First Eagle Funds Global Value Team Conference Call
Semi-Annual Update & Market Commentary
July 13, 2010

Robert Bruno: Good afternoon and thank you all for joining us for the First Eagle Funds Global Value Team Conference Call. This is Robert Bruno and I'm the head of the Sales and Marketing effort here at First Eagle.

I would like to welcome our listeners on the phone and webcast today and start out by thanking our long-term partners and hopefully many newer ones to our call. We appreciate the trust you've placed in us with, in many cases, your own and your clients' investments with our First Eagle Funds.

Now to begin today's call. We'll start out with an update on our current investment thinking by portfolio managers Matt McLennan, Abhay Deshpande and Kimball Brooker. Co-Portfolio Manager Rachel Benepe of the First Eagle Gold Fund is not with us today, because she's visiting several of our holdings in South Africa. We're fortunate to have Jean-Marie Eveillard here with us, as well, as he continues in his role as a Senior Adviser to help answer your questions.

At the end of the call, we'll do our best to answer all of your questions. We have received several questions in advance, and you're encouraged to ask a question either on the phone or to submit a question through the live webcast.

Now I will turn the conversation over to Matt.

Matt McLennan: Thank you very much, Robert, and thank you to all of our long-term partners for joining us today.

We inhabit a world where equities are no longer priced for the Great Moderation, but nor are they priced for the Great Depression. In other words, markets are neither bubble nor bargain, but for the long-term, discriminating investor, we believe that quality equities can be found at larger margins of safety than quality fixed income, in many cases. In order to understand how this series of events has transpired, we need to zoom out a little bit and provide you with our helicopter perspective on what's going on in the world today.

The key issue that we see happening globally is that the average blue collar worker is facing great pressure on their real income. On the one hand, regardless of where you work, be it in Greece or Detroit, one is facing a fairly serious amount of disintermediation from low-cost labor coming to the market in Asia as Asia urbanizes. Secondly, the technology of the factory floor is advancing. As industrial production is increasingly technology driven, this moderates labor intensity. So there are many manufacturing employees around the world who find themselves out of employment or suffering from real income pressure at a time when rising energy prices are occurring and where there's an increasing tax burden from the aging demographic of society. This is a real squeeze and this is a deflationary squeeze.

Now rather than let this play out, policy makers have taken it upon themselves, under the cloak of responsible inflation targeting and Keynesian stimulus, to create a price of money that is somewhat fake in order to cushion the real adjustment. These negative real short rates, or these purchases by the central bank of long-term government bonds, or the government guarantees of bank debt that we saw earlier in the cycle, or the maintenance of currency pegs, irrespective of fundamentals, have all led to distortions over the last decade. But, right now the fixed income markets are quite distorted relative to the last decade in terms of how low real interest rates are.

One thing that's important for you all to realize is that easy policy is only an amortization of economic pain. It is certainly not a miracle drug. The best it can do is, hopefully, restart the animal spirits and buy time for productivity to fix the underlying problems. The worst it can do is to compound the bad investments that have already occurred and to undermine government credit. When we look at the global landscape today, the illusion of the government's control over the economic process is gone. This is why markets are no longer priced for the Great Moderation.

Ironically, despite the fact that the governments should be realizing they have no miracle cure, we see a reality where "state" capitalism is becoming more pervasive. We see OPEC playing an increasing role in setting oil prices. We see an increasing Chinese economic impact on the world, driven by central planning. We see G7 Keynesian re-regulators introducing new regulation across a broad swathe of the world economy.

Now historically, when governments have tried to support demand in the face of private sector demand shortfalls, there's been a self-correcting device that's gone on over time. As the corporate sector recovers, government fiscal positions improve and interest rates normalize. The problem we face today is that budget deficits are so large that if they're not spent wisely on investments that yield future returns and if the markets become worried about sovereign creditworthiness before private sector confidence recovers, then the adjustment could be more painful than usual. The exact trajectory of these forces is unknowable, but what we do know is that the fiat money architecture is at maximum risk when the economy is well below its potential. This is because the amount and the duration of the stimulus is very large relative to the usual norms and the real return on paper money is often negative, due to both monetary stimulus at first and then due to the contraction from large fiscal restraint going forward, which can keep rates lower for longer.

