VettaFi Advisor Perspectives First Eagle Investments

# An Interval Fund to Access Alternative Credit

by Robert Huebscher, 4/15/24

**Steve Krull**
Portfolio Manager on the First Eagle Credit Opportunities Fund

**Pete Monty**
Wire/RIA & Major Metro Divisional Manager at First Eagle

*The First Eagle Credit Opportunities Fund (FECRX) just reached its three-year anniversary. The fund offers advisors and their clients access to private credit and syndicated loans through an interval fund structure. It provides current income and long-term, risk-adjusted returns by allocating capital to both public and private market investments. The fund seeks to mitigate downside risks by building a portfolio of assets diversified across the alternative credit spectrum, with an emphasis on first lien, senior-secured assets.*

*First Eagle is an independent, privately owned asset management firm dedicated to serving the needs of individuals and institutions worldwide as well as the financial professionals that advise them.*

*I spoke with Steve Krull, portfolio manager on the First Eagle Credit Opportunities Fund, and Pete Monty, Wire/RIA & Major Metro Divisional Manager at First Eagle, on February 26.*

**First Eagle Credit Opportunities Fund (FECRX):**

**1.** Distribution Rate: 10.59% (January 31, 2024)
**2.** Duration: 0.37 years (December 31, 2023)
**3.** Launched September 15, 2020.
**4.** 2023 Performance: (a/o December 31, 2023): 12.46%
**5.** Since inception (9/15/20) cumulative performance: (a/o December 31, 2023): 25.20%
**6.** Adjusted expense ratio: 2.25%

**Standardized performance can be found on page 10**

***Steve Krull,*** *CFA, is a managing director and head of trading for First Eagle Alternative Credit's Tradable Credit team and also serves on its investment committee. Steve became part of First Eagle in 2020 upon the firm's acquisition of THL Credit, which he had joined in 2004. Previously, he was a portfolio manager/head trader of the alternative credit strategies group at McDonnell Investment Management. Before that, Steve was a member of the bank loan asset management group at Columbia Management Advisors, serving in various roles including bank loans trader responsible for day-to-day cash management and trading activity of the group's two mutual funds and four structured products with assets totaling $2.7 billion. He earned a BA in economics from Illinois Wesleyan University. Steve holds the Chartered Financial Analyst designation and is a member of the CFA Institute and CFA Society of Chicago.*

***Peter Monty*** *is Wire/RIA & Major Metro Divisional Manager at First Eagle. Pete Monty joined First Eagle in 2016 as a wholesaler and in 2019 transitioned into Western Divisional Sales Manager. Before joining First Eagle he was at Deutsche Asset Management covering the Bay Area for over 10 years as a Senior Vice President. Prior to Deutsche, he covered the four corners for Sun Life and Hartford as a Senior Vice President. Before entering into the financial services industry, Pete played five years in the NFL with the New York Giants and Minnesota Vikings. He graduated University of Wisconsin Madison with a BS in ag economics.*

**Bob: The fund recently reached its three-year anniversary. Tell me about the history of the fund and what led to its inception.**

**Peter Monty:** First Eagle has long been known as a leading global value manager. Our Global Value team runs about $85 billion in various strategies, including our flagship Global Fund, which was incepted in 1979 and has about $50 billion in AUM as of December 31, 2023. It's always been important to us to meet our clients where their needs lie. We've helped clients with the accumulation phase of their investment life cycle for nearly 45 years, and more recently we've launched vehicles and capabilities to help them move into the retirement/distribution phase.

First Eagle acquired THL Credit, the credit arm of Thomas H. Lee Partners, in January 2020 to form our First Eagle Alternative Credit (FEAC) platform. With over $21B in assets under management[1], as of December 31, 2023, FEAC is focused on two main platforms – syndicated loans and direct lending. By combining those two asset classes in an interval fund structure, we are able to capture relative value opportunities between these markets on behalf of our investors.

Timing is everything, especially for fixed income, and September 2020 was a very good time to launch the First Eagle Credit Opportunities Fund. Coming out of the disruptions from the pandemic, we had access to some of the best vintages for alternative credit products and for fixed income products in general.

