

Overseas 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.

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

Market Summary

4th Quarter 2023

MSCI World Index	+11.42%
MSCI EAFE Index	+10.42%
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.

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.

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.

A small amount of fiscal tightening in 2024 likely would raise the odds of a hard landing, for instance, but maintaining fiscal settings at 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, Oceania 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 of 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

Overseas Fund A Shares (without sales charge*) posted a return of 7.46% in fourth quarter 2023. Developed Europe and Japan were the leading contributors by region; developed Asia excluding Japan was the only detractor, while North America also lagged. Materials, financials and consumer staples were the largest contributors among equity sectors; energy and communication services detracted, while real estate also lagged. The Overseas Fund underperformed the MSCI EAFE Index in the period.

Leading contributors in the First Eagle Overseas Fund this quarter included gold bullion, Fomento Economico Mexicano SAB de CV Units Cons. Of 1 ShsB And 4 ShsD, Danone S.A., Willis Towers Watson Public Limited Company and Taiwan Semiconductor Manufacturing Co., Ltd.

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.

FEMSA is a multinational beverage and retail company headquartered in Mexico. The company's core businesses—which include a large stake in bottler Coca-Cola FEMSA and full ownership of convenience-store chain OXXO—have performed well in conjunction with a recovered domestic economy and diminished Covid concerns. FEMSA also may be benefitting from its efforts to simplify its corporate structure and narrow the sum-of-the-parts discount at which it trades; in May, it fully divested its stake in Heineken and announced a definitive agreement to sell its stake in Jetro Restaurant Depot.

Danone is a multinational food company focused on dairy and nutritional products. The company reported strong results for its most recent quarter; sales beat analysts' forecasts as higher prices offset lower volumes, prompting management to increase its full-year projections. The sales mix for European dairy has improved, and Chinese demand for infant formula and medical nutrition exceeded expectations. The company is in the midst of a multiyear turnaround that includes reshaping its portfolio of businesses through acquisitions and divestments and greater investment in its core brands, which could help support pricing power and margins over the long term.

Headquartered in London, Willis Towers Watson is one of the largest global insurance brokerage and consulting companies. After a difficult period following the mid-2021 cancellation of plans to merge with fellow insurance broker Aon, the company has demonstrated progress with its turnaround plan. While the company historically has traded at a discount to its peers due to its lagging cash-flow conversion rate, increased operational efficiencies have begun to narrow the gap.

Taiwan Semiconductor (TSMC) is the world's largest third-party chip manufacturer and includes Nvidia, Broadcom, Intel, Advanced Micro Devices and Apple among its clients. Like much of the semiconductor sector—especially those companies with exposure to artificial intelligence and other high-end applications—TSMC reported strong results for its most recent quarter. The company also issued upbeat guidance for 2024, and said its capital expenditures would be leveling off.

The leading detractors in the quarter were Imperial Oil Limited, Jardine Matheson Holdings Limited, Sanofi, Alibaba Group Holding Ltd. and Nutrien Ltd.

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.

While Imperial Oil, a Canadian integrated oil company that is 70% owned by Exxon Mobil, is somewhat sensitive to declines in crude oil given its upstream business, the company's assets require very modest reinvestment to maintain. Further, management has been prudent stewards of capital generated by the business, including returning cash to shareholders through buybacks and dividends.

Shares of Hong Kong-headquartered holding company Jardine Matheson Holdings fell alongside the broader decline of Chinese equities amid the country's weak post-Covid rebound. The company controls a diversified collection of business franchises predominantly across Greater China and Southeast Asia, with total value more or less even split between the two; despite its diversification, Jardines is trading at a valuation about equal to its non-China holdings. We like Jardine's solid balance sheet, attractive assets and management's focus on returning cash to shareholders through share repurchase.

Headquartered in Paris, Sanofi is a multinational pharmaceutical and healthcare company. During the quarter, Sanofi announced plans to spin off its consumer healthcare business in 2024. In conjunction with this move, which will make Sanofi a pure-play biopharma company, the company announced plans to boost spending on pharmaceutical research and development (R&D). As a result of the increase in R&D spending and a tax rate change, management expects earnings to decline in 2024. We continue to like Sanofi's ability to generate cash and its portfolio of stable assets.

Shares of Chinese e-commerce giant Alibaba experienced weakness along with the broader de-rating of Chinese equities amid the country's muted post-Covid recovery and elevated geopolitical tensions. While results for the most recent quarter were solid, the company revised previously announced plans to split its business into six autonomous units, saying it would no longer spin off its cloud-computing unit due in part to risks associated with US export controls; it was hoped that this fast-growing business would command a premium valuation as a standalone entity. Despite these challenges, we believe Alibaba is well positioned to continue generating substantial cash flow, and we are pleased with management's commitment to

* 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.

returning cash to shareholders through stock repurchases and its newly announced dividend.

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.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

Average Annual Returns as of Dec 31, 2023

				YTD	1 Year	5 Years	10 Years	Expense Ratio*
First Eagle Overseas Fund	Class A	without sales charge	SGOVX	10.42%	10.42%	6.02%	3.90%	1.15%
First Eagle Overseas Fund	Class A	with sales charge	SGOVX	4.91%	4.91%	4.94%	3.36%	1.15%
MSCI EAFE Index				18.24%	18.24%	8.16%	4.28%	

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 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. **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.

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. **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. **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 Overseas Fund as of 31-Dec-2023: gold bullion 10.93%; Fomento Economico Mexicano SAB de CV Units Cons. Of 1 ShsB And 4 ShsD 2.48%; Danone S.A. 2.47%; Willis Towers Watson Public Limited Company 2.39%; Taiwan Semiconductor Manufacturing Co., Ltd. 1.72%; Imperial Oil Limited 3.45%; Jardine Matheson Holdings Limited 1.24%; Sanofi 1.33%; Alibaba Group Holding Ltd. 1.05%; Nutrien Ltd. 1.10%.

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.

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