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Industry fund manager profile

Rule No. 1: Preserve Capital

A simple principle has helped this global-stock investor achieve almost 25 straight up years. By Kristen French

CHARLES DE VAULX, THE NEW SOLE manager of world allocation fund First Eagle Global, doesn't play the portfolio management game like his rivals. Still, he's quite risk-averse.

De Vaulx learned the value of being a long-term investor at a very early age. He bought his first security at 16, when he purchased shares of Club Med in 1976. "At first the stock did nothing," he recalls. But he held on for seven years, earning five to six times his original investment.

The lesson stuck with him. Today, as portfolio manager of First Eagle Global, de Vaulx holds investments for an average of three to five years. Co-manager of the fund since 1999, he became the sole manager in January after original manager Jean-Marie Eveillard retired.

De Vaulx says little will change. He is both as eclectic and as cautious as Eveillard, looking at a wide range of investment options but meticulous about measuring risk. The fund has only lost money in two of the last 25 calendar years; it fell



with us expect that we will keep delivering protection on the downside. So like Jean Marie, I'm very comfortable holding cash," de Vaulx says. Like Eveillard, he also "eats his own cooking"—two thirds of his liquid assets are invested in the funds he manages.

One difference between Eveillard and de Vaulx is the latter's enthusiasm for finding and training talented analysts. De Vaulx proposed building a research team as associate manager in 1996. Today de Vaulx has seven analysts and hopes to add a few more by year's end. A growing number of world allocation rivals and the fund's burgeoning asset base call for fast decisions, he says; so despite his long-term bias, de Vaulx turns his investments over a

little more quickly than his predecessor Eveillard did.

Unlike most of its competitors, First Eagle Global has never paid attention to its category benchmark, the Morgan Stanley Capital International World Index, and it doesn't use quantitative screens. "We tend to be intrigued by companies with hidden assets or hid-

Charles de Vaulx First Eagle Global

Personal Data

Age: 43
Credentials: MBA equivalent in France
Professional experience: Analyst with First Eagle Global since 1987; associate portfolio manager 1996-1999; co-portfolio manager 1999-2004; sole portfolio manager starting January 2005.

First Eagle Global fund

Ticker: SGENX
Inception of fund: 1979
Style: World allocation, multi-cap
Assets under management: \$10.7 billion
Three-year and five-year performance as of Jan. 6, 2005: 20.2% and 16.8%
Expense ratio: 1.24%; **Front load:** 5%
Minimum investment: \$2,500
Alpha: 13.2

1.3% in 1990 and 0.3% in 1998.

"We realize most people who invest

tative screens. "We tend to be intrigued by companies with hidden assets or hid-

den earnings,” de Vault says. “And a lot of the quantitative screens don’t capture this stuff.” His analysts spend most of their time pouring over mainstream and specialty business publications in search of companies with quirks that may cause their stock to be valued inefficiently.

The fund heavily favors mature markets over emerging ones, de Vault says, but the United States is not a current favorite. In fact, First Eagle Global has a record-low allocation to U.S. markets, sit-

ting at 22% at the end of November. “At the height of recent speculative mania, there was a huge gap between big growth stocks and small value stocks,” he says. “Today, though, everything looks rather fully priced, if not overvalued.”

Because the fund focuses so heavily on protecting against downside risk, its biggest blunders have been sins of omission, de Vault says. In 1988, the manager took a look at Coca-Cola and decided its recent earnings strength was dependent

on a falling dollar and a lucrative relationship with the company’s bottlers was not sustainable. Over the next 10 years, the firm’s business skyrocketed in emerging markets, and the stock grew 15-fold. “We had missed it,” he says.

Still, that extra caution remains the secret to First Eagle Global’s long-term success. “People ask us, ‘How were you up 10% in 2000, 2001, and 2002?’” he says. “The key for us has always been to avoid the losers.”

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guaranteed, and may lose value.

The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. 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

MSCI World Equity Index is a widely followed, unmanaged group of stocks from 23 international markets and is not avail-

Average Annual Returns as of 12/31/2004:	Year to Date	1 Year	5 Years	10 Years
First Eagle Global Fund Class A (Without Sales Load)	18.37%	18.37%	16.78%	13.92%
First Eagle Global Fund Class A (With Sales Load)	12.45%	12.45%	15.89%	13.48%
MSCI World Equity Index	14.72%	14.72%	-2.45%	8.09%

The average annual returns are historical and reflect changes in share price, reinvested dividends, are net of expenses and “with sales load” performance reflects the maximum sales load of 5.00%. Market volatility can dramatically impact the fund’s short-term performance. Current performance may differ from figures shown. Past performance data through the most recent month end is available at www.firsteaglefunds.com or by calling (800) 334-2143. Investments are not FDIC insured or bank

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