FIRST EAGLE INVESTMENT MANAGEMENT®

Investor Guide

First Eagle Credit Opportunities Fund

Seeking Alternative Sources of Income

First Eagle Investment Management, LLC | www.feim.com

Breaking Tradition

Portfolios seeking to generate meaningful current income face a multifaceted dilemma. Yields on traditional credit instruments have been locked in at very low levels throughout the post-global financial crisis era, and the policy responses to the Covid-19 pandemic imply the interest rate landscape is unlikely to improve anytime soon. Despite these persistently low yields, fixed income market dynamics—extended durations, deteriorating credit quality and weakening investor protections, among others—suggest the risk of owning these bonds or portfolios benchmarked to popular indexes has increased across multiple dimensions.

Alternative credit assets may represent an attractive solution to these problems, offering the potential for material income streams and compelling risk-adjusted total returns across business cycles and interest rate environments. Typically non-investment grade and less liquid in nature, alternative credit has historically offered higher rates of return than traditional fixed income investments alongside a track record of generally low correlations to both core fixed income and equities that may complement broad-based portfolios.

The First Eagle Credit Opportunities Fund takes an intensive, research-driven approach to income-oriented opportunities available across the alternative credit spectrum—including both private and public investments—in an effort to deliver current income while providing long-term risk-adjusted returns through a focus on senior-secured assets. Further, the Fund's selective, flexible process enables it to take advantage of changes in credit markets over time by actively allocating to what the portfolio managers believes to be the most attractive risk-reward opportunities across the alternative credit space.

The Credit Opportunities Fund focuses on four key areas of the alternative credit market.

- Direct lending typically refers to facilities extended to companies that lack access to traditional capital markets due to their size. These highly customized, relatively small financing solutions are originated and held to maturity by a single lender. First Eagle directly originates first-lien, senior-secured loans to US middle-market companies, with a focus on transactions backed by private equity sponsors.
- Middle-market "club" loans are a subset of the direct lending market where loans are funded and held by a small handful of unaffiliated non-bank lenders—the "club"—rather than a single lender. This structure enables lenders to influence loan structures, terms and protections while limiting their assets at risk.
- Syndicated loans are arranged and administered by large banks, who facilitate investment in the deal by a range of institutional investors, including mutual funds and structured vehicles like collateralized loan obligations (CLOs). An over-the-counter secondary market for these loans provides a measure of liquidity for investors, and First Eagle invests in these loans through both the primary and secondary markets.
- High yield bonds, though publicly issued and traded securities, feature wider spreads—and offer the potential for higher risk-adjusted returns—than their investment grade peers because of their lower credit ratings and thus greater perceived risk of default.

First Eagle Investment Management

Dedicated to providing prudent stewardship of client assets, First Eagle Investment Management focuses on active, fundamental investing, with a strong emphasis on mitigating downside risk. Over a history dating back to 1864 the firm has sought to help its clients avoid the permanent impairment of capital and earn attractive returns across widely varied economic cycles and capital markets—a commitment that remains central to its mission today.

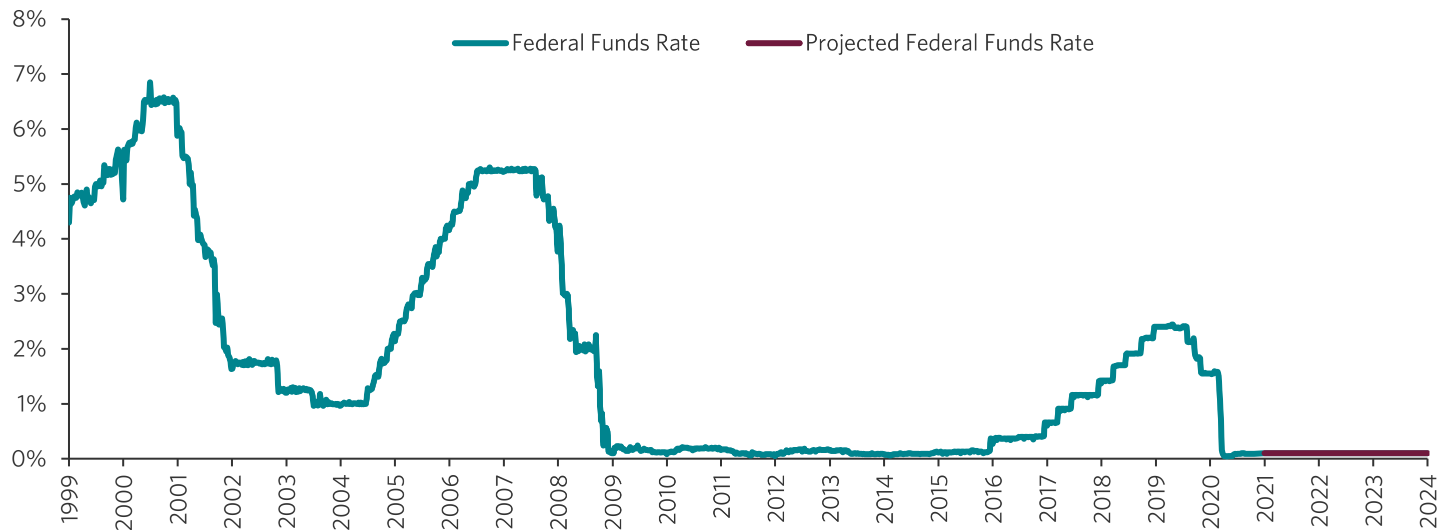
Problem #1: Persistently low interest rates have challenged traditional sources of investment income

Solution: Alterative credit has historically offered higher yields to compensate for added risk

It's no secret that the highly accommodative monetary policies adopted by central banks in the aftermath of the global financial crisis have suppressed the yields available from a range of fixed income securities. Though many, most notably the Federal Reserve, had begun to slowly close the liquidity tap in the back half of the 2010s, the dislocations of the Covid-19 health crisis in 2020 forced policymakers to re-embrace zero interest-rate policy and other extraordinary measures.

