Overseas Fund

Market Overview

While financial assets generally were strong in the third quarter, volatility trended higher as markets continued to be influenced by efforts to read the rate-cut tea leaves.

Market Summary	3rd Quarter 2024
MSCI World Index	+6.36%
MSCI EAFE Index	+7.26%
S&P 500 Index	+5.89%
German DAX Index	+5.97%
French CAC 40 Index	+2.28%
Nikkei 225 Index	-3.50%
Brent Crude Oil	-16.94% $71.77 a barrel
Gold	+13.23% $2,634.58 an ounce
US Dollar	-10.65% vs. yen -3.72% vs. euro

Source: Bloomberg, WM/Reuters.

Notably, there were signs of rotation away from the performance dynamics that had dominated the first half of the year, as value outperformed growth, small outperformed large, and non-US outperformed the US. The S&P 500 Index returned 5.9% for the period, while the MSCI World Index gained 6.4%.[1]

Under the Influence

One market idiosyncrasy investors have been forced to contend with for much of 2024 has been the presence of two distinct gravity wells of influence. One is the Goldilocks scenario in the US, as cooling inflation, a softer labor market, continued economic growth and strong corporate earnings have converged to raise hopes that a soft landing may yet be realized. Risk appetites in the US have remained elevated, supporting equity markets and credit spreads.

The other is the continued weakness in China, where both structural and cyclical issues have weighed the country's manufacturing base as well as global assets dependent on it, including a range of industrial commodities like copper and oil. Risk appetites in China are depressed and have also weighed down other countries in the region.

More recently, however, signs have emerged that the strength of this duality may be waning. In mid-September, the Federal Reserve kicked off its much-anticipated rate-cut cycle, announcing the first federal funds rate reduction since the early-2020 onset of Covid-19. The oversized 50 basis point cut was broadly in line with market expectations and brought the central bank's key policy rate to a range of 4.75–5.00%. Fed Chair Powell characterized the move as a "recalibration" of policy that reflected the committee's growing confidence labor-market strength could be preserved amid healthy economic growth and further cooling in inflation. The latest summary of economic projections suggest an additional 50 bps of cuts in 2024 and 100 bps in 2025.[2]

Data released subsequent to the Fed meeting appeared to back up the central bank's confidence in the jobs market's resilience. Unflagging labor strength runs the risk of sparking inflationary pressures anew, however, a risk of particular concern given that wage growth, while well off its peak, remains above levels consistent with the Fed's 2% inflation target. A Fed shift back to a hawkish policy bias sooner than expected could bring a recalibration of investor risk appetites and herald an untimely end to the US Goldilocks tale.

In China, meanwhile, policymakers were finally spurred to action in late September, as the latest slew of uniformly downbeat releases—from retail sales and consumer confidence to industrial production and fixed investment—appeared to disabuse them of any notions that they would be able to reach their full-year economic growth target organically. The government announced a series of stimulus measures to combat mounting deflationary pressures, stabilize housing and restore market optimism. On the monetary side, the People's Bank of China (PBOC) cut the reserve requirement ratio for banks and its benchmark short-term reverse repo rate, while instructing commercial banks to trim rates on outstanding mortgages and introducing new liquidity mechanisms to support capital markets.[3] While officials had suggested that significant fiscal stimulus also was on tap, further details have yet to be announced.

News of the stimulus package was greeted enthusiastically by markets. The MSCI China Index, which began the third quarter down more than 50% from its early-2021 peak, surged 23.6% during September, with most of the gains coming in the last week of the quarter.[4] Similarly, yields on 10-year government bonds rose off

1. Source: FactSet; data as of September 30, 2024.
2. Source: Federal Reserve; data as of September 18, 2024.
3. Source: Reuters; data as of September 24, 2024.
4. Source: MSCI; data as of September 30, 2024.

of all-time lows, green shoots of relief for policymakers concerned about the financial risks of such low yields. The potential for improved activity in China also prompted a positive inflection in expectations for real economic activity globally, helping push the prices of certain real assets higher.

Though we're still waiting on details, the contours of a fiscal complement may be integral to the success of the PBOC's monetary blitz; while China has long sought to boost domestic consumption, household spending remains less than 40% of GDP compared to 68% in the US.[5] Further, it seems likely to us that China's deeper economic challenges likely will persist without measures targeting the oversupply of real estate in lower-tier cities and the bad debts related to it, as well as local governments' heavy reliance on the property market.

