ValueInvestor INSIGHT

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The Leading Authority on Value Investing

Investor Insight: Bill Hench

Bill Hench of First Eagle Investments describes his old-school process for generating ideas, where he's spending incremental research time today, how he tries to keep "fresh eyes" on what he owns, why he accepts his performance will be volatile, and what he thinks the market is missing in Lithia Motors, Cars.com and Alpha & Omega Semiconductor.

INVESTOR INSIGHT

Bill Hench
First Eagle Investments

Bill Hench doesn't think the market is necessarily wrong in how it prices the stocks that most interest him. "Mispriced isn't the right word," he says. "There is something wrong and the stock probably shouldn't go up unless that gets fixed."

With companies facing plenty of problems these days, he's finding opportunity in such areas as semiconductor equipment, online services and auto retail.

You've described your investing approach as looking to take advantage of short-term weakness in companies that happens in the regular course of business. Is that a good start in explaining your strategy?

Bill Hench: Nothing grows forever in a straight line. Management gets a product cycle wrong. There's a mishap at a factory. You have to recall a product. Or maybe you make steel and steel prices are down. Whatever it is, earnings are off and our process is built around identifying where things are not going well for otherwise solid companies and then assessing how and whether things are going to get back to normal.

The important word in that sentence is normal. We don't have to buy basket cases and cross our fingers or uncover this great long-term growth story no one else sees. We want getting back to normal to be very doable, and if it happens, that the stock will be worth a lot more than it currently is. That's basically what we try to do over and over again.

Where and how do you prospect for ideas?

BH: Because we use "small cap" in our fund name, 80% of our companies have to be at or below the top end of the Russell 2000 Value Index, which today is around $6 billion. We're usually much smaller than that, under $3 billion or so. We think it matters when fewer people are interested. That's just naturally the case in smaller companies in general, and particularly if something's going wrong or is considered "low quality." It's also a lot of work sometimes to get at everything you need to know, which keeps people away. There are plenty of disasters that are going to remain disasters among small companies, but we also believe there are a disproportionate number of opportunities that can produce outsized returns.

Smaller companies typically have their niches and stay in them. The markets maybe aren't big enough for others to enter and customers often don't want to take a chance on something new. Over years of investing in this part of the market we can build up a lot of institutional knowledge that we hope can give us an advantage in assessing the problems companies face and the likelihood that they can be fixed.

As for how we prospect for ideas, we've always put a lot of emphasis on reading trade publications like *Aviation Week*, *Engineering News-Record*, *Automotive News* and *Women's Wear Daily*. Trade journals keep you up-to-date on what's happening in real time and it's helpful that it hasn't already been filtered through an investor or analyst point of view. You read first-hand about new products that are launching, how prices for this or that input are changing, what technology this new manufacturing facility is using, or what customers are saying. It's up to us to figure out the investment implications of all that.

We also see a lot of companies, which I think is an advantage for small-cap managers. We as a team meet the top management of more than 300 companies a year through conferences and from investment banks arranging one-on-one meetings. When Goldman Sachs is bringing a small mining or hair-care or sandwich company around they're happy we'll take the meet-

ing because often there might not be a lot of demand. It's funny how often the company we didn't really want to see turns out to be the most interesting.

You come across opportunities and ideas from just sort of carrying out your work. It's not easy to plan, like saying, "Tomorrow I'm going to look for new ideas from 1 p.m. to 4 p.m." That's never been as effective for me as just reading things and talking to people and seeing where it takes me.

Where does your research focus once an idea is on your radar?

BH: The nice thing about value investing is that they're all cheap for a reason, and usually that reason isn't a secret. So it's important for us to understand the full extent of the problem, what catalysts are going to make it better, and what normal looks like if things do get better. Usually the more it's a market issue rather than a company issue, the better the chance of success. Even if a lumber company's management doesn't do everything perfectly, if lumber prices go from cyclically low to cyclically high there's probably enough wind at its back to see the stock recover. If an oil-services company's operating margins at the bottom are at 0-5%, when things are good they're probably going to be 30-40% and the stock is going to come back.

Ideal for us is when we think we're getting a growth company at a value price. An example of that today would be Air Lease [AL], the second-act aircraft leasing company founded by one of the pioneers in the industry, Steven Udvar-Házy. The company is at a stage in its lifecycle and in an industry where we believe it can grow its earnings at 15% or better a year for some time, but because of the cyclicality and volatility in the business – more pronounced in recent years due to Covid, Russia's invasion of Ukraine and production delays at Boeing and Airbus – the stock at times trades at very cheap multiples, less than 8x forward earnings and below book value.

