Gold Fund

Market Overview

Gold traded in a fairly tight range for most of the third quarter before a hawkish Federal Reserve meeting in mid-September sent the price sharply lower to end the period. This price action was not surprising; despite a range of disruptive events in recent years—including armed conflicts, political surprises, trade tensions and global pandemics—movements in the price of gold have been influenced by the market's perception of Fed policy bias more than anything else. Spot gold finished the third quarter down 3.7%, while silver lost 2.5%.[1] The FTSE Gold Mines Index declined 12%.[2]

Gold's inverse relationship with real interest rates—i.e., the difference between the nominal interest rate and the expected rate of inflation—historically has been the most important driver of its price movements. With inflation expectations fairly well-anchored at levels below the current inflation rate, real rates have been pulled sharply higher by rising nominal rates since the Fed began its hiking cycle in March 2022. Appropriately, both real rates and the gold price have been highly reactive to perceived shifts in Fed policy bias over time; news thought to be dovish sent real interest rates lower and gold prices higher, while hawkish reports had the reverse effect.

As a result, the gold price experienced a series of mini-rallies and mini-selloffs in the third quarter—as it did in much of 2022 and 2023—but little in the way of durable direction. A low inflation report in early July sparked price gains before strong economic and unemployment data mid-month sent the price of the metal lower for the next few weeks. That dip was reinforced in early August amid the backdrop of Fitch's downgrade of US sovereigns, hawkish Fed rhetoric and an appreciating US dollar. Gold was back in bull mode by mid-August thanks to disappointing economic data, but that was weighed down by a sharp move higher in nominal rates as September began. A "hawkish pause" by the Fed at its mid-September meeting sent the gold price sharply lower, but even this weakness proved brief as the outbreak of armed hostilities between Israel and Hamas in the early days of the fourth quarter sent investors in search of perceived "safe havens" like gold.[3]

Market Summary	3rd Quarter 2023
FTSE Gold Mines Index	-12.82%
MSCI World Index	-3.46%
S&P 500 Index	-3.27%
German DAX Index	-4.71%
French CAC 40 Index	-3.40%
Nikkei 225 Index	-3.27%
Brent Crude Oil	+27.25% $95.31 a barrel
Gold	-3.68% $1,848.63 an ounce
US Dollar	+3.24% vs. yen +3.05% vs. euro

Source: Bloomberg, WM/Reuters.

Even as markets try to parse every data release and every public statement by a Fed governor for nuance, the Fed, except for a brief pause following the March bank failures, has been consistent in its messaging that policy rates are likely to be "higher for longer." The Fed hiked its federal funds target rate by 25 basis points in July, bringing it to a range of 5.25–5.5%, but held fire in September. The latest dot plot of economic projections suggests another 25 basis point hike before the end of 2023, but the central bank's updated 2024 forecast likely had a greater impact on sentiment. The median end-2024 projection for the fed funds rate now stands at 5.1%, up from 4.6% in June—a hawkish shift from four cuts to two that weighed on the price of gold.[4]

Recent economic data have supported the "higher for longer" narrative and likely tempered expectations for 2024 rate cuts. The Atlanta Fed's GDPNow forecasting model estimates that third quarter US GDP growth will come in at 4.9%, which would be the highest quarterly output in nearly a decade if you disregard the Covid-related distortions of 2020 and 2021.[5] Despite this strength, inflation has continued to ease. The August core PCE print—which excludes volatile food and energy prices—of 3.9% was the first sub-4% reading since June 2021, while a separate "supercore" index—a favorite indicator of Fed Chair Powell that measures the price of services excluding energy and housing costs—also has drifted lower.[6]

1. Source: Bloomberg; data as of September 30, 2023.
2. Source: Bloomberg, FTSE Russell; data as of September 30, 2023.
3. Source: Bloomberg; data as of September 30, 2023.
4. Source: Federal Reserve; data as of September 20, 2023.
5. Source: Federal Reserve Bank of Atlanta; data as of October 5, 2023.
6. Source: Reuters; data as of September 29, 2023.

