Trailing Performance (%)

As of Date: 6/30/2022	Inception	15 Years	10 Years	5 Years	3 Years	1 Year	QTD
FPA Queens Road Small Cap Value	9.02	6.60	9.10	7.41	9.77	-9.15	-11.46
Russell 2000 Value Index	7.91	5.58	9.05	4.89	6.18	-16.28	-15.28

Trailing Performance (%)

As of Date: 6/30/2022	Inception	15 Years	10 Years	5 Years	3 Years	1 Year	QTD
FPA Queens Road Value	7.95	6.26	10.35	8.12	6.48	-8.89	-13.01
S&P 500 Value Index	7.79	6.22	10.97	8.19	8.23	-4.86	-11.27

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 lower or higher than the performance data quoted, may be obtained at www.fpa.com or by calling toll-free, 1-800-982-4372.

The FPA Queens Road Small Cap Value Fund (“QRSCV Fund”) commenced operations on June 13, 2002. QRSCV Fund performance shown is for the Investor Class shares (QRSVX). The FPA Queens Road Value Fund (“QRV Fund”) commenced operations on June 13, 2002. Both the QRSCV Fund and QRV Fund are collectively referred to as “Fund(s)”.

For both Funds, periods greater than one year are annualized. Fund performance is shown net of all fees and expenses and 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. An investor cannot invest directly in an index.

Prior to November 1, 2020, the performance shown reflects the historical performance of the Funds when Bragg Financial Advisors, Inc. ("BFA") served as investment adviser of the Funds. Effective November 1, 2020, FPA became the investment adviser of the Funds and BFA transitioned to serving as the sub-adviser. BFA continues to be responsible for the day-to-day management of the Funds, subject to FPA's oversight. No changes to the each Fund’s principal investment strategies were made in connection with these changes in management of the Funds, and Steve Scruggs, CFA, Director of Research and Senior Portfolio Manager for BFA, continues to serve as the portfolio manager for the Funds.

From inception of the Fund to December 31, 2004, BFA and its affiliates voluntarily absorbed certain expenses of the Funds and voluntarily waived its management fee. Had BFA not done this, returns would have been lower during that period. Effective January 1, 2005 through October 31, 2020, BFA charged a single unitary management fee and contractually agreed to pay all operating expenses of the Funds except for brokerage, taxes, interest, litigation expenses, and other extraordinary expenses.

The QRSCV Fund's Total Annual Operating Expenses before reimbursement is 1.07% (Investor Class), 0.96 % (Advisor Class), and 0.91% (Institutional Class) as of the most recent prospectus. As of the most recent prospectus, First Pacific Advisors, LP, the QRSCV Fund’s Adviser, has contractually agreed to waive its management fees and to make payments to limit Fund expenses, until February 1, 2024, so that the total annual operating expenses (excluding interest, taxes, brokerage fees and commissions payable by the QRSCV Fund in connection with the purchase or sale of portfolio securities, fees and expenses of other funds in which the Fund invests, and extraordinary expenses, including litigation expenses not incurred in the QRSCV Fund’s ordinary course of business) of the QRSCV Fund do not exceed 1.04%, 0.99% and 0.89%, for Investor Class, Advisor Class, and Institutional Class shares, respectively. These fee waivers and expense reimbursements are subject to possible recoupment by the adviser from the QRSCV Fund in future years (within the three years from the date when the amount is waived or reimbursed) if such recoupment can be achieved within the lesser of the foregoing expense limits or the then-current expense limits. The expense limit agreement may be terminated only by the QRSCV Fund’s Board of Trustees, upon written notice to the adviser. Prior to November 1, 2020, the QRSCV Fund had a utilized fee structure that limited annual operating expenses to 1.18%.

The QRV Fund's Total Annual Operating Expenses (as of the most recent prospectus) before reimbursement is 1.69%. The adviser has contractually agreed to reimburse the QRV Fund for operating expenses in excess of 0.65% of average net assets of the QRV Fund, excluding interest, taxes, brokerage fees and commissions payable by the QRV Fund in connection with the purchase or sale of portfolio securities, fees and expenses of other funds in which the QRV Fund invests, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business, until October 31, 2023. These expense reimbursements are subject to possible recoupment by the adviser from the QRV Fund in future years (within the three years from the date when the amount is waived or reimbursed) if such recoupment can be achieved within the lesser of the foregoing expense limits or the then current expense limits. This agreement may be terminated only by the QRV Fund's Board of Trustees, upon written notice to the adviser. Prior to November 1, 2020, the Fund had a unitized fee structure that limited annual operating expenses to 0.95%.

Important Disclosures

You should consider each Fund's investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus for each Fund details the Fund's objective and policies 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, by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

This article is 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 of 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 relevant Fund's Prospectus, which supersedes the information contained herein in its entirety. This Commentary does not constitute an investment management agreement or offering circular.

