

# First Eagle Investment Management, LLC

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## Form ADV Part 2A Brochure March 27, 2015

This Brochure provides information about the qualifications and business practices of First Eagle Investment Management, LLC ("FEIM"). If you have any questions about the contents of this Brochure, please contact us at (212) 698-3300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. FEIM is a registered investment adviser under the Investment Advisers Act of 1940. This registration does not imply any level of skill or training. Additional information about FEIM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

First Eagle Investment Management, LLC (“FEIM”) filed its last annual update to the Firm Brochure on March 27, 2014, and filed an updated Firm Brochure on January 21, 2015. FEIM continues to conduct its business activities and provide investment advisory services in substantially the same manner as described in the last update to the Firm Brochure. The foregoing is only a list of changes since the last update that are and may be considered material. It does not identify every change to the Firm Brochure since the last annual update. In addition, there have been word enhancements and clarifications throughout the brochure.

- The *Advisory Business* section has been updated to reflect that FEIM acts as a investment discretionary an non-discretionary adviser.
- The *Fees and Compensation* section includes certain fees and expenses fund investors and clients may incur besides management fees.
- The *Brokerage Practices* section contains expanded language on Commission Sharing Arrangements.
- The *Custody* section revised to add information regarding private funds.
- The *Voting Client Securities* section notes there may be instances where proxies may not be voted (e.g., timing issues related to opening and closing of accounts).

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## Item 4 – Advisory Business

### Firm Overview

First Eagle Investment Management, LLC (“FEIM”) is a limited liability company organized under the laws of Delaware. It is a subsidiary of Arnhold and S. Bleichroeder Holdings, Inc., a Delaware corporation (“ASBH”). Founded in Europe, the firm moved its headquarters to NYC in 1937.

### Investment Advisory Services

FEIM provides investment advisory services to mutual funds, private investment funds, institutional accounts and high net worth individuals. FEIM is the investment adviser to the First Eagle Funds and First Eagle Variable Funds (collectively, the “Funds”), which are registered investment companies.

Client accounts are generally managed by FEIM on a discretionary basis. Investment decisions are based on a client’s investment guidelines and restrictions. For separately managed accounts, clients may impose certain restrictions on securities or types of securities. FEIM is not responsible for and it does not consider in its management of a client's account any securities, cash or investments owned by the client, the client's financial circumstances or investment objectives outside of the client's investment with FEIM. FEIM also provides non-discretionary investment management services to certain clients.

FEIM currently manages the following principal investment strategies:

**Global Value** - The Global Value strategy seeks to deliver attractive real returns over time while avoiding the permanent impairment of capital by using a value approach to investing in global equity markets. The investment team follows a bottom-up, fundamental approach, focusing on companies with primarily quality businesses that they believe have above-average sustainable profitability and that are trading at what they believe are significant discounts to their intrinsic values.

**High Yield** - The High Yield strategy seeks to provide investors with a high level of current income. The High Yield strategy invests in high-yield, below investment-grade instruments, including high-yield corporate bonds and loans; municipal bonds, mortgage-backed and asset-backed securities, income producing convertible securities; and preferred stocks.

**International Value** - The International Value strategy seeks to deliver attractive real returns while avoiding the permanent of capital over time by using a value approach to investing in non-U.S. equity markets. The investment team follows a bottom-up, fundamental approach, focusing on companies with primarily quality businesses that they believe have above-average sustainable profitability and that are trading at what they believe are significant discounts to their intrinsic values.

**U.S. Equity** - The U.S. Equity strategy seeks to deliver long-term growth of capital by generating returns consistently in excess of the S&P 500. The team uses a bottom-up, fundamental and benchmark-unaware investment approach to create a primarily liquid and concentrated portfolio.

**Multi-Asset Absolute Return Strategy** – This strategy seeks to generate absolute returns with low correlation to traditional equity and fixed income markets by investing, directly and indirectly, in long and short positions in a wide range of securities and instruments on the global markets. This strategy makes extensive use of derivative instruments to obtain exposure to various asset classes, sectors, securities, currencies and markets. Tail hedging risk may be undertaken as part of an overall strategy or as a distinct mandate.

**International Small Cap Value** – This strategy seeks to achieve attractive real returns over time by investing in a portfolio of small capitalization companies based outside of the United States by using a value approach. The strategy may invest in companies traded in developed markets and in emerging markets.

On a more limited basis, FEIM and a division of FEIM called ASB Advisers provides investment advisory services for strategies other than those set forth above, including separately managed accounts for related persons and their family members, a Pacific Rim long/short fund, a long/short private fund managed by the U.S. equity team, multi-manager funds, and a biotechnology focused private fund.

### [Assets under Management](#)

As of December 31, 2014, FEIM's regulatory assets under management were approximately \$100,201,200,000, of which approximately \$100,296,124,000 were managed on a discretionary basis and approximately \$8,043,000 were managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by FEIM is established in a client's written agreement with FEIM. For separate account management, FEIM typically charges an annual fee based on a percentage of assets under management.

FEIM's current basic annual fee schedule for separate accounts is as follows:

Global Value - 75 basis points

High Yield – 70 basis points

International Value - 75 basis points

U.S. Equity - 0.75% of the first \$25 million and 0.50% on the amount over \$25 million

Multi Asset Absolute Return Strategies – an asset based fee and a performance based fee, depending on the account and account size.

