Summary:

- Near-term macro policy risk elevated and longer-term inflation risk may be larger.
- Large segments of risk areas of fixed income market exhibit strained valuation.
- Yield-to-worst increased during the quarter as Treasury rates at the short end increased.

Today’s agenda

- Fund Highlights
- Market Commentary
- Performance & Portfolio Activity
- Question & Answer
Fund highlights

Investment objective
- The Fund's primary investment objective is current income and long-term total return. Capital preservation is also a consideration.

Highlights
- Short-term: seeks positive absolute returns in a 12-month period
- Long-term: seeks positive real returns (outperform inflation plus 100 basis points) over five-year period and competitive returns versus bond market universe
- Benchmark indifferent

Downside protection (12/31/17)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Yield to Worst (%)</th>
<th>Effective Duration (yrs)</th>
<th>YTW/Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>FPA New Income</td>
<td>2.95</td>
<td>1.47</td>
<td>2.01</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Aggregate Bond Index</td>
<td>2.71</td>
<td>5.98</td>
<td>0.45</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Aggregate 1-3 Year Index</td>
<td>2.04</td>
<td>1.92</td>
<td>1.06</td>
</tr>
</tbody>
</table>

As of December 31, 2017, the SEC yield was 2.84%. The SEC Yield calculation begins with the Fund’s dividend payments for the last 30 days, subtracts fund expenses (but excluding any fee waivers) and uses this number to estimate your returns for a year. This calculation is based on the price of the fund at the beginning of the month. The income yield stated here reflects prospective data and thus assumes payments collected by the fund may fluctuate.

Source: FactSet, Bloomberg. Comparison to the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. Aggregate 1-3 Year Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
Risk-adjusted Fund returns

A record of achieving risk-adjusted returns

As of December 31, 2017.
Source: Morningstar Direct. Bond Fund categories as defined by Morningstar. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Current month-end performance data may be obtained at www.fpafunds.com or by calling toll-free, 1-800-982-4372. The Fund’s expense ratio as indicated in its most recent prospectus is 0.49%. Please refer to the end of the presentation for important disclosures.
### Performance – net of fees

Trailing Performance (%)

<table>
<thead>
<tr>
<th></th>
<th>QTD</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>15 Years</th>
<th>20 Years</th>
<th>30 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FPA New Income</strong></td>
<td>0.43</td>
<td>2.67</td>
<td>2.67</td>
<td>1.78</td>
<td>1.46</td>
<td>2.21</td>
<td>3.01</td>
<td>3.90</td>
<td>6.05</td>
</tr>
<tr>
<td><strong>Bloomberg Barclays U.S. Agg Bond Index</strong></td>
<td>0.39</td>
<td>3.54</td>
<td>3.54</td>
<td>2.24</td>
<td>2.10</td>
<td>4.01</td>
<td>4.15</td>
<td>4.98</td>
<td>6.36</td>
</tr>
<tr>
<td><strong>CPI + 100</strong></td>
<td>0.90</td>
<td>3.05</td>
<td>3.05</td>
<td>2.61</td>
<td>2.42</td>
<td>2.63</td>
<td>3.11</td>
<td>3.18</td>
<td>3.60</td>
</tr>
<tr>
<td><strong>Bloomberg Barclays U.S. Agg 1-3 Year Bond Index</strong></td>
<td>-0.20</td>
<td>0.86</td>
<td>0.86</td>
<td>0.95</td>
<td>0.86</td>
<td>1.95</td>
<td>2.41</td>
<td>3.45</td>
<td>NA</td>
</tr>
</tbody>
</table>

Calculated using Morningstar Direct. Periods greater than one year are annualized. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

*This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Current month-end performance data may be obtained at www.fpafunds.com or by calling toll-free, 1-800-982-4372. The Fund’s expense ratio as indicated in its most recent prospectus is 0.49%. Please refer to the end of the presentation for important disclosures.*
Bond market returns for 2017

Source: Bloomberg. Past performance is no guarantee of future performance.
Market Commentary
Inflation expectations and shape of the yield curve

