



First Eagle US Small Cap Opportunity Fund Manager Review – January 2026

This document provides a comprehensive review of the First Eagle US Small Cap Opportunity Fund, drawing on fund factsheets, supporting fund material, latest webinar and due-diligence responses to assess the strategy, philosophy, performance and role within a diversified portfolio.

Strategy and Objective

The First Eagle US Small Cap Opportunity Fund aims to deliver long-term capital growth by investing primarily in US small and micro-cap companies. The strategy is designed to exploit inefficiencies that are more prevalent at the smaller end of the market, where limited analyst coverage, liquidity constraints and short-term investor behaviour can create mispricing.

This is a high-conviction, bottom-up equity strategy, explicitly not designed for income generation and best suited to investors with a long time horizon and a tolerance for volatility.

Investment Philosophy & Edge

At the heart of the strategy is a disciplined, opportunistic value philosophy. The team believes that small-cap markets are structurally inefficient and that investor behaviour often exaggerates both bad news and short-term setbacks.

Several core beliefs underpin the approach:

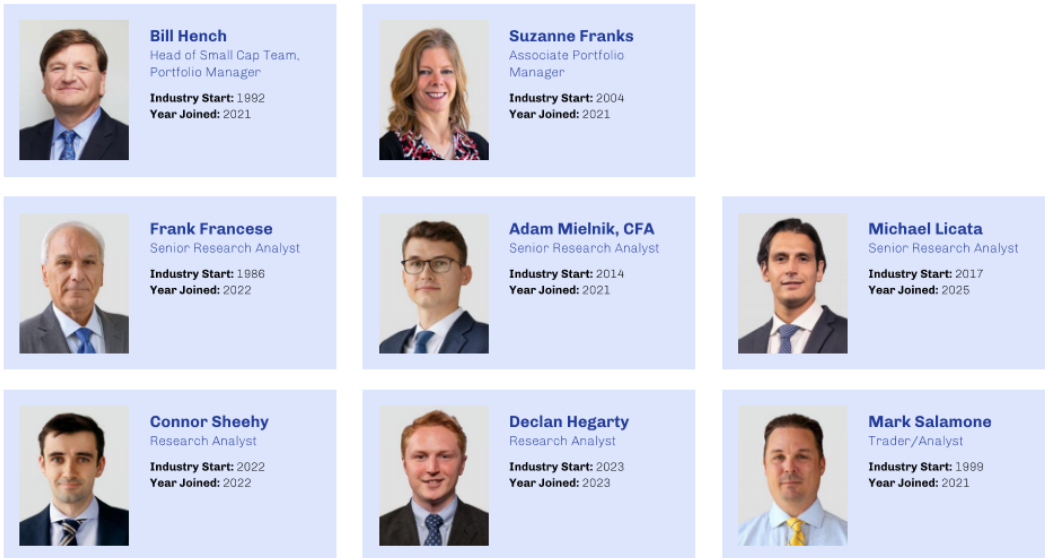
- Earnings normalisation matters: the team focuses on businesses where profits are temporarily depressed but capable of recovery.
- Catalysts drive returns: valuation alone is not enough; there must be a clear path to improvement.
- Volatility is an opportunity, not a risk: price weakness is often the entry point rather than a reason to avoid investment.
- Downside matters: protecting capital through diversification and position sizing is as important as upside capture.

During the Q3 2025 webinar, Bill Hench emphasised that the team's edge lies in patient capital deployment and resisting speculative areas of the market. The fund deliberately avoids themes such as biotech and crypto-led rallies, instead focusing on businesses with tangible assets, cash flows and operational leverage.

Team and Resources

The strategy is led by Bill Hench, Head of the Small Cap Team at First Eagle, supported by an experienced group of generalist analysts and an associate portfolio manager. The team averages over 20 years of industry experience, with a long shared history of working together.

Seasoned team with average of 15+ years of investment experience



As of end of September 2025.

Key structural strengths include:

- Generalist research model – every stock is understood in portfolio context.
- Dedicated trading support to manage liquidity and execution risk.
- Independent enterprise risk oversight separate from the investment team.

The team structure encourages challenge, debate and consistency, helping to reduce behavioural biases and style drift.

Investment Process

The investment process is bottom-up and research-led, beginning with a universe of approximately 3,000 US small-cap companies.

Bottom-up process, building the portfolio stock-by-stock



Actual portfolio characteristics may differ. The portfolio is actively managed and is subject to change. The above are not investment guidelines or restrictions. Not all companies held in this strategy will meet the criteria listed.

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page 18

First Eagle Investments

Stocks are categorised into four core themes:

1. Inefficiently Valued Assets – trading below liquidation, replacement or sum-of-parts value
2. Turnarounds – businesses with fixable issues and improving management or operations
3. Accelerating Growth – companies where growth potential is not reflected in valuation
4. Overlooked Leaders – strong market positions obscured by temporary issues

