FIRST EAGLE
INVESTMENT MANAGEMENT

Year-End 2016

First Eagle Global Value Team
Annual Letter

Economic Overview

The year 2016 delivered more than its share of surprises. In early January, global stock markets fell in what seemed to be a long-overdue correction, but when central banks stepped in with fresh injections of liquidity, the markets quickly recovered. During the year, the forces of populism and nationalism proved to be stronger than anticipated. In June, British voters, contrary to the predictions of polls, bookies and media pundits, chose to exit the European Union. In November, American voters also defied the "experts" and chose Donald Trump as president. The events of 2016 reinforced our long-held belief that complex events cannot be predicted with confidence.

We are living in a period of geopolitical uncertainty. One of the larger differences from the past is the increased role of government. The growing size of global government spending as a percentage of GDP in conjunction with the forces of populism and nationalism could mean that the ordinary vicissitudes of the business cycle are starting to be overwhelmed by political cycles.

United States

We have to acknowledge that a fair amount has been going right in the United States—certainly in comparison to seven or eight years ago. Unemployment levels have fallen from around 10 percent to five percent.[1] Tax cuts and infrastructure spending have been promised. Banks have generally moved from contracting their loan portfolios to starting to grow them. Gasoline prices are lower than they have been on average for much of the last decade. Consumer confidence has moved from below average to above average.[2]

Nevertheless, the United States also faces difficulties. First, while the recovery partially reflects the resilience of the US economy, it also reflects very substantial cumulative stimulus since 2008—fiscal deficits, near-zero interest rates and trillions of dollars in quantitative easing. If this stimulus is not unwound, inflation may start to worry investors more than deflation. The second problem for the United States is that all this good news has already occurred: It's seen in the rear-view mirror, and it has arguably already been priced in by the markets.

What lies ahead for the United States? The country has higher aggregate debt levels relative to GDP than it did in 2007. The Fed has been raising rates, and if it does so more aggressively than people expect, the debt burden in the economy could increase. Fed policy has helped drive the dollar higher, which will likely lead to larger trade deficits. Wage inflation, while still modest, has begun to tick up, and if it continues to rise, corporate profit margins could come under pressure. On the other hand, improving productivity from automation and reduced regulation could help avert a material increase in inflation. We can sense potential risks, but we cannot predict with confidence what will happen to interest rates or inflation.

Despite a very complex political landscape—both domestically and internationally—the United States has above-average P/E ratios and below-average bond yields. In other words, we believe assets are priced for below-average returns.

