

First Eagle Global Value Team

Market Overview

It would be easy to look at some data from the third quarter and mistake it for a period of blithe recovery. Covid-19 fatalities moderated in the US, while business confidence returned. Long-dated inflation expectations approached the Federal Reserve's benchmark near 2%. The MSCI World Index gained close to 8%, while high yield bond spreads tightened by approximately 100 basis points. Under the surface, however, the situation was more complex.

One such complexity was the profound bifurcation in equity markets, perhaps best illustrated by the performance gap between the NYSE FANG+ Index and the MSCI World Value Index. During the third quarter, the FANG+ spiked 30% plus compared to a modest 4% gain in the value index. The 12-month period ended September 30, 2020, is even more telling, as the FANG+ was up 112% compared to an 8.4% decline in the MSCI World Value Index.¹ To be fair, the FANG+ companies displayed remarkable resilience in the face of the pandemic, capitalizing as the economy went virtual and consumers flocked to online outlets. Even with their impressive business performance, however, the incontrovertible problem for these and other growth stocks is that in most cases their market valuations have increased at a far greater rate than their revenue and cash flow. The price-to-sales ratio for the Russell 1000 Growth Index now exceeds its 1999 peak, for example, as does the ratio of the Russell 1000 Growth Index to the Russell 1000 Value Index.²

The multiple expansion in growth stocks appears to reflect two recent developments. First, near-zero interest rates have pulled down the discount rate, making future cash flows appear more attractive relative to current ones. Second, the pandemic-driven shift online provided a significant boost to companies with a strong online presence. While prices of growth stocks suggest the market is already extrapolating the new higher rate of revenue growth for these companies, both of these drivers are now in the rearview mirror; interest rates and discount rates can't fall much further, and the digital impact of Covid-19 is fading at the margin as employees, however grudgingly, return to physical

Market Summary	3rd Quarter 2020
MSCI World Index	+7.93%
MSCI EAFE Index	+4.80%
S&P 500 Index	+8.93%
German DAX Index	+3.65%
French CAC 40 Index	-2.03%
Nikkei 225 Index	+4.69%
Brent Crude Oil	-0.49%
	\$40.95 a barrel
Gold	+5.89%
	\$1,885.82 an ounce
US Dollar	-2.05% vs. yen
	-2.89% vs. euro

Source: Bloomberg, WM/Reuters.

work spaces. Further, the law of large numbers tells us these companies may have a hard time maintaining their rapid pace of growth as they get larger. Looking forward, positive surprises are likely to be more difficult—not less—to produce.

In natural systems, rates of growth decelerate; otherwise, trees would grow to the sky. With that understanding, we believe that the economy may take one of two paths from here. Either 1) the recovery will broaden, thus narrowing the gap in prospects for mature-economy companies versus the new-economy names, bolstering commodities, industrials, real estate and the financial sector; or 2) Covid-19 will remain frustratingly endemic, with rolling regional lockdowns and a continuing need for fiscal stimulus and quantitative easing—a path that will ultimately undermine currency values.

Another significant subsurface development during the quarter was the weakening of the US dollar—against the euro, the yen,

1. Source: FactSet; as of September 30, 2020. The NYSE FANG+ Index is designed to represent a segment of technology and consumer discretionary sectors consisting of highly traded growth stocks of technology and tech-enabled companies, such as Facebook, Apple, Amazon, Netflix and Google.

2. Source: Bloomberg.

the yuan and even the Mexican peso—despite roaring growth stocks and stimulative policy. Investors evidently started to fret about the implicit fiscal tightening in the US as the stimulus from the CARES Act winds down without a new set of fiscal support measures in place.

Fiscal deficits have an unusual asymmetry: They're easier to initiate than to resolve. According to the Congressional Budget Office, the deficit is expected to fall from 16.0% of GDP this year to 8.6% in 2021. Does a 7.4% improvement in the budget deficit next year seem reasonable in our current fragile circumstances? Are we ready to remove the supports that caused the ballooning of public-sector deficits but also bolstered corporate cash flows and household incomes as the Covid-19 health crisis took hold? We must consider whether policymakers inadvertently adopted modern monetary theory, with the Fed essentially financing nearly all Treasury issuance.

Dollar buyers are unlikely to be tempted by the US's fiscal laxity, persistent current account deficits and lack of material interest-rate carry. While some may argue that the value of the dollar will continue to be supported by foreign reserve demand, this is far from certain. Russia and China reportedly have been working together to reduce their dollar dependence; in first quarter 2020, the dollar's share of trade between the two countries fell below 50% for the first time.³ Furthermore, with oil prices at \$40 per barrel rather than \$100, Middle East countries that spent years accumulating dollars to keep their currency pegs in place no longer need to do so. For example, Saudi Arabia went from an 18% current account surplus relative to GDP in 2013 to an estimated 4.3% current account deficit this year. Even Norway's surplus has slipped from 10.8% of GDP in 2019 to an estimated 1% this year.⁴ We have to wonder who will buy dollar reserves in this environment.

