Mid Cap Equity ETF

Market Overview

Smaller stocks in general fell out of favor during the third quarter as investors turned their attention to a small cohort of large AI-related names.

Though the economic backdrop remained constructive, inflation pressures and rising bond yields served as a headwind to smaller companies. The Russell Midcap Index declined 3.0% during the quarter compared to the 2.3% gain of the S&P 500 Index. Value outperformed growth during the quarter across capitalizations.[1]

A Strong Foundation for Growth

After limited growth in fourth quarter 2025, US real gross domestic product (GDP) growth has accelerated in the first half of 2026, with the economy expanding at a rate of 2.5% and 2.2% in the first and second quarters, respectively, driven by business investment and consumer spending.[1] Momentum is expected to pick up still further, as the Atlanta Fed GDPNow estimate is calling for 3.6% growth in the third quarter.[2] Global economies in general have adjusted to energy supply shocks caused by the war by sourcing crude oil from other regions, drawing on strategic and commercial inventories, and some demand destruction and substitution.

While Gulf oil exports have picked up thanks to rerouting efforts and increasing dark transits, energy prices remain elevated, which combined with resilient growth has pushed inflation above target in much of the world. In the US, for example, consumer prices increased 3.4% for the latest 12-month period, driven by a 16.3% increase in the energy component.[3]

After months of anti-inflation rhetoric from Chair Warsh and others, the Federal Open Market Committee in mid-September voted unanimously to increase the federal funds target rate by 25 basis points to a range of 3.75–4.00%. The dot plot of policymaker forecasts, meanwhile, suggests one more hike is likely before year end. Treasury yields, which had marched steadily upward since the outbreak of the Iran war at the end of February, legged still higher on the hawkish news[4]. The 10-year Treasury yield finished the quarter at around 5.3% while the two-year traded at 4.9%; these levels have not been seen consistently since before the global financial crisis.[5]

It remains to be seen whether we have entered a prolonged hiking cycle or if this hike represented a one-off that will be followed by more "data-dependent" decisions moving forward. While we view additional rate hikes as possible, the deliberate lack of formal Fed guidance under the Warsh regime makes policy trajectory difficult to assess. Further, today's Fed lacks the 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.

Smaller companies tend to be more reliant on short-term, floating-rate debt than large cap names, so the shift toward tighter policy could have a material impact on the companies in this space. That said, rising rates coincidental with a robust economic backdrop have not historically been an impediment for small company returns; instead, strong economic activity has tended to support corporate fundamentals, to the benefit of these stocks. With the earnings resurgence continuing—published forecasts reflect 86% earnings growth for the Russell 2000 in 2026 and 44% in 2027 compared to 35% and 15%, respectively, for the S&P 500—we would not be surprised to see this dynamic play out once again, especially if there is a successful conclusion to the Iran war in the coming months and energy prices and inflation ease.[6]

Recycling Capital as Opportunities Emerge

The very strong first half enabled us to take profits in certain areas of the portfolio—such as technology and industrials—and redeploy assets into sectors that we believe are more attractively priced—including healthcare and energy—as well as more idiosyncratic opportunities. As always, we seek to construct portfolios that are cheaper than the market and well positioned for upside.

1. Source: FactSet; data as of September 30, 2026.
2. Source: Federal Reserve Bank of Atlanta; data as of October 8, 2026.
3. Source: Bureau of Economic Analysis; data as of September 30, 2026.
4. Source: Federal Reserve; data as of September 16, 2026.
5. Source: Federal Reserve Bank of St. Louis; data as of September 30, 2026
6. Source: LSEG I/B/E/S; data as of September 4, 2026.

Portfolio Review

The Mid Cap Equity ETF posted a return of -11.87% in third quarter 2026. Healthcare and energy were the leading contributors among equity sectors; information technology and industrials were the largest detractors. The Fund underperformed Russell Midcap Value Index in the period. During the third quarter, smaller and mid-sized technology and industrial companies associated with the build out of AI-related infrastructure and data centers traded lower following strong performance in the first half of the year. Despite the softness in stock performance, many of these businesses continue to execute well.

Leading contributors in the First Eagle Mid Cap Equity ETF this quarter included Workday, Inc. Class A, Tenet Healthcare Corporation, MarketAxess Holdings Inc., Phillips 66 and SharkNinja, Inc.

