FPA Crescent Fund
First Quarter 2019 Commentary

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 and other matters of interest to the 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.

Average Annual Total Returns (%)

Trailing Performance (%)										Market Cycle Performance	
As of Date: 3/31/2019	Inception*	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTD	3/25/00-10/9/07	10/10/07-3/31/2019
FPA Crescent Fund	9.96	8.69	7.36	10.30	5.03	7.74	3.59	10.80	10.80	14.70	6.39
S&P 500	9.49	6.04	8.57	15.92	10.91	13.51	9.50	13.65	13.65	2.00	7.59
MSCI ACWI**	-	-	-	-	6.45	10.67	2.60	12.18	12.18	-	3.81
60% S&P500/40% BBgBarc US Agg	8.04	5.81	6.93	11.14	7.75	8.95	7.78	9.31	9.31	3.97	6.45
CPI	2.22	2.19	2.06	1.81	1.49	2.21	1.86	0.56	0.56	2.75	1.74

Periods greater than one year are annualized. FPA Crescent Fund ("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 returns. Comparison to any index is for illustrative purposes only. An investor cannot invest directly in an index. The Fund does not include outperformance of any index or benchmark in its investment objectives.

* The Fund commenced operations on June 2, 1993. The performance shown for periods prior to March 1, 1996 reflects the historical performance of a predecessor fund. FPA assumed control of the predecessor fund on March 1, 1996. The Fund's objectives, policies, guidelines, and restrictions are, in all material respects, equivalent to those of the predecessor fund.

** The MSCI ACWI was not considered a relevant illustrative index prior to 2011 because the Fund was not classified as a global mandate until this point in time.

Market Cycle Performance reflects the two most recent market cycles (peak to peak) defined as a period that contains a decline of at least 20% from the previous market peak over at least a two-month period and a rebound to establish a new peak above the prior market peak. The current cycle is ongoing and thus presented through the most recent quarter-end. Once the cycle closes, the results presented may differ materially.

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. The Fund's expense ratio as of its most recent prospectus is 1.10%. A redemption fee of 2% will be imposed on redemptions within 90 days. 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.

Please see important disclosures at the end of the commentary.

The stock market delivered the best quarterly return in a decade, the best quarterly start to a year since 1998.[1] It's almost as if the drawdown in the preceding fourth quarter didn't happen. The S&P 500 and MSCI ACWI indices increased 13.65% and 12.18% in the first quarter, respectively. FPA Crescent Fund ("Crescent", "Fund") returned 10.80%. In each case, the Q4 decline was largely recovered in Q1.

The Fund's long equity exposure, which we increased through 2018's market weakness, returned 15.40% during the period;[2] though, making money in a rising market is no more remarkable than getting wet while walking in the rain. Such unusually strong performance commensurately reduced upside potential across the portfolio, and so we decided to selectively reduce equity exposure during the first quarter, which caused net risk assets to marginally decline versus year-end.[3]

Individual security performance in the first quarter was generally quite strong. The top five securities among the Fund's holdings provided fairly similar contributions to the overall quarterly return. All but Broadcom declined in value in the fourth quarter of last year and on little news, only to rebound, similarly without any discernable newsworthy event, in the most recent quarter. Our investment in PG&E was the only detractor of any note; the process surrounding the resolution of its fire liabilities and bankruptcy grinds on.

Winners and Losers[4]

Contributors	Performance Contribution	Percent of Portfolio	Detractors	Performance Contribution	Percent of Portfolio
Q1 2019					
Altaba	0.56%	2.4%	PG&E/Utilities Sector (hedge)	-0.22%	0.0%
Analog Devices	0.49%	2.5%	CMS[5] Interest Rate Caps	-0.04%	0.4%
Alphabet	0.47%	3.9%	Interest Rate Forward Volatility Agreements	-0.03%	0.4%
United Technologies	0.47%	2.5%	WW Grainger (short)	-0.01%	-0.2%
Broadcom	0.46%	2.8%	Sound Holdings	-0.01%	0.2%
	2.45%	**14.0%**		**-0.31%**	**0.9%**

[1] 'Stock market' refers to the S&P 500 index. Third quarter 2009 S&P 500 return was 15.61%. First quarter 1998 S&P return was 13.95%.

[2] The performance of the long equity segment of the Fund is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. Please refer to the first page for overall net performance of the Fund since inception. The long equity performance information shown is for illustrative purposes only and may not reflect the impact of material economic or market factors. No representation is being made that any account, product or strategy will or is likely to achieve profits, losses, or results similar to those shown. **Past results are no guarantee, nor are they indicative, of future results.**

[3] Net risk assets were approximately 73.1% of total assets as of 12/31/2018 and 72.2% as of 3/31/2019. 'Net' is net of long and short exposure. Please see Important Disclosures for definitions of key terms.