Making matters worse for the dollar, the Fed recently adopted a new monetary policy framework based on inflation averaging rather than a specific inflation target. Perhaps even more important, the Fed is making maximum employment its top objective, thereby ending its traditional pattern of preemptive tightening when employment reaches a rate consistent with price stability. With the Fed signaling near-zero interest rates for as far as the eye can see, gold rallied in the third quarter to a new nominal peak above \$2,000 an ounce before stabilizing around \$1,900, a level consistent with its previous nominal peak in 2011. Despite its gains in 2020, gold remains near its post-Bretton Woods average valuation relative to both US M2 money supply outstanding and the S&P 500 Index.⁵

For us, gold remains an important potential hedge not only against monetary disequilibrium but also a long list of

geopolitical risks. This is hardly a world that is beset by calm and order. The 2020 US election season can only be described as surreal, and outside the United States a potential hard Brexit is on the immediate horizon. The UK also faces the possibility of a second referendum on independence for Scotland. And while a weaker dollar could lead to stagflation in the United States over the medium term, contemporaneous currency appreciation in Europe and China could prove disinflationary there and challenge debt reduction efforts. Meanwhile, China has become more provocative with respect to Taiwan while tightening its grip on Hong Kong.

Navigating Difficult Waters

Despite these many risks, the S&P 500 Index hit a new high in September before pulling back and now trades at roughly 22 times trailing peak earnings, which is toward the higher end of its historical valuation. We find this remarkable under the circumstances.

One could argue that the S&P 500 is skewed by the FANG+ Index, which trades at over 50 times trailing peak earnings. By contrast, the Russell 1000 Value trades at 16 times trailing peak earnings and the MSCI EAFE at 15 times trailing peak earnings. In other words, value stocks in both the US and abroad are trading at more rational—albeit not distressed—prices. Given this dynamic, we've continued to own a substantial number of mature-economy stocks while remaining selectively positioned in new-economy names we were able to acquire at what we believe to be sound prices. Our cash and cash equivalents position today is well below its prior peaks, in part because the record spread between money-supply growth and near-zero interest rates makes cash less attractive to us. Gold bullion and gold-mining stocks remain the key source of our potential ballast and longer-term deferred purchasing power.

We are by no means complacent in this environment. It is not difficult to imagine events—a resurgence of the pandemic, credit issues in the banking sector, a rise in real interest rates—that could send the market into a tailspin. As long-term capital allocators, we see this as a moment when it is critically important to distinguish between risk as prospective volatility and risk as permanent capital impairment. The former is tolerable to us, but the latter is not. We are working hard to navigate these difficult waters.

3. Source: Nikkei Asia; as of August 6, 2020.

4. Source: International Monetary Fund.

5. Source of spot price data: Bloomberg.

Portfolio Review

Global Fund A Shares (without sales charge*) posted a return of 5.64% in third quarter 2020. North America was the biggest contributor from a geographic standpoint, though performance was positive in all regions except developed Asia ex-Japan. Materials were the biggest contributor among economic sectors, and energy was the only sector that detracted from performance. The strategy's position in cash and cash equivalents represented a slight drag. The Global Fund underperformed the MSCI World Index in the period.

Leading contributors in the First Eagle Global Fund this quarter included gold bullion, Deere & Company, C.H. Robinson Worldwide, Inc., Comcast Corporation and Taiwan Semiconductor Manufacturing Co., Ltd.

The price of gold rallied to a new peak in nominal US dollar terms during the quarter, eclipsing \$2,000 in August before settling closer to levels consistent with 2011 highs. With the Federal Reserve committed to the quantitative easing measures it introduced to combat the impact of Covid-19, double-digit money supply growth seems likely to persist. Meanwhile, the central bank's shift from inflation targeting to inflation averaging suggests it wants real interest rates to go down. In our view, gold remains a long-duration potential hedge against the myriad risks facing investment portfolios

Deere & Company manufactures and distributes equipment used in agriculture, construction, forestry and turf care in more than 30 countries. The company executed well in what has been a supportive environment for its products marked by strong pricing in agricultural commodities and robust crop yields. Notably, Deere successfully rolled out price increases in its Agriculture & Turf division, which improved its operating margins.

