Small Cap Opportunity Fund

Market Overview

Financial markets continued to stagger in the second quarter. Though the pain was broad-based, the suffering was felt most acutely in the stock markets, which posted the worst first half of a year since 1970.[1] The S&P 500 Index declined 16.1% during the second quarter and entered into bear market territory, a feat accomplished by the Russell 2000 Index earlier in the year. The small cap index dropped another 17.1% during the quarter, with value outperforming growth (-15.3% to -19.3%) as it did in the larger capitalization names.[2]

With central banks led by the US Federal Reserve seeking to tame multidecade-high inflation by dampening aggregate demand, interest rates have moved higher across the yield curve, raising the cost of capital for businesses and consumers that are also contending with energy prices about double what they were 12 months ago. At the same time, there has been an unwinding of the massive fiscal stimulus that had helped fuel markets' rebound from the Covid swoon; the US budget deficit is forecast to fall to 4.8% of GDP in 2022 and 3.8% in 2023, down from 12.4% in 2021 and approaching the 50-year average of around 3.5%.[3]

Toward the end of the second quarter and into the beginning of the third, however, tighter financial conditions appeared to inspire fear not just of an inflation-dampening economic deceleration but of a full-fledged recession. Indeed, we have begun to see signs that fiscal tightening and higher interest rates are causing demand to soften; in the US, for example, consumer sentiment has deteriorated, manufacturing activity is slowing, and mortgage applications are down.[4] The impact of recessionary concerns was most evident in the bond markets. After climbing near 3.5% by mid-June—from close to 1.5% to start 2022—the 10-year US Treasury finished the first half of the year near 3.0%, a rally that suggests to us that markets expect central bank policy restraint to come to a premature end in the face of withering economic growth.[5]

Small and microcap stocks have historically tended to overreact in challenging investment environments; trading volumes for these names, already limited relative to larger cap markets, typically contract further when investors are moving away from risk, resulting in more pronounced price swings. At the same time, such price action can create attractive opportunities for disciplined, research-driven investors. We do not try to identify a particular stock's bottom or the turning point of the market. Instead, we continue to focus on fundamental research, frame of reference and familiarity with the companies in our universe to help us maximize upside potential in our portfolio amid the market turmoil. We continue to search for companies priced at a discount to either their history or to their industry, and then try to understand why this discount exists and, importantly, if it is fixable. And lastly, as cheap as the market is today, we're still focused on maintaining diversification in our portfolio and keeping our valuation cheaper than the market overall.

In short, we seek to own the stocks we believe have the potential to excel once the investment environment normalizes. Looking at our performance following large drawdowns in the past, this has historically been a successful strategy for us.

1. Source: Dow Jones Market Data; data as of June 30, 2022.
2. Source: Bloomberg; data as of June 30, 2022.
3. Source: Congressional Budget Office; data as of June 30, 2022.
4. Bureau of Labor Statistics, Institute for Supply Management, Mortgage Bankers Association; data as of June 30, 2022.
5. Source: Bloomberg; data as of June 30, 2022.

Portfolio Review

Small Cap Opportunity Fund A Shares (without sales charge*) posted a return of -18.14% in second quarter 2022. Performance across economic sectors was broadly negative, with consumer staples the only sector to contribute to performance; industrials, consumer discretionary and information technology were the leading detractors. The Small Cap Opportunity Fund underperformed the Russell 2000 Value Index in the period.

Leading contributors in the First Eagle Small Cap Opportunity Fund this quarter included America's Car-Mart, Inc., Sierra Wireless Inc.,

* Performance for Class A shares without the effect of sales charges and assumes all distributions have been reinvested, and if a sales charge was included values would be lower.

Ardmore Shipping Corp., AdaptHealth Corp. and PBF Energy, Inc. Class A.

America's Car-Mart is one of the largest used-car retailers in the US. With an integrated sales and financing business model, the company seeks to put its customers—typically subprime borrowers with bad credit, no credit, repossessions or past bankruptcies—in vehicles at manageable monthly payment levels. Strong demand and rising used-car prices have bolstered same-store sales at America's Car-Mart, while net charge-offs remained well below historical levels despite the challenging economic environment.

Sierra Wireless, based in Vancouver, makes wireless communications equipment that enables internet of things ("IoT") applications. The company has made good progress with its turnaround plan—helmed by a new chief executive officer who joined last July—to grow revenue, improve margins and divest noncore businesses while investing in others. The company divested its Omnilink offender monitoring business in April and reported better-than-expected sales for its most recent quarter.

Ardmore Shipping, which operates a fleet of 27 tankers carrying petroleum and chemical products, benefitted from the higher spot rates for shipping as well as record-high oil refining margins. Ardmore has seen an increase in both the volume of shipments and the distance travelled, and conditions continue to appear supportive. Meanwhile, demand in the chemical tanker market also has improved thanks to a spike in demand for liquid fertilizer and various types of plant-based oils in place of volumes previously supplied by Russia and Ukraine.

