Gold Fund

Market Overview

The relatively small decline in the price of gold during the quarter belied what was a fair amount of intra-quarter volatility as markets tried to anticipate the potential trajectory of monetary policy.

Market Summary	2nd Quarter 2023
FTSE Gold Mines Index	-6.55%
MSCI World Index	+6.83%
S&P 500 Index	+8.74%
German DAX Index	+3.32%
French CAC 40 Index	+3.54%
Nikkei 225 Index	+18.54%
Brent Crude Oil	-6.11% $74.90 a barrel
Gold	-2.54% $1,919.35 an ounce
US Dollar	+8.60% vs. yen -0.42% vs. euro

Source: Bloomberg, WM/Reuters.

March's bank failures inspired dovish expectations early in the quarter, but sticky core inflation and resilient economic prints as time went on guided markets back toward the possibility that the Federal Reserve would make good on its repeated warnings that rates would be higher for longer. Spot gold fell 2.5% during the period, while silver was down 5.5%. The FTSE Gold Mines Index lost 6.6%.[1]

With market participants continuing to try to get a bead on the direction of Fed policy, the mercurial sentiment that drove the gold price in the first quarter persisted into the second. Gold's inverse relationship with real interest rates is the most important driver of its price movements; throughout the quarter, news perceived to be dovish sent real interest rates lower and gold prices higher, while hawkish reports had the reverse effect.

While markets had seemed to coalesce around the higher for longer narrative toward the end of the first quarter, mid-March's bank failures called into questions the Fed's willingness to follow through on this strategy amid such evidence of systemic fragility. This notion that the Fed would need to take its foot off the gas dominated market action for the next several weeks, sending Treasury yields lower and boosting the price of gold.

Rate sentiment began to shift in May, however, starting with the Fed's May 3 policy meeting. Though the 25 basis point increase, which brought the federal funds rate target to 5–5.25%, was dubbed by some as a "dovish hike" given the messaging that accompanied it, rhetoric from Fed governors in the days and weeks that followed made it clear there was still work to be done in the fight against inflation. This was reiterated at the central bank's mid-June meeting; though the fed funds rate was left untouched, many considered this to represent a "hawkish pause" in light of Powell's comments and the release of a new dot plot showing rates peaking at 5.6% later this year. Indeed, minutes released a few weeks later revealed that a "strong majority…expect that it will be appropriate to raise interest rates two or more times by the end of the year," per Chair Powell. Additional hikes would not come as a surprise; while headline inflation has improved markedly on the back of falling energy and food costs, core inflation remains sticky, reflecting resilient economic activity and a still-strong labor market.

From May 4 until the end of the quarter, the yield on two-year US Treasuries—a tenor historically sensitive to changes in monetary policy—rose by more than 100 basis points, while 10-year Treasury inflation-protected securities—a proxy for real interest rates—rose about 40 basis points. Gold sold off by about 6.5% over the same period. These moves in Treasury yields are almost the exact inverse of what we saw in the first quarter as the regional bank issues emerged.[2]

Other major central banks displayed a similarly hawkish bias during the quarter. This was particularly true in June, when central banks overseeing seven of the nine most traded currencies outside the US dollar hiked rates, including unexpected 50 basis point hikes from Norway and UK. Since September 2021, G10 central banks have increased policy rates by nearly 3,800 basis points.[3]

Speaking of central banks, their buying activity had been an important tailwind for the price of gold in recent quarters before tailing off in the second. After accumulating a record-breaking 1,136 tons of gold in 2022, global central banks added an additional 228 tons to their vaults in the first quarter. April and May saw net sales of nearly 100 tons, however, as the Turkish central bank was a very large seller. Notably, the People's Bank of China continued to buy—and report its purchases of—gold, as it picked up an additional 24 tons in April and May.[4]

1. Source: Bloomberg, FTSE Russell; data as of June 30, 2023.
2. Source: Federal Reserve Bank of St. Louis; data as of June 30, 2023.
3. Source: Reuters; data as of July 4, 2023.
4. Source: World Gold Council; data as of July 5, 2023.

Though many—including, apparently, the Fed—view March's banking crisis as a thing of the past, we have our doubts. The same vulnerabilities persist, and the potential for unintended consequences only increases as liquidity is wrung from the system and the economy continues to slow and potentially contract. We believe it's possible the recent banking crisis was merely a precursor to broader, more insidious issues around sovereign credibility. Such an environment highlights why we value a strategic allocation to gold as a potential hedge against a range of adverse events.

