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TIP SHEET

First Eagle US Value Looks Past Risk To Safety

(The following has been excerpted.)

By **BRETT PHILBIN**

NEW YORK (Dow Jones)—Former New York Jets coach Herman Edwards infamously said “you play to win the game,” but associate portfolio manager Kimball Brooker thinks the key to winning is simply not losing.

Brooker, who helps run the First Eagle US Value Fund, says “often what you don’t own can be a more important contributor to long-term success than what you do own,” referring to situations where his fund avoided investing in risky sectors and highly leveraged names.

The New York-based fund, with \$1.1 billion in assets under management, went against conventional wisdom and didn’t hold any banks in 2008.*

Instead, the fund looks for companies across the market capitalization spectrum that trade at a discount to its estimates of what a “rational buyer would pay” to own those stocks.

Over the past year, the fund has returned 40.86%, compared to a 55.4% gain for the Standard & Poor’s 500 Index, according to data from Morningstar as of March 15. However, over a three-year period, the fund is up 2.4%, beating a 4.04% decline for the S&P 500.

Brooker says the fund tends to be more skewed toward larger-cap names, but still employs a bottom-up approach, in which it evaluates companies based on their own fundamentals.

Unlike many financial names during the crisis, First Eagle he says tries to “stay away from areas that we don’t understand.”

Reflecting that strategy, one of the fund’s newer positions is Cincinnati Financial Corp. (CINF), which Brooker categorizes as a “plan vanilla insurance company.”

Another top holding is Cintas Corp. (CTAS), which among its services, sells and rents uniforms to industries including auto mechanics and hotel employees.

“While [Cintas] still faces employment headwinds, the company has improving working capital and its cash flows have gone up throughout the financial crisis,” Brooker said.

Brooker also likes advertising giant Omnicom Group Inc. (OMC), whose agencies include BBDO Worldwide and DDB Worldwide. He expects its market share across both Internet and print media, and the quality of its business, will “allow the company to participate in what will be ultimate recovery in ad spending.”

To hedge against uncertainty in the U.S. Federal Reserve’s monetary policy, the fund also has a roughly 6% stake in gold.

“We view [gold] as a helpful balance in the portfolio,” Brooker said.

“One reason why it has [produced value] is it doesn’t have an industrial use...it’s difficult to develop a price target around it,” he said.

The fund owns most of its gold in ounces, though it does list Newmont Mining Corp. (NEM) as one of its top 25 holdings as of Dec. 31.

Brooker says the fund also has the ability to hold a higher cash balance in environments where equity valuations are less attractive.

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First Eagle U.S. Value Fund Portfolio Management Team

Matthew McLennan, CFA



Born in Rabaul, Papua New Guinea, Matthew McLennan grew up in Queensland, Australia, received his Bachelor of Commerce with first-class honors from the University of Queensland and holds the Chartered Financial Analyst (CFA) designation. He started his career with Queensland Investment Corporation in 1991, where he subsequently managed over one billion dollars in international equity portfolios. In 1994 Mr. McLennan joined Goldman Sachs in Sydney, where he worked for a year before moving to New York to join Goldman Sachs Asset Management's (GSAM) U.S. Value Team as a Small Cap Research Analyst. In 1997 he was appointed Portfolio Manager and at the end of 1998, Senior Portfolio Manager and Co-Portfolio Manager of the U.S. Small Cap and U.S. Mid Cap Value strategies. In 2001 Mr. McLennan co-founded and was named Equity Chief Investment Officer of an investment strategy group for Goldman's private client business and in 2002 became a Managing Director of the firm. In 2003 he moved to London to become Co-Founder of GSAM's Global Equity Partners and Senior Portfolio Manager of a focused global equity portfolio for the firm's private wealth management clients. The portfolio used a value-driven approach with an absolute return focus that emphasized low turnover, downside protection and risk aversion.

Abhay Deshpande, CFA

Mr. Deshpande joined First Eagle Investment Management, LLC in 2000 and has been a member of the Portfolio Management Team since 2007.

Mr. Deshpande, a graduate of the University of Louisville, holds the Chartered Financial Analyst (CFA) designation. He spent three years as a research analyst with Harris Associates, advisers to the Oakmark International Fund and other international and global products, and was also an analyst for Morningstar. Mr. Deshpande was a senior research analyst of the First Eagle Global Value Team and covered the energy, base metals, retail, media and technology industries during his tenure.



Kimball Brooker, Jr.



Mr. Brooker is a graduate of the Yale University and was awarded his MBA from Harvard University in 1998. He began his career in 1992 as a financial analyst at the Lazard Freres & Co. and went on to join J.P. Morgan as an associate in the Investment Banking Department, specifically the billion dollar private equity fund Corsair. Following the completion of his MBA, Mr. Brooker returned to JPM and was named Chief Investment Officer of Corsair Funds and Managing Director in 2003. By 2006 he completed Corsair's spin-off from JPM and successfully managed nearly \$3 billion. Mr. Brooker covers banks, commercial services, financial services and holding companies.

Average Annual Returns as of 06/30/2010	Year to Date	1 Year	5 Years	Since Inception (09/04/01)	Expense Ratio
First Eagle U.S. Value Fund - Class A (w/o sales charge)(FEVAX)	-2.29%	13.95%	3.85%	8.26%	1.26%
First Eagle U.S. Value Fund - Class A (w/sales charge)(FEVAX)	-7.18	8.25	2.79	7.63	

The performance data quoted herein represents 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 is available at firsteaglefunds.com or by calling 800.334.2143. The average annual returns for Class A Shares "with sales charge" of First Eagle U.S. Value Fund reflect the maximum sales charge of 5.00%.

*First Eagle U.S. Value Fund did not own the stock of any U.S. banks during 2008. *Investment in gold and gold related investments present certain risks, and returns on gold related investments have traditionally been more volatile than investments in broader equity or debt markets.* The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle U.S. Value Fund as of June 30, 2010: Cincinnati Financial Corp. 1.67%, Cintas Corp. 2.39%, Omnicom Group Inc. 1.71%, Gold bullion 5.69%, Newmont Mining Corp. 1.83%. The portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

The commentary represents the opinion of Kimball Brooker, Jr. as of March 16, 2010 and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the firm. First Eagle Investment Management, LLC (FEIM) became investment adviser to the Funds commencing January 1, 2000. **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.

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