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THE STOCKPICKERS

Long-term thinking

First Eagle U.S. Value fund favors agriculture, ETF, 3M, Omnicom

By David B. Wilkerson
April 20, 2009

CHICAGO (MarketWatch)—The oft-repeated notion these days that "buy and hold is dead" is a welcome sound to the ears of Abhay Deshpande, a manager of First Eagle U.S. Value Fund: It just means more treasure is there to be found, abandoned by those too panicked about near-term performance.

Over the past year, buffeted by the downturn that began in earnest in September 2008, the $664 million First Eagle U.S. Value Fund (FEVAX) has lost 22%, but year-to-date its return has been 1.16%. In the past four weeks, it has posted a return of nearly 9%.

Food for thought

One stock the fund favors is the PowerShares DB Agriculture Fund (DBA), an agricultural commodity ETF.

Deshpande likes the appeal of food commodities as "real assets" at a time when the debasement of currency is a major problem around the world.

"Also, farm financing—as with all financing right now—is very tight, and that's creating a supply imbalance," Deshpande said.

Another thing favoring agriculture right now is that in China, with hundreds of millions of people growing their incomes and moving into the middle class, meat will be much more in demand. "And where there's a need for beef, there's a need for grain," Deshpande explained.

The ETF has fallen to the low $20s from the mid-$40s range last July. It closed Monday at $23.67, off 3.4%.

Sticking to it

First Eagle also likes 3M (MMM), the venerable maker of Scotch Tape, other adhesive and abrasive products for multiple uses, along with items used in the manufacture, repair and maintenance of automotive vehicles, personal-protection products, roofing granules for asphalt shingles, health-care related items and more.

Deshpande points to the company's dominant position in many of its markets over many years, the efficiency of its operations, and its "great" balance sheet. 3M also offers a 4% dividend yield.

The shares currently trade in the mid-$50s range, dropping from around $85 at this time last year. The stock on Monday was off 3.4% to $51.97.

Getting creative

A third stock favored by the fund is Omnicom Group Inc. (OMC), which Deshpande characterized as having the "highest-quality collection" of advertising agencies under its aegis, including BBDO Worldwide, DDB Worldwide and TBWA\Worldwide.

Omnicom offers a solid balance sheet, and a conservative management team that knows how to handle adverse economic conditions, Deshpande said.

During another recession, in 2002-03, only one of the top six ad agency giants was able to grow its revenue—Omnicom. In the current crisis, the company "has a chance to gain market share," Deshpande said.

In describing the stock's plunge from the mid-$50s to $20 over the past year, Deshpande was incredulous. "People not only discounted the stock based on the worst-case scenario, but discounted any possibility of a recovery at any point," he said. The First Eagle U.S. Value Fund takes a brighter view, at least in the long run.

Omnicom closed Monday at $28.07, down 2.3%.

David B. Wilkerson is a reporter for MarketWatch in Chicago.

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Average Annual Returns as of 09/30/2009:	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)	19.25%	-0.90%	5.47%	8.75%	1.21%
First Eagle U.S. Value Fund - Class A(w/sales charge)(FEVAX)	13.29	-5.85	4.39	8.07	

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 www.firsteaglefunds.com or by calling 800.334.2143. The average annual returns for Class A Shares "with sales charge" reflect the maximum sales charge of 5.00%.

The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle U.S. Value Fund as of September 30, 2009: PowerShares DB Agriculture Fund 0.70%, 3M Co. 2.18%, Omnicom Group Inc. 1.88%. 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 Abhay Deshpande as of April 20, 2009 and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the 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 here 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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