U.S. Value Fund

Market Overview

As it had for much of 2023, the performance of risk assets in the fourth quarter appeared to ebb and flow with the market's expectations of Fed policy.

While the "higher for longer" sentiment that dominated the third quarter persisted into the fourth— perpetuating a selloff in Treasuries and broad weakness in stocks—optimism that a "soft landing" and series of rate cuts were just over the horizon appeared to take root in late October. The renewal of dovish sentiment, which was reinforced by macroeconomic readings and Fed rhetoric in the weeks that followed, fueled a furious rally across a wide range of assets through the balance of the year. Notably, market breadth widened in conjunction with this surge, unlike earlier rallies concentrated in a small subset of very large technology-related names. The S&P 500 Index returned 11.7% for the fourth quarter and 26.3% for the year, while the MSCI World Index returned a respective 11.4% and 23.8%.[1] Growth outpaced value during the quarter and very significantly outperformed for the year.

Market Summary	4th Quarter 2023
S&P 500 Index	+11.69%
German DAX Index	+8.87%
French CAC 40 Index	+5.93%
Nikkei 225 Index	+5.23%
Brent Crude Oil	-19.17% $77.04 a barrel
Gold	+11.60% $2,062.98 an ounce
US Dollar	-5.53% vs. yen -4.16% vs. euro

Source: Bloomberg, WM/Reuters.

Mounting Risks Go Unheeded in 2023

Market returns in 2023 were a welcome respite from a dismal 2022, but the buoyant conditions entering the new year make us wonder if hope has gotten the better of substance. We believe the investment environment today is rife with challenges, the escalation of which could shake markets from their apparent complacency and inspire a newfound sense of risk aversion, to the detriment of many financial assets.

For example, current market valuations suggest markets are complacent about the inevitability of a soft landing even as any sort of landing remains elusive; in our view, the risk of an adverse outcome only increases the longer the Fed circles the runway without touching down. We have long been skeptical of the central bank's ability to achieve a soft landing and remain so today. Beyond the scarcity of previous successful attempts, the continued strength of the domestic labor market makes it hard for us to envision a scenario in which wage growth spontaneously returns to a level consistent with target-level inflation absent a meaningful increase in unemployment.

Broadly speaking, wage growth reflects two variables: the rate of change in nonfarm payrolls and their overall level. While the rate of payroll additions has moderated, the economy has continued to add jobs at a steady clip since bottoming in April 2020 and the level of payrolls as a percentage of the total population stands near a post-financial crisis high. Not surprisingly, wage growth has been far less responsive to Fed tightening than broad inflation metrics; though off its cyclical peak, the Atlanta Fed Wage Growth Tracker—at 5.2% in its latest reading—continues to reflect a pace not seen since 2001.[2] Previous episodes of wage growth at or near the current rate were reined in only when exceeded by two-year Treasury yields for a period of time; "higher for longer"—and the economic slowing and job losses likely to accompany it—may be a necessity if the labor markets don't begin to demonstrate some slack.

We're also concerned about the unsustainable fiscal trajectory of the US and other advanced economies, as public debt balances continue to swell with no sign of the spending discipline necessary to rein them in. Financial repression via unconventional monetary policies through much of this century kept interest rates artificially low and tempered interest expenses even as debt balances continued to rise, but the rollback of crisis-era monetary accommodations has altered the calculus of government borrowing. We've yet to see indications that fiscal policy will be adjusted to reflect the new math anytime soon, however; in fact, continued deficit spending by the US during 2023 served as a stimulative impulse at odds with the Fed's monetary policy goals, perhaps accounting for the economy's apparent resilience despite a surge in the cost of capital. While a path toward meaningful long-term fiscal reform seems nearly incomprehensible at this point given the fractured political landscape, even minor spending decisions may weigh heavily on the near-term path of the economy and markets. A small amount of fiscal tightening in 2024 likely would raise the odds of a hard landing, for instance, but maintaining fiscal settings at

1. Source: FactSet; data as of June 30, 2023.
2. Source: Bloomberg, Haver Analytics, Federal Reserve Bank of Atlanta; data as of November 30, 2023.

current levels could open the door to renewed inflation or stagflation. Neither outcome is particularly good for risk asset valuations.