All that Glitters

As we think about the potential trajectories of the world's two largest economies, we're cognizant of the many risks that threaten to upend any sort of fundamental analysis. Unrestrained government debt globally has raised the specter of currency debasement and other adverse financial outcomes, for example, while geopolitical risk—headlined by Ukraine/Russia and broadening military engagement in the Middle East—shows no sign of relenting. Nearing the end of what was a very active year in national politics, all eyes now have turned to the contentious race for president in the US, the results of which may have broad policy implications affecting both domestic and cross-border actors.

Given gold's history as a perceived "safe haven" during periods of turmoil, recognition of these and other global risks—alongside with traditional tailwinds like falling real interest rates and a weaker dollar—likely supported its strong rally during the third quarter, helping the metal set a series of new nominal highs as it climbed 12.9%.[6] Risk sensitivity also may have contributed to gold's performance in the first half of the year, as the metal gained ground despite conditions like rising real rates and a stronger dollar that generally would be considered headwinds to its price. In fact, gold's resilience throughout 2024 and its disparate macroeconomic backdrops underscores why we advocate for strategic exposure to gold as a potential hedge against adverse market outcomes.

While we remain concerned about the many risks facing investors in the current environment, we also see opportunity. But rather than making bets on the direction of markets, we continue to focus on investing in individual assets we believe represent scarce quality and value and the potential to demonstrate resilience across multiple states of the world. We have been selectively adding and trimming names as opportunity dictates, targeting a semi-beta portfolio that we believe ultimately has the potential to position us to generate above average absolute returns over time while avoiding the permanent impairment of capital.

5. Source: CEIC; data as of December 31, 2023.
6. Source: World Gold Council; data as of October 8, 2024.

Portfolio Review

Overseas Fund A Shares (without sales charge*) posted a return of 10.14% in third quarter 2024. Developed Europe and Japan were the leading contributors by region, while developed Asia excluding Japan and emerging markets lagged. Consumer staples, materials and financials were the largest contributors among equity sectors; energy was flattish, while communication services and information technology also lagged. The Overseas Fund outperformed the MSCI EAFE Index in the period.

Leading contributors in the First Eagle Overseas Fund this quarter included gold bullion, Alibaba Group Holding Ltd., British American Tobacco p.l.c., Unilever PLC and Prosus N.V. Class N.

Gold bullion achieved a succession of new nominal highs during the quarter backed by tailwinds from falling real interest rates, a weaker dollar and an increasingly unsettled geopolitical landscape.

Shares of Chinese e-commerce giant Alibaba surged following the Chinese government's announcement that it will stimulate waning economic growth and provide support for local equity markets. We continue to view Alibaba as a collection of high-quality businesses with entrenched market positions and an ability to generate cash flow. We believe Alibaba's valuation remains attractive despite the recent performance; we like how accretive the company's stock buyback program is at current levels, as well as its recently initiated dividend.

British American Tobacco, the world's second largest tobacco company, reported a recovery in its US market share for its most recent quarter. The company also indicated that it's on track to achieve its 2024 sales and margin targets for non-combustibles in the US, which has been challenged by the proliferation of illicit products. We continue to like the company's portfolio of brands, ability to generate persistent cash flows and focus on returning cash to shareholders through dividends and buybacks.

Shares of consumer staples giant Unilever performed well as the company continued to make progress on its turnaround plan to exit lower-growth and lower-margin businesses, improve cost efficiencies and invest in core brands. For its most recent quarter, the company reported underlying sales growth below expectations but intact gross margins, which support the viability of the turnaround plan. Unilever is still in the early stages of this turnaround plan, and it has already announced its intention to spin off its ice cream business, which includes brands like Magnum and Ben & Jerry's, by the end of 2025.

* 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.

Prosus is a global technology company domiciled in Holland with a portfolio of private equity investments along with an approximately 25% ownership stake in China's publicly traded technology company Tencent. Chinese equities performed well late in the quarter following the government's announcement of plans to stimulate waning economic growth. Tencent has also been executing well and reported better-than-expected results for its most recent quarter. In addition to Tencent, we continue to like the other investments in Prosus' portfolio and its commitment to repurchasing stock.