Recognizing the potentially long tail of the pandemic's impact, Fed rhetoric suggests that it is prepared to maintain extraordinary levels of support for some time; the median forecast of Fed members calls for current fed funds rate levels to persist through at least the 2023 end of the projection period. At the same time, the central bank's adoption of an inflation-averaging approach to price stability implies that it will be content to let realized inflation exceed its 2% target for some period of time, pushing the timing of potential rate hikes out even further.

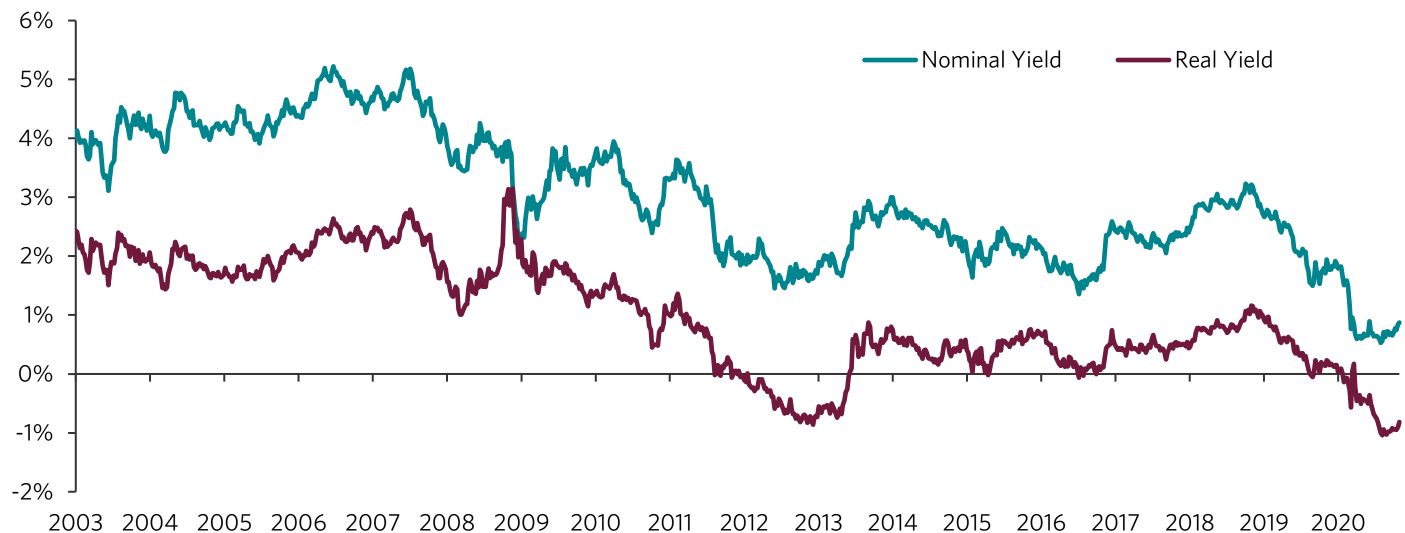
With Policy Rates Low and Expected to Stay That Way...



Source: Federal Reserve Economic Data; data as of 10/31/2020. Data shown after 10/31/20 are FOMC projections.

...Investment Grade Fixed Income Offers Little in the Way of Yield

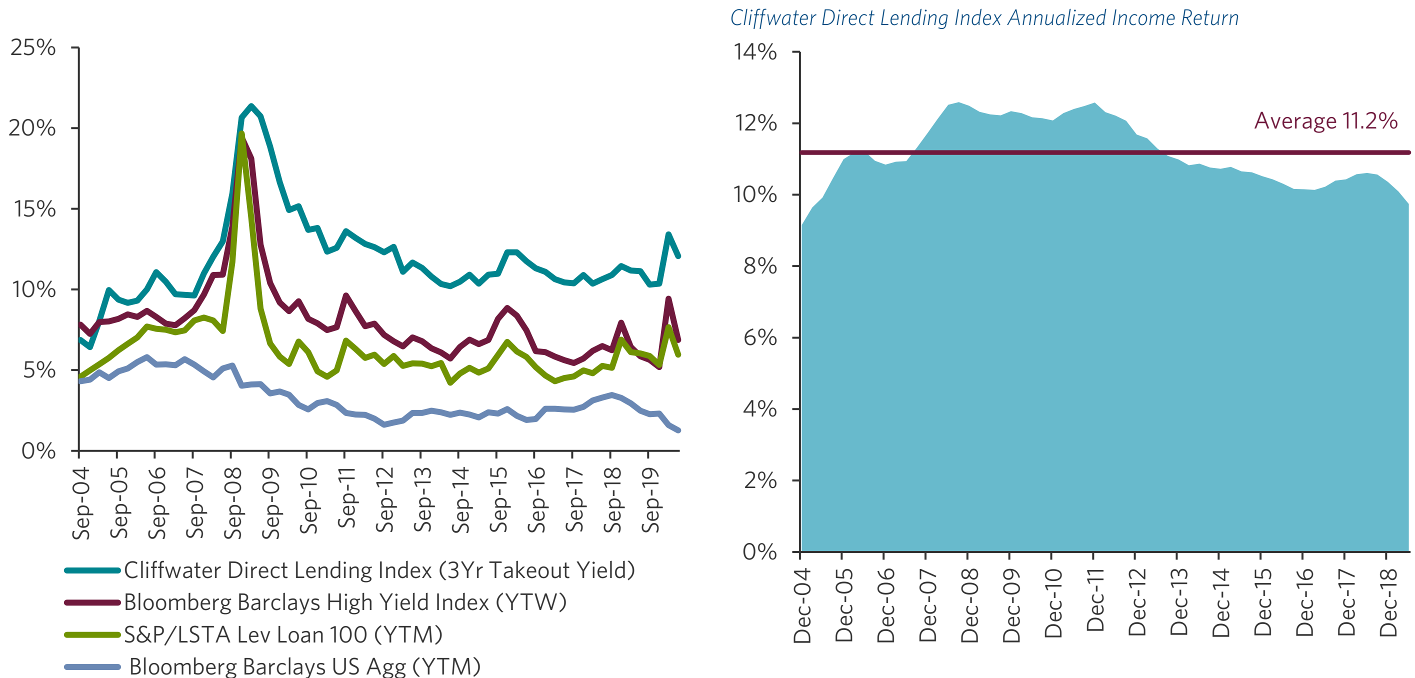
10-Year Treasury Yields



Source: Bloomberg ; data as of 10/30/2020.