Despite these hazards, the term premium on US Treasuries trended lower following the global financial crisis and spent much of the past five-plus years in negative territory. The lack of a persistently positive term premium suggests markets may not agree with our assessment of the risks—or, at the very least, they have grown complacent amid the many potential triggers for a re-rating of US Treasuries. And while we can't speculate about what may finally cause investors to demand meaningful premia for the uncertain long-term fiscal trajectory of issuers, we note that changes in sentiment can happen quickly and reverberate broadly across markets.

Macroeconomic risks have been further complicated by a new geopolitical theater of uncertainty. The liberal democratic ideals that the globalization trends of the late twentieth/early twenty-first centuries were expected to promote in many cases have been rejected in favor of autocracy. One result has been a loose coalition of authoritarian countries like China, Russia, North Korea and Iran, a "heartland axis" that control a vast, near-contiguous swath of land rich with natural resources across Eurasia and into the Middle East and northern Africa.

In recent years, this group has increased the volume and scope of its military adventurism, both directly and via proxies, and appears to have forged tighter relations as a result of a shared distaste for the liberal democracies scattered across the globe's periphery (North and South America, Western Europe, Oceana and parts of East Asia). At a minimum, these new alliances set the stage for greater friction in economic relations, and there are many ways in which current localized armed conflicts such as Ukraine/Russia and Israel/ Hamas could escalate into something more far-reaching. Meanwhile, China's reputed intentions in Taiwan remain vexing to diplomats and investors alike.

Valuation of Growth Stocks and US Stocks Appear Stretched

Last year's performance did nothing to recalibrate the yawning valuation gaps for value stocks or non-US stocks, and both continue to trade at historically cheap valuations. The Russell 1000 Value Index, for example, is about as cheap relative to its growth counterpart as it has been in many decades.[3] This spread also may suggest that the old-economy businesses commonly associated with value indexes are pricing in a more sluggish economic reality than what is implied by valuations in the new-economy-biased growth universe. Ironically, it's possible this old-economy discount could serve as a potential shield against adverse developments while also promoting valuation elasticity to more positive economic outcomes.

Gold also remains undervalued relative to equities. We hold gold as a potential hedge against a range of adverse events, and the metal has ably served that purpose in recent years despite the headwind of rising real interest rates. After sinking to seven-month lows on the back of hawkish Fed sentiment, the price of gold surged in early October as Hamas' attack on Israel introduced a dangerous new variable to the already fraught geopolitical environment. With a constellation of other factors beyond its value as a perceived "safe haven" in uncertain times subsequently aligning in support of gold prices—increasing Fed dovishness, easing nominal and real interest rates, and a weakening US dollar, among them—the metal continued its climb over the balance of 2023 and ultimately established a new all-time nominal high around $2,078 per ounce in late December.[4]

We Believe Prudence Ultimately Pays

Prudence, which we considered well-justified given the multitude of risks described earlier, simply was not rewarded in the equity markets during the fourth quarter or 2023 as a whole. In contrast, a prudent approach in 2022 helped mitigate the most extreme impacts of the stock market rout. This two-year dynamic is illustrative of how the Global Value team's investment philosophy performs across starkly different markets. We seek to construct resilient portfolios that capture market upside while mitigating its downside, an approach we believe promotes the steady compounding of assets in real terms over the long term while avoiding the permanent impairment of capital. We want to grind it out, not max it out.

While our top-down view of the markets may suggest that we are entering 2024 with a pessimistic bent, we are quite upbeat about our portfolios from the bottom up. Though financial markets generally appear unconcerned with the challenges we see here early in the new year, we believe it's quite possible that risk aversion will at some point be higher than it is today. Though we wouldn't hazard a guess as to when that may be, we remain prudently positioned, owning a range of quality businesses with track records of consistent cash flow generation and wise capital allocation. While even high-quality companies are unlikely to avoid losses in the event of worst-case scenarios, they should prove resilient and potentially be well positioned to outperform once crisis recedes. Meanwhile, durable companies should also comport themselves well through less-extreme outcomes, like sluggish growth or stagflation.

3. Source: FactSet; data as of December 31, 2023.
4. Source: World Gold Council; data as of January 8, 2024.

Portfolio Review

U.S. Value Fund A Shares (without sales charge*) posted a return of 7.75% in fourth quarter 2023. Financials, materials and information technology were the largest contributors among equity sectors; energy was the only detractor, and utilities and consumer discretionary also lagged. The US Value Fund underperformed the S&P 500 Index in the period.

Leading contributors in the First Eagle U.S. Value Fund this quarter included gold bullion, Meta Platforms, Inc. Class A, Bank of New York Mellon Corporation, Universal Health Services, Inc, Class B and Microsoft Corporation.

