Small Cap Opportunity Fund

Market Overview

While the renewed enthusiasm for risk assets that emerged toward the end of 2023 persisted into the new year, the pendulum swung back in favor of growth names—and large-cap growth names in particular—during the period. The Russell 2000 Value Index gained 2.9% during the first quarter, lagging the 7.6% return of its growth analog and the 10.6% return of the S&P 500 Index.[1]

Markets Remained Upbeat Despite Tempered Pivot Expectations

Market-based divinations of Federal Reserve rate policy continued to be the primary driver of financial assets during the first quarter. While traders have recalibrated their expectations for the number and magnitude of rate cuts in 2024—from six cuts totaling 150 basis points in January to only three for 75 basis points currently—the combination of robust economic activity and manageable inflation appeared to fuel hopes that a soft landing was not only possible but likely.[2] Signs of market complacency are widespread, from low measures of implied equity market volatility and tight credit spreads to upbeat corporate earnings forecasts and high valuation multiples.

This optimism is not without empirical support. The third and final estimate of fourth quarter GDP growth came in at 3.4% to bring full-year 2023 output to 2.5%, up from 2022's 1.9%[3]. Inflation has continued to ease; the most recent readings of headline and core personal consumption expenditures (PCE), for example, came in at a respective 2.5% and 2.8%.[4] Employment data remained strong—the economy added an above-consensus 303,000 jobs in March, pushing the unemployment rate down to 3.8%—but softening hourly earnings growth eased the potentially hawkish sting and helped support consumption without exerting undue pricing pressures.[5] The Fed, for its part, appears comfortable with a wait-and-see approach at this stage. The central bank left rates unchanged at its mid-March policy meeting, with Chair Powell noting that stubborn inflation readings in recent months hadn't changed his expectations that price pressures would continue to gradually retreat to target levels, if perhaps along a circuitous route.[6] Interest rates moved higher across the yield curve during the quarter, leaving its slope little changed from the start of the year.

Despite certain positive signs evident in the markets and economy, we believe there are plenty of reasons to be wary in the current environment. The Fed's success rate in its previous attempts to engineer a soft landing is an obvious reminder that economic persistence is far from guaranteed, and conditions are likely to become more challenging as the accumulated impacts of policy tightening continue to mount, especially among smaller companies with more limited access to capital. Beyond monetary policy, the escalation of geopolitical risks or unforeseen local political developments—there are federal elections scheduled for more than 70 countries in 2024[7]—could upend any positive economic or market momentum with little advance warning. Meanwhile, massive swells of public debt in most developed economies combined with a general lack of fiscal discipline have the potential to spark a sudden and painful reconsideration of risk premia.

Relying on Investment Discipline, not Fed Policy

Pronounced volatility in 2023 provided us with many opportunities to acquire fundamentally solid companies at valuations we believe were distorted by cyclical forces. While there are a number of ways in which our target universe may receive a boost from Fed rate cuts—from greater operational and financial flexibility to an uptick in mergers and acquisition (M&A) activity—none of our investments are based on the assumption the much-anticipated central bank pivot will come to pass.

Regardless of the Fed's actions in 2024, it seems likely companies that are cheap for a reason will continue to face a challenging operating environment, while many of those with solid businesses and catalysts for improvement may progress toward valuations more consistent with historical levels. By controlling what we pay for these assets, we seek to construct a portfolio that is a little cheaper than the market on a valuation basis while being well-positioned for strong upside should our investment theses play out.

1. Source: FactSet; data as of March 31, 2024.
2. Source: Bloomberg World Interest Rate Probabilities; data as of April 3, 2024.
3. Source: Bureau of Economic Analysis, data as of March 28, 2024.
4. Source: Bureau of Economic Analysis; data as of March 28, 2024.
5. Source: Bureau of Labor Statistics; data as of April 5, 2024.
6. Source: The Wall Street Journal; data as of March 20, 2024.
7. Source: The Economist; data as of November 13, 2023.

Portfolio Review

Small Cap Opportunity Fund A Shares (without sales charge*) posted a return of 5.08% in first quarter 2024. Industrials, information technology and materials were the leading contributors among equity sectors; real estate and utilities were flattish, while consumer discretionary lagged. The Fund outperformed the Russell 2000 Value Index in the period.

Leading contributors in the First Eagle Small Cap Opportunity Fund this quarter included FTAI Aviation Ltd., Ultra Clean Holdings, Inc., Tenet Healthcare Corporation, Chef's Warehouse, Inc. and MKS Instruments, Inc.