We went live on the clearing platforms – Schwab, Fidelity, and Pershing – in March and April of 2021 with about $40 million in assets. We hit our three-year track record on September 15, 2023, with about $750 million in AUM and are doing business with more than 400 unique RIAs. A lot of our progress has to do with our focus on education. Our team of credit specialists and portfolio managers have participated in more than 2,000 calls with the investor and RIA communities.

We're excited about the three-year track record and couldn't be more proud of what we have delivered to our clients over this time. The First Eagle Credit Opportunities Fund has historically performed well and has operated within the framework of what people have come to expect from First Eagle.

**Bob: What are the fund's key objectives? Why was credit attractive in September of 2020? Why is it a compelling asset class today?**

**Peter Monty:** When you look at our fund's objectives, the first is to deliver strong current income. We sit at about a 10% yield[2] as of January 2024. Our duration management is also a big component of what we're trying to accomplish with this fund. The duration[3] of the fund is 0.37 years. Another main objective of the fund is downside mitigation. We're predominantly in senior-secured, first lien floating-rate investments with 30% to 50% loan-to-value (LTV) ratios. Furthermore, we believe creating a liquidity buffer through broadly syndicated loans in an interval fund vehicle that is not daily redemptive has potential to be advantageous as the fund is not forced to sell at the wrong time. We've seen daily redemptive levered-loan funds fall victim to retail outflows and inflows over the years. That's eliminated by the interval-fund wrapper.

The last thing is diversification. The fund has a lower correlation to and volatility profile than the public markets. When you look at what's happened in the interval fund space, a lot of the funds that were first to market – particularly larger funds – under the hood looked a lot like unconstrained bond funds. Were investors receiving the illiquidity premium, and how would they correlate to the public markets? Well, when the Bloomberg Aggregate was off, call it -12.5% in 2022, we observed that a lot of them were closely correlated to it. We believe our interval fund held up extremely well returning -3.03% for the same period.

What's compelling about the asset class today is that these alternative-credit vehicles have potential to yield between 8% and 12%. That's given where yields were and where base rates are.

Historically, that's what people have come to expect from the equity markets. But they're probably expecting less today than those historic returns. You can potentially get equity-like returns with downside mitigation and lower correlation to the equity markets. Sounds very familiar to the fixed income experiences one might have had 15-20 years ago..

**Bob: Pete mentioned that the fund has exposure to private credit and syndicated loans. From an industry perspective, where are you deploying assets? What sectors are you avoiding?**

**Steve Krull:** In the current environment with uncertainty as to where the economy is going and what the Fed will do next, we prefer industries with defensive market positions that have significant pricing power. We favor industries that generate

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free cash flow throughout an entire credit cycle, which allows those credits to deleverage along the way. In general, we seek exposure to industries that have minimal exposure to GDP growth, such as business services, information technology – specifically software and IT services – as well as GDP-plus-type industries such as consumer staples and food and beverage.

Within business services, we like insurance brokers and repair and maintenance businesses. If your water pipe breaks in your basement, you need to get it fixed immediately, which gives these companies very strong pricing power. In terms of information technology credits, they have highly recurring and predictable revenue streams via their subscription agreements and long-term contracts. They have very strong competitive positions that have a high degree of switching costs, which essentially means there's limited customer churn. All this contributes to very strong free-cash-flow generation for these credits, allowing for that rapid de-leveraging. In addition, significant debt subordinate to us in the capital stack serves as a buffer to our senior-secured position and help mitigate the downside.

It is in our experience that if you can underweight or avoid certain industries at certain points in a cycle, your portfolio is going to tend to have a lower default rate than the overall market. Moreover, those credits that do experience trouble will tend to have a higher recovery rate and hence you have potential for above average risk-adjusted returns versus the market through the cycle.

We don't avoid industries altogether. But those industries that we are underweight from a macro perspective tend to have a much higher hurdle rate within their sectors. One example is energy as we're not going to speculate on the price of oil, natural gas or other commodities. We're underweight in certain areas of industrials and autos. Brick-and-mortar retail continues to be pressured from a competitive and labor-cost standpoint. Healthcare tends to have a high degree of its cost structure based in labor; with this very sticky labor market, margins are being significantly pressured within healthcare.