While hawkish sentiment weighed on gold for much of the second and third quarters, it rallied sharply in the fourth and ultimately established a new all-time nominal high in late December. The early October attack on Israel by Hamas served as a reminder of gold's perceived value as a "safe haven" in uncertain times, and the emergence of macro tailwinds later in the period—including Fed dovishness, easing nominal and real interest rates, and a weakening US dollar—pushed its price higher still.

Meta—the parent company of Facebook, Instagram and WhatsApp, among other social-media platforms—reported strong results for its most recent quarter, with both revenue and earnings growing significantly from a year ago. Though investor interest in artificial intelligence technologies has served as a tailwind for Meta and other tech-related companies throughout 2023, advertising continues to drive Meta's revenue, and a rebound in digital ads during the quarter contributed to top- and bottom-line growth. Results were also supported by Meta's focus on efficiency and controlling costs, as evident in its significantly improved operating margin.

Bank of New York Mellon is the world's largest custody bank and also maintains a $2.4 trillion investment management business through multiple subsidiaries. The company benefited from a supportive interest rate environment during the quarter, as higher interest rates boosted the fees they were able to generate on their cash deposits while also widening its net interest spread. Cost containment and business integration have provided operating leverage, and management has signaled its intention to continue buying back shares.

Universal Health Services (UHS) is a hospital and healthcare service provider focused on behavioral health and acute care. The company has continued to recover from Covid-related disruptions; patient volumes have stabilized, and wage pressures and labor shortages have begun to ease. Given UHS's fairly-levered balance sheet, easing interest rates during the quarter were welcomed by markets.

Software giant Microsoft reported better-than-expected financials for its most recent quarter, with notable contribution coming from its Azure cloud-services business. The stock has been bolstered throughout the year by excitement around the deployment of generative artificial intelligence (AI) across its products; indeed, we believe the company is positioned to dominate enterprise AI over the long term, especially in the middle market. We continue to like Microsoft's dominant market position, ability to generate cash and commitment to returning cash to shareholders through dividends and share repurchases.

The leading detractors in the quarter were Exxon Mobil Corporation, SLB, Nutrien Ltd., NOV Inc. and Becton, Dickinson and Company.

Stocks were lower across the oil patch in the fourth quarter, as crude oil prices pulled back on an uptick in supply amid weak global economic activity, most notably the tepid post-Covid recovery in China.

As an integrated oil and gas company, Exxon Mobil is less sensitive to fluctuations in crude prices than pure-play upstream players. During the quarter, the company entered into an agreement to acquire exploration and production company Pioneer Natural Resources. We believe this transaction will complement Exxon's existing long-duration asset base, particularly in the Permian Basin, and enhance expansion opportunities.

SLB is the world's largest oilfield service company and derives approximately 80% of its revenue from international and offshore markets. We believe the voluntary production cuts announced by OPEC+ producers during the quarter do not impact the longer-term, multiyear investment cycle to increase global oil and gas production capacity that SLB is well-positioned to benefit from.

Canadian-domiciled Nutrien is one of the world's largest producers of potash fertilizer and the third largest producer of nitrogen fertilizer. The company reported weaker-than-expected earnings for its most recent quarter due to lower potash prices as shipment restrictions from Belarus and Russia began to ease. We note that Nutrien's network of high-quality, low-cost mines enables the company to quickly increase capacity when demand returns, and we continue to like the company's strong balance sheet and its track record of using free cash flow to decrease debt and buy back stock.

Texas-based NOV is a manufacturer of complex rig equipment for higher-cost extraction settings, such as deep-water oil fields, and also supplies capital equipment used in offshore windfarms. We continue to expect to NOV to benefit from increased—and long-deferred—capital spending by the major and national oil companies.

Becton Dickinson develops and manufactures medical devices, instrument systems and reagents used in a variety of professional and public settings. The company reported lower-than-expected earnings for its most recent quarter and provided disappointing forward guidance, citing softness in Chinese demand. We continue to like Becton Dickinson's ability to generate cash and its commitment to enhancing shareholder value through stock buybacks and dividends.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

* 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.

Average Annual Returns as of Dec 31, 2023

				YTD	1 Year	5 Years	10 Years	Expense Ratio Gross*	Expense Ratio Net**
First Eagle U.S. Value Fund	Class A	without sales charge	FEVAX	14.42%	14.42%	10.23%	7.36%	1.16%	1.11%
First Eagle U.S. Value Fund	Class A	with sales charge	FEVAX	8.67%	8.67%	9.11%	6.81%	1.16%	1.11%
S&P 500 Index				26.29%	26.29%	15.69%	12.03%		

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.

