FRANKLIN TEMPLETON

# Franklin Natural Resources Fund

**Advisor Class: FNRAX Class A: FRNRX** | **Commentary | as of September 30, 2025**

## Key Takeaways

- **Global Commodities Market and Natural Resources Equities:** Global commodities posted modest and uneven gains in the third quarter of 2025 (3Q25) as inflation and trade fragmentation kept economic risks skewed to the downside. Precious and industrial metals outperformed, while energy and agricultural prices generally weakened. The Refinitiv CoreCommodity CRB Index advanced 1.1%, led by sharp rises in gold, silver, coffee and orange juice, partially offset by declines in gasoline, natural gas, crude oil and major crops such as wheat. Commodity-linked equities generally outperformed, with global materials stocks up significantly (according to the MSCI All Country World Index in US-dollar terms), led by metals, mining and construction materials. In contrast, US materials stocks rose moderately (per the S&P 500). Energy stocks posted mid-single-digit-percentage gains on both indexes.
- **Contributors:** Significant overweightings in outperforming metals and mining companies, favorable stock selection among copper producers, and substantial underweightings in select energy-related industries.
- **Detractors:** Declines or lagging gains for several off-index allocations such as fertilizers and agricultural chemicals, as well as industrial gasses.
- **Outlook:** Discussions as to whether stocks have entered bubble territory have surfaced, and while we do see some signs in this regard, we also think several natural resources industries—especially within the energy sector—remain depressed and therefore present potentially attractive long-term investment opportunities.

## Top Equity Issuers (% of Total)

| Holding | Fund |
|---|---|
| EXXON MOBIL CORP | 4.66 |
| NEWMONT CORP | 4.40 |
| CONOCOPHILLIPS | 3.97 |
| CHEVRON CORP | 3.68 |
| BARRICK MINING CORP | 3.31 |
| BHP GROUP LTD | 2.95 |
| AGNICO EAGLE MINES LTD | 2.75 |
| COTERRA ENERGY INC | 2.47 |
| LINDE PLC | 2.22 |
| CORTEVA INC | 2.06 |

## Performance Review

- The fund (Advisor Class without sales charges) posted broad-based absolute gains and fared better than the S&P North American Natural Resources Index across most industry allocations. Metals and mining stocks were important contributors, with relative returns boosted foremost by impressive rallies for several overweight or off-benchmark stocks in the diversified metals and mining industry (averaging 10% of total net assets). Rare earth-focused MP Materials and Aclara Resources more than doubled in value, while titanium processor IperionX, mining conglomerate BHP Group and seven others posted benchmark-topping, double-digit-percentage gains. In what was America's most significant move toward rare earth independence from China, the US Department of Defense took a 15% equity stake in US-based MP Materials this summer. MP also announced a $500 million supply deal with Apple (not held by the fund) for rare earth magnets. Aclara announced a strategic collaboration with Stanford University's Mineral-X initiative, focused on artificial intelligence-driven innovations across the heavy rare earth elements supply chain—from exploration through processing.
- Our positions in gold-focused miners combined for an impressive gain of more than 45%, with results versus the benchmark boosted by favorable stock selection. The top gold industry contributors were Barrick Mining, Equinox Gold and Newmont, though all other related holdings also rallied well beyond the benchmark average. Gold spot prices soared 11.9% in September, 16.8% in 3Q25 and 47.0% year-to-date (to $3,859 per troy ounce)—on track for the biggest annual gain since 1979. Gold has achieved successive real (inflation-adjusted) all-time highs amid ongoing investor concerns about geopolitical tensions, the economic turbulence of US-led tariffs and trade conflicts, inflation and a high degree of uncertainty about the outlook for the US Federal Reserve's (Fed's) rate-reduction cycle. These factors were joined by the support of declining real yields and newer concerns over persistently elevated fiscal debt, budgeting deadlock in Washington and a looming US government shutdown.
- Much of what hindered our results versus the index occurred in the energy sector, along with declines or lagging gains in a handful of off-benchmark, non-core industry allocations outside the global energy complex. Fortunately, many energy-related stocks fared better than the commodities they produce. Although our underweightings in Exxon Mobil and Chevron aided relative returns in the integrated oil and gas industry, their support was offset by weakness in off-index European energy majors Shell and TotalEnergies. Furthermore, oil and gas exploration and production (E&P) industry holdings (averaging just over 16% of the portfolio) collectively declined by just over 1%, while the index's E&P constituents increased by roughly the same amount, with our results hindered foremost by the selloffs in overweight Coterra Energy and off-benchmark Infinity Natural Resources and Tourmaline Oil. All three of these companies generate a large portion of their production from natural gas and/or natural gas liquids.
- Among the other notable detractors, the fund's off-index stake in the fertilizers and agricultural chemicals industry was hindered by a loss for Corteva (developer of seeds, crop protection products and digital farming solutions) and a much smaller-than-index gain for Nutrien—the world's largest producer of potash, the second-largest nitrogen fertilizer producer and a major player in phosphate.

## Outlook

- The Fed's September interest-rate cut boosted investor sentiment even as inflation lingered above target, gold surged to record highs, and some questioned easing policy amid rising prices and slowing growth. These factors, when combined with sector-specific fundamental trends, keep us mostly on the sidelines with respect to additional investments as we seek a clearer picture of geopolitical and economic trends.
- While we remain constructive on the long-term outlook for natural gas demand growth and supportive pricing, we are also well aware that the equities often present opportunities for investment during this period given the actions of traders and short-term investors that base their decisions on the current spot price. We are therefore content to wait for such opportunities to make additional investments.
- Copper prices have risen largely on the back of supply disruptions tied to recent mining accidents, such as we saw in Chile and Indonesia this summer. Unfortunately, these kinds of adverse events are not isolated and highlight the dangerous conditions of underground mining and the tenuous reliability of supply.



Not FDIC Insured | No Bank Guarantee | May Lose Value

## Average annual total returns and fund expenses (%) - as of September 30, 2025

| | | | 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 | 12.95 | 21.60 | 15.38 | 15.42 | 23.80 | 6.91 | 6.86 | 12.95 | 21.60 | 15.38 | 15.42 | 23.80 | 6.91 | 6.86 | 0.76 | 0.75 | — | — | 6/5/1995 |
| Class A | 354713604 | FRNRX | 12.86 | 21.38 | 15.11 | 15.14 | 23.49 | 6.65 | 6.41 | 6.66 | 14.69 | 8.78 | 12.99 | 22.09 | 6.04 | 6.21 | 1.01 | 1.00 | 5.50 | — | 6/5/1995 |
| Benchmark 1 | — | — | 11.72 | 17.38 | 14.63 | 15.86 | 24.04 | 9.21 | — | 11.72 | 17.38 | 14.63 | 15.86 | 24.04 | 9.21 | — | — | — | — | — | — |
| Benchmark 2 | — | — | 9.51 | 21.31 | 7.04 | 10.72 | 14.29 | 10.41 | — | 9.51 | 21.31 | 7.04 | 10.72 | 14.29 | 10.41 | — | — | — | — | — | — |

## 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 08/31/2026 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 **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 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. Source: © S&P Dow Jones Indices LLC. All rights reserved.

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.

## 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 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. Source: © S&P Dow Jones Indices LLC. All rights reserved. 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. Source: © S&P Dow Jones Indices LLC.

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

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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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