

# High Yield Municipal Fund

## Market Overview

**Municipal bonds began the new year on an upbeat note before the outbreak of war in Iran and the accompanying energy supply shock spawned significant volatility in rate markets.**

When all was said and done, the strength of January and February was pretty much undone by March's weakness, and muni index returns ended the first quarter wrapped around zero. The S&P Municipal Bond High Yield Index gained 0.3%, while both the S&P Municipal Yield Index, which includes bonds across the quality spectrum, and the S&P Short Duration Municipal Yield Index lost 0.2%. For context, the Bloomberg US Aggregate Bond Index was flat during the period.<sup>1</sup>

### *Muni Market Resilient Amid Volatile Conditions*

Given the quarter's complicated and rapidly evolving dynamics—including the outbreak of war, spiking energy prices, renewed inflation concerns, whipsawing policy expectations and acute Treasury volatility—the municipal market's ability to absorb \$119 billion of tax-exempt new issuance (and \$128 billion overall) was impressive, in our view, and is a testament to steady investor interest in the asset class and the appealing yields on offer. Tax-exempt new issuance was 13% higher than in the first quarter of 2025, a year that ended up setting a new annual record. As it had been throughout 2025, issuance was predominantly new capital, with less than one-quarter going toward refunding activity.<sup>2</sup>

Bond demand proved up to the task of absorbing the strong issuance. January and February are typically robust months for flows into municipal bond mutual funds and exchange-traded funds, and 2026 was no different. The strong start to the year helped kickstart total first quarter inflows of close to \$33 billion, nearly tripling those from first quarter 2025.<sup>3</sup>

Municipal bond yields mostly followed the trend of Treasuries during the first quarter, easing across the curve early in the year before rising sharply in March as a shock to the global energy supply chain, brought on by the war with Iran sent energy prices sharply higher and

raised concerns about renewed inflation. The end result was a bear steepening in which longer-term yields increased more than short-term yields.

Market-indicated federal funds rate expectations have been volatile; while two cuts had been priced in prior to the war, by late March markets were expecting a rate hike, and markets are now more or less flattish. The Fed, in contrast, has been more measured in its response to the ramifications of the war, leaving its policy rate unchanged in its mid-March meeting and continuing to project one rate cut before year end; this caution likely reflects the common practice among central bankers to "look through" energy shocks. That said, Fed board members' median expectation for 2026 core personal consumption expenditures (PCE) inflation increased to 2.7%, from 2.4% previously, and the notably wide distribution of inflation forecasts—from 2.3% to 3.4%—highlights the uncertainty introduced by the war and the challenges facing policymakers.<sup>4</sup> With some level of inflationary pressure likely to persist even if the war ended today, Fed rate cuts would seem to be a challenge absent much tighter financial conditions or substantial labor market deterioration.

Meanwhile, signs of the war's financial toll have started to trickle into the macroeconomic data, providing some insight of what may lie ahead. The US headline consumer price index for March increased 3.3%, its highest level in nearly two years, driven by skyrocketing gasoline (up 18.9%) and fuel oil (up 44.2%) prices. Though food prices increased a more modest 2.7%, the energy shock is likely to further pressure a US agriculture sector already struggling with the impacts of trade and immigration policy, which may ultimately contribute to higher food prices.<sup>5</sup>

We have yet to see a GDP print for a period encompassing the war—the Bureau of Economic Analysis will release its initial first quarter estimate on April 30—but the latest GDPNow forecast expects growth of 1.3% compared to estimates of around 3% in February.<sup>6</sup> This would come on the back of a disappointing 0.5% reading for fourth quarter 2025, down sharply from the third quarter's 4.4% growth due in part to the 43-day government shutdown.<sup>7</sup>

1. Source: FactSet; data as of March 31, 2026.

2. Source: SIFMA; data as of April 1, 2026.

3. Source: Investment Company Institute; data as of March 31, 2025.

4. Source: Federal Reserve; data as of March 18, 2026.

5. Source: US Bureau of Labor Statistics; data as of April 10, 2026.

6. Source: Federal Reserve Bank of Atlanta; data as of April 9, 2026.

7. Source: US Bureau of Economic Analysis; data as of April 9, 2026.

## Steady Fundamentals Persist

Issuer fundamentals continue to be supportive, even as they normalize from the stimulus-fueled conditions of the pandemic years. Overall state budgets for fiscal 2026 reflect a healthy environment, and general fund balances remain well above the historical average.