Seeking a Potential Hedge Against Adverse Developments

The real interest rate (based on the yield of 10-year Treasury inflation-protected securities) has increased by more than 300 basis points since the Fed began hiking its policy rate in March 2022, but the gold price has declined by less than $50 per ounce over this period.[7] Gold's resilience in the face of such a large move may suggest that other factors are providing support. For example, demand for gold by central banks has been notably strong; central bank gold purchases in 2022 were the highest on record, and year-to-date 2023 trends imply another robust year.[8] The protracted war between Ukraine and Russia also may have buoyed the gold price, as investors value perceived "safe havens" in uncertain times; the more recent outbreak of violence in the Middle East underscores the geopolitical fragilities that prevail today. Finally, troubling debt dynamics in many advanced economies, including the US, may have burnished gold's reputation as a potential hedge against monetary debasement.

While the economy has held up in the face of tightening, persistence is not guaranteed, and conditions likely could become more difficult as the accumulated impacts of policy tightening continue to reverberate. Add to this the many vulnerabilities evident in the global financial and diplomatic structures, and it's evident why despite the fact that the gold price is facing significant short-term uncertainty given its dependency on Fed policy expectations, we believe we have rarely witnessed a more important time to seek strategic exposure to a potential hedge against adverse developments, such as gold.

7. Source: Federal Reserve Bank of St. Louis, World Gold Council; data as of September 30, 2023.
8. Source: World Gold Council; data as of October 4, 2023.

Portfolio Review

Gold Fund A Shares (without sales charge*) posted a return of -7.08% in third quarter 2023. Both gold-related equities and gold bullion detracted. The Gold Fund outperformed the FTSE Gold Mines Index in the period.

Given the negative gold market dynamics during the quarter, the Fund did not have any positive contributors to performance. The leading performer was Pan American Silver Corp Contingent Value Rights, which was flat, while the next best performing positions were B2Gold Corp., Industrias Peñoles SAB de CV, NovaGold Resources Inc. and MAG Silver Corp.

Pan American Silver is a Canadian mining company with large silver endowments and a diversified portfolio of producing mines. As the contingent value rights are connected to the Escobal silver mine in Guatemala, their performance from quarter to quarter largely reflects expectations for the reopening of the mine. The mine remains on care and maintenance pending government review of adherence to indigenous consultation guidelines; no timeline has been set for the completion of the consultation process or restart of operations.

B2Gold is a Canadian mining company that owns and operates gold mines in Mali, Nambia and Philippines. While the company remains on track to meet production guidance for core assets in 2023 and its balance sheet remains solid, the potential impact of recent changes to mining regulations in Mali are a concern. Despite rising geopolitical risk in Mali, we do acknowledge that this company has excellent track record in operational execution and exploration success and we have weighted appropriately this position in the portfolio.

A subsidiary company of Grupo BAL, Peñoles is a world leader in silver production and Mexico's largest producer of gold, zinc and lead. Peñoles derives a significant portion of its sales and EBITDA from its 75% stake in Mexican precious metals group Fresnillo. The company reported operating losses for its base metals division on lower prices, while the cost of sales was higher across its business due to a strong appreciation of the peso against the dollar (about 50% of the company's production costs are incurred in pesos) as well as inflation.

The leading detractors in the quarter were Newmont Corporation, Barrick Gold Corporation, gold bullion, Wheaton Precious Metals Corp and Newcrest Mining Limited.

Newmont is the largest gold miner in the world and also a major producer of silver. The company reported lower-than-expected production for its most recent quarter due to a number of disruptions, including Canadian wildfires, safety inspections in Argentina and a resequencing at its Ahafo mine in Ghana that brought forward the processing of lower-grade stockpiles. Disruptions also included labor strikes at its Peñasquito mine in Mexico, though Newmont in early October announced a preliminary agreement to end the strike. The company maintained its full-year production and cost guidance, and indicated that it continues to expect the acquisition of Newcrest to close in the fourth quarter. We remain constructive on Newmont's strong fundamentals; the company is a well-diversified industry behemoth with reserves in good jurisdictions and a strong balance sheet.

Barrick Gold is the second largest gold producer in the world. The company reported relatively weak, as expected, production and financial results for its most recent quarter while maintaining its full-year production and cost forecasts. Like many miners, Barrick lost ground following the Fed's hawkish late-September policy meeting. We continue to like Barrick's organic growth opportunities, ability to execute in challenging environments and focus on returning cash to shareholders.

* 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.