Source: Federal Reserve Bank of St. Louis, Bloomberg.
Economic environment at 1990 Peak

Economic environment at 2000 peak

Economic environment 2007 peak

Economic environment 2017

High Yield valuation at past economic peaks


JUNK BOND YIELDS (ML)

Source: First Pacific Advisors, LLC
Market performance after peak

Fixed income performance after peak

- FPA New Income
- BBgBarc US Aggregate 1-3 Yr TR USD
- BBgBarc US Agg Bond TR USD
- BBgBarc High Yield Corporate TR USD

Max Drawdown Jan 1998 to Dec 2000
Return Jan 1998 to Dec 2000
Max Drawdown July 2005 to June 2008
Return July 2005 to June 2008

Yield curve changes 2017

Source: Bloomberg
Change in the yield for short maturity Treasury notes 2017

Point where investors’ view on GDP growth and inflation changed

Source: Bloomberg.
Yield curve is moving towards more normal valuation.

Change in real yield since election

Source: Bloomberg.
Bond market supply

Market risk sentiment

American Association of Individual Investors survey

Source: American Association of Individual Investors Sentiment Survey dated January 11, 2018. The sentiment survey measures the percentage of individual investors who are bullish, bearish, and neutral on the stock market short term; individuals are polled from the AAII Web site on a weekly basis.
High Yield market valuation

Percentage of US HY Index Trading Spread Below 250bp

Jun-07 58.82%
Jan-18 43.69%
Jun-14 20.96%

High yield valuation


First Pacific Advisors, LLC
Leverage Loan characteristic

Source: Credit Suisse.
Performance and Portfolio Update
Fund high quality yield-to-worst and duration

FPA New Income high quality portion (A & above) yield-to-worst and effective duration vs. Two-Year Treasury yield

Source: FactSet. Portfolio composition will change due to ongoing management of the Fund. As of December 31, 2017, the SEC yield was 2.84%. The SEC Yield calculation begins with the Fund’s dividend payments for the last 30 days, subtracts fund expenses (but excluding any fee waivers) and uses this number to estimate your returns for a year. This calculation is based on the price of the fund at the beginning of the month. The income yield stated here reflects prospective data and thus assumes payments collected by the fund may fluctuate. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
Fund credit exposure over time

FPA New Income credit sensitive portion (BBB+ & below) allocation vs. Bloomberg Barclays U.S. High Yield Index YTW

Source: FactSet. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.
Fund credit yield-to-worst and duration

FPA New Income credit sensitive portion (BBB+ & below) yield-to-worst and effective duration vs. Bloomberg Barclays U.S. High Yield Index

Source: FactSet. Portfolio composition will change due to ongoing management of the Fund. As of December 31, 2017, the SEC yield was 2.84%. The SEC Yield calculation begins with the Fund’s dividend payments for the last 30 days, subtracts fund expenses (but excluding any fee waivers) and uses this number to estimate your returns for a year. This calculation is based on the price of the fund at the beginning of the month. The income yield stated here reflects prospective data and thus assumes payments collected by the fund may fluctuate. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
## Portfolio contribution to return