International Small Cap Value – an asset based fee of between 100 and 115 basis points depending on the account size.

FEIM will generally bill its management fees on a monthly or quarterly basis in arrears. Clients generally elect to be billed directly for fees. Management fees are typically prorated for partial periods.

ASB Advisers' fees are negotiable and range from zero to 1.5% on an annual basis.

For the Funds and the private funds advised by FEIM, fees are described in each fund's prospectus or offering document, as the case may be. More information on the fees and expenses borne by the Funds is contained in the Funds' prospectus, available at [www.feim.com/individual-investors](http://www.feim.com/individual-investors). With respect to the private funds, the applicable fees and expenses are set forth in the private funds' investment management agreement, subscription agreement and/or other governing documents, or the private fund's Offering Memorandum (together with any supplements thereto, the "OM"), if the fund has issued an OM.

FEIM also has performance-based fee arrangements with certain clients. Generally, incentive compensation agreements provide for a performance fee that is a percentage of the profits or a percentage of the increase in net asset value, or a percentage of the profits in excess of a predetermined benchmark. The time period over which the performance-

based fee is calculated and the relevant benchmark (if any) will be negotiated with each client. In the case of private investment funds, the amount of any performance fee will be described in the fund's offering documents.

Contracts with clients typically include a provision for indemnification to FEIM under certain circumstances.

FEF Distributors, a subsidiary of FEIM, is the distributor of the Funds. FEIM, FEF Distributors, their employees and representatives may receive compensation for the sale of securities or other investment products, including asset-based sales charges, service fees and contingent deferred sales charges from the sale of the Funds and commissions attributable to sales of private investment funds. In addition, FEIM may adopt one or more incentive plans or enter into agreements which provide for cash payments to its employees who develop and refer new business. These arrangements may present a conflict of interest and give FEIM and its employees an incentive to recommend investment products based on the compensation received, rather than on a client's needs. FEIM has adopted a Code of Conduct. FEIM employees are required to place the interests of clients first and should not take inappropriate advantage of their positions. Clients may purchase investment products that FEIM recommends through other agents or brokers that are not affiliated with FEIM.

In certain circumstances, fees and account minimums may be negotiable. FEIM may waive or rebate a portion of the fees charged to investors in investment funds it manages. FEIM may change its fee structure at any time.

### Other Fees and Expenses

In addition to fees paid to FEIM for investment advisory services by funds or other clients it advises, FEIM also performs or arranges for certain administrative, legal, operations, compliance and accounting services and certain of these funds pay an administrative fee and/or reimburse FEIM for costs (including personnel, related overhead, rent and other expenses and costs) related to those services. In addition, clients may incur certain transaction fees and other expenses including charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, brokerage commissions, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Funds, private funds and other clients may bear other expenses, in addition to the fees and expenses described above, including: (1) costs and expenses with respect to any workout,

restructuring, recapitalization, amendment, waiver or consent of or with respect to certain investments and the protection or enforcement of rights thereunder; (2) costs and expenses in connection with the acquisition of director and officer insurance; (3) legal, custodial, accounting and related costs and expenses; (4) pricing service costs incurred in valuing investments; (5) expenses incurred in obtaining credit ratings on investments; (6) all taxes imposed on a client and all litigation expenses (and any judgments or settlements paid in connection therewith) and other extraordinary expenses; (7) the costs of forming and maintaining any alternative investment vehicle and (at the discretion of the general partner of a client) the costs of maintaining any other pooled investment vehicle through which to invest; (8) insurance costs; (9) interest and commitment fees payable in connection with credit facilities made available to a client; (10) fees of outside auditors and tax preparers and the costs of preparation of the books and records and tax returns of a client, including periodic reports to limited partners, and fund administration service provider expenses; (11) costs of liquidation and termination of a client; (12) all other costs incurred in connection with the administration of a client; (13) any other expenses actually incurred on behalf of a client and paid by FEIM in connection with the management of certain investments; and (14) certain other fees and expenses that may be authorized under a fund's governing documents or account documents.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

As noted above, FEIM may charge performance based fees – that is, fees based on a share of capital gain or capital appreciation of the assets of a client. FEIM manages accounts that are charged a performance based fee and accounts that are charged an asset based fee. There are potential conflicts of interest that arise due to the side-by-side managements of fixed fee accounts with performance fee accounts as there may be an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. In addition, performance based fee arrangements may create an incentive for FEIM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. A similar conflict may exist from managing client accounts paying higher asset-based fee than other accounts or accounts containing assets owned by FEIM, its employees, or its owner.

Additionally, FEIM, its affiliates and their respective personnel may have differing investment, compensatory and other pecuniary interests that could serve to influence such persons to favor one client over another – including in circumstances where personnel are in position to influence investment or other decisions that impact clients.



To mitigate conflicts related to performance fees and pecuniary interests, FEIM has reasonably designed and implemented procedures to ensure that all clients are treated fairly and equitably over time, and to prevent these conflicts from influencing the allocation of investment opportunities among clients, including trade allocation procedures. FEIM will generally allocate trades on a pro-rata basis among eligible accounts managed in the same investment strategy, regardless of advisory fees paid to FEIM or FEIM's or personnel's other pecuniary interests. Eligible accounts include those for which there are no guidelines or restrictions that are inconsistent with the proposed trade and for which there is available cash to enter into the transaction.

