

First Eagle High Yield Fund

Commentary
As of December 31, 2015

Market Overview

The high-yield asset class was a tale of two halves in 2015, with commodity prices as the one common driving factor. Energy and other commodities like iron ore and copper generally recovered in price in the first six months, driving spreads tighter and yields lower. Then, following a late-summer decline in Chinese equities, energy prices slid, spreads widened and yields rose.

The current credit cycle had previously been defined by issuers allocating capital prudently, engaging primarily in refinancing activity, and rejecting calls to increase leverage. However, the rapid decline in energy prices exposed a vulnerability of levered energy companies: namely, their need for mid-cycle oil prices in the \$40-\$50 per barrel range. The market aggressively repriced the sector, first in late summer and then in December—a month in which energy bonds fell 13%.¹ Spreads-to-worst in the energy sector were 1300 basis points at quarter's end, which we believe implied a default rate of approximately 20%.²

Given the dearth of bond maturities, a narrowing in the oversupply of oil and the latent geopolitical risks that low energy prices exacerbate, we do not anticipate wholesale default activity within the industry. Energy companies, in general, have slashed capital spending in recent years and reduced domestic rig count by more than 60%.³ We believe a year-over-year decline in domestic production may occur at some point in the first quarter of 2016, and this, combined with an increase in demand, should bring the market closer to supply/demand balance, in our view. There may be an elevated level of defaults, but we do not believe it will reach the level embedded within spreads.

The slide in the price of oil happened to coincide with a decrease in high yield market liquidity resulting from a seasonal decline at year end and a secular decline due to regulatory changes. It has become more cumbersome for banks and brokerages to serve as market-makers for high-yield trading, and they have accordingly reduced much of this activity. We don't know exactly how much of December's decline resulted from credit deterioration and how much from illiquidity, but we do believe the latter was a fairly significant factor.

While metals and mining deteriorated alongside energy, other sectors generally remained relatively stable. In fact, apart from these three areas, high yield credit spreads were in the low 600s at the end of the fourth quarter.⁴

Portfolio Review

The High Yield Fund Class A shares (w/out sales charge) returned -4.88% in the fourth quarter. Performance relative to the Barclays US corporate high-yield index was hurt by our security selection in energy, industrials and consumer cyclicals but helped by our holdings in consumer non-cyclicals and by our position in cash and cash equivalents.

1. Source: JPMorgan

2. Source: JPMorgan

3. Tudor Pickering and Holt

4. Source: JPMorgan

During the quarter, we analyzed our energy holdings to determine whether the companies had the financial resources to survive until the return of a balanced supply/demand dynamic. We retained many positions where we concluded that market prices had fallen below the level commensurate with the actual risks. In some cases we were able to swap weaker positions for what we believed were stronger ones.

The top contributors to performance for the fourth quarter were Roundy's Supermarkets, Inc. 10.25% due 12/15/2020, Roundy's Supermarkets Term Loan 5.75% due 03/03/2021, Centurylink, Inc. 6.75% due 12/01/2023, Post Holdings, Inc. 7.375% due 02/15/2022 and Frontier Communications Corporation 8.5% due 04/15/2020. The top detractors to performance for the fourth quarter were Enquest PLC 7.0% due 04/15/2022, Bon-ton Department Stores, Inc. 10.625% due 07/15/2017, Ameriforge Group Term Loan 8.75% due 12/19/2020, Caelus Energy Alaska Term Loan 8.75% due 04/15/2020 and Payless Inc. Term Loan 5.00% due 03/11/2021.

The top contributors to performance for the year-ending 12/31/2015 were Roundy's Supermarkets, Inc. 10.25% due 12/15/2020, Bi-Lo LLC 9.25% due 02/15/2019, Bi-Lo LLC 8.625% due 09/15/2018, Roundy's Supermarkets Term Loan 5.75% due 03/03/2021 and American Achievement Corp. 10.875% due 04/15/2016. The top detractors to performance for the year were Ameriforge Group Term Loan 8.75% due 12/19/2020, Peabody Energy Corporation 10.0% due 03/15/2022, Atlas Energy Holdings 7.75% due 01/15/2021, Enquest PLC 7.0% due 04/15/2022, Caelus Energy Alaska Term Loan 8.75% due 04/15/2020.

We appreciate your confidence and thank you for your support.

