

# Franklin Natural Resources Fund

Advisor Class: FNRAX Class A: FNRX

Commentary | as of March 31, 2026

## Key Takeaways

- Global Commodities Market and Natural Resources Equities:** Boosted by supply shocks concentrated in energy and agriculture, the global commodity complex, as measured by the Refinitiv CoreCommodity CRB Index (CRB), posted a 24.6% first quarter 2026 (1Q26) price return, with nearly all of that gain occurring in March. The US dollar's trade-weighted value rose from a four-year low and generally made commodities more expensive for users of other currencies. The CRB's rally was supported by extraordinary returns for US-based heating oil (+96.3%), gasoline (+94.2%) and crude oil (+76.6%), while major crop products such as wheat (+21.5%) and soybeans (+13.6%) provided secondary support. Precious and industrial metals had mixed results, while the CRB's downside was anchored by double-digit losses in cocoa (-45.6%), US natural gas (-21.8%) and coffee (-14.5%). Commodity trading reflected elevated risks linked to the outbreak of war in the Middle East, uneven supply/demand dynamics, financial market volatility, weakening consumer sentiment, inflation pressures and fairly stable central bank policy stances across major economies. Ongoing structural themes—including resource nationalism, trade barriers and supply chain realignment—also remained influential. Although the US stock market delivered its worst quarterly results since 2022, the energy sector was a distinct outlier to the upside, having gained 38.3% domestically (as measured by the S&P 500 Index) and 33.8% globally (per the MSCI All Country World Index in US dollar terms). In both cases, energy topped all 10 other major equity sectors in 1Q26 and was the only one with a gain in March (+10.4% in the US and +10.5% globally). On the same two measures, materials sector stocks were also resilient as they increased 9.7% (S&P 500) and 6.7% (MSCI ACWI) in the quarter despite losses of 6.9% (US) and 11.6% (globally) in March, when they dropped into the bottom half of the sector rankings as the metals and mining industry fell by double-digit percentages and shed most of its prior 1Q26 gains.
- Detractors:** Significant underweighting in the integrated oil and gas industry; stock selection and an overweighting among copper producers; and substantial overweighting in diversified metals and mining companies.
- Contributors:** Lighter-than-benchmark exposures to poor-performing construction materials, paper and plastic packaging, and energy pipeline and infrastructure companies.
- Outlook:** We remain constructively cautious as the Iran war has made the near-term backdrop more supportive for energy, precious metals and select supply-constrained commodities than previously assumed.

## Performance Review

- Franklin Natural Resources Fund (Advisor Class without sales charges) posted robust, broad-based 1Q26 gains as 20 out of 25 industry allocations added to absolute returns. In relative terms, the fund lagged its primary benchmark, the energy-heavy S&P North American Natural Resources Sector Index, due to the negative impact of industry allocation choices.
- Several relative detractors were focused on base metals. Copper miners such as Capstone Copper (not an index component) and ERO Copper (overweight) underperformed, while returns in the diversified metals and mining industry were pressured by losses for key off-index detractors Ivanhoe Mines and IperionX.
- In precious metals, gold-mining companies had positive returns overall, despite heavy selling in March. While our lack of exposure to Wheaton Precious Metals and many other index component stocks helped relative performance in this industry, returns were constrained by a loss for Barrick Mining (overweight) and trailing gains for all others.
- Some of our minor off-index allocations also had weak results, including a decline of more than 20% in the electrical components and equipment industry, due mainly to utility-scale solar module and battery storage developer T1 Energy; lagging gains for industrial gases companies; and a decline for Xylem, a water technology and equipment specialist that was the fund's only investment in the industrial machinery, supplies and components industry.
- Energy sector stocks were spread across seven industries and covered almost half of the portfolio, with nearly all individual holdings advancing solidly. The main drivers of higher 1Q26 oil prices were overwhelmingly tied to geopolitical risk premiums and supply uncertainty, rather than underlying demand growth. While the fund posted a gain of more than 40% in the integrated oil and gas industry and also received a relative-return boost from security selection across energy conglomerates, it would have fared better versus the benchmark if not for a substantial underweighting. For diversification's sake, and given a challenging outlook for energy markets prior to the Iran war, we limited the portfolio's exposure to about 10 percentage points below that of the capitalization-weighted index.
- In oil and gas exploration and production (E&P), the fund lacked exposure to high-flying index components such as Texas Pacific Land and APA, and was underweighted in other companies that appreciated beyond the benchmark average. On the E&P upside, the relative-return deficit created by those detractors was erased by stout rallies for overweight or off-index holdings such as Aker BP, Tamboran Resources, Matador Resources and others. In oilfield services, the fund and benchmark were essentially even, with our results supported by an overweighting in Liberty Energy. The fund outperformed in the oil and gas storage and transportation industry as we lacked exposure to several sub-par stocks tracked by the index, and maintained underweightings in other laggards, including key contributor Enbridge.
- Strategic avoidance provided added benefits as the fund held no investments in select underperforming natural resources industries tracked by the index, including silver, forest products, and paper products. The portfolio also contained a few off-benchmark allocations that enjoyed big rallies, led by agricultural products and services and specialty chemicals.

## Outlook

- Overall, we still do not expect a smooth, broad-based rally across natural resources equities, but we believe the Iran war has increased the value of active portfolio positioning. We are placing greater emphasis on energy security, LNG (liquefied natural gas) exposure, gold, resilient E&Ps, and miners with pricing power, while remaining selective on economically sensitive areas that could struggle if higher oil prices begin to weigh more heavily on growth.

## Top Equity Issuers (% of Total)

Holding	Fund
EXXON MOBIL CORP	4.27
CONOCOPHILLIPS	3.55
CHEVRON CORP	3.17
NEWMONT CORP	3.11
AGNICO EAGLE MINES LTD	2.52
BARRICK MINING CORP	2.52
EOG RESOURCES INC	2.46
TOTALENERGIES SE	2.29
BHP GROUP LTD	2.22
LINDE PLC	2.19

## Average annual total returns and fund expenses (%) - as of March 31, 2026

Class	CUSIP	Ticker	Without Sales Charge						With Maximum Sales Charge						Expenses		Sales Charges		Inception Date		
			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
Advisor Class	354713851	FNRA	22.89	22.89	51.70	19.95	20.63	9.65	7.71	22.89	22.89	51.70	19.95	20.63	9.65	7.71	0.76	0.75	—	—	6/5/1995
Class A	354713604	FRNRX	22.80	22.80	51.31	19.65	20.33	9.37	7.26	16.04	16.04	43.01	17.42	18.98	8.76	7.07	1.01	1.00	5.50	—	6/5/1995
Benchmark 1	—	—	25.96	25.96	42.39	20.71	21.85	11.64	—	25.96	25.96	42.39	20.71	21.85	11.64	—	—	—	—	—	
Benchmark 2	—	—	19.84	19.84	45.06	13.82	12.88	12.12	—	19.84	19.84	45.06	13.82	12.88	12.12	—	—	—	—	—	

## 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 **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 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. 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.

Important data provider notices and terms available at [www.franklintempletondatasources.com](http://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](http://www.franklintempleton.com). Please read it carefully.**