FTAI Aviation leases and provides maintenance services for commercial jet engines, with a focus on CFM56 engines that it leases to tier-two and tier-three airlines. Demand for the company's core CFM56 engine has been strong, and FTAI recently introduced a second engine, the V2500, to its lineup. The company is currently seeking Federal Aviation Administration approval to manufacture aftermarket replacement parts, which may provide a competitive advantage.

Ultra Clean Holdings develops and supplies components, parts and subsystems for ultra-high purity cleaning and analytical services for the semiconductor industry. The semiconductor sector is starting to recover from last year's weakness in demand, and Ultra Clean has begun to show progress on its business-improvement plan, which includes operational efficiencies and capacity increases. We think the company is well-positioned to benefit from the longer-term growth of advanced nodes.

Tenet Healthcare owns and operates hospitals, long-term care facilities, psychiatric facilities, ambulatory health centers and medical office buildings. The company reported strong operating results for its most recent quarter, driven by strong volume growth in the ambulatory care and hospital operations, a favorable payer mix and better labor costs. Tenet also has been selling hospitals and using proceeds to reduce debt.

Chefs' Warehouse is a distributor of ingredients and supplies to restaurants, with a focus on independent and higher-end establishments. The company reported strong results for its most recent quarter, driven by higher delivery volumes and more customers. The company has been increasing warehouse and distribution capacity through acquisitions, and it expects to use free cash flow to strengthen its balance sheet and return cash to shareholders through buybacks.

MKS Instruments manufactures process-control instrumentation subsystems for the semiconductor capital equipment market. The semiconductor industry is starting to recover from last year's cyclical downturn, and MKS reported better-than-expected results for its most recent quarter, driven by revenue from the semiconductor, electronics and packaging markets. We believe MKS is well-positioned to benefit from strong secular demand for products that support artificial intelligence, electric vehicles and connected devices.

The leading detractors in the quarter were QuidelOrtho Corporation, Red Robin Gourmet Burgers, Inc., Embecta Corporation, Dime Community Bancshares, Inc. and Ferroglobe PLC.

QuidelOrtho is a provider of diagnostic lab tests and equipment for clinical settings, points of care and home settings. Financial results for the quarter and forward guidance both fell short of expectations, reflecting reduced sales of high-margin Covid and flu tests, and we fully exited our position.

Red Robin Gourmet Burgers is a chain of casual-dining restaurants concentrated on the West Coast of the US but with a presence on the East Coast as well. Lower customer traffic, only partially offset by higher average tickets, led to disappointing results for the latest quarter, and management expects same-store sales and earnings to continue to be weak in 2024. We continue to like the stock. The company is in the early stages of a turnaround and, under its new CEO, has demonstrated progress in improving the guest experience, upgrading food quality and cutting costs.

Embecta Corporation, which was spun off from Becton Dickinson in 2022, provides diabetes medication monitoring and delivery equipment for Type 2 diabetes worldwide. A major supplier of pen needles for daily injections of insulin, Embecta has been pressured by prospective new diabetes medications that require injections only weekly, as well as fears that wider-scale use of GLP-1 drugs (like Ozempic) would reduce demand for diabetes treatment overall.

Dime Community Bancshares is a commercial banking and financial services company located in Long Island, New York. Community banks broadly traded down during the quarter on fears that real estate loan write-downs taken by New York Community Bank (NYCB) might prove systemic. Unlike NYCB, however, Dime's loan portfolio has less exposure to rent regulated multifamily and office markets and more exposure to retail, industrial / warehouse and hotels, among other commercial real estate markets. The company is further bolstered by its presence in the attractive suburban New York metro area.

Ferroglobe's silicon metal and specialty alloys are used to strengthen steel in a range of industries, including autos, aluminum, steel and solar. Pricing and demand continued to be weak during the quarter, reflecting a cyclical lull, but we anticipate strong secular growth in solar and electrical vehicle battery markets over the next several years. Even during the recent trough, Ferroglobe has remained cash flow positive. The recent retirement of a debt facility provided Ferroglobe with greater flexibility to return capital to shareholders; it recently announced a quarterly dividend and intends to initiate a share buyback program.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