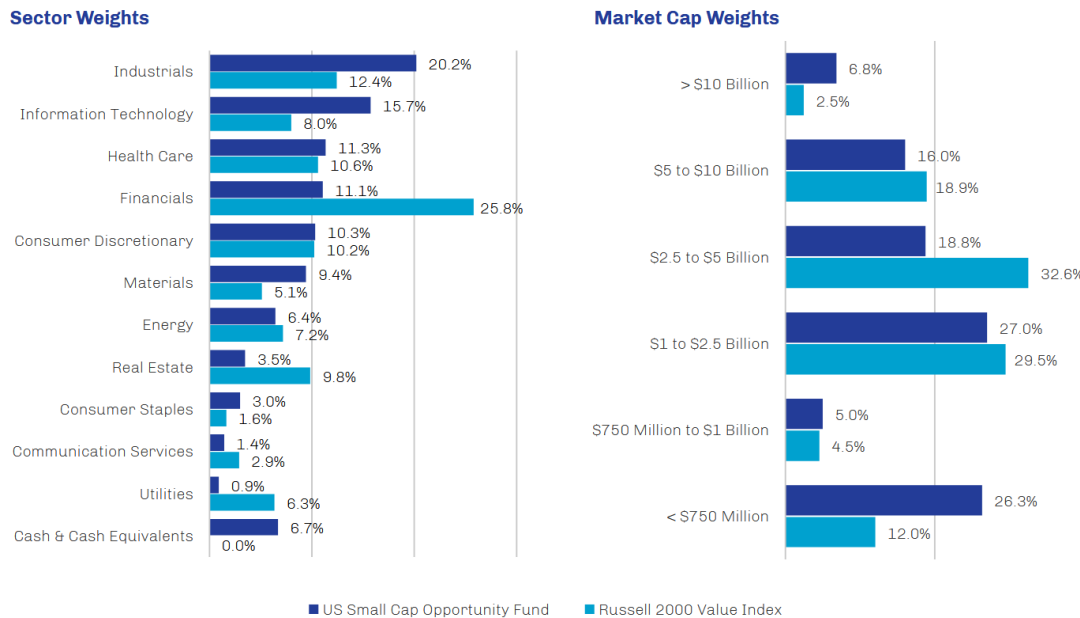
Each investment must have:

- A clear catalyst
- Evidence of balance sheet resilience
- A path to earnings recovery

Positions are built and exited gradually, reflecting liquidity realities and a desire to minimise market impact.

Portfolio Characteristics

The fund is intentionally highly diversified, typically holding 180–300 positions, which is unusual but deliberate in small-cap investing.



Key characteristics include:

- Average position size: c. 0.35–0.50%
- Maximum position size: 1.25%
- High active share (c. 86%)
- Weighted average market cap: c. \$3.3bn
- Exposure includes micro-cap stocks

Sector weights are a by-product of stock selection, not top-down views.

From the webinar discussion, Industrials remain the largest exposure, reflecting themes such as:

- US reshoring
- AI-related infrastructure spending
- Operational leverage from existing asset bases

Performance Overview

Since inception in February 2022, performance has reflected the realities of small-cap investing: periods of meaningful volatility alongside recovery phases.

Annual Returns – Net of Fees (%)*

Past performance is not indicative of future results.

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
US Small Cap Opportunity (I-UC)	5.80%	15.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Russell 2000 Value Index	8.06%	14.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Annual returns are calculated using a monthly frequency.

The following performance is additional to, and should be read only in conjunction with, the performance data presented above.

Trailing Returns – Net of Fees (%)

Past performance is not indicative of future results.

Period (17-Feb-2022–30-Nov-2025)

	1M	3M	YTD	1 Year	3 Year	Since Inception 17-Feb-2022
US Small Cap Opportunity (I-UC)	0.47%	3.44%	12.84%	3.73%	9.46%	5.17%
Russell 2000 Value Index	2.81%	5.14%	12.39%	3.03%	9.16%	6.18%
Excess Net Returns	-2.34%	-1.70%	0.45%	0.70%	0.30%	-1.01%

Key observations:

- The fund experienced its largest drawdown in 2022 during the small-cap sell-off.
- Performance improved materially from April 2024 onwards as earnings expectations stabilised.
- Q3 2025 saw strong relative performance, driven by Industrials, Technology and turnaround positions.

In the webinar, Hench noted that the most important recent development has been upward revisions to revenue and earnings expectations, particularly as:

- Interest rates appear to be peaking and starting to fall
- Capital expenditure incentives have improved
- AI-related spending is filtering into the broader industrial economy

Strengths

- Deep, experienced small-cap specialist team
- Disciplined, repeatable process with clear valuation and catalyst focus
- Diversification that reduces single-stock risk
- Willingness to be contrarian and patient
- Strong alignment with long-term earnings recovery rather than momentum

Key Risks & Considerations

- Small and micro-cap volatility can be significant, particularly during market stress
- Periods of underperformance versus large-cap indices are likely
- Liquidity risk in extreme market conditions
- Strategy is not benchmark-driven, which may challenge short-term expectations
- Requires investor patience and behavioural discipline

This is not a strategy designed to be “comfortable” in the short term.

Role in a Portfolio

The First Eagle US Small Cap Opportunity Fund is best viewed as:

- A satellite allocation within an equity portfolio
- A long-term growth component, not a core defensive holding
- Complementary to large-cap or quality-focused strategies

It is not suitable for retirement income, capital-preservation mandates or investors with short time horizons.

Points of Difference

- Exceptionally diversified small-cap portfolio
- Clear focus on catalysts rather than style labels
- Willingness to avoid fashionable areas of the market
- Absolute-return mindset within an equity framework
- Strong emphasis on earnings normalisation cycles

Money Wise UK Summary View

The First Eagle US Small Cap Opportunity Fund is a thoughtful, disciplined approach to small-cap investing, grounded in valuation, patience and risk awareness rather than speculation.

It will not suit every investor, and it will test conviction during periods of volatility. However, for those who understand the behavioural challenges of small-cap investing and can commit to a long time horizon, it offers genuine diversification and long-term compounding potential.

This is a strategy for investors who are willing to be early, uncomfortable at times, and ultimately rewarded by earnings recovery rather than market narratives.

Disclaimer

Past performance is not a reliable guide to future results. The value of investments can fall as well as rise, and investors may not get back the amount originally invested.

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Review Completed: January 2026