FPA New Income, Inc.
Third Quarter 2021 Commentary

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

Average Annual Total Returns (%)

As of September 30, 2021	30 Years	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTR
FPA New Income, Inc.	4.80	3.03	2.59	1.93	2.53	2.72	1.56	1.02	0.35
Bloomberg U.S. Agg Bond	5.46	4.33	4.17	3.01	2.94	5.36	-0.90	-1.55	0.05
CPI + 100 bps	3.37	3.20	3.05	2.95	3.62	3.85	6.43	5.59	1.42
Bloomberg U.S. Agg. 1-3 Year	NA	2.59	2.40	1.46	1.84	2.78	0.29	0.07	0.09

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 0.57% and net expense ratio is 0.47%.

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 March 31, 2021, First Pacific Advisors, LP ("FPA" or the "Adviser") has contractually agreed to reimburse expenses in excess of 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) through March 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. *Note, for the period December 18, 2020 through March 31, 2021, the net expense ratio was 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).*

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.

Introduction

Dear Fellow Shareholders,

FPA New Income, Inc. (the "Fund") returned 0.35% in the third quarter of 2021 and 1.02% year-to-date.

As of September 30, 2021, the portfolio had a yield-to-worst[1] of 1.00% and an effective duration of 1.32 years. During the quarter, Treasury yields rose for one- to 10-year maturity bonds and declined for longer maturities as the yield curve flattened, driven by strong inflation data and expectations of tighter monetary policy. Recent commentary from the Federal Reserve suggests that the central bank may begin tapering asset purchases in November 2021 and may raise the Fed Funds rate more aggressively than previously anticipated, beginning with potentially one or more Fed Funds rate increases in 2022.[2] Despite the Fed's commentary, there remains uncertainty regarding the persistence of recent economic growth and inflation. On an absolute basis, we believe the fixed income market is slightly more attractive owing to higher yields, but the higher yields are due to higher risk-free rates while credit spreads in both investment grade and high-yield-rated debt are not meaningfully changed from their historically low levels. Though absolute yields are higher, historically high duration in the fixed income market coupled with the seeming inevitability of higher interest rates leaves fixed income investors exposed to inordinately high mark-to-market risk associated with short-term changes in yields. On the whole, due to an unattractive yield environment offering insufficient compensation for duration and/or credit risk, the Fund's investment opportunity set remains limited. As such, we remain focused on protecting capital while trying to earn a return that does not unduly expose our investors to uncompensated credit and interest rate related mark-to-market risk. The Fund's credit exposure (investments rated BBB or lower) increased from 7.6% as of June 30, 2021 to 8.1% as of September 30, 2021. Cash and equivalents decreased from 4.1% of the portfolio as of June 30, 2021 to 0.4% on September 30, 2021.

Portfolio Attribution[3]

The largest contributor to performance during the quarter was the corporate holdings sector (corporate bonds, bank debt and equity) with much of the return due to price appreciation. In particular, the sector benefited from an appreciation in market value of our investment in Boart Longyear, a recently restructured provider of drilling services and related products to the mining industry. Please refer to the Appendix for more detail on our investment in Boart Longyear.

The second-largest contributors to performance were corporate loan-backed collateralized loan obligations (CLOs), which are part of the asset-backed securities (ABS) sector, with the return driven primarily by coupon payments.

The third-largest contributors to performance were Treasury bonds. At the start of the quarter, the Treasury position was comprised of bonds with a duration of approximately three years and four years. Though,

[1] 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 September 30, 2021, the Fund's subsidized/unsubsidized 30-day SEC standardized yield ("SEC Yield") was 0.81%/0.64% 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.

[2] Source: .CNBC (https://www.cnbc.com/2021/10/12/feds-bullard-says-bond-purchases-should-be-tapered-quickly-in-case-rate-hikes-are-needed.html)

[3] 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 or sectors 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.

generically, yields on three- and four-year maturity Treasury bonds rose during the quarter, the Fund's Treasury bonds benefited from price appreciation as they rolled down the yield curve and priced at a nearer-dated, lower-yielding part of the curve. The Fund's Treasury position also benefited from the sale of the longest-duration Treasuries in the portfolio during the first two months of the quarter when yields were lower, prior to the increase in yields toward the end of the quarter.

At the sector level, there were no meaningful detractors from performance, though there were individual investments in some sectors that detracted from performance.

Portfolio Activity

The table below shows the portfolio's sector level exposures as of June 30, 2021 compared to September 30, 2021:

Sector	% Portfolio 9/30/2021	% Portfolio 6/30/2021
ABS	52.3	52.7
Mortgage Backed (CMO)[4]	5.9	7.1
Stripped Mortgage-backed	0.5	0.8
Corporate	3.8	4.2
CMBS[3]	8.7	9.3
Mortgage Pass-through	0.1	0.1
U.S. Treasury	28.3	21.7
Cash and equivalents	0.4	4.1
Total	**100.0**	**100.0**

Yield-to-worst[5]	1.00%	1.13%
Effective Duration (years)	1.32	1.25
Average Life (years)	1.63	1.59

As discussed in more detail below, bond yields rose during the quarter, primarily due to higher Treasury yields as credit spreads did not change meaningfully. Higher yields make bonds more attractive but there remains little compensation for duration and/or credit risk. Thus, we continued to focus our investment activity in short-duration bonds, where we believe we have significant protection against credit losses and insulation against mark-to-market losses from rising yields. The vast majority of the Fund's investments this quarter were in high-quality bonds (rated single-A or higher) and included investments in ABS backed by subprime auto loans, corporate loan-backed CLOs, ABS backed by prime auto loans or leases, equipment ABS, and commercial real estate loan-backed CLOs. Credit investments (rated BBB or lower) included bank loans and newly issued bonds backed by non-performing residential mortgages. The Fund's credit exposure increased from 7.6% as of June 30, 2021 to 8.1% as of September 30, 2021. Investments during the quarter were funded with cash on hand, amortization and maturities of existing positions and sales of short-maturity ABS, commercial mortgage-backed securities (CMBS) and a bank loan.

