

Franklin Gold And Precious Metals Fund

Advisor Class: FGADX Class A: FKRCX

Commentary | as of June 30, 2025

Key Takeaways

- **Precious and Base Metals Markets:** In the second quarter of 2025 (2Q25), a combination of aggressive US trade policy, geopolitical tensions and military conflicts, ongoing inflationary concerns, central bank buying and US dollar devaluation (-7.0% versus other major currencies, to a three-year low) supported a 5.7% gain in gold prices, which ended June at \$3,303 per troy ounce. While these conditions have pushed the metal 25.9% higher so far this year, gold's rally lost momentum in May and June, when bullion mostly traded in the \$3,300 to \$3,400 range. Gold's "haven" demand eventually eased amid a combination of improving economic sentiment, milder-than-expected inflation reports, signs of progress in trade talks and easing tensions in the Middle East. Silver, platinum and palladium all fared better than gold as they posted respective quarterly gains of 5.9% (to \$36.11 per ounce), 36.2% (to \$1,359) and 11.7% (to \$1,107), with most of the rise occurring in June. In the global base metals complex, the London Metal Exchange (LME) Index, which tracks prices on benchmark three-month futures contracts for copper, aluminum, nickel, tin, lead and zinc, was negatively impacted by lingering economic growth concerns yet increased 0.8% in 2Q25 as it gradually pulled out of an April slump. Prices among these major industrial metals were split, with the quarterly gains for LME copper, aluminum and lead mostly offset by the declines in nickel, tin and zinc. The 1.6% rise in LME copper prices was fueled by a sharp decline in warehouse stockpiles, which in late June were at the lowest levels since August 2023.
- **Contributors:** Off-benchmark portfolio exposure to companies that produce industrial metals and non-gold precious metals, plus a long list of off-index or overweighted gold industry stocks that topped the benchmark return.
- **Detractors:** Individual stocks that pared the fund's narrow measure of relative outperformance in the gold industry.
- **Outlook:** Record-high gold prices delivered robust cash generation in many gold miners' first-quarter financial reports, and we believe significantly higher 2Q25 prices should amplify these results.

Performance Review

- Compared to the broader stock market, gold-mining equities collectively outperformed as many investors sought defensive havens amid volatility driven by US tariff and debt concerns. Gold equities also fared much better than physical gold's quarterly performance. Within the materials sector, gold producers were standouts as they generally delivered strong 1Q25 financial results, with senior gold companies reporting record cash flows, operational efficiencies and stabilizing production costs. In broad terms, gold miners' modest valuations and high profit margins made them particularly compelling to many investors compared to other materials subsectors, several of which faced challenges like oversupply or weaker demand. Junior gold miners generally outperformed their established large-capitalization peers given their higher leverage to gold price movements, though in some cases their gains were tempered by financing, geopolitical or operational risks.
- The fund outperformed its benchmark in 2Q25 due to favorable industry allocation decisions, while stock selection was a minor hindrance. Aside from our core gold holdings (comprising 80.87% of the portfolio at June-end), five out of six smaller, off-benchmark industry exposures posted gains that in some cases more than doubled or tripled the FTSE Gold Mines Index's advance. In general, we saw robust returns from junior (small-cap) and mid-tier gold producers as well as companies outside the gold industry that focus on silver, copper and platinum/palladium mining. Among the gold miners, several key contributors were classified as exploration or pre-production status.
- On an individual security basis, all of the top-10 relative contributors were in the gold industry, where a long list of off-index or overweighted holdings outpaced the benchmark (including a couple that rose more than 100%), led by Greatland Resources, Southern Cross Gold, Skeena Resources, Artemis Gold, Onyx Gold and Montage Gold. The fund also benefited from strategic underweightings in large, geographically diversified gold producers that lagged the index, including Agnico Eagle Mines, Barrick Mining (formerly Barrick Gold), Northern Star Resources and Gold Fields.
- Conversely, the key detractors were focused on individual stocks that pared the fund's narrow measure of relative outperformance in the gold industry. A notable hindrance in this regard was our lack of exposure to Lundin Gold, Kinross Gold, Coeur Mining and a few others in the FTSE Gold Index that traded significantly higher. Among the fund's active investments, there were 2Q25 losses for its off-benchmark or overweighted positions in Ora Banda Mining, G Mining Ventures, Calibre Mining (merged with Equinox Gold by period-end), Black Cat Syndicate, Ascot Resources, Catalyst Metals, Vault Minerals and other, lesser detractors.
- A substantial investment in Newmont was the top contributor in absolute terms as it increased by roughly 20%, but it was also the biggest relative detractor as we kept only about a quarter of the index's 19.7% average weighting.