Investments are not FDIC insured or bank guaranteed and may lose value.

The average annual returns for Class A Shares "with sales charge" or "w/load" of First Eagle U.S. Value Fund give effect to the deduction of the maximum sales charge of 5.00%.

*The annual expense ratio is based on expenses incurred by The Fund, as stated in the most recent prospectus.

**For the First Eagle U.S. Value Fund, The Adviser has contractually agreed to waive its management fee at an annual rate in the amount of 0.05% of the average daily value of the Fund's net assets for the period through 28-Feb-2024. This waiver has the effect of reducing the management fee shown in the table for the term of the waiver from 0.75% to 0.70%.

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

The **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. **Atlanta Fed's Wage Growth Tracker** is a three-month moving average of median wage growth based on hourly data. **US Treasury securities** are investments that are backed by the full faith and credit of the US government.

Risk Disclosures

All investments involve the risk of loss of principal.

Investment in gold and gold-related investments present certain risks, and returns on gold related investments have traditionally been more volatile than investments in broader equity or debt markets.

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.

Index Definitions

MSCI World Index (Net) measures the performance of large and midcap securities across 23 developed markets countries. The index provides total returns in US dollars with net dividends reinvested. A net return index tracks price changes and reinvestment of distribution income net of withholding taxes. **Russell 1000® Value Index** (Gross/Total) measures the performance of large-cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. A total return index tracks price changes and reinvestment of distribution income. **S&P 500 Index** (Gross/Total) is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market. The S&P 500 Index includes dividends reinvested. A total return index tracks price changes and reinvestment of distribution income. **Nikkei 225** is an unmanaged price-weighted equity index, which consists of 225 stocks in the first section of the Tokyo Stock Exchange. German **DAX® Index** is unmanaged and tracks the segment of the largest and most important companies—known as blue chips—on the German equities market. It contains the shares of the 30 largest and most liquid companies admitted to the FWB® Frankfurt Stock Exchange in the Prime Standard segment. The DAX represents about 80% of the aggregated prime standard's market cap. The French **CAC 40** is an unmanaged market index designed to reflect the evolution of the Euronext Paris market. It is made up of the 40 highest ranking shares listed on the Paris market, according to criteria based on free float market capitalization and trading volume. The index is reviewed and adjusted every quarter in order to take into account changes concerning the size and the volume of the constituent companies.

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

The holdings mentioned herein represent the following total assets of the First Eagle U.S. Value Fund as of 31-Dec-2023: gold bullion 12.22%; Meta Platforms, Inc. Class A 4.00%; Bank of New York Mellon Corporation 2.51%; Universal Health Services, Inc, Class B 2.12%; Microsoft Corporation 0.77%; Exxon Mobil Corporation 2.59%; SLB 2.00%; Nutrien Ltd. 0.73%; NOV Inc. 1.66%; Becton, Dickinson and Company 0.94%.

The commentary represents the opinion of the Global Value team as of the date noted. The opinions expressed are not necessarily those of the 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 views expressed herein may change at any time subsequent to the date of issue hereof. The information provided is not to be construed as a recommendation to buy, hold or sell or the solicitation or an offer to buy or sell any fund or security.

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

The Fund may invest in gold and precious metals through investment in a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the "Subsidiary"). Gold Bullion and commodities include the Fund's investment in the Subsidiary.

The opinions expressed are not necessarily those of the 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 views expressed herein may change at any time subsequent to the date of issue hereof.

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

FEF Distributors, LLC ("FEFD") (SIPC), a limited purpose broker-dealer, distributes certain First Eagle products. FEFD does not provide services to any investor, but rather provides services to its First Eagle affiliates. As such, when FEFD presents a fund, strategy or other product to a prospective investor, FEFD and its representatives do not determine whether an investment in the fund, strategy or other product is in the best interests of, or is otherwise beneficial or suitable for, the investor. No statement by FEFD should be construed as a recommendation. Investors should exercise their own judgment and/or consult with a financial professional to determine whether it is advisable for the investor to invest in any First Eagle fund, 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. You may also request printed copies by calling us at 800-747-2008. Please read our prospectus carefully before investing.

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

F-CM-USV-QTCOMM-D-US

© 2024 First Eagle Investment Management, LLC. All rights reserved.