



Core|Satellite Investing with First Eagle Funds

Many practitioners of core|satellite investing use the core of their clients' portfolios to generate market-like returns with market-level risk exposure, or beta, and use satellite investments to produce excess returns, or alpha. Within this framework, passive investment vehicles — index funds and ETFs — have become standard core investments.

At First Eagle, we question the foundation of this approach to portfolio allocation. Beta, we have all discovered, can expose an investor to a very bumpy ride. In our opinion, the graver concern for investors is not short-term volatility, alarming and uncomfortable as it may be, but the possibility of permanent impairment of capital. In 2008 and 2009, investors were shocked to discover just how much risk passive investing could entail. And through the first quarter of 2010, many have yet to fully recover from their 2008 losses. If the core of a portfolio is designed, above all, to provide stability and preserve client capital over time, we believe an actively managed global flexible fund such as First Eagle Global Fund (the “Fund”) may be a better way to mitigate downside risk while generating positive, absolute long-term returns.

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The Hazards of Passive Investing

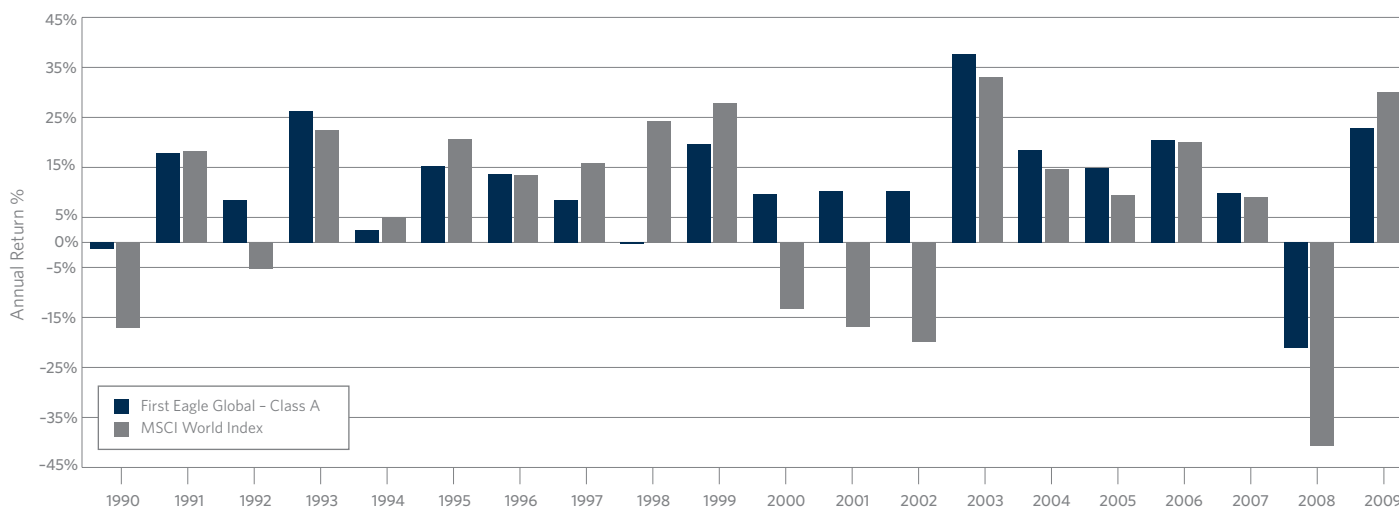
Index funds and ETFs, by definition, are locked into their allocations and must remain fully invested based on their given benchmarks, regardless of what is happening in the overall economy, in specific sectors of the market or in individual companies. While indices can be constructed in a variety of ways, one of the most common methodologies uses free-float market capitalization. In the S&P 500 and other indices of this type, the weight of each company is based on its market capitalization relative to the total market cap of the index. For example if a company's market cap is \$1 million and the total market cap of the index is \$10 million, then the company would represent 10% of the index. As the company's market cap increases or decreases, so does its weight in the index. Thus, if a market bubble is inflating and the market caps of certain companies are expanding — say, in the financial sector or in the technology, media and telecommunications sectors — ETFs and index funds must participate. The larger the bubble grows, the greater the weight of these stocks in the index and the larger their place in index-tracking portfolios. When the bubble bursts, which happens as surely as night follows day, anyone who bought securities at inflated prices is likely to suffer permanent impairment of capital.

