

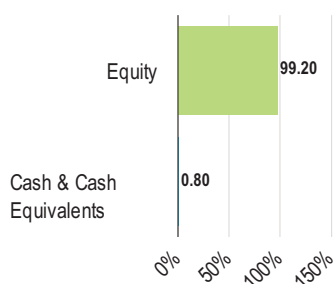
## Product Profile

### Product Details<sup>1</sup>

Fund Assets	\$883,431,574.40
Fund Inception Date	05/19/1969
Number of Issuers	65
NASDAQ Symbol	FGADX
Maximum Sales Charge	0.00
Investment Style	Sector
Benchmark	FTSE Gold Mines Index S&P 500 Index
Lipper Classification	Precious Metals Equity Funds
Morningstar Category™	Equity Precious Metals
Dividend Frequency	Annually in December

### Asset Allocation<sup>2</sup>

Percent of Total



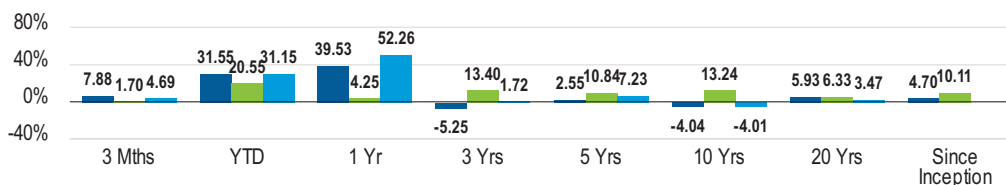
### Fund Description

The fund seeks capital appreciation by investing at least 80% of its net assets in the securities of companies around the world that mine, process or deal in gold or other precious metals such as silver, platinum and palladium. The fund has a secondary goal of current income.

### Performance Data<sup>3,4</sup>

#### Average Annual Total Returns<sup>5</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (05/19/1969)
Advisor Class	7.88	31.55	39.53	-5.25	2.55	-4.04	5.93	4.70
S&P 500 Index	1.70	20.55	4.25	13.40	10.84	13.24	6.33	10.11
FTSE Gold Mines Index	4.69	31.15	52.26	1.72	7.23	-4.01	3.47	-



- Advisor Class
- S&P 500 Index
- FTSE Gold Mines Index

#### Total Annual Operating Expenses: 0.73%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

#### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Advisor Class	-17.89	0.05	56.01	-22.20	-9.96	-47.89	-14.55	-24.64	49.55	70.00
S&P 500 Index	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46
FTSE Gold Mines Index	-10.04	10.23	60.72	-20.47	-14.18	-52.25	-14.01	-15.06	29.93	30.50

1. All holdings are subject to change. Holdings of the same issuers have been combined.

2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

4. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

5. Periods shorter than one year are shown as cumulative total returns.

Portfolio Manager Insight<sup>6</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Industries
HELPED	Red 5 (Off-Benchmark Exposure)	Gold (Stock Selection)
	Newmont Goldcorp (Significant Underweight)	Precious Metals and Minerals (Significant Overweight)
	Impala Platinum Holdings (Off-Benchmark Exposure)	—
HURT	Barrick Gold (Significant Underweight)	Diversified Metals and Mining (Off-Benchmark Exposure)
	Ivanhoe Mines (Off-Benchmark Exposure)	Copper (Off-Benchmark Exposure)
	Golden Star Resources (Off-Benchmark Exposure)	Silver (Off-Benchmark Exposure)

- Stock selection in the gold industry had an exceptionally strong positive impact on our results versus the benchmark index; our average return in the gold industry roughly doubled the index's outcome as Red 5, Eldorado Gold, Dacian Gold, Centerra Gold, Perseus Mining, Asanko Gold, Alacer Gold and many others posted double- and even triple-digit percentage returns over the July–September span.
- Among the notable gold industry contributors, mid-tier gold producer Eldorado Gold released a preliminary second-quarter production estimate of 91,803 ounces of gold, driven by the first quarter of commercial production from their Lamaque mine in Canada (adding roughly 33,000 ounces to the total). Although this quarterly production represented a 7.4% year-over-year decline, Eldorado management reaffirmed its 2019 gold production forecast for 390,000 to 420,000 ounces (a 16% increase over 2018). The election of a new prime minister in Greece perceived to be more business-friendly also helped the shares given Eldorado's exposure to the country, with its two operating assets and two stalled development projects.
- Despite its rank as the top relative detractor of the quarter, Barrick Gold was still among the top-five contributors to the fund's standalone returns. Elsewhere in the portfolio, a net decline for our small (4.0%) allocation to diversified miners with significant base metals exposure curbed both relative and absolute returns. In particular, exploration and development company Ivanhoe Mines sold off on lower copper prices and lingering concerns around the Democratic Republic of Congo (DRC), despite successfully securing financing for their projects through China-based CITIC Ltd., which closed in August. Operationally, the company appeared to be faring well as management outlined multiple, accelerated development plans and new exploration successes around the exceptionally high-grade copper deposits at Kamoa-Kakula in the DRC.