In addition, facing what we believe is a higher likelihood of tighter monetary policy via tapering (potentially beginning in November 2021) and increases in the Fed Funds rate (potentially beginning in 2022), we reduced the duration of the Treasury position and increased its exposure – with the net result that the Treasury position contributes a similar number of units of duration to the portfolio. As of September 30, 2021 the Treasury position represented 28% of the Fund and was comprised of bonds with a duration of

[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.

[5] Please see Footnote 1 for definition of yield-to-worst and for the Fund's subsidized and unsubsidized SEC Yield as of June 30, 2021.

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

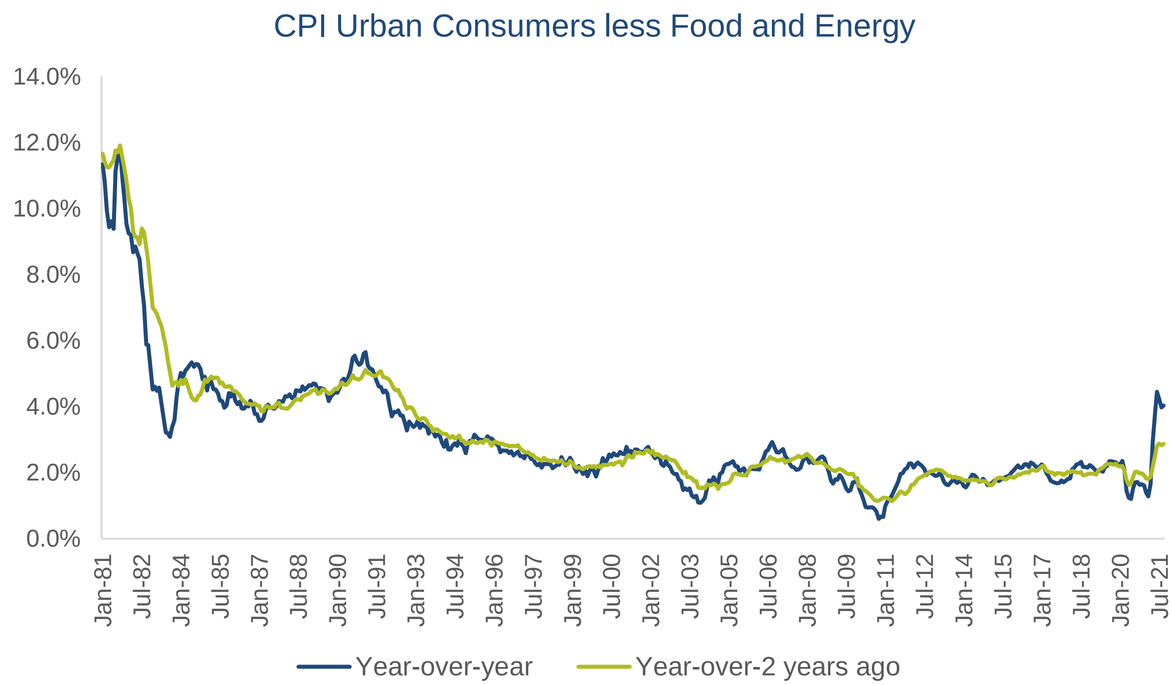
2.5 to 3 years with a blended duration of 2.7 years, whereas at June 30 the Treasury position represented 22% of the portfolio and was comprised of bonds with a duration of 2.7 to 4.4 years with a blended duration of 3.2 years.

The impact of this change in the Treasury position is that there is less exposure to the risk of a steepening yield curve. The tradeoff is that short-duration Treasuries are more exposed to a flattening yield curve where yields on three-year Treasuries rise relative to five-year Treasuries (though we expect that many short duration fixed income strategies bear this risk). However, to the extent that the curve retains some steepness between zero and five years, these shorter-duration Treasuries will benefit sooner from rolling down the yield curve. Also, about a third of the portfolio is invested in floating-rate bonds and we would expect these floating-rate bonds to positively contribute to the portfolio's return in this flattening scenario.

Given the uncertainty over the path of inflation and economic growth, the Treasury position was put in place to provide price appreciation and enhance the portfolio's total return in a potential scenario where negative macroeconomic outcomes such as weak inflation and/or economic growth led to lower risk-free rates. Despite the greater prospects for higher yields, we believe the value of this Treasury position is demonstrated by recent data showing the moderation of key inflation drivers, recent Federal Reserve commentary expressing confidence in the transitory nature of inflation and the persistence of long-term disinflationary forces which have periodically led to rallies in risk-free rates. Moreover, we don't discount the possibility of negative developments with respect to COVID-19. We don't have conviction on the path of inflation, rates, etc.; we merely see the alternative perspectives. Consequently, we continue to adjust the duration and size of the Treasury position as economic data unfolds and we seek to position the Fund to deliver a positive absolute return over a 12-month period if yields increase – due to inflation or otherwise – while providing potential upside return in the event that market yields decline.