[4] Reflects the top contributors and top detractors to the Fund's performance based on contribution to return for the quarter and year-to-date. Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended by the Fund during the quarter. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the quarter is available by contacting FPA Client Service at crm@fpa.com. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed. **Past performance is no guarantee, nor is it indicative, of future results.**

[5] Constant Maturity Swaps (CMS)

The Contrarian Value investment team has the ability to invest broadly. The Fund's greatest exposure is to global equities of various market capitalizations, with high-yield bonds and distressed debt making up the next largest asset class and periodic investments in mortgages, municipals, bank loans and more rounding out the portfolio. Just because we can invest in a vast variety of vehicles, however, definitely does not mean we always should. Quite the opposite is true.

We only invest where we believe there is an excellent prospect for return combined with a margin of safety. A well-constructed new home does not need someone to come in and remodel the kitchen. Particularly following such a robust first quarter, we find little opportunity to use the tools at our disposal. Owning little else other than stocks makes us look more homogenous in terms of exposure, for a period of time anyway – although the equities we hold and the sectors in which we're invested look nothing like any index with significant sector overweight and underweight differentials.

We continue to exercise restraint, using only those tools that we believe will increase the value of our "home." We have no intention of pulling a hammer from our tool belt to bang holes in a perfectly good wall.

Stock market valuations can be a bit fuzzy. A commonly used but not always appropriate tool to value equities is the price-to-earnings ratio, or P/E. Determining an appropriate P/E requires consideration of a multitude of variables, including growth rate, interest rate, financial leverage, earnings (whether they are "normal" or accurately represent free cash flow), and so forth. The only certainty in the equation is price. For the purposes of this discussion, we leave to you to decide the appropriateness of the current trailing P/E's of the S&P 500 and MSCI ACWI indices at 19.7 times and 16.8 times, respectively.

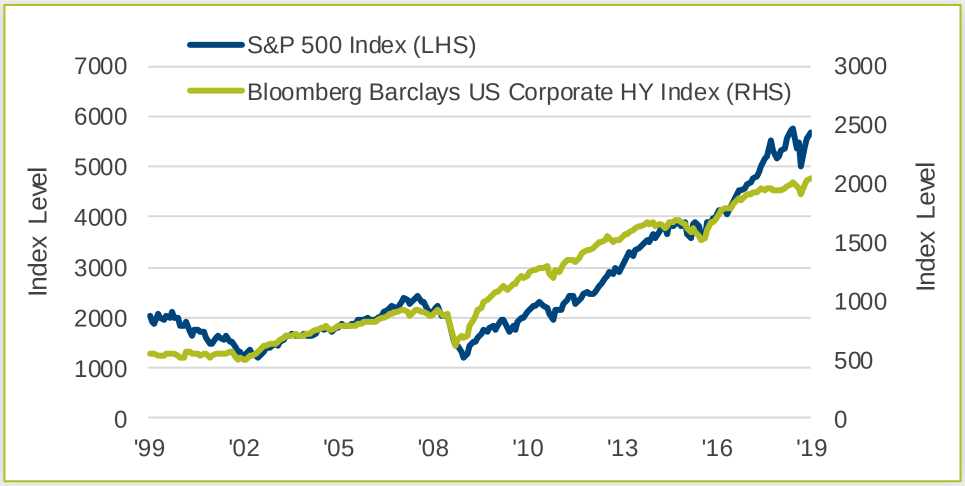
Now consider the current 6.7% yield-to-maturity of U.S. high-yield bonds. That's a gross yield, which ignores whatever average annual net defaults may be over the years remaining until maturity. If the future net default rate is similar to the four-decade-plus past, then the gross yield would be expected to drop by about 2.1% to an expected net yield-to-maturity of 4.6%. A similar analysis of European high-yield bonds is even more depressing, currently offering a paltry 1.2% net yield-to-maturity[6]. We believe one can objectively state that such low yields are not enough to justify investment in higher yielding corporate credits in either the United States or Europe, given that the next economic contraction (depending on its depth) could have higher than average defaults and lower than average recoveries.[7]

If one accepts this argument that high-yield debt is currently expensive, then we think it is difficult to argue that the stock market offers great value, either. High-yield bonds and stocks tend to move up and down together, as shown in the following chart, and historically, there has been a 91.7% correlation between the S&P 500 and the Bloomberg Barclays US Corporate High Yield (HY) Index. So should the fears we discussed in our special commentary, "*Risk is Where You're Not Looking*" *(January 2, 2019)*, become manifest, then we expect high yield will perform poorly. Stocks would have to buck long-standing convention, then, to perform well from current levels.