As North America's largest freight broker, C.H. Robinson benefited from a rebound in truck freight pricing, which continued to recover from the dislocations felt earlier in the year. Truck demand has spiked as consumers increasingly spend on hard goods that require distribution rather than experiences and services, while both truck and driver supply has remained constrained.

Media and telecommunications company Comcast hit an all-time high in early 2020, only to sell off with the onset of the Covid-19 pandemic and its anticipated impact on the company's NBCUniversal entertainment unit. Comcast's stock price has since recovered, driven in part by ongoing strength in the company's broadband business. Late in the quarter, activist hedge fund Trian Fund Management announced that it had acquired a stake in Comcast, believing it to be undervalued; however, any actions Trian seeks to employ to unlock value may

be complicated by the fact the more than one-third of Comcast's voting rights are held by the company's founding family.

Shares of Taiwan Semiconductor (TSMC) traded higher during the quarter on signs that its total addressable market was poised to expand. Intel announced that it was facing delays in the manufacture of its next-generation chips and may contract out the work to third parties, opening the door for a large-scale chip "foundry" like TSMC to pick up some of the business. Foundries make chips designed and named by other companies; TSMC already produces certain chips for Intel.

The leading detractors in the quarter were Exxon Mobil Corporation, National Oilwell Varco, Inc., Schlumberger NV, Bank of New York Mellon Corporation and Imperial Oil Limited.

The energy complex suffered through another poor quarter, as the impacts of the as-yet-unresolved Covid-19 pandemic continued to weigh on demand. The sector remained broadly out of favor with investors—energy's share of major market indexes has contracted to levels not seen for some time—and we would not be surprised to see these stocks remain under pressure for the balance of 2020 as investors look to harvest tax losses. That said, oil prices appear to have stabilized, with demand recovering somewhat and supply likely to remain constrained. Further, the particular energy names we own are situated in slightly different parts of the cycle and in slightly different geographies, and they have varying ratios of hard assets to intellectual property. We believe they are well-positioned to withstand difficult pricing backdrops.

The stock of Exxon Mobil continued to struggle in the third quarter, and it lost roughly half its market cap year to date. Despite this, we believed Exxon Mobil was well-equipped to contend with lower prices and remained a compelling investment. The company demonstrated high levels of operational flexibility during the difficult market environment and maintained an upward drift in earnings power. Its high-quality, long-duration assets occupy attractive positions on the cost curve.

Shares of Texas-based National Oilwell Varco declined during the quarter. Energy producers—particularly American shale drillers—were forced to cut budgets in the face of slumping oil prices, reducing the company's business in the process. Though oil production appears unlikely to pick up meaningfully in the near term, servicers like National Oilwell Varco may be able to take advantage of consolidation opportunities in what may become a structurally improved environment.

Oilfield services giant Schlumberger struggled to gain traction following the initial pandemic-related selloff of the first quarter. The company has been aggressive in cutting costs in response 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.

the difficult operating environment; it has slashed about 25% of its workforce, reduced its dividend and sold off assets, including its North American hydraulic fracking business. We see Schlumberger's financial strength and dominant market position as sources of resilience that may potentially enable it to respond positively if and when oil prices rebound.

The world's largest custody bank, Bank of New York Mellon has been challenged by the persistently low-rate environment. While custody tends to be a wide-moat business, revenue generation is highly sensitive to net interest margins. Low rates have also hurt Bank of New York's other primary line of business—investment management—as it has been forced to waive fees on its money market funds to preserve their net asset value.

Imperial Oil (about 70% owned by Exxon Mobil) is a high-quality integrated energy company that fell alongside other oil producers in the quarter. Focused on the Canadian oil sands, the third-largest proven oil reserve in the world, Imperial has a long reserve life even without new discoveries. Imperial is well integrated across the energy value chain, and its operational advantages, combined with what we believe to be a resilient balance sheet and a well-aligned management team have translated into a business that has offered durable cash flows and solid value creation for shareholders over time.

First Eagle Overseas Fund

Overseas Fund A Shares (without sales charge*) posted a return of 4.49% in third quarter 2020. Developed Europe was the biggest contributor from a geographic standpoint, though performance was positive in all regions except developed Asia ex-Japan. Materials were the biggest contributor among economic sectors, while energy and real estate were the only sectors to detract from performance. The strategy's position in cash and cash equivalents represented a slight drag. The Overseas Fund underperformed the MSCI EAFE Index in the period.

Leading contributors to the Fund's performance this quarter included gold bullion, Taiwan Semiconductor Manufacturing Co., Ltd., Nutrien Ltd., Fresnillo plc and Unilever NV.

