Credit Opportunities Fund

Market Overview

With ongoing uncertainty around tariffs causing a negative shift in sentiment across financial markets, the significant pressure on syndicated loans that began in mid-February has persisted through the end of the first quarter and beyond.

The S&P UBS Leveraged Loan Index returned 0.62% during the quarter; March's -0.26% total return reflected the index's first negative month since October 2023. Amid the heightened volatility, loans dramatically outperformed the -4.28% return of the S&P 500 Index while underperforming the 2.78% return of the Bloomberg US Aggregate Bond Index.[1]

Loan Sentiment Sours, as Both Supply and Demand Fall on Tariff Uncertainty

Strong loan demand heading into the first quarter began to fade as tariff uncertainty ramped up in late February, and by March it had turned into outflows of $4 billion (the first monthly outflows in six months). Institutional demand remained more resilient, as $16.8 billion of net collateralized loan obligation (CLO) volumes for March were roughly in line with 2024's monthly run rate. Capital markets activity also felt the chill of tariffs, and we saw repricing activity collapse as declining secondary market prices dragged down the portion of the market trading at par. Gross volumes in March totaled just $56 billion versus $186 billion in January and a 2024 run rate of $110 billion per month. Acquisition-related transactions drove fairly robust net volumes throughout the period, including $43.8 billion in the quarter and $17 billion in March. While this compares favorably to 2024's monthly run rate of roughly $9 billion, the escalation of tariff uncertainty suggests meaningful downside risk is likely to persist.[2]

Fundamentals Improved While Default/Restructuring Activity Moderated

Based on reports published throughout the past few months, issuer fundamentals continued to show modest improvement through fourth quarter 2024. Revenues expanded for the 16th consecutive quarter, EBITDA[3] increased both quarter over quarter and year over year, and margins remained healthy. Interest coverage improved while leverage declined to levels not seen since the pandemic.[4] While fundamentals and operating results are backward-looking, we believe the asset class appears fairly well positioned for a potential deterioration in the business environment.

Default and restructuring activity generally moderated during the first quarter, with February registering the lowest volume since December 2022. Through March, default and restructuring volume totaled 3.86% on a last-12-months basis.[5]

Tariff Impact May Vary

While a slowdown in the US economy would pose a risk to leveraged issuers, the direct impact of tariffs appears likely to be more limited; these businesses tend to be smaller, have a greater domestic focus and participate in industries typically lacking a meaningful import/export component. In the case of the syndicated loan market, where there is more transparency than in direct lending, information technology remains the largest sector (at 17% of the S&P UBS Leveraged Loan Index), followed by services (12%), health care (10%), financials (10%) and media/telecom (9%). Manufacturing (4%), chemicals (4%), retail (3%), consumer non-durables (2%) and consumer durables (1%) have much smaller footprints in the leveraged loan space.[6]

While it is more difficult to get precise statistics on the more fragmented and less transparent direct lending market, there is a strong argument that these portfolios tend to be focused similarly on smaller issuers and have greater exposure to services, health care and other low-capital expenditure sectors that generally could be expected to be less impacted by tariffs than, say, manufacturers. Further, many lenders tend to focus their underwriting on less-cyclical businesses that generate a higher percentage of recurring revenue. Particularly within lower middle market direct lending, borrower credit metrics tend to include lower levels of leverage and lower loan-to-value ratios than is typical of the syndicated loan market.

1. Source: Bloomberg; data as of March 31, 2025.
2. Source: J.P. Morgan High Yield Bond and Leverage Loan Monitor; data as of April 1, 2025.
3. Earnings before interest, taxes, depreciation and amortization.
4. J.P. Morgan High Yield Bond and Leverage Loan Monitor; data as of April 1, 2025.
5. J.P. Morgan High Yield Bond and Leverage Loan Monitor; data as of April 1, 2025.
6. Source: Credit Suisse Workbench; data as of March 31, 2025.

Outlook

Shifting trade policy has made it significantly more difficult to offer an informed opinion on the path of the US economy. Consumer and business sentiment have shifted quite negatively this year, though the ultimate direction of the economic data remains to be seen. Many credit market participants have revised their default and restructuring forecasts marginally higher, even as they continue to expect activity to remain at levels below that of past recessions.

