FPA New Income, Inc.
Morningstar Analyst Report July 21, 2022

Unless otherwise indicated, FPA New Income, Inc. ("Fund") performance in the Morningstar Analyst Report is as of June 30, 2022.

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, by calling toll-free at 1-800-982-4372, or by contacting the Fund in writing.

Average Annual Total Returns (%)

As of Date: 6/30/22	QTD	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	30 Years	ITD (Since 7/11/84)
FPA New Income, Inc. (“Fund”)	-1.03	-2.75	-2.60	0.60	1.60	1.50	2.16	2.52	4.36	6.29
Bloomberg U.S. Agg Bond Index	-4.69	-10.35	-10.29	-0.93	0.88	1.54	3.26	3.57	4.81	6.55
CPI + 100	2.90	5.95	10.08	6.02	4.92	3.63	3.42	3.55	3.54	3.83
Bloomberg U.S. Agg 1-3 Year Bond Index	-0.64	-3.13	-3.58	0.21	1.02	0.99	1.92	2.23	NA	NA

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.

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 the most recent prospectus). First Pacific Advisors, LP (The “Adviser” or “FPA”), the Fund’s investment adviser, has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.45% 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 March 31, 2023. This agreement may only be terminated earlier by the Fund’s Board of Directors (the “Board”) or upon termination of the Advisory Agreement. Note, for the period March 31, 2021 through March 31, 2022, the net expense ratio was 0.47% 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).

Effective August 1, 2020, the availability of shares of the Fund to new investors is limited. Please see the Prospectus for more detail.

Please see important disclosures on the next page.

Important Disclosures

The data herein is provided 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 the Fund's Prospectus which supersedes the information contained herein in its entirety. 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.

The opinions expressed in the Morningstar Analyst Report are those of Morningstar and are as of the date written and are subject to change without notice. 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.

Thomas Atteberry and Abhijeet Patwardhan have been portfolio managers in this strategy since November 2004 and November 2015, respectively, and manage the strategy in a manner that is substantially similar to the prior portfolio manager, Robert Rodriguez. Mr. Rodriguez ceased serving as the strategy's portfolio manager effective December 2009. *Note: Effective July 1, 2022, Thomas Atteberry stepped down from his role as Partner to FPA and co-portfolio manager to FPA's fixed income strategies and transitioned to a Senior Advisory role.*

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.

The statements made herein may be forward-looking and/or based on current expectations, projections, and/or information currently available. Actual results may differ from those anticipated. The portfolio managers, FPA, and/or Morningstar cannot assure future results and disclaims any obligation to update or alter any statistical data and/or references thereto, as well as any forward-looking statements, whether as a result of new information, future events, or otherwise. Such statements may or may not be accurate over the long-term.

Investments, including 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, which are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

The return of principal in a bond fund is not guaranteed. Bond funds have the same issuer, interest rate, inflation and credit risks that are associated with underlying bonds owned by the Fund. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds.

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.

Mortgage securities and collateralized mortgage obligations (CMOs) are subject to prepayment risk and the risk of default on the underlying mortgages or other assets; such derivatives may increase volatility. Convertible securities are generally not investment grade and are subject to greater credit risk than higher-rated investments. High yield securities can be volatile and subject to much higher instances of default.

Collateralized debt obligations ("CDOs"), which include collateralized loan obligations ("CLOs"), collateralized bond obligations ("CBOs"), and other similarly structured securities, carry additional risks in addition to interest rate risk and default risk. This includes, but is not limited to: (i) distributions from the underlying collateral may not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results. Investments in CDOs are also more difficult to value than other investments.

The ratings agencies that provide ratings are Standard and Poor's, Moody's, and Fitch. Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Bonds with credit ratings of CCC or below have high default risk.

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 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 U.S. Aggregate Bond Index (BBgBarc US Agg Bond) 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 U.S. Aggregate 1-3 Year Index (BBgBarc US Aggregate 1-3Yr) 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. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time.

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

Additional Definitions

Asset-Backed Security (ABS) is a type of financial investment that is collateralized by an underlying pool of assets—usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, or receivables. It takes the form of a bond or note, paying income at a fixed rate for a set amount of time, until maturity. For income-oriented investors, asset-backed securities can be an alternative to other debt instruments, like corporate bonds or bond funds.

Basis Point is equal to one hundredth of one percent, or 0.01%. 100 basis points = 1%.

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.

Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or standard deviation.

Morningstar Analyst Ratings™

The **Morningstar Analyst Rating™** is not a credit or risk rating. It is a subjective evaluation performed by the manager research analysts of Morningstar. Morningstar evaluates funds based on five key pillars, which are process, performance, people, parent, and price. Analysts use this five pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark, or in the case of exchange-traded funds and index mutual funds, a relevant peer group, over the long term on a risk-adjusted basis. They consider quantitative and qualitative factors in their research, and the weight of each pillar may vary. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. A Morningstar Analyst Rating of Gold, Silver, or Bronze reflects an analyst’s conviction in a fund’s prospects for outperformance. Analyst Ratings are continuously monitored and reevaluated at least every 14 months. For more detailed information about Morningstar’s Analyst Rating, including its methodology, please go to http://corporate1.morningstar.com/AnalystRating/.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a fund. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar’s expectations not to occur or to differ significantly from what they expected.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Through June 30, 2022 FPA New Income Fund was rated against the following numbers of funds in the Short-Term Bond Category over the following time periods: 547 funds in the last three years, 488 funds in the last five years, and 333 funds in the last ten years. **Past performance is no guarantee of future results**.