The recognition of this higher systemic vulnerability and the lower quality of what was formerly deemed to be risk-free paper, with the greater role of government in the market economy, has led to the market de-rating and gold re-rating. In a sense, people feel the need to be their own central bank more than they did a decade or so ago. People recognize that the cash they have in reserve may actually be of questionable quality, whereas gold is no one's debt, it has no counterparty risk and it can't be printed. It's no wonder that gold has acted as the reciprocal of confidence and, unfortunately, it's no wonder that gold has also re-rated to a point where it may face some risk of principal loss.

So here we are. It's not clear that we get back to where we were with the Great Moderation, but it's also not clear that we retest the market bottoms, as the market typically finds its legs in the midst of the storm.

The good news here is that corporations slashed operating expense, corporations slashed cap ex, and corporations slashed net working capital. Corporations were expecting Great Depression II, but it didn't come, and so there's a very strong recovery in corporate free cash flow. It is this recovery in corporate profits that is the key kernel that will, hopefully, drive confidence and enable a return to corporate investing, a return to hiring and, as labor markets normalize, a return to a more normal price of money. It would also help lift tax revenues, which would take the edge off our current fiscal problems.

Well, it's not clear to us that it will play out exactly this way, but it's not clear to us that it won't. Confidence and productivity are the key moderators of our challenges today, but the future is uncertain. So, how do we deal with it?

Our goal is not to predict, nor is it to mimic markets. When we start with the goal of seeking to limit the downside, we do one simple thing. We follow the margin of safety in price, and we look for where the free cash flow is "the least worst" opportunity.

Today we're approximately 75% invested in enterprise, 80% if you include our gold equities. We're invested because we see rational prices and strong corporate free cash flows. We see a backdrop that can hardly be described as excessively confident and we are struggling to find attractive returns on cash alternatives. It makes eminent sense for us to own the foundation of productivity, which is the corporate sector, provided we can own it at the right price.

So, you may ask the question, why aren't we 90% invested or 95% invested? And the answer is simple: prices are not at Depression-era levels; business expectations have gone from low to reasonable; and policy is set to tighten. There are also many geopolitical tectonic forces that coexist today. There will be periodic windows where the confidence equilibrium is punctured, and there are now less degrees of policy freedom. Out of prudence, we will continue to keep some deferred purchasing power in cash to take advantage of these de-leveraging panics, as we have done in recent times. We'll keep some gold, as nature's currency, if policy makers compromise the only-too-human financial architecture, which is fraying at the edges.

The second thing we'll look to do is avoid the excesses. We'll look to avoid the areas where there's low or no margin of safety with negative free cash flows. This year, that's meant having no exposure to the Chinese banks. We had a material hedge on the euro at higher levels, when it offered no value and a deteriorating current account position and fiscal situation. We've limited investments in long-dated sovereign debt at this point in time. The yields are low and the stock of the debt is growing rapidly, with the credit quality deteriorating. To buy government debt now requires a clairvoyant call on deflation, but not just any normal deflation, contained deflation that's not so serious that it compromises the creditworthiness of governments.

Where are we in the equities that we do own? First and foremost, we tend not to think so much about the exact countries or industries, although we will comment on that shortly. We're focused very much on identifying royalty-like businesses that will preserve their pricing power and buying those businesses at attractive multiples of EBIT. We look for companies that own scarce real assets that are priced at a discount to the liquidation value of those assets. It's almost like we're being paid for storage, and those assets should preserve their real purchasing power over time. And, we look to buy traditionally discounted securities, be they through investment holding companies, insurance entities with float or very distressed situations. Right now, in our portfolio of equities we are more skewed to royalties than usual, because we're looking for businesses that can survive not only an inflationary environment, but a potentially deflationary environment.

One comment I will also make, as we get lots of questions on this, is why we don't own more corporate fixed income today. It is true that corporate spreads are a little above their historical averages, but this is only the case because they're being compared to artificially low sovereign real rates. Flows have been enormous into the corporate fixed income sector and, frankly, we're finding it difficult to find a margin of safety. Traditionally, our investment in corporate fixed income has been very episodic. Our investments have been when we've been able to find equity-like returns in the low double digit yield to maturity range, but with a more senior position in the capital structure than equity. Right now, the only corporates that offer double-digit yields to maturity truly have very poor credit quality, in general.

