



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

### Average Annual Total Returns (%)

As of December 31, 2020	30 Years	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTR
FPA New Income, Inc.	5.21	3.51	2.76	2.03	2.76	2.87	2.51	2.51	0.54
BBgBarc US Agg Bond	5.86	4.83	4.49	3.84	4.44	5.34	7.51	7.51	0.67
CPI + 100 bps	3.28	3.07	2.90	2.75	2.97	2.86	2.31	2.31	0.85
BBgBarc US Aggregate 1-3 Yr	NA	2.98	2.61	1.60	2.17	2.90	3.08	3.08	0.22

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](http://www.fpa.com) or by calling toll-free, 1-800-982-4372. The Fund's net expense ratio as of its most recent prospectus is 0.49%

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 0.57% (as of the most recent prospectus). Effective December 18, 2020, First Pacific Advisors, LP ("FPA" or the "Adviser"), has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.49% 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, 2022. This agreement may only be terminated earlier by the Fund's Board of Directors (the "Board") or upon termination of the Advisory Agreement. *For the period July 1, 2020 through October 1, 2020, the Adviser temporarily reimbursed annualized Fund operating expenses in excess of 0.48% of 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). This temporary waiver was terminated effective October 2, 2020.*

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

*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 at the end of this update.**

## Contributors and Detractors<sup>1</sup>

### Fourth Quarter 2020

The largest contributor to performance during the quarter was corporates, which includes corporate bonds, bank debt and equity, with both higher prices and coupons contributing to performance. In general, prices rose due to a combination of the rebound in credit spreads and improved underlying operational performance at the company level. The second largest contributor to performance was collateralized loan obligations (CLOs), driven by a combination of coupon payments and higher prices as a result of lower spreads. The third largest contributor to performance was asset-backed securities (ABS) backed by equipment with most of the return due to coupon payments.

The only meaningful detractor from performance during the quarter was Ginnie Mae project loan interest only bonds which declined in price as a result of fast prepayment speeds. The price declines were partially, but not fully, offset by prepayment penalties. At the sector level, there were no other meaningful detractors from performance though there were individual bonds in some sectors that detracted from performance.

### Calendar Year 2020

For the year ended December 31, 2020, the largest and second largest contributors to performance were ABS backed by auto loans or leases and ABS backed by equipment, respectively. The third largest contributor to performance was non-agency collateralized mortgage obligations with the majority of the return coming from high quality bonds backed by reperforming mortgages. In all three cases, returns came from a combination of coupon payments and, to a lesser extent, lower yields driving up bond prices over the course of the year.

Similar to the fourth quarter, the only meaningful detractor from performance during the year was Ginnie Mae project loan interest only bonds for the reasons described above. At the sector level, there were no other meaningful detractors from performance though there were individual bonds in some sectors that detracted from performance.

## Portfolio Activity<sup>2</sup>

The table below shows the portfolio's exposures as of December 31, 2019 and September 30, 2020 compared to December 31, 2020:

<b>Sector</b>	<b>% Portfolio 12/31/2020</b>	<b>% Portfolio 9/30/2020</b>	<b>% Portfolio 12/31/2019</b>
ABS	61.0	67.6	52.1
Mortgage Backed (CMO) <sup>3</sup>	6.6	7.6	9.3
Stripped Mortgage-backed	1.4	1.9	2.6
Corporate	4.6	4.1	6.3
CMBS <sup>3</sup>	7.1	8.3	6.1
Mortgage Pass-through	0.1	0.2	8.4
U.S. Treasury	13.9	4.6	6.9
Agencies	0.0	1.0	1.2
Cash and equivalents	5.3	4.7	7.1
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> 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. The portfolio holdings as of the most recent quarter-end may be obtained at [www.fpa.com](http://www.fpa.com).

<sup>2</sup> Portfolio composition will change due to ongoing management of the Fund.

<sup>3</sup> Collateralized mortgage obligations ("CMO") are mortgage-backed bonds that separate mortgage pools into different maturity classes. Commercial mortgage-backed securities ("CMBS") are securities backed by commercial mortgages rather than residential mortgages.

Yield-to-worst <sup>4</sup>	1.27%	1.65%	2.71%
Effective Duration (years)	1.52	1.30	1.57
Average Life (years)	1.77	1.78	1.99

## Outlook

Lower credit spreads have combined with lower Treasury yields since the start of the year to produce historically low yields in investment grade and high yield debt, both in corporates and structured products. A market-wide clamor for yield has driven down yields and potential future returns in fixed income. While we are excited for society that vaccines offer the prospect of a return to normalcy, the markets seem to assume that the return to normalcy will happen in a linear fashion, which may not be the case as suggested by, among other things, the arrival of new strains of COVID-19 and, with them, questions about the effectiveness of vaccines and the vaccine uptake rate required to build immunity broadly. From a yield perspective, we view the market as expensive and priced to perfection. In response, we are investing the portfolio to protect capital while trying to earn a return that does not unduly expose our investors to uncompensated credit and/or mark-to-market risk. This approach directs us to short duration high quality bonds (rated single-A or higher) and credit investments (rated BBB or lower) which we believe are unlikely to be permanently impaired, while using longer maturity Treasuries to hedge the portfolio against negative economic outcomes.

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<sup>4</sup> Yield to Worst ("YTW") is presented gross of fees and reflects the lowest possible yield on a callable bond without the issuer defaulting. It does not represent the yield an investor should expect to receive. As of December 31, 2020, the Fund's subsidized/unsubsidized 30-day SEC standardized yield ("SEC Yield") was 1.65%/1.59% respectively. The SEC Yield calculation is an annualized measure of the Fund's dividend and interest payments for the last 30 days, less the Fund expenses. 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. The SEC Yield calculation shows investors what they would earn in yield over the course of a 12-month period if the fund continued earning the same rate for the rest of the year.

**Past performance is no guarantee, nor is it indicative, of future results.**

## Important Disclosures

This update 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 of 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.

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. You should not construe the contents of this document as legal, tax, accounting, investment or other advice or recommendations.

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

Portfolio composition will change due to ongoing management of the Fund. References to individual securities or sectors 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 or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at [www.fpa.com](http://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 and/or FPA 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, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced 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. 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.

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.

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 of 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.

Please refer to the **Fund's Prospectus** for a complete overview of the primary risks associated with the Fund.

**The Fund is not authorized for distribution unless preceded or accompanied by a current prospectus.** The prospectus can be accessed at: <https://fpa.com/request-funds-literature>.

### **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, fees or expenses 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 US Aggregate Bond 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 US 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. This index reflects non-seasonally adjusted returns.

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

**Basis Point (bps)** 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.

**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.

**Credit Spread** is the difference in yield between a U.S. Treasury bond and another debt security of the same maturity but different credit quality.

**Priced to Perfection** is a term for investments that achieve a high valuation based on optimistic expectations for future earnings. The term implies that prices reflect a number of positive future developments such as sales improvements, innovations, product launches, industry trends and economic conditions that may or may not actually occur.

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