Portfolio Review

Gold Fund A Shares (without sales charge*) posted a return of -7.28% in second quarter. Both gold-related equities and gold bullion detracted. The Gold Fund underperformed the FTSE Gold Mines Index in the period.

Given the negative market dynamics of the quarter, First Eagle Gold Fund only had two positive contributors to performance, which included Kinross Gold Corporation and Newcrest Mining Limited. The next three top-performing positions were Pan American Silver Corp Contingent Value Rights, Northern Star Resources Ltd and Industrias Peñoles SAB de CV.

Kinross is a senior gold miner based in Canada with projects in the US, Brazil, Mauritania, Chile and Canada. The stock also tracked with the gold rally at the beginning of the quarter. Operational results for its most recent quarter were in-line with expectations. In addition, the company's development projects at the Tasiast mine in Mauritania and the Great Bear project in Canada are tracking well, although cash flow was merely breakeven during the quarter.

Newcrest is one of the largest gold miners in Australia, with additional assets in the Asia-Pacific region and North and South America. Shares closed essentially flat for the quarter, after rallying intra-quarter on Newmont Mining's upwardly revised takeout bid, which was subsequently accepted by Newcrest's management and board. This deal is still subject to regulatory review and requires approval from shareholders. Guidance for fiscal 2023 remains intact despite weak operational results for its most recent quarter due to planned and unplanned maintenance shutdowns at certain of its processing facilities.

Pan American Silver is a Canadian mining company with large silver endowments and a diversified portfolio of producing mines. We acquired our stake in the company's contingent value rights through our position in Tahoe Resources, which was acquired by Pan American Silver in 2019. The company's performance from quarter to quarter largely reflects expectations for reopening of the Escobal mine in Guatemala, pending government review of adherence to indigenous consultation guidelines.

The leading detractors in the quarter were NovaGold Resources Inc., Wheaton Precious Metals Corp, Newmont Corporation, GOLD CAYMAN FUND COMMON STOCK and Barrick Gold Corporation.

Canadian-domiciled Novagold Resources is the only development company in our portfolio. Despite reporting results in line with expectations, Novagold shares traded down as the price of gold declined, especially during the latter part of the quarter.

Wheaton is a Canadian precious metals streaming and royalty company. Weakness in Wheaton's shares reflected lower prices for both gold and silver during the quarter as well as temporary labor-related disruptions to silver production at Newmont's Peñasquito mine in Mexico, in which Wheaton has an economic interest. Management guidance suggests that production in the second half of the year will exceed that of the first. We regard Wheaton as a well-run company with a high-quality portfolio of long-life, low-cost assets and a strong balance sheet.

Newmont is one of the largest gold miners in the world and also a major producer of silver, and weakness in the prices of these metals during the period weighed on the stock. In addition, some investors were given pause when Denver-based Newmont sweetened its offer to acquire Australia's Newcrest Mining in May. This deal is still subject to regulatory review and requires approval from shareholders. A labor strike at the Peñasquito silver mine in Mexico that began in June was another headwind. We remain constructive on Newmont's strong fundamentals; the company is a well-diversified industry behemoth with reserves in good jurisdictions and a strong balance sheet.

We appreciate your confidence and thank you for your support.

Sincerely,

First Eagle Investments

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

Average Annual Returns as of Jun 30, 2023

				YTD	1 Year	5 Years	10 Years	Expense Ratio*
First Eagle Gold Fund	Class A	without sales charge	SGGDX	2.78%	10.85%	8.78%	4.24%	1.19%
First Eagle Gold Fund	Class A	with sales charge	SGGDX	-2.35%	5.29%	7.67%	3.70%	1.19%
FTSE Gold Mines Index				3.88%	5.73%	4.88%	2.29%	

The performance data quoted herein represent past performance and do 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 are available at www.firsteagle.com or by calling 800-334-2143.

The average annual returns for Class A Shares "with sales charge" of First Eagle Gold Fund give effect to the deduction of the maximum sales charge of 5.00%.

*The annual expense ratio is based on expenses incurred by The Fund, as stated in the most recent prospectus.

