

The world is imperfect, but equities are being priced to deliver reasonable real returns for long-term investors.



Portfolio Manager Insights

Commentary as of October 7, 2011
Footnotes revised November 17, 2011

When markets took their initial tumble back in early August - after the S&P U.S. sovereign downgrade - we felt a tinge of excitement and initiated buying activity, as some of the earlier complacency that had characterized the market was washed away, revealing the underlying financial fault-lines about which we had earlier been concerned. As the focus moved from the U.S. credit downgrade to serious, systemic concerns about Europe, the markets have been on the cusp of taking another leg down and risk perception has increased.

On the whole, we believe equity valuations are not aggressive on a standalone absolute basis, and frankly equities look cheap relative to government bonds - buying a 10 year inflation protected treasury today gives you a yield of only 4 basis points (not percentage points!), whereas many equities are providing sustainable free cash flow yields in the mid-single digit range with the prospect of trend earnings power growing close to the nominal economic growth rate over time. So the world is imperfect, but equities are being priced to deliver reasonable real returns for long-term investors against a back drop of no real returns on government bonds. In our view, equities remain the least worst choice for a long-term investor. The key however is not to own the market, but rather those stocks that embody a margin of safety. Market volatility is our friend, not our enemy, as it is the source of opportunities that embody a margin of safety.

Furthermore, risk perception is now palpable - the fault lines we have been concerned about are now front page news - and we always feel more comfortable as risks move from being latent to manifest and thereby better reflected in prices. This is not a prediction that the market has bottomed - we still need to absorb a Greek default, a European bank recapitalization and a move to more austere fiscal policies across the developed world - but it is a statement that some part of this risk is being reflected in current prices. We will not know when the bottom has been reached, but we do have a sense for when individual companies we own are trading with wide valuation margins of safety and those are becoming more prevalent in our portfolio.

Gold has pulled back from recent highs, but it is pretty much the only commodity that is up significantly this year, and one of the few monetary assets that has materially appreciated versus the dollar. It has served as ballast for our investments in equities. Gold is not risk free, it never has been, but it has served its role this year. It remains the one currency that cannot be printed out of thin air. Commodities as a whole have fallen however, and the yield curve has flattened because long-term rates have come down, not because short-term rates have risen. Our



interpretation of this is that we have entered a market environment marked by an erosion of faith in the ability of developed world policy makers to reflate, and with the fiscal pendulum swinging towards austerity and China showing some signs of slowing down, there is an emerging feel of a more deflationary environment setting in. It seems that our fiat money system, where money can be created out of thin air, leads to political temptation to create jobs in emerging economies and private temptation for short-term profits in the banking sector of the developed world, and when these imbalances get rectified the response is for second order creation of money to counteract the deflationary pulse. So despite its volatility, gold will likely remain part of our holdings, and serve as a source of ballast, until the financial architecture evolves.

So in short, more of the same for us.

> For additional thoughts on this topic, please read our [Fault-Line Investing article in Financial Advisor Magazine](#)



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	
First Eagle Overseas Fund - Class A (w/o sales charge)(SGOVX)	-6.53	1.73	4.30	13.34	1.17%
First Eagle Overseas Fund - Class A (w/sales charge)(SGOVX)	-11.19	-3.35	3.24	12.76	
First Eagle U.S. Value Fund - Class A (w/o sales charge)(FEVAX)	-3.12	3.89	3.79	8.87	1.24%
First Eagle U.S. Value Fund - Class A (w/sales charge)(FEVAX)	-7.96	-1.31	2.73	8.32	
First Eagle Gold Fund - Class A (w/o sales charge)(SGGDGX)	-6.33	3.45	15.06	22.92	1.22%
First Eagle Gold Fund - Class A (w/sales charge)(SGGDGX)	-11.02	-1.72	13.88	22.29	
First Eagle Fund of America - Class A (w/o sales charge)(FEFAX)	-11.51	-1.74	2.48	6.45	1.49%
First Eagle Fund of America - Class A (w/sales charge)(FEFAX)	-15.94	-6.65	1.43	5.90	

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

This document restates the performance of the First Eagle Fund of America Class A Shares (with and without sales charges) that was incorrectly stated in the presentation used during the period October 11, 2011 to November 15, 2011.

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 event-driven investment style used by First Eagle Fund of America carries the additional risk that the event anticipated occurs later than expected, does not occur at all or does not have the desired effect on the market price of the securities.

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