While mergers and acquisitions activity is likely to be a bit constrained in the near term, we expect that new strategic transactions are likely to test the market once the level of uncertainty begins to normalize. In order to clear the market, new transactions may need to come with wider spreads than have been typical of late given heightened risk aversion, increased uncertainty and the discount pricing in the secondary market. We also expect that deal terms will get more lender friendly and include more conservative deal documentation, particularly in the syndicated market. This is particularly true of larger transactions, as lower middle market deal terms generally have remained less aggressive.

Average Annual Returns as of Mar 31, 2025

	YTD	1 Year	3 Year	Inception	Expense Ratio[1] Gross[2]	Net	Adjusted[3]	Inception Date
First Eagle Credit Opportunities Fund – Class A FECAX (without load)	0.20%	5.36%	5.20%	6.49%	4.07%	3.84%	2.25%	Dec 2, 2020
First Eagle Credit Opportunities Fund – Class A FECAX (with load)	-2.29%	2.71%	3.95%	5.62%	4.07%	3.84%	2.25%	Dec 2, 2020
First Eagle Credit Opportunities Fund – Class A-2 FCAAX (without load)	0.12%	5.07%	-	6.05%	4.55%	4.34%	2.75%	May 31, 2022
First Eagle Credit Opportunities Fund – Class A-2 FCAAX (with load)	-2.38%	2.42%	-	5.11%	4.55%	4.34%	2.75%	May 31, 2022
First Eagle Credit Opportunities Fund – Class I FECRX	0.28%	5.67%	5.50%	6.92%	3.82%	3.59%	2.00%	Sep 15, 2020

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. "With load" performance for Class A Shares gives effect to the deduction of the maximum sales charge of 2.50%. Investments are not FDIC insured or bank guaranteed and may lose value.

1. First Eagle Investment Management, LLC (the "Adviser") has contractually undertaken to waive and/or reimburse certain fees and expenses of the Fund 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 the Class A, Class A-2 and Class I shareholders are limited to 2.25%, 2.75% and 2.00%, respectively, of average net assets. This undertaking lasts until 30-Apr-2025 and may not be terminated during its term without the consent of the Board of Trustees. The Fund has agreed to repay the Adviser 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) 2.25%, 2.75% and 2.00% of the class' average net assets, respectively; or (2) if applicable, the then-current expense limitations. Any such repayment must be made within three years after the date in which the Fund incurred the fee and/or expense.

2. The Gross Expense Ratio includes an estimate of interest payments the Fund expects to incur in connection with its use of leverage of 1.59% and Acquired Fund Fees and Expenses (''AFFE''), which are fees and expenses incurred by the Fund in connection with its investments in other investment companies, which are excluded from the expense waiver.

3. The Adjusted Expense Ratio of 2.00% for Class I, 2.25% for Class A and 2.75% for Class A-2 excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying First Eagle Funds (if applicable), none of which are paid to First Eagle.

The information is not intended to provide and should not be relied on for accounting or tax advice. Any tax information presented is not intended to constitute an analysis of all tax considerations. The minimum initial investment for Class A Shares and Class A-2 Shares is $2,500 per account. The minimum subsequent investment amount for Class A Shares and Class A-2 Shares is $100. The minimum initial investment for Class I Shares is $1 million per account. There is no minimum subsequent investment amount for Class I Shares.

The Credit Opportunities Fund is an Interval Fund, a type of fund that, in order to provide liquidity to shareholders, has adopted a fundamental investment policy to make quarterly offers to repurchase between 5% and 25% of its outstanding Common Shares at net asset value ("NAV"). Subject to applicable law an approval of the Board of Trustees for each quarterly repurchase offer, the Fund currently expects to offer to repurchase 5% of the Fund's outstanding Common Shares at NAV.

The Credit Opportunities Fund's Common Shares are not listed for trading on any national securities exchange, have no trading market and no market is expected to develop.

The annual expense ratio is based on expenses incurred by the Fund, as stated in the most recent prospectus. The Gross Expense Ratio includes an estimate of interest payments the Fund expects to incur in connection with its use of leverage of 1.59% and Acquired Fund Fees and Expenses (''AFFE''), which are fees and expenses incurred by the Fund in connection with its investments in other investment companies, which are excluded from the expense waiver.

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The minimum initial investment for Class A Shares and Class A-2 Shares is $2,500 per account. The minimum subsequent investment amount for Class A Shares and Class A-2 Shares is $100. The minimum initial investment for Class I Shares is $1 million per account. There is no minimum subsequent investment amount for Class I Shares.

