Overseas Fund

Market Overview

After a strong start to the third quarter, global equity markets wilted in the summer heat, eliciting sour memories of the "nowhere to hide" investment environment of 2022 in the process.

Rising interest rates weighed on a wide range of asset classes, geographic regions and economic sectors; with oil prices bolstered by tightening stockpiles amid OPEC+ production cuts, energy was among the very few areas of the market able to escape the downdraft. The S&P 500 Index and MSCI World Index returned -3.3% and -3.5%, respectively, for the quarter.[1] The style pendulum swung back in favor of value names during the period, though growth has outperformed significantly year to date.

Market Summary	3rd Quarter 2023
MSCI World Index	-3.46%
MSCI EAFE Index	-4.11%
S&P 500 Index	-3.27%
German DAX Index	-4.71%
French CAC 40 Index	-3.40%
Nikkei 225 Index	-3.27%
Brent Crude Oil	+27.25% $95.31 a barrel
Gold	-3.68% $1,848.63 an ounce
US Dollar	+3.24% vs. yen +3.05% vs. euro

Source: Bloomberg, WM/Reuters.

Convincing the Unconvinced

Ongoing monetary policy normalization in the US continued to be a source of consternation for markets seemingly reluctant to accept the Federal Reserve's insistence that policy rates are likely to be "higher for longer." The Fed hiked its federal funds target rate by 25 basis points in July, bringing it to a range of 5.25–5.5%. While it held fire at its September meeting, the release of fresh economic projections appeared to throw markets for a loop. The latest Fed dot plot suggests another 25 basis point hike is likely before the end of 2023, but it was the central bank's updated 2024 forecast that likely had a greater impact on sentiment. The median end-2024 projection for the fed funds rate now stands at 5.1%, up from 4.6% in June—a hawkish shift from four rate cuts to two next year.[2]

Recent economic data have supported the "higher for longer" narrative and likely tempered the Fed's enthusiasm for 2024 rate cuts. The Atlanta Fed's GDPNow forecasting model estimates that third quarter US GDP growth will come in at 4.9%, which would be the highest quarterly output in nearly a decade if you disregard the Covid-related distortions of 2020 and 2021.[3] Despite this strength, inflation expectations remain anchored and inflation prints generally have continued to improve. The August core PCE report—which excludes volatile food and energy prices—of 3.9% was the first sub-4% reading since June 2021.[4] A separate "supercore" index—a favorite indicator of Fed Chair Powell that measures the price of services excluding energy and housing costs—also has drifted lower from its peak but at a slower pace than other metrics, as persistent wage inflation has served as a headwind.[5]

With the terminal point of the current rate-hike cycle seemingly in sight, two-year Treasuries traded in a tight range during the quarter. In contrast, 10-year Treasuries climbed about 80 basis points, with nearly two-thirds of that move occurring in September.[6] Though there are numerous potential drivers for the selloff in long-dated paper during the quarter, we're paying close attention to the country's fiscal condition and the impact that may be having on supply/demand dynamics in the Treasury market. The Congressional Budget Office forecasts persistent federal deficits and mounting debt over the next several decades, suggesting to us Treasury issuance is likely to grow; in fact, the Treasury in late July increased its debt-issuance projections for both fiscal 2023 and 2024.[7] And since the Fed is no longer buying Treasury securities, but is instead letting a large portion of maturing paper roll off its balance sheet, public markets alone are responsible for both absorbing new deficit spending and refinancing maturing paper. Rising rates at the long end of the curve during the third quarter suggest they may be demanding higher term premia to do so after several years in which it was mostly negative.[8]

1. Source: FactSet; data as of September 30, 2023.
2. Source: Bloomberg; data as of October 3, 2023
3. Source: Federal Reserve Bank of Atlanta; data as of October 5, 2023.
4. Source: Reuters; data as of September 29, 2023.
5. Source: Federal Reserve Bank of Atlanta; data as of September 13, 2023.
6. Source: Federal Reserve Bank of St. Louis; data as of September 30, 2023.
7. Source: US Department of the Treasury; July 31, 2023.
8. Source: Federal Reserve Bank of New York (based on the Adrian, Crump and Moench (ACM) model); data as of September 30, 2023.