Finally, we're often asked what insurance we carry in the portfolio to take care of tail environments. Right now, we don't hold any form of option insurance in the portfolio. In a market environment that's neither bargain nor bubble and one in which volatility levels are high, the cost of hedging is quite high relative to the benefit. Our approach, instead, has been to keep some deferred purchasing power in cash and, of course, our long-term natural counterbalance in gold. There is no obvious market-timing call. There is no obvious swap or credit default security, so we're looking for mispriced securities one at a time.

I'd like to hand off to Abhay to talk about how the portfolios have evolved from a bottom-up standpoint.

Abhay Deshpande: Thank you, Matt. I'd like to just walk you through a few things. First, changes in our cash allocation; second, changes in our portfolio allocation; and then finally, some individual securities that we've added or taken out of the portfolios over the last year or so. As always, when we talk about portfolio allocation changes, it ends up being a very brief discussion because our portfolio turnover tends to be pretty low. As you know, we're long-term investors. We're value investors. Our turnover ratios range anywhere from 10% last year to, 20% to 25%[1]. So as we discuss these changes in either cash or a portfolio or securities, it's in the context of a very slow-moving portfolio.

First, the change in cash allocation. It is no surprise that cash is basically where it was at the beginning of the year. If I could frame it in the past year and a half or slightly longer, the peak of the credit bubble and the stock market bubble in 2007, we had, in mid-2007, nearly 20% in cash, and it was a reflection of, from a bottom-up basis, the lack of opportunity among companies that fit our preference. By March of '09, of course, stocks had reached a point where, as Matt mentioned earlier, they began to price in Depression Era sort of outcomes and here we'd found, as Jean-Marie has mentioned in the past, an approximately 0% chance of a depressionary outcome based on the very predictable response of the Bernanke-led Federal Reserve and a panicking political class. And, in fact, the Depression Era pricing that we found in March '09 didn't really last that long, as the market woke up to the realities that Jean-Marie was talking about.

And in March '09, the Global Fund had its lowest cash position since early 2001 or so, reflecting what was an abundance of securities that fit our valuation parameters. By late '08, stock prices began to reflect more of a recovery, and then by early '10, stock prices began to really reflect, or require, a typical post-World War II recovery to justify the prices. Where stock prices began to reach intrinsic values, we were trimming to the point that our cash levels reached 15%. But as you might expect, as a value investor, we also began to put the cash to work as stock prices came down. So we're now back to about 10% in cash (as of June 30, 2010) in the Global Fund[2].

Outside of the changes in cash, portfolio allocation changes include – and most of this is basically due to market price changes – but, on balance, our allocation to the United States has gone up, while the allocation to Europe has gone down. That's, again, partly a function of Europe doing more poorly than the United States this year, but also we have found more ideas in the United States than in Japan or in Europe and particularly in technology and real asset companies here in the United States.

[1] Turnover ratios for the Funds as of October 31, 2009 are as follows: Global Fund, 12.52%; Overseas Fund, 8.65%; U.S. Value Fund, 14.88%; Gold Fund, 3.00%. This turnover range excludes First Eagle Fund of America,, which had a turnover ratio of October 31, 2009 was 40.41%.
2 Cash levels are as follows as of June 30, 2010: Global Fund, 10.1%; Overseas Fund, 13.1%; U.S. Value Fund, 13.4%; Gold Fund, 4.6%.

Now, I talk about a few holdings that we've added. Kimball Brooker will walk you through, in more detail, a couple of holdings that we have, one new and one not so new, just to give you a sense of how we look at them. This is from the bottom up.

In terms of what we've added, we’re not thematic, but one theme I guess you could draw from what is a bottom-up process is that we're gravitating more towards companies that have some long duration elements to their businesses, either assets that we think will last a long time or franchises that have pricing power and ability to grow intrinsic value, whether it's an inflationary or deflationary environment, just good, solid franchises. And, what's nice is that these days you don't really have to pay that much for those types of franchise opportunities.