Certain considerations however may cause FEIM to deviate from pro-rata allocation and vary the portfolio composition, timing, and/or relative size of purchases and sales among types of accounts.

FEIM periodically reviews performance dispersion among all similar accounts, including accounts subject to a performance fee, to identify whether a particular account appears to have been favored relative to other similar accounts. Further details on allocation policies and procedures are provided in Item 12, Brokerage Practices, below.

### **Item 7 – Types of Clients**

FEIM provides portfolio management services to individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, mutual funds, private investment funds, trusts, sovereign funds, non-U.S. funds, and other U.S. and non-U.S. institutions. FEIM generally requires minimum account sizes, which are based on mandate and type. FEIM reserves the right, in its sole discretion, to waive or change investment minimums in certain circumstances.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

The following are broad descriptions of the methods of analysis and strategies employed by FEIM.

#### **Global Value and International Value**

FEIM's Global Value and International Value strategies seek to deliver attractive real returns by using a value approach to investing. The investment team follows a bottom-up, fundamental approach, focusing on companies with primarily quality businesses that they believe have above-average sustainable profitability and that are trading at what they believe are significant discounts to their intrinsic values. Each of these strategies invests in

a range of asset classes from markets in the U.S. and throughout the world, including emerging markets. These strategies invest in any size company, including large, medium and smaller companies, and allocate a substantial amount of assets to non-U.S. investments. Investments may be made in many other types of assets, including fixed income securities, cash and cash equivalent, currencies, short term debt instruments, gold and other precious metals, and futures contracts.

### High Yield

FEIM's High Yield strategy seeks to provide investors with a high level of current income. The High Yield strategy invests in high-yield, below-investment-grade instruments, including high-yield corporate bonds and loans, municipal bonds, mortgage backed and asset-backed securities, income-producing convertible securities, and preferred stocks. The High Yield strategy invests in high yielding, non-investment-grade bonds that involve higher risk than strategies that invest solely in investment-grade bonds. Strategies that invest in fixed-income securities are subject to several general risks, including interest-rate risk, credit risk, and market risk, which could reduce the yield an investor receives from the High Yield strategy. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets. Investors considering the High Yield strategy should have a long-term investment horizon.

### U.S. Equity

FEIM's U.S. Equity strategy seeks to deliver long-term growth of capital by generating returns consistently in excess of the S&P 500. The team uses a bottom-up, fundamental and benchmark-unaware investment approach to create a primarily liquid and concentrated portfolio of equity securities. This strategy may include frequent trading. Frequent trading may result in higher transaction costs.

### Multi Asset Absolute Return

Multi Asset Absolute Return Strategy seeks to generate absolute returns with low correlation to market returns by investing, directly and indirectly, in long and short positions in a wide range of securities and instruments on the global markets. This strategy makes extensive use of derivative instruments to obtain exposure to various asset classes, sectors, securities, currencies and markets. Tail hedging risk may be undertaken as part of an overall strategy or as a distinct mandate. Frequent trading may result in higher transaction costs.

### International Small-Cap

International Small Cap Value strategy seeks to achieve attractive real returns over time by investing in a portfolio of small capitalization companies based outside of the United States by using a value approach. The strategy may invest in companies traded in developed markets and in emerging markets. Investments may be concentrated in a particular sector, geographic area, or industry. Investments may be made in many other types of assets, including issuers with larger market capitalizations, United States issuers, fixed-income instruments, precious metals and cash and cash equivalents.

FEIM and ASB Advisers, a division of FEIM, provide investment advisory services to clients for strategies other than those set forth above. In the case of an investment fund, the investment strategy and risks of a particular fund is set out in the fund's offering document or prospectus.

Investing in securities involves risk of loss that clients should be prepared to bear. Below are certain specific risks associated with the above strategies. As it is not possible to identify all of the risks associated with investing, this section discusses certain material risks of FEIM's investment activities. Moreover, the particular risks applicable to a client will depend upon various factors. Please refer to the particular fund's offering document or prospectus for more detailed explanation of risks. Investors or potential investors should be aware that an investment in a FEIM fund or account is not intended to provide a complete investment program. FEIM assumes that investors will not invest all of their assets in an FEIM fund or account. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss.

**Market Risk** – The value of a client's holdings may fluctuate in response to events specific to companies or markets, as well as economic, political, or social events in the U.S. and abroad.

**Small and Medium Size Company Risk** – These investments may be more volatile in price than those of larger companies. Small companies especially may be of a less seasoned nature, traded in the over-the-counter market, not be well-known to the investing public, not have significant institutional ownership and may have cyclical, static or only moderate growth prospects.

**Non-U.S. Investment Risk** – Non-U.S. investments often involve special risks not present in U.S. investments that can increase the chance of losing money. These risks include, risks associated with non-U.S. custodians and depositories, changes in currency exchange rates, and restrictions imposed on investments by foreigners. In addition, non-U.S. investments are susceptible to less politically and economically stable environments and adverse changes to government regulation.

**Emerging Market Risk** – Emerging markets are riskier than more developed markets because they tend to develop unevenly and may never fully develop. Investments in emerging markets may be considered speculative.