The initial investment minimums may be modified for certain financial firms that submit orders on behalf of their customers. The Fund or the Distributor may lower or waive the minimum initial investment for certain classes of shares or categories of investors at their discretion. The minimum initial investment may also be modified for current officers, trustees, directors, and employees of the Fund, First Eagle, the Adviser, the Subadviser, the Distributor, certain other subsidiaries of First Eagle, The Blackstone Group Inc., Corsair Capital LLC, employees of certain firms providing services to the Fund (such as the custodian and the shareholder servicing agent), and to the immediate family members of any such persons or to any trust, pension, profit-sharing or other benefit plan for only such persons. Please see the Statement of Additional Information for details.

Risks

All investments involve the risk of loss of principal.

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

An investment in the First Eagle Credit Opportunities Fund (the "Fund") involves a number of significant risks. Below is a summary of some of the principal risks of investing in the Fund. Before you invest, you should be aware of various risks, including those described below. For a more complete discussion of the risks of investing in the Fund, see the Fund's prospectus under the heading, "Principal Risks of the Fund."

There are risks associated with investing in **securities of foreign countries**, such as erratic market conditions, economic and political instability and fluctuations in currency exchange rates. These risks may be more pronounced with respect to investments in emerging markets. Funds 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. Investments in loans potentially expose the Fund to the **credit risk** of the underlying borrower, and in certain cases, of the financial institution. The Fund's ability to receive payments in connection with the loan depends primarily on the financial condition of the borrower. Even investments in secured loans present risk, as there is no assurance that the collateral securing the loan will be sufficient to satisfy the loan obligation. The market for certain loans is expected to be illiquid and the Fund may have difficulty selling them. In addition, loans often have contractual restrictions on resale, which can delay the sale and adversely impact the sale price. **Below investment grade securities** or comparable unrated instruments may be subject to greater risks than securities or instruments that have higher credit ratings, including a higher risk of default, and the Fund might have difficulty selling them promptly at an acceptable price. **Investments in debt securities** and other obligations of companies that are experiencing significant financial or business distress involve a substantial degree of risk, including a material risk that the issuer will default on the obligations or enter bankruptcy. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high. There is no assurance that First Eagle Alternative Credit will correctly evaluate the value of the assets collateralizing the Fund's investments or the prospects for a successful reorganization or similar action in respect of any company.

Investors may not have access to all share classes at certain financial intermediaries. Please consult your financial professional for more information.

Investors should consider Common Shares of the Fund to be an illiquid investment. There is no guarantee that investors will be able to sell the Common Shares at any given time or in the quantity the investor desires.

An investment in the Credit Opportunities Fund is not suitable for investors who need certainty about their ability to access all of the money they invest in the short term.

Definitions

Federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight on an uncollateralized basis. **Collateralized loan obligations (CLO)** are financial instruments collateralized by a pool of corporate loans. **A leveraged buyout (LBO)** is the acquisition of one company by another using a significant amount of borrowed capital to meet the cost of acquisition. **Exchange-traded funds (ETFs)** are listed investment vehicles that seek to provide exposure to a benchmark, index or actively managed strategy. **Default rate** is the percentage of loans or bonds in which the borrower/issuer failed to make scheduled interest or principal payments, typically measured over a trailing 12-month period.

S&P UBS Leveraged Loan index (Gross/Total) formerly named the Credit Suisse Leveraged Loan Index, measures the performance of the investable universe of the US dollar institutional leveraged loans. A total-return index tracks price changes and reinvestment of distribution income. **Bloomberg US Aggregate Bond Index** (Gross/Total) measures the performance of the investment grade, US dollar-denominated, fixed-rate taxable bond market in the US, including Treasuries, government-related and corporate securities, fixed-rate agency MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. A total-return index tracks price changes and reinvestment of distribution income. **S&P 500 Index** (Gross/Total) measures the performance of 500 of the top companies in the leading industries of the US economy and is widely recognized as a proxy for the US market as a whole. A total-return index tracks price changes and reinvestment of distribution income.

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

This commentary represents the opinion of the First Eagle Credit Opportunities Fund portfolio managers as of the date noted 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.

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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. You may also request printed copies by calling us at 800-747-2008. Please read our prospectus carefully before investing.

The First Eagle Credit Opportunities Fund is offered by **FEF Distributors, LLC**, a subsidiary of First Eagle Investment Management, LLC, which provides advisory services.

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