**Bob: Focusing on the private-credit story, what attributes do you look for when you lend to companies and how do you source origination opportunities?**

**Steve Krull:** Initially we look for private credits that have three characteristics. As we do with the public syndicated market, we look for private credits that have very defensible market positions with pricing power. These credits also have highly variable cost structures and nominal capital intensity. Third, they must demonstrate an ability to generate cashflow throughout the economic cycle that leads to that de-leveraging we like to see. Although we'd like to receive a nice coupon along the way for our providing of credit to companies, getting repaid at par at maturity is the most important factor for us.

We typically source our private transactions directly from private equity sponsors. In fact, all the private deals within our portfolio have private equity sponsors embedded in the transaction. This is another way to help mitigate the downside. If a company does have some issues, we can negotiate with that private equity sponsor to provide additional liquidity to the company. We did this on multiple occasions during the 2020 COVID shutdown, when we were able to work with those private equity sponsors to inject additional equity capital and debt financing to provide those companies with liquidity to get them through the economic shutdowns that occurred.

We utilize our deep relationships with private equity sponsors to source these opportunities, particularly in what we call the "core-middle-market" space. These companies typically have $5 to $50 million of EBITDA, and facility sizes are between $50 and $250 million. We can negotiate terms of credit agreements – things like free cashflow sweeps, hard amortizations and covenants – that can at least allow us back to the negotiating table should the company suffer from what's going on in the economy.

**Bob: How has access to alternative credit evolved over the last five years?**

**Peter Monty:** The structures with which you can access alternative credit have evolved, and that's helped the advisory profession. Historically, alternative credit was reserved for institutional investors through LP structures and private-LP vehicles. They had lockups of seven years or more, were not continuously offered, had K1 tax treatment, and had accredited investor (AI) and qualified participant (QP) requirements.

When you think about the introduction of interval funds and non-traded business-development companies (BDCs), they democratized alternatives for the retail investor and allowed them to gain access to a part of the market that had been reserved for institutions. The appeal has grown considerably in recent years. Interval funds, for example, raised less than $10 billion annually in 2018, 2019 and 2020 before breaking out in 2021 with $18 billion raised, and they did another $23 billion in 2022.[4]

Interval funds and BDCs have a lot of similarities, but also a few key differences. Both are direct-purchase and continuously offered and feature quarterly liquidity and 1099 tax treatment. Unlike BDCs, however, interval funds do not require that investors be accredited. In addition, interval funds are far less levered than non-traded BDCs and other similar products, as '40 Act regulations cap interval fund leverage at 33.3%; in other words, for every dollar in equity raised, an interval fund can borrow no more than 50 cents. Non-traded REITs and non-traded BDCs can lever up to 200% of assets.

Also, many interval funds, including our First Eagle Credit Opportunities Fund, do not charge performance fees. Many non-traded BDCs carried performance fees with a 5% or 6% return hurdle, after which it was a 85/15 split back to dollar one.

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**Bob: Private credit is a newer asset class for retail investors. What are the key things that advisors should consider when they allocate to a credit fund like the First Eagle Credit Opportunities fund?**

**Peter Monty:** We are predominantly invested in first lien, senior-secured loans, and private equity sponsorship provides another level of risk mitigation. We're looking for strong covenants and, like Steve mentioned, putting money to work in stable industries less impacted by macro dynamics.

One interesting nuance we've seen of late is the growth of deal sizes even as volumes have been pressured by interest rate volatility. Traditional middle-market borrowers are companies with roughly $5 to $75 million in EBITDA, but today certain lenders are extending loans to some of the largest companies in the world – equity deals of $10 billion-plus with $3 to $5 billion in debt underneath. A lot of the same lenders are participating in those deals, and retail investors should be cognizant of the overlap some of these vehicles have. First Eagle is sticking with traditional middle-market direct lending, and we believe as a result our product can serve as a very good diversifier to some of the larger names in the market.

**Bob: Where is your team seeing opportunities within the public and private credit markets, and what are the risks that you're most careful to avoid?**

**Steve Krull:** With the Credit Opportunities Fund, we have three levers to pull when accessing the public and private credit markets. On the loan side, we can buy new-issue paper or purchase public loans in the secondary market. While the private debt market is accessed through the loans we underwrite ourselves.