## Outlook &amp; Strategy

- Gold prices reached a fresh six-year high in early September before pulling back through quarter-end. Physical gold held globally by exchange-traded funds (ETFs) added 2.25 million ounces in September, bringing the third-quarter total to 6.95 million ounces. Physical gold ETFs held 81.1 million ounces at quarter-end, rapidly approaching the all-time high of 82.7 million ounces set in December 2012.
- According to the World Gold Council, healthy ETF inflows and record central bank gold purchases have boosted year-to-date gold demand. Central banks purchased 450 metric tons (mt) of gold through the end of August. This showed continued strength carrying over from last year's 74% rise in central bank buying, with 651 mt of gold accumulated, the largest annual purchase since 1971 (when the US stopped the dollar's convertibility into gold).
- Gold averaged US\$1,474 per ounce during the third quarter, up significantly from the US\$1,308 second-quarter average, and quarterly results should show significant improvement on a year-over-year basis as gold only averaged US\$1,214 in the third quarter of 2018. Given the strong move—and with gold ending the quarter very close to the quarterly average—there is growing excitement in the gold-mining industry that third-quarter financial results may finally be able to showcase strong cash generation and margin expansion.
- Gold equities remain highly correlated to gold bullion, but with higher beta, continuing a trend that has been in place over the past few years. Many gold-focused companies struggled to generate free cash flow in a US\$1,250-per-ounce gold environment as total costs for many producers are very close to that level, according to our analysis. Mining costs tend to be relatively fixed, so higher gold prices can flow straight to the bottom line and the move above US\$1,450 should provide a significant lift in cash flow for the entire industry, in our view, and gold equities delivered strong returns over the past three months on the back of this leverage to higher prices. We expect this performance to continue if prices move higher or at least stabilize in a higher trading range, especially as valuation multiples have compressed significantly over the past several years as gold's price volatility declined.
- Barrick and Newmont finalized a joint venture of their assets in Nevada at the end of June, with Barrick taking over as operator and 61.5% owner of the world's largest gold-producing complex in July, where they expect to unlock synergies and new development options for the benefit of both companies. Separately, St. Barbara finalized its acquisition of Atlantic Gold in July, adding a third mining area to the company's portfolio. Although it may take some time for management teams to adjust to the current higher gold price, we expect merger-and-acquisition activity to continue over the next year. We also believe potential asset divestments from companies such as Barrick, Newmont and Pan American Silver (following its recent acquisitions) may provide an opportunity for smaller mining companies to expand their portfolios.
- We see attractive opportunities in gold- and precious metals-focused equities, especially if gold prices continue to move higher. We believe many gold companies are well-positioned to survive a period of weak prices if it should occur, and yet they offer significant upside potential if prices rise. Most mining companies have maintained a focus on improving the cost structure of their operations, debt repayment and asset rationalization, which we believe should result in improved performance potential going forward as management teams look increasingly focused on turning higher prices into free cash flow that can be reinvested in high return projects or returned to shareholders through dividends.

6. 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.

**Portfolio Characteristics**<sup>7,8</sup>

	Portfolio	FTSE Gold Mines Index
Market Capitalization (Millions in USD)	6,449	16,204
Return on Equity	-2.62%	0.19%
Historical 3-Year EPS Growth	-23.86%	-46.63%
Estimated 3-5 Yr EPS Growth	21.47%	16.36%
Price to Earnings (12 Month Forward)	17.79x	22.71x

**Portfolio Diversification****Top Ten Holdings**<sup>9</sup>

Percent of Total

Top Holdings	Country	%
B2GOLD CORP	Canada	6.36
BARRICK GOLD CORP	Canada	6.06
NEWCREST MINING LTD	Australia	5.47
ANGLOGOLD ASHANTI LTD	South Africa	4.96
ALAMOS GOLD INC	Canada	4.20
NEWMONT GOLDCORP CORP	United States	3.90
PERSEUS MINING LTD	Australia	3.66
CENTERRA GOLD INC	Canada	3.58
IMPALA PLATINUM HOLDINGS LTD	South Africa	3.24
AGNICO EAGLE MINES LTD	Canada	2.84

