FRANKLIN TEMPLETON

Franklin Natural Resources Fund

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

Key Takeaways

- **Global Commodities Market and Natural Resources Equities:** After rallying during the first quarter of 2026 amid supply disruptions centered on Middle East energy exports, the global commodities complex transitioned into a consolidation phase as investors reassessed supply risks and the prospect of higher interest rates. Broad commodity benchmarks finished the second quarter (2Q26) well above their year-ago levels while retreating from their 2026 highs. The Refinitiv CoreCommodity CRB Index (CRB) fell by 5.1% in 2Q26 but was still up 18.4% year-to-date. Materials sector stocks posted a 2.0% 2Q26 return in the United States (according to the S&P 500 Index) and a scant 0.2% advance globally (per the MSCI All Country World Index in US dollar terms), relegating it to the back half of the sector rankings. The energy sector underwent a correction and sank to last place among the 11 major sector groups, both in the United States (-13.5%) and globally (-12.9%). Investor preferences increasingly shifted towards companies with low-cost production, strong balance sheets and resource assets located in politically stable jurisdictions, reflecting growing concerns over supply-chain resilience rather than simple exposure to commodity price appreciation.
- **Contributors:** Overweight exposure to the materials sector and underweighting in energy companies. Security selection within energy also contributed, reflecting disciplined stock picking under broadly weak circumstances.
- **Detractors:** Underweightings in two energy-related industries that appreciated (while five others sold off): oil and gas storage and transportation, and oil and gas refining and marketing. Underweightings in construction materials; and paper and plastic packaging, products and materials were also a hindrance.
- **Outlook:** We believe select metals present the strongest long-term investment opportunity, but we remain concerned that ongoing tensions in the Middle East and resulting inflationary pressures could soften economic growth and demand for some. Gold, silver, copper and uranium have the strongest structural outlook, supported by supply constraints and long-term demand trends. However, as tensions have resurfaced in the Persian Gulf, oil and related equities may garner renewed support.

Top Equity Issuers (% of Total)

Holding	Fund
EXXON MOBIL CORP	3.98
NEWMONT CORP	3.08
CONOCOPHILLIPS	2.95
CHEVRON CORP	2.90
FREEPORT-MCMORAN INC	2.78
LINDE PLC	2.52
BHP GROUP LTD	2.51
BARRICK MINING CORP	2.47
BP PLC	2.32
WILLIAMS COS INC/THE	2.28

Performance Review

- Franklin Natural Resources Fund (Advisor Class without sales charges) navigated a challenging quarter for commodity-linked equities while generating meaningful outperformance versus the S&P North American Natural Resources Sector Index despite an absolute decline in the portfolio. Relative-return advantages were driven primarily by strategic sector positioning and beneficial allocation choices, with an overweight to materials (focused on metals and mining companies) serving as the dominant contributor. Conversely, stock selection was a minor hindrance. During the period, portfolio transactions were largely a function of shifting fundamentals across the commodities complex in addition to opportunistic transactions as we sought to exploit market volatility.
- A sizeable overweighting in the diversified metals and mining industry (at nearly 10% of total net assets) was beneficial as these holdings combined for a 7.5% gain, led by off-index BHP Group (+14.5%) and an overweight stake in US rare earths miner/processor MP Materials (+16.5%). Critical minerals and materials producers such as MP and off-benchmark Neo Performance Materials (+66%) upgraded their full-year 2026 guidance, reflecting expanding operations and higher sustained prices across rare earth metals and magnet materials used in electric vehicles, electronics, defense applications and wind turbines. In a similar vein, several off-benchmark investments in the copper industry (led by Antofagasta) and steel industry (led by Reliance) also rallied solidly in 2Q26.
- Off-benchmark contributors in the industrials sector included T1 Energy (+111%), which specializes in photovoltaic solar modules and battery storage technologies; and Forgent Power Solutions (+91%), which makes electrical distribution equipment used in data centers, utility power grids and energy-intensive industrial facilities. They reported stronger-than-expected 1Q26 financial results amid accelerating new order momentum. The common theme for these and other grid-focused holdings—including energy generation and grid technology specialist GE Vernova (+34%)—was investors aggressively bidding up companies viewed as beneficiaries of the US power-infrastructure buildout, driven by surging electricity demand from AI data centers, grid modernization and domestic energy-related manufacturing.
- Modest outperformance in the gold industry was due to underweighting and the portfolio's lack of exposure to numerous index component stocks that sold off sharply as gold prices fell 14.1% in a steady retreat from January's record highs. Unfortunately, all gold miners held by the fund sustained double-digit percentage losses, including key overweight detractors Equinox Gold, Alamos Gold and Newmont.
- Stock selection worked against us in oil and gas exploration and production, where off-index or overweight detractors like Infinity Natural Resources, Tamboran Resources and Matador Resources fell further than the benchmark average. Elsewhere, Nutrien (fertilizers and agricultural chemicals) underperformed as most types of fertilizer declined from multiyear highs, despite broadly constructive company-specific fundamentals, in our view.
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Outlook

- **For producer equities, our outlook favors companies leveraged to gold, silver, copper, uranium and natural gas, where structural demand and stronger earnings growth remain intact, though most oil producers appear more attractive to us following the recent pullback as they appear to be discounting oil prices near the lower bound of our expected long-term range.** With respect to diversified metals and mining companies, we believe those with significant copper and precious metals exposure are better positioned than pure-play iron ore producers, while cost inflation remains a sector-wide risk. Overall, investors are expected to increasingly favor commodities supported by long-term structural demand rather than those reliant on cyclical economic growth or geopolitical disruptions.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Average annual total returns and fund expenses (%) - as of June 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	-6.24	15.22	39.88	17.02	16.84	7.63	7.42	-6.24	15.22	39.88	17.02	16.84	7.63	7.42	0.76	0.75	—	—	6/5/1995
Class A	354713604	FRNRX	-6.29	15.08	39.53	16.73	16.55	7.36	6.98	-11.44	8.74	31.87	14.55	15.24	6.76	6.79	1.01	1.00	5.50	—	6/5/1995
Benchmark 1	—	—	-10.19	13.12	30.40	16.51	16.77	9.15	—	-10.19	13.12	30.40	16.51	16.77	9.15	—	—	—	—	—	—
Benchmark 2	—	—	-8.45	9.71	28.41	11.90	9.35	10.38	—	-8.45	9.71	28.41	11.90	9.35	10.38	—	—	—	—	—	—

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.

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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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