While alternative credit yields also have been impacted by the low interest rate environment, these assets continued wider spreads to Treasuries than core fixed income and in our view represent an attractive option for those seeking consistent income over time. The images below depict the yields offered by alternative credit relative to that of the US investment grade bond market (as proxied by the Bloomberg Barclays US Aggregate Index) over the past 25 years; despite the wide range of prevailing yields over time, direct lending, as one example, has generated steady, consistent income at a rate well above even the mid-crisis peaks of investment grade security yields. Of course, past performance does not guarantee future results

The Higher Yields Offered by Alternative Credit Historically Has Translated into Healthy and Consistent Income



Source: Cliffwater, Bloomberg, S&P Global; data as of 06/30/2020. Source: Cliffwater; data as of 06/30/2020.
Past performance does not guarantee future results. There can be no guarantee that historical trends will continue over the life of any fund.

While there are a number of factors that contribute to the spread premium offered by alternative credit, the two most prominent are credit risk and liquidity risk.

- **Credit risk.** While all forms of credit entail credit risk, alternative credit typically demands higher yields as compensation for the perceived greater risk of default. However, as we discuss later, the credit boom of the past decade-plus has pushed credit risk metrics higher across both traditional and nontraditional markets, a risk than can potentially be mitigated through the greater underwriting control that comes with certain forms of alternative credit—direct lending, in particular.
- **Liquidity risk.** Alternative credit in general is less liquid than more traditional fixed income exposures, though the degree of illiquidity differs across asset types. Reduced liquidity may not present much of a burden for long-term investors if the compensation for the added risk is adequate, as we believe it currently is. Moreover, early-2020 dynamics are a good reminder that the liquidity in traditional fixed income markets may not be as plentiful as it seems.

  Regulatory changes since the global financial crisis have limited the ability of investment banks and broker-dealers to provide liquidity in the corporate debt markets to the degree they had in the past. The consequences of this were demonstrated clearly in March 2020 as markets began to price the potential impacts of the global pandemic on risk assets, before the introduction of liquidity facilities restored order.

  – Spreads on investment grade bonds widened by 4x from pre-Covid levels, compared to less than 3x by high yield bonds—counterintuitive given their relative risk and liquidity profiles.[1]

  – Bid-ask spreads (a measure of market liquidity) for investment grade bonds rose twice as much as they did for high yield bonds and hit all-time highs.[1]

1. Source: US Securities and Exchange Commission; as of October 2020.

Problem #2: Risks have been building in traditional fixed income markets even as yields fall

Solution: A flexible approach to alternative credit opportunities may help mitigate risk while potentially picking up yield

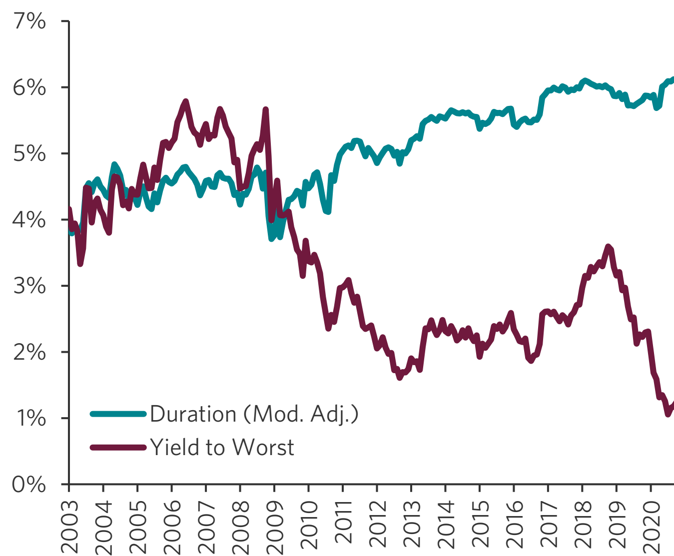
While the cost of borrowing has declined steadily in the years following the global financial crisis, the risks of investment in publicly traded corporate bonds has been on the rise. In short, investors are being paid less to take more risk. Moreover, portfolios that are benchmarked against the most popular investment grade bond indexes likely have a markedly different risk-return profile than they did 10 years ago.

With interest rates low and demand from investors strong over the past decade-plus, corporations—both investment grade and below—tapped into the public debt markets aggressively, often targeting long-maturity issuance to lock in the low prevailing rates for longer. This activity has had two primary risk implications for the Bloomberg Barclays US Aggregate Bond Index:

- The high volume of new long-dated paper has pushed interest rate risk higher; at more than six years, the index's duration stands near all-time highs. With minimal income generation and little room for capital appreciation, traditional bond investments offer investors limited total return potential—and the possibility of negative total returns on an inflation-adjusted basis. Moreover, the slim yield cushions that accompany ultra-low rates undermine the defensive characteristics of core bond investments and suggest an unfavorably asymmetric risk-return profile going forward.
- Credit risk, too, has been on a steady march higher. Typically comprising 30–40% of the US corporate investment grade market, bonds rated BBB—the lowest credit rating[2] deemed investment grade—now account for more than half. In fact, the issuers of many of these bonds already have leverage or cash-flow characteristics that are more typical of the high yield market.