So, our definition of a good business is one that has some control over its prices and its costs. A good example of that is the aggregates business. We've added **Heidelberg Cement** in Europe; it trades in Germany. Almost half the business value is aggregates. We have **Martin Marietta** and **Vulcan Materials**, both in the United States, both aggregate companies. To give you an idea about pricing power, these are two companies that had volume declines of 35% to 50% peak to trough, but prices went up 15% to 30% at the same time. These local monopolies have quite a bit of pricing power.

We've also added **Jardine Matheson** recently. This is a holding company. We like holding companies, because they tend to trade at discounts, sometimes for no good reason. Usually the discount is there because of tax leakage or management for the holding company is not particularly good at increasing value. In the case of **Jardine Matheson**, neither applied, and so we believe it trades at a very unreasonable discount.

We've added **Cincinnati Financial**, which Kimball will go through in more detail. One major change in the funds, in particular, is in the Overseas Fund. You'll note that in the top 10 holdings there's a new security called **MS&AD Insurance Group Holdings**. That is actually not a new security. It's something we've held in some portion or another for well over a decade. It's a combination of **Mitsui Sumitomo** and **Aioi Insurance** companies. These are Japanese non-life-insurance companies. With the merger, the two combined become a large part of our Overseas Fund, but our actual allocation to Japanese non-life-insurance doesn't really change. It's just a matter of the merger.

We have also done more work in technology and recently purchased **Texas Instruments.** As you know, our bias against technology has historically been because of, first, price, but secondly, our time horizon is much longer than the average product life cycle of these technology companies. So we've tended to not own them, for many reasons, including their very aggressive accounting and awarding of options and so forth. With **Texas Instruments** and a couple of others that we've purchased lately, you'll find some interesting new additions in technology, 11 years after the technology bubble peaked.

And finally, there's some specific situations like **Conoco Phillips**, for instance. It's a value story where you have a potential change in behavior that could create a change in return on capital and alleviate the discount to some of the better run integrates, like **Exxon Mobil** and **Total** of France.

So, bottom line is not much has changed. Where it's changed, it's been consistent with our philosophy of long-term outlook, of long-term investment approach, clearly value-driven and very concerned about margin of safety.

With that, Kimball will walk you through, in more detail, a couple of examples, to help you understand how we look at individual businesses. Kimball?

Kimball Brooker: Thanks, Abhay. As Abhay mentioned, we're going to talk about two companies today. One is a company that's been in the portfolio for quite a number of years called **Secom** and the other is a more recent addition called **Cincinnati Financial**. I think they illustrate some of the tenets with which we look to apply in selecting individual securities.

Secom is a Japanese company. It falls into what Matt earlier called a royalty-like business, because among the electronic monitoring businesses in Japan, **Secom** has a roughly 60% market share. The security business has been generating low-20% operating margins for the last decade or so.

It's a business with very high barriers to entry, because unlike businesses that some of you might be familiar with in the U.S., like ADT, where the security firm simply calls the local police force if there's a problem, **Secom** operates its own network of security personnel to respond to customer calls. I think there is a misconception among many people and I think that there will probably be questions on this, is that all Japanese companies have been so scarred by the deflationary period over the last 10 or 15 years, that all they do is collect and amass cash. They don't invest for the future and are shareholder-unfriendly in terms of capital allocation decisions. They don't repurchase shares or pay dividends or reward shareholders in other ways.

I don't think that is the case with **Secom**. They have repurchased shares, they do pay dividends. But, they have also, over the years, invested some of the cash proceeds from the royalty-like security business into a number of other interesting options, which range from medical nursing dispatch businesses to fire protection businesses that are related to their core activities or, at least, connected to their customer base in some way. And, in addition to those businesses, they have also made some investments in some other markets, including China and Korea and other parts of Asia.

So, for us, **Secom** is interesting, has been interesting, remains interesting, because we feel that we are able to own or buy a dominant security services franchise at a discount to its intrinsic value and receive all the various investments and options, which may or may not play out in the future, for nothing.