Market Commentary

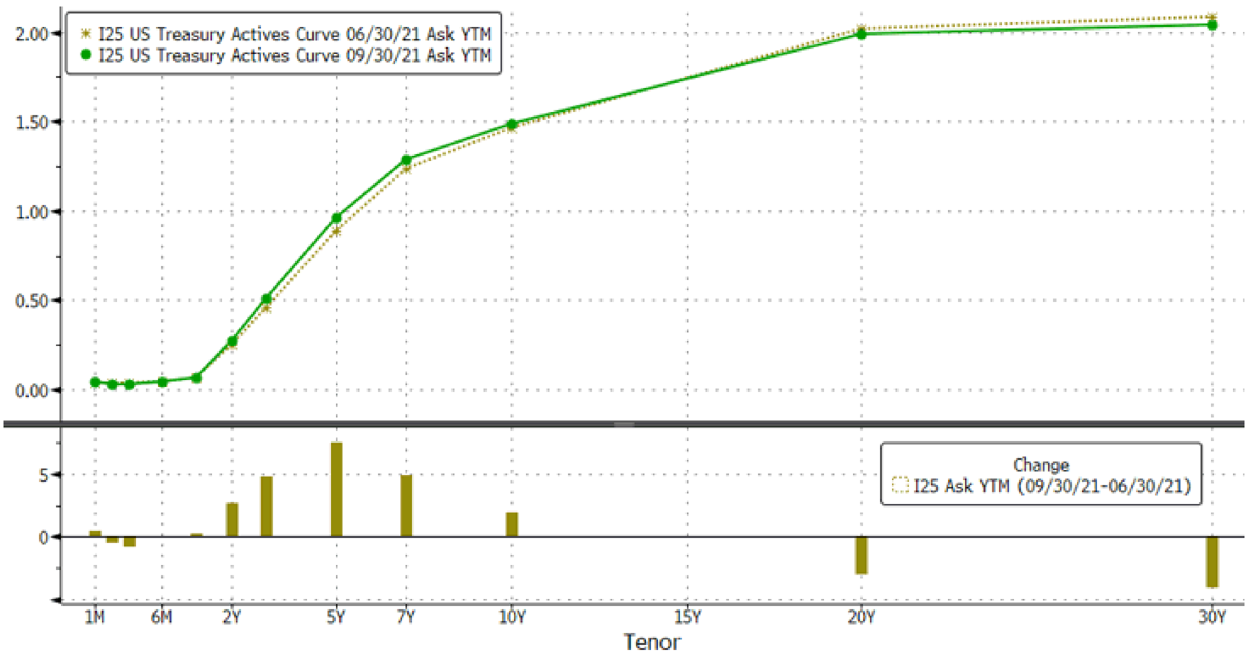
Inflation has risen to the top of the market's consciousness in the past few months, and for good reason. The highest inflation in 20 years continued as evidenced by the following chart, which shows that inflation less food and energy remains elevated, with prices rising 4% year-over-year in September. For reference, headline inflation including food and energy rose 5.4% on the same basis.



Source: Bureau of Labor Statistics. Chart data thru September 30, 2021. The "Consumer Price Index for All Urban Consumers: All Items Less Food & Energy" is an aggregate of prices paid by urban consumers for a typical basket of goods, excluding food and energy. This measurement, known as "Core CPI," is widely used by economists because food and energy have very volatile prices. The all urban consumer group represents about 93 percent of the total U.S. population. It is based on the expenditures of almost all residents of urban or metropolitan areas, including professionals, the self-employed, the unemployed, and retired people, as well as *urban wage earners and clerical workers. Not included in the CPI are the spending patterns of people living in rural nonmetropolitan areas, those in farm households, people in the Armed Forces, and those in institutions, such as prisons and mental hospitals."*

While the party line from the Federal Reserve remains that this period of high inflation (high relative to the goal of average inflation of 2%) is temporary, Federal Reserve Chairman Jerome Powell acknowledged that the supply bottlenecks that have contributed to inflation have been larger and lasted longer than anticipated and that there is upside risk to inflation.[6] With that backdrop, the Fed has recently been guiding toward a tapering process that could commence this year, perhaps as soon as November, and end in the middle of 2022. Further, the Fed's dot plots suggest greater support within the Fed for one or more increases in the Fed Funds rate in 2022.

The consequence of this commentary and guidance has been higher Treasury yields. The chart below shows the Treasury yield curve at the end of June and the end of September:



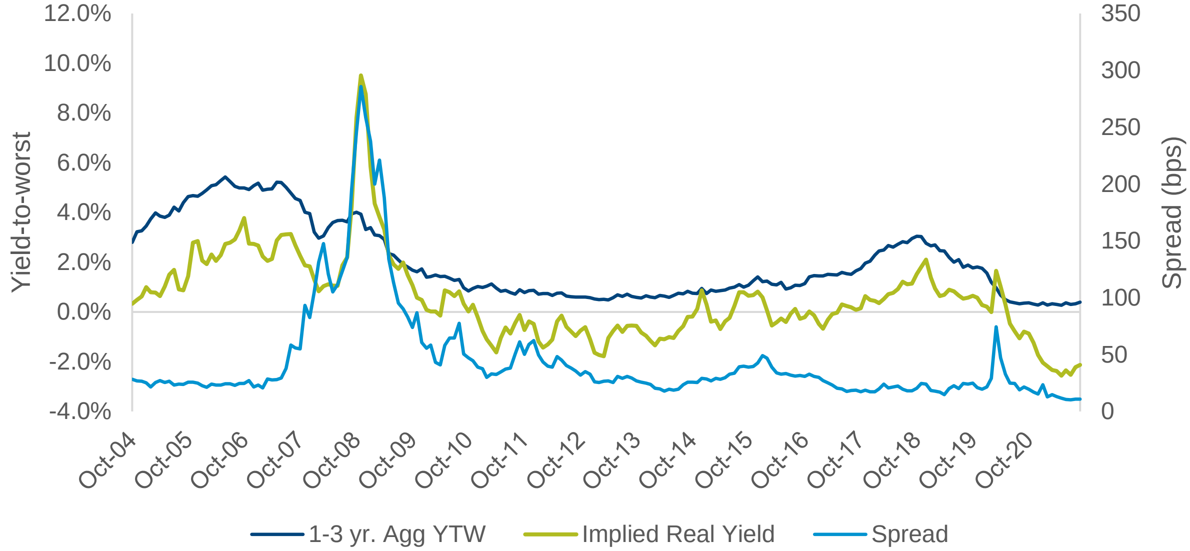
Source: Bloomberg. Chart data as of the dates shown.

