



Unless otherwise indicated, FPA New Income, Inc. ("Fund") performance in the Morningstar Analyst Report is as of March 31, 2021.

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), by calling toll-free at 1-800-982-4372, or by contacting the Fund in writing.

**Average Annual Total Returns (%)**

As of Date: 3/31/21	QTD	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	30 Years	ITD (Since 7/11/84)
FPA New Income, Inc. ("Fund")	0.37	0.37	4.34	2.86	2.72	1.98	2.74	3.25	5.03	6.58
Bloomberg Barclays U.S. Agg Bond Index	-3.37	-3.37	0.71	4.65	3.10	3.44	4.29	4.50	5.65	7.04
CPI + 100 bps	1.49	1.49	3.67	3.02	3.17	2.75	2.92	3.08	3.30	3.61
Bloomberg Barclays U.S. Agg 1-3 Year Bond Index	-0.07	-0.07	1.19	2.95	1.96	1.57	2.57	2.83	NA	NA

Calculated using Morningstar Direct. Periods greater than one year are annualized. Fund performance is net of all fees and expenses and includes the reinvestment of distributions. Fund returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these figures. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

**The Total Annual Fund Operating Expenses before reimbursement is 0.57% (as of the most recent prospectus).** Effective March 31, 2021, First Pacific Advisors, LP ("FPA" or the "Adviser") has contractually agreed to reimburse expenses in excess of 0.47% of the average net assets of the Fund (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business) through March 31, 2022. This agreement may only be terminated earlier by the Fund's Board of Directors (the "Board") or upon termination of the Advisory Agreement. *Note, for the period December 18, 2020 through March 31, 2021, the net expense ratio was 0.49% of the average net assets of the Fund (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business).*

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, which may be lower or higher than the performance data quoted, may be obtained at [www.fpa.com](http://www.fpa.com) or by calling toll-free, 1-800-982-4372. The Fund's net expense ratio as indicated in its most recent prospectus is 0.47%. Please refer to the end of the presentation for important disclosures and Glossary of Terms.

*Effective August 1, 2020, the availability of shares of the Fund to new investors is limited. Please see the Prospectus for more detail.*

**Please see important disclosures on the next page.**

## Important Disclosures

The data herein is provided for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale with respect to any securities, products or services discussed, and neither does it provide investment advice. Any such offer or solicitation shall only be made pursuant to the Fund's Prospectus which supersedes the information contained herein in its entirety. 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.

The opinions expressed in the Morningstar Analyst Report are those of Morningstar and are as of the date written and are subject to change without notice. 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.

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.

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, the Adviser, 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.fpa.com](http://www.fpa.com).

The statements made herein may be forward-looking and/or based on current expectations, projections, and/or information currently available. Actual results may differ from those anticipated. The portfolio managers, FPA, and/or Morningstar cannot assure future results and disclaims any obligation to update or alter any statistical data and/or references thereto, as well as any forward-looking statements, whether as a result of new information, future events, or otherwise. Such statements may or may not be accurate over the long-term.

Investments, including mutual fund investments, 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. Foreign securities, including American Depository Receipts (ADRs) and other depository receipts, are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Groups of stocks, such as value and growth, go in and out of favor which may cause underperformance as compared to other equity groups. Short selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale.

The return of principal in a fixed income investment is not guaranteed. Fixed income securities, such as bonds, have issuer, interest rate, inflation and credit risks. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks. 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 principal 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 of its value. High yield securities, senior loans, private placements, or restricted securities may carry liquidity risks.

Mortgage-related and other asset-backed securities represent interests in "pools" of mortgages or other assets such as consumer loans or receivables held in trust and often involve risks that are different from or possibly more acute than risks associated with other types of debt instruments. Mortgage-related and asset-backed securities are subject to prepayment risk and can be highly sensitive to changes in interest rates. Mortgage-backed and asset-backed securities, and in particular those not backed by a government guarantee, are subject to credit risk/risk of default on the underlying mortgages or other assets. Asset-

backed are also subject to additional risks associated with the nature of the assets and the servicing of those assets.

Collateralized debt obligations (“CDOs”), which include collateralized loan obligations (“CLOs”), collateralized bond obligations (“CBOs”), and other similarly structured securities, carry additional risks in addition to interest rate risk and default risk. This includes, but is not limited to: (i) distributions from the underlying collateral may not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results. Investments in CDOs are also more difficult to value than other investments.