The other company is a company called **Cincinnati Financial**, which was founded in the '60s. It's primarily a commercial insurance company with a very plain vanilla insurance book. It's mainly commercial and it's mainly in the Midwest, with a very conservative multi-decade history of reserving. So they have been very conservative in terms of setting their reserves over the years, which appealed to us. A very loyal customer base, with unusually high retention levels through their broker network.

What happened when **Cincinnati Financial** was founded in the '60s was that they did something that was a little bit different than most insurance companies in the sense that on the investment portfolio side, the founders decided that they wanted to have a significant exposure to equities. Most insurance companies' portfolios are dominated by fixed income investments, but the **Cincinnati Financial** founders concluded that equities provided a better long-term total return option. And they also made the decision that they wanted, when the company was founded, to invest locally. So they invested in companies in and around Cincinnati, which still--some of them still are present in the portfolio, companies like **Procter & Gamble**.

One of the investments that they made early in the company's history ended up being the catalyst that allowed us to acquire a position in this company at what we thought was an attractive price, because they bought a position in a bank in Cincinnati called **Fifth Third Bank**, which had unbelievable performance and became a too-large position in their investment portfolio. They didn't sell it for tax reasons and, ultimately, **Fifth Third** was caught up in the financial crisis of 2007-2008. **Cincinnati Financial**'s stock suffered more than in proportion to its holdings in **Fifth Third**.

When we sort of arrived on the scene, the investment portfolio had changed, the investment policies had changed, although they still retained an interest in long-term total return investing, but they had limited the concentration within the portfolio. And we saw what we thought was a very attractive, very basic insurance company with a very good competitive position and an interesting investing portfolio, which sold at 70% of tangible book value. It also had about a 7% dividend yield at the time that we bought it, which we thought was sustainable and that they would pay and they actually ended up increasing that.

But that large discount to tangible assets with an interesting portfolio of securities behind it is, I think, illustrative of another theme that runs through our portfolio.

Robert Bruno: Thank you, Kimball, and now for some of the questions we've been receiving. The first question is, "Do you view deflation as a major risk? If so, would that lead you to reduce equities?" Matt?

Matt McLennan: Well, as mentioned in my earlier comment, we have recognized the existence of a large deflationary pulse that's out there, particularly in the manufacturing sector. But I think that pulse doesn't exist in isolation. It has to be looked at in conjunction with a set of policy makers around the world who are committed to doing what it will take to reflate.

I think we're likely to see pockets of deflation in areas where the policy makers have run out of flexibility, such as Southern Europe, and are forced into premature fiscal consolidation. That's something that obviously bears keeping an eye one.

One should note, though, when one looks at Europe, that it's not homogeneous. While there may be deflation in pockets of Southern Europe, the fact that the euro has gone from 1.50 to 1.20 is quite reflationary for Germany, which is an exporting nation and has less of a fiscal adjustment to do.

Abhay Deshpande: I totally agree with Matt. Generally speaking, deflation is not good for equities. Most companies don't really have pricing power and, many times the costs remain the same. Labor costs are stickier than sometimes the goods' prices. You can have margin squeezes in the meantime, and with the kind of debt that's out there, granted mostly increasing at the government level rather than the corporate level, but, deflation is not good to a debtor.

Matt McLennan: Deflation and democracy are oil and water. They don't really mix. Look at the Greek riots.

Abhay Deshpande: It's interesting, when you look at the responses between Europe and the United States to the credit crisis, the history of both regions determines the policy response. The Germans, with echoes of Weimar Republic ringing in their minds, fear hyperinflation and so their response to the crisis is to clamp down on the credit growth. In the United States the fear is the deflationary outcome from the '30s and so the response is, at all costs, try to avoid the deflation, so let's try to do anything possible to reflate. It's a very interesting response from either side, but it reflects the fact that they both have very weak hands because of all this credit that's been created.

Robert Bruno: Our next question is, "From a macroeconomic point of view, do you see data confirming that consumerism is gaining momentum in the developing regions of the world?" Abhay?

Abhay Deshpande: Just recently Jean-Marie and I were in China. We witnessed this first hand. You see a developing consumer kind of class. There is a huge demand for anything that smells of luxury, whether it's a Louis Vuitton bag, or even a knock-off bags. If you look at China, in particular, auto sales were up 100%, year-over-year as of January; appliance sales were up 30%, 40%; electronic sales were up anywhere from 40% to 70%, depending on the category in China. And you see the same sort of behavior in India and large parts of Asia.