**Gold and Commodity Risk** – Exposure to gold and other commodities may subject a portfolio to greater volatility than investments in traditional securities. Client accounts may be invested in physical gold and the securities of companies in the gold mining sector. Prices of gold-related issues are susceptible to changes to U.S. and non-U.S. taxes, currency, mining laws, inflation, and various other market conditions.

**High Yield Risk** - High yield securities (commonly known as “junk bonds”) may be subject to greater levels of interest rate, credit and liquidity risk than investment grade instruments. These instruments may be considered speculative with respect to the issuer’s continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for high yield bonds and reduce the ability to sell these securities (liquidity risk). High yield issuers may have a larger amount of outstanding debt relative to their assets than issuers of investment grade bonds. In the event of an issuer’s bankruptcy, claims of other creditors may have priority over the claims of high yield bond holders, leaving few or no assets available to repay high yield bond holders. If the issuer of a security is in default with respect to interest or principal payments, the Strategy may lose its investment in the issue. Prices of high yield bonds are subject to extreme price fluctuations. Adverse changes to the issuer’s industry and general economic conditions may have a greater impact on the prices of high yield bonds than on those of other higher rated fixed-income securities. The Strategy may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting issuer.

**Credit Risk** – Credit risk is the risk that the issuer of a bond or other instrument will not be able to make payments of interest and principal when due. Changes in an issuer’s credit rating or the market’s perception of an issuer’s creditworthiness may also affect the value of an investment in the issuer.

**Currency Risk**– Currency trading involves significant risks, including market risk, interest rate risk and country risk. Forward currency contracts present the risk that the counterparty fails to meet their obligations.

**Liquidity Risk** – In certain situations, including because of local market conditions, or rules or position size, it may be difficult to or impossible to sell an investment in an orderly fashion at an acceptable price.

**Event-Driven/Arbitrage Risk** – A risk associated with this strategy is that the proposed transaction or reorganization may be renegotiated or terminated, in which case the investment may realize losses.

**Short Sale Risk** – Short sale strategies can be riskier than “long” investment strategies. Because a short sale may involve the sale of a security that is not owned, the potential losses are unlimited.

**Private Investment Funds Risk** – Private investment funds are not registered under the Investment Company Act of 1940 and are therefore not subject to the regulatory requirements it imposes. An investment in a private fund involves risks not typically associated with traditional investment funds. These risks include limitations on transfers, valuation of the underlying investments, and transparency with respect to the Fund’s underlying investments. These funds are not readily marketable and have limited liquidity.

**Derivatives Risk** – Futures contracts and other “derivatives” present risks related to their significant price volatility and risk of default by the counterparty to the contract. Certain strategies permit the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price, and leveraged, so that small changes may produce disproportionate losses and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, the investment may not realize the anticipated benefits from a derivative or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio’s volatility and may require that an investment portfolio liquidate portfolio holding when it may not be advantageous to do so.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of or the integrity of FEIM.

## **Item 10 – Other Financial Industry Activities and Affiliations**

In addition to FEIM’s registration as an investment adviser under the Investment Advisers Act of 1940, FEIM is also registered with the Commodity Futures Trading Commission as a Commodity Pool Operator and a Commodity Trading Adviser. In this regard, certain employees of FEIM are registered as associated persons with the National Futures Association to the extent necessary or appropriate to perform their responsibilities.

FEF Distributors, LLC, a wholly owned subsidiary of FEIM that serves as distributor and principal underwriter to the First Eagle mutual funds and private investment funds, and is registered as a limited purpose broker-dealer.

Several private investment funds managed by TA Associates, a private equity firm, own a minority interest in FEIM's parent company, ASBH. ASBH is the managing member of FEIM. In addition, there is a non-managing member of FEIM that was formed to provide FEIM employees with equity interests in FEIM.

Clients are solicited to invest, and FEIM may invest client assets, in the First Eagle mutual funds and private investment funds advised by FEIM.

FEIM is a shareholder of VARECS Partners Limited, a Japanese company that is registered with the Japanese Financial Services Agency as a non-discretionary investment adviser. An employee of FEIM is also a director of VARECS Partners. VARECS may own an interest in non-U.S. investment management firms. In addition, certain other employees have interests in or are affiliated with other investment advisers, broker-dealers, or financial services firms. Directors of ASBH who are not employees of FEIM may have other industry affiliations with financial firms, including serving as directors of broker-dealer firms which do business with FEIM and its clients.

### **Item 11 – Code of Ethics**

FEIM has adopted a Code of Ethics (the "Code") to establish policies addressing its fiduciary duties to its clients. The Code generally prohibits fraudulent or manipulative practices in connection with client investments. The Code establishes policies regarding personal trading by employees and their immediate family members as defined in the Code. Generally, the Code prohibits personal trading in any security (subject to exceptions set forth in the Code) if there is a client buy or sell order pending in that security. FEIM has implemented procedures to monitor compliance with the provisions of the Code, including pre-approval of personal securities transactions, annual confirmations of compliance and annual holdings reports. The Code contains restrictions on purchases of initial public offerings and private offerings. In addition, employees and their immediate family, as defined in the Code, personal security transactions must be pre-cleared and are subject to short-term trading bans and blackout periods, subject to certain exemptions. Personal securities transactions are monitored for compliance with the Code and any employee that violates the Code may be subject to remedial actions. Employees are required to annually certify compliance with the Code.