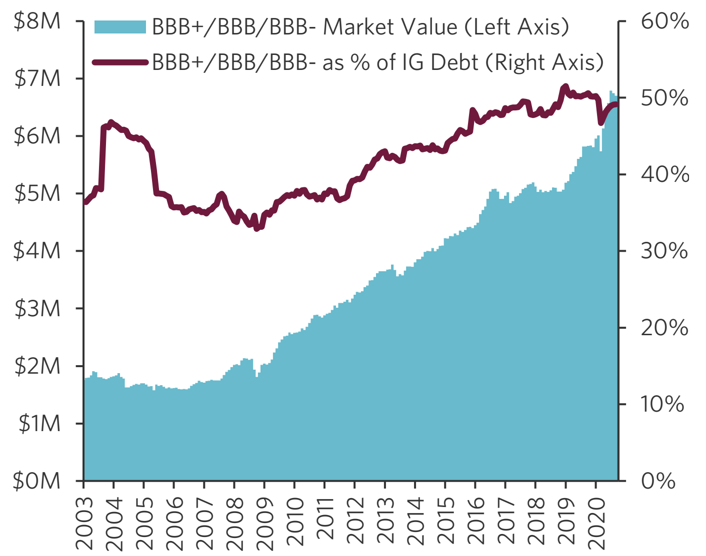
Traditional Bond Markets Are Offering Less Yield for More Interest Rate Risk and Deteriorating Credit Profiles

Bloomberg Barclays US Aggregate Index



Source: Bloomberg; data as of 10/31/2020.

Bloomberg Barclays US Corporate Bond Index



Source: Bloomberg; data as of 10/31/2020.

Flexible alternative credit mandates have the ability to evolve with market conditions over time, emphasizing assets that potentially offer attractive relative value opportunities while mitigating burgeoning risks evident in others. Given the low yields and rising risks evident in traditional markets, for example, syndicated loans and direct lending may hold particular appeal—both typically offer spread premiums to investment grade credit, while their floating-rate coupons help limit duration and interest rate risk. Further, the expertise required to navigate alternative credit suggests that experienced, research-driven managers may be able to exploit information inefficiencies and pursue above-market returns through security selection and industry and sector allocation.

2. A credit rating, as represented by the Credit Quality Break- down, is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of credit worthiness of an issuer with respect to debt obligations, including specific securities, money market instruments, or other bonds. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. Not Rated (NR) indicates that the debtor was not rated and should not be interpreted as indicating low quality. For more information on the Standard & Poor's rating methodology, please visit standardandpoors.com and select "Understanding Ratings" under Rating Resources.

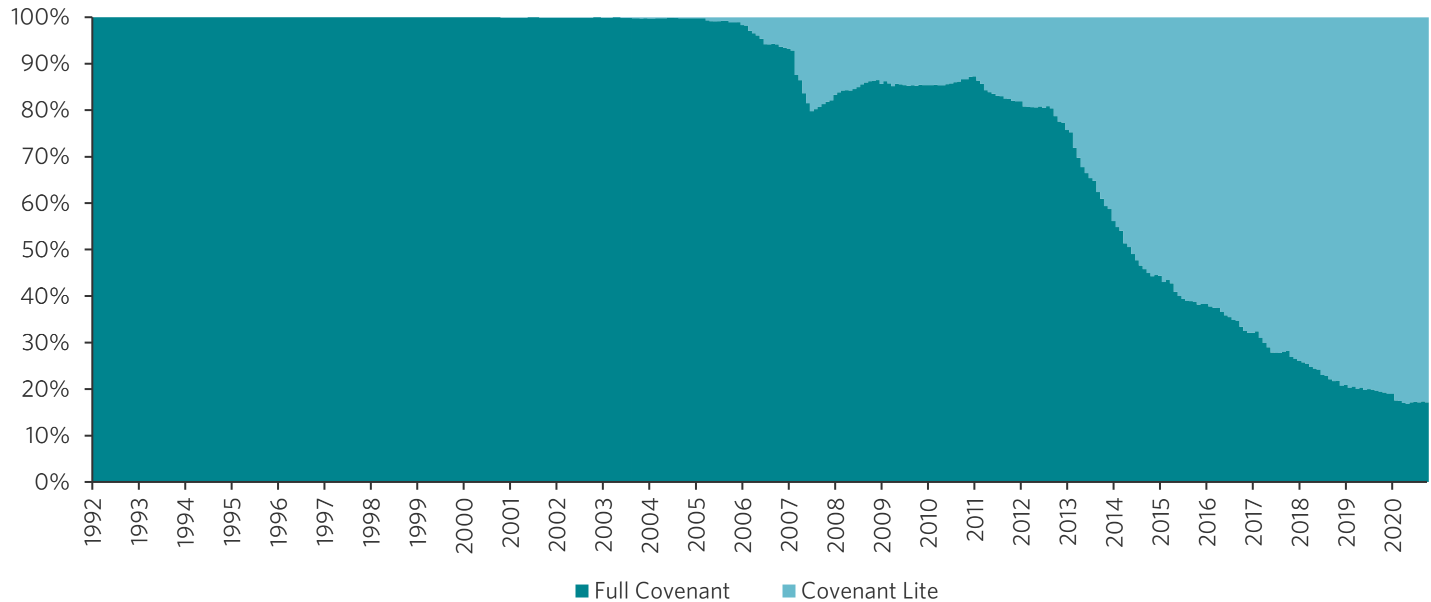
Problem #3: Debtholder protections have deteriorated materially

Solution: Seek to mitigate risks in public markets while leveraging access to private credit opportunities

Debt investing involves a tradeoff between the interests of the issuer and those of the investor. With investors hungry for yield in the low interest rate environment that has prevailed since the global financial crisis, issuers across the risk spectrum have been able to negotiate more favorable terms. This has been evident not only in the lower spreads issuers pay, but also the loosening of covenants that guide issuer behavior and protect debtholders.

