^{a,b,c} Platinum Group Metals Ltd., 144A	Canada	10,776,000	12,679,925
^c Royal Bafokeng Platinum Ltd.	South Africa	850,000	4,780,437
			<u>111,993,454</u>
Silver Mines 5.0%			
Fresnillo PLC	United Kingdom	1,195,000	15,132,177
Hochschild Mining PLC	United Kingdom	2,486,197	6,238,254
^c MAG Silver Corp.	Canada	975,000	5,990,299
^{a,c} MAG Silver Corp., 144A	Canada	240,000	1,474,535
^{a,c} Tahoe Resources Inc., 144A	Canada	1,079,000	19,170,592
			<u>48,005,857</u>
Total Common Stocks and Other Equity Interests			
(Cost \$1,134,396,838)			<u>931,566,600</u>
Short Term Investments (Cost \$25,652,462) 2.7%			
Money Market Funds 2.7%			
^{c,f} Institutional Fiduciary Trust Money Market Portfolio	United States	25,652,462	25,652,462
Total Investments (Cost \$1,160,049,300) 100.1%			957,219,062
Other Assets, less Liabilities (0.1%)			(1,033,003)
Net Assets 100.0%			<u>\$956,186,059</u>

See Abbreviations on page 37.

^aSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At January 31, 2014, the aggregate value of these securities was \$215,580,357, representing 22.55% of net assets.

^bSee Note 10 regarding holdings of 5% voting securities.

^cNon-income producing.

^dSecurity has been deemed illiquid because it may not be able to be sold within seven days.

^eSee Note 9 regarding restricted securities.

^fSee Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Franklin Gold and Precious Metals Fund

Financial Statements

Statement of Assets and Liabilities

January 31, 2014 (unaudited)

Assets:

Investments in securities:	
Cost - Unaffiliated issuers	\$ 832,446,863
Cost - Non-controlled affiliated issuers (Note 10)	301,949,975
Cost - Sweep Money Fund (Note 7)	25,652,462
Total cost of investments	<u>\$1,160,049,300</u>
Value - Unaffiliated issuers	\$ 759,530,916
Value - Non-controlled affiliated issuers (Note 10)	172,035,684
Value - Sweep Money Fund (Note 7)	25,652,462
Total value of investments	957,219,062
Cash	101
Receivables:	
Capital shares sold	2,755,930
Dividends	44,263
Total assets	<u>960,019,356</u>

Liabilities:

Payables:	
Capital shares redeemed	2,162,843
Management fees	419,279
Distribution fees	270,000
Transfer agent fees	608,741
Trustees' fees and expenses	11,983
Reports to shareholders	222,899
Accrued expenses and other liabilities	137,552
Total liabilities	<u>3,833,297</u>
Net assets, at value	<u>\$ 956,186,059</u>

Net assets consist of:

Paid-in capital	\$1,669,873,375
Accumulated net investment loss	(311,058,717)
Net unrealized appreciation (depreciation)	(202,830,165)
Accumulated net realized gain (loss)	(199,798,434)
Net assets, at value	<u>\$ 956,186,059</u>

Franklin Gold and Precious Metals Fund

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*

January 31, 2014 (unaudited)

Class A:

Net assets, at value	\$ 664,351,504
Shares outstanding	38,013,952
Net asset value per share ^a	\$17.48
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$18.55

Class C:

Net assets, at value	\$ 159,589,466
Shares outstanding	9,722,377
Net asset value and maximum offering price per share ^a	\$16.41

Class R6:

Net assets, at value	\$ 4,890
Shares outstanding	265
Net asset value and maximum offering price per share	\$18.45

Advisor Class:

Net assets, at value	\$ 132,240,199
Shares outstanding	7,201,884
Net asset value and maximum offering price per share	\$18.36

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Franklin Gold and Precious Metals Fund

Financial Statements *(continued)*

Statement of Operations

for the six months ended January 31, 2014 (unaudited)

Investment income:

Dividends: (net of foreign taxes \$475,029)	
Unaffiliated issuers	\$ 2,472,616
Non-controlled affiliated issuers (Note 10)	663,173
Interest	116
Total investment income	<u>3,135,905</u>

Expenses:

Management fees (Note 3a)	2,414,693
Distribution fees: (Note 3c)	
Class A	873,888
Class C	842,450
Transfer agent fees: (Note 3e)	
Class A	1,135,181
Class C	273,873
Advisor Class	229,603
Custodian fees (Note 4)	56,911
Reports to shareholders	226,814
Registration and filing fees	97,349
Professional fees	40,923
Trustees' fees and expenses	44,883
Other	16,288
Total expenses	<u>6,252,856</u>
Net investment income (loss)	<u>(3,116,951)</u>

Realized and unrealized gains (losses):

Net realized gain (loss) from:

Investments:	
Unaffiliated issuers	(132,859,520)
Non-controlled affiliated issuers (Note 10)	(7,640,025)
Foreign currency transactions	(274,669)
Net realized gain (loss)	<u>(140,774,214)</u>

Net change in unrealized appreciation (depreciation) on:

Investments	118,904,234
Translation of other assets and liabilities denominated in foreign currencies	(17,678)
Net change in unrealized appreciation (depreciation)	<u>118,886,556</u>

Net realized and unrealized gain (loss)	<u>(21,887,658)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (25,004,609)</u>

Franklin Gold and Precious Metals Fund

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Six Months Ended January 31, 2014 (unaudited)	Year Ended July 31, 2013
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$ (3,116,951)	\$ 386,063
Net realized gain (loss) from investments and foreign currency transactions	(140,774,214)	70,428,141
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	118,886,556	(765,132,595)
Net increase (decrease) in net assets resulting from operations	(25,004,609)	(694,318,391)
Distributions to shareholders from:		
Net investment income:		
Class A	—	(2,177,437)
Class B	—	(2,325)
Class C	—	(494,766)
Advisor Class	—	(418,042)
Net realized gains:		
Class A	—	(18,109,889)
Class B	—	(19,356)
Class C	—	(4,115,179)
Advisor Class	—	(3,476,011)
Total distributions to shareholders	—	(28,813,005)
Capital share transactions: (Note 2)		
Class A	(165,028)	(383,328,968)
Class B	—	(4,129,430)
Class C	(9,007,926)	(51,180,153)
Class R6	543	24,075
Advisor Class	(8,104,265)	(77,008,034)
Total capital share transactions	(17,276,676)	(515,622,510)
Net increase (decrease) in net assets	(42,281,285)	(1,238,753,906)
Net assets:		
Beginning of period	998,467,344	2,237,221,250
End of period	\$ 956,186,059	\$ 998,467,344
Distributions in excess of net investment income included in net assets, end of period	\$ —	\$ (307,941,766)
Accumulated net investment loss included in net assets, end of period	\$ (311,058,717)	\$ —

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Gold and Precious Metals Fund (Fund) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company. The Fund offers four classes of shares: Class A, Class C, Class R6, and Advisor Class. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under procedures approved by the Fund's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Financial Instrument Valuation *(continued)*

calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily NYSE close. In addition, trading in certain foreign markets may not take place on every NYSE business day. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Foreign Currency Translation *(continued)*

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of January 31, 2014, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d. Security Transactions, Investment Income, Expenses and Distributions *(continued)*

States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

e. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

f. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At January 31, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended January 31, 2014		Year Ended July 31, 2013	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	10,706,965	\$ 196,414,814	17,018,622	\$ 457,921,304
Shares issued in reinvestment of distributions	—	—	619,654	18,943,206
Shares redeemed	(11,209,935)	(196,579,842)	(34,226,987)	(860,193,478)
Net increase (decrease)	(502,970)	\$ (165,028)	(16,588,711)	\$ (383,328,968)