This is a case where we can put together a reasonable model of what the company is going to do, of demand and supply in a recovering market and of lease rates, and arrive at earnings that can get to $10 per share. We'll probably be long gone by the time it gets there, but from today's stock price [of around $38.50], we think we own a very well-managed company with a pristine balance sheet and great long-term growth potential at a price below a conservatively stated book value. These types of stories are very exciting to me.

One typical catalyst for us is around management. Sometimes that's about their taking advantage of a particular point in a cycle, but it's also often about their ability to improve an existing situation that needs to be improved. As an example of the latter, we revisited a company I'd owned before – which didn't work out very well, by the way – called Aviat Networks [AVNW] after they appointed a new CEO, Peter Smith, at the beginning of 2020. The company sells telecom "backhaul" equipment, which is a nice way of saying microwave-radio gear that isn't very cutting edge but can in less populated areas be a less expensive and more practical means of transmitting data and voice than fiber.

The company is executing well. They're now more focused on the United States than international markets and are well positioned to benefit from U.S. government spending on making high-speed Internet more broadly available and from the rollout of more advanced 5G networks. There's a kink in the armor though, which we think helps explain why the stock [at a recent price of $31] trades at less than 10x forward earnings. They could benefit significantly from more scale and tried to get that in buying competitor Ceragon Networks over the summer, but got turned down. We own Aviat because we believe the market will eventually recognize that it's a much better business than it has been. That may be accelerated by the company finding a way to get bigger, or being bought itself.

Bill Hench

Perfect Fit

It took some time for Bill Hench to find his way to managing money. After earning a business degree from Adelphi University, he spent three years as an accountant with what was then "Big 8" accounting firm Coopers & Lybrand, another three in controlling-type jobs with financial firms, and then 10 years in investment-bank institutional sales, calling on money managers such as Wellington, Fidelity and GMO. In his last stint in that role, with since-acquired technology investment bank Hambrect & Quist, Hench particularly hit it off with a small-cap portfolio manager at Royce & Associates, Buzz Zaino [*VII*, November 27, 2013]. He ended up joining Zaino's investment team at Royce in 2002.

As Hench tells it, it was a career match made in heaven: "It was just terrific from day one. Buzz, who is still one of my best friends, was patient, smart, contrarian and had his own way of doing things that made great sense to me and, more importantly, it worked. There's so much fun in finding that $3 stock that everybody absolutely hates, but you see something in it that others don't and you turn out to be right and you make your clients money. It's a very fulfilling, absolutely wonderful thing to do for a living."

What is your typical time horizon?

BH: It's rare that you buy something today and next quarter everything's going great. Sometimes it takes longer, but usually within 18 months to two years there's reasonable evidence that it's working out or probably isn't going to work out. For where we invest and how we invest, we

don't hold things forever. In the good cases, when something gets back to normal we're usually starting to sell.

A lot of our mistakes, maybe even more so in the past four or five years, have been in getting in too early. A lot of that is on me – I get excited when something is cheap and don't want to miss it. That's the nature of the game, but we try to be very conscious of that and take our time getting into positions. As things play out and you learn more over the next quarter or two, we try to average in if the situation warrants and not be stubborn and get out if we realize we made a mistake.

You run a more diversified portfolio, with 250 or so names, than most investors we speak with. What's the rationale for that?

BH: I don't argue against concentration in general, but in our part of the market – especially in contrarian, turnaround and recovery stories – I think it's very difficult to execute on a concentrated portfolio. There are just too many things that can go wrong that can have an outsized effect on a smaller company. If a 5% position turns into a 2% one overnight, it's tougher to recover from that.

Owning more names also helps us deal with not-great liquidity. If we get a $10 million new investment we can buy a little bit of 50 or 100 names rather than have to buy quite a bit of just 5 or 10. The same is true on the way out. If you decide you don't like something, you may not be the only one coming to that conclusion and that can make it tougher to sell at a reasonable price.

You've talked about rotating the ongoing coverage of names in your portfolio. Why do you do that?