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We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

Average Annual Returns as of Sep 30, 2023

				YTD	1 Year	5 Years	10 Years	Expense Ratio*
First Eagle Gold Fund	Class A	without sales charge	SGGDX	-4.50%	12.70%	11.04%	2.75%	1.19%
First Eagle Gold Fund	Class A	with sales charge	SGGDX	-9.26%	7.07%	9.91%	2.22%	1.19%
FTSE Gold Mines Index				-9.44%	8.85%	6.14%	0.19%	

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 or by calling 800-334-2143.

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

The average annual returns for Class A Shares "with sales charge" of First Eagle Gold Fund give effect to the deduction of the maximum sales charge of 3.75% for periods prior to 1-Mar-2000 and of 5.00% thereafter.

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

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

The **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. **GDPNow** is a running estimate of real GDP growth based on available economic data for the current measured quarter. It is maintained by the Federal Reserve Bank of Atlanta but is not an official forecast of the Atlanta Fed. The **personal consumption expenditures price index (PCE)** measures changes in the prices of goods and services purchased by consumers in the US. Core PCE excludes food and energy. **Supercore inflation** measures the price change of a basket of goods and services less food, energy and housing. **Fitch Ratings** is a nationally recognized statistical rating organization (NRSRO) registered with the SEC and provides credit rating as an assessment 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. **Treasury Inflation-Protected Securities (TIPS)** are a type of US Treasury security whose principal value is indexed to the rate of inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U).

Risk Disclosures

All investments involve the risk of loss of principal.

Investment in gold and gold-related investments present certain risks, including political and economic risks affecting the price of gold and other precious metals like changes in US or foreign tax, currency or mining laws, increased environmental costs, international monetary and political policies, economic conditions within an individual country, trade imbalances and trade or currency restrictions between countries. The price of gold, in turn, is likely to affect the market prices of securities of companies mining or processing gold, and accordingly, the value of investments in such securities may also be affected. Gold related investments as a group have not performed as well as the stock market in general during periods when the US dollar is strong, inflation is low and general economic conditions are stable. In addition, returns on gold related investments have traditionally been more volatile than investments in broader equity or debt markets. Investment in gold and gold related investments may be speculative and may be subject to greater price volatility than investments in other assets and types of companies.

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.

Strategies 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.

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

MSCI World Index (Net) measures the performance of large and midcap securities across 23 developed markets countries. The index provides total returns in U.S. dollars with net dividends reinvested. A Net Return Index tracks price changes and reinvestment of distribution income net of withholding taxes. **FTSE Gold Mines Index** (Price) measures the performance of the shares of companies whose principal activity is the mining of gold and encompasses all gold mining companies that have a sustainable, attributable gold production of at least 300,000 ounces a year and that derive 51% or more of their revenue from mined gold in the worldwide market. A Price Return Index only measures price changes. **MSCI EAFE Index** (Net) measures the performance of large and midcap securities across 21 developed markets countries around the world excluding the US and Canada. A Net Return Index tracks price changes and reinvestment of distribution income net of withholding taxes. **Bloomberg Global Aggregate Bond Index** measures the performance of global investment grade debt from 24 local currency markets, including treasury, government-related, corporate, and securitized fixed rate bonds from both developed and emerging markets. **S&P 500 Index** (Gross/Total) is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market. The S&P 500 Index includes dividends reinvested. A Total Return Index tracks price changes and reinvestment of distribution income. **Nikkei 225** is an unmanaged price-weighted equity index, which consists of 225 stocks in the first section of the Tokyo Stock Exchange. 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 French **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 holdings mentioned herein represent the following total assets of the First Eagle Gold Fund as of 30-Sep-2023: Pan American Silver Corp Contingent Value Rights 2019-22.02.29 0.18%; AngloGold Ashanti Limited 1.08%; B2Gold Corp. 0.43%; Industrias Peñoles SAB de CV 0.79%; AngloGold Ashanti Limited Sponsored ADR 0.00%; Newmont Corporation 8.23%; Barrick Gold Corporation 6.26%; gold bullion 22.10%; Wheaton Precious Metals Corp 12.19%; Newcrest Mining Limited 4.69%.

This commentary represents the opinion of the First Eagle Gold Fund portfolio managers as of the date noted 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 Fund's portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

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

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.

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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 viewed at www.firsteagle.com or by calling us at 800-747-2008. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed and may lose value.

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