During the past quarter, Treasury yields rose by three to eight basis points for three- to 10-year maturity bonds and declined elsewhere along the curve. We consider this to be significant relative to where yields have been recently, but not significant on an absolute basis.

Slightly higher risk-free rates have filtered through to investment-grade debt, both short and long duration. Unfortunately, because spreads have not changed meaningfully, overall yields are still very low. Moreover, after netting out expected inflation, real yields are still significantly negative, as shown in the charts below.

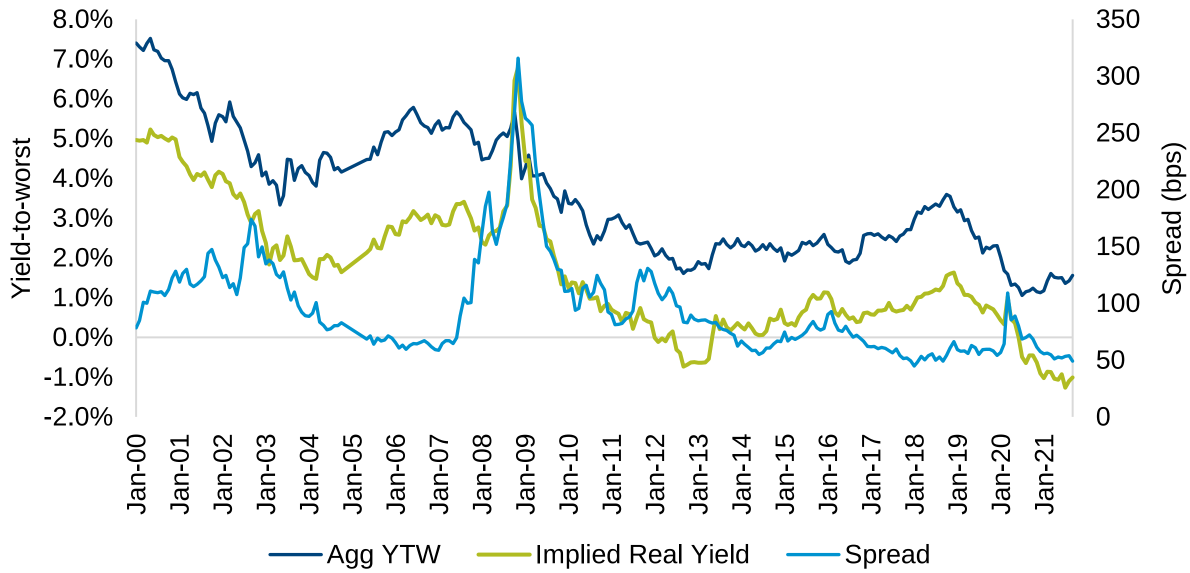
[6] Source: U.S. Federal Reserve (https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20210922.pdf.)

Bloomberg U.S. 1-3 Year Aggregate Bond Index



Source: Bloomberg. Chart data is as of September 30, 2021. YTW is Yield-to-Worst. Implied Real Yield is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor. Spread refers to the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities. Please refer to the end of the presentation for Important Disclosures and Glossary of Terms.

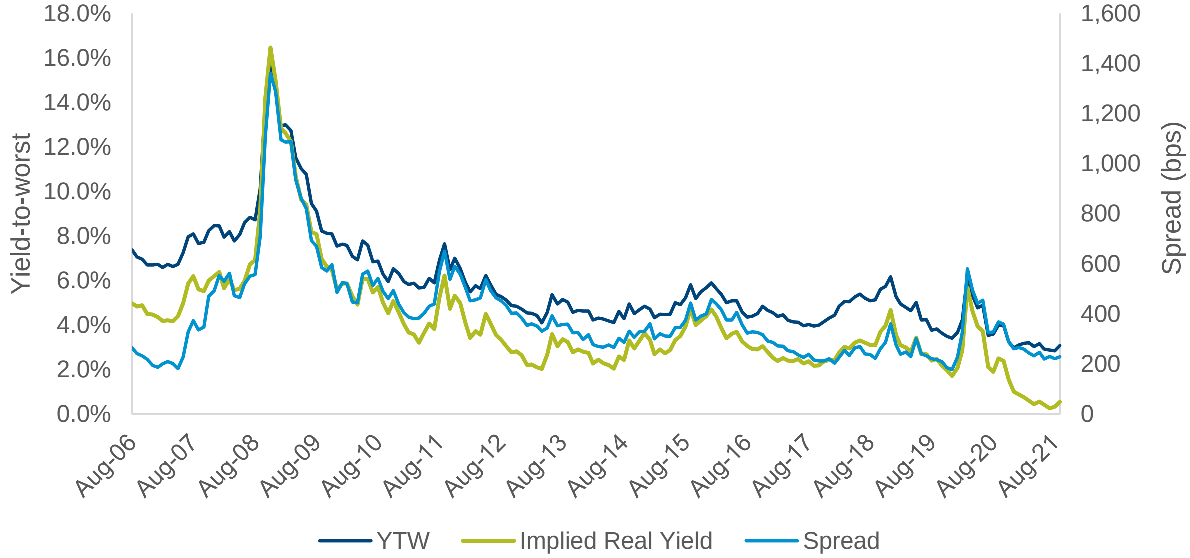
Bloomberg U.S. Aggregate Bond Index



Source: Bloomberg. Chart data is as of September 30, 2021. YTW is Yield-to-Worst. Implied Real Yield is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor. Spread refers to the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities. Please refer to the end of the presentation for Important Disclosures and Glossary of Terms.

