FRANKLIN TEMPLETON

Franklin Natural Resources Fund

Advisor Class: FNRAX Class A: FRNRX | **Commentary | as of September 30, 2026**

Key Takeaways

- **Global Commodities Market and Natural Resources Equities:** Global commodity prices generally advanced substantially but unevenly during the third quarter (3Q26), which was dominated by a renewed energy supply shock as the fragile détente between the United States and Iran unraveled. Aside from geopolitical risk premiums and individual commodity supply/demand fundamentals, the macro-driven narrative featured energy-focused inflation, a hawkish US Federal Reserve policy pivot, surging bond yields and a stronger trade-weighted US dollar. Widespread gains on the Refinitiv CoreCommodity CRB Index (+16.0%) masked dispersion beneath the surface: Select metals achieved record highs; energy stayed elevated and choppy on war headlines; non-US natural gas jumped to multiyear highs; and grains rallied on various concerns even as fertilizer costs stayed structurally high. Among commodity-linked stocks, energy was the clear sector winner, while materials lagged and faded hard into September despite generally strong corporate fundamentals. On a global basis, the energy rally generated a 14.9% return (according to the MSCI All Country World Index), more than 10 percentage points ahead of the next-best sector (information technology) despite a 2.1% drop in September. Global materials shares were considerably weaker and more heterogeneous. They suffered a 7.5% decline in September, reducing their 3Q26 gain to 2.3% and relegating them to sixth place among the 11 major sectors.
- **Detractors:** Overweighted or off-index positions in steel and copper producers, as well as poor-performing diversified mining companies; underweighted exposure to rallying oil and gas conglomerates and refiners; and below-benchmark returns in 13 out of 14 industries that sit outside the benchmark universe.
- **Contributors:** Beneficial underweighting and stock selection in the construction materials industry, along with underweightings in uranium producers; energy storage and transportation companies; and paper/plastic packaging, products and materials stocks.
- **Outlook:** In our view, investment leadership is shifting towards businesses that benefit from supply security, strategic resources and government policy rather than broad economic growth.

Top Equity Issuers (% of Total)

Holding	Fund
EXXONMOBIL HOLDINGS CORP	4.29
NEWMONT CORP	3.66
CONOCOPHILLIPS	3.52
CHEVRON CORP	3.22
FREEPORT-MCMORAN INC	2.84
BARRICK MINING CORP	2.56
BP PLC	2.53
AGNICO EAGLE MINES LTD	2.40
BHP GROUP LTD	2.36
PHILLIPS 66	2.32

Performance Review

- Franklin Natural Resources Fund (Advisor Class without sales charges) posted solid absolute 3Q26 gains led by oil- and gold-focused holdings, but it also trailed its benchmark index, with the shortfall driven almost entirely by sector/industry allocation decisions and, to a much lesser extent, stock selection. Our structural underweight to energy—a sector that outperformed amid elevated crude oil prices—was the most consequential positioning call, while an overweight to materials and an active off-benchmark allocation to natural resources-adjacent industrials companies compounded the drag.
- Energy flipped from the worst 2Q26 performer to the top spot in 3Q26 as higher oil and refined-product prices improved cash flows across exploration and production (E&P), energy conglomerates, refiners and portions of the energy services complex. Although global refinery outages and constrained diesel exports factored into gains of more than 50% in the oil and gas refining industry, the portfolio's substantially lighter-than-index exposure to it (Valero, Marathon Petroleum) was detrimental. A similar dynamic played out in integrated oil and gas, where the alpha captured by off-benchmark European energy majors such as Shell (+24%) and BP (+21%) was absorbed by underweight detractors like Chevron (+24%) and ExxonMobil (+20%). The fund fared better in E&P (due to stock selection) as off-index Aker BP (+18%) and other holdings topped the index by wide margins, and as we avoided several of the benchmark's worst-performing stocks (in natural gas-focused equities). Relatively light exposures to energy transportation and pipeline infrastructure companies like Enbridge, ONEOK and TC Energy also played a role as they sustained losses of more than 12% each.
- Most of the fund's minor, off-benchmark industry allocations either sold off or trailed the index's gain, including semiconductors, where a solitary investment in solar energy-focused T1 Energy shed about 59% of its equity value; industrial gases, where Linde (-8%) was the main detractor; heavy electrical equipment, where Forgent Power Solutions fell about 40%; and fertilizers and agricultural chemicals, where Corteva's shares fell 8% and partially offset the support from minor contributor Nutrien (+12%). Our position in T1 Energy, a US-based solar manufacturer producing solar cells and modules, had previously been reduced on strength, but it still curbed our results as investor sentiment soured with the expiration of a key federal solar tax credit.
- Overweighted gold-mining contributors such as Newmont (+24%) were buoyed by record earnings, transformative corporate activity, and rising gold prices. Most copper-focused miners also advanced, including overweight contributor ERO Copper (+38%). And though South32 (not an index component) and several other positions in the diversified metals and mining industry were helpful, several detractors muted their positive impact as they sold off sharply or rose less than the index (as with BHP Group). IperionX, Lindian Resources and MP Materials were outliers to the downside as investors shifted away from rare earths and critical/strategic minerals plays for the time being.