So that's all good news. In fact, when we find ourselves getting excited about Asia, it's really the consumer that we're excited about. They're starting from a very low base. In the case of China, they've reached a point where $3,000, $4,000, $5,000 per capita income, when you have a J-curve effect, then you see that basic demands have been met, food and shelter. Everything goes into what they would call luxuries. We'd find them more necessities here, whether it's cell phones or televisions.

So I think there's a huge opportunity there over a long period of time, but that's not to say that it's going to be smooth. As much as we see potential for growth of consumer demand in Asia, we also see pockets of risk. Matt mentioned a few of those. In particular, in China there is a clear over-investment in infrastructure-related projects, whether it's steel capacity or cement capacity, roads, buildings, etc. There's a clear, maybe, over-investment in certain parts of Asia. But how we structure the portfolio, we haven't really structured it to take advantage of one or the other, but when we look at companies that could directly benefit from China, the ones that are linked more closely to China and India, they tend to be pretty expensive. But we have, over the years, whether it's a company like **Rayonier**, with 16% to 20% of its sales in China, or **Fanuc**, with 20% of its sales in China. We get access to the consumer growth through companies that are listed at a more reasonable price in other parts of the world.

Matt McLennan: And one comment I would just add as it would relate to the developed economies as opposed to developing, and that is that corporate profits tend to lead consumption. As companies recover in health, people feel more secure in their jobs. Consumer expectations for the future improve, and that produces a little bit more stability in consumption trends. That's been the normal cyclical pattern, but this isn't any normal cycle.

Robert Bruno: Our next question is, "Do you worry about the U.S. political instability?"

Matt McLennan: We worry about the general pendulum swing we see around the world to more regulation and I think, as we discuss this real squeeze on the average person, that, in and of itself, produces its own political tension. So the confluence of a deep recession, the confluence of the rising wealth inequality and now the sort of response to that, which is rising regulation, is likely to produce increasing political tensions, not just in the U.S., but around the world.

There are deep structural issues going on in the world. They're also the sources of great opportunity, but these do produce meaningful political pressures, in our opinion.

Robert Bruno: We have another question from our webcast. "You have owned debt before. Are there areas in emerging market debt that look attractive? Plus, what is your overall view here?"

Matt McLennan: Well, the problem in emerging market debt is that some of the higher-yielding currencies tend to be more currencies and economies that are driven by the commodity cycle and, therefore, the yield may be high on the sovereign bonds in places like Brazil, but the currency is strong, relative to history. So what you gain on the yield, you may lose on the currency. And so there's been an absence of easy decisions for us there.

We do have some small investments in Singapore and Taiwan. Those are economies that have very large current account surpluses. They have a history of prudent macroeconomic management. They have currencies that one would think are under-valued relative to their long-term potential. And so where we see some cheap currencies, prudently run, with a current account surplus position, we have small stakes in order to diversify, if you will, our deferred purchasing power, but we don't see any broad thematic opportunity.

Robert Bruno: Thank you, Matt. Our next question is, "In past calls, you have said that cash was a residual of your investment process. Is it fair to say that stocks are the residual or best-available option if you don't like cash or bonds? If so, are you worried about a depression, which would seemingly compromise your ability to preserve capital?" Jean-Marie?

Jean-Marie Eveillard: What has been historically true is that, frankly, we didn't do asset allocation, or at least not in the conventional sense of the term. If we gain enough long-term securities, mostly equities, on occasion, we were cross-over investors in fixed-income securities in 1990 and 2002.

So, mostly we bought equities and either we were coming up across enough investment opportunities in equities, both in the U.S. and outside the U.S., or we didn't. And if we did, there was very little cash, and if we didn't, there was plenty of cash.

So, it's true that today Matt, Abhay and Kimball are not particularly impressed with cash or with fixed-income securities, would it be only because the yields are extremely low and one has to keep in mind that we are in a, as Matt has mentioned before, a pure paper money system, which has been fraying at the edges. The temptation will come, I suppose, for authorities, here and elsewhere, to try and inflate the accursed debt away. So we worry about that risk, which helps explain the position in gold.