The Indigenous and Tribal Peoples Convention, 1989 is an International Labour Organization Convention, also known as ILO Convention 169, or C169. Convention 169 recognizes Indigenous peoples' right to self-determination within a nation-state, while setting standards for national governments regarding Indigenous peoples' economic, socio-cultural and political rights, including the right to a land base. The convention is law within the nation-states that have ratified it.

The federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight on an uncollateralized basis. Reserve balances are amounts held at the Federal Reserve to maintain depository institutions' reserve requirements. Institutions with surplus balances in their accounts lend those balances to institutions in need of larger balances.

Risk Disclosures

All investments involve the risk of loss of principal.

Investment in gold and gold-related investments present certain risks, including political and economic risks affecting the price of gold and other precious metals like changes in US or foreign tax, currency or mining laws, increased environmental costs, international monetary and political policies, economic conditions within an individual country, trade imbalances and trade or currency restrictions between countries. The price of gold, in turn, is likely to affect the market prices of securities of companies mining or processing gold, and accordingly, the value of investments in such securities may also be affected. Gold related investments as a group have not performed as well as the stock market in general during periods when the US dollar is strong, inflation is low and general economic conditions are stable. In addition, returns on gold related investments have traditionally been more volatile than investments in broader equity or debt markets. Investment in gold and gold related investments may be speculative and may be subject to greater price volatility than investments in other assets and types of companies.

There are risks associated with investing in foreign investments (including depositary receipts). Foreign investments, which can be denominated in foreign currencies, are susceptible to less politically, economically and socially stable environments, fluctuations in the value of foreign currency and exchange rates, and adverse changes to government regulations.

Strategies 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.

One cannot invest directly in an index. Indices do not incur management fees or other operating expenses.

MSCI World Index measures the performance of large and midcap securities across 23 developed markets countries. The index provides total returns in U.S. dollars with net dividends reinvested. **FTSE Gold Mines Index** measures the performance of the shares of companies whose principal activity is the mining of gold and encompasses all gold mining companies that have a sustainable, attributable gold production of at least 300,000 ounces a year and that derive 51% or more of their revenue from mined gold in the worldwide market. **MSCI EAFE Index** measures the performance of large and midcap securities across 21 developed markets countries around the world excluding the US and Canada. **Bloomberg Global Aggregate Bond Index** measures the performance of global investment grade debt from 24 local currency markets, including treasury, government-related, corporate, and securitized fixed rate bonds from both developed and emerging markets. **S&P 500 Index** is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy. Although the S&P 500 Index focuses on the large cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market. The S&P 500 Index includes dividends reinvested. **Nikkei 225** is an unmanaged price-weighted equity index, which consists of 225 stocks in the first section of the Tokyo Stock Exchange. German **DAX® Index** is unmanaged and tracks the segment of the largest and most important companies—known as blue chips—on the German equities market. It contains the shares of the 30 largest and most liquid companies admitted to the FWB® Frankfurt Stock Exchange in the Prime Standard segment. The DAX represents about 80% of the aggregated prime standard's market cap. The French **CAC 40** is an unmanaged market index designed to reflect the evolution of the Euronext Paris market. It is made up of the 40 highest ranking shares listed on the Paris market, according to criteria based on free float market capitalization and trading volume. The index is reviewed and adjusted every quarter in order to take into account changes concerning the size and the volume of the constituent companies.

The holdings mentioned herein represent the following total assets of the First Eagle Gold Fund as of 30-Jun-2023: Kinross Gold Corporation 0.00%; Newcrest Mining Limited 4.95%; Pan American Silver Corp Contingent Value Rights 2019-22.02.29 0.16%; Northern Star Resources Ltd 1.24%; Industrias Peñoles SAB de CV 0.86%; NovaGold Resources Inc. 3.10%; Wheaton Precious Metals Corp 12.01%; Newmont Corporation 8.79%; GOLD CAYMAN FUND COMMON STOCK 22.20%; Barrick Gold Corporation 6.74%.

This commentary represents the opinion of the First Eagle Gold Fund portfolio managers as of 30-Jun-2023 and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the entire firm. These materials are provided for informational purposes 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 Fund's portfolio is actively managed and holdings can change at any time. Current and future portfolio holdings are subject to risk.

The Fund may invest in gold and precious metals through investment in a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the "Subsidiary"). Gold Bullion and commodities include the Fund's investment in the Subsidiary.

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Investors should consider investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the Funds and may be viewed at www.firsteagle.com or by calling us at 800-747-2008. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed and may lose value.

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