

# Franklin Gold and Precious Metals Fund

Advisor Class: FGADX Class A: FKRCX

Commentary | as of September 30, 2025

## **Key Takeaways**

- Precious and Base Metals Markets: Gold spot prices soared 11.9% in September 2025, 16.8% in the third quarter (3Q25) and 47.0% year-to-date (to \$3,859 per troy ounce). Gold has achieved successive real (inflation-adjusted) record 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 rate-reduction cycle. These factors were joined by the support of declining real yields and newer concerns over persistently elevated fiscal debt and budgeting deadlock in Washington. Gold's precious metals peers—silver (+29.2%, to \$46.65 per ounce in 3Q25), platinum (+15.9%, to \$1,576) and palladium (+13.9%, to \$1,261)—also extended their 2025 uptrend amid cyclical and structural tailwinds as all three have seen unprecedented supply tightness this year, exacerbating concerns about dwindling stockpiles of freely available metal as several years of supply deficits come to a head. In US and global equity markets, metals and mining companies rallied solidly and were distinct outliers to the upside within the materials sector. From a wider perspective, gold and precious metals miners sat at the top of the leaderboard within materials and also outperformed all other sectors or industry sub-groups across the entire stock market.
- Detractors: Unfavorable security selection versus the benchmark FTSE Gold Mines Index in the gold industry.
- Contributors: Numerous off-index or overweighted gold industry holdings that surpassed the benchmark return and, outside the gold industry, impressive rallies for several off-index allocations to miners focused on platinum, palladium, silver, copper and other industrial metals as they topped the pure-play gold miners tracked by the index.
- Outlook: In broad terms, significantly higher gold prices provided a meaningful profit-margin boost to gold miners'
  quarter-over-quarter and year-over-year earnings, as seen in their first and second quarter 2025 results, and we believe
  3Q25 results could reflect continued strength, if current conditions persist.

# **Performance Review**

- Following an extended period of relative outperformance, the fund's (Advisor Class without sales charges) 3Q25 lag versus
  the benchmark FTSE Gold Mines Index was due primarily to unfavorable stock selection among our core gold industry
  holdings. Given the breadth and magnitude of the rally, nearly all individual gold stock detractors still appreciated in
  absolute terms. However, several overweighted or off-index holdings posted trailing gains, including Greatland Gold, Orla
  Mining, Southern Cross Gold, K92 Mining, Skeena Resources, ATEX Resources and Robex Resources—all of which are smallor mid-capitalization companies. Southern Cross, Skeena and ATEX are in the exploration/development stage and not yet
  producing, while the other four are in production.
- The fund's lighter-than-index stakes in geographically diversified, large-cap gold miners had mixed 3Q25 performance relative to the benchmark. On the upside, underweightings in Agnico Eagle Mines, Northern Star Resources and Newmont were supportive as gains for all three companies trailed the benchmark. Newmont and Agnico Eagle were still our largest and fifth-largest portfolio holdings, respectively, and they were among the strongest absolute contributors to the fund's standalone returns amid stock gains of more than 40% each. Both companies reported robust 2Q25 financial results, with earnings per share coming in well above consensus expectations in both cases. They also maintained their full-year 2025 production guidance even as all-in sustaining costs rose slightly. By contrast to these relative contributors, our underweighted exposures to large-cap peers such as Gold Fields, Barrick Mining and AngloGold Ashanti worked against us as their quarterly gains exceeded the benchmark average, yet they still added solidly to our standalone returns.
- The portfolio lacked exposure to several companies that had exceptionally strong gains on the index; the largest of these
  "detractors of omission" were Coeur Mining and Kinross Gold. Elsewhere in the portfolio, and aside from our active equity
  holdings, the 1.5% of total net assets held in cash was dilutive given the scope and size of the 3Q25 rally.
- Turning to the key overweight or off-index gold industry contributors, the fund received a solid boost from holdings that surpassed the benchmark return, including Pantoro Gold, Equinox Gold, Omai Gold Mines, Integra Resources, Banyan Gold and Black Cat Syndicate. As they saw a leveraged response to the rise in physical gold prices, many of these stocks nearly doubled in value or rose over 100%, while shares of some of our smaller positions increased by more than 200%.
- Outside the gold industry, several off-index allocations to mining companies that focus on platinum, palladium, silver, copper and other industrial metals also had a strong quarter as they outperformed the pure-play gold miners.