BH: This is something we started in 2018 to try to take advantage of fresh eyes looking at things. When you're responsible for keeping up on one of your names, you might listen to conference calls and go through the 10-Q with more of a preconceived notion of how things should be or you want them to be and not give the attention you should to red flags and new potential risks. We're trying to avoid that by rotating each quarter who works on the update. So far we think it's been a real benefit to the process.

Would you say there are any themes around where you're devoting research attention today?

BH: One general one would be the semiconductor value chain. There are a lot of layers in that chain and at the small end are a number of successful U.S. companies that are #1 or #2 in their niches, things like moving the wafers around, etching or managing fluids.

ON THEMES OF INTEREST:

One would be the semiconductor value chain. Too much attention is being paid to the industry's past cyclicality.

In our opinion too much attention is being paid to the historical cyclicality of the semiconductor-equipment industry and not enough to what is actually happening now. Demand for equipment today is driven to a lesser extent by the general economy and increasingly by the need for customers to innovate to stay competitive, by a broader set of end users and end uses, and by the interest of national governments to promote more domestic chip production.

Despite what we think is this new reality, stocks in the industry are often still priced as deep cyclicals. One recent example I can talk about would be Ichor Holdings [ICHR], which makes fluid-delivery components and systems used in the chipmaking process. The stock at today's price [of around $27] trades at 7x this year's estimated earnings, but most analysts expect earnings to fall next year to around $2.30 or so. Given the current industry dynamics we think rather than a material falloff in demand and pricing that the positive semiconductor cycle we've been in may have another couple of years to run. If that turns out to be the case, the company can earn a lot more than it will even this year.

In terms of sectors of interest, another area we're looking at closely today is restaurants. We're still more in the active research phase, but this is an industry that's had a lot of problems in recent years, starting with Covid, then food inflation took off and labor costs did as well. The best companies have responded to all that by reworking menus, processes and staffing, so that if food-cost inflation and wage pressures abate, they'll incrementally benefit from having increased prices and lowered operating costs. We're finding ideas where the stocks don't seem to reflect the margin upside that might result as the operating environment normalizes.

Describe the broader investment case today for a long-time favorite of yours, auto retailer Lithia Motors [LAD].

BH: We've known Lithia for a long time and have followed it as it's grown from owning car dealerships selling domestic cars mostly on the outskirts of metropolitan areas in certain regions of the country to one selling a full range of domestic and foreign makes nationwide. The founder, Sid DeBoer, built the company from the ground up and was one of those CEOs who knew everything down to the smallest detail about his company. He's now the Chairman of the Board and his son Bryan has been the CEO since 2012.

The dealerships have always had a good mix of new and used car sales, with new accounting for about 45% of total revenues, used for 35%, and the rest coming from finance and insurance. They've also developed an online platform called Driveway to compete with companies like Carvana for customers who want to do some or all of a transaction online.

What distinguishes them in my mind is that they're great operators both in running a tight ship but also in taking advantage of what the market is giving them. When oil prices went crazy and got to

$140 a barrel, for example, at a time no one wanted them they were buying up every used pickup truck they could get their hands on. When oil prices fell and gasoline got cheap again, they made incredible margins on those trucks as demand for them recovered.

After owning the stock for some time, we eventually sold as the market cap – which got close to $12 billion in 2021 – got too big for us to own. Business was booming as the shortage of new cars at a time of very high consumer demand sent used car prices through the roof. We had to buy a used car for my son and looked at a three-year-old Subaru with 20,000 miles on it that still had the original sticker in the glove box, and the dealer was asking right around the original price. Bad for used-car buyers, good for used-car sellers.

As the market has corrected and now everyone's worried about consumer demand for cars in a recession, Lithia's market cap is less than half its peak from last year and the stock is cheap again, trading at 4.5x this year's estimated earnings of around $45 per share.

At today's share price of around $203.50, what do you think the market might be missing?

BH: Everyone expects earnings to go down a lot and maybe they do, but the reason I want to own this now is that I think there's a good chance the company navigates this market better than seems to be expected. They are just really good operators in times like now of high pricing volatility. I would not be surprised if a year from now that new-car margins have come down, but the margins on used cars will be better. That's not what the Street is expecting.

The company is out there with a forecast of $60 per share in earnings by 2025. If they can do that, there's no reason the stock can't trade at 10-12x earnings, as it has in the past.

This is a case where we think it's an advantage to have a long history with a company and its management. That they're really good in working through difficult pricing environments doesn't show up on a screen, but it tells you a lot about how things might play out.