These circumstances have not gone unnoticed. Citing "expected fiscal deterioration over the next three years, a high and growing general government debt burden, and the erosion of governance," Fitch Ratings on August 1 cut its long-term credit rating on US sovereign issuance from AAA to AA+.[9] This is well-aligned with our own concerns about both the level of the country's debt and its likely trajectory given the apparent lack of political will to enact the spectrum of measures necessary—including tax hikes, entitlement reform and cuts to discretionary spending, as well as supply-side reforms to promote productivity growth—to rein it in. Continued dysfunction in a US political system marked by an abhorrence of compromise—as ably demonstrated by the end-September battle over funding the federal government—suggests repeated party-line standoffs may be far more prevalent than concrete progress toward fiscal consolidation.

It's possible that these troubling debt dynamics, which are not limited to the US, also may be among the factors that have provided support for the price of gold amid sharply rising real interest rates. Gold's inverse relationship with real interest rates—i.e., the difference between the nominal interest rate and the expected rate of inflation—historically has been the most important driver of its price movements. Since the Fed began hiking its policy rate in March 2022, however, the gold price has declined by less than $50 per ounce even as the real interest rate (based on the yield of 10-year Treasury inflation-protected securities) spiked more than 300 basis points.[10] Gold's resilience in the face of such a large move in real rates suggests the presence of other influences. The debt issues cited above, for example, may have prompted increased interest in exposure to an asset like gold with an historical track record as a potential hedge against currency debasement. Strong demand from global central banks may be an additional contributor; central bank gold purchases in 2022 were the highest on record, and year-to-date 2023 trends imply another robust year.[11] Geopolitical frailties—highlighted by the protracted war between Ukraine and Russia and the more recent outbreak of violence in the Middle East—also may have buoyed the gold price, as investors seek perceived "safe havens" in uncertain times.

The Last Mile Is the Hardest Mile

Now about 18 months into the policy-normalization process, we find markets' collective resistance to it somewhat perplexing. While we understand it may have been easy to become accustomed to the very low policy rates that prevailed since the global financial crisis, even a touch of historical context reveals this as an aberrance, not the norm. Further, this isn't 1980; the fed funds rate has gone from an all-time low of zero to a still-pretty-low 5.5% on the upper bound. This also isn't the late-2010s when the financial system nearly seized up after a few rate hikes and a bit of quantitative tightening.

Though many financial assets have suffered losses during the current tightening campaign, we've yet to see the emergence of many indicators typically associated with looming recession, other than the inverted yield curve. Credit spreads remain contained, as do credit-default swap prices, and measures of implied market volatility like the CBOE Volatility Index and ICE BofA MOVE Index confirm the lack of acute anxiety.[12] Meanwhile, the real economy has absorbed the impacts of tightening fairly well thus far. Corporate balance sheets entered 2022 in generally good shape, as many companies took advantage of historically low rates to lock in cheap financing, and we've seen these measures bear fruit in the form of fairly stable fundamentals.

While the economy has been resilient, persistence is not guaranteed, and conditions likely could become more challenging as the accumulated impacts of policy tightening continue to reverberate. And though Fed rhetoric suggests the central bank is still hopeful for a "soft landing," the prospects of such an outcome do not necessarily appear more certain now than they have at any other point in the tightening cycle. Inflation has eased considerably, but it remains above the central bank's target—and the last mile is the hardest mile. Energy costs, housing prices and tight labor markets are all fighting against the Fed, and it's unclear what it will take to tame them. It may be a bumpy ride from here to the terminal rate.

Paying for Time

In his book The Price of Time: The Real Story of Interest, financial journalist Edward Chancellor surveys the history of interest over millennia, arguing that "influencing the level of inflation is just one of several functions of interest, and possibly the least important." Rather, he contends, a market-determined rate of interest (i.e., one that is not artificially suppressed by policymakers) serves numerous purposes that in aggregate support the proper functioning of a capitalist economy, from rewarding saving to discouraging excessive risk-taking and mal-investment to promoting more equitable distribution of income and wealth.[13]

We're hopeful that the move toward a more normal policy environment in which money again has a cost may promote the effective allocation of capital across the economy. At the same time, we are cognizant of the many vulnerabilities in global financial and diplomatic structures that appear likely to persist regardless. As always, we continue to seek resilience in our portfolios from the bottom up, searching for cash-flow-generative companies with strong market positions, healthy balance sheets and prudent management teams, and buying these stocks only when available at a "margin of safety."[14]