<table>
<thead>
<tr>
<th></th>
<th>Q4 2017</th>
<th></th>
<th>YTD 2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Weight (%)</td>
<td>Total Return (%)</td>
<td>Contribution to return (%)</td>
<td>Average Weight (%)</td>
</tr>
<tr>
<td>ABS</td>
<td>56.32</td>
<td>0.40</td>
<td>0.23</td>
<td>53.43</td>
</tr>
<tr>
<td>Auto</td>
<td>18.43</td>
<td>0.26</td>
<td>0.05</td>
<td>18.59</td>
</tr>
<tr>
<td>Credit Card</td>
<td>3.60</td>
<td>-0.02</td>
<td>-0.00</td>
<td>4.53</td>
</tr>
<tr>
<td>Other</td>
<td>34.29</td>
<td>0.52</td>
<td>0.18</td>
<td>30.30</td>
</tr>
<tr>
<td>CMO</td>
<td>10.04</td>
<td>0.25</td>
<td>0.03</td>
<td>12.79</td>
</tr>
<tr>
<td>Agency</td>
<td>4.23</td>
<td>-0.08</td>
<td>-0.00</td>
<td>5.60</td>
</tr>
<tr>
<td>Non-Agency</td>
<td>5.81</td>
<td>0.49</td>
<td>0.03</td>
<td>7.19</td>
</tr>
<tr>
<td>CMBS</td>
<td>11.42</td>
<td>2.21</td>
<td>0.25</td>
<td>12.89</td>
</tr>
<tr>
<td>Agency</td>
<td>0.02</td>
<td>0.34</td>
<td>0.00</td>
<td>0.07</td>
</tr>
<tr>
<td>Non-Agency</td>
<td>3.77</td>
<td>0.99</td>
<td>0.04</td>
<td>3.76</td>
</tr>
<tr>
<td>Stripped</td>
<td>7.63</td>
<td>2.87</td>
<td>0.21</td>
<td>9.06</td>
</tr>
<tr>
<td>Mortgage Pass-Through</td>
<td>2.39</td>
<td>0.10</td>
<td>0.00</td>
<td>2.76</td>
</tr>
<tr>
<td>Municipal</td>
<td>0.06</td>
<td>0.36</td>
<td>0.00</td>
<td>0.11</td>
</tr>
<tr>
<td>Treasury</td>
<td>4.79</td>
<td>-0.37</td>
<td>-0.02</td>
<td>3.43</td>
</tr>
<tr>
<td>Cash and equivalents</td>
<td>7.28</td>
<td>0.27</td>
<td>0.02</td>
<td>7.78</td>
</tr>
<tr>
<td>MBS Stripped</td>
<td>0.04</td>
<td>1.64</td>
<td>0.00</td>
<td>0.10</td>
</tr>
<tr>
<td>Corporate</td>
<td>7.66</td>
<td>1.03</td>
<td>0.08</td>
<td>6.72</td>
</tr>
<tr>
<td>Bank Debt</td>
<td>4.72</td>
<td>1.11</td>
<td>0.05</td>
<td>3.66</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>2.93</td>
<td>0.58</td>
<td>0.03</td>
<td>3.06</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>0.58</td>
<td>0.58</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Factset. The Fund’s sector performance is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
Portfolio characteristics

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Held (MV)</th>
<th>Maturity (Years)</th>
<th>Yield to Worst (%)</th>
<th>Effective Duration (Years)</th>
<th>Nominal Spread (Bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; equivalents</td>
<td>7.3%</td>
<td>0.18</td>
<td>1.28</td>
<td>0.2</td>
<td>10</td>
</tr>
<tr>
<td>U.S. Government</td>
<td>4.7%</td>
<td>2.44</td>
<td>1.92</td>
<td>2.4</td>
<td>1</td>
</tr>
<tr>
<td>Treasury</td>
<td>4.7%</td>
<td>2.44</td>
<td>1.92</td>
<td>2.4</td>
<td>1</td>
</tr>
<tr>
<td>Credit</td>
<td>7.9%</td>
<td>3.53</td>
<td>7.19</td>
<td>1.1</td>
<td>469</td>
</tr>
<tr>
<td>Corporate</td>
<td>7.9%</td>
<td>3.53</td>
<td>7.19</td>
<td>1.1</td>
<td>469</td>
</tr>
<tr>
<td>Securitized</td>
<td>80.1%</td>
<td>2.28</td>
<td>2.75</td>
<td>1.6</td>
<td>96</td>
</tr>
<tr>
<td>Mortgage Pass-Through</td>
<td>2.2%</td>
<td>1.40</td>
<td>2.21</td>
<td>1.5</td>
<td>42</td>
</tr>
<tr>
<td>Mortgage Backed (CMO)</td>
<td>10.3%</td>
<td>2.27</td>
<td>2.88</td>
<td>2.1</td>
<td>119</td>
</tr>
<tr>
<td>ABS</td>
<td>56.8%</td>
<td>2.03</td>
<td>2.59</td>
<td>1.4</td>
<td>81</td>
</tr>
<tr>
<td>CMBS</td>
<td>3.7%</td>
<td>2.06</td>
<td>3.61</td>
<td>0.9</td>
<td>198</td>
</tr>
<tr>
<td>Stripped Mortgage-Backed</td>
<td>7.1%</td>
<td>4.69</td>
<td>3.54</td>
<td>2.6</td>
<td>144</td>
</tr>
<tr>
<td><strong>Total as of 12/31/17</strong></td>
<td><strong>100%</strong></td>
<td><strong>2.2</strong></td>
<td><strong>2.95</strong></td>
<td><strong>1.5</strong></td>
<td><strong>115</strong></td>
</tr>
<tr>
<td><strong>Total as of 9/30/17</strong></td>
<td><strong>100%</strong></td>
<td><strong>2.2</strong></td>
<td><strong>2.67</strong></td>
<td><strong>1.5</strong></td>
<td><strong>152</strong></td>
</tr>
<tr>
<td><strong>Total as of 12/31/16</strong></td>
<td><strong>100%</strong></td>
<td><strong>1.9</strong></td>
<td><strong>2.69</strong></td>
<td><strong>1.3</strong></td>
<td><strong>176</strong></td>
</tr>
</tbody>
</table>

