

Franklin Gold And Precious Metals Fund

Advisor Class: FGADX Class A: FKRCX

Commentary | as of March 31, 2025

Key Takeaways

- **Precious and Base Metals Markets:** Gold futures closed the first quarter of 2025 (1Q25) at \$3,123 per troy ounce for the first time, and they were up 18.2% in a run punctuated by more than a dozen all-time closing highs. Amid a “risk-off” mood for broader markets, elevated central-bank buying (as a way to diversify their reserves) and “safe haven” demand drove gold prices amid rising geopolitical and macro uncertainties. Among the other major precious metals, silver gained 17.9% (to \$34.09 per ounce) yet remained below the 12-year high of \$34.90 reached in October 2024 as rising investment demand competed with ebbing industrial usage. Platinum and palladium moved in near-tandem with similar 1Q25 gains in the 8% to 10% range, and similar quarter-end prices (of just under \$1,000 per ounce) amid sanctioned Russian supply and a mild expansion of automobile industry activity (as a component of catalyst-metal demand). It was also a good time for industrial metals, too; the London Metal Exchange Index added 75%, driven by higher prices for benchmark copper, nickel, tin and lead contracts at the global trading hub, offset slightly by softer aluminum and zinc prices. Gold and other types of mining equities often exhibited a leveraged response to the metals rally and were among the leaders in the global stock market's 1Q25 industry rankings.
- **Contributors:** Favorable stock selection among gold miners, which covered roughly 84% of the portfolio at quarter-end. Overweight or off-benchmark positions in small-capitalization, single-asset or exploration/development-stage miners generally posted outsized gains within the group.
- **Detractors:** Five minor, off-benchmark allocations to other types of mining companies rallied sharply but lagged the FTSE Gold Mines Index.
- **Outlook:** We are prepared for the current environment, staying focused on company fundamentals, looking for opportunities with any stock pullbacks, but also being mindful of company pitfalls such as excessive debt.

Performance Review

- In global equity markets, investors sought out defensive or niche industries as potential safe havens from deepening market volatility. The fund's gold miners rallied sharply in this environment as most of them, in our analysis, exhibited favorable company-specific fundamentals and saw a leveraged response to the advance in physical gold prices. This common phenomenon is due to these companies' potential for amplified returns when profit margins expand. Ahead of the rally, gold producers were historically undervalued having enjoyed significant profit margin improvements.
- Numerous positions in off-benchmark gold companies posted outsized quarterly gains that in some cases more than doubled the benchmark return, including G Mining Ventures, Catalyst Metals, Greatland Gold, Pantoro, Orla Mining, Ora Banda Mining and Black Cat Syndicate. Top contributor G Mining released its 2025 operational and cost guidance for the Tocantinzinho Gold Mine, which included promising production targets and cost-management strategies.
- Relative returns were further boosted by lighter-than-index exposures to large-capitalization gold producers Newmont, Barrick Gold and Northern Star Resources. Having no exposure to several index component companies that underperformed the industry's peer group average also helped; the key “contributor by omission” was Coeur Mining. Elsewhere, 2.68% of the portfolio was dedicated to seven off-index, silver-focused mining companies that collectively rose by almost 49%, with one outlier to the upside more than doubling in value. Select off-benchmark holdings in the copper industry and the diversified metals and mining industry also posted stellar three-month gains in the 50% to 110% range.
- Relative returns were pressured by diversified metals and mining stocks (8.01% of total net assets at quarter-end); while they collectively appreciated by more than 30% and added solidly to our standalone return, key detractor Probe Gold and 16 out of 26 other industry holdings pressured relative returns, including five that sustained losses. In the precious metals and minerals industry (3.46% of total net assets), seven holdings advanced while key detractor Platinum Group Metals retreated; this industry allocation was still up by roughly 37%. Cash and equivalents, though minimal at 1.55% of the portfolio, was also a hindrance versus the benchmark given the magnitude of the rally.
- Within the fund's core gold industry allocation, underweightings in some of the world's biggest gold miners hurt relative returns as both Gold Fields and AngloGold Ashanti outperformed the benchmark average. At the same time, several overweighted or off-index gold industry holdings didn't capture as much upside as their peers, including Skeena Resources, Bellevue Gold, Emerald Resources and Artemis Gold. Even worse, a few holdings missed the rally entirely and sold off, including key detractors Ascot Resources and Galiano Gold.

Outlook

- **Shortly after quarter end, US President Donald Trump announced plans for wide ranging tariffs that triggered significant global anxiety; if they're implemented as proposed, they would completely alter the global trade landscape.** Although the “reciprocal” tariff plan should have limited direct impact on most gold companies as bullion was excluded from tariffs, the volatility following the announcement weighed on most assets worldwide, including gold and gold-mining equities. Gold often performs well in periods of uncertainty, but as markets move into a crisis the price of gold (and gold equities) often declines along with other assets. We saw this behavior in the 2008 financial crisis and in the COVID-related 2020 market lows. However, during those downturns gold and gold equities tended to rebound sooner and stronger than some assets as investor sentiment returned to a comparatively calmer state of “unpleasant uncertainty,” in our view.
- **Although we think the 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 help more than offset any cost pressures, allowing many companies to deliver potentially meaningful earnings and free cash flow growth.

Morningstar Rating™

Overall Rating as of March 31, 2025



(4-Star) Advisor Class



(4-Star) Class A

As of 03/31/2025 the fund's Class A and Advisor Class shares received a 4 star overall Morningstar rating™, measuring risk-adjusted returns against 64, 64 and 58 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
G MINING VENTURES CORP	4.87
NEWMONT CORP	4.55
ALAMOS GOLD INC	4.32
AGNICO EAGLE MINES LTD	4.23
ORLA MINING LTD	3.48
PERSEUS MINING LTD	3.22
ANGLOGOLD ASHANTI PLC	2.92
BARRICK GOLD CORP	2.85
CALIBRE MINING CORP	2.82
TOREX GOLD RESOURCES INC	2.73

Sector Allocation (% of Total)

	Fund
Long Life Gold Mines	47.88
Gold Exploration & Development	22.88
Medium Life Gold Mines	12.83
Diversified Metals & Mining	8.01
Precious Metals & Minerals	3.46
Silver	2.68
Copper	0.58
Other	0.14
Cash & Cash Equivalents	1.55

Average annual total returns and fund expenses (%)

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	41.39	41.39	62.91	5.96	20.61	11.11	5.62	41.39	41.39	62.91	5.96	20.61	11.11	5.62	0.67	0.67	—	—	5/19/1969
Class A	353535107	FKRCX	41.31	41.31	62.51	5.70	20.32	10.84	5.42	33.57	33.57	53.58	3.72	18.97	10.21	5.31	0.92	0.92	5.50	—	5/19/1969
Benchmark 1	—	—	37.78	37.78	52.27	7.60	14.47	11.44	—	37.78	37.78	52.27	7.60	14.47	11.44	—	—	—	—	—	—
Benchmark 2	—	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	-4.27	-4.27	8.25	9.06	18.59	12.50	—	—	—	—	—	—

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.

Morningstar Rating™: Source: Morningstar®, 03/31/2025. 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 3, 4 and 4 and fund's Advisor Class shares received a Morningstar Rating of 3, 5 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.

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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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