Though state general fund revenue has fallen off the record pace of fiscal 2021 and 2022, it has continued to grow, and modest revenue gains are expected in fiscal 2026. Budgets enacted to date suggest flat general fund spending in 2026, and most states plan to maintain or increase the size of their rainy-day funds—many of which are already at nominal highs—in anticipation of future needs.<sup>8</sup>

Another sign of fiscal strength can be found in improvement in pension funding, as the aggregate median ratio for local-government pensions

climbed to 80% in the most recent, fiscal 2024 reading from 78% in fiscal 2022. While this can be attributed in part to market performance, local governments have increased contributions and tweaked their benefit structures, demonstrating improved funding discipline and better long-term sustainability.<sup>9</sup>

These dynamics have supported muni bond ratings activity, which has remained positive even as the ratio of upgrades to downgrades continued to moderate: positive activity (including both upgrades and favorable outlook revisions) outpaced negative activity at a rate of 1.3x in the first two months of the year, down from 1.9x in 2025.<sup>10</sup> Both defaults and first-time distressed debt remained very low in the first quarter.<sup>11</sup>

8. Source: National Association of State Budget Officers; data as of November 14, 2025.

9. Source: S&P Global; data as of September 16, 2025 (most recent available).

10. Source: S&P Global; data as of February 26, 2026 (most recent available).

11. Source: BofA Global Research; data as of March 31, 2026.

## Portfolio Review

High Yield Municipal Fund A Shares (without sales charge\*) posted a return of -0.01% in first quarter 2026. The Fund underperformed the S&P Municipal Yield Index in the period.

Bonds related to the Brightline passenger rail project in Florida were among the biggest contributors to performance in the first quarter. Brightline, which is backed by private equity firm Fortress Investment Group, is the only privately owned and operated intercity railroad in the US. It began service in Florida in 2018 and has steadily increased its footprint along the east coast of the state from Miami to Orlando and has plans to expand its network from Orlando to Tampa.

We remain constructive on both the project and the bonds. Last year's negative market sentiment appears to be largely priced into the bonds, in our view, which has substantially reduced our downside risk while enhancing our upside potential. Importantly, operational improvements that began in 2025—including the addition of 30 new train cars and a complete schedule revamp to help improve network optimization—continued in early 2026, with the company reporting strong year-over-year improvements in ridership and revenue year to date.

In January, Brightline announced the appointment of Nicolas Petrovic as CEO of Brightline Holdings LLC. Petrovic has more than 25 years of rail experience, with leadership positions across Europe and the Middle East, including Eurostar, Siemens France and, most recently, Etihad Rail Mobility. In our view, Brightline's ability to lure such a tenured and respected CEO to Florida at this stage of his career speaks volumes about the company's prospects going forward.

The combination of operational momentum and experienced new leadership will likely have a direct impact on plans to raise a substantial amount of equity to help improve Brightline's capital structure and pay down higher coupon debt and deferred interest.

While Brightline's Florida operations contributed to the Fund's performance during the first quarter, bonds linked to a sister project building a high-speed rail system connecting southern California with Las Vegas—also owned by Fortress—were detractors. Brightline West bonds weakened as it awaited federal government approval for a Railroad Rehabilitation and Improvement Financing loan, the proceeds of which it intends to use to retire outstanding debt. The company continues to work with the government to finalize this financing, which we believe would be a strong catalyst for the price of its bonds.