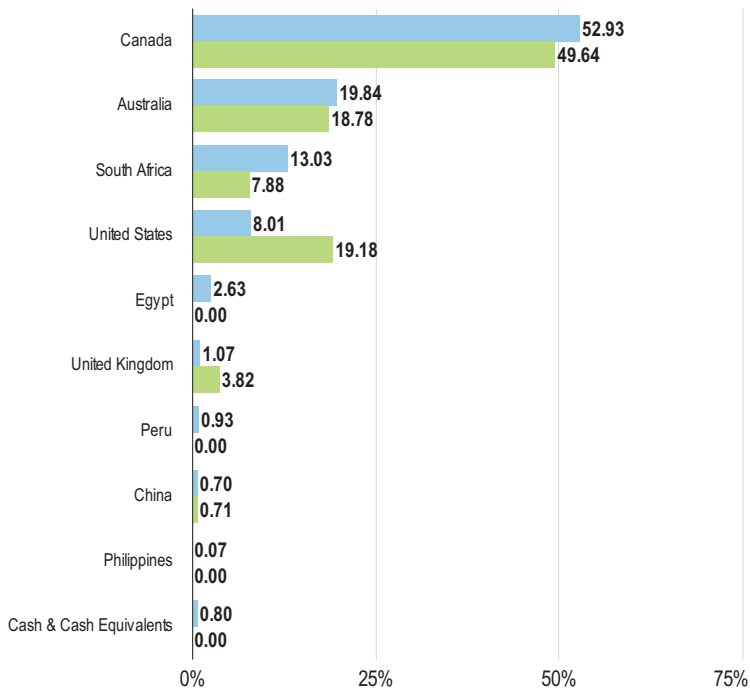
7. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

8. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

9. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

**Geographic Weightings vs. FTSE Gold Mines Index<sup>10,11</sup>**

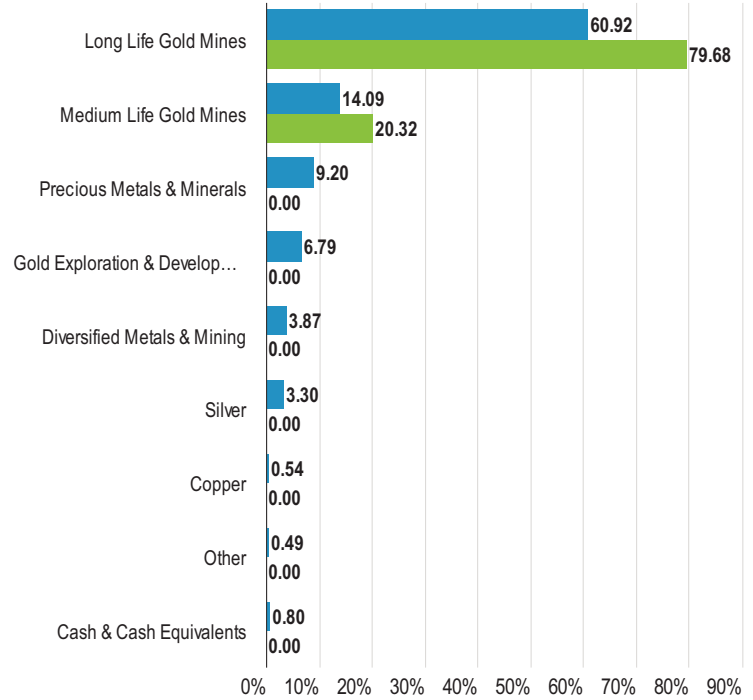
Percent of Total



● Franklin Gold and Precious Metals Fund  
● FTSE Gold Mines Index

**Sector Weightings vs. FTSE Gold Mines Index<sup>12,13</sup>**

Percent of Total



● Franklin Gold and Precious Metals Fund  
● FTSE Gold Mines Index

**Supplemental Performance Statistics****Supplemental Risk Statistics<sup>14,15</sup>**

	3 Yrs	5 Yrs	10 Yrs
<b>Standard Deviation (%)</b>	24.61	33.07	32.63
<b>Tracking Error (%)</b>	27.36	34.94	32.65
<b>Information Ratio</b>	-0.68	-0.24	-0.53
<b>Beta</b>	0.00	0.04	0.49
<b>Sharpe Ratio</b>	-0.28	0.05	-0.14

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**Investment Strategy & Process**

