



# FPA International Value Fund

## First Quarter 2019 Update

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](http://www.fpa.com), by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

### Annualized Total Returns (%)

As of Date: 3/31/2019	Since 12/1/2011*	5 Years	3 Years	1 Year	YTD	QTR
FPA International Value Fund	7.40	2.46	8.89	-3.48	8.49	8.49
MSCI ACWI ex US (Net)	5.87	2.57	8.09	-4.22	10.31	10.31

\* Inception of FPA International Value Fund ("Fund") is December 1, 2011.

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 returns. Comparison to any index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. The index is net of withholding taxes.

The total expense ratio (as of the most recent prospectus) is 1.35%. The Advisor has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 1.29% through April 30, 2020. This agreement may only be terminated earlier by the Fund's Board of Trustees (the "Board") or upon termination of the Advisory Agreement.

**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 net expense ratio as of its most recent prospectus is 1.29%. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at [www.fpa.com](http://www.fpa.com) or by calling toll-free, 1-800-982-4372.**

### Activity:<sup>1, 2</sup>

- Purchased Melrose Industries.
- Liquidated position in BK Brasil.
- Top contributors for the quarter were TOTVS (+1.02%), Sulzer (+0.58%), Stroeer (+0.58%), Capgemini (+0.57%), and Volution (+0.49%).
- Largest detractors for the quarter were EssilorLuxottica (-0.36%), Hypera (-0.32%), Magazine Luiza (-0.07%), Grandvision (-0.02%), and Melrose Industries (-0.01%).

<sup>1</sup> The information provided may not reflect all positions purchased, sold or recommended by FPA International Value Fund during 1Q 2019. It should not be assumed that an investment in the securities listed was or will be profitable.

<sup>2</sup> Reflects the top contributors and top detractors to the Fund's performance based on preliminary contribution to return for the quarter. Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. 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's Client Service Team at [crm@fpa.com](mailto: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.**

## Positioning:

- Approximately 78% invested (consistent with year-end 2018). Top 10 holdings amount to ~29% of total assets. The portfolio's weighted average market cap is approximately \$36.3 billion and the median market cap is \$9.2 billion.
- The Fund's cash stake is ~22%.
- European equities continue to account for the majority of the Fund's geographic exposure, at approximately 71% of invested assets.
- Equities of companies domiciled in emerging markets account for ~27% of invested assets, reflecting continued interest in Brazilian investments.
- Exposure to the Pacific Basin totals ~2%.

## Outlook:

- We continue to be struck by in our view mounting evidence that China is following in the old-USSR footsteps, both on the political side and on the economic side, with vast amounts of unsecured borrowings financing a spree of senseless pharaonic projects to support what we believe to be dubious economic statistics. Yet, the recent rally in international equities was supported by the very strong performance of the Chinese market.
- Similarly, we see further evidence of irrational investor behavior in the recent series of large high-priced IPOs of companies with in our view highly questionable business models, a long history of massive losses, large ongoing cash needs, and sizeable long-term obligations. There are also signs that business activity may be weakening. Our perspective as bottom-up investors here is informed by our many research trips, company meetings, and management phone interviews. From these conversations, a cyclical downturn appears possible, at least in a few sectors or geographies. However, we also recognize this is subject to how governments choose to adjust their monetary policies going forward based on how the economic environment evolves.
- Our team is monitoring a list of what we believe to be high-quality businesses, and we stand ready to purchase at the right prices. With significant amounts of cash available in the Fund, we believe we are well-positioned to take advantage of such an opportunity. Until then, the top-down nature of market price fluctuations in uncertain times can lead to short-term volatility, which in turn can provide us with opportunities to rotate capital into companies we know well or have owned in the past. It helps us to seize the unique opportunities public markets can provide to research-driven, bottom-up fundamental investors like ourselves, who take a long-term view of businesses rather than allowing short-term sentiment or institutional imperatives to dictate their buy-and-sell decisions.

## Important Disclosures

All data herein is as of March 31, 2019 unless otherwise stated. This document does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale of any security, product or services discussed or provide investment advice. This presentation does not constitute an investment management agreement or offering circular. Any such offer or solicitation shall only be made pursuant to the FPA International Value Fund's ("Fund") Prospectus, which supersedes the information contained herein in its entirety. The 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.

The information contained herein reflects the opinions of portfolio manager/presenter as of the date of this report, is subject to change, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Future events, results, or opinions may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. The views are those of the portfolio management team acting in their own capacity and not as a representative of the firm. These views may differ from other portfolio managers and analysts of the firm as a whole, and are not intended to be a forecast of future events, a guarantee of future results or investment advice.

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 manager, 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](http://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. 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 they can fluctuate in price more than larger company stocks.

The Fund is non-diversified and may hold fewer securities than a diversified fund because it is permitted to invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the Fund could go down because of the poor performance of a single investment.

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.

As of 3/31/2019, the securities mentioned and corresponding position sizes were as follows: Melrose Industries: 2.6%; BK Brasil: 0.0%; TOTVS: 2.8%; Sulzer: 2.8%; Stroeer: 2.7%; Capgemini: 2.7%; Volution Group: 2.3%; EssilorLuxottica: 2.7%; Hypera: 2.0%; Magazine Luiza: 2.3%; Grandvision: 2.5%.

### **Definitions**

The MSCI ACWI ex-USA Index (Net) is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. Performance is provided net of withholding taxes.

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund will 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 or fees which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

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