The ratings agencies that provide ratings are Standard and Poor’s, Moody’s, and Fitch. Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Bonds with credit ratings of CCC or below have high default risk.

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.

### **Index Definitions**

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund will be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund’s investment strategy. Indices are unmanaged, do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index or benchmark in its investment objectives. Investors cannot invest directly in an index.

**Bloomberg Barclays U.S. Aggregate Bond Index (BBgBarc US Agg Bond)** provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. 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 at least 1 year remaining in maturity. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, nonconvertible, and taxable.

**Bloomberg Barclays U.S. Aggregate 1-3 Year Index (BBgBarc US Aggregate 1-3Yr)** provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. 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 U.S. dollars and must be fixed rate, nonconvertible, and taxable.

The **Consumer Price Index (CPI)** is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time.

**CPI + 100 bps** is the measure of the CPI plus an additional 100 basis points.

**Basis Point** is equal to one hundredth of one percent, or 0.01%. 100 basis points = 1%.

### **Morningstar Analyst Ratings™**

The **Morningstar Analyst Rating™** is not a credit or risk rating. It is a subjective evaluation performed by the manager research analysts of Morningstar. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Analysts use this five pillar evaluation to determine

how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects an analyst's conviction in a fund's prospects for outperformance. Analyst Ratings are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to <http://corporate1.morningstar.com/AnalystRating/>.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a fund. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar's expectations not to occur or to differ significantly from what they expected.

**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 March 31, 2021, FPA New Income Fund was rated against the following numbers of funds in the Short-Term Bond Category over the following time periods: 516 funds in the last three years, 462 funds in the last five years, and 300 funds in the last ten years. **Past performance is no guarantee of future results.**

#### **Morningstar Bond Category**

**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 ("MCBI") in determining duration assignment. Short term is defined as 25% to 75% of the three year average effective duration of the MCBI.

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

# Defensive Bond Funds

Tracking Morningstar Analyst Ratings | Supreet Grewal

## What Are Morningstar Analyst Ratings?

Our ratings are chosen for long-term success. Analysts assess a fund's competitive advantages by analyzing people, process, parent, performance, and price. They do rigorous analysis and then submit their ratings to a committee that vets their work for thoroughness and consistency.

Protection against rising interest rates or inflation hasn't been very popular as both have been pretty subdued for years. But as expectations of a strong economic recovery continue to swell, investors seeking protection from higher inflation and interest-rate hikes may look to these exact types of funds as safe havens. In such an environment, bond funds that are managed to shorter durations as well as those that invest in debt securities that adjust their principal values in line with inflation can serve as a bastion to protect against a drawdown in bond prices associated with rising rates or greater inflation. Let's take a look at a few Morningstar Medalists in our inflation-protected bond and short-term bond Morningstar Categories.

The team behind **Vanguard Inflation-Protected Securities** VIPSX, which has a Morningstar Analyst Rating of Bronze, employs a straightforward approach to Treasury Inflation-Protected Securities investing offered at an attractive price. Over lead manager Gemma Wright-Casparius' tenure from September 2011 through March 2021, its 2.6% annualized gain landed in the top 40% of distinct peers in the inflation-protected bond category. The team will purchase nominal Treasuries when pricing and yields are attractive, but otherwise it sticks to TIPS. Note this strategy's longer duration means it will lag shorter-duration peers during periods of interest-rate volatility. For example, it lagged 80% of rivals over the first 10 months of 2018 when the U.S. Federal Reserve hiked interest rates.

Under lead manager and firm CIO Mary Ellen Stanek's tenure from September 2004 through March 2021, Gold-rated **Baird Short-Term Bond**'s BSBIX 2.8% annualized gain was even with that of the typical short-term bond category peer. However, the strategy kept up with peers while maintaining significantly less volatility, as measured by its top-quintile Sharpe ratio, over the same period. Rather than making interest-rate bets, this team manages duration in line with that of

its benchmark, the Bloomberg Barclays U.S. Government/Credit 1-3 Year Index, and aims to add value through diversified credit selection across investment-grade corporates, securitized fare (both agency mortgages and nonagency, high-quality securitizations), and government bonds. Within such allocations, this strategy leans higher in credit quality.