9. Source: Fitch Ratings; data as of August 1, 2023.
10. Source: Federal Reserve Bank of St. Louis, World Gold Council; data as of September 30, 2023.
11. Source: World Gold Council; data as of October 4, 2023.
12. Source: FactSet; data as of September 30, 2023.
13. Source: Edward Chancellor, The Price of Time: The Real Story of Interest, Grove Atlantic (August 2022).
14. First Eagle defines "margin of safety" as the difference between a company's market price and our estimate of its intrinsic value. "Intrinsic value" is based on our judgment of what a prudent and rational business buyer would pay in cash for all of a company in normal markets.

Portfolio Review

Overseas Fund A Shares (without sales charge*) posted a return of -4.39% in third quarter 2023. North America was the only contributor by region, while developed Europe and Japan were the leading detractors. Energy was the only positive contributor among equity sectors, while consumer staples, consumer discretionary and materials were the largest detractors. The Overseas Fund underperformed the MSCI EAFE Index in the period.

Leading contributors in the First Eagle Overseas Fund this quarter included Imperial Oil Limited, AG Anadolu Grubu Holding Anonim Sirketi, Shell PLC, Mitsubishi Estate Co., Ltd. and Nongshim Co., Ltd.

Imperial Oil, which is Canada's second-largest integrated oil company and is 70% owned by Exxon Mobil, benefitted from a nearly 30% surge in the price of crude oil during the quarter. Given ongoing production cuts by OPEC+ and geopolitical unrest in the Middle East, oil prices may remain elevated, to the potential benefit of Imperial. The company is well-integrated across the energy value chain, and we continue to like its stable, long-lived reserves, operational advantages, strong balance sheet and history of durable cash flows.

Anadolu Grubu is a Turkish holding company focused on consumer businesses—primarily beverages and retail—with a smaller presence in automotive, agriculture, energy and industrials. The company has made sound capital decisions in recent years, in our view, strengthening its balance sheet amid a domestic environment marked by unorthodox monetary policy that fueled extremely high levels of inflation. The appointment of a new central bank governor in June and concurrent embrace of orthodox policy is expected to help. In general, we like Anadolu Grubu's focus on maximizing portfolio efficiency and exposure to cash flow-generative and economically resilient consumer businesses.

Like a number of energy companies, Shell benefitted from an almost 30% increase in crude oil prices during the quarter. Given ongoing production cuts by OPEC+ and geopolitical unrest in the Middle East, this tailwind may persist for Shell. Notably, the company in July announced a $3 billion share buyback program and 15% hike in its dividend.

Mitsubishi Estate is one of the largest real estate developers in Japan. Recent strong economic growth along with healthy inflation in Japan have supported demand and pricing power, while the interest rate environment has remained benign. Plans for a new theme park in Yokohama, an easy drive from Tokyo, were met with enthusiasm. The park, which reportedly will rival the size of Tokyo Disneyland, is expected to open in 2031.

Nongshim is the largest instant noodle and snack company in South Korea. The company reported strong sales and earnings for the first half of 2023, driven by its overseas segment. Nongshim has been investing steadily in US production and distribution, and reported first half sales growth of 26% year-over-year in the country. Nongshim's products—led by its premium instant noodle Shin Ramyun—are sold in the US through retailers like Walmart, Costco and Sam's Club.

The leading detractors in the quarter were Compagnie Financière Richemont SA, gold bullion, FANUC Corporation, Ambev SA Sponsored ADR and Compañía Cervecerías Unidas S.A. Sponsored ADR.

Richemont, the Swiss luxury goods company that counts Cartier and Van Cleef & Arpels among its maisons, fell shy of expectations for its most recent quarter. While the company maintained its full-year guidance, sales in the Americas have begun to decline and a softer-than-expected recovery in China also weighed on the stock. We believe that the company is well positioned to meet future demand for jewelry and watches.

Gold traded in a fairly tight range for most of the third quarter before a hawkish Fed meeting in mid-September sent the price sharply lower to end the period. This price action was not surprising; despite a range of disruptive events in recent years—including armed conflicts, political surprises, trade tensions and global pandemics—movements in the price of gold have been influenced by the market's perception of Fed policy bias more than anything else. We continue to value gold as a strategic holding and potential hedge against economic and geopolitical uncertainty.