Sticking to the general area of vehicle sales, describe your current interest in Cars.com [CARS].

BH: The company was originally launched in 1998 and was the automotive digital marketplace for Gannett, which spun it out as part of Tegna, which then spun it out as an independent publicly traded company in 2017.

The platform, which competes with sites like Edmunds.com and Kelley Blue Book, essentially connects car buyers with car sellers. People looking for passenger cars or trucks go there to do research and see what inventory might be available and where. Dealers pay Cars.com to let them promote to those prospective buyers what they have in stock and any specials or financing offers they may have. Of the 40,000 car dealers in the U.S., close to 20,000 of them are on Cars.com, paying an average of $2,300-2,400 per month to be there. That's the vast majority of the company's business.

I will admit to somewhat of an initial

INVESTMENT SNAPSHOT

Lithia Motors
(NYSE: LAD)

Business: Seller of used and new cars in the United States through owned and operated domestic, import and luxury car dealerships as well as online automotive retailer Driveway.

Share Information (@12/29/22):

Price	**203.44**
52-Week Range	180.00 – 349.61
Dividend Yield	0.9%
Market Cap	$5.56 billion

Financials (TTM):

Revenue	$27.55 billion
Operating Profit Margin	7.5%
Net Profit Margin	4.7%

Valuation Metrics
(@12/29/22):

	LAD	S&P 500
P/E (TTM)	4.8	18.6
Forward P/E (Est.)	5.3	17.4

Largest Institutional Owners
(@9/30/22 or latest filing):

Company	% Owned
Vanguard Group	10.0%
Abrams Capital	8.6%
BlackRock	8.6%
MFN Partners	5.7%
Barrow, Hanley, Mewhinney	4.7%

Short Interest (as of 12/15/22):

Shares Short/Float	9.1%

THE BOTTOM LINE

Based on his long history following the company, Bill Hench expects it to navigate what may be a challenged economic environment more successfully than the market seems to expect in pricing the stock at 4.5x 2022's estimated earnings.

Sources: Company reports, other publicly available information

bias against the company because of its name. Is something with ".com" in the name really a serious, differentiated business? But that goes away as soon as you pull up the financials and see how much cash it generates and the extremely high customer retention rates. If you know anything about car dealers, they aren't quick to spend a buck, so the fact that so many dealers are regularly cutting a check every month tells you they're getting a return on their investment. It's easily measurable, so that tells me the service must be effective.

What interests us in this today? We think as new-car inventory comes back that dealer advertising and promotional spending increases after a down period because no one had cars. With average car prices still relatively high and going up, financing terms – especially when money is no longer free – are going to matter more. That environment should make the Cars.com service incrementally more valuable, for shoppers and for dealers.

How inexpensive do you consider the shares at today's $13.80 share price?

BH: The company is expected to earn roughly $1.25 per share this year and maybe $1.50 next year. So that puts the multiple on estimated earnings at a bit over 9x.

Management doesn't say this, but we think that $1.50 per share for next year may be more of a worst-case scenario. We also don't think a 9x multiple is reasonable for a company with this ability to generate cash. It may not get back anytime soon to the 20x P/Es it had after it went public, but something in the mid-teens would not strike us as unreasonable.

You spoke earlier about semiconductor manufacturing equipment. Why are you high on the prospects for chipmaker Alpha & Omega Semiconductor [AOSL]?

BH: This is another company that we've known and followed for a long time. Like Lithia it was built by a founder, Mike Chang, who earlier this month announced he was becoming Executive Chairman and passing the reins as CEO to his son Stephen. Also like Lithia, it's just an extremely well-run company that has in a disciplined and profitable way expanded over time.

They make power chips, which are high-speed switching devices that distribute power in computers and electronic devices. They started out making basic chips with the goal to get better at manufacturing and engineering and move up the power-chip food chain. Early renditions of their chips went mostly into cheap laptops, but they have now significantly expanded their addressable market with higher-end devices – with higher prices and margins – that go into end products like servers, consumer appliances and electric vehicles. They compete head-to-head with bigger competitors like ON Semiconductor and Vishay Intertechnology.

Like a lot of semiconductor companies, AOS's business benefitted from work-from-home trends during the pandemic that led to a dramatic rise in revenues, profits and the stock price, which a year ago got as high as $60. The shares have come off pretty sharply as the Covid-related impacts wear off – particularly the fall in demand for laptops and PCs, which

INVESTMENT SNAPSHOT

Cars.com
(NYSE: CARS)

Business: Operates an online marketplace providing vehicle shoppers with resources to inform buying decisions and allowing them to connect with retailers and manufacturers.

