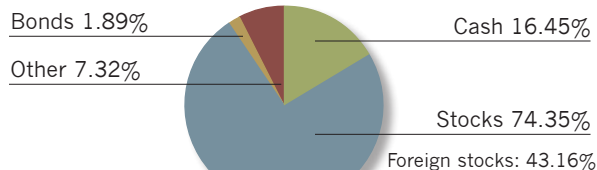


WEALTH MANAGEMENT | PORTFOLIO SPOTLIGHT

First Eagle Global Fund

TICKER	SGENX			
ASSETS	\$30.3 billion			
PERFORMANCE*	YTD	1 yr.	3 yr.	5 yr.
	5.41%	24.66%	5.30%	7.98%
TOP FIVE HOLDINGS	Gold bullion, Secom Co., Fanuc Ltd., SMC Corp., Keyence Corp			
CONTACT INFO	800.747.2008 www.firsteaglefunds.com			



*As of 5/31/11. Three- and five-year figures are annualized. Asset allocation data as of 3/31/11. Source: Morningstar



MATTHEW MCLENNAN,
MANAGER, FIRST EAGLE
GLOBAL FUND

Fault-Line Investing

BACK IN MARCH, FIRST EAGLE GLOBAL Fund manager Matthew McLennan was on his way to London when he heard the news about the earthquake and tsunami that hit Japan. “There were a lot of phone calls going back and forth in the middle of the night between myself and the other portfolio managers in New York,” recalls McLennan of his conversations with colleagues Abhay Deshpande and Kimball Brooker as the cataclysmic event unfolded.

The bad news for the fund was that it had a large amount of its equity portfolio in Japanese stocks, an allocation in the high teens, when the quake hit and the Japanese stock market later tanked. The good news was that McLennan had a secret weapon: a big cash stockpile.

Unlike many mutual funds, which commit to being fully invested at all

times except for a smidgen of cash to handle redemptions, it isn’t unusual for First Eagle Global to have as much as 20% of its assets in cash equivalents when its manager doesn’t see attractive buying opportunities.

During strong bull markets, the strategy has proved to be a drag on the fund’s returns. But it has also provided a cushion in down markets, as well as a tool for jumping in on favored stocks without having to liquidate current positions. “Having a lot of cash gives us the flexibility to act quickly when stocks are mispriced relative to their prospects,” says McLennan. “Buying at attractive valuations can help to provide a wide margin of safety and avoid land mines.”

Soon after the disaster struck, McLennan tapped some of the fund’s cash reserves to add money to Japanese companies already in the port-

First Eagle Global Fund has been known to move into investments when others flee.

By Marla Brill



PERSONAL

MANAGER

Matthew McLennan (with Abhay Deshpande and Kimball Brooker)

BORN

Papua New Guinea, 1969

EDUCATION

Bachelor's degree, University of Queensland

PROFESSIONAL BACKGROUND

Manager, International Equity Portfolios, Queensland Investment Corporation; various positions, Goldman Sachs Asset Management (GSAM); joined First Eagle Funds in 2008.

OUTSIDE INTERESTS

Travel, spending time with three children.

manage First Eagle Global in September 2008 alongside Eveillard, who returned to the firm to bridge the gap left by its previous manager. McLennan was charged with keeping the fund's decades-old investment philosophy and strategy intact.

An important part of that strategy is avoiding the kinds of mishaps that can decimate portfolio value in relatively short order. For McLennan, that means buying on the cheap, straddling several asset classes, and keeping an eye on metaphorical fault lines in what he calls the "financial architecture" of world economies.

"Overall, this is a productive time for humanity, but there are a number of fault lines of concern," he says. "A glaring one is having the dollar as the cornerstone of the reserve system at a time when the U.S. is on a credit watch, its credit position is deteriorating and monetary deficits are high."

folio that he thought were being unjustly punished for a natural disaster that could not have been predicted.

"From a human standpoint, this was clearly a tragedy," says the 42-year-old manager, who joined the firm in 2008 after a long career at Goldman Sachs Asset Management in London, where he founded a group that ran a global equity portfolio for wealthy private clients. "But it was also one of those situations where we knew there was no impairment to the basic businesses of these companies." Since then, he says, many of the Japanese holdings have returned to their pre-crisis levels.

During its 32-year history, the \$30 billion First Eagle Global Fund has been known to move into investments when others ignore them or even flee. The entry point might happen with a company-specific event or series of events that investors perceive as negative. Or it can occur with an overall market decline, as was the case in Japan.

But in this fund, cheap doesn't translate into junk. Instead of focusing on low price-earnings ratios or high growth rates, the fund mainly seeks stocks that trade below estimated in-

"OVERALL, THIS IS A PRODUCTIVE TIME FOR HUMANITY, BUT THERE ARE A NUMBER OF FAULT LINES OF CONCERN."

trinsic value—or what a knowledgeable private buyer would pay for a business. Along with inexpensive stock prices, companies must have strong balance sheets and solid franchises.

But aside from its valuation criteria, the fund has other features that make it an odd duck in the mutual fund world. One of them is the long tenure of its first manager, Jean-Marie Eveillard, who crafted the fund's strategy in 1979, just ten years after its current manager was born. Long before anyone even knew what style boxes were, Eveillard defied them by investing in companies of any size, from anywhere in the world. The eclectic investment menu, which includes bonds and precious metals, sealed the fund's reputation for stubbornly defying pigeonholing.

McLennan was brought in to co-

In Europe, he observes, the advent of the euro meant currencies of weaker countries are propped up artificially and trade on parity with what once was the deutschmark, which represents a much stronger country. And, the enormous growth in China over the last decade could be difficult to sustain, particularly if the rampant pace of construction and infrastructure expansion slows down.

