FPA New Income, Inc.

Unless otherwise indicated, FPA New Income, Inc. ("Fund") performance in the Morningstar Analyst Report is as of May 31, 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, 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 June 30, 2020	30 Years	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	Q1 2020	Q2 2020
FPA New Income, Inc.	5.35	3.79	2.80	2.02	2.35	2.93	2.54	1.24	-1.38	2.66
BBgBarc US Agg Bond	6.02	5.14	4.39	3.82	4.30	5.32	8.74	6.14	3.15	2.90
CPI + 100 bps	NA	NA	NA	NA	NA	NA	NA	NA	0.06	NA
BBgBarc US Aggregate 1-3 Yr	NA	3.22	2.64	1.62	2.08	2.82	4.00	2.68	1.79	0.88

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). First Pacific Advisors, LP ("FPA" or the "Adviser"), the Fund's investment adviser, 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, 2021. This agreement may only be terminated earlier by the Fund's Board of Directors (the "Board") or upon termination of the Advisory Agreement. *Effective July 1, 2020, the Adviser is temporarily reimbursing annualized Fund operating expenses in excess of 0.48% 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) until such time as the Fund's portfolio managers believe the waiver is no longer appropriate. When this temporary waiver is terminated, the Fund's expenses will be return to the contractual limit of 0.50% noted above*

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.

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.

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.

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.

Bloomberg Barclays U.S. High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

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.

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 May 31, 2020, FPA New Income Fund was rated against the following numbers of funds in the Short-Term Bond Category over the following time periods: 133 funds in the last three years, 124 funds in the last five years, and 98 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.

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FPA New Income FPNIX

A notable practitioner of fundamental analysis that keeps its eye firmly on risk.

Morningstar's Take FPNIX

Morningstar Rating	★★★
Morningstar Analyst Rating	Bronze

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Role In Portfolio
Supporting

Fund Performance FPNIX

Year	Total Return (%)	+/- Category
YTD	0.35	-0.34
2019	3.81	-0.90
2018	2.30	1.38
2017	2.67	0.94
2016	2.53	0.45

Data through 5-31-20

3-04-20 | by Eric Jacobson

Despite a sometimes-racy looking portfolio, strong management and a careful process have made this strategy a haven from losses and bond-market excess. Those elements support its Morningstar Analyst Rating of Bronze.

The fund looks to gain at least 100 basis points on CPI over five-year periods, positive returns over 12-month stretches, and has a high-quality mandate. Meanwhile, its duration has been short for years, and while its managers have broad freedom, they've said it's unlikely they would take that measure much higher absent a major shift in the market.

Despite this fairly constrained framework, the fund features an eclectic mix of bonds. Comanagers Tom Atteberry and Abhi Patwardhan hunt for deals that may look cheap because they're too small for the needs of a larger manager, or that may look risky but carry specific collateral features making them much more safe and predictable than they appear. Moreover, the team won't buy anything without robust issue-by-issue research and that can't pass extreme stress-testing while still offering significant value.

That mix has evolved. In September 2013, for example, the fund's 30% in mortgage securities was spread among subsectors such as GNMA interest-only tranches, relocation mortgage loans, and nonagency residential mortgage pools. In the years since, the team has mostly eschewed corporates and made a large shift into asset-backed securities (50% as of March 2019, up from 6% in September 2013) including specifically chosen collateral in the credit card, CLO, auto (prime and some subprime), and equipment-related subsectors. The team has also been trimming credit risk, bringing low-quality and nonrated debt to 6.4% from 18% at the end of 2016.

While the fund has struggled with its goal of beating CPI by 100 basis points over five-year cycles, it has performed well versus its (unique) short-term bond Morningstar category peers over the trailing three- and five-year periods ending June 2019. Moreover it has been among the group's least volatile, generating some of the fixed-income market's highest Sharpe ratios.

Process Pillar Positive | Eric Jacobson 03/04/2020

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

Comanagers Tom Atteberry and Abhi Patwardhan 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 MBS, CMBS, and ABS; 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 sometimes look very risky on the surface, but which the team believes carry specific collateral features that limit the risk profile of the fund's admittedly quirky mix. They also won't buy anything without performing robust issue-by-issue research and that can't pass extreme stress-testing while offering significant value. Meanwhile, its 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 fund's holdings are very short-term and highly rated. As of March 2019, the fund carried an effective duration of 1.7 years and only 6.4% in low or nonrated holdings. Its biggest shift in recent years has been a ramping up of holdings loosely classified as ABS to 50% of total assets as of March 2019, from around 15% at year-end 2013. That included 11% in high-grade CLOs--a notable increase from 2% in September 2016--and 8% in securities backed by subprime auto loans; both figures, however, have been trimmed from more recent highs as managers Tom Atteberry and Abhi Patwardhan have cut back on risk.

