



## **FPA and Queens Road Funds Announce Strategic Partnership**

LOS ANGELES, July 30, 2020 – First Pacific Advisors, LP (“FPA”), and Bragg Financial Advisors, Inc. (“Bragg”), advisor to the Queens Road Funds (“Queens Road”), have reached an agreement for FPA to oversee and market the Queens Road Funds and related institutional separate accounts, and for Bragg to continue to manage the Queens Road Funds’ portfolios.

FPA and Bragg share a common value-oriented investment philosophy, prudently seeking superior long-term risk-adjusted returns. In addition, both firms are 100% employee-owned, and principals at both firms invest their capital alongside shareholders in the strategies they manage and are willing to limit the size of the portfolios for the benefit of investors.

Queens Road Small Cap Value (QRSVX) is rated five-stars overall by Morningstar in its Small Value category and has beaten its Russell 2000 Value benchmark net of all expenses by approximately 200 basis points per annum since its inception in 2002. The fund has received a Gold Morningstar Quantitative Rating. Queens Road Value (QRVLX) is rated four-stars overall by Morningstar in its Large Value category and has beaten its S&P 500 Value benchmark net of all expenses since its inception in 2002. Queens Road Value also has received a Gold Morningstar Quantitative Rating.

FPA and Bragg’s agreement contemplates that Steve Scruggs, who leads both Queens Road Funds, will remain the portfolio manager. There will be no changes to his successful, repeatable investment strategy and process.

As a result of the transition, both Queens Road Funds will plan to offer an institutional share class with materially lower expenses, placing them in what is currently the “Below Average” Morningstar fee group in their respective institutional share class categories. Queens Road Small Cap Value’s institutional class expenses will be capped at 0.89% for three years, 25% lower than its current share class’s expenses. Queens Road Value’s institutional class expenses will be capped at 0.65% for three years, more than 30% lower than its current share class’s expenses.

The agreement further anticipates that the Queens Road Funds Board of Trustees will recommend to shareholders that both Queens Road Funds move to the FPA Funds platform, with the Board of Trustees of the FPA Funds elected as trustees of the Queens Road Funds, FPA appointed as Adviser, and Bragg appointed as Sub-Adviser. The transaction is subject to all required regulatory, FPA Funds Board and Queens Road Funds Board and shareholder approvals. If approved, the transaction is expected to close in Q4 2020.

Additionally, Arik Ahitov, a former partner of FPA and former portfolio manager of FPA Capital Fund (FPPTX), has left FPA to pursue other opportunities with ties to international markets. It is expected that the Board of FPA Capital Fund will recommend to shareholders that FPA Capital Fund reorganize into the Queens Road Small Cap Value institutional class once that Fund’s move to the FPA platform is approved by shareholders. As a result, FPA Capital Fund shareholders would have the Bragg team managing the portfolio, and would benefit from the Queens Road Small Cap Value institutional class’ 0.89% expense cap, compared with FPA Capital Fund’s expense ratio of 0.92% for the year ended March 31, 2020. Until the transition is complete, Daniel D. Kaplan, the lead analyst on the FPA Capital Fund investment team, will serve as the portfolio manager of FPA Capital Fund with oversight provided by FPA’s Management Committee.

“We are fortunate to partner with such a like-minded firm with a long history of investing success. Steve Scruggs and his team have added significant value for their shareholders for more than 18 years and we

have every expectation that will continue. We thank Arik Ahitov for his past decade at FPA and wish him and his family the best as he begins his next chapter,” said FPA Managing Partner Steven Romick.

Mr. Scruggs commented, “We are excited about our partnership with FPA and think it is a great match given the alignment of our two firms. We are long-term investors. Our company has been in business since 1964 and we have managed the Queens Road funds for over 18 years. During our tenure as managers of the Queens Road Funds we declined numerous offers from other firms who wished to partner with us. But when FPA suggested working together, we were immediately interested. We have followed FPA for several decades, and similarly embrace a long-term, value-oriented approach, capacity discipline, and shareholder focus.”

### **About FPA**

FPA, a Los Angeles-based institutional money management firm, employs a disciplined approach to value investing, prudently seeking superior long-term returns while maintaining a focus on capital preservation. As of June 30, 2020, FPA manages approximately \$24 billion across multiple strategies.

### **About Bragg**

Bragg Financial Advisors, a family-owned registered investment advisor based in Charlotte, NC offers portfolio management and wealth advisory services to families and institutions and has been the investment advisor to the Queens Road Funds since inception in 2002. As of June 30, 2020, Bragg Financial manages more than \$1.8 billion across multiple strategies.