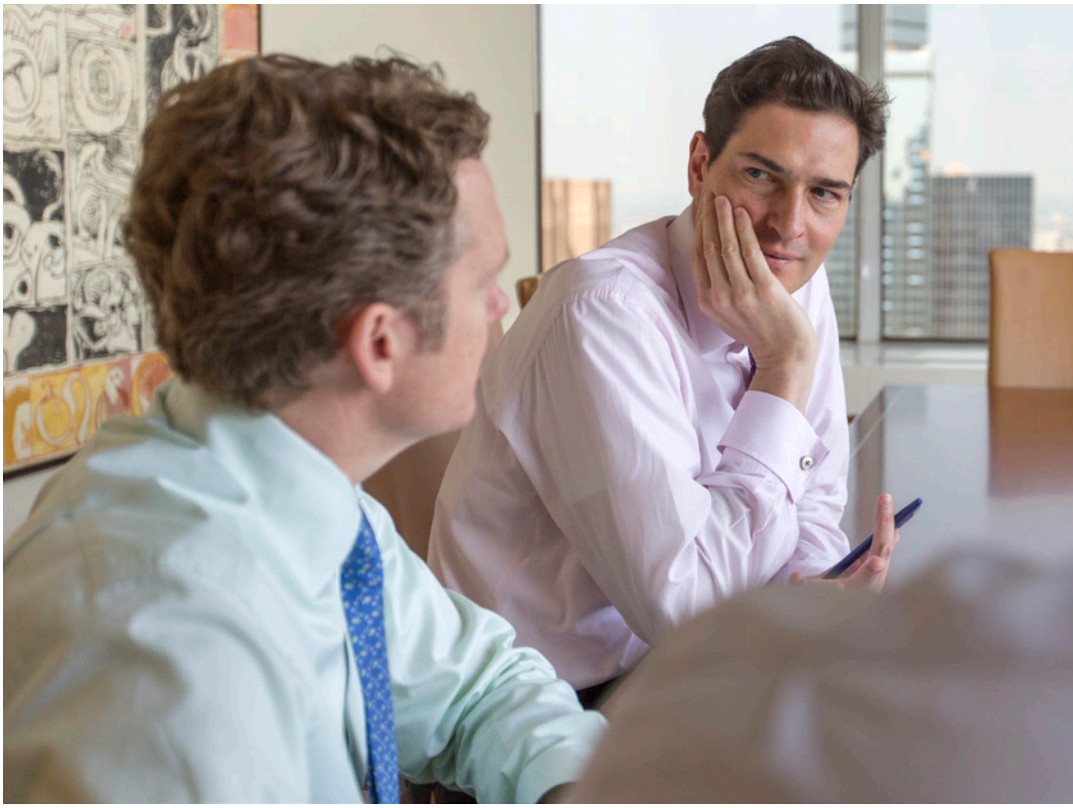
1. Bureau of Labor Statistics

2 CONCCONF - Bloomberg

China

The situation in China, the world's second largest economy, is also very complicated. The past 20 years of growth in China have been fueled by urbanization and export growth, but both have come under pressure: urbanization because of overbuilding, and export growth because the Chinese currency is now fully valued or, arguably, overvalued. The era of growing exports and rising cities is passing, and China is paying a price for some of that prior growth in the form of mounting bad bank debt.

The growing size of global government spending as a percentage of GDP in conjunction with the forces of populism and nationalism could mean that the ordinary vicissitudes of the business cycle are starting to be overwhelmed by political cycles.



China is trying to steer its economy toward service-sector growth and trying to shift the mix of the stimulus from just city building at the local government level to more strategic forms of stimulus such as transportation and other forms of infrastructure. Right now, China is benefiting from some of the stimulus it put in place a year ago, but from a big-picture standpoint, it is trying to sustain levels of capital spending at a high-water mark that we think is unsustainable. To do so, we believe the government will have to compromise its balance sheet through fiscal deficits.

In the midst of this very complicated structural adjustment, the Chinese are becoming more assertive in their geopolitical posturing—whether in their actions in contested coastal waters, or in the creation of the Asian Infrastructure Investment Bank to compete with the World Bank and IMF, or in their Silk-Road initiative connecting China to Eurasia.

European Union

Europe's difficulties reflect its incomplete structural framework. It has no central treasury, which has made it difficult to solve a series of peripheral debt crises. It has no tried-and-true means of bank recapitalization, as we've seen in the failed recap of Banca Monte dei Paschi di Siena in Italy. There is no cohesive defense policy for dealing with challenges such as immigration and terrorism. And, because of language and cultural barriers, Europe lacks the kind of labor market mobility that exists in the United States.

One bright spot for Europe is the possibility that a cheap euro and a continuing current account surplus could help spur a cyclical improvement in confidence. But Europe also faces a series of elections next year in France, Germany and Italy, as well as the initiation of Article 50 for Brexit. The EU is trying to deal with structural issues and move toward better economic confidence, but we do not currently know which political players will be dealing with these problems a year from today.

Japan

Japan also has a depressed currency and large current account surplus like Europe. The yen is cheap despite the trade surplus because of interest rate differentials. Sovereign bond yields have risen in the rest of the world, but the Bank of Japan's targeting of a zero rate for 10-year bond yields has prevented this from happening in Japan. Investors have pursued higher yields elsewhere, and portfolio flows out of the country have kept the relative value of the yen low by historical standards.

Japan has a higher level of sovereign debt than other regions of the globe. If the cheap yen, coupled with monetary stimulus, improves economic growth, Japan may be able to tighten fiscal policy. If the government chooses instead to run with larger fiscal deficits to get more inflation, Japan could become a higher-volatility regime.

Low Risk Perception

Despite the global risks we have outlined, risk perception remains relatively low in the United States. An increase in bond yields has been absorbed by high-yield markets, which means that corporate debt spreads have generally come down as well. Other measures of risk perception such as implied volatility and the ratio of gold to equity market valuations suggest low risk aversion. Market breadth in this rally has been high—almost the opposite of the market narrowness we talked about a year ago, which helped us to identify strong investment opportunities in a market that, overall, was fairly fully valued.

Finding Opportunities

We seek investments that can provide resilience in a period of troubling government policies around the globe. Given the expanding role of government and the relatively low yields on sovereign bonds, we want to own enterprises that are raising their productivity and increasing their nominal income while providing sound free-cash-flow yields. Concerned about debt-laden sovereign balance sheets and large fiscal deficits, we aim to own companies that have balance-sheet strength and that generate free cash flow. Wary of experimental central bank policies, we attempt to own businesses run by what we believe are prudent, owner-oriented management teams. In addition, recognizing that there are pockets of geopolitical turmoil—both current and emerging—we try to own geographically diverse business interests that have displayed generational persistence in their market positions.

We are not distracted by irrational market valuations. We strive to initiate new positions in companies that are not priced for material growth. We believe our core advantage is patience: We are willing to wait five years or longer for what we believe is an attractive price, and we are prepared to hold a business for five years or more through a cycle. In a market that often seems hyperactive, we have a cycle time of a decade. A seed takes time to become a tree, but in current markets, investors seem to be harvesting the shoots annually.