Based in Japan, Fanuc is a global leader in computerized numerical control devices and robots. A cyclical slowdown in global manufacturing activity has weighed on the company's revenues and earnings, while the muted post-pandemic rebound in China's economy, which accounts for about one-third of Fanuc's business, also has been a drag. We continue to like Fanuc's competitive position and ability to meet the manufacturing needs of global industrial production, particularly as companies nearshore and relocate elements of their supply chain closer to their end markets.

Brazilian brewer Ambev, a subsidiary of Anheuser-Busch InBev, reported mixed results during its most recent quarter, with strong cost controls but a small decline in sales volume. The weakening Brazilian real has also been with a headwind, as a large portion of Ambev's input costs are denominated in US dollars. Challenging macroeconomic conditions in Argentina, which makes up approximately 10% of Ambev's sales, also have been an overhang. We continue to like Ambev's dominant market position and ability to benefit from favorable demographics and attractive longer-term consumption trends in South and Central American markets.

Chilean beverage company Compania Cervecerias Unidas (CCU) has been executing well and reported sales growth, higher sales volume and operating margins for its most recent quarter. The depreciation of the Chilean peso was a headwind, however, as a large portion of CCU's input costs are denominated in US dollars. Challenging macroeconomic conditions in Argentina, which makes up approximately 10% of CCU's sales, also has weighed on the stock.

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 Sep 30, 2023

				YTD	1 Year	5 Years	10 Years	Expense Ratio*
First Eagle Overseas Fund	Class A	without sales charge	SGOVX	2.76%	15.64%	2.88%	3.44%	1.15%
First Eagle Overseas Fund	Class A	with sales charge	SGOVX	-2.37%	9.85%	1.83%	2.91%	1.15%
MSCI EAFE Index				7.08%	25.65%	3.24%	3.82%	

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

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

The average annual returns for Class A Shares "with sales charge" of First Eagle Overseas 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. **GDPNow** is a running estimate of real GDP growth based on available economic data for the current measured quarter. It is maintained by the Federal Reserve Bank of Atlanta but is not an official forecast of the Atlanta Fed. The **personal consumption expenditures price index (PCE)** measures changes in the prices of goods and services purchased by consumers in the US. Core PCE excludes food and energy. **Supercore inflation** measures the price change of a basket of goods and services less food, energy and housing. **Fitch Ratings** is a nationally recognized statistical rating organization (NRSRO) registered with the SEC and provides credit rating as an assessment of credit worthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other bonds. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. Not Rated (NR) indicates that the debtor was not rated and should not be interpreted as indicating low quality. The **yield curve** measures the spread between yields on short- and long-term maturity bonds; an inverted yield curve occurs when longer-dated bond yields are lower than short-dated bond yields. A **credit-default swap**, most commonly, is a derivative contract that transfers the default risk of a particular fixed income security from the swap buyer to the seller in exchange for a fee.

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.

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

MSCI World Index (Net) measures the performance of large and midcap securities across 23 developed markets countries. The index provides total returns in U.S. dollars with net dividends reinvested. A Net Return Index tracks price changes and reinvestment of distribution income net of withholding taxes. **MSCI EAFE Index** (Net) measures the performance of large and midcap securities across 21 developed markets countries around the world excluding the US and Canada. A Net Return Index tracks price changes and reinvestment of distribution income net of withholding taxes. **CBOE Volatility Index (VIX)** measures the 30-day expected volatility of the US stock market. It is based on the prices of options on the S&P 500 Index and is calculated by aggregated weighted prices of the index's call and put options over a wide range of strike prices. **ICE BofA MOVE Index** measures US interest rate volatility. It is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. **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.

The holdings mentioned herein represent the following total assets of the First Eagle Overseas Fund as of 30-Sep-2023: Imperial Oil Limited 3.84%; AG Anadolu Grubu Holding Anonim Sirketi 0.63%; Shell PLC 2.26%; Mitsubishi Estate Co., Ltd. 0.83%; Nongshim Co., Ltd. 0.59%; Compagnie Financière Richemont SA 1.77%; gold bullion 11.01%; FANUC Corporation 1.31%; Ambev SA Sponsored ADR 1.59%; Compañía Cervecerías Unidas S.A. Sponsored ADR 0.97%.

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.

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