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You should consider the Fund’s investment objectives, risks, fees and expenses before investing. The Prospectus contain this and other important information which should be read carefully before investing. The Prospectus may be obtained by clicking [here](#), by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in the investment objectives. Please click [here](#) for the principal risks of investing in the Fund.

As of March 31, 2022, the Fund’s average annual total returns for the 1, 5, and 10-year periods are -1.30%, 1.94%, and 1.66%, respectively. Note, periods greater than one year are annualized. Fund performance is shown net of all fees and expenses. Fund performance is calculated on a total return basis which includes reinvestment of all distributions. Fund performance does 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.

Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. This information in the article 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 lower or higher than the performance data quoted, may be obtained at <http://www.fpa.com/> or by calling toll-free, 1-800-982-4372. The Fund’s total expense ratio as of its most recent prospectus is 0.58%, and its net expense ratio is 0.45%.

Effective March 31, 2022, FPA has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.45% 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, 2023. 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 March 31, 2021 through March 31, 2022, the Fund’s net expense ratio was 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).*

Bloomberg Short-Term U.S. Aggregate Bond Index measures 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.

Morningstar Short-Term Bond Category tracks portfolios that 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. As of March 31, there were 623 funds in the category.

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Short-term bond yields are surging. These PMs are holding their own

John Coumarios / 23 March 2022

Rates are moving higher so fast this year that even short-term bond funds are getting hit.

Short-term bonds may not be holding the line the way many investors thought they might this year.

While the Bloomberg Aggregate is down 6.02% for the year through March 21, the Bloomberg Short-Term US Aggregate has declined 3.29%. That's better, but it may still be less protection than investors in these bonds had hoped for.

Indeed, short term bonds, especially the two-year US Treasury have done badly, lifting up the short end of the yield curve as it approaches inversion.

DoubleLine Capital CEO and portfolio manager Jeffrey Gundlach noted in a tweet on March 21 that the yield on the two-year had risen an astounding 86 basis points in three weeks, and that if it somehow continued at that pace it would yield more than 17% on March 1, 2023.

That's, of course, an unlikely outcome, but also an interesting way to put the current move into context. The yield on the two-year ended last year at 0.73%, and is now at 2.17%.

Credit then is due to the average active fund in Morningstar's 160-fund Short-Term Bond category, which has averaged a 2.74% loss, 55 basis points better than the Short-Term Agg.

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Gundlach's DoubleLine makes the list of 10 best performing funds this year with over \$1bn

“The 2 Year US Treasury Yield is up 86 basis points over the past three weeks alone. If that pace were to continue (which of course is pretty darn unlikely) the 2 Year would top 17% by March 1, 2023.
 — Jeffrey Gundlach (@TruthGundlach) March 21, 2022



Top Short-Term Bond funds

Name	Ytd % return through March 21	3-yr annualized return through March 21	Fund Size (\$bn)
DFA Short-Duration Real Return Instl (DFAIX)	0.28	3.86	2.1
River Canyon Total Return Bond Instl (RCTIX)	-0.45	5.29	1.2
FPA New Income (FPNIX)	-1.63	1.52	11.4
DoubleLine Low Duration Bond I (DBLSX)	-1.69	1.37	7.4
JPMorgan Limited Duration Bond I (HLGFX)	-1.75	1.09	1.3
Diamond Hill Short Dur Securitized Bd Y (DHEYX)	-1.85	2.62	1.5
TIAA-CREF Short-Term Bond Inst (TISIX)	-1.86	1.57	2.0
American Funds ST Bd Fd of Amer A (ASBAX)	-1.91	0.90	11.5
Federated Hermes Short-Term Income Svc (FSTIX)	-2.01	1.38	2.2
Frost Total Return Bond Inst (FIJEX)	-2.10	2.63	3.0
Category average	-2.74	1.60	
Bloomberg Short-Term US Aggregate	-3.29	1.34	

Source: MorningstarDirect / Data through March 21

in assets, with the \$7.4bn DoubleLine Low Duration fund (DBLSX) losing 1.69% this year, a victory of more than one percentage point over the category average.