If stocks are not priced attractively in our view, we believe in turning volatility into an engine for potential real returns. We wait to buy what we believe are resilient, free-cash-flow generative businesses one at a time when they are under a transient cloud. When opportunities are scarce, we let cash and cash equivalents build so it will be available to deploy in windows of trouble when opportunities will be more abundant.

We hold gold as a potential hedge. Our cash position enables us to be a patient buyer, and our gold position a patient seller. Episodically, we hedge currencies or diversify cash into foreign bonds that offer higher real returns or are denominated in depressed currencies.

This is an era for active management. Passive management may have been reasonably productive in the early 1980s when P/E multiples were low, bond yields were high, and investors could produce a decent return by just showing up. We think today's markets call for a much more thoughtful approach—

We strive to build all-weather portfolios that have the potential to participate in rising markets and also provide protection in periods of market distress.

identifying and avoiding securities that are not priced rationally or that do not embody persistence, owner-oriented management or balance-sheet resilience. To make these judgments, we see no substitute for painstaking proprietary research and a temperament that is comfortable pursuing a path apart from the rest of the investment industry.

Both philosophy and experience have taught us that we cannot predict political, economic or market events, and we do not attempt to do so. Instead, we strive to build all-weather portfolios that have the potential to participate in rising markets and also provide protection in periods of market distress.

We want to thank our long-standing clients for sharing our commitment to this kind of patient and disciplined investing. We look forward to serving as prudent stewards of your capital in the years ahead.

Sincerely,

Matthew McLennan
Head of the Global Value Team
Portfolio Manager
Global, Overseas, U.S. Value
and Gold Funds

T. Kimball Brooker, Jr.
Deputy Head of the Global Value Team
Portfolio Manager
Global, Overseas, U.S. Value and
Global Income Builder Funds

Average Annual Returns as of 12/31/2016 (%)

		YTD	1 Year	5 Years	10 Years	Expense Ratio Gross†	Expense Ratio Net†
First Eagle Global | Class A | SGENX	w/o sales charge	10.65	10.65	7.94	6.25	1.11	--
	w sales charge	5.12	5.12	6.84	5.71		
First Eagle Overseas | Class A | SGOVX	w/o sales charge	5.59	5.59	6.34	4.69	1.16	--
	w sales charge	0.29	0.29	5.26	4.16		
First Eagle U.S. Value | Class A | FEVAX	w/o sales charge	14.77	14.77	8.80	6.58	1.14º	1.09
	w sales charge	9.01	9.01	7.68	6.04		
First Eagle Gold | Class A | SGGDX	w/o sales charge	36.92	36.92	-11.52	-0.45	1.33	--
	w sales charge	30.09	30.09	-12.42	-0.96		

		YTD	1 Year	3 Years	Since Inception (05/01/12)	Expense Ratio Gross†	Expense Ratio Net†
First Eagle Global Income Builder | Class A | FEBAX	w/o sales charge	10.11	10.11	2.89	5.74	1.19	--
	w sales charge	4.64	4.64	1.15	4.58		

The performance data quoted herein represent past performance and does not guarantee future results. Market volatility can dramatically impact the fund's short-term performance. Current performance may be lower or higher than figures shown. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Past performance data through the most recent month-end 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, U.S. Value, Gold and Global Income Builder Funds give effect to the deduction of the maximum sales charge of 5.00%.

As of May 9, 2014, the First Eagle Overseas Fund is closed to certain investors. Please see the prospectus for more information.

For the First Eagle Global Income Builder and U.S. Value Funds had fees not been waived and/or expenses reimbursed in the past, returns would have been lower.

† 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 Fund's net assets for the period through February 28, 2017. 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%.

There are risks associated with investing in funds that invest 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.

Global Income Builder Fund: Investments in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner, or that negative perception of the issuer's ability to make such payments may cause the price of that bond to decline.

Global Income Builder Fund: High yield securities (commonly known as "junk bonds") are generally considered speculative because they may be subject to greater price volatility and present greater risks than high rated fixed income securities. High yield securities are rated lower than investment grade securities because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities.

Global Income Builder Fund: Bank loans are often less liquid than other types of debt instruments. There is no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated.

Global Income Builder Fund: Income generation is not guaranteed. If dividend paying stocks in the Fund's portfolio stop paying or reduce dividends, the fund's ability to generate income will be adversely affected.

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 commentary represents the opinion of the Global Value Team Portfolio Managers as of December 31, 2016, 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 purpose 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 or sell or the solicitation of an offer to buy or sell any fund or security.

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 contacting your financial adviser, 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.

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First Eagle Investment Management, LLC 1345 Avenue of the Americas, New York, NY 10105-0048