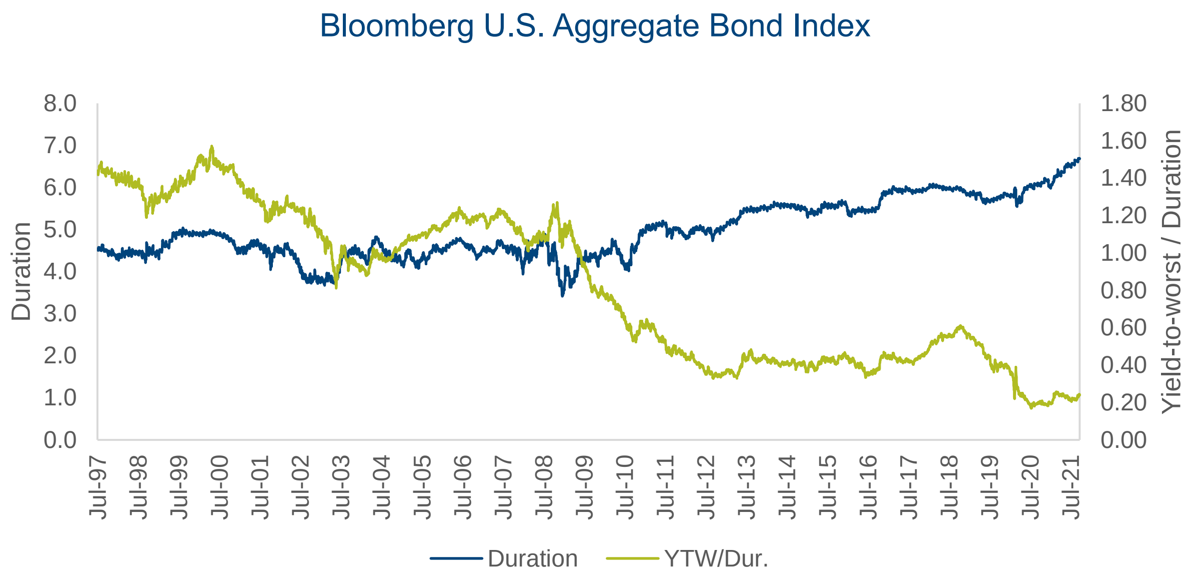
In high-yield debt, spreads have also not changed much, resulting in higher but not “high” yields that leave little real return to compensate for credit risk. The chart below shows this data, focusing on the BB component of the high-yield index excluding energy to adjust for composition changes within the index over time.

Bloomberg U.S. High Yield BB excl. Energy



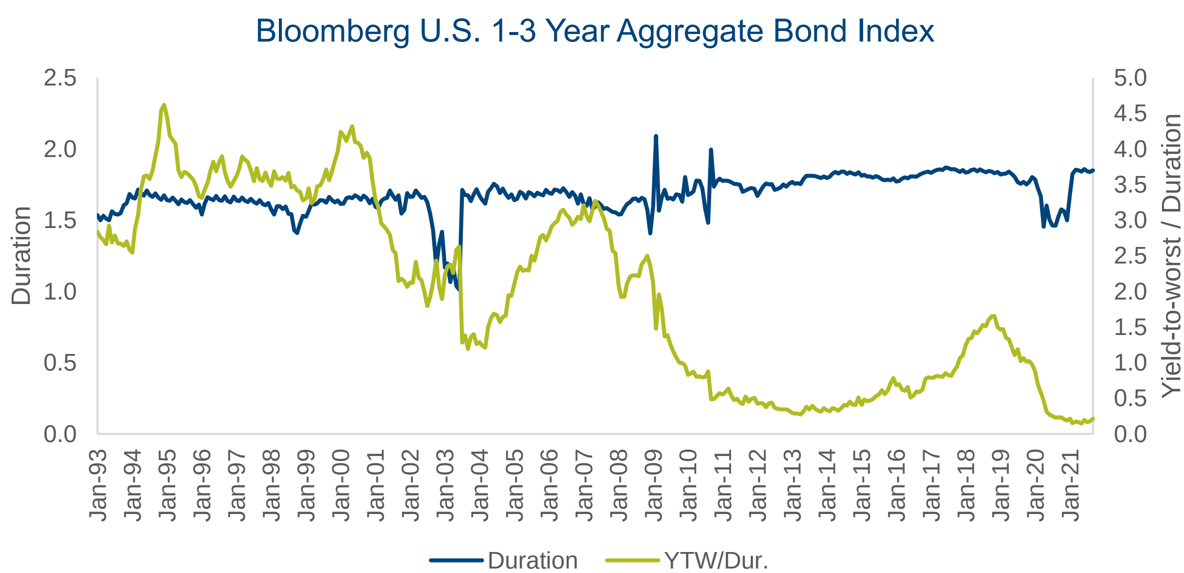
Source: Bloomberg. Chart data is as of September 30, 2021. YTW is Yield-to-Worst. Implied Real Yield is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor. High-yield bonds are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. Spread refers to the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities. Please refer to the end of the presentation for Important Disclosures and Glossary of Terms.