Source: FactSet. Portfolio composition will change due to ongoing management of the Fund. As of December 31, 2017, the SEC yield was 2.84%. The SEC Yield calculation begins with the Fund’s dividend payments for the last 30 days, subtracts fund expenses (but excluding any fee waivers) and uses this number to estimate your returns for a year. This calculation is based on the price of the fund at the beginning of the month. The income yield stated here reflects prospective data and thus assumes payments collected by the fund may fluctuate. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
Portfolio exposure changes

As of September 30, 2017

- ABS Auto Subprime: 14%
- ABS Auto CLO: 14%
- Cash & Equivalents: 11%
- ABS Equipment: 9%
- Stripped Performing CMBS: 8%
- ABS Servicer Advance: 7%
- Corporates: 5%
- Treasurer: 4%
- Other: 24%
- 30-Year Relocation MBS: 4%

As of December 31, 2017

- ABS Auto Subprime: 16%
- ABS Auto CLO: 14%
- Cash & Equivalents: 11%
- Corporates: 8%
- Treasurer: 7%
- Stripped Performing CMBS: 7%
- ABS Servicer Advance: 4%
- Other: 24%
- ABS Auto Prime: 4%

Source: FactSet. Portfolio composition will change due to ongoing management of the Fund. Please refer to the end of the presentation for important disclosures.
Portfolio exposure changes

Historical exposure by sector

Source: FPA. As of December 31, 2017. Other includes Investment Grade Corporate, Non-US denominated, Convertibles, Preferred Equity. Please refer to the end of the presentation for important disclosures.
Source: FactSet. The Barclays Capital Family of Indices ratings rules use the median if more than two ratings are available from all NRSROs. Lower of the two is used if only two ratings are available from all NRSROs. Please refer to the end of the presentation for important disclosures.

<table>
<thead>
<tr>
<th>% of Portfolio Held</th>
<th>6/30/17</th>
<th>9/30/17</th>
<th>12/31/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>71.0</td>
<td>72.0</td>
<td>71.0</td>
</tr>
<tr>
<td>AA</td>
<td>11.9</td>
<td>10.3</td>
<td>10.9</td>
</tr>
<tr>
<td>A</td>
<td>5.1</td>
<td>6.2</td>
<td>7.1</td>
</tr>
<tr>
<td>BBB</td>
<td>0.7</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>BB</td>
<td>2.2</td>
<td>2.2</td>
<td>2.9</td>
</tr>
<tr>
<td>B &amp; Below</td>
<td>3.4</td>
<td>4.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Non-rated</td>
<td>5.7</td>
<td>4.8</td>
<td>5.7</td>
</tr>
</tbody>
</table>
Estimated quarterly principal cash flow for FPA New Income

Source: FactSet.
As of December 31, 2017.
Impact of rate change on the Fund's bond holdings assuming all positions are held for 12-months. The Fund's performance is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. Stress Test data is hypothetical and provided for illustrative purposes only.

Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
Question & Answer
Performance – net of fees

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FPA New Income</td>
<td>2.67</td>
<td>2.53</td>
<td>0.15</td>
<td>1.32</td>
<td>0.67</td>
<td>2.18</td>
<td>2.23</td>
<td>3.18</td>
<td>2.89</td>
<td>4.31</td>
<td>6.02</td>
<td>4.79</td>
<td>1.57</td>
<td>2.60</td>
<td>8.32</td>
<td>4.52</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Agg Bond Index</td>
<td>3.54</td>
<td>2.65</td>
<td>0.55</td>
<td>5.97</td>
<td>-2.02</td>
<td>4.21</td>
<td>7.84</td>
<td>6.54</td>
<td>5.93</td>
<td>5.24</td>
<td>6.97</td>
<td>4.33</td>
<td>2.43</td>
<td>4.34</td>
<td>4.10</td>
<td>10.26</td>
</tr>
<tr>
<td>CPI + 100</td>
<td>3.05</td>
<td>3.12</td>
<td>1.68</td>
<td>1.70</td>
<td>2.56</td>
<td>2.80</td>
<td>4.09</td>
<td>2.46</td>
<td>3.84</td>
<td>0.98</td>
<td>5.15</td>
<td>3.55</td>
<td>4.37</td>
<td>4.38</td>
<td>3.06</td>
<td>3.51</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Agg 1-3 Year Bond Index</td>
<td>0.86</td>
<td>1.31</td>
<td>0.66</td>
<td>0.82</td>
<td>0.64</td>
<td>1.33</td>
<td>1.73</td>
<td>2.62</td>
<td>5.00</td>
<td>4.62</td>
<td>6.73</td>
<td>4.34</td>
<td>1.82</td>
<td>1.44</td>
<td>2.42</td>
<td>6.29</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Agg Bond Index</td>
<td>8.44</td>
<td>11.63</td>
<td>-0.82</td>
<td>8.69</td>
<td>9.65</td>
<td>3.63</td>
<td>18.47</td>
<td>-2.92</td>
<td>9.75</td>
<td>7.40</td>
<td>16.00</td>
<td>8.96</td>
<td>14.53</td>
<td>7.89</td>
<td>2.76</td>
<td>15.26</td>
</tr>
<tr>
<td>CPI + 100</td>
<td>2.62</td>
<td>4.47</td>
<td>3.71</td>
<td>2.63</td>
<td>2.72</td>
<td>4.41</td>
<td>3.56</td>
<td>3.63</td>
<td>3.84</td>
<td>4.00</td>
<td>4.01</td>
<td>7.32</td>
<td>5.69</td>
<td>5.46</td>
<td>5.38</td>
<td>2.20</td>
</tr>
<tr>
<td>Bloomberg Barclays U.S. Agg 1-3 Year Bond Index</td>
<td>8.77</td>
<td>8.15</td>
<td>3.32</td>
<td>6.83</td>
<td>6.68</td>
<td>5.19</td>
<td>11.00</td>
<td>0.62</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

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This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Current month-end performance data may be obtained at www.fpfunds.com or by calling toll-free, 1-800-982-4372. The Fund’s expense ratio as indicated in its most recent prospectus is 0.49%. Please refer to the end of the presentation for important disclosures.
Important Disclosures

These slides are intended as supplemental material to the 4th Quarter 2017 New Income audio presentation that is posted on our website at www.fpafunds.com.

It is important to understand that the views expressed on these slides and in the accompanying audio presentation are as of the date presented (January 24, 2018) and are subject to change based on market and other conditions. These views may differ from other portfolio managers and analysts of the firm as a whole, and are not intended to be a forecast of future events, a guarantee of future results or investment advice. Any mention of individual securities or sectors should not be construed as a recommendation to purchase or sell such securities, and any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. This information and data has been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

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Portfolio composition will change due to ongoing management of the Fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the Portfolio Managers, or the Distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpafunds.com.