Workday provides cloud-based enterprise software for human capital and financial management applications. Shares of Workday participated in the broader recovery of the enterprise software sector, which had previously declined due to concerns about the potential disruption of AI. Media reports about the potential buyout of Workday from private equity firm Silver Lake was another tailwind for the stock. We expect Workday's business to remain resilient amid growing AI use; in our view, the difficulty of migrating mission-critical customer functions provides a wide moat for Workday's applications. Workday's ability to generate cash flow, its strong balance sheet and commitment to buying back stock further bolster resilience.

Tenet Healthcare operates a nationwide network of acute care hospitals, ambulatory surgery centers and outpatient facilities. Shares rose during the quarter following a robust financial update that highlighted sustained high-acuity pricing, higher admissions and strong procedure volumes. This operational momentum, combined with an expanded share repurchase program and a broader market rotation away from tech and industrials, fueled strong investor demand.

MarketAxess operates an electronic fixed-income trading platform connecting institutional investors with broker-dealers to provide actionable market data and automated trading execution. In July 2026, Intercontinental Exchange (ICE), the parent company of the NYSE, announced a definitive agreement to acquire MarketAxess for a 33% cash premium to market value. The transaction is expected to close in the first half of 2027.

Phillips 66 is an integrated downstream energy and logistics provider headquartered in Houston, Texas. Geopolitical disruptions across Russia and the Middle East during the quarter constrained global fuel inventories and drove product margins to near-record levels. Underpinned by high refinery utilization rates, the company generated substantial cash flows for capital repatriation through share buybacks.

SharkNinja designs and manufactures cleaning, beauty and kitchen appliances. Shares rallied during the quarter on robust financial results and an upgraded full-year outlook. Performance was driven by aggressive domestic and international expansion, particularly in Europe and Latin America. The company continues to successfully capture market share through consumer-centric product innovation and penetrating underserved lifestyle categories.

The leading detractors in the quarter were Ultra Clean Holdings, Inc., TTM Technologies, Inc., Dycom Industries, Inc., FTAI Aviation Ltd. and Generac Holdings, Inc.

Ultra Clean develops and supplies components, parts and subsystems for ultra-high-purity cleaning and analytical services for the semiconductor industry. The company reported better-than-expected earnings for its most recent quarter, driven by AI spending and increasing volume and complexity in the semiconductor capital equipment landscape.

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.

Dycom Industries is a leading provider of specialty contracting services to the telecommunications infrastructure and utility industries. The company reported strong results for its most quarter from demand in fiber-to-the-home, long-haul, data center interconnects, and data center electrical and structured cabling systems.

FTAI Aviation acquires aircraft engines at end of useful life, rebuilds them and then sells, leases or exchanges them back to airlines and lessors with a focus on CFM56 and V2500 engines. FTAI is now converting aircraft engines to power turbines for the data center market. During the quarter, concern about the sustainability of the data center power opportunity was a headwind despite solid demand.

Generac designs and manufactures primary and backup power-generation systems, energy technology solutions and other power products for residential, commercial and industrial applications. The company reported a small decline in residential revenue for its most recent quarter due to the lack of hurricane activity. The broader decline in AI-related stocks was also a headwind, despite data center backlog strength and a new agreement to supply backup power generators for Amazon data centers.

Average Annual Returns

Data as of 30-Sep-2026

	Since Inception	Gross Expense Ratio[1]	Net Expense Ratio[2]	Fund Inception Date
First Eagle Mid Cap Equity ETF (FEMD) NAV	-3.36%	0.75%	0.55%	Jan 27, 2026
First Eagle Mid Cap Equity ETF (FEMD) Market	-3.17%	0.75%	0.55%	Jan 27, 2026
Russell Midcap Value Index	9.67%	-	-	

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").

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

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

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.

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. **Atlanta Fed Wage Growth Tracker** is a measure of the nominal wage growth of individuals. **The Federal Open Market Committee (FOMC)** is the committee of the Federal Reserve System that sets US monetary policy to promote maximum employment and price stability.

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 09/30/2026: Workday, Inc. Class A 2.19%; Tenet Healthcare Corporation 2.97%; MarketAxess Holdings Inc. 0.72%; Phillips 66 2.38%; SharkNinja, Inc. 2.13%; Ultra Clean Holdings, Inc. 0.00%; TTM Technologies, Inc. 1.26%; Dycom Industries, Inc. 1.26%; FTAI Aviation Ltd. 1.19%; Generac Holdings, Inc. 1.01%.

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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