AdaptHealth is a leading provider of home medical equipment, medical supplies and related services in the US. The company operates in 47 states and provides products and services for sleep and respiratory therapy, diabetes management, mobility, wound care, non-invasive ventilation and nutrition. The company reported better-than-expected results despite higher costs for labor and fuel for its most recent quarter, and increased its sales and earnings guidance for 2022. AdaptHealth has been growing its business through acquisitions, which has provided expansion into new categories and geographies, and its acquired businesses have performed in line with its organic sales growth. AdaptHealth also recently announced a $200 million share repurchase program.

Among the top contributors to portfolio performance in the first quarter, PBF Energy, one of the largest independent petroleum refiners in North America, was strong again in the second quarter. The company has benefitted from wide "crack spreads," or the difference between the prices of crude oil and refined products like gasoline, heating oil and petrochemical feedstocks. While refining capacity in the US remains quite limited, demand for refined products has grown because of post-Covid reopenings and an increase in air travel.

The leading detractors in the quarter were Community Health Systems, Inc., Herc Holdings, Inc., Alto Ingredients, Inc., B. Riley Financial, Inc. and Bioventus, Inc. Class A.

Community Health Systems operates 83 hospitals and outpatient facilities in 16 states. The company reported disappointing results for its most recent quarter because of disruptions caused by Covid cases, which negatively impacted the mix of revenue and increased labor costs. Volumes in non-Covid patients declined while a shortage of healthcare works, particularly nurses, has forced the company to fill many roles with temporary contract workers, which is more expensive than hiring full-time workers. We believe that the company will be able to widen margins once nursing supply and wages normalize.

Herc Holdings is one of the largest equipment-rental companies in North America and was spun off from auto rental company Hertz in 2016. The company provides vehicles and equipment across 2,000 categories, with a core fleet in aerials, material handling, earthmoving equipment and other items like tools and trucks. While Herc reported strong results for first quarter 2022 and raised its earnings guidance for the full year, the stock experienced weakness during the period on concerns about the potential impact of an economic slowdown on Herc's operations.

Alto Ingredients is a producer and distributor of specialty alcohol and corn-based products for food and beverage, pharmaceutical and industrial uses. The company also produces and distributes ethanol as a renewable source of fuel. The company has been diversifying its product portfolio away from the more volatile ethanol fuel market and into the more stable consumer and pharmaceutical markets. Though Alto reported improved sales for its most recent quarter, margins declined because of the rising input cost of corn and the volatility of ethanol prices weighing on the stock. However, we believe that the company has made significant progress in diversifying its business and our investment thesis remains intact.

B. Riley Financial is a diversified financial services firm with operations in capital markets, wealth management, auction and liquidation, financial consulting and principal investments. The slowdown in capital markets activity during 2022 has weighed on the company's earnings and stock price. However, we believe that this business is well positioned in the current economic environment and highlight that its retail liquidation business provides a countercyclical source of revenue.

Bioventus makes ultrasound bone healing devices, musculoskeletal ultrasound devices, osteoarthritis pain treatments, bone fracture healing systems and portable diagnostic systems. The company has seen strong revenue growth, but its stock declined because of concerns that a proposed bond offering to finance the acquisition of orthopedic device maker CartiHeal would have resulted in an over-leveraged balance sheet. Bioventus has since amended its funding plan for the deal to a more balance-sheet friendly structure. We think the fundamentals of the company are strong and the CartiHeal acquisition will create value through cross-selling surgical and non-surgical solutions to care.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

Average Annual Returns as of Jun 30, 2022

	YTD	Since Inception	Expense Ratio Gross[2]	Expense Ratio Net	Inception Date
First Eagle Small Cap Opportunity Fund Class A (FESAX) w/o load	-18.81%	-20.65%	1.31%	1.26%	Jul 1, 2021
First Eagle Small Cap Opportunity Fund Class A (FESAX) w/ load	-22.86%	-24.60%	1.31%	1.26%	Jul 1, 2021
First Eagle Small Cap Opportunity Fund Class I (FESCX)	-18.79%	-15.62%	1.06%	1.01%	Apr 27, 2021
First Eagle Small Cap Opportunity Fund Class R6 (FESRX)	-18.77%	-20.45%	1.07%	1.01%	Jul 1, 2021
Russell 2000 Value Index[1]	-17.31%	-12.61%			Apr 27, 2021
Russell 2000 Index	-23.43%	-21.24%			Apr 27, 2021

1. Primary index.
2. The annual expense ratio is based on expenses incurred by the fund, as stated in the most recent prospectus. These are the actual fund operating expenses prior to the application of fee waivers and/or expense reimbursements. First Eagle Investment Management, LLC ("First Eagle") has contractually agreed to waive and/or reimburse certain fees and expenses of Classes A, I and R6 so that the total annual operating expenses (excluding interest, taxes, brokerage commissions, acquired fund fees and expenses, dividend and interest expenses relating to short sales, and extraordinary expenses, if any) ("annual operating expenses") of each class are limited to 1.25%, 1.00% and 1.00% of average net assets, respectively. Each of these undertakings lasts until February 28, 2023, and may not be terminated during its term without the consent of the Board of Trustees. The Fund has agreed that each of Classes A, I and R6 will repay First Eagle for fees and expenses waived or reimbursed for the class provided that repayment does not cause annual operating expenses (after the repayment is taken into account) to exceed either: (1) 1.25%, 1.00% and 1.00% of the class's average net assets, respectively; or (2) if applicable, the then-current expense limitations. Any such repayment must be made within three years after the year in which First Eagle incurred the expense.