"Covenant-Lite" Issues Dominate Bond and Loan Markets

Credit Suisse Leveraged Loan Index



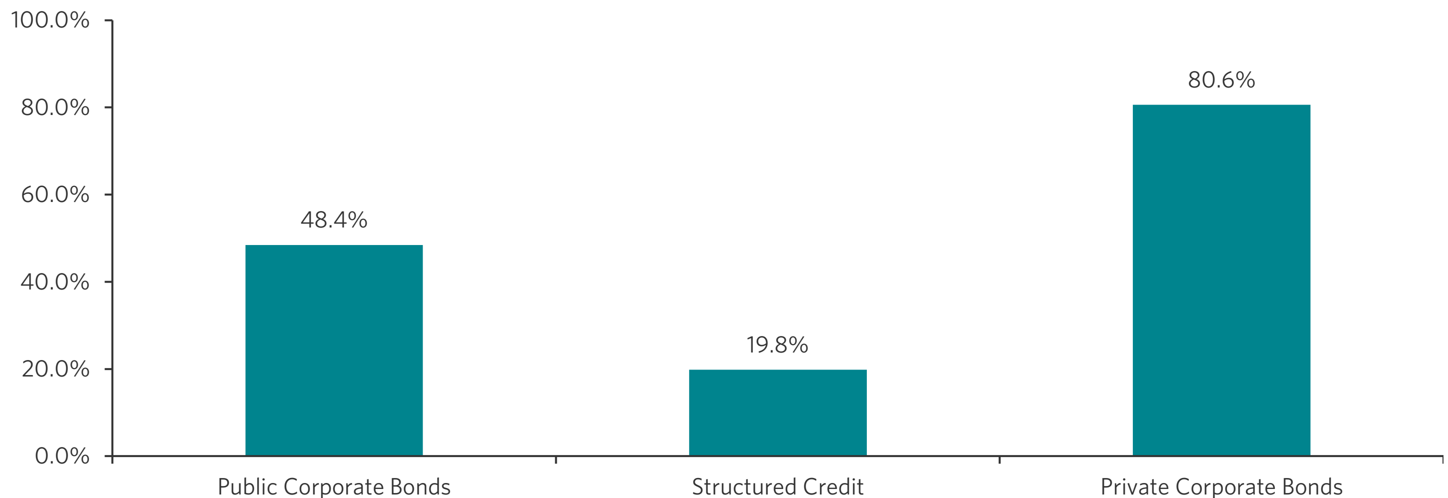
Source: Credit Suisse; data as of 10/30/2020.

All else being equal, borrowers should be expected to pay higher interest rates on bonds and loans with riskier profiles or weaker lender protections. While the decoupling of this relationship in recent years is concerning, it's not insurmountable. Again, flexibility is key; we believe that portfolios able to allocate across the alternative credit spectrum based on relative value may be able to mitigate risks without jeopardizing income-generation potential.

- **Public markets.** Within publicly traded markets, selectivity may help offset loosened covenant protections. Due to their higher position in the capital structure and collateral backing, senior secured loans historically have provided better recovery rates upon corporate default or restructuring compared to high yield bonds. At the end of the day, however, rigorous due diligence is necessary to determine whether the yield on an asset—loan or bond—is adequate compensation for its risks, including minimal protections.
- **Private markets.** The origination and bilateral negotiation of direct loans—whether as part of a club or as a single lender—typically provides lenders with significant influence over the loan's structure and its protective covenants, as well as greater access to management teams, which helps support more comprehensive due diligence. This dynamic has allowed direct lenders to apply a level of underwriting discipline unavailable in public fixed income markets, historically resulting in better recovery rates.

Private Markets Have Provided Superior Recovery Rates over Time

Recovery Rates in Event of Default



As of 12/31/2019. The recovery rate for public corporate bonds is based on BBB1 unsecured debt and the recovery rate for private corporate bonds is based on BBB senior secured loans. Both are sourced from Moody's Annual Default Study, "Corporate Default and Recovery Rates, 1920-2016." Recovery rates for structured credit are proxied by collateralized loan obligations (CLOs) and sourced from "CLOs: Impairment and Loss Rates of U.S. and European CLOs: 1993-2016," with reference to the BB tranche.

Meaningful Portfolio Diversification Through Alternative Credit Exposure

In addition to seeking attractive current income and the potential for compelling risk-adjusted returns, a thoughtfully constructed portfolio of alternative credits may serve as a diversifying complement to holdings in traditional fixed income markets. Alternative credit—which by definition entails exposure to less accessible segments of US credit markets and to companies underrepresented in public bond and equity markets—historically has had a low to negative correlation to core fixed income investments, and the performance of syndicated loans and direct lending also have exhibited only moderate correlation to equities. The variety of exposures available in the alternative credit market may help smooth the market value of multi-asset portfolios over time while mitigating risk in volatile environments.

Leveraging the broad spectrum of risk/return profiles available in the alternative credit markets to develop differentiated investment solutions is easier said than done, however. Beyond the strong underwriting and rigorous investment discipline required of managers in any asset class, resource-intensive investments like tradable credit and direct lending also demand scale that facilitates the efficient deployment of investor capital by providing access to a wide network of deals and the lending capacity to commit sizable capital to borrowers. Further, a manager with significant presence in these markets can support stronger partnerships with investors and their intermediaries, as well as with borrowers, private equity sponsors and investment banks.