Detractors included Imperial Oil Limited, Ambev SA Sponsored ADR, CK Asset Holdings Limited, Guoco Group Limited and British American Tobacco p.l.c.

First Eagle U.S. Value Fund

U.S. Value Fund A Shares (without sales charge*) posted a return of 6.56% in third quarter 2020. Contributors to performance were found broadly across sectors, led by industrials and precious and base metals; energy was the only sector to detract from performance. The US Value Fund underperformed the S&P 500 Index in the period.

Leading contributors to the Fund's performance this quarter included Deere & Company, gold bullion, Comcast Corporation, C.H. Robinson Worldwide, Inc. and Weyerhaeuser Company.

Detractors included Exxon Mobil Corporation, National Oilwell Varco, Inc., Bank of New York Mellon Corporation, Schlumberger NV and Equity Residential.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investment Management

* 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 as of 09/30/2020 (%)

		YTD	1 Year	5 Years	10 Years	Expense Ratio Gross*	Expense Ratio Net*
First Eagle Global Class A SGENX	w/o sales charge	-2.43	2.05	7.08	6.87	1.11	--
	w sales charge	-7.31	-3.06	5.98	6.32		
First Eagle Overseas Class A SGOVX	w/o sales charge	-2.84	0.89	5.23	5.03	1.15	--
	w sales charge	-7.70	-4.15	4.16	4.49		
First Eagle U.S. Value Class A FEVAX	w/o sales charge	-4.28	-0.36	7.61	7.67	1.16**	1.11
	w sales charge	-9.08	-5.36	6.51	7.12		

The performance data quoted herein represent past performance and do not guarantee future results. Market volatility can dramatically impact a 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.feim.com or by calling 800.334.2143. The average annual returns for Class A Shares "with sales charge" of First Eagle Global, Overseas and U.S. Value Funds 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.

** These are the actual Fund operating expenses prior to the application of fee waivers and/or expense reimbursements. The Adviser has contractually agreed to waive its management fee at an annual rate in the amount of 0.05% of the average daily value of the U.S. Value Fund's net assets for the period through February 28, 2021. This waiver has the effect of reducing the management fee shown in the table for the term of the waiver from 0.75% to 0.70%.

S&P 500 Index is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy and is not available for purchase.

The Nikkei 225 is an unmanaged price-weighted equity index, which consists of 225 stocks in the first section of the Tokyo Stock Exchange.

The 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 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.

The MSCI World Index is a widely followed, unmanaged group of stocks from 23 international markets and is not available for purchase. The index provides total returns in US dollars with net dividends reinvested.

One cannot invest directly in an index. Indices do not incur management fees or other operating expenses.

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.

The 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.

All investments involve the risk of loss.

The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle Global Fund as of September 30, 2020: gold bullion 12.61%; Deere & Company 1.42%; C.H. Robinson Worldwide, Inc. 1.72%; Comcast Corporation 2.43%; Taiwan Semiconductor Manufacturing Co., Ltd. 0.93%; Exxon Mobil Corporation 1.38%; National Oilwell Varco, Inc. 0.51%; Schlumberger NV 0.75%; Bank of New York Mellon Corporation 0.98%; Imperial Oil Limited 0.31%.

The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle Overseas Fund as of September 30, 2020: gold bullion 12.29%; Taiwan Semiconductor Manufacturing Co., Ltd. 1.40%; Nutrien Ltd. 1.63%; Fresnillo plc 0.60%; Unilever NV 1.71%; Imperial Oil Limited 0.78%; Ambev SA Sponsored ADR 0.93%; CK Asset Holdings Limited 0.53%; Guoco Group Limited 0.77%; British American Tobacco p.l.c. 2.21%.

The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle U.S. Value Fund as of September 30, 2020: Deere & Company 3.23%; gold bullion 13.96%; Comcast Corporation 4.49%; C.H. Robinson Worldwide, Inc. 2.89%; Weyerhaeuser Company 2.35%; Exxon Mobil Corporation 2.11%; National Oilwell Varco, Inc. 0.76%; Bank of New York Mellon Corporation 1.97%; Schlumberger NV 1.14%; Equity Residential 0.72%.

The Funds may invest in gold and precious metals through investment in a wholly owned subsidiary of the Funds organized under the laws of the Cayman Islands (the "Subsidiary"). Gold bullion and commodities include the Funds' investment in the Subsidiary.

The commentary represents the opinion of the Global Value Team portfolio managers as of September 30 2020, and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the entire 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 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.

Third-party marks are the property of their respective owners.

Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds and may be obtained by visiting our website at www.feim.com or calling us at 800.334.2143. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed, and may lose value.