The technology, media and telecommunication (TMT) bubble of the 1990s illustrates how hazardous passive investing can be. From the end of 1990 through the height of the bubble in March of 2000, the TMT component of the S&P 500 Index climbed at an average annual rate of 29% and these stocks had risen more than 14 times in value. At the end of 1991, the average price-to-earnings ratio of TMT

stocks was 34, but by March 2000 it had reached 116. At that point, TMT stocks constituted 46% of the S&P 500. During the expansion years, passive investment funds that tracked the S&P 500 Index loaded up on the “New Economy” TMT equities at higher and higher prices. Following the peak, the bubble deflated, and by October 2002 TMT stocks accounted for just 22% of the S&P 500 Index. For anyone owning passive funds based on the S&P 500, this large-scale collapse was disastrous. Of the S&P's -33.87% return from March 10, 2000 to October 31, 2002, -26.52% was a result of TMT. (Source: FactSet)

We believe actively managed, go-anywhere global funds can minimize the risk of market bubbles — outperforming not just by what they choose to own, but more importantly by what they choose not to own.

Calendar Year Returns



First Eagle Global Fund 10-Year Upside | Downside Capture Ratios vs. MSCI World Index as of 03/31/10

	Upside %	Downside %
First Eagle Global Fund	80.5%	62.5%

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. Performance information is for Class A Shares without the effect of sales charges and assumes all distributions have been reinvested, and if sales charge was included, values would be lower.

First Eagle Global Fund's Stability

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
11.63	10.21	23.96	51.59	22.45	30.31	29.18	36.48	5.24	74.50
9.72	8.44	10.25	38.59	20.25	17.77	26.34	31.59	3.97	57.51
-5.12	4.48	10.23	37.64	18.37	14.91	23.92	11.17	-21.06	31.78
-6.06	1.41	-1.89	33.11	14.72	13.54	20.50	9.90	-26.39	29.99
-7.46	-4.91	-7.97	31.06	11.95	9.49	20.07	9.04	-37.00	28.34
-9.10	-11.46	-15.94	28.68	10.88	6.12	15.79	6.97	-37.31	26.46
-13.18	-11.89	-19.89	28.15	10.87	4.91	15.72	5.49	-40.71	25.03
-14.17	-16.82	-21.54	21.74	4.40	2.74	11.77	5.14	-43.38	22.91
-31.80	-21.44	-22.10	4.10	4.34	2.43	4.33	2.19	-54.48	5.93

■ First Eagle Global - Class A	■ MSCI World Index - Net	■ MSCI EAFE Index - Net
■ S&P 500 Index - Total Return	■ Gold Bullion	■ Barclays Capital U.S. Aggregate Index - Total Return
■ BoA Merrill Lynch High Yield Master II Index	■ Russell 3000 Index	■ MSCI EMF (Emerging Markets) Index - Price

Individual stocks can also cause sizable losses in passive funds. Between 1998 and 2000, Enron's stock rose well over 300% to a peak of \$90 a share on August 17, 2000, which gave the company a market cap of roughly \$70 billion. At the time, Enron constituted some 0.51% of the S&P 500 Index and was its 41st largest holding. To keep up with Enron's weighting, S&P 500 index funds and ETFs automatically bought Enron shares at mounting prices. After the company's fraudulent practices were disclosed, the stock plummeted. On November 29, 2001, when Enron was dropped from the S&P 500 Index, its shares were trading at just 36 cents, and the company was among the smallest holdings in the index. Despite their diversified holdings, passive vehicles tracking the S&P 500 performance were negatively impacted by Enron's collapse. (Source: FactSet)

The Power of Active Management

We believe actively managed, go-anywhere global funds can minimize the risk of market bubbles — outperforming not just by what they choose to own, but more importantly by what they choose not to own. Having no obligation to own benchmark heavyweights like TMT stocks or Enron, they can avoid — or at least reduce the potential for — the sharp losses investors typically suffer when “black box” companies implode. In their search for opportunities, go-anywhere global funds look across a wide range of market capitalizations and a broad array of security types in all regions and sectors of the world. And when this search is unproductive, they accumulate cash and other deferred purchasing power instruments until attractive opportunities arise once again. Unlike passive funds and ETFs, global flexible funds can give Warren Buffett's investment rules the full respect they deserve — Rule No.1: Never lose money. Rule No.2: Never forget rule No.1.

Preserving and Growing Client Capital Over Time

First Eagle Global Fund is a global flexible fund with a record of preserving and growing client capital over the long term. We are value investors with a primary goal of preserving capital over market cycles while limiting the downside risk. Before making an investment, we first ask, “What can go wrong?” If we like a business but prefer to be in a more senior position in its capital structure, we have the ability to purchase its debt rather than its equity. We also invest in gold — both bullion and mining stocks — as a potential hedge against events we cannot forecast.

While, on occasion, we will show our Fund's performance in comparison to a market index, we do not use benchmarks to guide our investment decisions. There is, in fact, no one index that resembles our portfolio. If none of the stocks in a given country or sector meet our bottom-up, fundamental selection criteria, we will not own any. Because of our emphasis on capital preservation and minimizing downside risk exposure, we have typically outperformed the market when it is falling and underperformed it when it is rising. This is reflected in the Fund's upside and downside capture ratios over the past 10 years. In rising markets, the Fund's appreciation averaged 80.5% of the gain in the MSCI World Index, and in falling markets, the Fund's decline averaged just 62.5 % of the index's slide.