Typically, we like to see about 200 to 300 basis points of incremental yield as compensation for the illiquidity of private loans compared to transactions in the public market. For much of 2021, the spread between private and public credit yields was wider than 2%, as demand for loans was buoyed by strong issuance of collateralized loan obligations, which comprise about 70% of the loan-buying universe.[5] Public credit spreads blew out significantly after Russia invaded Ukraine in February 2022, however, narrowing the gap between private and public yields. Private credit spreads throughout 2022 and even through the first half of 2023 never adjusted to the increase in public market risk premium.

Because of this increase in public yields, in the first half of 2023 we rotated the portfolio's allocation from 60% private/40% public to 40% private/60% public. This allowed us to increase both the liquidity and credit profile of the portfolio. We were able to buy B1 and BB credits at yields that were around 8% to 10%, which at the time was very attractive versus similar opportunities in the private space.

The fund's flexibility allows us to maneuver and seek the best relative value at any given time. As we look at our private pipeline, private spreads are starting to reset to more appropriate levels, 200 to 300 basis points wide of public markets. As that private pipeline moves through our system and our underwriting process, our portfolio may begin to shift back toward our long-term target allocation of 50/50 between private and public markets.

From a risk standpoint, we continue to monitor things like interest-coverage ratios. Floating-rate assets are a double-edged sword in a rising-rate environment. While the loans generate more income for the portfolio as short-term rates rise, borrowers are being pressured by higher interest expense.

While the rate-hike cycle initially had limited impact on credit quality, we have started to see the impact of higher interest expense on margins in both the private and public credit space. As a result, we're keeping a very close eye on interest coverage ratios.

Additionally, we have seen loan defaults pick up. The trailing-12-month default rate hovered around 1% to 1.25% throughout 2021 and 2022, below historical averages, but of late has moved closer to the historical average in the 2% to 2.5% range.[6] We are focused on identifying industries that are more stressed and avoiding those industries that have a higher likelihood of experiencing generic defaults.

We are also watching the maturity profiles of the market. The broadly syndicated market has done a very good job of pushing maturities out through 2026 and 2027. There are not a lot of near-term maturities to refinance, which is different from the circumstances at the onset of the global financial crisis from 2007 to 2009. The market in general has a much longer runway to refinance credits in the near term.

**Bob: As advisors continue to adopt alternative investments, how do you see them implemented within portfolios?**

**Peter Monty:** Peter Monty: Over the last 24 months, there have been three main ways we've seen advisors use alternatives. The first is a replacement for traditional fixed income. Many investors and advisors have realized that 100% of their fixed income holdings do not have to be 100% liquid, and there's a lot to be said for capturing that illiquidity premium in the markets. We've seen a lot of dollars come into the fund as a replacement for traditional fixed income, high yield vehicles and leveraged-loan funds. Traditional bank loans and leveraged-loan funds have been victims of retail inflows and outflows for many years, and we believe the interval structure is a better way to own broadly syndicated loans.

Second, we've seen advisors create dedicated alternative models. They are diversified by manager, asset class, distribution and even by vehicle. They could have an interval fund model or vehicle, and a liquidity window because many of the interval funds and non-traded BDCs have staggered liquidity windows. Advisors have created models that offer liquidity at different periods, not just in the same month every quarter.

The last place we've seen assets flowing in is from people who are rebalancing out of the equity markets given the current valuations. Prices ran up dramatically in 2023. We believe credit looks attractive in this environment.

**Bob: How does the interval fund work? What are the limits to liquidity and how do you ensure that you can meet liquidity demands with an illiquid asset class?**

**Peter Monty:** Interval funds have had fits and starts since the early 2000s. This may have been driven by a mismatch at times between the underlying investment and its liquidity profile. Interval funds, according to the '40 Act, are required to offer 5% liquidity per quarter. Interval funds look much like a mutual fund, but the big difference is the quarterly liquidity feature. It allows the interval fund manager to have more illiquid assets, whereas in a traditional mutual fund or ETF, illiquid assets are capped at 15%.

How are we handling that liquidity? We have one of the lowest redemption rates as a percentage of assets raised in the industry. We've seen only about

10.5% of our assets redeemed since inception. We believe a lot of that has to do with consistent performance, and we also keep a substantial sleeve of liquid assets inside the portfolio. Some of those are broadly syndicated loans, along with a 5% to 10% sleeve of high yield to help manage that liquidity. We also educated our clients on the interval wrapper and potential benefits for investors. Our clients are acutely aware of interval fund wrappers' features.