The statements contained herein reflect the opinions and views of the portfolio manager as of the date written, is subject to change without notice, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Such information may not be accurate over the long-term. These views may differ from other portfolio managers and analysts of FPA as a whole and are not intended to be a forecast of future events, a guarantee of future results or investment advice.

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. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds. The value of an individual security can be more volatile than the market as a whole and can perform differently than the value of the market as a whole.

The QRSCV Fund primarily invests in equity securities (common stocks, preferred stocks and convertible securities) of small-capitalization U.S. companies, defined as those with market capitalization, at the time of purchase, that is no greater than the largest market capitalization of any company included in the Russell 2000 Value Index. Investing in small companies involves special risks including, but not limited to, the following: smaller companies typically have more risk and their company stock prices are more volatile than that of large companies; their securities may be less liquid and may be thinly traded which makes it more difficult to dispose of them at prevailing market prices; these companies may be more adversely affected by poor economic or market conditions; they may have limited product lines, limited access to financial resources, and may be dependent on a limited management group; and small cap stocks may fluctuate independently of large cap stocks.

The prices of securities held by the Funds may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the Funds. Securities in each Fund's portfolio may underperform due to inflation (or expectations for inflation), interest rates, global demand for particular products or resources, natural disasters, pandemics, epidemics, terrorism, regulatory events and governmental or quasi-governmental actions. There is a risk that you may lose money by investing in the Funds.

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.

Please refer to the relevant Fund's Prospectus for a complete overview of the primary risks associated with each Fund.

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

Article Specific Disclosures
The since inception standard deviation noted in paragraph 3 of the article begins the first full month of Fund performance and thus is for the period 7/1/2002 through 7/31/2022.

In regards to references in this article to Servisfirst Banchares (NYSE: SFBS), Servisfirst Bancshares company financials were used as the source for the referenced statistics. Cumulative average growth rate is based on diluted Earnings Per Share and diluted Book Value per share for year ends 2012-2021. The QRSCV Fund portfolio management team defines a "well-capitalized" stock as those with strong balance sheets with no significant liabilities.

Note: References to individual securities or sectors are not intended as a recommendation to purchase or sell such securities or invest in such sectors. It should not be assumed that an investment in the security noted was or will be profitable. ***Past performance is no guarantee, nor is it indicative, of future results****.*

Index/Benchmark/Category Definitions
Comparison to any index or benchmark is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. Indices are unmanaged and do not reflect any commissions, transaction costs, or fees and expenses which would be incurred by an investor purchasing the underlying securities and which would reduce the performance in an actual account. You cannot invest directly in an index.

The **Russell 2000 Value Index** is a subset of the Russell 2000 Index, and tracks the stocks of small domestic companies, based on total market capitalization. The Russell 2000 Value Index represents those stocks of the Russell 2000 with lower price-to-book ratios and lower relative forecasted growth rates. A total return index computes the index value based on capital gains plus cash payments such as dividends and interest.

The **S&P 500 Value Index** is a market cap-weighted index. The value factors used to determine a stock's value score are book value to price ratio, cash flow to price ratio, sales to price ratio and dividend yield. 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 **Small Value Category** 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). As of 6/30/22, there were 456 funds in the category.

Other Definitions

Free cash flow yield is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share. The ratio is calculated by taking the free cash flow per share divided by the current share price.

Margin of safety is a principle of investing in which an investor only purchases securities when their market price is significantly below their intrinsic value.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

Book value per share (BVPS) is the ratio of equity available to common shareholders divided by the number of outstanding shares. This figure represents the minimum value of a company's equity and measures the book value of a firm on a per-share basis.

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PROFESSIONAL BUYER
CITYWIRE

'The bar for inclusion is very high': PM Steve Scruggs talks value and joining FPA

John Coumarianos / 17 August 2022

Steve Scruggs discusses his approach to value investing, why his cash positions might be lower in the future, and why he doesn't like energy stocks.

Steve Scruggs started the Queens Road funds -- $551m FPA Queens Road Small Cap Value (QRSVX) and $37.5m FPA Qeens Road Value (QRVLX) -- working out of his in-laws advisory firm Bragg Financial in Charlotte, NC in 2002.

Since inception (June 13, 2002) through the end of July 2022 Scruggs has posted a 9.34% annualized return on the Small Cap Value fund, outpacing the Russell 2000 and Russell 2000 Value index with 8.73% and 8.37% annualized returns, respectively.

Due to his penchant for holding cash at the right times, the fund has accomplished this performance with lower volatility than the market, posting a standard deviation of returns of 14.73% versus 19.80% and 19.83% for the indices.

The Value fund has returned 8.26% on an annualized basis over this time versus 8.09% for the Russell 1000 Value index.

In 2020, Bragg formed a partnership with Los Angeles-based value shop First Pacific Advisors (FPA). This resulted in the Queens Road funds moving to FPA's platform and the LA-based firm taking on their distribution and marketing, freeing up Scruggs to focus purely on investing. Like Scruggs, FPA's managing partner, Steven Romick, will hold high levels of his cash in the firm's flagship FPA Crescent fund.

