FPA New Income, Inc.

First Quarter 2022 Portfolio Review

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

Average Annual Total Returns (%)

As of March 31, 2022	30 Years	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTR
FPA New Income, Inc.	4.53	2.72	2.28	1.66	1.94	1.39	-1.30	-1.74	-1.74
Bloomberg US Agg Bond	5.12	4.00	3.56	2.24	2.14	1.69	-4.15	-5.93	-5.93
CPI + 100 bps	3.48	3.44	3.30	3.34	4.40	5.25	9.64	2.96	2.96
Bloomberg US Agg. 1-3 Yr	NA	2.39	2.01	1.08	1.21	0.92	-2.91	-2.50	-2.50

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. As of its most recent prospectus, the Fund's total expense ratio is 0.58% and net expense ratio is 0.45%.

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). Effective March 31, 2022, First Pacific Advisors, LP ("FPA" or the "Adviser") has contractually agreed to reimburse 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.

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.

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[1]

The largest contributor to performance during the quarter were the corporate holdings (includes corporate bonds, bank debt and equity). The corporate holdings benefited from coupon payments and dividends on common stocks which offset lower prices caused by higher spreads for bank loans and higher risk-free rates and spreads for high yield bonds. The second largest contributors to performance during the quarter were collateralized loan obligations (CLOs) where coupon payments offset slightly lower prices caused by higher spreads. Other investments contributed to performance but there no other meaningful contributors to performance at the sector level.

The largest detractors from performance during the quarter were Treasury bonds as an increase in Treasury yields led to lower prices. The second and third largest detractors from performance were asset-backed securities (ABS) backed by auto loans or leases and ABS backed by equipment which declined in price due to a combination of higher risk-free rates and spreads.

Overall, though the portfolio's return was negative during the quarter, the portfolio performed relatively well due to its short duration and large exposure to floating rate bonds.

Portfolio Highlights[2]

The table below shows the portfolio's exposures as of March 31, 2022 compared to December 31, 2021:

	As of 3/31/2022	**As of 12/31/2021**
Yield-to-worst[3]	2.90%	1.42%
Effective Duration (years)	1.31	1.39
Average Life (years)	2.02	1.89
Sector	**% Portfolio 3/31/2022**	**% Portfolio 12/31/2021**
ABS	66.6	57.7
Mortgage Backed (CMO)[4]	6.6	7.4
Stripped Mortgage-backed	0.4	0.4
Corporate	5.0	4.2
CMBS[4]	7.3	6.9
Mortgage Pass-through	2.2	0.1
U.S. Treasury	9.6	22.7
Cash and equivalents	2.3	0.6
Total	**100.0%**	**100.0%**

[1] 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.

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

[3] 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 March 31, 2022, the Fund's subsidized/unsubsidized 30-day SEC standardized yield ("SEC Yield") was 1.45%/1.35% 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.

[4] 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.

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

Perspective

With inflation proving to be more persistent than expected, the Federal Reserve raised the Fed Funds rate during the quarter and guided the market toward a significantly higher Fed Funds rate path going forward. The Federal Reserve also provided guidance on its plans to reduce the size of its balance sheet.[5] In tandem, these actions led to a significant increase in Treasury yields with two- and three-year maturity Treasury yields increasing by 155-160 bps during the quarter. Longer maturity Treasury yields also increased but to a lesser extent, resulting in a flatter yield curve and portending weaker economic growth in the future. In addition, spreads increased across fixed income asset classes, though spreads remain within historic norms. Indeed, the vast majority of the increase in bond yields during the quarter was due to higher Treasury yields, not spreads.[6] As a consequence of higher yields, bond prices were negatively impacted across the market leading to one of the worst quarters for bonds ever.[7]

We believe the higher yield environment creates an opportunity to buy incrementally longer duration bonds within the high-quality (rated single-A or higher), short duration universe as these bonds now appear to offer sufficient compensation for the duration risk (i.e., duration is cheaper). Yet, the prospect of risk-free rates and spreads rising further creates the possibility of near-term mark-to-market risk associated with rising yields. Meanwhile, yields on debt rated BBB or lower are also higher but, in general, are not very compelling in comparison to the credit risk and the incremental credit risk relative to risk-free assets. We aim to take advantage of more attractive high-quality yields, but we do so prudently and cautiously, balancing our goals of near-term capital preservation and long-term returns.

Important Disclosures

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.

[5] Source: The Federal Reserve. https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf

[6] Source: Bloomberg.

[7] Source: The Wall Street Journal, *The Bond Market Suffers Worst Quarter in Decades*, March 31, 2022, https://www.wsj.com/articles/bond-market-suffers-worst-quarter-in-decades-11648737087

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 typically 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 and Other 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 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 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.

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.

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

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

CPI + 100 bps 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.

A **fixed rate bond** is a bond that pays the same level of interest over its entire term.

A **floating-rate security** is an investment with interest payments that float or adjust periodically based upon a predetermined benchmark.

The **risk-free rate** reflects the yield of the Treasury bond matching the investment's duration.