* 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 Mar 31, 2024

	Calendar YTD	1 Year	Since Inception	Gross Expense Ratio[1]	Net Expense Ratio	Inception Date
Class A (FESAX) w/o Load	16.55%	16.55%	-0.94%	1.42%	1.26%	1-Jul-2021
Class A (FESAX) w/ Load	10.68%	10.68%	-2.94%	1.42%	1.26%	1-Jul-2021
Class I (FESCX)	16.76%	16.76%	0.45%	1.18%	1.01%	27-Apr-2021
Class R6 (FESRX)	16.88%	16.88%	-0.70%	1.29%	1.01%	1-Jul-2021
Russell 2000 Value Index[2]	14.65%	14.65%	0.39%			
Russell 2000 Index	16.93%	16.93%	-3.22%			

1. 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. First Eagle Investment Management, LLC (''First Eagle'') has contractually agreed to waive and/or reimburse certain fees and expenses of Classes A, I and R6 so that the total annual operating expenses (excluding interest, taxes, brokerage commissions, acquired fund fees and expenses, dividend and interest expenses relating to short sales, and extraordinary expenses, if any) (''annual operating expenses'') of each class are limited to 1.26%, 1.01% and 1.01% of average net assets, respectively. Each of these undertakings lasts until February 29, 2025, 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, I and R6 will repay First Eagle 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 either: (1) 1.26%, 1.01% and 1.01% of the class's 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 First Eagle incurred the expense.
2. Primary index.

The performance data quoted herein represent past performance and do not guarantee future results. Market volatility can dramatically impact the Fund's short-term performance. Current performance may be lower or higher than figures shown. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Past performance data through the most recent month-end are available at www.firsteagle.com. Investments are not FDIC insured or bank guaranteed and may lose value. The average annual returns for Class A Shares "with sales charge" or "w/load" of the First Eagle Small Cap Opportunity Fund gives effect to the deduction of the maximum sales charge of 5.00%. Class I Shares require $1MM minimum investment and are offered without sales charge. There is no minimum subsequent investment amount for Class I Shares. Class R6 Shares are offered without sales charge.

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.

Risk Disclosures

All investments involve the risk of loss of principal.

There are risks associated with investing in foreign investments (including depositary receipts). Foreign investments, which can be denominated in foreign currencies, are susceptible to less politically, economically and socially stable environments, fluctuations in the value of foreign currency and exchange rates, and adverse changes to government regulations.

The value and liquidity of portfolio holdings may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the United States or abroad. During periods of market volatility, the value of individual securities and other investments at times may decline significantly and rapidly. The securities of small and micro-size companies can be more volatile in price than those of larger companies and may be more difficult or expensive to trade.

A principal risk of investing in value stocks is that the price of the security may not approach its anticipated value or may decline in value. "Value" investments, as a category, or entire industries or sectors associated with such investments, may lose favor with investors as compared to those that are more "growth" oriented.

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.

Russell 2000® Value Index (Gross/Total) measures the performance of the small cap value segment of the US equity universe. It includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). A total return index tracks price changes and reinvestment of distribution income. **Russell 2000® Index** (Gross/Total) measures the performance of the small-cap segment of the US equity universe. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. A total return index tracks price changes and reinvestment of distribution income. **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.

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

The holdings mentioned herein represent the following total assets of the First Eagle Small Cap Opportunity Fund as of 31-Mar-2024: FTAI Aviation Ltd. 0.84%; Ultra Clean Holdings, Inc. 0.75%; Tenet Healthcare Corporation 0.73%; Chef's Warehouse, Inc. 0.83%; MKS Instruments, Inc. 0.81%; QuidelOrtho Corporation 0.00%; Red Robin Gourmet Burgers, Inc. 0.37%; Embecta Corporation 0.27%; Dime Community Bancshares, Inc. 0.34%; Ferroglobe PLC 0.40%.

The commentary represents the opinion of the Small Cap team as of the date noted. The opinions expressed are not necessarily those of the firm. These materials are provided for informational purposes only. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice. Any statistics contained herein have been obtained from sources believed to be reliable, but the accuracy of this information cannot be guaranteed. The views expressed herein may change at any time subsequent to the date of issue hereof. The information provided is not to be construed as a recommendation or an offer to buy, hold or sell or the solicitation of an offer to buy or sell any fund or security.

The Fund's portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

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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. You may also request printed copies by calling us at 800-747-2008. Please read our prospectus carefully before investing.

First Eagle Funds are offered by **FEF Distributors, LLC**, a subsidiary of First Eagle Investment Management, LLC, which provides advisory services.

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