investors first

December 27, 2019

Dear Fellow Shareholders,

We write to thank you for your valued and important role in launching FPA Flexible Fixed Income Fund ("Fund"). Thanks to your support, as of the date of this letter, we have exceeded our seed investor goal for 2019 and the Fund has approximately $120mm in net assets under management. Partners at First Pacific Advisors, LP ("FPA"), the investment adviser to the Fund, have invested approximately $6 mm as of 9/30/2019.

The investment objective of the Fund is to seek to provide long-term total return, which includes income and capital appreciation, while considering capital preservation. We are looking to implement this objective by seeking, in no particular order, positive absolute returns over a three-year period and positive real returns of CPI + 200 bps over a five-year period. We expect that credit investments (defined as investments rated less than A-) will be the most meaningful contributor to achieving our five-year return objective. Having said that, credit market opportunities tend to be episodic, with long periods of elevated prices interspersed with brief periods of attractive prices. The implication is that the key to achieving our real return objective is a meaningfully cheaper credit market materializing at some point in a five-year period. Absent that, we would not be surprised to see returns that are less than CPI + 200 bps but greater than or similar to our other fixed income mutual fund, FPA New Income, Inc., especially in particularly expensive credit markets.

To wit, in 2019 credit markets have been expensive, as reflected in Fund's credit exposure of 8.4% as of September 30, 2019 out of a total capacity of 75% of the portfolio. Yet, the year-to-date returns for Fund have been similar to those for FPA New Income, Inc., despite the fact that, on average, cash and equivalents represented almost a quarter of the Fund's portfolio through the first nine months of the year.

It takes time to invest cash, particularly in an absolute return manner and particularly when one is disciplined. As a consequence, the Fund has experienced periods of significant cash exposure, especially following the receipt of capital from new and existing investors. Part of the rationale for the initial net expense ratio schedule for the Fund was to compensate early investors for the impact that a large cash exposure could have on the Fund's returns. We expect the impact of additional capital contributions to lessen over time if the Fund continues to grow.

The ethos of FPA is *investors first*. With that in mind, in mid-2019 we stopped actively marketing the Fund to minimize disruptions to its existing investors. Moving forward into 2020, we plan to selectively seek additional capital from like-minded investors who share your and our approach to fixed income investing. Just as we were judicious in accepting capital in 2019, we plan to be similarly judicious in 2020. To further protect you, our initial investors, from the potential impact that new investors' cash might have on performance, we have proactively decided to extend the expense ratio caps an additional year. We have contractually agreed to limit the Fund's total expense ratio to no more than 39 bps in 2020, 49 bps in 2021 and 59 bps in 2022, all of which represent a 10 bps reduction in the cap for 2020 and 2021, and an extension of the cap into 2022 versus the previous agreement (previously 49 bps in 2020 and 59 bps in 2021).

In closing, thank you. We could not have created and launched the Fund without you. We truly appreciate your partnership.

Thomas H. Atteberry	Abhijeet Patwardhan
Portfolio Manager	Portfolio Manager

Important Disclosures

This letter 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 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 FPA New Income, Inc.'s or FPA Flexible Fixed Income Fund's, collectively, ("Funds") Prospectus, which supersedes the information contained herein in its entirety.

For FPA Flexible Fixed Income Fund ("FFI" or "Fund"): As of 9/30/2019, including the reinvestments of all distributions: YTD: 3.35%. Total/Net Expense Ratio: 0.97%/0.39% (as of the most recent prospectus). Fund inception date was December 31, 2018.

The Total Annual Fund Operating Expenses before reimbursement is 0.97% (as of most recent prospectus). The Advisor has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.39% 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) as described in the most recent prospectus. As described in this letter, we have contractually agreed to limit the Fund's total net expense ratio to 0.39% of average net assets of the Fund for an additional year through December 31, 2020. This agreement may only be terminated earlier by the Fund's Board of Directors (the "Board") or upon termination of the Advisory Agreement.

For FPA New Income, Inc. ("FNI"): As of 9/30/2019, including the reinvestments of all distributions: YTD: 3.35%; 1 Year: 4.20%; 3 Years: 2.89%, 5 Years: 2.20%, 10 Years: 2.07%, 15 Years: 2.71%, 20 Years: 3.81%; 30 Years: 5.46%; Total/Net Expense Ratio: 0.58%/0.50% (as of the most recent prospectus).

The Total Annual Fund Operating Expenses before reimbursement is 0.58% (as of most recent prospectus). The Advisor has contractually agreed to reimburse FNI for Total Annual Fund Operating Expenses in excess of 0.50% of the average net assets of FNI (excluding interest, taxes, brokerage fees and commissions payable by FNI in connection with the purchase or sale of portfolio securities, and extraordinary expenses, including litigation expenses not incurred in FNI's ordinary course of business) through January 31, 2020. This agreement may only be terminated earlier by FNI's Board of Directors (the "Board") or upon termination of the Advisory Agreement.

Thomas Atteberry and Abhijeet Patwardhan have been portfolio managers for FPNIX (the Absolute Fixed Income ("AFI") Strategy) since November 2004 and November 2015, respectively, and manage the AFI Strategy in a manner that is substantially similar to the prior portfolio manager, Robert Rodriguez. Mr. Rodriguez ceased serving as the AFI Strategy's portfolio manager effective December 2009.

For FFI and FNI:
Periods greater than one year are annualized. Performance is net of all fees and expenses. 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.

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 by calling toll-free, 1-800-982-4372.

You should consider each fund's investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details each fund's objective and policies, charges, 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 email at crm@fpa.com, toll-free by calling 1-800-982-4372 or by contacting the respective fund in writing.

In relation to the FNI and FFI Funds ("Funds"), portfolio composition will change due to ongoing management of the Funds. References to individual securities or sectors are for informational purposes only and should not be construed as recommendations by the Funds, the Adviser, the portfolio managers, 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.

Credit ratings range from AAA (highest) to D (lowest). Bonds rated BB and below are lower-rated securities.

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

Risks

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 bond investment is not guaranteed. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds. 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.

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. The return of principal in a bond investment is not guaranteed. Bonds have issuer, interest rate, inflation and credit risks. Lower rated bonds, callable bonds and other types of debt obligations involve greater risks.

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 indices are shown for illustrative purposes only. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and an investor cannot invest directly in an index. The Fund may hold underlying securities that are not included in the illustrative indices mentioned in this letter and FPA makes no representation that the Fund is comparable to any index in composition or element of risk involved. The Fund does not include outperformance of any index or benchmark in its investment objectives.

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.

The **CPI + 200 Basis Points** index is created by adding 2% to the annual percentage change in the CPI.