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

2. SHARES OF BENEFICIAL INTEREST *(continued)*

	Six Months Ended January 31, 2014		Year Ended July 31, 2013	
	Shares	Amount	Shares	Amount
Class B Shares^a:				
Shares sold			2,301	\$ 72,289
Shares issued in reinvestment of distributions			683	19,735
Shares redeemed			(142,928)	(4,221,454)
Net increase (decrease)			(139,944)	\$ (4,129,430)
Class C Shares:				
Shares sold	1,235,514	\$ 20,638,363	2,348,316	\$ 57,813,363
Shares issued in reinvestment of distributions	—	—	139,881	4,050,964
Shares redeemed	(1,824,397)	(29,646,289)	(4,736,531)	(113,044,480)
Net increase (decrease)	(588,883)	\$ (9,007,926)	(2,248,334)	\$ (51,180,153)
Class R6 Shares^b:				
Shares sold ^c	29	\$ 543	3,774	\$ 79,998
Shares redeemed	—	—	(3,538)	(55,923)
Net increase (decrease)	29	\$ 543	236	\$ 24,075
Advisor Class Shares:				
Shares sold	2,606,184	\$ 47,863,289	5,094,465	\$ 132,510,815
Shares issued in reinvestment of distributions	—	—	107,769	3,450,748
Shares redeemed ^c	(3,141,762)	(55,967,554)	(8,087,605)	(212,969,597)
Net increase (decrease)	(535,578)	\$ (8,104,265)	(2,885,371)	\$ (77,008,034)

^aEffective March 21, 2013, all Class B shares were converted to Class A.

^bFor the period May 1, 2013 (effective date) to July 31, 2013.

^cEffective May 1, 2013, a portion of Advisor Class shares were exchanged into Class R6.

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

3. TRANSACTIONS WITH AFFILIATES *(continued)*

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily month-end net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class C	1.00%

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

3. TRANSACTIONS WITH AFFILIATES *(continued)*

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the period:

Sales charges retained net of commissions paid to unaffiliated	
broker/dealers	\$119,171
CDSC retained	\$ 14,237

e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended January 31, 2014, the Fund paid transfer agent fees of \$1,638,657, of which \$776,464 was retained by Investor Services.

f. Waiver and Expense Reimbursements

Investor Services has contractually agreed to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.01% through November 30, 2014. There were no expenses waived during the period ended January 31, 2014.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended January 31, 2014, there were no credits earned.

5. INCOME TAXES

For tax purposes, the Fund may elect to defer any portion of a post-October capital loss or late-year ordinary loss to the first day of the following fiscal year. At July 31, 2013, the Fund deferred post-October capital losses and late-year ordinary losses of \$51,678,691 and \$30,209,208, respectively.

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

5. INCOME TAXES *(continued)*

At January 31, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	<u>\$ 1,446,750,243</u>
Unrealized appreciation	\$ 230,347,494
Unrealized depreciation	<u>(719,878,675)</u>
Net unrealized appreciation (depreciation)	<u>\$ (489,531,181)</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of passive foreign investment company shares and corporate actions.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended January 31, 2014, aggregated \$91,251,021 and \$111,866,062, respectively.

7. INVESTMENTS IN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund invests in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

8. CONCENTRATION OF RISK

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) (continued)

9. RESTRICTED SECURITIES (continued)

At January 31, 2014, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares/ Warrants	Issuer	Acquisition Dates	Cost	Value
13,185,700	Great Basin Gold Ltd., 144A	3/26/12	\$ 9,977,073	\$ 18,460
6,592,850	Great Basin Gold Ltd., wts., 144A, 3/30/14	3/26/12	—	—
5,800,00	^a Romarco Minerals Inc., 144A	11/05/13	1,941,376	2,686,609
Total Restricted Securities (Value is 0.28% of Net Assets)			\$11,918,449	\$2,705,069

^aThe Fund also invests in unrestricted securities of the issuer, valued at \$17,488,620 as of January 31, 2014.

10. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines “affiliated companies” to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in “affiliated companies” for the Fund for the period ended January 31, 2014, were as shown below.