Share Information (@12/29/22):

Price	**13.80**
52-Week Range	8.75 – 17.18
Dividend Yield	0.0%
Market Cap	$919.2 million

Financials (TTM):

Revenue	$644.0 million
Operating Profit Margin	8.2%
Net Profit Margin	0.1%

Valuation Metrics
(@12/29/22):

	CARS	S&P 500
P/E (TTM)	140.4	18.6
Forward P/E (Est.)	6.8	17.4

Largest Institutional Owners
(@9/30/22 or latest filing):

Company	% Owned
BlackRock	15.5%
Vanguard Group	10.8%
Fidelity Mgmt & Research	10.1%
Greenvale Capital	8.1%
Ninety One UK Ltd	6.3%

Short Interest (as of 12/15/22):

Shares Short/Float	3.5%

CARS PRICE HISTORY

THE BOTTOM LINE

As new-car inventories replenish, Bill Hench expects the dealer advertising and promotional spending that drives the company's business to be higher than seems to be implied by the 9x forward multiple the market is putting on its stock. He believes earnings can come in better than expected, which would likely lead to a higher stock multiple as well.

Sources: Company reports, other publicly available information

still account for maybe 40% of total revenues – and also because of geopolitical and general economic concerns about the company's successful manufacturing joint venture in China.

With the stock now trading at around $29, do you think the market is now being overly pessimistic?

BH: Our time periods can get so condensed. A year in our business feels like a long time, but meanwhile this company has been slugging it out and getting better year after year for more than 20 years. The balance sheet is solid and management does a great job of spending enough, but not too much, on R&D. They're just very, very good operators – sometimes people give less credit to that in the investing equation than they should.

At today's run rate the company is earning at an annual rate of about $4 per share, which means the shares trade at a bit over a 7x P/E. We can't tell you precisely what they earn next year, but we think it's a safe bet those earnings continue to reliably grow over time and that the shares will deserve much better than a 7x P/E over any reasonable time horizon.

We do think about what ultimately will happen with the joint venture in China. It's a good business and everything made there is sold in China, so there aren't big issues around the deteriorating trade relationship with the U.S. AOS was the majority owner but has taken its stake down below 50%, and the JV has announced that they're contemplating taking the company public on the STAR Market of the Shanghai Stock Exchange. We don't have any great insight into how that plays out, but also think whatever happens is unlikely to hurt AOS's shareholder value.

One noteworthy attribute of your strategy has been its volatility. Why is that?

BH: It's a function of two main things. One is that we tend to be more aggressively buying when the market turns ugly, which usually doesn't do your short-term performance any favors. It's also a function of our skewing much smaller in terms of median market cap than either our competitors or the index. Companies in the bottom few deciles by market cap in the Russell 2000, maybe due to perceived business and balance-sheet quality because they're small, typically do worse in downturns.

I always come back to the Howard Marks quote that you have to remember the difference between volatility and risk. We're more volatile, but I would make the case that given the prices we're willing to pay, we're actually less risky. And if we've done our work right, the markdowns will be temporary and not result in permanent capital loss.

Would it be nice to get the same performance with less volatility? Sure, but I don't think we can. The opportunity in this part of the market is to make money over the cycle, and in order to do that you have to be buying when things look bad and no one else wants to. That's actually where we make our money. I'm excited when we're down, and terrified when we're up. That comes with the territory in being a value investor. VII

INVESTMENT SNAPSHOT

Alpha & Omega Semiconductor
(Nasdaq: AOSL)

Business: Global design, development and supply of power semiconductors used in a variety of end products, including computers, servers, appliances, smartphones and TVs.

