Global Fund

Market Overview

The behavior of financial assets in the second quarter—highlighted by narrowing credit spreads and expanding equity multiples—continued to reflect an environment in which investor risk perception is generally low despite the many potential hazards on the road ahead. The S&P 500 Index returned 4.3% in the period, while the MSCI World Index gained 2.6%.[1] Growth continued to outpace value handily.

Market Summary	2nd Quarter 2024
MSCI World Index	+2.63%
S&P 500 Index	+4.28%
German DAX Index	-1.39%
French CAC 40 Index	-6.57%
Nikkei 225 Index	-1.81%
Brent Crude Oil	-1.22% $86.41 a barrel
Gold	+4.34% $2,326.75 an ounce
US Dollar	+6.29% vs. yen +0.77% vs. euro

Source: Bloomberg, WM/Reuters.

Cleared for Landing?

Despite what election-cycle polls of the American electorate might suggest, financial market participants appear to have found comfort in a macro environment marked by easing inflation (especially for goods), positive if slowing economic growth and the potential for rate cuts in the not-too-distant future. Meanwhile, the "narrative economics"—as economist Robert Shiller would term it—surrounding such developments as artificial intelligence and GLP-1 agonists have fueled investor enthusiasm in certain companies and segments of the stock market.

Following its June policy meeting, the Federal Reserve's "dot plot" of federal funds rate projections now calls for one 25 basis point cut by year-end—down from three cuts in its March report—and the central bank continued to offer a cautious outlook for loosening despite "modest further progress" toward its inflation goals.[2] While markets have appeared to view rate cuts as the answer to their collective prayers for nearly a year now, we'd recommend being careful what you wish for. Both employment conditions and business sentiment remain at relatively healthy levels for now, and goosing an economy with no obvious slack risks triggering an unwelcome asymmetric inflationary response. The risks seem particularly high given the country's troubling fiscal dynamics; in fact, the Congressional Budget Office recently updated its estimate of the fiscal 2024 budget deficit to $2.0 trillion, or 7% of GDP.[3] Fiscal discipline is not a term associated with either major political party today, and the prospects for fiscal consolidation in the foreseeable future are dim regardless of the result of November's elections.

On the other hand, there exists the possibility that we are closer to entering an economic stall zone than the beginning of a durable re-expansion. For example, the latest Purchasing Managers' Index (PMI) reading for the services sector—which comprises more than 70% of the economy[4]—slipped into contraction, suggesting some lost momentum in June.[5] It's worth noting that while the US federal deficit remains elevated, it's down year over year, denying the economy of the same fiscal boost it was benefitting from in 2023.

We've also seen signs of a slowly weakening unemployment picture. While still near multidecade lows, the U-3 unemployment rate increased from 3.7% to 4.1% year to date, while the number of full-time employees declined.[6] Reviewing most US recessions since World War II, we've noticed that the unemployment rate has tended to inch higher early into the slowdown before accelerating sharply.

Other metrics contribute to the hypothesis of economic fade. Yields on 10-year Treasuries, often considered a barometer of economic optimism, have drifted lower from their April highs (and are well off the cyclical peaks established in October 2023), and the Treasury curve remains inverted. Credit spreads have shown signs of bottoming in the past few months, and bank lending standards remain challenging for commercial and industrial borrowers.[7] Consumers who have increasingly been relying on their credit cards—the personal savings rate has declined steadily from its Covid-era highs and now sits at around 4%, a level not seen since the global financial

1. Source: FactSet; data as of June 30, 2024.
2. Source: Board of Governors of the Federal Reserve System; June 12, 2024.
3. Source: Congressional Budget Office; data as of June 18, 2024.
4. Source: Bureau of Economic Analysis; data as of June 27, 2024.
5. Source: Institute for Supply Management; data as of July 3, 2024.
6. Source: US Bureau of Labor Statistics, Federal Reserve Bank of St. Louis; data as of July 5, 2024.
7. Source: Federal Reserve Bank of St. Louis; data as of July 2, 2024.

crisis[8]—likely find their balance sheets withering under the weight of mounting debt as interest rates exceed wage growth.

Challenges Abroad

The mid-July meeting of the Chinese Communist Party's Central Committee—the third plenum—is expected to offer clues about the country's economic policy priorities as it seeks to address a broad range of challenges, including fiscal ties between the country's central and local governments. It's been speculated that Beijing may use this meeting to assume greater responsibility for funding the various growth drivers that currently falls to heavily-indebted provincial authorities while also providing them with more sustainable tax receipts. While this could help abate deflationary pressures in China, it would weigh on its balance sheet. It could also bleed into how the country conducts its foreign policy, perhaps exacerbating instability in Asia. On a more hopeful note, there has also been some chatter that the third plenum may result in the introduction of corporate governance reforms to companies listed in China; such measures could help promote a re-rating of China's equity market, as they have in Japan.