The ABS stake was rounded out by securities backed by collateral from other various subsectors in March 2019. Other exposures included 14% in mortgage pass-throughs (mostly 10- and 15-year seasoned loans), Ginnie Mae interest-only project-loan tranches with prepayment penalties (4.6%), which Atteberry has argued carry little refinance risk or interest-rate sensitivity, and re-performing nonagency residential mortgages (7%).

Atteberry has held some 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 in the portfolio. As of March 2019 corporates overall composed a modest 5.2% of the portfolio.

Performance Pillar ⊕ Positive | Eric Jacobson 03/04/2020
The fund has scored more than 30 consecutive years of positive returns in part by deftly navigating volatile markets. Its short duration helped shield it during 2013's taper tantrum, for example, and a shift toward cash and high-quality bonds helped the fund return 4.3% in 2008 while many of its peers posted losses.

We moved the fund to the short-term bond Morningstar Category from the nontraditional bond group in mid-2018 in recognition of its better fit there, including a modest 1.7-year duration (March 2019) that has stayed in a close range for many years. But while its returns do look better in that group over recent years, the fund's Positive Performance rating is based primarily on its volatility-adjusted track record.

Although the fund has had mixed success keeping its return at more than 100 basis points above CPI over five-year cycles, its three- and five-year returns placed in the best third of the short-term bond Morningstar Category through June 2019. Moreover, the fund has 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 database over most trailing periods.

People Pillar ⊕ Positive | Eric Jacobson 03/04/2020
Tom Atteberry joined FPA in 1997 and has led this fund since 2010 after comanaging it with Bob Rodriguez, who retired in 2016.

Atteberry was joined by Abhi Patwardhan in November 2015, who had also been named director of research earlier that year. Patwardhan joined First Pacific Advisors in 2010 and is considered Atteberry's successor. 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 corporate debt trading, bringing the team to three credit specialists and the overall team to eight.

That'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. Given the fund's style the largest risk seems to be difficulty researching a big number of corporates after a fire-sale sell-off. That said, Atteberry's record and temperament provide assurance he'd steer far from risks for which he lacked sufficient resources to underwrite.

Manager ownership is strong here, and we have long considered Atteberry among the industry's best. Patwardhan has also impressed since coming aboard, helping underpin the fund's Positive People rating.

Parent Pillar ⊕ Positive | 03/04/2020
Despite challenges, FPA is an adaptable, investor-focused, and Above Average Parent.

The family has coped with generational change, investing missteps, fund reorganizations, and a value slump. Four of five funds with 20-year records ranked in their peer groups' top fourths or higher in the 20 years ended Feb. 29, 2020, but none did in the trailing decade. Two of them have different strategies now, and a third, FPA Small/Mid Value (Capital), is a shadow of its former self. Assets have fallen, and a promising manager struck out on his own in 2020.

Yet this remains a group of independent investors co-led by CFO J. Richard Atwood and Steve Romick, manager of FPA's Contrarian Value (Crescent) strategy. Younger investors, including Romick's comanagers Brian Selmo and Mark Landecker and FPA New Income's Abhijeet Patwardhan, are capable. The family also has found creative solutions to potential problems. When FPA International Value manager Pierre Py grew restive, the firm helped him find a partner, U.K.-based Polar Capital, to help him set up an independent shop in which FPA will have an economic interest.

FPA Capital, whose assets have dwindled from $2.4 billion in 2007 to $234 million in early 2020, is moribund, and the firm could explore more idiosyncratic offerings in the future. The managers own their funds, communicate forthrightly, avoid scandal, and shun fads.

Price Pillar ⊕ Positive | Eric Jacobson 03/04/2020
FPA instituted an expense waiver in mid-2016 to hold down the fund's costs. It has been extended multiple times and currently expires at the end of January 2020, but FPA has telegraphed no plans to change it. Its waiver-included 0.50% price tag (excluding certain investment-related expenses) registers as competitive versus other no-load short-term bond funds.