With higher yields on the horizon, investors today are not well-compensated for short-term market-to-market risk associated with rising interest rates. Using the Bloomberg Barclays Aggregate Bond Index as a proxy for the investment grade bond market, yields have only increased by approximately six basis points but the duration on the index has actually increased over the past few months, mostly owing to an increase in duration in the mortgage market. As a result, the compensation per unit of duration has barely moved. The ratio of yield to duration is a simple way to measure the magnitude of yield increases and, thus, the price declines that bonds can sustain before producing a negative return. A lower ratio means that bonds are less protected from rising yields. Despite higher yields, this ratio for the Aggregate Bond Index is not far off its historical low.



Source: Bloomberg. Chart data through September 30, 2021. YTW is Yield to Worst. Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. The higher the YTW/Duration, the less exposure to interest rate risk.

Similarly, even in short-duration investment grade bonds, the compensation per unit of duration has barely changed despite higher yields and it remains mired near historical lows.



Source: Bloomberg. Chart data through September 30, 2021. YTW is Yield to Worst. Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. The higher the YTW/Duration, the less exposure to interest rate risk.

These indices suggest that, by and large, the bond market does not offer a safe harbor against rising rates and inflation. To the extent that investors are concerned about the risk of inflation and rising interest rates, rest assured that the Fund is actively managed in an effort to protect our investors from these risks.

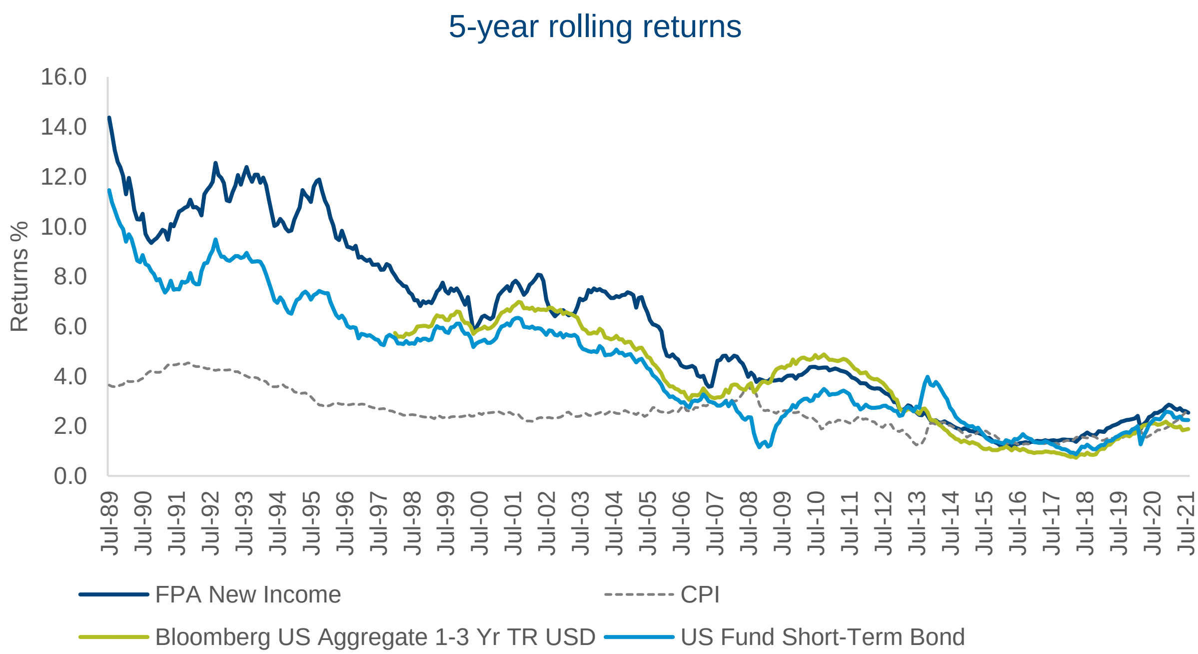
Inflation is a popular topic these days, but the Fund is rare in that the pursuit of a positive real return (i.e., outperforming inflation) has explicitly been a part of its goals for many years. The Fund is managed with the two objectives of seeking (a) a positive return on a rolling 12-month basis and (b) a real return of CPI+100 basis points over a rolling five-year period. For much of the past decade, the real yield on short-maturity high-quality bonds has been negative as a result of Federal Reserve policies that have included long periods of zero Fed Funds rates and quantitative easing. When real yields are negative, rather than reach for yield in an attempt to earn CPI+100 bps, our preference is to focus on the positive 12-month absolute return objective. That focus is particularly valuable in protecting capital during periods of higher inflation. We believe prioritizing preservation of capital on an absolute basis in the near-term maximizes the multi-year long-term return potential in a rising interest rate environment, whether rates are rising due to escalating inflation or rising real yields.