Speaking of Japan, equity markets there have cooled after a very strong run of performance that was supported at least in part by governance measures enacted by the Tokyo Stock Exchange to enhance shareholder returns. Japan faces an incredibly complex policy path moving forward. Having arguably achieved its goal of sustainable inflation after decades of fighting deflation, the Bank of Japan (BOJ) is faced with the prospect of raising policy rates, which is a fraught maneuver given the country's high debt to GDP ratio and very large budget deficits even before the impact of potentially higher interest expense. The sequence of policy tightening may be key here, and the BOJ has a range of options—hiking rates, shrinking its balance sheet, enacting fiscal discipline, or some combination thereof—but no easy answers. The BOJ is walking a tightrope any way you look at it, and the yen has plummeted amid the uncertainty.

Europe, meanwhile, faces fiscal and political uncertainty of its own, perhaps best exemplified by France's snap elections in early July. The fractured result left no single alliance close to holding the 289 seats needed to govern Parliament with a stable majority. With none of the left, center and right political blocs demonstrating the propensity to compromise at this stage, President Macron has been reluctant to exercise his constitutional responsibility of appointing a new prime minister. The most palatable option—to markets, at least—may be assigning a technocrat to the job to keep the government running until a fresh batch of elections can be held, no sooner than 12 months from now.[9] But large fiscal deficits and political stalemates are not a good cocktail when you can't print your own money, and French government bond spreads have widened relative to its euro zone peers.[10]

Down, but Not Out

Looking at equity markets from the bottom-up, it appears that a bit more cyclical risk is being appreciated, with softness in more mature, economically sensitive areas like agricultural equipment, truck engine manufacturing, timber/lumber, oil and oil services, and durable equipment manufacturing. This has been especially true for businesses failing to deliver strong upside earnings surprises. Outside of the US, there has been broad weakness in emerging markets such as Mexico and Brazil, where even good businesses have been trading off due to weakness in local currencies.

For a while now we've been banging the drum about the many risks facing investors in the current environment, from massive sovereign debt loads to geopolitical strife. While this may suggest we are downbeat on the equity investment environment broadly, recent meetings with the managements of our portfolio companies all over the world left us feeling quite constructive about our individual exposures.

In practice, the Global Value team spends far less time obsessing over the macroeconomic and political variables that drive short-term performance than we do seeking opportunities to invest in quality businesses that we believe can demonstrate resilience across multiple states of the world. Such companies tend to have strong market positions and/or control scarce assets, with track records of durable cash flow generation and astute management. And we invest in these companies only when we can do so with a "margin of safety," or a discount to our estimate of their intrinsic value.[11] Many of our strategies also include a strategic allocation to gold, whose differentiated risk-return characteristics make it a potential all-weather hedge against a variety of market, macroeconomic and geopolitical disruptions, as well as a store of value across these same conditions.

8. Source: Bureau of Economic Analysis, Federal Reserve Board of St. Louis; data as of July 2, 2024.
9. Source: The Economist; data as of July 8, 2024.
10. Source: Bloomberg; data as of July 9, 2024.
11. "Intrinsic value" is based on our judgement of what a prudent and rational business buyer would pay in cash for all of a company in normal markets. First Eagle defines "margin of safety" as the difference between a company's market price and our estimate of its intrinsic value.

Portfolio Review

Global Fund A Shares (without sales charge*) posted a return of 1.09% in second quarter 2024. North America and developed Europe were the leading contributors by region; emerging markets and developed Asia ex-Japan detracted. Information technology and materials were the largest contributors among equity sectors; energy, industrials and healthcare were the leading detractors. The Global Fund underperformed the MSCI World Index in the period.

Leading contributors in the First Eagle Global Fund this quarter included gold bullion, Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR, Oracle Corporation, Alphabet Inc. Class C and MS&AD Insurance Group Holdings, Inc.

Despite conditions that would be generally considered headwinds, like rising interest rates and a stronger US dollar, gold bullion set a series of new nominal highs throughout the quarter. It appears likely that factors such as continued central bank buying have supported gold's rally, and it continued to ably perform its function as a potential hedge.

Taiwan Semiconductor is the world's largest semiconductor foundry, and includes Nvidia, Broadcom, Intel, Advanced Micro Devices and Apple among its clients. As a primary manufacturer of the advanced chips used in generative AI applications, Taiwan Semi has seen continued strong sales in this category, as well as a recovery in some consumer electronics segments. The company also stands to benefit from geographically diversifying its manufacturing base, including in the US.

Oracle is one of the world's largest independent enterprise software companies. The company's results for its most recent quarter were mixed relative to consensus expectations, but Oracle's announcement that its cloud infrastructure platform formed new deals with Google and OpenAI was well received. We believe this additional investment in capacity will help fuel demand for Oracle's cloud service for large enterprise artificial intelligence customers. We view Oracle as a well-run business with a strong market position.

Alphabet, the parent company of Google and YouTube, reported better-than-expected results for its most recent quarter, with notable strength in its advertising and cloud-computing businesses. We believe these results reflect the earnings power of Google's long-standing advertising business and emerging artificial intellgience (AI) exposure. The company also initiated a dividend and authorized a new $70 billion share repurchase program.

