FPA New Income, Inc.
First Quarter 2019 Fund Update

Not authorized for distribution unless preceded or accompanied by a current prospectus.

Average Annual Total Returns (%)

Trailing Performance (%)

As of Date: 3/31/2019	30 Years	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTR
FPA New Income, Inc.	5.64	3.82	2.64	2.02	1.90	2.68	3.06	1.15	1.15
BBgBarc US Agg Bond	6.11	4.73	3.89	3.77	2.74	2.03	4.48	2.94	2.94
CPI + 100	NA	NA	NA	NA	NA	NA	NA	NA	NA
BBgBarc US Aggregate 1-3 Yr	NA	3.21	2.35	1.65	1.24	1.34	3.05	1.22	1.22

Periods greater than one year are annualized. FPA New Income, Inc. ("Fund") performance is calculated on a total return basis which includes reinvestment of all distributions and 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. Comparison to any index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

The Total Annual Fund Operating Expenses before reimbursement is 0.58% (as of most recent prospectus). The Advisor has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.50% 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 January 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. The Fund’s expense ratio as of its most recent prospectus is 0.50%.

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

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, charges, 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 email at crm@fpa.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

Please see important disclosures at the end of the commentary.

Contributors and Detractors[1]

The largest contributors to performance during the first quarter were agency mortgage pools. The Fund continues to benefit from our efforts last year to add duration via agency mortgage pools. These mortgage pools appreciated in price due to declining interest rates and lower spreads.

The second-largest contributors to performance were asset-backed securities (ABS) backed by auto loans (prime or subprime loans) with the return due to coupon payments, in addition to higher prices caused by lower interest rates. The third-largest contributors to performance were collateralized loan obligations (CLO). Our CLO returns were driven mostly by coupon payments and, to a lesser extent, higher prices as a result of lower spreads.

The only detractors from performance in the first quarter were corporate high-yield bonds, predominantly due to a price decline in the bonds of an energy-related company which filed for bankruptcy during the quarter. This bankruptcy filing was expected. We are engaged with the various stakeholders in this process and are actively monitoring the situation. As such, we will reserve further comment for a future date.

Portfolio Activity[2]

The table below shows the portfolio's exposures as of March 31, 2019 compared to December 31, 2018 and March 31, 2018:

Sector	% Portfolio 3/31/2019	% Portfolio 12/31/2018	% Portfolio 3/31/2018
ABS	49.9%	49.9%	57.2%
Mortgage Backed (CMO)[3]	11.2%	12.9%	11.4%
Stripped Mortgage-backed	3.6%	4.0%	6.4%
Corporate	5.2%	5.7%	7.3%
CMBS[4]	5.0%	3.7%	3.9%
Mortgage Pass-through	14.4%	13.7%	2.6%
U.S. Treasury	4.9%	5.0%	4.9%
Cash and equivalents	5.8%	5.1%	6.3%
Total	**100.0%**	**100.0%**	**100.0%**
Yield-to-worst[5]	3.29%	3.79%	3.44%
Effective Duration (years)	1.69	1.85	1.57
Average Life (years)	2.15	2.42	2.01

[1] Contributors and detractors are presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. This information is not a recommendation for a specific security or sector and these securities/sectors may not be in the Fund at the time you receive this report. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. A copy of the methodology used and a list of every sector's contribution to the overall Fund's performance during the quarter is available by contacting FPA at crm@fpa.com. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com. **Past performance is no guarantee, nor is it indicative, of future results**. **Please see Important Disclosures at the end of this commentary.**

[2] Portfolio composition will change due to ongoing management of the Fund.

[3] Collateralized mortgage obligations ("CMO") are mortgage-backed bonds that separate mortgage pools into different maturity classes.

[4] Commercial mortgage-backed securities ("CMBS") are securities backed by commercial mortgages rather than residential mortgages.

[5] Yield to Worst ("YTW") is presented gross of fees and reflects the lowest possible yield on a callable bond. As of March 31, 2019, the Fund's subsidized/unsubsidized 30-day SEC standardized yield ("SEC Yield") was 3.10%/3.03% respectively. The SEC Yield calculation begins with the Fund's dividend payments for the last 30 days, subtracts fund expenses and uses this number to estimate returns for a year. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. This calculation is based on the price of the Fund at the beginning of the month. The SEC yield reflects prospective data and thus assumes payments collected by the Fund may fluctuate. **Past results are not a guarantee, nor is it indicative, of future results.**

Outlook

Lower Treasury yields and the shape of the yield curve reflects investor concerns about slower economic growth. The difference in yield between the three-month Treasury bill and ten-year Treasury note, normally positive, was recently negative and was near zero as of the end of Q1. High quality bonds (rated single-A or higher) exhibit very low spreads and high yield credit spreads have compressed significantly since the end of 2018. Given expectations for economic weakness and little compensation available for credit risk, we are currently focused on extending duration via high quality, liquid investments (subject to our duration stress test). By the same token, our appetite for investments rated less than single-A remains low until we see more attractive prices for credit risk.

Important Disclosures

Index / Benchmark 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 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, 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. Investors cannot invest directly in an index.

Bloomberg Barclays Aggregate Index provides a measure of 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.

Bloomberg Barclays Aggregate 1-3 Year Index provides a measure of 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 a remaining maturity of 1 to 3 years. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, nonconvertible, and taxable.

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.

CPI + 100 is the measure of the CPI plus an additional 100 basis points.

Effective Duration (years) is the duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Average Life (years) is the average length of time that each dollar of unpaid principal on a loan, a mortgage or an amortizing bond remains outstanding.

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