The leading detractors in the quarter were Shell PLC, Samsung Electronics Co Ltd Pfd Non-Voting, Fomento Económico Mexicano SAB de CV Sponsored ADR Class B, AG Anadolu Grubu Holding Anonim Sirketi and Nongshim Co., Ltd.

Oil and gas supermajor Shell is the world's top seller of liquefied natural gas (LNG). Although earnings exceeded market expectations for the latest reporting period, weak refining margins, trading results and oil and gas prices weighed down the shares during the quarter. Management has actively focused on rationalizing Shell's businesses for profitability, and we believe the prospects for LNG will improve later in the decade. Cash flow continues to be strong, and the company remains active in buying back shares.

Samsung Electronics is a global technology company with leadership positions in smartphones, televisions and semiconductor memory, and a major manufacturer of electronic components including lithium-ion batteries, semiconductors, image sensors, camera modules and displays. The company reported weak results for the most recent quarter, but we believe it is well positioned for eventual cyclical recovery in the lower-tech market for memory chips. Additionally, Samsung provides valuable exposure to the high-bandwidth chipset market for providers such as Nvidia.

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. Shares were pressured during the quarter by peso weakness and continued political uncertainty following the recent presidential transition in Mexican. FEMSA's strong fundamentals remain intact, with a long history of returning capital to shareholders through dividends.

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. Despite reporting strong results during the quarter, shares traded down with the Turkish market more broadly. We like Anadolu Grubu's focus on portfolio efficiency and commitment to cash flow-generative and economically resilient consumer businesses.

Nongshim is the largest instant noodle and snack company in South Korea. Share weakness during the quarter reflected below-consensus earnings following a dip in US consumer sales. With its steady investment in US production and distribution, we believe the company is well positioned to benefit from an eventual recovery in demand.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

Trailing Returns

Data as of 30-Sep-2024

	Calendar YTD	1 Year	3 Years	5 Years	10 Years	Inception	Gross Expense Ratio*	Fund Inception Date
First Eagle Overseas Fund Class A (SGOVX) w/o load	14.73%	23.28%	6.04%	6.29%	5.15%	9.39%	1.15%	Aug 31, 1993[2]
First Eagle Overseas Fund Class A (SGOVX) w/ load	8.97%	17.14%	4.24%	5.21%	4.61%	9.21%	1.15%	Aug 31, 1993[2]
MSCI EAFE Index	12.99%	24.77%	5.48%	8.20%	5.71%	5.39%		

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.

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 (GDP)** measures of the value of total economic output in goods and services for an economy. **Currency debasement** refers to a reduction in a currency's purchasing power as a result of an increase in the money supply. **Beta** is a measure of an investment's price volatility relative to that of the overall market.

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 equities across developed markets countries. 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 equities across 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. **MSCI China Index** (Net) measures the performance of large and midcap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings. A net-return index tracks price changes and reinvestment of distribution income net of withholding taxes. **S&P 500 Index** (Gross/Total) measures the performance of the large cap segment of the US equity market but is widely recognized as a proxy for the US market as a whole. It is composed of 500 constituent companies across the US economy. weighted by float-adjusted market capitalization. A total-return index tracks price changes and reinvestment of distribution income. **Nikkei 225** is a price-weighted index composed of 225 stocks in the Prime Market of the Tokyo Stock Exchange. It is widely recognized as a proxy for the Japanese equity market as a whole. German **DAX® Index** measures the performance of the 40 largest companies listed on the Frankfurt Stock Exchange that fulfil certain minimum quality and profitability requirements. It is widely recognized as a proxy for the German equity market as a whole. **CAC 40® Index** is a free-float market capitalization-weighted index that measures the performance of the 40 largest and most actively traded shares listed on Euronext Paris.

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 30-Sep-2024: gold bullion 10.17%; Alibaba Group Holding Ltd. 1.41%; British American Tobacco p.l.c. 2.29%; Unilever PLC 2.24%; Prosus N.V. Class N 2.12%; Shell PLC 2.07%; Samsung Electronics Co Ltd Pfd Non-Voting 0.77%; Fomento Económico Mexicano SAB de CV Sponsored ADR Class B 1.61%; AG Anadolu Grubu Holding Anonim Sirketi 0.53%; Nongshim Co., Ltd. 0.45%.

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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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1345 Avenue of the Americas, New York, NY 10105 | www.firsteagle.com