Outlook

- **The Iran conflict and continued Russia-Ukraine hostilities have increased risks to global energy, liquefied natural gas (LNG) and shipping markets,** reinforcing inflationary pressures and geopolitical risk premia.
- **We favor crude oil producers and those natural gas producers with exposure to US LNG exports, along with companies focused on copper, uranium, gold and selected critical minerals,** supported by long-term structural demand and resilient supply fundamentals.
- **We continue to emphasize high-quality companies** with low-cost assets, strong balance sheets and disciplined capital allocation, using market volatility to selectively add portfolio exposure.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of September 30, 2026

			Without Sales Charge							With Maximum Sales Charge							Expenses		Sales Charges		Inception
Class	CUSIP	Ticker	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge	CDSC	Date
Advisor Class	354713851	FNRAX	5.77	21.88	31.00	17.21	18.76	7.79	7.55	5.77	21.88	31.00	17.21	18.76	7.79	7.55	0.71	0.70	—	—	6/5/1995
Class A	354713604	FRNRX	5.71	21.65	30.69	16.92	18.46	7.52	7.11	-0.11	14.95	23.51	14.73	17.13	6.92	6.92	0.97	0.96	5.50	—	6/5/1995
Benchmark 1	—	—	10.32	24.80	28.76	17.31	19.68	9.77	—	10.32	24.80	28.76	17.31	19.68	9.77	—	—	—	—	—	—
Benchmark 2	—	—	10.36	21.07	29.41	14.24	12.15	10.82	—	10.36	21.07	29.41	14.24	12.15	10.82	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=S&P North American Natural Resources Sector Index

Benchmark 2=S&P Global Natural Resources Index

Performance data quoted represents past performance, which does not guarantee future results. *Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns with sales charge reflect a deduction of the stated maximum sales charge. An investor cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please visit franklintempleton.com.*
The fund began offering Advisor Class shares on 12/31/1996. Performance quotations have been calculated as follows: (a) for Advisor Class periods prior to 12/31/1996, a restated figure is used based on the fund's Class A performance. The performance was adjusted to take into account differences in class-specific operating expenses and maximum sales charges. (b) For periods after share class offering, performance for the specific share class is used, reflecting the expenses and maximum sales charges applicable to that class.
Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 08/31/2027 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

What are the Risks?

All investments involve risks, including possible loss of principal. To the extent the portfolio invests in a **concentration of certain securities, regions or industries**, it is subject to increased volatility. The **investment style** may become out of favor, which may have a negative impact on performance. **Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets.** The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the fund's prospectus.

Glossary

The **Bloomberg Commodity Index (BCOM)** is a broadly diversified commodity price index. Source: Bloomberg Indices.

The **MSCI All Country World Index** is a market capitalization-weighted index that is designed to measure equity market performance of developed and emerging markets. Source: MSCI makes no warranties and shall have no liability with respect to any MSCI data reproduced herein. No further redistribution or use is permitted. This report is not prepared or endorsed by MSCI.

The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © S&P Dow Jones Indices LLC. All rights reserved.

The **Refinitiv Core Commodity CRB Index** is a commodity futures price index that serves as a benchmark for global commodity market dynamics.

Important Information

Effective September 1, 2024 the fund changed its benchmark to the S&P Global Natural Resources Index.

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.

The **S&P Global Natural Resources Index** includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining. The **S&P North American Natural Resources Index** provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS energy and materials sector excluding the chemicals industry; and steel sub-industry.

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Important data provider notices and terms available at www.franklintempletondatasources.com. All data is subject to change.

Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

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Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.

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