Managed by Gundlach, Jeffrey Sherman, Robert Cohen, and Luz Padilla, the fund bears DoubleLine's trademark specialty in securitized assets. More than half of the portfolio is in collateralized loan obligations (bank loan securitizations), non-agency residential mortgage-backed securities (MBS), non-agency commercial MBS, and asset-backed securities. The rest is divided among emerging markets, government bonds, investment-grade corporates, bank loans, agency residential MBS and commercial MBS, and cash.

Morningstar lists the fund's duration at 1.22 years, while the fund's fact sheet lists it at 1.16 years. Either way, it's one of the

five lowest in the category, and that has helped its performance.

The second best performing fund on the list is the \$1.2bn River Canyon Total Return fund (RCTIX), which is run by former Gundlach colleague George Jikovski. The fund has a duration of 0.66 years, according to Morningstar, and has posted a modest 0.45% loss.

The fund also specializes in securitized assets and previously sat in the Multisector category before switching to the Short-Term Bond peer group.

The fund's 5.29% three-year annualized return is also the category's second best.

Finally, the \$11.4bn FPA New Income fund (FPNIX) lands third among funds with \$1bn or more, with a 1.63% loss for the year through March 21.

Tom Atteberry, who is set to step down from the fund in July,

has been a portfolio manager since 2004. He was joined by Abhijeet Patwardhan in 2015 who will continue to run the strategy after Atteberry's move. The fund has never had a down calendar year since 1984 but the managers are being tested so far in 2022 despite fine relative performance.

Like the DoubleLine and River Canyon funds, FPA New Income has a large allocation to securitized assets. Nearly 60% of the portfolio is in asset-backed securities, and another 15% is in mortgage-backed securities. The rest is split among corporate bonds, US Treasuries, and cash.

Money moves

It's worth noting that over the last year through February, buyers of active funds rewarded bond funds the most, shoveling nearly \$136bn into taxable bond funds and another \$53bn in municipal bonds. But that figure

includes \$27bn of outflows this year, implying that investors loaded up on taxable bond funds as they were poised to fall and started selling as they've been falling.

Over the past year, Short-Term Bond funds garnered \$34bn of that \$136bn, behind only Bank Loan funds, which gathered \$53bn. But during the first two months of this year, Short-Term Bond funds have shed \$4bn, making the category the sixth worst in outflows out of 130.

Additional Disclosures from First Pacific Advisors, LP

It is noted that the funds discussed in this article may have different investment objectives, risks, fees, expenses, liquidity, duration, cash limits, safety, and tax features than the Fund. The table below outlines what we believe are some of the key similarities and differences between the funds noted in the article. The information was sourced from the relevant fund's most recent Prospectus and/or Statement of Additional Information. This data is being provided for informational purposes only. We do not guarantee the accuracy of the information that was sourced from these third-party documents.

#	Fund	Morningstar Category	Net Expense Ratio	Investment Objective	Benchmark	Duration Limits	Cash Exposure Limits
1	FPA New Income (FPNIX) ("Fund")	Short-Term Bond	0.45%z	The Fund seeks to provide long-term total return, which includes income and capital appreciation, while considering capital preservation	Benchmark Agnostic <i>Illustrative Indices:</i> Bloomberg U.S. Aggregate Bond Index; Bloomberg U.S. Aggregate 1-3 Yr Bond Index; Consumer Price Index + 100 Basis Points	None	None
2	American Funds ST Bd Fd of Amer A (ASBAX)	Short-Term Bond	0.67%	The fund seeks current income, consistent with the maturity and quality standards described in the Prospectus, and preservation of capital.	Bloomberg U.S. Government/Credit (1-3 years, ex. BBB)	None	None
3	DFA Short-Duration Real Return Instl (DFAIX)	Short-Term Bond	0.22%	The fund seeks inflation protection and maximize total returns.	Bloomberg U.S. TIPS Index 1-5 Years	The portfolio will maintain an average portfolio duration of three years or less.	None
4	Diamond Hill Short Dur Securitized Bd Y (DHEYX)	Short-Term Bond	0.42%	The fund seeks to maximize total return consistent with the preservation of capital.	Bloomberg 1-3 Year U.S. Government/Credit Bond Index	Under normal circumstances, the fund will maintain an average portfolio duration of less than three years, although under certain market conditions, such as periods of significant volatility in interest rates and spreads, the fund's average duration may be longer than three years.	None