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

First Eagle Alternative Credit

First Eagle believes success in the alternative credit market is incumbent upon strong underwriting and rigorous investment discipline alongside scale that facilitates effective and efficient deployment of investor capital. Through our wholly owned subsidiary First Eagle Alternative Credit, LLC ("FEAC"), a leading $20.4 billion institutional credit platform, we leverage the spectrum of risk/return profiles available in the alternative credit markets to develop some of the best-in-class, differentiated investment solutions, primarily on behalf of pension plans, consultants, family offices and high-net-worth individuals.

FEAC's investment teams reflect an uncommon blend of experience and continuity in what is still a developing corner of the capital markets, in many cases having worked side-by-side to hone their processes and philosophies over multiple decades and across multiple market cycles. The leaders of our tradable credit team have managed CLOs and invested in bank loans and high yield bonds together since 1999 (including when the team was employed at other firms), and our direct lending team has extended capital to middle-market companies since 2009.

The First Eagle Credit Opportunities Fund provides retail investors access to the scale and expertise of the institutional FEAC platform, led by a portfolio management team consisting of the following seasoned professionals:

- Christopher Flynn, James Fellows, CFA, Robert Hickey, Brian Murphy, Steven Krull, CFA, Michelle Handy, and Christian Champ, CFA

Investable Universe

The First Eagle Alternative Credit team has access to invest across the alternative credit spectrum. Having this level of flexibility, combined with the power to allocate to both public and private investments, allows the team to pursue opportunities the portfolio managers believe to be the most attractive. The Fund focuses on four key areas of the alternative credit market, including direct lending, middle-market "club" loans, syndicated loans, and high yield bonds. This is the universe in which the team deploys its investment philosophy and process.

First Eagle Credit Opportunities Fund

Investment Philosophy

The First Eagle Credit Opportunities Fund offers retail investors access to FEAC's best ideas across alternative credit markets in pursuit of consistent, attractive current income while mitigating downside risk through a focus on senior-secured assets.

As a scale player in the alternative capital market, FEAC has access to a substantial deal pipeline and the capacity to commit sizable capital on behalf of our investors. Leveraging FEAC's large, centralized investment team, the Fund takes an intensive, research-driven approach to identifying income-oriented opportunities available across the alternative credit spectrum—including both proprietary private market deal flow and public investments. The Credit Opportunities Fund focuses primarily on four areas of the alternative credit market—direct lending, middle-market "club" loans, syndicated loans and high yield bonds—through a credit research process comprising both top-down and bottom-up components:

- Top down: Macroeconomic analysis of the business cycle and credit trends to identify favored industry groups and market sectors
- Bottom up: Quantitative and qualitative analysis of individual credits to model return expectations and risk/recovery profiles, and to establish buy/sell criteria

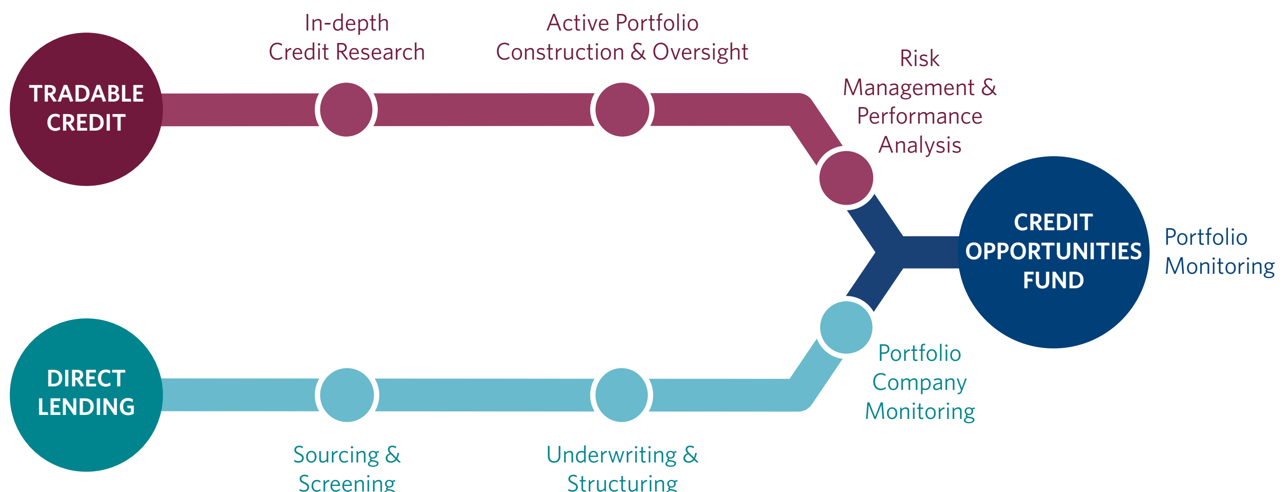
The result is a portfolio of assets drawn from across less-accessible segments of the US credit markets whose differentiated risk/return characteristics may offer investors higher rates of return than traditional fixed income investments while acting as a potential diversifying complement to core portfolios. The flexibility to allocate capital to both private and public markets enables the team to take an opportunistic approach in an effort to generate attractive current income and total return in a variety of market conditions. And through its focus on senior-secured assets and exposure across sectors and risk profiles, the Fund seeks attractive downside protection compared to other higher-yielding fixed income strategies.

Investment Objective

The First Eagle Credit Opportunities Fund is a flexible alternative credit portfolio. The Fund's primary investment objective is to provide attractive current income with a secondary objective of providing long-term risk-adjusted returns by investing in a portfolio of a variety of credit asset classes. The Fund intends to capitalize on relative value opportunities across the credit spectrum.

Investment Process

The First Eagle Credit Opportunities Fund's flexible approach to the alternative credit universe enables the portfolio management team to refine the Fund's allocations as market conditions evolve over time. Employing a variety of fundamental and technical factors—at both the security and industry levels—the team establishes risk/return expectations across the investment opportunity set and constructs a multi-asset portfolio that balances the need for current income with more discrete total return opportunities. We leverage the deep experience of the professionals across our research-driven investment platform to identify and exploit information inefficiencies and pursue above-market returns through security selection and industry and sector allocation, complemented by rigorous risk management at the credit and portfolio levels.