[6] Data Sources: **US gross yield-to-maturity (6.7%)** as of March 31, 2019: BofA Merrill Lynch High Yield Master Index II (H0A0). **U.S. historical high yield default (-3.6%) and recovery (41.0%) rates**: J.P. Morgan, Moody's Investors Service, S&P LCD using year-end data from 1982-2017. **EU gross yield-to-maturity (4.0%)** as of March 31, 2019: BofA Merrill Lynch Euro High Yield Index (HE00). **EU historical default rate (-4.6%)**: J.P. Morgan Europe Guide to the Markets (12/31/2017**). EU historical high yield recovery rate (38.4%)**: Moody's Investors Service using 1985-Q3 2016 data. **Net Default Rate** = (1 - recovery rate) x default rate. **Net Yield** = Gross Yield minus Net Default Rate. **This information is for illustrative purposes only**, and serves to show the expected net yield of high yield bonds in both the US and Europe assuming historical default and recovery rates. **Past results are not indicative of future results.**

[7] For additional detail on the subject of what we believe are the risks in corporate credit, please refer to our "*Risk is Where You're Not Looking*" commentary dated January 2, 2019. https://fpa.com/docs/default-source/funds/fpa-crescent-fund/literature/risk-is-where-you're-not-looking.pdf?sfvrsn=10

S&P 500 and Bloomberg Barclays US Corporate HY Indices since 2000[8]



The seemingly effortless outperformance of the S&P 500 over the past decade – compared to foreign stocks, any kind of bond, and almost all other asset classes -- has fostered a new caste that worships at the altar of complacency. The more people do the same thing because it seems the "right thing to do," the more likely it is that, one day, it will become the wrong thing.

Steven Romick
Portfolio Manager
April 26, 2019

[8] As of March 31, 2019. Source: Bloomberg

Important Disclosures

The views expressed herein and any forward-looking statements are as of the date of the publication and are those of the portfolio management team. 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. 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.

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.

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. The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; these risks may be heightened when investing in emerging markets. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments.

Small and mid-cap stocks involve greater risks and may 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.

The return of principal in a bond investment is not guaranteed. Bonds have issuer, interest rate, inflation and credit risks. Interest rate risk is the risk that 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. Lower rated bonds, callable bonds and other types of debt obligations involve greater risks. Mortgage-backed securities and asset-backed securities are subject to prepayment risk and the risk of default on the underlying mortgages or other assets. Derivatives may increase volatility.

Value securities, including those selected by the Fund's portfolio managers, are subject to the risk that their intrinsic value may never be realized by the market because the market fails to recognize what the portfolio managers consider to be their true business value or because the portfolio managers have 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 may 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 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 Fund does not include outperformance of any index in its investment objectives.

The **S&P 500 Index** includes a representative sample of 500 hundred companies in leading industries of the U.S. economy. The Index focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, but is also considered a proxy for the total market.

Bloomberg Barclays U.S. Aggregate Bond Index provides a measure of the performance of the US investment grade bonds market, which includes investment grade US 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 US dollars and must be fixed rate, nonconvertible, and taxable.

Bloomberg Barclays US Corporate High Yield Total Return Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

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. The CPI is presented to illustrate the Fund’s purchasing power against changes in the prices of goods as opposed to a benchmark, which is used to compare the Fund’s performance. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time.

60% S&P500/ 40% Bloomberg Barclays Aggregate Index is a hypothetical combination of unmanaged indices and comprises 60% S&P 500 Index and 40% Barclays Aggregate Index, the Fund’s neutral mix of 60% stocks and 40% bonds.

<u>Other Definitions</u>

Drawdown is the peak-to-trough decline during a specific recorded period of an investment, fund or commodity security. A drawdown is usually quoted as the percentage between the peak and the subsequent trough. Those tracking the entity measure from the time a retrenchment begins to when it reaches a new high.

Free Cash Flow represents the cash a company can generate after required investment to maintain or expand its asset base.

High Yield Bonds is a high paying bond with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds.

Long Equity Performance represents the performance of stocks that the Fund owned over the given time periods and excludes short-sales, limited partnerships, derivatives/futures, corporate bonds, mortgage backed securities, and cash and cash equivalents.

Margin of safety - Buying with a “margin of safety” is when a security is purchased at a discount to the portfolio manager’s estimate of its intrinsic value. Buying a security with a margin of safety is designed to protect against permanent capital loss in the case of an unexpected event or analytical mistake. A purchase made with a margin of safety does not guarantee the security will not decline in price.

Net Risk Exposure is a measure of the extent to which a fund’s trading book is exposed to market fluctuations. In regards to the Fund, it is the percent of the portfolio exposed to Risk Assets.

Price/Earnings ratio (P/E) is the price of a stock divided by its earnings per share. P/E and average P/E reflect the trailing 12 months. P/E, next 12 months, utilizes forward earnings expectations.

Risk Assets is any asset that carries a degree of risk. Risk asset generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate and currencies, but does not include cash and cash equivalents.

Yield to maturity (YTM) is the total return anticipated on a bond if the bond is held until it matures.

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