Outlook

- Gold prices averaged \$3,289 per ounce in 2Q25, compared to \$2,858 per ounce in 1Q25 and \$2,660 in 4Q24, thereby extending the positive momentum we saw over the previous four quarters. Although we think current cost inflation and skills shortages in the broader mining industry may continue to weigh on companies' operating costs to some degree, many of those pressures have been easing in the near term, and we believe higher gold prices should more than offset any cost pressures, allowing many companies to deliver potentially meaningful earnings and free cash flow growth. As a result, we remain constructive on gold and continue to see what we consider attractive valuations across the industry. Rapidly increasing cash flow from gold producers also leaves us optimistic about further industry consolidation in the coming months.
- Although we believe the US administration's "reciprocal" tariff plan should have limited direct impact on most gold companies as bullion was excluded from tariffs, the volatility following related announcements—along with lingering uncertainty as implementation dates continue to get pushed out—has weighed on global economic growth. In this environment, we are staying focused on company fundamentals, and looking for opportunities with any pullbacks, but also

Top Equity Issuers (% of Total)

Holding	Fund
NEWMONT CORP	4.61
G MINING VENTURES CORP	4.04
AGNICO EAGLE MINES LTD	3.68
ALAMOS GOLD INC	3.60
BARRICK MINING CORP	3.07
ANGLOGOLD ASHANTI PLC	2.95
PERSEUS MINING LTD	2.91
ORLA MINING LTD	2.87
GREATLAND RESOURCES LTD	2.76
TOREX GOLD RESOURCES INC	2.65

Sector Allocation (% of Total)

	Fund
Long Life Gold Mines	44.51
Gold Exploration & Development	24.56
Medium Life Gold Mines	11.80
Diversified Metals & Mining	9.06
Precious Metals & Minerals	4.09
Silver	3.48
Copper	0.70
Other	0.52
Cash & Cash Equivalents	1.30

being mindful of company pitfalls such as excessive debt.

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

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	353535305	FGADX	16.73	65.05	73.20	26.96	11.94	12.39	5.88	16.73	65.05	73.20	26.96	11.94	12.39	5.88	0.67	0.67	—	—	5/19/1969
Class A	353535107	FKRCX	16.65	64.83	72.80	26.64	11.65	12.11	5.68	10.23	55.81	63.27	24.28	10.40	11.48	5.58	0.92	0.92	5.50	—	5/19/1969
Benchmark 1	—	—	14.91	58.33	61.24	26.22	8.13	13.22	—	14.91	58.33	61.24	26.22	8.13	13.22	—	—	—	—	—	—
Benchmark 2	—	—	10.94	6.20	15.16	19.70	16.64	13.64	—	10.94	6.20	15.16	19.70	16.64	13.64	—	—	—	—	—	—

Benchmark(s)

Benchmark 1=FTSE Gold Mines Index

Benchmark 2=S&P 500 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.

The total annual operating expenses are as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

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. **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**. **Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. The portfolio is **non-diversified** and may invest in a relatively small number of issuers, which may negatively impact the fund's performance and result in greater fluctuation in the value of the fund's shares. 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

Free cash flow (FCF) is a measure of financial performance calculated as operating cash flow minus capital expenditures.

Important Information

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 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 **FTSE Gold Mines Index** is designed to reflect the performance of the worldwide market in the shares of companies whose principal activity is the mining of gold. Source: FTSE.

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

Franklin Distributors, LLC. Member FINRA/SIPC.

© Franklin Templeton. All rights reserved.

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.



FRANKLIN
TEMPLETON