As Abhay has mentioned before, we understand that the private sector has been de-leveraging and that's a powerful deflationary force, but the public authorities have been fighting that de-leveraging of the private sector every step of the way because to a politician deflation is even much worse than inflation. So, I hope that answers your question.

Robert Bruno: Our next question is from the phone. "How much does the fund have in gold bullion? And would you consider selling some if you perceived the gold to be over-valued?"

Abhay Deshpande: The Global Fund has about 7% in gold bullion and another 5% in gold equities. You've heard a common theme, whether it's Jean-Marie, or Matt, or myself in the past and today, this idea of fiat money, meaning it's money that can be created at the touch of a button. As Bernanke himself said, we have this technology called a printing press or its electronic equivalent. He was saying, basically, we can create money out of thin air.

And gold is really the counterpart to that. The price of gold is something else. The price can be volatile. The price can be manipulated. It's often affected by the changes in central bank behavior, whether they're selling or buying gold.

And, in fact, it's interesting. As jewelry demand has gone down, central bank demand has actually been going up and investment demand has been going up. And what's interesting about the investment demand, it's not a bunch of kooks. We've been allocating part of our assets to gold for quite a while. I think one of our longest-held securities is actually **Newmont Mining**, which

Jean-Marie bought in 1981. So it's not a new concept for us, but what is interesting are the new entrants into this space. They're not kooks. John Paulson, David Einhorn – these are very thoughtful people, who are worried about the stability of the fiat money regime and, partly, the value of currency.

Matt McLennan: One thing I'll add is that it would be probably quite acceptable for the portfolio were gold to go down in price, because the kind of conditions that would produce that would be conditions of a more stable macroeconomic backdrop, better corporate profits, normalizing interest rates and the like. So you have to look at our gold investments in the context of our other investments in enterprise and the gold is there, really, as a keel, if you will, to the rest of the portfolio.

Robert Bruno: Our next question is, "What indicators are you monitoring to determine if Credit Crisis-Act II, is about to unfold? And what changes would you make to the Global Fund portfolio if this were to happen that were not made during Credit Crisis-Act I?"

Matt McLennan: In a sense, it's been long drama. First, in the early 2000s, we had the credit crisis in the corporate sector that then morphed to the personal sector in real estate, both times affecting the banking sector. And now, we see in certain pockets of the world, it morphed to the sovereign sector as the private sector de-leveraging has been offset by growing levels of government debt. And so there's been an evolution of the nature of the crisis and, I guess where it goes from here is a function of the quality of policy-making decisions, which, obviously, has not been that good.

But, if we look at the state of the world, there have been times where we have recovered from these kinds of levels of sovereign debt, notably in the post-World War II period, and a period of sustained fiscal discipline produced a sustained two-decade environment of low inflation, improving corporate productivity and growth in the corporate sector relative to the government sector.

So there are positive scenarios, as well as negative scenarios. One thing's for sure. There's no one here that has a crystal ball, and what we're trying to do in our portfolio is structure ourselves to benefit from a range of different scenarios.

Robert Bruno: "With respect to the economy and investing public, there is a tremendous amount of pessimism today. It seems that no matter how much education I do, I am not able to turn off my clients' negative minds. Can you please provide some insight on how we can make our clients better investors?"

Jean-Marie Eveillard: Yes, obviously, you know your clients better than I do. But it seems to me that you could go to your clients and say, 'Look, don't worry about the daily ups and downs in the market.' You could tell them, 'I think I've come across two, three or four good, long-term money managers. Why don't you have some of your money invested with them, through me? And don't look at the stock market, every day.'

So, I'm not saying that you will be able to tell your clients that you can come up with the next Warren Buffett, but there are good, long-term money managers around, and they don't have to be as good as Warren Buffett for your clients to do well with them over time.

Matt McLennan: One thing I would add is that the goal of investing should be used to preserve one's purchasing power, over time. And one knows, therefore, that one needs to be an owner of enterprise, ironically, in order to do that over the very long term, because you're participating in the growing nominal stream of the world economy.