In addition, FEIM has adopted a Code of Conduct and inside information procedures. FEIM prohibits the use of material, non-public information ("inside information") and maintains a restricted list of securities that may not be purchased by its employees for their own accounts or for client accounts because of the actual or possible possession of inside information.

A copy of FEIM's Code of Ethics and Code of Conduct is available to all clients and prospective clients upon request.

#### Participation or Interest in Personal Trading – Client Trading

FEIM and its employees may from time to time, purchase, sell, or otherwise enter into transactions for their own accounts in securities and other instruments. Prior to, or simultaneously with, or subsequent to such transactions, FEIM may, for its clients, purchase, sell, or otherwise enter into transactions involving any of these same securities or other instruments, and any related securities or instruments (including securities issued by the issuer, options on such securities or instruments, and instruments convertible into such securities or instruments). In addition, FEIM may cause its advisory clients to enter into principal transactions with related persons in accordance with Section 206(3) of the Advisers Act. To address these potential conflicts, Employees deemed to be "Access Persons" under the Code are required to report brokerage and trading account to FEIM upon hire, at the time a new account is opened and annually. In addition, personal securities transactions are subject to limitations regarding the type and timing of transactions, including certain trading prohibitions, and pre-approval and monitoring by Legal and Compliance.

Subject to the restrictions described above, FEIM and its employees may at any time hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which a client account may have an interest from time to time. FEIM has no obligation to acquire for a client account a position in any security which it acquires on behalf of another client, or which an employee acquires for his or her own account. Likewise, client accounts shall not have first refusal, co-investment or other rights in respect of any such investment.

#### Participation or Interest in Personal Trading – Client Recommendations

FEIM and its affiliates and their related persons are permitted to buy or sell securities that they also recommend to clients. This may include FEIM and its employees acting as general partner, investment adviser or managing member to private funds and mutual funds in which clients are solicited to invest or that are recommended to clients. FEIM may take a position for an advisory client (including a private investment fund) and affiliates of FEIM



may take a position for their own accounts in a security contrary to the position held in the same security (e.g., a short versus a long position) by clients of FEIM. It is possible that FEIM or its affiliates may, from time to time, cause short sales for a client to be executed following long transactions for other clients (or a proprietary account) in the same security. There is a possibility that employees might benefit from market activity by a client in a security held by an employee. Accordingly, FEIM has adopted a Code which is designed to mitigate potential conflicts of interest and the potential appearance of impropriety in employees' personal actions. The nature and timing of actions taken by one or more of FEIM's employees or by one or more of FEIM's affiliates, either for their own accounts or for the accounts of clients, may differ from the nature and timing of actions taken by FEIM for client accounts. Because the Code of Ethics places restrictions on when employees can trade certain securities, the price received by FEIM's clients in a securities transaction will most likely be different than the price received by FEIM's employees.

## **Item 12 – Brokerage Practices**

Generally, FEIM receives full discretion from its clients to choose broker-dealers through whom transactions may be executed. This means that FEIM has discretion to select broker-dealers and negotiate the transaction costs, including commissions or spreads, in the execution of client portfolio transactions. When exercising discretion over client brokerage, it is FEIM's policy to seek to obtain the best execution available for its clients or the most favorable results under the circumstances, when placing orders for securities transactions for client accounts. FEIM's determination of best execution may not necessarily mean that a client is paying the lowest possible commission rate or spread, as there are several additional important factors to consider when evaluating best execution in client brokerage. In selecting brokers for its clients, FEIM considers the full range and quality of a broker's services, including execution capability, commission rates (or markup or markdown) and volume discounts, financial responsibility, confidentiality, as well as the value and availability of research services, and responsiveness to FEIM in general. In addition, FEIM has access to several electronic communication networks (commonly referred to as "ECNs"). In light of all relevant factors, FEIM's portfolio managers and traders will select the market mechanism which they believe offers the best total execution for client transactions and to reduce other transaction costs.

### **Soft Dollars**

It is FEIM's policy to seek to obtain best execution on all client transactions over which FEIM exercises discretion. However, under certain circumstances consistent with



applicable law and regulation, FEIM may select broker-dealers that furnish FEIM with proprietary and third-party brokerage and research services in connection with commissions paid on transactions it places for client accounts. These brokerage and research services that FEIM receives are consistent with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended, FEIM may direct execution of client transactions, including principal or agency transaction in over-the-counter ("OTC") securities, to certain brokers in recognition of their furnishing investment research and brokerage services, including, but not limited to, information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; wire services, appraisals or evaluations of potential or existing investments, certain financial and industry publications; statistical and pricing services, along with software, databases and other services utilized in the investment management process. The availability of such research and brokerage services may create a conflict between the interests of the client in obtaining the lowest cost execution and FEIM's interest in obtaining such services. When client brokerage commissions are used to obtain research or other products services, FEIM receives a benefit because it does not have to produce or pay for the research, products or services.

In general, research and brokerage services obtained from brokers are used to benefit FEIM's clients as a group and not solely or necessarily for the benefit of the particular client whose trades are handled by the broker providing such services. Therefore, a client may pay commissions for providing services that are not used directly in the management of such client's account. Clients may, on the other hand, benefit from research and brokerage services obtained from brokers to whom such clients pay little or no commissions.