Thomas Atteberry and Abhijeet Patwardhan have been portfolio managers in this strategy since November 2004 and November 2015, respectively, and manage the strategy in a manner that is substantially similar to the prior portfolio manager, Robert Rodriguez. Mr. Rodriguez ceased serving as the strategy’s portfolio manager effective December 2009. Investments in mutual funds carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

The return of principal in a bond fund is not guaranteed. Bond funds have the same issuer, interest rate, inflation and credit risks that are associated with underlying bonds owned by the fund. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds. Interest rate risk is when interest rates go up, the value of fixed income securities, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principle due to the issuer's failure to repay a loan. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults the security may lose some or all its value.

Mortgage securities and collateralized mortgage obligations (CMOs) are subject to prepayment risk and the risk of default on the underlying mortgages or other assets; such derivatives may increase volatility. Convertible securities are generally not investment grade and are subject to greater credit risk than higher-rated investments. High yield securities can be volatile and subject to much higher instances of default. The Fund may experience increased costs, losses and delays in liquidating underlying securities should the seller of a repurchase agreement declare bankruptcy or default.
Important Disclosures (continued)

Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

The Fund may purchase non-US securities, which are subject to interest rate, currency exchange rate, economic and political risks.

Indices are unmanaged, do not reflect transaction costs, investment management fees or other fees and expenses that would reduce performance in an actual account, and not available for direct investment. It is not possible to invest directly in an index. The account had held, and is expected to continue to hold, underlying securities that are not included in the benchmark and FPA makes no representation that the account is comparable to the benchmark in composition or element of risk involved.

Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the economic risks associated with such an investment. Certain of these risks include:

- loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices;
- lack of liquidity in that is no secondary market for an investor’s interest in the fund;
- volatility of returns;
- restrictions on transferring interests in the fund;
- absence of information regarding valuations and pricing;
- complex tax structures and delays in tax reporting;
- less regulation and higher fees than mutual funds; and
- risks associated with the operations, personnel and processes of the underlying fund managers

Index Definitions

Bloomberg Barclays Aggregate 1-3 Year Index provides a measure of the performance of the US investment grade bonds market, which includes investment grade US Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have a remaining maturity of 1 to 3 years. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable.

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Bloomberg Barclays ABS Index is the ABS component of the U.S. Aggregate index. The index includes pass-through, bullet and controlled amortization structures.

Bloomberg Barclays CMBS Index is the CMBS component of the Barclays U.S. Aggregate Index.

Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.
Important Disclosures (continued)

Bloomberg Barclays U.S. Corporate Index invests in publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Morningstar Bond Categories
The Nontraditional Bond category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond fund universe. Many funds in this group describe themselves as “absolute return” portfolios, which seek to avoid losses and produce returns uncorrelated with the overall bond market; they employ a variety of methods to achieve those aims. Another large subset are self described “unconstrained” portfolios that have more flexibility to invest tactically across a wide swath of individual sectors, including high yield and foreign debt, and typically with very large allocations. Funds in the latter group typically have broad freedom to manage interest rate sensitivity, but attempt to tactically manage those exposures in order to minimize volatility. The category is also home to a subset of portfolios that attempt to minimize volatility by maintaining short or ultra short duration portfolios, but explicitly court significant credit and foreign bond market risk in order to generate high returns. Funds within this category often will use credit default swaps and other fixed income derivatives to a significant level within their portfolios.

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade US fixed-income issues and typically have durations of 3.5 to 6.0 years. These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Intermediate-term is defined as 75% to 125% of the three-year average effective duration of the MCBI.

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

Long-term bond portfolios invest primarily in corporate and other investment-grade US fixed-income issues and typically have durations of more than 6.0 years. Because of their long durations, these portfolios are exposed to greater interest-rate risk. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Long-term is defined as 125% of the three-year average effective duration of the MCBI.

World-bond portfolios invest 40% or more of their assets in foreign bonds. Some world-bond portfolios follow a conservative approach, favoring high-quality bonds from developed markets. Others are more adventurous and own some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the US, while others regularly invest in both US and non-US bonds.

High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in US high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor’s or Moody’s at the level of BB (considered speculative for taxable bonds) and below.