\* 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

Data as of 31-Mar-2026

	Calendar YTD	1 Year	3 Years	5 Years	10 Years	Since PM Inception <sup>1</sup>	Gross Expense Ratio <sup>2</sup>	Adjusted Expense Ratio <sup>3</sup>	Fund Inception Date
Class A (FEHAX) w/o load	-0.01%	-1.74%	5.38%	2.77%	4.68%	4.52%	1.58%	0.79%	Jan 3, 2012
Class A (FEHAX) w/ load	-2.55%	-4.20%	3.75%	1.82%	4.21%	3.36%	1.58%	0.79%	Jan 3, 2012
Class C (FEHCX)	-1.19%	-3.29%	4.59%	2.02%	3.90%	3.79%	2.34%	1.55%	Jan 3, 2012
Class I (FEHIX)	0.04%	-1.39%	5.62%	3.02%	4.96%	4.84%	1.36%	0.57%	Nov 19, 2007
Class R6 (FEHRX)	0.06%	-1.31%	5.72%	3.10%	-	4.96%	1.28%	0.49%	Mar 1, 2017
S&P Municipal Yield Index	0.28%	3.63%	5.05%	1.69%	3.83%	4.18%	-	-	-

The performance data quoted herein represents past performance and does 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 is available at [www.firsteagle.com](http://www.firsteagle.com) or by calling 800-334-2143. The average annual returns are historical and reflect changes in share price, reinvested dividends and are net of expenses. "With sales charge" performance for class A shares gives effect to the deduction of the maximum sales charge of 2.50%. The average annual returns for Class C shares reflect a CDSC (contingent deferred sales charge) of 1.00% in the year-to-date and first year only. Class I shares require \$1MM minimum investment and are offered without sales charge. Class R6 shares are offered without sales charge. Operating expenses reflect the Fund's total annual operating expenses for the share class of the Fund's most current prospectus, including management fees and other expenses.

1. John Miller started as lead portfolio manager of the Fund beginning 2-Jan-2024.

2. Gross expense ratio is the total annual fund operating expenses before fee waivers.

3. First Eagle Investment Management, LLC (the "Adviser") has contractually agreed to waive and/or reimburse certain fees and expenses of Classes A, C, I, and R6 so that the total annual operating expenses (excluding interest charges on any borrowings, taxes, brokerage commissions and other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments, acquired fund fees and expenses, dividend and other expenses relating to short sales, and extraordinary expenses, if any) ("annual operating expenses") of each class are limited to 0.85%, 1.60%, 0.60%, and 0.60% of average net assets, respectively. Each of these undertakings lasts until 28-Feb-2027 and may not be terminated during its term without the consent of the Board of Trustees. The Fund has agreed that each of Classes A, C, I, and R6 will repay the Adviser for fees and expenses waived or reimbursed for the class provided that repayment does not cause annual operating expenses (after the repayment is taken into account) to exceed the lesser of: (1) 0.85%, 1.60%, 0.60%, and 0.60% of the class' average net assets, respectively; or (2) if applicable, the then-current expense limitations. Any such repayment must be made within three years after the year in which the Adviser incurred the expense. The adjusted expense ratio excludes certain fees and expenses, such as interest expense and fees paid on Fund borrowings and/or interest and related expenses from inverse floaters.

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

The First Eagle High Yield Municipal Fund was known as the First Eagle High Income Fund prior to 27-Dec-2023. First Eagle High Income Fund commenced operations in its present form on 30-Dec-2011, and is successor to another mutual fund pursuant to a reorganization on 30-Dec-2011. Information prior to 30-Dec-2011 is for this predecessor fund.

Immediately after the reorganization, changes in net asset value of the Class I shares were partially impacted by differences in how the Fund and the predecessor fund price portfolio securities.

## Risks

All investments involve the risk of loss of principal.

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

The transition of the First Eagle High Yield Municipal Fund (the "Fund") from the First Eagle High Income Fund was effected on or about December 27, 2023. There continues to be increased **operational risks** associated with the transition, during which the Fund has acquired new and additional trading and counterparty relationships, new and additional borrowing and leverage arrangements, and new and additional capabilities for the management of derivatives, and may require more. Beyond the inherent risks of transition and associated complexity, because some, but not all of the required or desirable operational capabilities and investment and counterparty arrangements were fully implemented prior to the effective date of the transition, until such time as that occurs, the Fund's flexibility to fully implement its new objective and strategies may continue to be limited during the transition period. During the transition period, it is expected that the Fund will not be as invested in income-producing securities that are exempt from regular federal income taxes as will be the case once the transition is complete. As a result, a higher percentage of the Fund's dividends are expected to be ordinary dividends rather than "exempt-interest dividends" during the transitional phase. Funds whose investments are **concentrated in a specific industry or sector** may be subject to a higher degree of risk than funds whose investments are diversified and may not be suitable for all investors. Investments in **bonds** are subject to interest-rate risk and can lose principal value when interest rates rise, while they typically increase their principal values when interest rates decline. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner, or that negative perception of the issuer's ability to make such payments may cause the price of that bond to decline. The Fund may invest in **high yield, fixed income securities** that, at the time of purchase, are non-investment grade. High yield, lower rated securities involve greater price volatility and present greater risks than high rated fixed income securities. High yield securities are rated lower than investment-grade securities because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. High yield securities involve greater risk than higher rated securities and portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Municipal bonds are subject to **credit risk, interest rate risk, liquidity risk, and call risk**. However, the obligations of some municipal issuers may not be enforceable through the exercise of traditional creditors' rights. The reorganization under federal bankruptcy laws of a municipal bond issuer may result in the bonds being cancelled without payment or repaid only in part, or in delays in collecting principal and interest.

