



**Impact of Capital Gains Distribution for Shareholders of FPA U.S. Value Fund, Inc.  
(FPPFX-Formerly FPA Perennial Fund, Inc.)**

Los Angeles (November 27, 2015) – One of the by-products of successful investments in a mutual fund is capital gains. These gains will ultimately be realized when the mutual fund sells such investments and distributions of such gains are generally taxable to shareholders. While the turnover rate with respect to each mutual fund varies, it is generally not the case that a significant portion of the successful investments of a mutual fund would be sold in the same tax year.

Historically, FPA Perennial Fund has had a relatively low turnover rate, allowing shareholders to defer recognition of certain built-in-gains from a tax perspective. As many of you know, the conversion of FPA Perennial Fund to FPA U.S. Value Fund (the “Fund”) resulted in a complete restructuring of the portfolio, which caused the realization of a significant amount of long-term capital gains. These gains were paid to shareholders on October 2, 2015 in the form of a \$39.67 per share capital gain distribution (the “Distribution”). As the Distribution could potentially create a large tax burden for shareholders, we thought it would be helpful to remind shareholders that there may be actions they can take before the end of 2015 to reduce such burden.

Toward that end, before taking any action shareholders may want to consider consulting with their tax advisors about the potential for selling investments with built-in-loss (including, potentially, shares of the Fund) before the end of 2015 to realize losses that could be used to offset capital gains with respect to the Distribution. Of course, each shareholder’s tax situation is different and, depending on the circumstances, it may not be beneficial for a shareholder to take any actions at this time. Therefore, shareholders may want to consider consulting with their tax advisors about their particular tax situation, including:

(i) the potential application of the wash sale rules with respect to any losses realized, (ii) determining tax basis in shares of the Fund, taking into account any reinvested dividends and/or applicable cost basis elections (or deemed elections), (iii) the character of distributions from the Fund (or other mutual funds), (iv) the character of realized gains and losses during the year from sales of investments, and/or unrealized gains or losses as either short-term or long-term capital gains and losses, (v) the applicable tax rate with respect to long-term capital gains (which generally varies based on whether taxable income exceeds certain threshold amounts), (vi) the rules for identifying shares sold when they were acquired at different times, taking into account applicable elections (or deemed elections), (vii) the netting rules for capital gains and losses, which generally first net short-term capital losses against short-term capital gains and long-term capital losses against long-term capital gains, before offsetting losses against gains in the other category and (viii) the potential for losses realized with respect to sales of Fund shares held less than six months being treated as long-term capital losses to the extent of the amount of the Distribution.

We hope this update is informative and provides a constructive way to help our U.S. Value Fund shareholders consider ways to mitigate any tax burden that may have been created by the Distribution.

**THIS UPDATE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE. PLEASE SPEAK WITH YOUR TAX ADVISER BEFORE TAKING ANY ACTION IN RESPONSE TO THIS UPDATE.**

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You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund's objective, policies, and other matters of interest to the prospective investor. Please read this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at [www.fpafunds.com](http://www.fpafunds.com), by email at [crm@fpafunds.com](mailto:crm@fpafunds.com), toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

Investments in mutual funds carry risks and investors may lose principal value. Stock 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 Depositary Receipts (ADRs) and other depository receipts, are also subject to interest rate and currency exchange rate risks.

Significant taxable distributions impact fund expenses which in turn negatively impacts Fund performance.

The FPA Funds are distributed by UMB Distribution Services, LLC.