

Franklin Gold and Precious Metals Fund

Advisor Class: FGADX Class A: FKRCX
Commentary | as of December 31, 2025

Key Takeaways

- Precious and Base Metals Markets:** Gold (+11.9%, to \$4,319 per troy ounce) and silver (+53.6%, to \$71.66 an ounce) reached all-time inflation-adjusted highs during the fourth quarter of 2025 (4Q25). Both metals delivered impressive returns relative to the broader markets, posting their best yearly results since 1979, supported by investor demand for perceived "haven" assets. Other precious metals delivered stronger returns, with platinum setting a new all-time high in December, closing 4Q25 up 30.8% to cap an annual gain of 127.0%, while palladium rose 28.4% in 4Q25 and 77.5% in 2025, to levels not seen since early 2022. In the industrial metals complex, copper prices saw continued momentum over December (+11.0%), 4Q25 (+21.0%) and 2025 as a whole (+41.7%), reaching multiyear highs above \$12,000 per metric ton as industrial demand tied to electrification, green energy buildouts and power grid expansions intensified, creating supply bottlenecks. Despite softening underlying demand from key buyer China, copper had its best year since 2009, fueled by near-term supply tightness from mine outages and expectations that future demand could outpace production growth. Rallying metals and mining stocks—including gold-focused equities—generally outperformed the global materials sector average by a wide margin, much as they did earlier in 2025.
- Contributors:** Effective stock selection in the gold industry and, to a lesser extent, impressive rallies for several off-index allocations to miners focused on silver, copper and other industrial metals as they topped the pure-play gold miners tracked by the benchmark FTSE Gold Mines Index.
- Detractors:** Several holdings in the off-benchmark precious metals and minerals industry and some overweight or off-index gold miners that missed out on the rally.
- Outlook:** We believe many gold-focused miners are likely to report record earnings and free cash flow growth with their upcoming 4Q25 financial results, and we also think their equity valuations remained attractive heading into 2026.

Performance Review

- Many of the fund's positions in smaller, single-asset or exploration/development-phase gold companies exhibited a leveraged response to gold's 4Q25 price advance. Within the fund's core gold industry allocation, numerous overweighted or off-benchmark holdings topped the index, including key contributors G Mining Ventures, Hycroft Mining Holding (purchased during the period) and Greatland Resources. Strategic underweightings in underperforming large-capitalization gold miners such as Agnico Eagle Mines and Gold Fields were also helpful, as was the fund's lack of exposure to Coeur Mining and a few other index component stocks that sold off.
- Among the fund's off-benchmark industry exposures, diversified metals and mining holdings rose almost 29% as Minera Alamos (purchased during the period), Minerals 260 and others rallied on tighter worldwide metal supplies amid improving demand. A smaller allocation to silver-focused miners rose nearly 32%, led by key contributor Discovery Silver. In the copper industry, all holdings advanced; when combined, their equity value nearly doubled in 4Q25.
- In contrast, the fund's results were hindered by a lagging rise of 13% for its off-benchmark holdings in the precious metals and minerals industry, where TDG Gold and another holding sustained double-digit percentage losses.
- The rest of the notable detractors pressured our solid results in the gold industry. Some overweighted or off-index gold holdings simply appreciated less than the FTSE Gold Mines Index, including Artemis Gold. Others were lighter-than-index positions in rallying large-cap gold producers that outperformed the benchmark, as was the case with Barrick Mining, AngloGold Ashanti and Newmont; these were still major fund holdings that served as our second-, fourth- and fifth-best contributors in absolute terms, respectively. The third category of detractors—stocks that sustained overall losses for the quarter—were led lower by off-index Pantoro Gold, Catalyst Metals, Black Cat Syndicate, Asante Gold and Saturn Metals, all of which we continued to hold for the longer term. The fund also lacked exposure to Lundin Gold, IAMGOLD and a few other index component companies whose 4Q25 gains exceeded the benchmark average.

Outlook

- Significantly higher gold prices are providing a meaningful profit margin boost to gold miners' earnings, with many producers' earnings rising to record levels.** Gold continues to exhibit positive momentum, with the 4Q25 average price of \$4,152 per ounce almost \$700 higher than the 3Q25 average (\$3,458), and almost \$1,500 higher than the 4Q24 average (\$2,661). Assuming flat gold production, revenue could increase by roughly 20% for 4Q25 and by more than 55% for 2025 as a whole, while operating costs likely increased by less than 10% for the year (aided in part by falling oil prices), allowing cash flows and net profits to potentially rise even more than revenues, according to our analysis.
- Wide-ranging US tariffs and policy shifts continue to create investor anxiety and uncertainty;** while these concerns did ease somewhat in October and November as the trade war with China deescalated, they appeared to rise again in December and early January with increased military action in Venezuela. While we believe tariffs should have limited direct impact on most gold companies (bullion has been excluded from tariffs), the volatility following various Trump administration announcements has weighed on the global economic outlook. We think this sort of volatility is likely to remain a key factor for the foreseeable future, given the avalanche of fresh announcements and policy shifts at the outset of 2026.
- Merger and Acquisition (M&A) Update:** Although we saw a fairly steady pace of M&A activity in 2024 followed by an uptick in 2025, gold producers' rapidly increasing cash flow, when combined with what we consider to be relatively attractive valuations for development-stage miners, leaves us optimistic about further industry consolidation in 2026. We think M&A could be an efficient and cost-effective way for producers to replace depleting reserves given current market conditions. Overall M&A activity, in our view, helps support the equity valuations of earlier-stage companies with quality mining assets—companies in which the portfolio is currently overweighted relative to the FTSE Gold Mines Index and many of its mutual fund peers.

Morningstar Rating™

Overall Rating as of December 31, 2025


(4-Star) Advisor Class

(4-Star) Class A

As of 12/31/2025 the fund's Advisor Class and Class A shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 62, 62 and 56 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)

Holder	Fund
BARRICK MINING CORP	4.59
G MINING VENTURES CORP	4.47
NEWMONT CORP	4.29
EQUINOX GOLD CORP	3.59
ANGLOGOLD ASHANTI PLC	2.87
TOREX GOLD RESOURCES INC	2.55
AGNICO EAGLE MINES LTD	2.50
PERSEUS MINING LTD	2.44
ALAMOS GOLD INC	2.37
ORLA MINING LTD	2.23

Average annual total returns and fund expenses (%) - as of December 31, 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	Inception Date
Advisor Class	353535305	FGADX	23.15	196.04	196.04	52.78	21.44	22.16	6.93	23.15	196.04	196.04	52.78	21.44	22.16	6.93	0.62	0.62	—	—	5/19/1969
Class A	353535107	FKRCX	23.05	195.22	195.22	52.41	21.13	21.86	6.73	16.28	179.05	179.05	49.56	19.76	21.17	6.62	0.87	0.87	5.50	—	5/19/1969
Benchmark 1	—	—	14.91	174.50	174.50	49.80	21.31	22.26	—	14.91	174.50	174.50	49.80	21.31	22.26	—	—	—	—	—	—
Benchmark 2	—	—	2.66	17.88	17.88	23.00	14.43	14.82	—	2.66	17.88	17.88	23.00	14.43	14.82	—	—	—	—	—	—

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 frankltempleton.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 **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. The **S&P 500 Index** features 500 leading U.S. publicly traded companies, with a primary emphasis on market capitalization.

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

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Morningstar Rating™: Source: Morningstar®, 12/31/2025. 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 5, 4 and 4 and fund's Advisor Class shares received a Morningstar Rating of 5, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Class A and Advisor Class shares only. Other share classes may have different Morningstar ratings. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

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