MS&AD Insurance is an amalgam of many established Japanese insurance carriers that writes coverage in marine, fire, casualty, automobile, life and allied lines both in Japan and abroad. Many Japanese insurance stocks have benefited from the increase in 30-year Japanese government bonds yields, as it has provided these companies with an alternate source of long-maturity assets outside of foreign bonds. MS&AD plans to accelerate the sale of certain cross-holdings—which have been trading at relatively high prices given the strong performance of Japanese equities—and use proceeds to buy back stock and pay dividends.

The leading detractors in the quarter were SLB, Fomento Económico Mexicano SAB de CV Sponsored ADR Class B, Comcast Corporation Class A, Secom Co., Ltd. and Weyerhaeuser Company.

SLB is the world's largest oilfield service company and derives approximately 80% of its revenue from international and offshore markets. Weakness during the quarter may reflect broader negative sentiment for the sector following Saudi Aramco's January announcement that it planned to cut back on capacity expansion. In April, SLB announced the acquisition of Champion X, a provider of production chemicals and artificial lift; while some may have interpreted the transaction as suggestive of SLB's lack of confidence in the long term prospects for continued growth in upstream capex, we view the transaction as positive that it further diversifies SLB's service offerings and modestly reduces its cyclicality. We continue to view SLB as well-positioned to benefit from a multiyear investment cycle to reinvest in global oil and gas production, particularly in SLB's sweet spots: international and offshore.

FEMSA is a multinational beverage and retail company headquartered in Mexico with a large stake in bottler Coca-Cola FEMSA and full ownership of convenience-store chain OXXO. Anxiety surrounding the Mexican election and currency weakness throughout Latin America weighed on shares during the quarter even, as earnings remained stable. While improved macroeconomic conditions may be needed for share revaluation, our confidence in the company continues. FEMSA represents a stable business, and it has a long history of returning capital to investors, including 6–7% of market cap this year.

Comcast is the largest multinational telecommunications and media conglomerate in America, with brands including Xfinity cable, NBCUniversal (theme parks and tv station with Peacock-streaming service) and UK-based pay-tv company Sky. Comcast shares traded lower in the quarter as overall growth in broadband internet stalled. Some of this was due to the proliferation of fixed-wireless access products that target entry-level users, but this is only a small component of Comcast's customer base. More importantly, Comcast successfully retained customers during the quarter, and our long-term investment thesis remains intact. We expect Comcast to benefit from improved growth in data traffic because its speed and cost advantages provide an edge over both fixed wireless and other fiber internet providers.

Tokyo-based Secom is a security services and surveillance systems company with operations in multiple jurisdictions across Asia, Australasia and UK; though most of its revenues are generated in Japan. Lower margins during the quarter reflected a mix shift toward lower-margin services and erosion due to inflation. Our faith in the company continues. Secom has a dominant market share in Japan and still trades at a discount to the local market. The new CEO may implement price increases to expand margins, and the company is aggressively returning cash to shareholders through both dividend increases and buybacks.

* 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.

Weyerhaeuser, a timberland company organized as a Real Estate Investment Trust (REIT), is one of the largest manufacturers of wood products in the US. The company also owns about 11 million acres of timberland in the US and manages additional acreage under license in Canada. During the quarter, the company lowered its outlook because of lower-than-expected sales realizations from its western timberlands. Lumber prices, which reached the lows of May 2020, also weighed on the stock. We like the company's scarce, difficult-to-replicate assets, operational advantages, and commitment to returning cash to shareholders through dividends and stock repurchase.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

Average Annual Returns as of Jun 30, 2024

				YTD	1 Year	5 Years	10 Years	Expense Ratio*
First Eagle Global Fund	Class A	without sales charge	SGENX	7.64%	11.18%	7.81%	6.22%	1.10%
First Eagle Global Fund	Class A	with sales charge	SGENX	2.26%	5.62%	6.71%	5.67%	1.10%
MSCI World Index				11.75%	20.19%	11.78%	9.16%	

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 Global 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.

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. **Gross domestic product (or GDP)** is a measure of the total economic output in goods and services for an economy. The U-3 unemployment rate measures the number of people who are jobless but actively seeking employment as a percentage of the civilian labor force. It is the official unemployment rate. **A real estate investment trust (REIT)** is a company that in most cases owns and operates income-producing real estate assets. To qualify as a REIT under the Internal Revenue Code, a REIT is required to distribute at least 90% of its taxable income to shareholders annually and receive at least 75% of that income from rents, mortgages and sales of property.

Risk Disclosures

All investments involve the risk of loss of principal.

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.

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.

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. **Purchasing Managers' Index (PMI)** measures the growth or expansion of the manufacturing segment of an economy over the prior month. **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 Global Fund as of 30-Jun-2024: gold bullion 11.62%; Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR 1.12%; Oracle Corporation 2.73%; Alphabet Inc. Class C 1.57%; MS&AD Insurance Group Holdings, Inc. 1.12%; SLB 1.78%; Fomento Económico Mexicano SAB de CV Sponsored ADR Class B 1.01%; Comcast Corporation Class A 1.63%; Secom Co., Ltd. 0.71%; Weyerhaeuser Company 0.56%.

This 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.

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