Sincerely,
First Eagle Investment Management, LLC

Average Annual Returns as of 12/31/2015 (%)

		YTD	1 Year	5 Years	Since Inception	Expense Ratio Gross*	Expense Ratio Net
First Eagle High Yield Fund – Class A (without sales charge)	FEHAX	-7.40	-7.40	--	2.78	1.14	1.09
First Eagle High Yield Fund – Class A (with sales charge)		-11.60	-11.60	--	1.61		
First Eagle High Yield Fund – Class I (without sales charge)	FEHIX	-7.04	-7.04	3.52	7.94	0.86	0.81
Barclays Capital U.S. Corporate High Yield Bond Index		-4.47	-4.47	5.04	7.00		

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. The average annual returns for Class A Shares "with sales charge" of the First Eagle High Yield Fund gives effect to the deduction of the maximum sales charge of 4.50%. Past performance data through the most recent month end is available at www.feim.com or by calling 800.334.2143.

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

*These are the actual fund operating expenses prior to the application of fee waivers and/or expense reimbursements. The Adviser has contractually agreed to waive its management fee at an annual rate in the amount of 0.05% of the average daily value of the Fund's net assets for the period January 1, 2015 to February 29, 2016. This waiver has the effect of reducing the management fee for the term of the waiver from 0.70% to 0.65%.

Had fees not been waived and/or expenses reimbursed in the past, returns would have been lower. Class I Shares require \$1MM minimum investment, and are offered without sales charge. Performance information is for Class I 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. Class A and C shares have maximum sales charge of 4.50% and 1.00% respectively, and 12b-1 fees, which reduce performance. The Fund commenced operations in its present form on December 30, 2011, and is successor to another mutual fund pursuant to a reorganization December 30, 2011. Information prior to December 30, 2011 is for this predecessor fund. Immediately after the reorganization, changes in net asset value of the Class I shares were partially impacted by differences in how the Fund and the predecessor fund price portfolio securities.

Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner, or that negative perception of the issuer's ability to make such payments may cause the price of that bond to decline.

The Fund invests in high yield securities (commonly known as "junk bonds") which are generally considered speculative because they may be subject to greater levels of interest rate, credit (including issuer default) and liquidity risk than investment grade securities and may be subject to greater volatility. The Fund invests in high yield securities that are non-investment grade. High yield, lower rated securities involve greater price volatility and present greater risks than high rated fixed income securities. High yield securities are rated lower than investment-grade securities because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. All investments involve the risk of loss.

Bank loans are often less liquid than other types of debt instruments. There is no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated.

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.

The holdings mentioned herein represent the following percentage of the total net assets of the First Eagle High Yield Fund as of December 31, 2015: Roundy's Supermarkets, Inc. 10.25% due 12/15/2020 0.00% , Roundy's Supermarkets Term Loan 5.75% due 03/03/2021 0.00%, Centurylink, Inc. 6.75% due 12/01/2023 0.97% , Post Holdings, Inc. 7.375% due 02/15/2022 1.98%, Frontier Communications Corporation 8.5% due 04/15/2020 0.88%, Enquest PLC 7.0% due 04/15/2022 0.65%, Bon-ton Department Stores, Inc. 10.625% due 07/15/2017 1.50%, Ameriforge Group Term Loan 8.75% due 12/19/2020 0.08%, Caelus Energy Alaska Term Loan 8.75% due 04/15/2020 0.91%, Payless Inc. Term Loan 5.00% due 03/11/2021 0.83%, Bi-Lo LLC 9.25% due 02/15/2019 2.11%, Bi-Lo LLC 8.625% due 09/15/2018 2.47%, American Achievement Corp. 10.875% due 04/15/2016 0.00%, Peabody Energy Corporation 10.0% due 03/15/2022 0.29% , Atlas Energy Holdings 7.75% due 01/15/2021 0.25%.

The commentary represents the opinion of the High Yield Team Portfolio Managers as of December 31, 2015 and is subject to change based on market and other conditions. The opinions expressed are not necessarily those of the firm. 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.

A credit rating as represented here is an assessment provided by a nationally recognized statistical rating organization (NRSRO) or 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.

The Barclays U.S. Corporate High Yield Bond Index is comprised of fixed-rate, publicly issued, non-investment grade debt, is unmanaged, with dividends reinvested, and is not available for purchase. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The index is presented here for comparison purposes only. One cannot invest directly in an index.

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 obtained by asking your financial adviser, visiting our website at www.feim.com or calling us at 800.334.2143. Please read our prospectus carefully before investing. Investments are not FDIC insured or bank guaranteed, and may lose value.