To that end, on an absolute basis, the Fund has achieved positive annual returns for 36 consecutive calendar years, a period which covers multiple bouts of rising inflation. On a relative basis, the Fund has also outperformed its peers and comparable indices during periods of "high" inflation on a rolling 12-month basis since 2010, when negative real yields first materialized during the Federal Reserve's new monetary policy regime:

		Avg. 12-month Return			
	Inflation Range	**Inflation**	**FPNIX**	**Short-Term Bonds**	**1-3 yr Agg.**
"Low" inflation	CPI <= 1.75%	1.18%	1.77%	2.12%	1.96%
"Moderate" inflation	1.75% < CPI <= 2.25%	2.00%	2.37%	2.33%	1.45%
"High" inflation	2.25% >= CPI	3.16%	2.55%	2.19%	1.23%

Based on 12-month rolling returns measured monthly from 6/30/2010 through 9/30/2021. Source: Bloomberg, Morningstar Direct. Comparison to the indices shown and the Morningstar US Short-Term Bond category is for illustrative purposes only. FPNIX does not include outperformance of any index or peer group in its investment objectives. An investor cannot invest directly in an index or Morningstar category. Past performance is no guarantee, nor is it indicative, of future results.

On a long-term basis, it has certainly been a challenge to perform better than CPI+100 bps over a five-year period, particularly in the last 10 years due to negative real yields. However, outperforming inflation has been a challenge for many fixed income investors as evidenced by the fact that for much of the latter part of the past decade, the Morningstar U.S. Fund Short-Term Bond category ("Category") has struggled to beat inflation (let alone earn in excess of inflation) on a rolling five-year basis. In comparison, the Fund has outperformed the Category for most of this time while also beating inflation most of the time.



As of September 30, 2021. Source: Morningstar Direct.

Number of rolling 5-year periods since June 2010

	Yes	No	Total
FPNIX outperforms CPI?	57	19	76
FPNIX outperforms Morningstar Short-Term Bond Category?	60	16	76
FPNIX outperforms Bloomberg 1-3 Year Agg?	75	1	76
Morningstar Short-Term Bond Category outperforms CPI?	37	39	76
Bloomberg 1-3 Year Agg outperforms CPI?	13	63	76

Based on 5-year rolling returns measured monthly from 6/30/2010 through 9/30/2021. Source: Bloomberg, Morningstar Direct. Comparison to the indices shown and the Morningstar US Short-Term Bond category is for illustrative purposes only. FPNIX does not include outperformance of any index or peer group in its investment objectives. An investor cannot invest directly in an index or Morningstar category. Past performance is no guarantee, nor is it indicative, of future results.

In today's environment, we believe the Fund is well-positioned on an absolute basis and better positioned than alternatives on a relative basis for a period of rising yields, whether induced by inflation and/or tighter monetary policy. The portfolio's duration is short and offers more yield and more yield per unit of duration than alternative investment options.[7]

	Yield	Duration	Yield/Duration Ratio
FPA New Income	1.00%	1.3 yrs.	0.76
Bloomberg U.S. Aggregate Bond Index	1.56%	6.6 yrs.	0.24
Bloomberg U.S. 1-3 Year Aggregate Bond Index	0.39%	1.8 yrs.	0.21
Morningstar Short-term Bond Category	0.98%	2.53 yrs.	0.39

As of September 30, 2021.Source: Morningstar Direct.

The back-of-the-envelope math implied by the ratios in the table above suggests that the Bloomberg U.S. Aggregate Bond Index and Bloomberg U.S. 1-3 Year Aggregate Bond Index could only withstand an approximate 20-25 bps increase in yield over the next 12 months before producing a negative 12-month return, whereas the same ratio for the Fund suggests that it could withstand a much more significant increase in yields before producing a negative 12-month return. In addition, we expect the Fund to benefit from having approximately a third of its portfolio comprised of floating-rate bonds. If short-term interest rates increase, these floating rate bonds may enhance the portfolio's return via higher coupon payments and less price sensitivity to changing yields.

This is not our first time managing through a period of rising yields. The table below shows the Fund's strong performance in comparison to CPI, illustrative indices and peers from January 2016 to December 2018 (the most recent period of rising yields).[8]

	Annualized Return 2016 through 2018
FPA New Income[9]	2.50%
Blomberg U.S. Aggregate Index	2.05%
Bloomberg U.S. 1-3 Year Aggregate Index	1.26%
Morningstar Short term Bond Fund Category	1.54%
Consumer Price Index	2.02%

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[7] Future events or results may vary significantly from those discussed herein and are subject to change at any time in response to changing circumstances and market developments. The Fund does not include outperformance of any index or benchmark in its investment objectives. Investors cannot invest directly in an index.

[8] Past performance is not indicative, nor is it a guarantee, of future results.

[9] Performance calculation 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

Thus far this year, the Fund continues to protect investors from rising interest rates. On Feb. 5, 2021 the 2-year treasury yield reached 0.11%, the lowest yield ever. By the September 30, 2021, the 2-year Treasury yield had risen to 0.27%. During that time, the Fund returned 0.67% compared to 0.01% for the 1-3 Year Aggregate index and -0.69% for the broader Aggregate Bond Index.

There is always uncertainty in the market, and inflation is one of many sources of uncertainty. We have always managed the Fund in a manner that seeks to protect against uncertainty, particularly uncertainty that creates downside risk. Specifically, protecting against rising yields – whether via inflation or otherwise – has always been part of the strategy. The Fund's flexible mandate and focus on absolute return allows us to actively manage the Fund's exposure to interest rate risk (i.e., duration) such that it's positioned to be compensated when the downside scenario of rising yields occurs. To accomplish this, we shorten duration when yields are lower and lengthen duration when yields are higher. Importantly, these duration adjustments are made as yields change, not in anticipation of changing yields. In other words, we do not speculate on the direction and timing of changes in interest rates. This investment approach and philosophy has not changed in over 36 years and will not change going forward because our investors expect consistent performance, and consistent performance is driven by consistent execution.

As always, we are very appreciative of our clients' support and for entrusting us with a portion of their hard-earned capital.