**Bob: Why does the structure of an interval fund lend itself well to providing access to alternative investments for retail investors? What are the benefits of holding private- or public-credit securities in an interval fund structure?**

**Peter Monty:** For the interval fund, one of the reasons we like it, is the fact that it's a very scalable solution for advisors. For many years, alternative investments and alternative credit were reserved for institutional investors. This interval fund has no AI or QP requirements. No cumbersome K1 filings – it has 1099 tax treatment. And it's continuously offered. That's important. Interval funds are required to offer 5% liquidity per quarter, whereas a non-traded BDC or a non-traded REIT can "gate" redemptions. They're not required to offer that 5%.

These features save investors from themselves. Let's say you're in a non-traded REIT, and there's a 20% or greater request for redemptions of the portfolio. That could be because of a poor economic backdrop – like March of 2020 when COVID hit. If you had 20% redemption requests and you held only 5% to 10% liquid securities, you'd be forced to sell buildings and assets of that nature at the wrong time. The illiquid feature saves an investor from an emotional decision, while sparing the manager from selling the most liquid or most profitable positions in their portfolio.

We believe it's a great way to access the illiquidity premium that was long reserved for institutional investors and an upper subset of an advisor's book.

**Bob: With 2024 in full swing, what are you thinking about and where are you spending your time?**

**Steve Krull:** We continue to be focused on defensively positioning the portfolio due to a potential slowdown in the economy or a recession on the horizon, with higher defaults and a more challenging credit environment. We've been doing this in several ways. We have been moving up in credit quality into more liquid assets for the last 18 months.

Additionally, we continue to minimize the amount of leverage that the fund is using to give us the capacity to participate in market selloffs, should there be an increase in volatility, while not sacrificing yield on the portfolio. We are doing a lot of forward-looking industry deep dives where there's going to be opportunities with mispriced assets in the private

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> PETER MONTY

markets where companies will need to refinance their public debt. The increased rating downgrades for many broadly syndicated credits have excluded many investors from purchasing them, which weighs on their secondary market prices.

From an industry perspective, we are looking at paper and packaging companies. Many of these credits have been downgraded in the last three to six months because they've not been able to pass through the raw material costs to their end client as fast as they normally have in other cycles. But they have significant pass-through agreements within their contracts that will allow them to pass those higher raw material costs through. Many of those names have traded down because the agencies have downgraded them, and we believe the next several months will present very good opportunities to add some total-return ideas to the portfolio. We believe having flexibility within the portfolio to take advantage of increased volatility is a way to provide the potential for long-term, risk-adjusted returns for our clients.

**Bob: If there is one key takeaway you would like to leave for advisors about the advantages that the interval fund offers, what would that be?**

**Peter Monty:** We believe the interval fund structure allows stability inside an advisor's book, and the approach that we've taken allows us to extrapolate relative value in both the private and the public markets. We believe the interval fund is a great structure for providing access to institutional-caliber illiquid investments previously reserved for institutional investors and a small subset of AI and QP clients. We are pleased with our results and most importantly the experience we have delivered to our clients.

*Robert Huebscher is the founder of Advisor Perspectives and a vice chairman of VettaFi.*

Footnotes:

1. Represents the aggregate assets under management of First Eagle Alternative Credit, LLC. Amounts shown consist of invested capital, outstanding committed capital and any proceeds thereof. Not a guarantee of future AUM, platform size, or composition.

2. The Fund intends to declare income dividends daily and distribute them monthly at rates intended to maintain a more stable level of distributions than would result from paying out amounts solely based on current net investment income by paying out less than all of its net investment income or paying out undistributed income from prior months (with any potential remaining deficiencies characterized as a return of capital at year end). To date, the distribution yield has only been derived from the Fund's net investment income and has not included borrowed funds or a return of capital. The distributions might not be made in equal amounts, and one month's distribution may be larger than another. Distribution yield presented excludes any special dividends and is based on the fund-level composite of all the share classes. Distribution yield indicates the annual yield received if the most recent composite Fund monthly distribution paid was the same for an entire year. The yield represents a distribution and does not represent the total return of the Fund. Because the Distribution Yield is annualized from a single month's distribution, no investor actually received the yield in a given year. The yield is calculated by annualizing the most recent composite monthly distribution paid by the Fund and dividing it by the Fund's average month-to-date NAV from the as-of date.