Direct Lending

FEAC takes a hands-on, creative approach to investment sourcing, underwriting and portfolio management in the direct lending space, including both single-lender and club deals. Our offices in Boston, Chicago, Dallas, Los Angeles and New York—each with an integrated deal team—give us a broad and deep US relationship network, with specialization in four verticals: business and financial, consumer, healthcare, and media, information services and technology.

Deal Sourcing and Screening. The Fund focuses on core middle-market borrowers in the US (those with annual EBITDA of $10–40 million), with high baselines across a number of tangible and intangible assets, including profitability, cash flow, market position, management quality and ESG considerations. To help mitigate against downside risk, we emphasize first-lien debt backed by financial sponsors and structured with at least one or more protective covenants. Our screening process is highly selective—only 15–20% of the deals reviewed make it to the underwriting stage.

Deal Underwriting and Structuring. To identify a potential borrower's creditworthiness, our extensive underwriting process digs deep into their business models and competitive landscape, financial statements and collateral. Onsite due diligence and meetings with management are an essential element of the underwriting process, which we typically are able to complete in 45–60 days thanks to our large, nimble investment staff. Once a borrower is approved, our attention turns toward the structure of the loan: the income it will generate and any potential to enhance total return, the lender protections in the form of first-lien debt and robust covenants, and, ultimately, our exit strategy.

Portfolio Company Monitoring. With the loan extended, borrowers are subject to stringent monitoring by the deal team responsible for the loan, the FEAC investment committee and the Credit Opportunity Fund's portfolio managers, facilitating early detection and mitigation of potential trouble in the portfolio. Loans are priced quarterly based on discounted cash flows.

Tradable Credit

Employing a time-tested, highly collaborative process that leverages the collective experience of our most-senior investors alongside a large group of seasoned credit analysts, portfolio managers and traders, our tradable credit team focuses on the public markets for non-investment grade credits, including secured bank loans and high yield bonds. Our investment process is based on fundamental credit and economic analysis, risk classification and relative value assessment throughout an issuers' capital structure and is bolstered by a strong sense of collaboration across our platform that seeks to integrate multiple perspectives into the research process.

In-Depth Credit Research. We focus on deep fundamental credit analysis to uncover information inefficiencies that may create return opportunities. Our multidimensional process incorporates qualitative and quantitative assessments of both top-down macro and industry conditions and bottom-up issuer specifics in an effort to develop a differentiated perspective on potential allocations.

Active Portfolio Construction & Oversight. Credit research and selection is the most important component of portfolio construction. To determine allocations to attractive credits, we actively contrast the relative value of individual credits across sectors based on rigorous semiannual industry reviews, an effort complemented by an efficient, proactive trading approach the seeks to identify relative value across primary and secondary markets.

Risk Management & Performance Analytics. We leverage a proprietary system to track credit quality on an ongoing basis in an effort to minimize loss potential, with a focus on credit migration and downside transparency. Systematic ESG analysis figures into this as well, and we monitor our holdings' ESG risks, trajectory and momentum, and the impact they may have on each credit. Our sell rules serve as internal covenants and trigger a re-underwriting and potential disposition of credits.

Key Details

	Class I	Class A
Ticker	FECRX	FECAX
Minimum Investment[3]	$1,000,000	$2,500
Structure	1940-Act Registered Interval Fund	
Target Fund Size	$4-5 billion based on current market conditions/opportunity set	
Subscriptions	Daily	
Repurchase Frequency	Quarterly share repurchase offers expected to equal 5% of outstanding shares	
Repurchase Fees	The Fund does not currently charge a repurchase fee; however, the Fund may charge a repurchase fee of up to 2%	
Dividend Frequency	Monthly	
Leverage	Max 33.33% leverage	
Management Fee	1.25% of Managed Assets / 1.56% of Net Assets[4]	
Performance Fees	None	
Tax Treatment	1099	

Why First Eagle Alternative Credit?

In an environment characterized by lower yields and higher risks among traditional fixed income securities, alternative credit assets represent an attractive solution for investors seeking to generate meaningful current income. The First Eagle Credit Opportunities Fund seeks to provide an attractive, current income stream through exposure to parts of the US credit market typically less accessible to retail investors, managed by an institutional platform with decades of experience in direct lending and tradable credit across multiple market cycles. Further, the Fund's focus on senior-secured assets and exposure across sectors and risk profiles is intended to better mitigate downside risk compared to other higher-yielding fixed income strategies.

FEAC is a well-established lender to the US middle market, whose nearly 200,000 companies contribute approximately one-third of the country's annual private sector GDP and employment. Our long-tenured team and reputation for quality, expediency and execution allows us differentiated access to and knowledge of businesses within this dynamic space. For investors in the Credit Opportunities Fund, this means a robust proprietary deal pipeline and exposure to a basket of credits across sectors complemented by FEAC's time-tested risk management process.

First Eagle Alternative Credit offers:

- Decades of experience providing capital to middle-market companies through direct lending and structured credit investments
- Time-tested credit selection and risk management processes
- Experience and continuity of personnel and processes across multiple market cycles
- The scale necessary to effectively deploy investor capital broadly combined with a localized reputation as a trusted lender

3. May be modified for certain financial firms that submit orders on behalf of their customers and other categories of Investors; (see SAI for details).

4. Management Fee paid by the Fund is calculated at the annual rate of 1.25% of the average daily value of the Fund's Managed Assets, which includes assets purchased with borrowed money. The management fee of 1.56% of net assets assumes that the Fund borrows money for investment purposes at an average amount of 25% of its net assets. "Managed Assets" means the total assets of the Fund (including any assets attributable to borrowings for investment purposes) minus the sum of the Fund's accrued liabilities (other than liabilities representing borrowings for investment purposes).