Name of Issuer	Number of Shares/ Warrants Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares/ Warrants Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Non-Controlled Affiliates							
Banro Corp. (CAD Traded)	7,007,000	3,300,000	—	10,307,000	\$ 5,091,934	\$ —	\$ —
Banro Corp. (USD Traded)	3,000,000	—	—	3,000,000	1,515,300	—	—
Banro Corp., 144A	7,210,000	—	—	7,210,000	3,561,933	—	—
Chalice Gold Mines Ltd.	31,072,008	—	—	31,072,008	3,670,381	—	—
Eastern Platinum Ltd.	55,983,024	12,000,000	—	67,983,024	5,495,798	—	—
Eastern Platinum Ltd., 144A	7,430,600	—	—	7,430,600	600,695	—	—
Guyana Goldfields Inc.	5,077,600	—	—	5,077,600	11,037,269	—	—
Guyana Goldfields Inc., 144A	6,070,000	—	—	6,070,000	13,194,467	—	—
INV Metals Inc., 144A	37,650,000	—	—	37,650,000	1,014,551	—	—
Kula Gold Ltd.	11,101,016	—	—	11,101,016	864,492	—	—
Lion One Metals Ltd.	1,000,000	—	—	1,000,000	260,487	—	—
Lion One Metals Ltd., 144A	2,935,000	—	—	2,935,000	764,529	—	—
Nevsun Resources Ltd.	1,000,000	—	1,000,000	—	—	17,833	1,732,350
Nevsun Resources Ltd., 144A	13,453,700	19,900	2,820,000	10,653,600	39,138,798	645,340	3,240,616
Platinum Group Metals Ltd.	25,214,320	5,007,300	—	30,221,620	35,561,235	—	—
Platinum Group Metals Ltd., 144A	10,776,000	—	—	10,776,000	12,679,925	—	—

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) (continued)

10. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES (continued)

Name of Issuer	Number of Shares/ Warrants Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares/ Warrants Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Non-Controlled Affiliates (continued)							
Red 5 Ltd.	8,361,661	83,000,000	—	91,361,661	\$ 7,194,731	\$ —	\$ —
Romarco Minerals Inc.	24,018,400	—	—	24,018,400	11,434,252	—	—
Romarco Minerals Inc., 144A	12,717,600	5,800,000	—	18,517,600	8,740,977	—	—
RTG Mining Inc.	4,791,186	—	—	4,791,186	365,805	—	—
RTG Mining Inc., 144A	23,977,900	—	—	23,977,900	1,830,703	—	—
St. Augustine Gold and Copper Ltd.	7,636,836	—	—	7,636,836	— ^a	—	—
St. Augustine Gold and Copper Ltd., 144A	16,383,333	—	—	16,383,333	— ^a	—	—
St. Barbara Ltd.	29,088,151	—	—	29,088,151	8,017,422	—	—
Volta Resources Inc.	5,339,200	—	5,339,200	—	—	—	(4,311,321)
Volta Resources Inc., 144A	4,887,000	—	4,887,000	—	—	—	(8,301,670)
Total Affiliated Securities (Value is 17.99% of Net Assets)					\$172,035,684	\$663,173	\$(7,640,025)

^aAs of January 31, 2014, no longer an affiliate.

11. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which, after an extension of the original terms, matured on February 14, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on February 13, 2015.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the period ended January 31, 2014, the Fund did not use the Global Credit Facility.

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

12. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of January 31, 2014, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments: ^a				
Gold Exploration & Development	\$145,704,136	\$ —	\$2,705,069 ^b	\$148,409,205
All Other Equity Investments ^c	783,157,395	—	—	783,157,395
Short Term Investments	25,652,462	—	—	25,652,462
Total Investments in Securities	\$954,513,993	\$ —	\$2,705,069	\$957,219,062

^aIncludes common stocks as well as other equity investments.

^bIncludes securities determined to have no value at January 31, 2014.

^cFor detailed categories, see the accompanying Statement of Investments.