3. Weighted Average duration measures a bond or loan's sensitivity to interest rate changes that reflects the change in an issue's price given a change in yield.

4. Source: The Stanger Market Pulse 2021 and The Stanger Market Pulse 2023

5. Source: Pitchbook LCD Quarterly 2023Q3

6. Source: Moody's Investor Service as of December 31, 2023

**This is an article reprint of a published Advisor Perspectives article dated April 15, 2024. First Eagle views and opinions noted in the article could have materially changed since the published date. First Eagle is not responsible for updating such views and opinions. Please see below for additional disclosures.**

## Average Annual Returns as of Mar 31, 2024

| | | | | | Expense Ratio[1] | | | |
|---|---|---|---|---|---|---|---|---|
| | YTD | 1 Year | 3 Year | Inception | Gross[2] | Net | Adjusted[3] | Inception Date |
| First Eagle Credit Opportunities Fund – Class A FECAX (without load) | 2.28% | 11.17% | 5.64% | 6.84% | 4.72% | 4.03% | 2.25% | Dec 2, 2020 |
| First Eagle Credit Opportunities Fund – Class A FECAX (with load) | -0.28% | 8.38% | 4.39% | 5.70% | 4.72% | 4.03% | 2.25% | Dec 2, 2020 |
| First Eagle Credit Opportunities Fund – Class A-2 FCAAX (without load) | 2.21% | 10.72% | - | 6.59% | 5.35% | 4.53% | 2.75% | May 31, 2022 |
| First Eagle Credit Opportunities Fund – Class A-2 FCAAX (with load) | -0.36% | 7.93% | - | 5.13% | 5.35% | 4.53% | 2.75% | May 31, 2022 |
| First Eagle Credit Opportunities Fund – Class I FECRX | 2.41% | 11.56% | 6.08% | 7.27% | 4.44% | 3.78% | 2.00% | Sep 15, 2020 |

1. The annual expense ratio is based on expenses incurred by the fund, as stated in the most recent prospectus. FEIM has contractually undertaken to waive and/or reimburse certain fees and expenses of the Fund so that the total annual operating expenses (excluding interest, taxes, brokerage commissions, acquired fund fees and expenses, dividend and interest expenses relating to short sales, and extraordinary expenses, if any) (''annual operating expenses'') of the Class A, Class A-2 and Class I shareholders are limited to 2.25%, 2.75% and 2.00%, respectively, of average net assets. This undertaking lasts until April 30, 2025 and may not be terminated during its term without the consent of the Board of Trustees. The Fund has agreed to repay the Adviser for fees and expenses waived or reimbursed for the class provided that repayment does not cause annual operating expenses (after the repayment is taken into account) to exceed 2.25%, 2.75% and 2.00% of the class' average net assets, or such other lower amount as may be in place at the time of repayment. Any such repayment must be made within three years after the date in which the Fund incurred the fee and/or expense.

2. The Gross Expense Ratio includes an estimate of interest payments the Fund expects to incur in connection with its use of leverage of 1.78% and Acquired Fund Fees and Expenses (''AFFE''), which are fees and expenses incurred by the Fund in connection with its investments in other investment companies, which are excluded from the expense waiver.

3. The Adjusted Expense Ratio of 2.00% for Class I, 2.25% for Class A and 2.75% for Class A-2 excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales, incurred directly by the Fund or indirectly through the Fund's investments in underlying First Eagle Funds (if applicable), none of which are paid to First Eagle.

**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. "With load" performance for Class A Shares gives effect to the deduction of the maximum sales charge of 2.50%.**

**Investments are not FDIC insured or bank guaranteed and may lose value.**

The information is not intended to provide and should not be relied on for accounting or tax advice. Any tax information presented is not intended to constitute an analysis of all tax considerations. The minimum initial investment for Class A Shares and Class A-2 Shares is $2,500 per account. The minimum subsequent investment amount for Class A Shares and Class A-2 Shares is $100. The minimum initial investment for Class I Shares is $1 million per account. There is no minimum subsequent investment amount for Class I Shares.