The information is not intended to provide and should not be relied on for accounting or tax advice. Any tax information presented is not intended to constitute an analysis of all tax considerations.

S&P Leveraged Loan Index: The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

Bloomberg Barclays US Corporate High Yield Index: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded

Cliffwater Direct Lending Index: The Cliffwater Direct Lending Index (CDLI) seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements

Bloomberg Barclays US Aggregate Index: The Bloomberg Barclays U.S. Aggregate Bond Index is a broad based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and collateralised mortgage-backed securities

Indices are unmanaged, one can not invest directly in an index.

Summary of Principal Risks of the Fund

An investment in the Credit Opportunities Fund (the "Fund") involves a number of significant risks. Below is a summary of some of the principal risks of investing in the Fund. Before you invest, you should be aware of various risks, including those described below. For a more complete discussion of the risks of investing in the Fund, see the Fund's prospectus under the heading, "Principal Risks of the Fund."

Investment Risk: An investment in the Fund is subject to investment risk, including the possible loss of the entire principal amount invested and should be considered speculative. An investment in the Fund represents an indirect investment in the investments and other financial assets owned by the Fund. The value of the Fund's investments will generally fluctuate with, among other things, changes in prevailing interest rates, federal tax rates, counterparty risk, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuer. Lower-quality debt securities involve greater risk of default or price changes and their value can fluctuate, especially during periods of increased market volatility, economic recessions or periods of high interest rates. The Fund anticipates using leverage, which would magnify the Fund's investment, market and certain other risks.

Market Risk: The Fund is subject to market risk. Market risk includes unexpected directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, panicked or forced selling of assets and contraction of available credit or other financing sources. The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances.

Issuer Risk: The value of securities may decline for a number of reasons that directly relate to a security's issuer, such as its financial strength, management performance, financial leverage and reduced demand for the issuer's goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets. A change in the financial condition of a single issuer may affect securities markets as a whole. These risks can apply to the shares issued by the Fund and to the issuers of securities and other instruments in which the Fund invests.

Credit Risk and Interest Rate Risk: Investment in private and middle market companies is highly speculative and involves a high degree of risk of credit loss, and therefore the Fund's securities may not be suitable for someone with a low tolerance for risk. These risks are likely to increase during an economic recession. Additionally, issuers of the syndicated loans and other types of credit instruments in which the Fund may invest may default on their obligations to pay principal or interest when due. This nonpayment would result in a reduction of income to the Fund, a reduction in the value of such syndicated loans or credit instrument experiencing nonpayment and, potentially, a decrease in the NAV of the Fund. A significant increase in market interest rates could harm the Fund's ability to attract new portfolio companies and originate new loans and investments. The Fund expects that a majority of its investments in debt will continue to be at floating rates with a floor.

Below Investment Grade Rating Risk: Most of the credit instruments in which the Fund invests, including its investments in syndicated bank loans, middle market "club" loans (senior secured loans in middle market companies funded by an arranged group of lenders that generally does not involve syndication), direct lending (consisting of first lien loans, including unitranche loans), asset-based loans, and high-yield bonds, will be rated below investment grade by rating agencies or would be rated below investment grade if they were rated. Below investment grade investments are often referred to as "high-yield" or "junk" securities. While generally providing greater income and opportunity for gain, below investment grade securities or comparable unrated securities may be subject to greater risks than securities or instruments that have higher credit ratings, including a higher risk of default. Because unrated securities may not have an active trading market or may be difficult to value, the Fund might have difficulty selling them promptly at an acceptable price.

Bank Loan Risk: These investments potentially expose the Fund to the credit risk of the underlying borrower, and in certain cases, of the financial institution. The Fund's ability to receive payments in connection with the loan depends primarily on the financial condition of the borrower. Even investments in secured loans present risk, as there is no assurance that the collateral securing the loan will be sufficient to satisfy the loan obligation. The market for bank loans may be illiquid and the Fund may have difficulty selling them. In addition, bank loans often have contractual restrictions on resale, which can delay the sale and adversely impact the sale price.

Distressed Debt, Litigation, Bankruptcy and Other Proceedings Risk: The Fund may invest in debt securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns for the Fund, they involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high. There is no assurance that First Eagle Alternative Credit will correctly evaluate the value of the assets collateralizing the Fund's investments or the prospects for a successful reorganization or similar action in respect of any company. Investments in distressed securities involve a material risk that the issuer will default on the obligations or enter bankruptcy. In an event of default or bankruptcy, the obligations may be repaid only after lengthy workout proceedings, may result in only partial payment of the obligations, and, in some cases, there is a risk of loss by the Fund of its entire investment in such securities. Certain fixed-income instruments invested in by the Fund could be subject to US federal, state or non-US bankruptcy laws or fraudulent transfer or conveyance laws, if such securities were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. The Fund may not be able to pay distributions or may have to reduce distribution levels if the income and/or dividends the Fund receives from its investments decline. Where the Fund or First Eagle Alternative Credit has representatives on the boards of a portfolio company, such involvement may also prevent the Fund from freely disposing of its debt investments and may subject the Fund to additional liability or result in re-characterization of its debt investments as equity.

Direct Lending and Middle Market "Club" Loan Risk: Generally, little public information exists about these companies, and the Fund is required to rely on the ability of the FEAC's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If FEAC is unable to uncover all material information about these companies, it may not be able to make a fully informed investment decision, and the Fund may lose money on is investments. Private and middle market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that the Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Fund realizing any guarantees it may have obtained in connection with its investment. In addition, they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle market companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the Fund's portfolio company and, in turn, on the Fund. Middle market companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

Non-Diversification Risk: The Fund is classified as "non-diversified" under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a "diversified" fund.

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