#	Fund	Morningstar Category	Net Expense Ratio	Investment Objective	Benchmark	Duration Limits	Cash Exposure Limits
5	DoubleLine Low Duration Bond I (DBLSX)	Short-Term Bond	0.43%	The fund's objective is to seek current income.	ICE BofAML 1-3 Year U.S. Treasury Index	The fund normally seeks effective duration of 3 years or less, but may vary from time to time	None
6	Federated Hermes Short-Term Income Svc (FSTIX)	Short-Term Bond	0.66%	The fund seeks to provide current income by investing primarily in a diversified portfolio of short- and medium-term debt securities.	Bloomberg 1-3 Year U.S. Government/Credit Bond Index;0-3 Year Composite Index	The Adviser attempts to manage price fluctuation by limiting the Fund's dollar-weighted average duration within a range of one to three years and, in any event, to no greater than three years. Under normal market conditions, the Fund's dollar-weighted average maturity is expected to be three years or less. The Adviser may lengthen or shorten duration from time to time based on its interest rate outlook	None
7	Frost Total Return Bond Inst (FIJEX)	Short-Term Bond	0.46%	The investment seeks to maximize total return, consisting of income and capital appreciation, consistent with the preservation of principal.	Bloomberg U.S. Aggregate Bond Index	The Adviser actively manages the duration of the fund and purchases securities such that the average weighted duration of the fund's portfolio will typically range within plus or minus four years of the duration of the Bloomberg U.S. Aggregate Bond Index, the fund's benchmark.	None
8	JPMorgan Limited Duration Bond I (HLGFX)	Short-Term Bond	0.45%	The fund seeks a high level of current income consistent with low volatility of principal.	Bloomberg 1-3 Year U.S. Government/Credit Bond Index	The fund seeks to maintain a duration of three years or less, although, under certain market conditions such as in periods of significant volatility in interest rates and spreads, the fund's duration may be longer than three years.	None

#	Fund	Morningstar Category	Net Expense Ratio	Investment Objective	Benchmark	Duration Limits	Cash Exposure Limits
9	River Canyon Total Return Bond Instl (RCTIX)	Short-Term Bond	0.67%	The fund seeks to maximize total return	Bloomberg U.S. Aggregate Bond Index	In managing the fund's investments, under normal market conditions, the Adviser seeks to construct an investment portfolio with a weighted average effective duration of no more than eight years. Generally, the average portfolio duration of the fund normally varies within two years (plus or minus) of the portfolio duration of the securities comprising the Bloomberg U.S. Aggregate Bond Index as calculated by the Adviser.	From time to time, the fund may carry a larger cash position in connection with its purchase of securities on a when-issued, delayed delivery, or To Be Announced (TBA) basis.
10	TIAA-CREF Short-Term Bond Inst (TISIX)	Short-Term Bond	0.26%	The fund seeks current income.	Bloomberg U.S. Government 1-3 Yr TR Index	Although the Fund may invest in fixed-income securities of any maturity, the duration of the Fund's portfolio typically ranges between one and three years. The fund invests at least 80% of its assets in U.S. Treasury and agency securities and investment-grade fixed income securities with an average maturity or average lives of less than 5 years.	None