Mid Cap Equity ETF

Market Overview

Smaller stocks surged in the second quarter as easing Middle East tensions buoyed investor confidence.

With a fragile peace reached between the US and Iran, equity markets more than recovered from their first quarter challenges. The Russell Mid Cap Index 2000 Index advanced 13.9% during the quarter compared to the 15.2% gain of the S&P 500 Index. Growth outperformed value during the quarter across capitalizations.[1]

The Beat Goes On

In a theme similar to what we have seen in the large cap space, smaller-stock index performance year-to-date has been quite concentrated, with energy leading the way in the first quarter and tech rebounding in the second. In fact, the magnitude of capital expenditures by hyperscalers—companies like Amazon, Apple, Meta, Microsoft and Oracle that operate massive data centers supporting cloud computing—has been a source of support across markets. Spending on data-center software and information processing equipment relative to GDP now exceeds the dot-com peak, funded primarily out of operating cash flow and, increasingly, debt issuance, and is forecast to continue. Even if new spending were to moderate, the long-term nature of projects like data centers suggests hyperscaler capex may be a source of support for smaller companies supporting the artificial intelligence (AI) infrastructure build.

From a macro perspective, the big news in the second quarter was the pronounced shift higher in US interest rate expectations even as those for other major economies generally moderated. One reason for this has been the appointment of Kevin Warsh as chair of the Federal Open Market Committee, replacing Jerome Powell. While Warsh's nomination for the role in March initially had some observers questioning his ability to lead the central bank independent of President Trump's rate-cutting influence, sentiment regarding his credibility has since shifted markedly. While it remains to be seen if Warsh's credibility is merely enjoying a honeymoon period to begin his term, his consistently hawkish tone has helped push two-year yields and the dollar higher.

Smaller companies tend to be more reliant on short-term, floating-rate debt than large cap names, so any shift toward tighter policy could have a material impact on the companies in this space. While we view rate hikes as possible based on Warsh's rhetoric, the deliberate lack of formal Fed guidance under the new regime makes policy trajectory difficult to assess. Further, as credible as Warsh may be, he doesn't have the same degree of policy flexibility that many of his predecessors had given today's fiscal situation. The ability to increase interest rates meaningfully in the face of inflationary pressures is likely constrained by the government's need to continually roll over its very large primary deficit at prevailing higher interest rates.

A Nice Problem to Have

The sharp run-up in certain areas if the portfolio has forced us to exercise strict valuation discipline, which is a painful but necessary part of managing smaller stocks. However, we are excited about the undervalued names we have been able to acquire with our profits, whether it's in healthcare or consumer staples or in more idiosyncratic opportunities.

Smaller stocks in general should find support going forward in resurgent fundamentals. For example, published forecasts reflect 85% earnings growth for the Russell 2000 in 2026 and 44% in 2027 compared to 27% and 18%, respectively, for the S&P 500. Revenue growth, too, is forecast to improve over the next several quarters.[2]

In addition, the reopening of the initial public offering (IPO) market in recent quarters has increased the number of stocks from which to choose. While mega IPOs like SpaceX get all the headlines, issuers tend to be on the smaller side. There were 65 traditional IPOs in the US market during the first half of 2026, raising about $114 billion, or more than seven times the amount raised in the same period last year; an additional 118 companies, worth $21 billion, came to market via the special purpose acquisition company (SPAC) channel.[3] And a vigorous pipeline remains. Aside from the backlog of mature, high-profile companies, many private equity firms have held smaller portfolio companies longer than optimal, creating pressure to exit and return capital to investors. Additionally, companies that postponed IPOs due to government shutdowns could reemerge, facilitated by a benign regulatory environment focused on increased capital access and reduced compliance burdens.[4]

1. Source: FactSet; data as of July 30, 2026.
2. Source: LSEG I/B/E/S; data as of July 9, 2026.
3. Source: PwC; data as of July 10, 2026.
4. Source: Cleary Market Watch; data as of February 5, 2026.

Portfolio Review

The Mid Cap Equity ETF posted a return of 14.87% in second quarter 2026. Information technology and industrials were the leading contributors among equity sectors; healthcare, energy and materials were the only detractors. The Fund outperformed Russell Midcap Value Index in the period.

The capital investment cycle surrounding the build out of AI-related infrastructure and data centers has supported sales and earnings growth for many of the smaller and mid-sized companies that supply the “picks and shovels” needed to build out AI capacity. This dynamic has spanned from suppliers to infrastructure and data-center construction to companies that enable system-level performance for compute, memory and network connectivity. It also has prompted a strong capital spending cycle for the semiconductor industry, which has benefited the semiconductors and semiconductor capital equipment companies that supply parts and services to major chip manufacturers.

Leading contributors in the First Eagle Mid Cap Equity ETF this quarter included Flex Ltd, TTM Technologies, Inc., Onto Innovation, Inc., Ultra Clean Holdings, Inc. and Coherent Corp.

Flex is an electronics manufacturer for cloud and power infrastructure, integrated technology and regulated manufacturing for industrial, automotive and healthcare applications. The company reported better-than-expected results for its most recent quarter and announced plans to spin off its cloud and power infrastructure business.

TTM Technologies manufactures electronic components, including advanced printed circuit boards, radio frequency components and microwave/microelectronic assemblies. The company has seen strong demand from data centers as well as the defense industry.

Onto Innovation is a semiconductor capital equipment supplier focused on manufacturing tools for advanced semiconductors. The company reported better-than-expected results for its most recent quarter, driven by strong demand for front-end and advanced packaging.