Obviously, the trick is to own enterprise at the right price. And I think what's counter-intuitive for your own clients is what's at the core of our somewhat counter-cyclical approach to capital allocation, and that is to ask yourself the question that if you recognize that you're a structural buyer of business, is it not better to be a buyer of business in a time of distress than in a time of exuberance?

I think to get clients to ask that one question, hopefully, reframes the decision, somewhat.

Robert Bruno: Thank you, Matt, Abhay, Kimball and Jean-Marie, and thank you all for joining us.

I want to thank you, again, for your continued support and we look forward to the many rewarding years ahead. Good night.

Average Annual Returns as of 06/30/2010:	Year to Date	1 Year	5 Years	10 Years	Expense Ratio
First Eagle Global Fund - Class A (w/o sales charge)(SGENX)	-1.43%	15.39%	7.25%	11.94%	1.19%
First Eagle Global Fund - Class A(w/sales charge)(SGENX)	-6.35	9.62	6.16	11.36	
First Eagle Overseas Fund - Class A (w/o sales charge)(SGOVX)	0.15	14.69	7.46	11.91	1.20%
First Eagle Overseas Fund - Class A(w/sales charge)(SGOVX)	-4.85	8.95	6.37	11.34	
First Eagle Gold Fund - Class A(w/o sales charge)(SGGDX)	10.07	33.21	21.14	24.16	1.26%
First Eagle Gold Fund - Class A(w/sales charge)(SGGDX)	4.57	26.55	19.90	23.52	
				Since Inception 09/04/01	
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 Global, Overseas, Gold and U.S. Value Funds reflect the maximum sales charge of 5.00%.

All equity investments involve the risk of loss of principal. 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. Funds 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. Investment in gold and gold related investments are speculative 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 June 30, 2010: HeidelbergCement AG 0.95%, Martin Marietta Materials Inc. 0.48%, Vulcan Materials 0.57%, Jardine Matheson Holdings Ltd. 0.00%, Cincinnati Financial Corp. 1.12%, MS&AD Insurance Group Holdings 1.27%, Sumitomo Mitsui Financial Group 0.00%, Aioi Insurance Co. 0.00%, Texas Instruments Inc. 0.59%, ConocoPhillips 1.21%, Exxon Mobil Corp. 0.00%, Total S.A. 0.51%, Secom Co. Ltd. 2.18%, ADT Security Services Inc. 0.00%, Procter & Gamble Co. 0.00%, Fifth Third Bancorp 0.00%, LVMH Moet Hennessy Louis Vuitton 0.00%, Rayonier Inc. REIT 1.12%, Fanuc Ltd. 1.89%, Newmont Mining Corp. 0.53%. The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle Overseas Fund as of June 30, 2010: HeidelbergCement AG 1.41%, Martin Marietta Materials Inc. 0.00%, Vulcan Materials 0.00%, Jardine Matheson Holdings Ltd. 0.64%, Cincinnati Financial Corp. 0.00%, MS&AD Insurance Group Holdings 1.98%, Sumitomo Mitsui Financial Group 0.00%, Aioi Insurance Co. 0.00%, Texas Instruments Inc. 0.00%, ConocoPhillips 0.00%, Exxon Mobil Corp. 0.00%, Total S.A. 0.56%, Secom Co. Ltd. 2.16%, ADT Security Services Inc. 0.00%, Procter & Gamble Co. 0.00%, Fifth Third Bancorp 0.00%, LVMH Moet Hennessy Louis Vuitton 0.00%, Rayonier Inc. REIT 0.00%, Fanuc Ltd. 1.87%, Newmont Mining Corp. 1.07%. 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 the Global Value Team Portfolio Managers as of July 13, 2010 and is subject to change based on market and other conditions. Performance for periods prior to January 1, 2000 occurred while Mr. Eveillard was affiliated with another firm. Mr. Eveillard transitioned to Senior Adviser on March 26, 2009, a position he also held from January 2005 to March 2007, and continues to be a member of First Eagle Funds' Board of Trustees and a Senior Vice President of First Eagle Investment Management, LLC. The opinions expressed are not necessarily those of the firm. First Eagle Investment Management, LLC (FEIM) became investment adviser to the Fund 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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