As a go-anywhere fund, we use diversification both to enhance returns and to reduce risks. While one year's top-performing asset class may fall to the bottom the following year, First Eagle Global does not try to time the market through opportunistic shifts in allocations. As illustrated in the chart above, the fund provided the stable performance that investors sought for the core of their portfolios.

Our Investment Approach

As value investors, we believe in buying fundamentally strong companies that the markets have priced below our assessment of their intrinsic value. This approach provides the margin of safety recommended by Benjamin Graham, the father of value investing. Intrinsic value, for us, is what an investor would pay in cash today to purchase the entire business. In other words, we tend to look at companies with the eyes of an acquirer of an enterprise rather than an investor in a security, asking how the business is likely to fare over a long business cycle. Our investment process is driven by independent, bottom-up research.

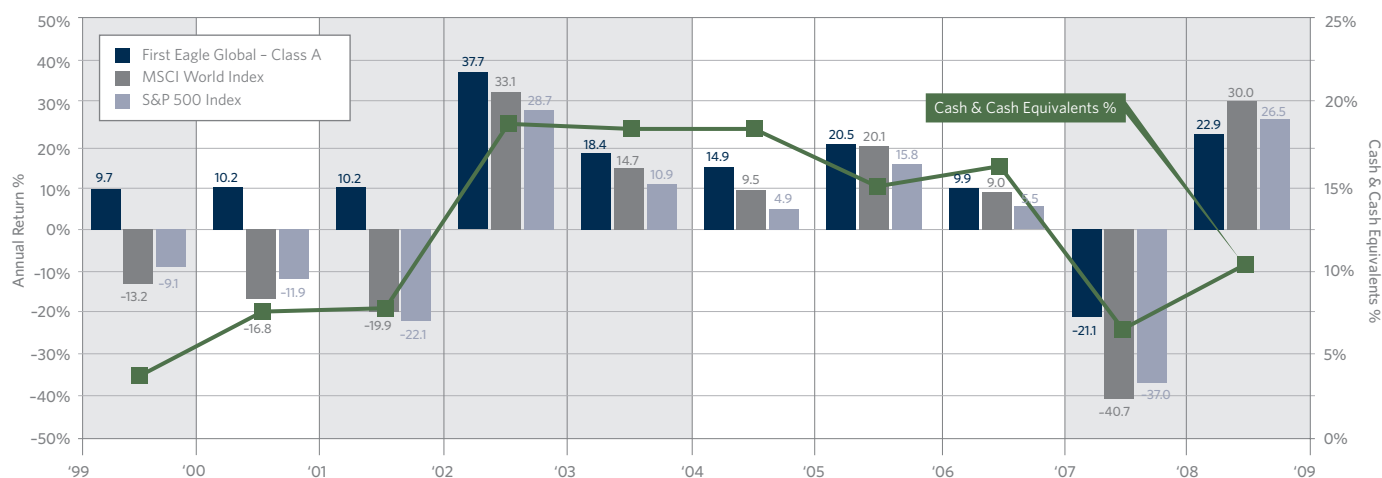
We have remained true to our value convictions through all types of markets, including the late 1990s when many observers believed that value investing was obsolete. Our practice of value investing is based on our recognition that we cannot have certain knowledge of the future. It is not always possible to forecast when our evaluation of a company's true economic value will be reflected in its share price, but we are prepared to wait.

Managing Risks

Our track record reflects our commitment to risk management. Patience and prudence are the cornerstones of our approach. We strive to create a large margin of safety by buying businesses at significant discounts to what we consider their intrinsic value. Our investment time horizon is approximately five years, and turnover in the portfolio averages just 5–20% a year. We do not buy companies simply because we like them; we wait for the right price to enter. We prefer to supply liquidity during a market crisis because it allows us to take advantage of the dislocation between a company's share price and its prospects. That is why we held very little cash by the time the market hit bottom in March 2009, but we built a sizable cash position as the market subsequently rallied.

We believe in winning by not losing; if we don't understand an investment, we say so and refrain from buying it. This applies as much to regions and sectors as it does to individual companies. Because we did not understand the valuations, we stayed away from Japanese stocks in the late 1980s, from TMT stocks and from Enron in the late 1990s and from purchasing the stock of any financial banks in 2008.