Ultra Clean develops and supplies components, parts and subsystems for ultra-high-purity cleaning and analytical services for the semiconductor industry. The company’s earnings and strong stock performance were driven by AI spending and investments in wafer fab equipment.

Coherent is a manufacturer of optical transceivers, lasers, communications and networking equipment, and compound semiconductor materials. The company reported better-than-expected results for its most recent quarter, driven by demand for AI data center infrastructure. Coherent has been increasing capacity to scale growth while also paying down debt.

The leading detractors in the quarter were Westlake Corporation, MarketAxess Holdings Inc., Workday, Inc. Class A, Expand Energy Corporation and Ensign Group, Inc.

Westlake is a vertically integrated producer of polyvinyl chloride chemicals and building products serving a global customer base. While closure of the Strait of Hormuz provided a boost to Westlake’s North American production base, still-high interest rates continued to pressure demand for the company’s housing and infrastructure products. With dominant market share for multiple products and exposure to the larger homebuilders that typically prevail during difficult environments, we expect Westlake will be well positioned as the cycle eventually turns.

MarketAxess operates an electronic fixed-income trading platform connecting institutional investors with broker-dealers to provide actionable market data and automated trading execution. The growing popularity of electronic market makers like PolyMarket and Kalshi that bypass Commodity Futures Trading Commission (CFTC) regulations has raised questions about the need for MarketAxess’ structural moat. Given that MarketAxess’ own customers are highly regulated—institutional asset managers, hedge funds and broker-dealers—we continue to ascribe value to the company’s sophisticated infrastructure.

Workday provides cloud-based enterprise software for human capital and financial management applications. Shares were weak during the quarter on continued fears that generative AI tools will disrupt traditional software subscription models. We view Workday as resilient amid growing AI use due to the difficulty of migrating mission-critical customer functions. Workday has demonstrated a strong ability to generate cash flow, while its strong balance sheet and commitment to buying back stock further bolster resilience.

Expand Energy was formed by the merger of Chesapeake Energy and Southwestern Energy in 2024 and is the largest natural gas producer in the US. We exited our position in Expand during the quarter as the leadership vacuum created by the CEO’s resignation in February 2026 remained unfilled.

Ensign provides skilled nursing, senior living and rehabilitative care through independent operating subsidiaries across the United States. Shares were pressured during the quarter by unsubstantiated negative claims from a non-investigative news source and a short seller’s report. We view Ensign as strong operators that can drive efficiencies by rolling-up underperforming facilities in a highly fragmented market.

Average Annual Returns

Data as of 30-Jun-2026

	YTD	1 Year	Since Inception	Gross Expense Ratio[1]	Net Expense Ratio[2]	Fund Inception Date
First Eagle Mid Cap Equity ETF (FEMD) NAV	-	-	9.66%	0.75%	0.55%	Jan 27, 2026
First Eagle Mid Cap Equity ETF (FEMD) Market	-	-	9.78%	0.75%	0.55%	Jan 27, 2026
Russell Midcap Value Index	-	-	11.88%	-	-	

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.

1. Gross expense ratio is the total annual fund operating expenses before fee waivers
2. The net expense ratio is the gross expense ratio after waivers and/or reimbursements.

First Eagle Investment Management, LLC (the "Adviser") has contractually agreed to waive and/or reimburse certain fees and expenses so that the total annual fund operating expenses (excluding Acquired Fund Fees and Expenses ("AFFE"), brokerage commissions, extraordinary items, interest or taxes) ("annual operating expenses") is limited to 0.55% of the Fund's average daily net assets. These contractual limitations are in effect until 1-Feb-2027, and may not be terminated prior to that date without the approval of the Board of Trustees (the "Board") of First Eagle ETF Trust (the "Trust").

Average annual returns are historical and reflect changes in share price, reinvested dividends and are net of expenses. Operating expenses reflect the Fund's total annual operating expenses for the share class as of the Fund's most current prospectus, including management fees and other expenses.

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

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

Risks

All investments involve the risk of loss of principal.

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

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

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. 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. 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.

Definitions

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 the total value of all economic output in goods and services for an economy.

Russell 2000® Index (Gross/Total) measures the performance of the small-cap segment of the US equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. A total-return index tracks price changes and reinvestment of distribution income. **Russell Midcap® Value Index** (Gross/Total) measures the performance of the midcap segment of the US equity universe. It includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (two-year) growth and lower sales per share historical growth (five-year).A total-return index tracks price changes and reinvestment of distribution income. **S&P 500 Index** (Gross/Total) measures the performance of 500 of the top companies in the leading industries of the US economy and is widely recognized as a proxy for the US market as a whole. A total-return index tracks price changes and reinvestment of distribution income.

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

These holdings represent the top five contributors and detractors to performance for the First Eagle Mid Cap Equity ETF as of 06/30/2026: Flex Ltd 3.22%; TTM Technologies, Inc. 2.41%; Onto Innovation, Inc. 2.38%; Ultra Clean Holdings, Inc. 2.57%; Coherent Corp. 1.97%; Westlake Corporation 1.26%; MarketAxess Holdings Inc. 0.72%; Workday, Inc. Class A 1.80%; Expand Energy Corporation 0.00%; Ensign Group, Inc. 1.18%.

Additional Disclosures

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 investment process may change over time. The information set forth above is intended as a general illustration of some of the criteria the investment team considers in selecting securities. Not all investments will meet such criteria.

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As with all ETFs, shares may be bought and sold in the secondary market at market prices. Investments involve risk. Principal loss is possible.

Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about our funds and may be obtained by visiting our website at www.firsteagle.com or calling us at 844-422-3367. The prospectus or summary prospectus should be read carefully before investing.

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