Still, he sees attractive opportunities among individual companies. And continued market volatility, he says, will give the fund windows of opportunity to move out of cash and pick up the stocks of good businesses at his preferred price of 70 cents for every dollar's worth of intrinsic value.

He used the Japanese crisis and its subsequent market decline to add

to Japanese positions such as Fanuc, which specializes in industrial automation and robotic devices. “This company is like the Microsoft of the machine tool world,” he says. “It has dominant market position globally, no debt and it’s bought back 20% of its stock.”

Shimano, another Japanese holding McLennan favors, is a world leader in high-end components for bicycles and fishing gear. “The company has no debt, and has bought back over one-third of its stock in the last decade,” he says.

His long-term view of the Japanese market remains favorable. “We have faith that the Japanese will recover from this situation over the long term. In fact, the Japanese have a long track record of being cohesive in their response to external shocks, be it prior earthquakes or be it oil shocks that we saw a generation ago.”

The fund’s largest country weighting is the U.S., where it has about one-third

of its assets in stocks such as Conoco-Phillips. After the market reacted unfavorably to an acquisition the company made, McLennan built the position about a year ago based on his belief that the stock was cheap and the move was a smart way to expand. Another U.S. holding, First Energy, is an elec-

berg Cement has a strong position in growing markets such as Eastern Europe and Indonesia, and its quarries represent a strong but undervalued asset. “Demand for cement is below trend at the moment, but when you own an asset that has a useful life of 50 years, a couple of bad years don’t

THE FUND’S LARGEST COUNTRY WEIGHTING IS THE U.S., WHERE IT HAS ABOUT ONE-THIRD OF ITS ASSETS IN STOCKS.

SECTOR WEIGHTINGS

(% of stock portfolio)

CYCLICAL

Basic Materials	12.61
Consumer Cyclical	9.35
Financial Services	12.89
Real Estate	2.88

SENSITIVE

Communication Services	2.79
Energy	7.16
Industrials	26.54
Technology	7.41

DEFENSIVE

Consumer Defensive	8.90
Healthcare	6.53
Utilities	2.95

As of 3/31/11. Source: Morningstar

FEES AND EXPENSES

Expense Ratio	1.16%
Deferred Load	
	2% if redeemed before 60 days
Minimum Investment	\$2,500

Source: Morningstar

tric utility operating in several Northeastern states. It is benefiting from its expanded geographic reach after its acquisition of Allegheny Energy last year, and the stock, which is trading at an inexpensive 10 times earnings, sports a healthy 5% dividend yield.

In Europe, which accounts for 16% of assets, fund holding Heidel-

have much of an effect over the long term,” he says.

At 10% of the portfolio, although volatile, gold bullion and gold mining companies represent “both ballast and a hedge against the fraying of the world’s financial architecture.” A 16% stake of cash provides an arsenal for diving in quickly when the right opportunities present themselves.

The eclecticism of the portfolio is a double-edged sword, says Morningstar analyst Bridget Hughes. On the plus side, the fund has a cautious, conservative style and low turnover that stabilizes returns. But the fund’s strict value style, Hughes says, can lead to lagging performance when growth-oriented stocks stage a strong rally.

McLennan says that the fund’s advisor, First Eagle Investment Management, LLC, is not averse to closing funds when it is appropriate to do so. That happened about five years ago when markets were overvalued and new money was pouring in faster than its managers could invest it.

“We always think carefully about the right thing to do for shareholders,” he says. “We would close to new investors if the opportunity set for investing becomes more challenging. But we are not at that point now. The fault lines around the world will allow us to deploy cash into windows of distress.”



VALUATION RATES

Price/Prospective Earnings	9.65
Price/Book	1.61
Price/Sales	1.05
Price/Cash Flow	5.18

GROWTH RATES

	%
Long-Term Earnings	9.90
Historical Earnings	-3.70
Sales Growth	-7.83
Cash-Flow Growth	2.27
Book-Value Growth	-4.07

As of 3/31/11. Source: Morningstar

MARKET CAPITALIZATION AS A % OF PORTFOLIO

Giant	30.37
Large	39.84
Medium	22.11
Small	7.44
Micro	0.24

As of 3/31/11. Source: Morningstar

Average Annual Returns as of 09/30/2011	Year to Date	1 Year	5 Years	10 Years	Expense Ratio
First Eagle Global Fund - Class A (w/o sales charge)(SGENX)	-5.26%	3.40%	5.02%	12.55%	1.16%
First Eagle Global Fund - Class A (w/sales charge)(SGENX)	-10.00	-1.77	3.94	11.98	

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 Global Fund give effect to the deduction of the maximum sales charge of 5.00%.

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. 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 Global Fund as of September 30, 2011: Gold Bullion 6.15%, Secom Co. 1.94%, Fanuc Ltd. 1.49%, SMC Corp. 1.36%, Keyence Corp. 1.49%, Microsoft 1.28%, Shimano 1.40%, ConocoPhillips 1.25%, FirstEnergy 1.51% and HeidelbergCement 0.93%. The portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

© 2011 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

The commentary represents the opinion of Matt McLennan as of May 5, 2011 and is subject to change based on market and other **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.

The First Eagle Funds are offered by FEF Distributors, LLC, 1345 Avenue of the Americas, New York, New York 10105. First Eagle Investment Management, LLC (FEIM) became investment adviser to the Global Fund commencing January 1, 2000.

Investors should consider the investment objectives, risks, charges, and expenses of a fund carefully before investing. The prospectus and summary prospectus contain this and other information about the fund, and may be obtained by contacting your financial advisor, visiting our website at firsteaglefunds.com or calling us 800.334.2143. Please read the prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed, and may lose value.

First Eagle Funds
1345 Avenue of the Americas | New York, NY | 10105
800.334.2143 | firsteaglefunds.com