**DEFINITIONS:**

Indexes are unmanaged and one cannot invest directly in an index.

The Bloomberg U.S. Aggregate Bond Index is an unmanaged broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS and is not available for purchase.

EBITDA is earnings before interest, taxes, depreciation, and amortization and may be used as a measure of a company's health.

BDC refers to a business development company.

Non-traded Real Estate Investment Trusts (REITs) are not listed on public exchanges and can provide retail investors access to inaccessible real estate investments with tax benefits. A real estate investment trust (REIT) is a company that owns, operates, or finances income-generating real estate.

A floating-rate security is an investment with interest payments that float or adjust periodically based upon a predetermined benchmark.

An exchange-traded fund (ETF) is a pooled investment security that can be bought and sold like an individual stock. ETFs can be structured to track anything from the price of a commodity to a large and diverse collection of securities.

**DISLCOSURES:**

Unless otherwise stated, all information contained in this material is as of April 15, 2024.

The opinions expressed are not necessarily those of the firm and are subject to change based on market and other conditions. 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 security.

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Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Ratings source: Standard & Poor's. A credit rating, as represented by the Credit Quality Breakdown, is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of credit worthiness of an issuer with respect to debt obligations, including specific securities, money market instruments, or other bonds. ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. Not Rated (NR) indicates that the debtor was not rated and should not be interpreted as indicating low quality. For more information on the Standard & Poor's rating methodology, please visit standardandpoors.com and select "Understanding Ratings" under Rating Resources.

**All investing involves risk including the possible loss of principal.**

The Credit Opportunities Fund is an Interval Fund, a type of fund that, in order to provide liquidity to shareholders, has adopted a fundamental investment policy to make quarterly offers to repurchase between 5% and 25% of its outstanding Common Shares at net asset value ("NAV"). Subject to applicable law and approval of the Board of Trustees for each quarterly repurchase offer, the Fund currently expects to offer to repurchase 5% of the Fund's outstanding Common Shares at NAV on a quarterly basis.

The Credit Opportunities Fund's Common Shares are not listed for trading on any national securities exchange, have no trading market and no market is expected to develop.

**Risk Disclosures**

An investment in the First Eagle Credit Opportunities Fund (the "Fund") involves a number of significant risks. Before you invest, you should be aware of various risks, including those described below. For a more complete discussion of the risks of investing in the Fund, see the Fund's prospectus under the heading, "Principal Risks of the Fund."

All investments involve the risk of loss of principal. The Fund may not be able to pay distributions or may have to reduce distribution levels if the income and/or dividends the Fund receives from its investments decline.

Investment in private and middle market companies is highly speculative and involves a high degree of risk of credit loss, and therefore the Fund's securities may not be suitable for someone with a low tolerance for risk. The Fund is required to rely on the ability of the First Eagle Alternative Credit's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies.

Below investment grade securities or comparable unrated instruments may be subject to greater risks than securities or instruments that have higher credit ratings, including a higher risk of default, and the Fund might have difficulty selling them promptly at an acceptable price.

Investments in loans potentially expose the Fund to the credit risk of the underlying borrower, and in certain cases, of the financial institution. The Fund's ability to receive payments in connection with the loan depends primarily on the financial condition of the borrower. Even investments in secured loans present risk, as there is no assurance that the collateral securing the loan will be sufficient to satisfy the loan obligation. The market for certain loans is expected to be illiquid and the Fund may have difficulty selling them. In addition, loans often have contractual restrictions on resale, which can delay the sale and adversely impact the sale price.

Investments in debt securities and other obligations of companies that are experiencing significant financial or business distress involve a substantial degree of risk, including a material risk that the issuer will default on the obligations or enter bankruptcy. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high. There is no assurance that First Eagle Alternative Credit will correctly evaluate the value of the assets collateralizing the Fund's investments or the prospects for a successful reorganization or similar action in respect of any company.

Investors may not have access to all share classes at certain financial intermediaries. Please consult your financial professional for more information.

Investors should consider Common Shares of the Fund to be an illiquid investment. There is no guarantee that investors will be able to sell the Common Shares at any given time or in the quantity the investor desires.

An investment in the Credit Opportunities Fund is not suitable for investors who need certainty about their ability to access all of the money they invest in the short term.

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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. You may also request printed copies 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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