Respectfully submitted,

Thomas H. Atteberry
Portfolio Manager

Abhijeet Patwardhan
Portfolio Manager

November 2021

Appendix: Attribution and activity for the fiscal year ending September 30, 2021

Portfolio Attribution

Largest contributors to performance:

- Corporate holdings sector (corporate bonds, bank debt and equity)
- Collateralized loan obligations (CLOs)
- Asset-backed securities (ABS) backed by auto loans

Largest detractors from performance:

- Treasuries were the only detractors from performance.

Portfolio Activity

	% Portfolio 9/30/2021	% Portfolio 9/30/2020
ABS	52.3	67.6
Mortgage Backed (CMO)	5.9	7.6
Stripped Mortgage-backed	0.5	1.9
Corporate	3.8	4.1
CMBS	8.7	8.3
Mortgage Pass-through	0.1	0.2
U.S. Treasury	28.3	4.6
U.S. Agency	0.0	1.0
Cash and equivalents	0.4	4.7
Total	**100.0%**	**100.0%**
Yield-to-worst[10]	1.00%	1.65%
Effective Duration (years)	1.32	1.30
Average Life (years)	1.63	1.78

[10] Please refer to Footnote 1 for important information regarding Yield-to-Worst and SEC Yield.

Appendix: Boart Longyear

Boart Longyear (the "Company") is a manufacturer of drilling equipment and performance tooling, and a provider of contract drilling services to customers in the mining industry. We originally made an investment in the Company's 10% Senior Secured Notes ("SSN") in 2013. At the time, though the mining industry was in the midst of a downcycle following years of significant expansion, we believed there was value in being the primary vendor of a critical service to the world's largest mining companies. We believed that the SSN's senior position in the capital structure presented an investment with limited risk of permanent principal impairment based on our views of long-term intrinsic value of the business and structural protections in the SSN.

In the years since the original investment, the Company has been challenged by a longer-than-expected downturn in the mining industry and significant underinvestment in mineral exploration by mining companies. Recently, the financial strength of mining customers has recovered and mining activity has increased. However, despite the improved outlook, the Company's high level of indebtedness (including debt junior to our investments) has left the Company with limited financial resources to invest in the business or withstand external shocks like COVID-19. To address the challenging balance sheet, FPA and other large debtholders announced in May 2021 an agreement to restructure the balance sheet and recapitalize the Company. This recapitalization was completed in September 2021.[11]

We had previously provided liquidity to the Company via secured asset-based loans. Per the terms of the recapitalization, these loans were repaid in full in cash. All other debt, including the SSN, was converted into equity. Consistent with our belief that the SSN created the business at a discount to its intrinsic value, the SSN converted into equity at 100% of par while junior debt (none of which we owned) converted at a significant discount to par. As a result, the SSN holders own the majority of the equity alongside other secured debtholders. The recapitalization significantly reduced the Company's debt, strengthened the balance sheet, lowered interest expense, and enhanced liquidity to further support the Company's improving operations. Upon completion of the restructuring, the Company had debt and leases equivalent to 1.8x last 12-month EBITDA versus a total enterprise value of 6.7x EBITDA. We believe the debt reduction put us in a position to better protect downside risk and increased the prospects of realizing our expected return on this investment.

In aggregate, FPA funds and managed accounts control approximately 16% of the Company's equity. As part of the restructuring agreement, the ad-hoc group negotiated for voting rights to nominate three board members to represent the equity interests of the group after the recapitalization. The Company's common shares remain publicly traded, and the value of this investment will be based on the market share price. As of September 30, 2021 this investment represented 0.7% of the portfolio. We intend to hold the shares until an exit strategy presents itself at market prices that reflect our views on fair value, while staying cognizant of maximizing returns on capital dedicated to this investment.

[11] Source: Boart Longyear (https://www.boartlongyear.com/wp-content/uploads/ASX-Announcement-Completion-of-Recapitalisation.pdf)

Important Disclosures

This Commentary 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.

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 instruments, 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 fixed income instrument, 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 fixed income instrument 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 / Category 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 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 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.

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

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. This index reflects non-seasonally adjusted returns.

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

Morningstar Short-term Bond Category 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 Morningstar Core Bond Index. There were 606 funds in the category at 6/30/2021.

Other Definitions

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

Corporate holdings include bank debt, corporate bonds and common stock.

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

A discount margin to maturity is the average expected return of a floating-rate security (typically a bond) that's earned in addition to the index underlying, or reference rate of, the security. The size of the discount margin depends on the price of the floating- or variable-rate security.

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.

GDP is Gross Domestic Product and it measures the monetary value of all finished goods and services (i.e., bought by the final user) made within a country during a specific period.

Margin of Safety is a principle of investing in which an investor purchases securities when they believe the market price is significantly below its estimated intrinsic value. In other words, when the market price of a security is, in an investor's view, significantly below their estimation of the intrinsic value, the difference is the margin of safety. Using the margin of safety principle may help to reduce downside risk. Note, determining a company's "true" worth or intrinsic value is highly subjective. There is no guarantee that the methods used to evaluate intrinsic value will be accurate or precise or that an investment made using this principle will be successful.

Nominal yield is the coupon rate on a bond.

Real yield is the nominal yield of a bond minus the rate of inflation

Reflation is a fiscal or monetary policy designed to expand output, stimulate spending, and curb the effects of deflation, which usually occurs after a period of economic uncertainty or a recession.

Repo (Repurchase Agreement) is a form of short-term borrowing for dealers in government securities.

Weighted 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.

Yield to Maturity is the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond's current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield.

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