Morningstar Bond Categories (continued)
Bank-loan portfolios primarily invest in floating-rate bank loans instead of bonds. In exchange for their credit risk, these loans offer high interest payments that typically float above a common short-term benchmark such as the London Interbank Offered Rate, or LIBOR.
Emerging-markets bond portfolios invest more than 65% of their assets in foreign bonds from developing countries. The largest portion of the emerging-markets bond market comes from Latin America, followed by Eastern Europe, Africa, the Middle East, and Asia make up the rest.

The FPA Funds are distributed by UMB Distribution Services, LLC, 235 W. Galena Street, Milwaukee, WI, 53212.

Glossary of Terms appears on the following pages
Glossary of terms

ABS (Asset Backed Securities): financial securities backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.

Average Maturity: is a measure of maturity that takes into account the possibility that a bond might be called back to the issuer. For a portfolio of bonds, average maturity is the weighted average of the maturities of the underlying bonds.

B is the second rating down from the highest non-investment grade rating, regarded as speculative.

BB is the next rating down from the highest non-investment grade rating, regarded as speculative.

Bps (Basis Points): a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

Bull Market is a financial market of a group of securities in which prices are rising or are expected to rise.

CCC is the third rating down from the highest non-investment grade rating, regarded as highly speculative.


CMO (Collateralized Mortgage Obligation): a mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes.

Coupon: The interest rate stated on a bond when it’s issued. The coupon is typically paid semiannually.

CPI + 100 is a measure of the consumer price index (CPI) plus an additional 100 basis points

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

Effective Duration: the duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Exchange traded fund (ETF) is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange.

Forward price to earnings (forward P/E) is a measure of the price-to-earnings (P/E) ratio using forecasted earnings for the P/E calculation. While the earnings used are just an estimate and are not as reliable as current earnings data, there is still benefit in estimated P/E analysis. The forecasted earnings used in the formula can either be for the next 12 months or for the next full-year fiscal period.

GNMA: Government National Mortgage Association
Glossary of terms (continued)

High Yield (HY) bond is a high paying bond with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

Investment Grade (IG) is a rating that indicates that a municipal or corporate bond has a relatively low risk of default.

Maturity: The period of time for which a financial instrument remains outstanding.

Mortgage Pass-Through: a security representing a direct interest in a pool of mortgage loans.

MV (Market Value)

Nominal Spread: the spread, expressed in percent or basis points, that when added to the yield at one point on the Treasury yield curve equals the discount factor that will make a security's cash flows equal to its current market price.

OAS (Option Adjusted Spread) is a measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

Quantitative Tightening (QT) is a course of action undertaken by the Federal Reserve to constrict spending in an economy that is seen to be growing too quickly or to curb inflation when it is rising too fast. The Fed tightens policy or makes money tight by raising short-term interest rates through policy changes to the discount rate, also known as the federal funds rate.

Real yield is the nominal yield of a bond minus the rate of inflation.

Risk-free rate of return is the theoretical rate of return of an investment with zero risk. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

RMBS (Residential Mortgage Backed Securities): mortgage-backed securities backed by residential mortgages.

Sharpe Ratio measures risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate - such as that of the 10-year U.S. Treasury bond - from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Sortino Ratio differentiates between good and bad volatility in the Sharpe ratio. This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.

Standard deviation is a measure of the dispersion of a set of data from its mean; more spread-apart data has a higher deviation.

Treasury inflation protected securities (TIPS) refer to a treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation.
Glossary of terms (continued)

Turnover Ratio is the percentage of a mutual fund or other investment vehicle’s holdings that have been “turned over” or replaced with other holdings in a given year.

S&P 500 Index: An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Spread-to-Worst: the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities.

Stripped Mortgage-Backed Securities: a trust comprised of mortgage-backed securities which are split into principal-only strips and interest-only strips.

Weighted Average Life: the average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding.

Yield-to-Maturity: the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond’s current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupon payments are reinvested at the same rate as the bond’s current yield.

Yield-to-Worst: the lowest amount that an investor will make from a bond, computed by using the lower of the yield to maturity and the yield to call on every call date.