Disclosures

The performance data quoted herein represent past performance and do not guarantee future results. Market volatility can dramatically impact the Fund's short-term performance. Current performance may be lower or higher than figures shown. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Past performance data through the most recent month-end are available at www.firsteagle.com or by calling 800-334-2143. The average annual returns are historical and reflect changes in share price, reinvested dividends and are net of expenses.

The average annual returns for Class A Shares "with sales charge" of the First Eagle Small Cap Opportunity Fund gives effect to the deduction of the maximum sales charge of 5.00%.

"Other Expenses" are based on estimated expenses for the current fiscal year; actual expenses may vary.

Inception date shown for the Russell 2000 Value and Russell 2000 Indices matches the Small Cap Opportunity Class I shares, which have the oldest since inception date for the Small Cap Opportunity Fund.

Class I Shares require $1MM minimum investment and are offered without sales charge. There is no minimum subsequent investment amount for Class I Shares.

Class R Shares are offered without sales charge.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Risk Disclosures

All investments involve the risk of loss of principal.

The First Eagle Small Cap Opportunity Fund ("The Fund") is new and may not be successful under all future market conditions. The Fund may not attract sufficient assets to achieve investment, trading or other efficiencies.

The value and liquidity of portfolio holdings may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the United States or abroad. During periods of market volatility, the value of individual securities and other investments at times may decline significantly and rapidly. The securities of small and micro-size companies can be more volatile in price than those of larger companies and may be more difficult or expensive to trade.

Strategies whose investments are concentrated in a specific industry or sector may be subject to a higher degree of risk than funds whose investments are diversified and may not be suitable for all investors.

There are risks associated with investing in foreign investments (including depositary receipts). Foreign investments, which can be denominated in foreign currencies, are susceptible to less politically, economically and socially stable environments, fluctuations in the value of foreign currency and exchange rates, and adverse changes to government regulations.

A principal risk of investing in value stocks is that the price of the security may not approach its anticipated value or may decline in value. "Value" investments, as a category, or entire industries or sectors associated with such investments, may lose favor with investors as compared to those that are more "growth" oriented.

One cannot invest directly in an index. Indices do not incur management fees or other operating expenses.

The **Russell 2000® Value Index** measures the performance of the large- cap value segment of the US equity universe. It includes those Russell. 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S. forecast medium term (2 year) growth and lower sales per share historical. **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. **Standard & Poor's 500 Index** is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the U.S. economy and is not available for purchase. Although the Standard & Poor's 500 Index focuses on the large-cap segment of the market, with approximately 80% coverage of U.S. equities, it is also considered a proxy for the total market.

The holdings mentioned herein represent the following percentage of the total assets of the First Eagle Small Cap Opportunity Fund as of 06/30/2022: America's Car-Mart, Inc. 0.65%; Sierra Wireless Inc. 0.68%; Ardmore Shipping Corp. 0.14%; AdaptHealth Corp. 0.64%; PBF Energy, Inc. Class A 0.53%; Community Health Systems, Inc. 0.37%; Herc Holdings, Inc. 0.70%; Alto Ingredients, Inc. 0.44%; B. Riley Financial, Inc. 0.64%; Bioventus, Inc. Class A 0.36%.

This commentary represents the opinion of the First Eagle Small Cap Opportunity Fund portfolio managers as of 06/30/2022 and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the entire firm. These materials are provided for informational purposes only. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice. Any statistics contained herein have been obtained from sources believed to be reliable, but the accuracy of this information cannot be guaranteed.

The Fund's portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

Third-party marks are the property of their respective owners.

FEF Distributors, LLC (Member SIPC) distributes certain First Eagle products; it does not provide services to investors. As such, when FEF Distributors, LLC presents a strategy or product to an investor, FEF Distributors, LLC does not determine whether the investment is in the best interests of, or is suitable for, the investor. Investors should exercise their own judgment and/or consult with a financial professional prior to investing in any First Eagle strategy or product.

Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds and may be viewed at www.firsteagle.com or by calling us at 800-747-2008. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed and may lose value.

The First Eagle Funds are offered by **FEF Distributors, LLC,** a subsidiary of First Eagle Investment Management, LLC, which provides advisory services.

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