## 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. **Exchange-traded funds (ETFs)** are listed investment vehicles that seek to provide exposure to a benchmark, index or actively managed strategy. A **bear steepener** is the steepening of the yield curve caused by long-term interest rates increasing at a faster rate than short-term rates. A bear steepener is usually suggestive of rising inflationary expectations or a widespread rise in prices throughout the economy. **Personal consumption expenditures (PCE)** price index measures changes in the prices of goods and services purchased by consumers in the US. Core PCE excludes food and energy prices.

**S&P Municipal Yield Index (Gross/Total)** measures the performance of high yield and investment grade municipal bonds. A total-return index tracks price changes and reinvestment of distribution income. **S&P Short Duration Municipal Yield Index (Gross/Total)** measures the performance of high yield and investment grade municipal bonds with maturities of one to 12 years. A total-return index tracks price changes and reinvestment of distribution income. **S&P Municipal Bond High Yield Index (Gross/Total)** measures the performance of bonds in the S&P Municipal Bond Index that are not rated or whose ratings are below investment grade. A total-return index tracks price changes and reinvestment of distribution income.

**Bloomberg US Aggregate Bond Index (Gross/Total)** measures the performance of the investment grade, US dollar-denominated, fixed-rate taxable bond market in the US, including Treasuries, government-related and corporate securities, fixed-rate agency MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. A total-return index tracks price changes and reinvestment of distribution income. **Consumer price index (CPI) (Price)** measures inflation as experienced by consumers in their day-to-day living expenses by capturing the average change over time in the prices paid for a representative basket of consumer goods and services. A price-return index only measures price changes.

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 High Yield Municipal Fund as of 03/31/2026: Florida Dev Fin Corp Rev Var 01-jul-2057 (340618EB9) Brightline Florida Holdings, LLC 1.06%; Berks Cnty PA Muni Auth Exchange-Tower Health Project (084538JH1) Tower Health Obligated Group 2.84%; Berks Cnty PA Muni Auth Exchange-Tower Health Proj-Ser (084538JK4) Tower Health Obligated Group 0.77%; Rhode Island St Hlth & Educatnl Bldg Corp Revenue Chartercare Health of Rhode Is (762244PF2) Chartercare Health of Rhode Island Obligated Group 0.54%; Florida St Dev Fin Corp Var-AMT-Brightline FL Passenge (340618DY0) AAF Operations Holdings LLC 0.29%; Director of the St of Nev Dept Business & Industry Var-AMT-Sustainable-Brightline (25457VBV7 ) DesertXpress Enterprises LLC 1.17%; California Infrastructure & Economic Dev Bk Rev Var-AMT-Ref-Sustainable Bond-B (13034A7E4) DesertXpress Enterprises LLC 0.78%; Capital Projs FL Fin Auth Student Hsg Revenue Conv Cabs-Sub-Prg-Unionwest PR (140427CK9) PRG - UnionWest Properties LLC 0.14%; California Cmnty Hsg Agy Essential Hsg Rev 4.0% 01-feb-2056 (13013FAJ3) CALIFORNIA CMNTY HSG AGY CREEKWOOD REV 0.58%; Tobacco Settlement Fing Corp Rhode Is 0.0% 01-jun-2052 (888809AH3) TOBACCO SETTLEMENT FING CORP RHODE IS TOB SETTLEMENT REV 0.38%.

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