Share Information (@12/29/22):

Price	**29.03**
52-Week Range	27.38 – 69.99
Dividend Yield	0.0%
Market Cap	$795.7 million

Financials (TTM):

Revenue	$799.0 million
Operating Profit Margin	12.8%
Net Profit Margin	57.0%

Valuation Metrics
(@12/29/22):

	AOSL	S&P 500
P/E (TTM)	2.0	18.6
Forward P/E (Est.)	9.0	17.4

Largest Institutional Owners
(@9/30/22 or latest filing):

Company	% Owned
BlackRock	12.8%
Dimensional Fund Adv	7.6%
Vanguard Group	6.2%
State Street	5.8%
Invesco Capital Mgmt	2.3%

Short Interest (as of 12/15/22):

Shares Short/Float	8.6%

AOSL PRICE HISTORY

THE BOTTOM LINE
While it may face short-term earnings volatility as the unusual spike in pandemic-related demand for its chips goes away, Bill Hench expects the company's first-class management team to continue to reliably grow the business over time. As that happens, he says, the shares will deserve much better than today's 7x multiple on current run-rate earnings.

Sources: Company reports, other publicly available information

Sources: Bloomberg; Lithia Motors Inc Presentation as of 10/19/2022; CARS.com Presentation as of 11/18/22; Alpha & Omega Semiconductor 10K for period ended 6/30/22; Alpha & Omega Semiconductor Dec 2021 press release

Trailing Returns (%)

Period: 1-May-2021 through 31-Dec-2022

	4th Quarter	YTD	1 Year	1-May-2021 through 31-Dec-2022
First Eagle US Small Cap Strategy (Gross)	12.22%	-13.31%	-13.31%	-6.53%
First Eagle US Small Cap Strategy (Net)	11.97%	-14.05%	-14.05%	-7.33%
Russell 2000 Value Index (Total Return)	8.42%	-14.48%	-14.48%	-6.89%

All returns data beyond one-year figures are annualized. Performance numbers are preliminary.
Portfolio and index returns are shown in USD.

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The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle US Small Cap Strategy as of 12-31-2022: Lithia Motors 0.73%; Cars.com 0.42%; Alpha & Omega Semiconductor 0.51%; Aviat Networks 0.69%; Air Lease 0.89%; Ichor Holdings 0.60%.

Russell 2000® Value Index measures the performance of small-cap value segment of the US equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index measures the performance of small-cap value segment of the US equity universe.

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Year End	Total Firm Assets (millions)	Composite Assets USD (millions)	Composite Assets Number of Accounts	Annual Performance Results Composite Gross	Composite Net	Russell 2000 Value (gross)	3Y ex-post Std. Deviation Composite	3Y ex-post Std. Deviation Benchmark	Composite Dispersion
1-May-21-31-Dec-21	110,254	209	Five or Fewer	3.17%	2.62%	3.76%			N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Composite dispersion calculated using gross returns.

	Composite Gross	Composite Net	Russell 2000 Value (Gross)
1 Year Ending 30-Sep-2022	(19.24%)	(19.92%)	(17.69%)
3 Year Ending 30-Sep-2022	N.A.	N.A.	N.A.
5 Year Ending 30-Sep-2022	N.A.	N.A.	N.A.
10 Year Ending 30-Sep-2022	N.A.	N.A.	N.A.
Since Inception 01-May-2022	(14.85%)	(15.57%)	(13.19%)

US Small Cap Composite *contains fully discretionary accounts invested in a range of asset classes from markets in the United States and throughout the world. To achieve its objective, management will normally invest in common stocks (and securities convertible into common stocks) of US and foreign companies. For comparison purposes, the composite is measured against the Russell 2000 Value Index. Returns include the effect of foreign currency exchange*

rates. The exchange rate source of the composite is Bloomberg 4 pm EST. The exchange rate source of the benchmark is Reuters 4 pm GMT. The asset mix of the accounts in the composite may not be comparable to the Russell 2000 Value Index. Indices do not incur management fees or other operating expenses. Investments cannot be made directly into an index.

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First Eagle Investment Management, LLC is an independent SEC registered investment adviser. THL Credit Advisors was acquired and made a part of First Eagle Alternative Credit since Jan-2020. As of 01-Jan-2020, First Eagle Investment Management was redefined to include the Alternative Credit division. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Total returns of the composite and benchmark are presented net of estimated foreign withholding taxes on dividends, interest, and capital gains. Withholding taxes may vary according to the investor's domicile.

The annual composite dispersion presented is an equal-weighted standard deviation calculated for the accounts in the composite for the entire year. The 3-year ex-post standard deviation is calculated using gross returns.

Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fees performance was calculated using the highest applicable management fee of 0.80% applied monthly. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The investment management fee schedule is 0.80% on assets. Actual investment advisory fees incurred by clients may vary.

The Small Cap Opportunities Composite was created and has an inception date of 01-May-2021.

Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request