Franklin Gold and Precious Metals Fund

Notes to Financial Statements (unaudited) *(continued)*

13. NEW ACCOUNTING PRONOUNCEMENTS

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

ABBREVIATIONS

Currency

CAD - Canadian Dollar
GBP - British Pound
USD - United States Dollar

Selected Portfolio

ADR - American Depositary Receipt
CDI - Clearing House Electronic
Subregister System
Depositary Interest

Franklin Gold and Precious Metals Fund

Shareholder Information

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Franklin Templeton Funds

Literature Request. To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com or etf.franklintempleton.com for Franklin Short Duration U.S. Government ETF. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing.

VALUE

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund¹
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund²
Mutual Shares Fund

BLEND

Franklin Focused Core Equity Fund
Franklin Large Cap Equity Fund
Franklin Rising Dividends Fund

GROWTH

Franklin DynaTech Fund
Franklin Flex Cap Growth Fund
Franklin Growth Fund
Franklin Growth Opportunities Fund
Franklin Small Cap Growth Fund
Franklin Small-Mid Cap Growth Fund

SECTOR

Franklin Biotechnology Discovery Fund
Franklin Global Listed Infrastructure Fund
Franklin Global Real Estate Fund
Franklin Gold & Precious Metals Fund
Franklin Natural Resources Fund
Franklin Real Estate Securities Fund
Franklin Utilities Fund
Mutual Financial Services Fund

GLOBAL

Franklin World Perspectives Fund
Mutual Global Discovery Fund
Templeton Global Opportunities Trust
Templeton Global Smaller Companies Fund
Templeton Growth Fund
Templeton World Fund

INTERNATIONAL

Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund³
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund⁴
Templeton Frontier Markets Fund⁵

HYBRID

Franklin Balanced Fund
Franklin Convertible Securities Fund
Franklin Equity Income Fund
Franklin Income Fund
Templeton Emerging Markets Balanced Fund
Templeton Global Balanced Fund

ALTERNATIVE

Franklin K2 Alternative Strategies Fund
Franklin Pelagos Commodities Strategy Fund

ASSET ALLOCATION

Franklin LifeSmart™ Retirement Target Funds (2015-2050)⁶
Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁷
Franklin Floating Rate Daily Access Fund
Franklin Global Government Bond Fund
Franklin High Income Fund

Franklin Limited Maturity U.S. Government Securities Fund⁷
Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Short Duration U.S. Government ETF
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund⁷
Templeton Constrained Bond Fund
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton International Bond Fund

TAX-FREE INCOME⁸

National

Double Tax-Free Income Fund⁹
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund^{10, 11}

Limited-/Intermediate-Term

California Intermediate-Term Tax-Free Income Fund
Federal Intermediate-Term Tax-Free Income Fund
Federal Limited-Term Tax-Free Income Fund
New York Intermediate-Term Tax-Free Income Fund

State-Specific

Alabama	Kentucky	New York
Arizona	Louisiana	(2 funds)
California	Maryland	North Carolina
(4 funds) ¹¹	Massachusetts	Ohio
Colorado	Michigan	Oregon
Connecticut	Minnesota	Pennsylvania
Florida	Missouri	Tennessee
Georgia	New Jersey	Virginia

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹²

1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.

2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.

3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.

4. Effective 12/10/13, the fund closed to new investors, with limited exceptions.

5. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.

6. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged. These funds' target dates are in five-year increments.

7. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.

8. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

9. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).

10. The fund invests primarily in insured municipal securities.

11. Effective at the close of market on 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).

12. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

VALUE	BLEND	GROWTH	SECTOR	GLOBAL	INTERNATIONAL	HYBRID	ASSET ALLOCATION	FIXED INCOME	TAX-FREE INCOME
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FRANKLIN TEMPLETON
INVESTMENTS

< GAIN FROM OUR PERSPECTIVE® >

Semiannual Report and Shareholder Letter

FRANKLIN GOLD AND PRECIOUS METALS FUND

Investment Manager

Franklin Advisers, Inc.

Distributor

Franklin Templeton Distributors, Inc.

(800) DIAL BEN®/342-5236

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Shareholder Services

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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.