Morningstar Bond Category

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

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

FPA New Income FPNIX

FPA once again shows why it deserves the trust of its investors.

Morningstar's Take FPNIX

Morningstar Rating	★★★★
Morningstar Analyst Rating	Bronze

Morningstar Pillars

Process	Above Average
Performance	—
People	Above Average
Parent	Above Average
Price	—

Role In Portfolio

Core

Fund Performance

Year	Total Return (%)	+/- Category
YTD	-2.75	2.11
2021	0.82	0.77
2020	2.51	-1.30
2019	3.81	-0.90
2018	2.30	1.38

Data through 6-30-22

7-11-22 | by Eric Jacobson

FPA New Income has executed a long-planned management handoff and reopened to new investors. It has always been shareholder-focused, though, and new fee waivers further cement that reputation. It carries a Morningstar Analyst Rating of Bronze.

Abhijeet Patwardhan joined Tom Atteberry as a comanager here in November 2015, quickly becoming his intended, eventual successor, much in the same way Atteberry joined and was prepped to succeed then manager Bob Rodriguez. In July 2021, the firm announced Atteberry's intention to step off the fund and become a senior advisor to the firm on July 1, 2022, and that came to pass. Given the long preparation and our exposure to Patwardhan as a comanager over several years, we believe shareholders are in good hands. The strategy's People Pillar Rating remains Above Average.

That timing coincided with two other notable events. The first was FPA's decision to reopen the fund on July 1, 2022, after closing it to new investors in August 2020 because the team was concerned that market opportunities were not deep enough to absorb more money from new investors. With bonds selling off amid inflationary worries in 2022's first half and the fund seeing about $880 million of outflows from existing investors in the first five months of the year, the managers of this roughly $11 billion strategy began to see more potential.

The firm also elected to further extend a fee waiver that was established and repeatedly renewed since 2016, implementing another cut at the end of June 2022. FPA brought the fund's expense ratio down another 2 basis points to 0.45% from 0.58% before the cuts began in 2016.

Those various shareholder-friendly practices dovetail well with a risk-conscious strategy that looks to gain at least 100 basis points on the Consumer Price Index over five-year periods and positive returns over 12-month stretches, within a high-quality mandate. Its duration has been short for years, and while its managers have broad freedom, they've said it's unlikely they would take it much higher absent a major shift in the market.

The portfolio almost always features an eclectic mix of deals that may look cheap because they're too small for the needs of a larger manager or that may look risky but actually have underlying safeguards or carry specific collateral features making them safer and more predictable than they appear. In recent years this has included securitizations of insurance-premium receivables, mortgage servicer advance payments, and rental-car financing, as well as collateralized loan obligations and Treasuries. The team won't buy anything without robust issue-by-issue research, and holdings must pass extreme stress-testing while still offering significant value.

That caution--driven by sensitivity to valuations in yield starved markets--has made besting the CPI difficult overall, but no less so given the inflation spikes of 2021 and early 2022. It has helped to curb volatility, though. Among other examples over the past few rocky years, the portfolio's 2.75% loss during the rough-and-tumble first half of 2022 was less pronounced than the vast majority of its peers'.

Process Pillar Above Average | Eric Jacobson 07/11/2022

The fund looks to earn positive returns of 100 basis points beyond CPI over five-year periods and positive returns over 12-month stretches, and it must keep at least 75% in debt rated A or better. The rigor and depth of its research and strategy support an Above Average Process rating.

The managers hunt for deals of a size that works well for this strategy but that may look cheap because they're too small to gain the attention of a more traditional manager. They target high-quality debt, including cash, Treasuries, and highly rated mortgage-backed securities, commercial MBS, and all variety of asset-backed securities; the rest can include more-credit-sensitive sectors, including high-yield and lower-quality securitized bond structures. As such, they have historically bought an eclectic mix of bonds.

That's left the fund with allocations that may look very risky on the surface but that the team believes carry specific collateral safeguards. The team won't buy anything without robust issue-by-issue research, and holdings must pass extreme stress-testing while still offering significant value. The portfolio's duration has been short for years, and while its managers have broad freedom, they've said it's unlikely they would take its rate sensitivity much higher absent a major shift in the market.