## Vanguard Short-Term Inflation-Protected Securities Index

VTAPX earns a Gold rating thanks to its risk-conscious profile and ultralow fees. This index fund is concentrated on the shorter end of the TIPS market, and it consequently takes less interest-rate risk than other inflation-protected bond category peers. This limits the fund's return potential, as interest-rate risk is the primary performance driver for government bonds. Indeed, the strategy has lagged its category average over the trailing three- and five-year periods. However, this bent should also boost the fund's effectiveness as an inflation hedge, as long-term interest rates are less directly influenced by changes in inflation than short-term rates. For example, when the yield on 10-year Treasury bonds increased to 2.55% from 1.55% between August 2016 through December 2016 and inflation expectations grew, the average peer lost 1.25% while this fund gained 0.19%.

**FPA New Income** FPNIX earns a Bronze rating because of its strong management and focus on defense.

The strategy moved from the nontraditional bond category to the short-term bond category in mid-2018 in recognition of its better fit there, including a consistent shorter-duration profile. The strategy has posted positive returns for over three decades in part by deftly navigating volatile markets. The managers employ a diversified yet diligent approach; they target high-quality debt, including cash, Treasuries, and highly rated mortgage-backed securities, commercial MBS, and asset-backed securities. They can also include more-credit-sensitive sectors, including high-yield and lower-quality securitized bond structures. The team's success in this approach is evident in the strategy's performance through stressed environments; for example, it endured less than half the median loss among unique funds in the short-term bond category through the broad market sell-off in early 2020. ■■

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# Tracking Gold-Rated Funds

Broad Asset Class	Trailing Batting Avg Since 11/2011, %	Trailing Return Since 11/2011, %	Trailing 5-Year Batting Average, %	Trailing 5-Year Annualized Returns, %	Trailing 3-Year Batting Average, %	Trailing 3-Year Annualized, %
<b>Balanced</b>	84.28	8.80	82.02	10.41	73.46	10.38
<b>International Stock</b>	69.54	7.65	66.10	11.80	62.54	8.92
<b>Municipal Bond</b>	79.76	3.50	58.53	3.50	66.19	5.05
<b>Taxable Bond</b>	74.84	3.19	72.88	4.53	60.40	4.67
<b>U.S. Stock</b>	77.57	14.42	63.63	15.63	52.71	14.25

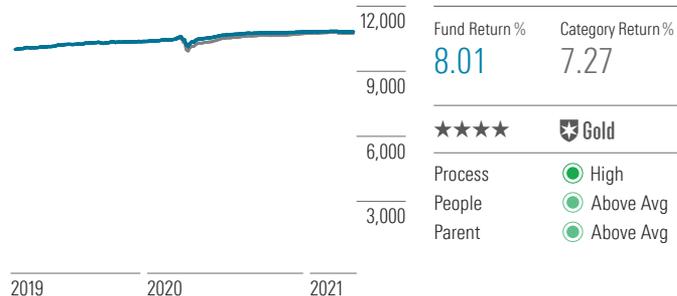
Data through March 31, 2021. Batting Average and total return figures are for Gold-rated funds only. The results are compared with category average. The weighted batting average measures our rate of success for each medalist rating against a category average. First we ask if the medalist beat the category average for the time in which it was a medalist. Then we weight that success rate by the length of time that it was Gold. The first time period displayed dates back to the launch of medalist ratings in November 2011.

## Our Favorite Defensive Bond Funds

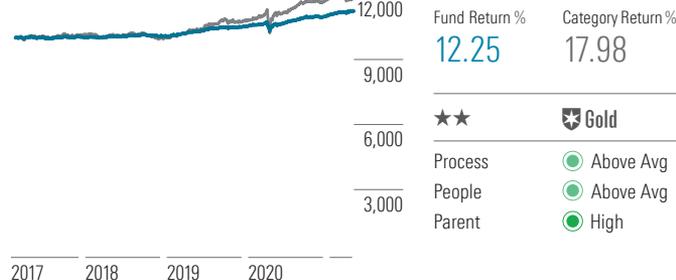
### Vanguard Inflation-Protected Secs VIPSX



### Baird Short-Term Bond Inst BSBIX



### Vanguard Shrt-Term Infl-Prot Sec Idx Adm VTAPX



### FPA New Income FPNIX

