

Franklin Gold and Precious Metals Fund

Advisor Class: FGADX Class A: FKRCX

Commentary | as of March 31, 2026

Key Takeaways

- **Precious Metals Markets:** Precious metals saw volatile and uneven first quarter 2026 (1Q26) price movements, with spot gold (+8.1%, to \$4,668 per troy ounce) and silver (+4.9%, to \$75.17) diverging from platinum (-5.2%, to \$1,954 per ounce) and palladium (-8.6%, to \$1,480). After reaching a four-year low in January, the US dollar's trade-weighted value switched to a headwind for precious metals prices as renewed geopolitical tensions revived the greenback's perceived safe-haven status; it ultimately rose 1.7% in 1Q26, making gold and other metals commodities more expensive for users of other currencies. Strong January and February gains for all four primary precious metals were countered by double-digit-percentage losses in March. Significant investor speculation in late 2025 and early 2026 pushed gold to a record high of \$5,417 on January 28 before running into selling pressure and the unwinding of levered activity on the back of US dollar strength and a shift to gold exchange-traded fund (ETF) outflows and liquidity selling. This bout of profit-taking and deleveraging included some of the worst weekly declines since the 1980s. Silver followed gold in 1Q26, but with greater volatility. While supported by industrial demand trends, including energy transition themes, inconsistent investor flows limited silver's sustained upside. Platinum and palladium fared poorly as they faced muted near-term catalysts, with palladium pressured by structural changes in auto demand.
- **Contributors:** Stock selection in the gold industry and, to a lesser extent, benchmark-topping gains for off-index allocations in the copper and precious metals/minerals industries.
- **Detractors:** An overall decline in the silver industry, underperforming gains in diversified metals and mining, and weak results for several individual gold industry holdings.
- **Outlook:** Assuming steady gold production over 1Q26, our analysis indicates the quarter's gold industry revenue could increase by roughly 17% versus 4Q25, and by more than 70% from a year ago. At the same time, we estimate gold miners' operating costs have likely increased by less than 10% over the past year, allowing cash flows and net profits to rise more than revenues. (There is no assurance that any projection, estimate or forecast will be realized.)

Performance Review

- Franklin Gold and Precious Metals Fund (Advisor Class without sales charges) posted broad-based 1Q26 gains and outperformed the FTSE Gold Mines Index due to effective stock selection and industry-level allocation choices. Core gold industry holdings covered nearly 80% of the portfolio (on average) and received fundamental support from robust cash generation and improving project economics. However, many gold-focused stocks pulled back sharply from their February highs amid physical gold's retreat from record highs, with some names declining by double-digit percentages into March. Despite this correction, the fund's gold industry stocks showed signs of stabilization late in the period.
- From an allocation standpoint, keeping much lighter-than-index exposures to some of the world's biggest gold miners worked in the fund's favor as key underweight contributors Northern Star Resources, Barrick Mining and others either sold off or appreciated less than the benchmark average. On the negative side of the relative-return spectrum, the fund also maintained lighter-than-index positions in a few large-capitalization mining companies that surpassed the benchmark return; the key detractors in this regard were Agnico Eagle Mines, Newmont and AngloGold Ashanti.
- The rest of the notable gold industry contributors were overweight or off-benchmark holdings that topped the index. These included gold producers such as G Mining Ventures, Alamos Gold and Orla Mining, as well as pre-production exploration and development-stage companies such as Cambria Gold Mines, Montage Gold, Hycroft Mining Holding and Gold X2 Mining. Quarterly production increases and strong revenue growth were common themes for the producers in this group, while improved access to capital and development momentum helped drive the earlier-stage companies.
- On the downside, several overweighted or off-benchmark gold holdings sold off, including key detractors Integra Resources, Pantoro Gold, Southern Cross Gold, Ora Banda Mining, Meeka Metals and Genesis Minerals.
- A small off-benchmark allocation to silver-focused miners declined, while diversified metals and mining industry gains lagged the index as Vizsla Silver and more than a dozen other holdings traded lower. Industrial metals had mixed 1Q26 results amid uneven demand signals, increasing inventories and macro uncertainty (driven primarily by the impact of the Iran war).

Outlook

- **The military action in Iran served to further amplify global geopolitical anxiety, which was already elevated following months of tariffs and policy shifts, a trade war with China, the US government's removal of the president of Venezuela, and posturing around Greenland.** We think this sort of volatility is likely to persist as a key factor for the foreseeable future, given the wave of fresh announcements and policy shifts at the outset of 2026. Gold often performs well in periods of uncertainty, but if financial markets move into a crisis phase, the price of gold and gold equities often decline along with other assets. However, as markets begin to stabilize, gold and gold equities are often some of the first asset classes to recover (with the financial crisis and pandemic serving as two of the more recent examples).
- **Merger and Acquisition (M&A) Update:** Although we saw a fairly steady pace of M&A activity in 2024 and 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 the pendulum has swung too far from the days of reckless spending back in 2010 to the current scenario—one characterized by fiscal conservatism at the expense of longer-term business health—and we are hopeful that it could swing back to a more balanced approach. We also 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 March 31, 2026



(4-Star) Advisor Class



(3-Star) Class A

As of 03/31/2026 the fund's Advisor Class shares received a 4 star and Class A shares received a 3 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. The number of funds in the category for the Overall Rating are listed under the 3-year period.

Top Equity Issuers (% of Total)

Holding	Fund
ALAMOS GOLD INC	5.55
G MINING VENTURES CORP	5.42
NEWMONT CORP	5.27
EQUINOX GOLD CORP	5.15
BARRICK MINING CORP	4.96
ANGLOGOLD ASHANTI PLC	2.96
AGNICO EAGLE MINES LTD	2.59
ORLA MINING LTD	2.28
TOREX GOLD RESOURCES INC	2.11
PERSEUS MINING LTD	2.05

Average annual total returns and fund expenses (%) - as of March 31, 2026

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	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Gross	Net	Initial Charge		CDSC	
Advisor Class	353535305	FGADX	5.78	5.78	121.48	51.19	25.54	18.33	7.00	5.78	5.78	121.48	51.19	25.54	18.33	7.00	0.62	0.62	—	—	5/19/1969
Class A	353535107	FKRCX	5.72	5.72	120.87	50.82	25.22	18.03	6.80	-0.10	-0.10	108.72	48.00	23.81	17.37	6.69	0.87	0.87	5.50	—	5/19/1969
Benchmark 1	—	—	5.41	5.41	110.00	46.75	25.54	17.79	—	5.41	5.41	110.00	46.75	25.54	17.79	—	—	—	—	—	
Benchmark 2	—	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	-4.33	-4.33	17.80	18.31	12.07	14.16	—	—	—	—	—	

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.

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.franklintempletondatasources.com. All data is subject to change.

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Holdings are provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.

Morningstar Rating™: Source: Morningstar®, 03/31/2026. 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 Advisor Class shares received a Morningstar Rating of 5, 4 and 4 and fund's Class A shares received a Morningstar Rating of 5, 3 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Franklin Templeton provides this fund's Morningstar Rating™ for Advisor Class and Class A 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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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.