Where appropriate, FEIM may allocate mixed-use products and services as payable in cash by FEIM (to the extent not utilized by FEIM as brokerage or research) or through commission costs (to the extent utilized by FEIM as brokerage or research). In allocating brokerage commissions from mixed-use items, FEIM makes a good faith determination as to the product or service's relation to the investment decision-making process. The receipt of mixed-use products and services and the determination of the appropriate allocation may create a potential conflict of interest between FEIM and its clients.

FEIM may cause client accounts to pay brokers a commission (or markup or markdown) in excess of the amount of commission (or markup or markdown) another broker adequately qualified to effect such transactions would have charged for effecting the same transactions absent the research or brokerage services. FEIM will do so only where it makes a determination in good faith that such commission is reasonable in relation to the brokerage and research services provided by such broker. FEIM may use brokers to execute orders in

OTC stocks on an agency basis, in which case a client may pay both a mark-up or a mark-down and a commission. FEIM will utilize brokers to execute OTC transactions when it believes that it is in the client's best interests to do so, either by maintaining the anonymity of the principal or for other reasons connected with the trading situation at the time the trade is placed.

A significant portion of brokers through whom FEIM executes orders provide research products and services to FEIM. These products and services may include: economic, industry, municipal, sovereign (U.S. and non-U.S.), legal, or political research reports; market color; company meeting facilitation; and investment recommendations. FEIM may request that a broker provide a specific proprietary or third-party product or service. Certain brokers that provide research and brokerage services to FEIM may obtain such products and services from a third party. FEIM may obtain quotes and other market data information in this manner. Certain brokers may also invite investment personnel of FEIM to attend investment conferences sponsored by such brokers. Because brokers may combine the costs of their proprietary research services with the cost of securities execution services in the form of “bundled” commission rates, it may be difficult to quantify the cost of these research services.

### Commission Sharing Arrangements

FEIM may request brokers effecting transactions on behalf of its clients to allocate a portion of the commission to a pool of commissions credits maintained by the executing broker, at FEIM’s direction, pays independent research providers for research products and services. Commission sharing arrangements may be used for both proprietary and third party research products and services. Commission Sharing Arrangements help enable FEIM to select the most appropriate broker for trade execution regardless of whether or not the broker prepares or develops the research products or services used by FEIM. Accordingly, instead of paying a broker for its research by trading with it directly, FEIM directs the executing broker to pay the research provider from the pool of commission credits accumulated. Client commission arrangements benefit FEIM because we do not have to produce or pay for the research and services we obtain through them. This benefit creates a potential incentive for FEIM to select a broker or intermediary based upon the research they provide rather than on the quality of their execution services alone.

### Client Restrictions on Brokerage

From time to time we receive special client requests on broker selection or instructions not to use certain brokers for client accounts, which we may accommodate or reject or limit.

Clients should be aware that there are certain consequences of specific instructions on restricting broker selection. Trades for these client accounts may be placed after the aggregated order and these clients may be disadvantaged by the market impact of trading for other portfolios. A prohibition may prevent FEIM from selecting a restricted broker-dealer even though such broker-dealer may offer a more favorable price and execution for the transaction. In addition, the client may lose the possible advantage that non-designating and unrestricted clients may derive from batching orders into single large transactions, utilizing alternative trading venues, or alternative trading techniques for the purchase or sale of a security. Certain clients may prohibit FEIM from using commissions generated by their accounts to acquire research services from so-called “third-party” research providers or from engaging in commission sharing arrangements, although as noted above research services obtained are used to benefit FEIM clients as a whole. However, commissions from these client accounts will be used to acquire research generated internally by brokers (also called “proprietary” research).

Brokerage commissions are generally negotiated in the case of U.S. securities transactions, but in the case of foreign securities transactions may be fixed and may be higher than prevailing U.S. rates. Commission rates are established pursuant to negotiations with the executing parties based on the quantity and quality of the execution services.

FEIM must enter into foreign exchange transactions in order to facilitate the purchase and sale of portfolio securities transactions. Transactions executed with counterparties other than a client’s custodian or sub-custodian may not be possible or advisable due to market limitations or limitations of the custodian. Certain foreign exchange transactions in local markets, including those related to corporate actions and trade settlements, are typically conducted through standing instructions with a client’s custodian. Agreements related to standing instructions, including, but not limited to pricing, are generally effected pursuant to the terms of a client’s custody agreement. FEIM is not a party to those custody agreements and assumes no responsibility for the oversight of such services.

Subject to applicable law, FEIM may enter into cross transactions between client accounts, including registered investment companies. FEIM may enter into cross transactions where it believes that such transactions can provide benefits for its clients by affecting a transfer of securities from one account to another at a greatly reduced cost.

### Trade Allocation and Aggregation

When appropriate and feasible, FEIM may bunch or aggregate orders for client accounts. If FEIM believes that the purchase or sale of the same security is in the best interest of more than one client, it may, but is not obliged to, aggregate the securities to be sold or

purchased. These orders may be averaged as to price and allocated to accounts in amounts according to each account's daily purchase or sale orders or on some other equitable basis.