The majority of the portfolio's holdings are very short-term and highly rated. As of March 2022, it carried an effective duration of 1.3 years and 9.2% in holdings rated BBB or lower, though manager Abhijeet Patwardhan has said he has added a small amount of duration since. Its biggest shift in recent years has been a ramping up of holdings loosely classified as ABS to 67% of total assets as of March 2022. At that point, debt backed by auto loans and leases accounted for 25% of assets (a 10-percentage-point jump for the year prior), followed by mostly highly-rated CLO tranches (21%) and equipment-backed ABS (10%). The remainder comprised smaller allocations including insurance premium receivables, and a mix of nonperforming mortgage-loan securitizations and other real-estate and mortgage-related issues.

Some of that ABS exposure came at the expense of mortgage passthroughs, which constituted 2.2% of assets (down from 14% in mid-2019), while GNMA interest-only project-loan tranches with prepayment penalties stood at 0.4% after making up nearly 14% in late 2016.

The portfolio has held some corporate high-yield bonds since early 2013, predictably focusing on short-term names. But while the fund did have trouble with some energy holdings in 2015, they constituted a relatively small allocation. As of March 2022. corporates overall took up a modest 3.7% of the portfolio.

Performance Pillar | Eric Jacobson 07/11/2022
The fund has scored more than 35 consecutive years of positive returns, in part by deftly navigating volatile markets. Its short duration helped shield it during 2013's taper tantrum and the rate spikes of both early 2021 and early 2022, for example, and a shift toward cash and high-quality bonds helped the fund return 4.3% in 2008 while many of its short-term bond category peers posted losses. The early-2020 coronavirus-driven sell-off was short-lived but severe, and the fund endured less than half the median loss among unique rivals. Skipper Abhijeet Patwardhan can only claim the periods since 2015, but he uses the same distinctive approach in place since the fund's inception.

We moved the fund to the short-term bond Morningstar Ccategory from nontraditional bond in mid-2018 in recognition of its better fit there, including a modest 1.1-year duration (March 2022) that has stayed in a close range for many years. But while its returns do look better in that group, It has had mixed success keeping its return at more than 100 basis points above CPI over five-year cycles, and that will likely remain an elusive goal until inflation is contained. But its main appeal is its volatility-adjusted track record. The strategy has been a strong competitor, without having taken on the risks courted by many rivals. Among other examples over the past few rocky years, the portfolio's 2.75% loss during the rough-and-tumble first half of 2022 was less pronounced than 162 of its short-term competitors'. It historically been among the fund universe's least volatile, which has helped it earn Sharpe ratios that typically clock in higher than all but a few bond funds in Morningstar's U.S. database over most trailing periods.

People Pillar Above Average | Eric Jacobson 07/11/2022
Given the long preparation for Abhijeet Patwardhan to take over as sole manager, and on the basis of our exposure to him as a comanager over several years, we believe shareholders are in good hands. The strategy's People Pillar Rating remains Above Average in the wake of Tom Atteberry's planned departure from the strategy.

Patwardhan joined Tom Atteberry as a comanager here in November 2015, quickly becoming his intended, eventual successor, much in the same way Atteberry joined and was prepped to succeed then manager Bob Rodriguez. In July 2021 the firm announced Atteberry's intention to step off the fund and become a senior advisor to the firm on July 1, 2022.

The broader team includes Joseph Choi (since 2014) and Prakash Gopinath (2015) and is further supported by research specialist Nazanin Pajoom and veteran mortgage specialist Julian Mann. The team hired Ryan Taylor in September 2017, who started with a focus on credit, and Felix Moy in May 2019 to focus on trading, bringing the team to three credit specialists and the overall team to seven.

It's not a large team, but a focus on both value and deep margins of safety has historically narrowed that universe to a manageable size, and the team spends much of its time developing and maintaining a library of items to consider buying when cheap. Patwardhan's record and temperament provide assurance that he and the team would steer far from risks they lacked sufficient resources to underwrite.

Parent Pillar Above Average | Dan Culloton 03/23/2021
FPA has had to adapt but remains an investor-focused, Above Average Parent.

The fund family has coped with a lot in recent years. When FPA International Value manager Pierre Py grew restive, the firm helped him find a partner, U.K.-based Polar Capital, and set up an independent shop in which FPA retains an economic interest. In 2020, it brought in an outside manager to replace its beleaguered FPA Capital. Outflows have persisted.

But the firm isn't circling the drain, it's circling its wagons. Where other out-of-favor active shops have resorted to aggressive sales practices, trendy new strategies, or mergers, FPA has found creative ways to defend its circle of competence. Letting a promising manager like Py go was hard, but at least the firm has a multiyear revenue share agreement with his new entity. FPA Capital had been a dismal performer for years, but merging it with FPA Queens Road Small Cap Value, a nearly 20-year-old strategy the firm adopted in 2020, gave remaining shareholders a fresh start.

These tactical retreats and course corrections should help the firm survive as a value investing boutique. The independently owned firm also has a solid core, including Steve Romick's FPA's Contrarian Value (Crescent) strategy and Tom Atteberry's and Abhijeet Patwardhan's FPA New Income, which closed to new investors in 2020. Manager ownership also remains high.

Price Pillar | Eric Jacobson 07/11/2022
It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-cheapest quintile. Based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Bronze.