#### Outlook

- Gold prices averaged \$3,458 per ounce in 3Q25, compared to \$3,289 in 2Q25 and \$2,858 in 1Q25, thereby extending the positive momentum. Record-high gold prices helped many companies deliver robust cash generation in the first half of the year, and we expect upcoming 3Q25 results to bring more upward momentum if current conditions persist. Although we think current cost inflation and skills shortages in the broader mining industry—along with larger royalty payments and taxes given higher prices—may continue to weigh on companies' operating costs to some degree, lower oil prices have helped, and we believe the impact of higher gold prices should more than offset any cost pressures, allowing many miners to deliver meaningful earnings and free cash flow growth. As a result, we remain constructive on gold equities and continue to see what we consider attractive valuations across the industry.
- US President Donald Trump's wide-ranging tariffs continue to create significant global anxiety and uncertainty. Although we
  believe tariffs should have limited direct impact on most gold companies as bullion has been excluded from tariffs, the
  volatility following the various announcements over the past couple of months—along with lingering uncertainty as
  implementation dates continue to change and rates vary—has weighed on global economic growth. In the current
  environment, we're staying focused on company fundamentals and looking for opportunities with any stock pullbacks, but
  also being mindful of company pitfalls such as excessive debt.

# Morningstar Rating™

Overall Rating as of September 30, 2025



(4-Star) Advisor Class



(4-Star) Class A

As of 09/30/2025 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 64, 63 and 57 Equity Precious Metals funds over the 3-, 5- and 10- year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

# **Top Equity Issuers (% of Total)**

Holding	Fund
NEWMONT CORP	4.45
G MINING VENTURES CORP	4.00
BARRICK MINING CORP	3.66
EQUINOX GOLD CORP	3.60
AGNICO EAGLE MINES LTD	3.36
ANGLOGOLD ASHANTI PLC	3.02
ALAMOS GOLD INC	2.88
PERSEUS MINING LTD	2.66
ORLA MINING LTD	2.34
TOREX GOLD RESOURCES INC	2.23

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

			Without Sales Charge							With Maximum Sales Charge								ses	Sales Charges		ception
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 CDS	)	Date
Advisor Class	353535305	FGADX	45.65	140.39	111.85	51.27	17.67	19.11	6.56	45.65	140.39	111.85	51.27	17.67	19.11	6.56	0.67	0.67	_	- 5,	/19/1969
Class A	353535107	FKRCX	45.55	139.92	111.32	50.87	17.37	18.81	6.36	37.53	126.78	99.72	48.05	16.05	18.14	6.26	0.92	0.92	5.50	- 5,	/19/1969
Benchmark 1	_	_	50.88	138.88	99.45	52.38	15.68	20.97	_	50.88	138.88	99.45	52.38	15.68	20.97	_	_	_	_	_	_
Benchmark 2	_	_	8.12	14.83	17.60	24.93	16.47	15.30	_	8.12	14.83	17.60	24.93	16.47	15.30	_	_	_	_	_	

### 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 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 **\$&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization. Source: © **\$&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.

Morningstar Rating™: Source: Morningstar®, 09/30/2025. For each mutual fund and ETF with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Class A shares received a Morningstar Rating of 4, 4 and 3 and fund's Advisor Class shares received a Morningstar Rating of 5, 4 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating<sup>™</sup> for Class A and Advisor Class shares only. Other share classes may have different Morningstar ratings.

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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.