Citywire spoke to Scruggs about his investment approach on the small-cap fund, including his avoidance of energy stocks, his analysis of banks, and the help he's gotten from FPA.

Citywire: Take us through your investment process.

Steve Scruggs: We have a fundamental, bottom-up approach with a long-term perspective. We look for quality companies trading at discounts to our estimates of their intrinsic values. We are diligent, disciplined, patient and conservative in everything we do.

We look for companies with a high free cash flow yield compared to their risks and the current opportunity set. We are risk averse and conservative; we want to protect on the downside and seek to avoid putting our client's capital at risk of permanent loss.

Most of our work is evaluating companies, business models and industries. Then, we determine what margin of safety we are comfortable with. The four pillars of my process are:

1. Balance sheet – we seek companies with strong balance sheets and strong free cash flows. We are not comfortable owning companies that have significant liabilities (e.g., debt, legal, regulatory, pension or something inherent in the business model) that could cause insolvency concerns during an economic, financial, or other crisis.

2. Valuation - we normalize economic earnings over full market cycles.

3. Management - we evaluate management's track record of defining effective strategies and executing their stated

objectives.

4. Sector and industry - we want to own companies in growing industries with stable competitive dynamics and favorable economics.

The universe of small-cap companies that meet all these criteria is limited and doesn't change often. This has allowed me to understand these companies in-depth through various market cycles. My ideal holding period is forever, which means the bar for inclusion in the portfolio is very high.

As a final step before adding a company to the portfolio, we review our investment checklist, which consists of about 120 specific questions we ask ourselves to ensure we've conducted thorough and complete analysis. It's a series of questions we've compiled over the years – lessons learned from our and other's successes and failures. Topics range from debt and leverage, moats and competitive advantages, management competence and ownership to personal biases, regulatory risks, and business valuation.

This process leads us to what we believe are well-managed, high-quality companies, and we seek to invest in them with a margin of safety.

CW: You've held significant amounts of cash at times and are at around 14% as of the end of Q2. How does cash build up in the portfolio?

SC: Cash is a residual of the investment process; when we do not find companies that meet our criteria, we will allow cash to build.

Over a long time horizon, we would almost always want to own a diversified collection of quality companies, acquired at reasonable prices, over cash.

We weigh this against our reluctance to sacrifice margin of safety and risk of permanent impairment of capital.

Our analysis of our historical performance has led us to make minor adjustments to our valuation models which we believe should allow us to be more fully invested in the future.

CW: You're one of six funds in the 129-fund Small Value category without any energy exposure, according to your most recent public portfolio. That hasn't necessarily hurt you, but what aspects of your approach have excluded stocks in that sector now?

SC: Energy is a commodity industry, and we don't forecast commodity prices. We think the industry has a poor track record of capital allocation and tends to put drilling wells above shareholder economics. This makes it a shallow pool to fish in.

With over 2,000 stocks in our investable universe, we spend our time identifying high quality franchises with superior economics and management teams that put shareholders first. Pricing power is important to us and in our view, energy companies don't have that.

CW: Small Value funds have a lot of banks to choose from. What's special about Servisfirst Bancshares, your largest holding as of the end of Q2?

SC: We believe Servisfirst is a well-capitalized, well-reserved, conservative commercial lender, with most of their assets funded by low-cost deposits. The company has had an average earnings-per-share growth of just over 20% over the last 10 years through year-end 2021 and average book value per share growth of approximately 16% over that same period – which we think is very attractive for a conservative, vanilla commercial lender. We think it has best in class efficiency metrics while maintaining a strong and conservative lending culture.

We can find cheaper banks out there, but we don't think we can find one that's this well-managed. If we look back to the financial crisis, the bank performed well each year through the crisis. Tom Broughton, the founder and CEO, has built Servisfirst by investing in people over branches. As of their latest annual report filed on February 22, 2022, they have $12 billion in deposits with just 22 branches. They focus on lower- to middle-market companies, a segment that is not a focus for big banks and yet one that needs more products and services than smaller community banks can provide.

Servisfirst has a high quality and defensible niche in a stable industry. We think there is a lot of value in the franchise (earnings power). Management are owner operators, stick to their knitting, and have a history of success. It is a great example of a holding that meets our criteria.

CW: You ran the fund for nearly two decades before becoming part of FPA, how has the transition gone?

SC: It's been a smooth transition. FPA has introduced the fund to advisors and institutions that we would not have been able to get in front of on our own. We've followed FPA, including [retired FPA manager] Bob Rodriguez and Romick, closely over the last two decades. Our investment philosophies are very much aligned. They support our investment process but give us complete autonomy.

CW: When we first met in 2009, you told me how you bought an Evinrude Ficht boat engine for a song because the public hadn't understood that manufacturing flaws in the 1990s had been resolved. Do you still have that engine, and how often do you enjoy boating?

SC: That engine is still running strong. It's bulletproof. Unfortunately, it's the only thing on the boat that works reliably!