FEIM maintains separate investment teams that may invest in the same general markets and securities. These investment teams may compete with each other for the same or similar investment opportunities. In addition, FEIM procedures (including allocation procedures) are generally applied independently with respect to each investment team. Disparity among allocation and brokerage commissions paid by clients may occur. Disparities in commission (i.e., one team paying lower per-trade commissions than another team) may occur due to, among other things, the volume of commission business for a team and the use of research delivered by executing brokers. Disparities in allocations may occur for a number of reasons, including specific investment objectives, cash available for investment, and client imposed restrictions. In addition, there may be instances when there is limited supply for a particular security or investment opportunity. It is FEIM's policy to make allocations, in the case of new issues or otherwise, fairly and equitably among clients. However, such a fair and equitable allocation need not be based solely on the relative net assets of the participating accounts. FEIM cannot assure that in every instance an investment can be or will be proportionally allocated.

#### Client Directed Brokerage

Clients may direct that all or a certain portion of the transactions for their account (a "directed brokerage account"), be executed through one or more broker-dealers (a "directed broker"). In such cases, FEIM's policy is that the client must negotiate the commissions or other charges and fees for the clients' transactions with such broker-dealer. With respect to clients who direct the execution of transactions through particular broker-dealers, FEIM is not responsible for negotiating transaction commissions or other related charges or fees. There may be a material disparity in commissions charged directed brokerage accounts and the accounts of other clients. For this reason, FEIM may not be able to obtain the best execution of such transactions. FEIM has adopted a policy of obtaining a written acknowledgment, either as part of the investment advisory agreement or otherwise, from new clients regarding the effects of a directed brokerage arrangement on transaction execution costs.

FEIM may be able to include the order of a directed brokerage account with orders of other accounts with the objective of obtaining a better execution for the directed brokerage account if the executing broker will transfer the billing and settlement of such order to the directed broker (generally known as a "step-out"). Reconciliation of the portion of the trade given to a directed broker is done through the clearing process between the two

brokers. Under such circumstances the client may incur both a transaction cost for the execution of the trade and a transaction cost for the billing and settlement of the trade. FEIM will bunch the trades of directed brokerage accounts only under circumstances in which it considers that executing the order in this manner is in the best interest of the directed brokerage account. The use of “step out” trades can, in some circumstances, help ensure that clients that seek to direct brokerage are not disadvantaged by the inability to participate in aggregated transactions. However, “step out” trades are an accommodation by the executing broker-dealer, and “step out” trades will not be available in all circumstances to satisfy requests for directed brokerage.

A client who chooses to designate the use of a particular broker or dealer should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be obtainable by FEIM, or may receive less favorable execution of some transactions, or both. Such a client should also consider that FEIM will generally execute block orders for non-directed clients before it executes orders for clients that direct brokerage, and may, from time to time, execute trades for non-directed clients through the same broker or dealer to which some clients may have directed brokerage.

### **Item 13 – Review of Accounts**

Portfolio Managers review performance, transactions and holdings for each client account on a regular basis and select investments for clients in accordance with each client’s investment objectives and consistent with the investment philosophy of FEIM. Additionally, Mr. John Arnhold, FEIM’s chief investment officer, reviews performance and selected trade activity of each investment team on a periodic basis.

Generally, each separately managed account client (with the exception of ASB Advisers) receives periodic performance and holdings reports according to the contractual requirements of the client’s investment management agreement. FEIM maintains systems for guideline surveillance that check pre-trade security transactions and post-trade account holdings against client account guidelines.

### **Item 14 – Client Referrals and Other Compensation**

FEIM may adopt one or more incentive plans or enter into agreements from time to time which provide for cash payments to its employees who develop and refer new business. In addition, FEIM may enter into agreements with third party solicitors who refer clients in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940. In addition,

FEIM and the private funds it advises may enter into agreements with (and make payments to) placement agents and others to gather assets for these funds and provide on-going servicing. Investors or prospective investors should be aware that these plans or arrangements create a conflict of interest between an investor and the relevant placement agent. This conflict may continue after an investment is made in that payments under these plans or arrangements may be made by reference to the amount of the investment maintained with FEIM over time.

### **Item 15 – Custody**

Due to certain arrangements, FEIM may be deemed to have “custody” of client accounts within the meaning of Rule 206(4)-2 under the Advisers Act because FEIM may have access to or authority over client funds and securities for purposes other, among other things, than issuing trading instructions. If FEIM is deemed to have custody over your account, your custodian will send you periodic account statements indicating the amounts of any funds or securities in your account as of the end of the statement period and any transactions in the account during the statement period. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. FEIM urges you to carefully review such statements and compare such official custodial records to any account statements that FEIM may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please notify us promptly if you do not receive account statements from your custodian on at least a quarterly basis.

Because FEIM serves as general partner or managing member of certain private funds, FEIM is deemed to have “custody” over the private funds within the meaning of Rule 206(4)-2 under the Advisers Act. To comply with this Rule, the Adviser provides each investor in the private fund audited financial statements within 120 days following the private fund’s fiscal year end (180 days in the case of any fund of funds). If you have invested in the private funds and have not received audited financial statements timely, please contact us immediately.