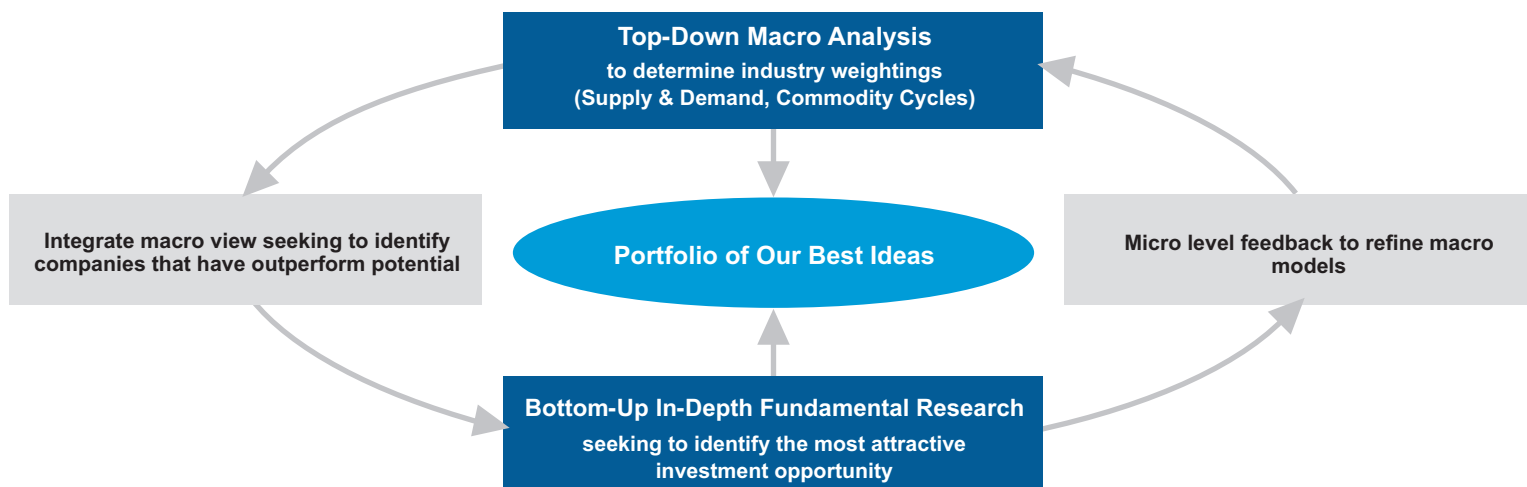
- Actively managed with a long-term focus
- Research driven
- Top down/bottom-up approach
- Valuation discipline
- Diversified globally across precious metals
- Look to maintain a stable risk profile over time

10,12. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

11,13. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

14. Information Ratio and Tracking Error information are displayed for the product versus the FTSE Gold Mines Index.

15. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).



## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Steve Land, CFA, Portfolio Manager/Research Analyst	22	22
Fred Fromm, CFA, Portfolio Manager/Research Analyst	27	27

## Glossary

**Beta:** A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

**Estimated 3-5 Year EPS Growth:** An estimated measure of the growth of earnings per share over a forward-looking period. For a portfolio, the value represents a weighted average of the stocks it holds.

**Historical 3-Year EPS Growth:** A measure of the growth of earnings per share over a trailing 3 year period. For a portfolio, the value represents a weighted average of the stocks it holds.

**Information Ratio:** In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

**Market Capitalization:** A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

**Price to Earnings (12-mo Forward):** A measure of the price to earnings ratio (P/E) using the forecasted earnings for the next 12 months.

**Return on Equity:** A measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. For a portfolio, the value represents a weighted average of the stocks it holds.

**Sharpe Ratio:** To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

**Standard Deviation:** A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

**Tracking Error:** Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

**What Are The Risks?**

All investments involve risks, including possible loss of principal. The fund concentrates in the precious metals sector which involves fluctuations in the price of gold and other precious metals and increased susceptibility to adverse economic and regulatory developments affecting the sector. In times of stable economic growth, traditional equity and debt investments could offer greater appreciation potential and the prices of gold and other precious metals may be adversely affected. In addition, the fund is subject to the risks of currency fluctuation and political uncertainty associated with foreign (non-U.S.) investing. Investments in emerging and frontier 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 heavily 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. Investing in a non-diversified fund involves the risk of greater price fluctuation than a more diversified portfolio. These and other risks are described more fully in the fund's prospectus.

**Important Legal Information**

*Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit [franklintempleton.com](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

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Source: FTSE. Important data provider notices and terms available at [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com).

3. Effective 12/31/1996, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, Class A performance, excluding the effect of Class A's maximum initial sales charge but reflecting the effect of the Class A Rule 12b-1 fees; and b) for periods after the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.

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