Calendar Year Returns vs. Historical Cash Allocation %

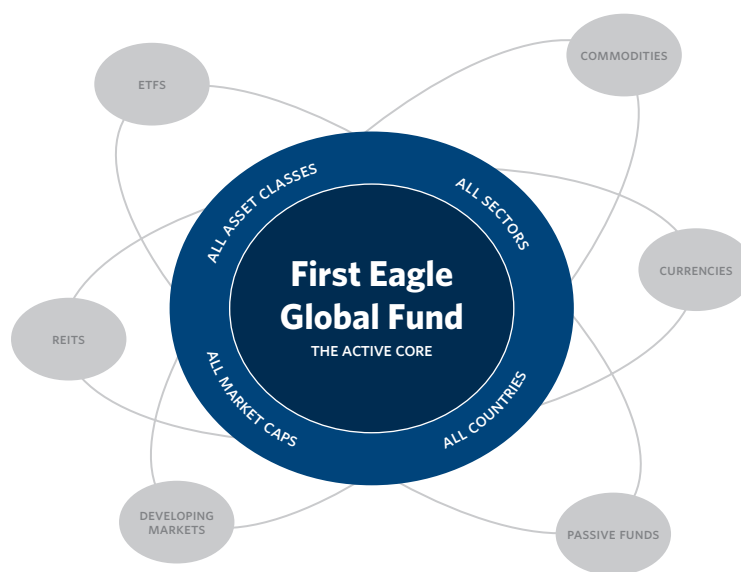


The chart illustrates how First Eagle Global Fund has avoided many market bubbles over the long term. During periods of market expansion, the Fund has raised more cash and cash equivalents, signaling our belief that the market is overvalued, and during market contractions, we deployed capital taking advantage of opportunities. We view cash as deferred purchasing power and a residual of our investment approach.

Complementary Satellite and Core Investments

First Eagle Global is a long-term strategic investment rather than a tactical one. We do not attempt to adjust our allocations opportunistically to take advantage of short-term trends. In fact, the Fund's historical allocations have moved only slightly from quarter to quarter over time. When we make the decision to invest in a business, we plant a seed and watch it slowly grow — an approach we consider well-suited to the core of an investor's portfolio. At the same time, however, we recognize that your clients may also seek exposure to more tactical approaches in order to generate alpha. These could well be designated as satellite holdings, some of which could be actively managed and some passively.

If you use First Eagle Global Fund as a building block for the core of your clients' portfolios, you can complement it with additional core products — other stable, flexible, go-anywhere funds that likewise focus on minimizing risk. By blending these holdings, you can individualize the core of each portfolio to the client's time horizon, risk appetite and return requirements. Instead of actively managing allocations to passively managed core funds, you can now delegate responsibility for core investments to experienced portfolio managers with proven track records, enlisting their expertise to make smart decisions for you and your clients.



Consider First Eagle Global Fund as Part of Your Actively Managed Core.

- We have the flexibility to invest across the capital structure, providing a foundation of diversifying asset classes with the opportunity to generate returns above the market, while potentially minimizing volatility.
- The Fund's go-anywhere approach enables investing in a variety of countries, sectors and market capitalizations without constraints from industry benchmarks, creating one of the strongest mutual fund track records in history.
- With capital preservation as a goal, First Eagle applies the prudence required to mitigate risk while attempting to generate positive absolute returns over time and has historically offered downside protection during market bubbles.

Average Annual Returns as of 03/31/2010

	YTD	1 Year	5 Years	10 Years	Expense Ratio
First Eagle Global Fund – Class A (without sales charge) (SGENX)	4.23%	39.66%	8.45%	12.64%	1.19%
First Eagle Global Fund – Class A (with sales charge) (SGENX)	-0.98	32.68	7.34	12.21	

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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 portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

Standard & Poor's 500 Index is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the U.S. economy and is not available for purchase. Although the Standard & Poor's 500 Index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also considered a proxy for the total market. The MSCI World Index is a widely followed, unmanaged group of stocks from 23 international markets and is not available for purchase. The index provides total returns in U.S. dollars with net dividends reinvested. The MSCI EAFE Index is a total return index, reported in U.S. dollars, based on share prices and reinvested net dividends of approximately 1,100 companies from 21 countries and is not available for purchase. The Barclays Capital U.S. Aggregate Bond Index is a benchmark index composed of U.S. securities in Treasury, government-related, corporate and securitized sectors. The BoA Merrill Lynch High Yield Master II Index is a commonly accepted measure of the performance of domestic, below-investment-grade high-yield corporate debt securities. The Russell 3000 Index is an unmanaged index that measures the performance of the 3,000 largest U.S. companies based on market capitalization, which encompasses 98% of the total market capitalization of the publicly traded U.S. equity market, and is not available for purchase. The MSCI EMF (Emerging Markets Free) Index is a market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The MSCI EMF Index excludes closed markets and those shares in otherwise free markets that are not purchasable by foreigners.

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 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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