### **Item 16 – Investment Discretion**

Generally, clients retain FEIM on a discretionary basis to provide continuous investment advice pursuant to an investment management agreement that describes the services to be provided. Consistent with the client’s investment objectives FEIM typically will have full

investment decision making authority over the type of investments and brokerage for the client's account. From time to time, a client may impose restrictions on certain investments from their account or direct that FEIM use certain broker-dealers to execute transactions for the client's account.

When selecting securities and determining amounts, FEIM seeks to follow the investment policies, limitations and restrictions of the clients. FEIM generally has the authority to select broker-dealers and to determine commissions to be paid as described in Item 12 – Brokerage Practices.

### **Item 17 – Voting Client Securities**

FEIM has adopted proxy-voting policies and procedures designed to ensure that where clients have delegated proxy-voting authority to FEIM, all proxies are voted in the best interest of such clients without regard to the interests of FEIM. When a client retains FEIM, the firm generally determines through its investment management agreement whether it is authorized to vote proxies on behalf of that client. FEIM has retained ISS as its third party proxy voting service provider to analyze proxy issues and recommend how to vote on those issues, and to provide assistance in the administration of the proxy process, including maintaining complete proxy voting records. FEIM generally uses ISS Standard Guidelines.

Once the appropriate guidelines have been established, each proxy must be voted in accordance with those guidelines unless FEIM believes that it is in the best interest of the client(s) to vote otherwise. In those cases, the investment personnel must complete a form describing the reasons for departing from the guidelines and disclosing any facts that might suggest there is a conflict. In the event the Standard Guidelines or any client's Custom Guidelines do not address how a proxy should be voted or state that the vote is to be determined on a "case-by-case" basis, the proxy will be voted in accordance with the proxy voting service provider's recommendations. In addition, FEIM may refrain from voting a proxy on behalf of its clients' accounts due to immaterial impact on the portfolio, timing issues related to opening and closing of accounts, securities lending issues, share block restrictions, timing and receipt of information, or where circumstance beyond its control prevent it from voting.

Clients may obtain a copy of FEIM's proxy voting policies and procedures or obtain information on how an account's securities were voted, clients should submit their request in writing to: First Eagle Investment Management, LLC, Attention: Compliance Department, 1345 Avenue of the Americas, New York, NY 10105 or by calling (212) 698-3300.

**Item 18 – Financial Information**

FEIM does not require or solicit prepayment of its fees. FEIM is not aware of any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

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## Privacy Notice

### PRIVACY POLICY

This section describes FEIM's privacy policy. FEIM is committed to protecting the personal information provided by individual clients and employees according to strict standards of security and confidentiality. These standards apply to both physical facilities and any online services FEIM may provide. FEIM maintains physical, electronic and procedural safeguards that comply with federal and state standards to guard personal information. FEIM permits access to this information only by authorized individuals, who are trained in the proper handling of individual client information and need to access this information to do their job.

As part of providing FEIM's products and services, FEIM may obtain non-public personal information from the following sources:

- Information received on subscription applications or other forms, such as name, address, telephone number, Social Security number, occupation, assets and income;
- Information about client transactions such as account balances, payment history and account activity; and
- Information from public records FEIM may access in the ordinary course of business.

FEIM may share personal information with affiliates. These affiliates do business under names that include Arnhold and S. Bleichroeder Holdings, Inc., First Eagle Funds, First Eagle Variable Funds, and FEF Distributors, LLC.

FEIM will only share personal information collected, as described above, with unaffiliated third parties:

- At the client's request;
- When the client authorizes FEIM to process or service a transaction or product (unaffiliated third parties in this instance include service providers, such as fund administrators and transfer agents, who provide recordkeeping services, and proxy voting service providers);

- With companies that perform sales and marketing on behalf of FEIM with whom FEIM has agreements to protect the confidentiality of personal client information and to use the information only for the purpose for which it was disclosed; or
- When required by law to disclose such information to appropriate authorities.

FEIM does not otherwise provide personal information to outside firms, organizations and individuals except FEIM's attorneys, accountants, advisers and auditors as permitted by law.

If a client decides to discontinue doing business with FEIM, FEIM will continue to adhere to the privacy policy with respect to the information already in FEIM's possession following the termination of the client relationship.

Any new contracts with service providers that have access to personal information must include a provision requiring the service provider to maintain confidentiality of personal information.

Violations of FEIM's privacy policy will be taken seriously and may result in disciplinary actions, including possible termination.

### **About this Brochure**

#### **This Brochure is not:**

- **an offer or agreement to provide advisory services to any person**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any fund**
- **a complete discussion of the features, risks or conflicts associated with any fund or advisory service**

As required by the Investment Advisers Act of 1940, as amended ("Advisers Act"), FEIM may provide this Brochure to current or prospective clients of FEIM. FEIM may also provide this Brochure to current or prospective investors in any private fund or other investment vehicle managed by FEIM, together with relevant confidential offering memoranda or prospectuses, and other related documents ("Offering Documents"), prior to or in connection with such person's consideration or execution of an investment.

Although this publicly available Brochure describes investment advisory services and products of FEIM, persons who receive this Brochure (whether or not from FEIM) should be aware that it is designed solely to provide information about FEIM as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in relevant Offering Documents. More complete information about each fund is included in relevant Offering Documents, certain of which may be provided to current, and eligible prospective, investors only by FEIM. To the extent that there is any conflict between discussions herein and similar or related discussions in any offering materials, the relevant Offering Documents shall govern and control.