For questions, please contact:

FPA: Ryan Leggio, 310-996-5484, [rleggio@fpa.com](mailto:rleggio@fpa.com)

Queens Road: Dave Kania, 704-714-7729, [dave@queensroadfunds.com](mailto:dave@queensroadfunds.com)

**You should consider the Fund’s investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund’s objective and policies, charges, and other matters of interest to a prospective investor. Please read the Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at [www.fpa.com](http://www.fpa.com), by email at [crm@fpa.com](mailto:crm@fpa.com), toll-free by calling 1-800-982-4372 or by contacting the Fund in writing. For the Queens Road Funds, you can obtain additional information by visiting the website at [www.queensroadfunds.com](http://www.queensroadfunds.com), toll free by calling 1-888-353-0261, or by contacting the Fund in writing.**

**Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. 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. Current month-end performance data, which may be higher or lower than the performance data quoted, may be obtained at [www.queensroadfunds.com](http://www.queensroadfunds.com) or by calling toll-free, 1-888-353-0261. There can be no assurance that the funds will meet any of their objectives. As of its most recent prospectus, the Queens Road Value Fund total expense ratio is 0.95% and the Queens Road Small Cap Value Fund total expense ratio is 1.18%.**

Investments, including 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. It is important to remember that there are risks inherent in any investment and there is no assurance that any investment or asset class will provide positive performance over time. Value style investing presents the risk that the holdings or securities may never reach our estimate of intrinsic 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 style investing during given periods. Non-U.S. investing presents additional risks, such as the potential for adverse political, currency, economic, social or regulatory developments in a country, including lack of liquidity, excessive taxation, and differing legal and accounting standards. Non-U.S. securities, including American Depository Receipts (ADRs) and other depository receipts, are also subject to interest rate and currency exchange rate risks. Please refer to each fund's prospectus for a complete overview of the primary risks associated with each fund.

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### **Index and Other Definitions**

Index returns do not reflect transactions costs, investment management fees or other commissions, fees and expenses that would reduce performance for an investor. An investor cannot invest directly in an index.

**Russell 2000 Value** index is a subset of the Russell 2000 index, a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index. The Russell 2000 Value index is composed of small-capitalization U.S. equities that exhibit value characteristics.

**S&P 500 Value** index measures value stocks using three factors: the ratios of book value, earnings, and sales to price. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500®.

**Morningstar Quantitative Rating™** consists of: (i) Morningstar Quantitative Rating (overall score), (ii) Quantitative Parent pillar, (iii) Quantitative People pillar, and (iv) Quantitative Process pillar (collectively the "Quantitative Fund Ratings"). The Quantitative Fund Ratings are calculated monthly and derived from the analyst-driven ratings of a fund's peers as determined by statistical algorithms. Morningstar, Inc. calculates Quantitative Fund Ratings for funds when an analyst rating does not exist as part of its qualitative coverage.

Morningstar Quantitative Ratings are intended to be comparable to Morningstar's Analyst Ratings for open-end funds and ETFs, which is the summary expression of Morningstar's forward-looking analysis of a fund. The Morningstar Analyst Rating is based on the analyst's conviction in the fund's ability to outperform its peer group and/or relevant benchmark on a risk-adjusted basis over a full market cycle of at least 5 years. Ratings are assigned on a five-tier scale with three positive ratings of Gold, Silver, and Bronze, a Neutral rating, and a Negative rating. Morningstar calculates the Morningstar Quantitative Rating using a statistical model derived from the Morningstar Analyst Rating that its fund analysts assign to open-end funds and ETFs. For more information, please go to <https://shareholders.morningstar.com/investor-relations/governance/Compliance--Disclosure/default.aspx>.

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**The Morningstar Rating™** for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of

products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Through June 30, 2020, the Queens Road Small Cap Value Fund was rated five stars against the following numbers of funds in the Small Value Category for each of the following time periods: 413 funds in the last three years, 373 funds in the last five years, and 258 funds in the last ten years. **Past performance is no guarantee of future results.**

Through June 30, 2020, the Queens Value Fund was rated against the following numbers of funds in the Large Value Category over the following time periods: four stars against 1,109 funds in the last three years, five stars against 970 funds in the last five years, and four stars against 703 funds in the last ten years. **Past performance is no guarantee of future results.**

### **Morningstar Category**

Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

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