We hope that investors will find FPA commentaries helpful to understand application of the same investment discipline in various markets, and can refer to particular items that interest them.

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 the prospective investor. Please read this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpafunds.com, by email at crm@fpafunds.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

Average Annual Total Returns

As of December 31, 2013

Fund/Index	QTD	YTD	1 Year	3 Years**	5 Years**	10 Years**
FPA Paramount	5.32 %	27.75 %	27.75 %	12.58 %	20.79 %	8.77 %
Russell 2500	8.66 %	36.80 %	36.80 %	16.28 %	21.77 %	9.81 %
MSCI ACWI	7.31 %	22.80 %	22.80 %	9.73 %	14.92 %	7.17 %

** Annualized.
A redemption fee of 2.00% will be imposed on redemptions within 90 days. Expense ratio is 0.94% as of most recent prospectus.

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 may be obtained by calling toll-free, 1-800-982-4372.

To view portfolio holdings from the most recent quarter end, please refer to the end of this document or at www.fpafunds.com.

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 Funds, Advisor or Distributor.

The views expressed and any forward-looking statements are as of the date of the publication and are those of the portfolio managers and/or the Advisor. 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. The accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

The Russell 2500 Index is an unmanaged index comprised of the 2,500 smallest companies in the Russell 3000 Index.

The MSCI All Country World NR Index is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging markets.

You cannot invest directly in an index

Fund Risks

Investments in mutual funds carry risks and investors may lose principal value. Stock 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. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

A non-diversified fund may hold fewer securities than a diversified fund because it is permitted to invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the fund could go down because of the poor performance of a single investment.

Please consult your tax advisor regarding higher capital gains distributions due to a change in portfolio strategy.

The FPA Funds are distributed by UMB Distribution Services, LLC, 803 W. Michigan Street, Milwaukee, WI, 53233.

Dear fellow shareholders,

During the fourth quarter of 2013, the Fund rose 5.32% compared to the MSCI All Country World Index's (Net) (the "Index") gain of 7.31%. For the full year, the Fund rose 27.75% versus the Index, which gained 22.80%. In August 2011, the Fund adopted a more global approach in order to take advantage of a broader opportunity set, and continue with FPA's tradition of benchmark-agnostic investing. As part of that process, Messrs. Herr and Py were added to the Fund as Portfolio Managers. Since the end of the third quarter of 2011 (the first full quarter after implementing a more global focus), the Fund has appreciated 27.52% annualized versus 20.75% for the Index.

While the Fund's performance of late has compared favorably to that of the index, we note that the Fund may trail at times. We always encourage investors to think about returns over the medium to long term.

For readers interested in a greater understanding of how we think as investors and manage the portfolio, please see our Global Value Policy Statement posted on the FPA website.

Activity update

We would like to provide an update on the process we have undertaken and the resulting portfolio developments. At the start of the fourth quarter, we had completed the first step in our process. This involved analyzing the Fund's existing holdings to re-evaluate their fundamental characteristics and valuations. Based on our updated fundamental assessments, the remaining companies in the Fund at the beginning of the period all possessed the quality attributes we seek. In many cases however, their stocks had performed well over the past few years, and were no longer priced at a significant discount to intrinsic value[1]. Based on valuation, these companies were candidates for sale.

The second step involved completing the work on pending new investment ideas. Companies must meet our fundamental quality criteria and offer a significant discount to our estimate of intrinsic value in order for us to purchase them. Assessing business quality begins by discussing business operations, strategy and capital allocation with the management teams. We also interview competitors, suppliers, and customers to understand the industry value chain and market forces. At the same time we review a long history of annual reports, conference call transcripts, and other public reports for both the companies themselves as well as other industry participants. All of the conversations and readings are used to help us assess the normal economics of the business, and to estimate the present value of its future cash flows. When we are convinced about a business's quality and its stock trades at a significant discount to our estimate of intrinsic value, it becomes a candidate for purchase.

As a result of this two-step process, we exited another seventeen positions, and added ten U.S. and ten international companies to the Fund. At the same time, we adjusted all the portfolio weightings of the existing positions and new additions based on our assessment of their relative discounts to intrinsic value.

An example of how the process worked is **WABCO Holdings**, which produces safety systems such as brakes, stability control, and electronic collision mitigation for heavy duty truck and bus manufacturers. The company operates as part of a rational industry oligopoly with one other principal competitor, which shields the business from significant pricing pressure. The limited competition along with WABCO's technology leadership combine to produce attractive normalized profitability and returns on capital employed that exceed 20%. Company management is extremely astute, both in the way they operate the

[1] Our estimate of the actual value of a company or an asset based on our underlying perception of its true value including all aspects of the business, in terms of both tangible and intangible factors.

business and allocate capital. In short, it is a good example of a high-quality business we want to own. In 2013, WABCO's shares rose 41.55% in U.S. dollars. The resulting reduced margin of safety[2] commanded a significant reduction in the weight of the holding.

Portfolio review

At the end of the quarter, the Fund held 29 disclosed positions, which is at the lower end of the 25 to 50 names we would typically expect to own at any given point in time. Our cash exposure was a little less than 17%. This is still an elevated level of cash for the Fund, which is reflective of the many recent developments. It has continued to adjust down since the end of the year. Over time, we expect that our cash stake will typically be less than 10% of the Fund's assets.

The geographic profile of the portfolio reflects the changes made in the quarter. While we do not believe company domicile is the most useful way to analyze geographic exposure, we recognize that it is the most widely used classification scheme. On that basis at year end, international companies represented 67% of our equity exposure, and U.S. companies 33%. This is a reflection of where we currently find opportunities, rather than a top-down allocation decision. The weightings make some intuitive sense, however, when we step back to look at market performance over the last five years. Since the market low of 2009, the S&P 500 has had more than twice the gains of the MSCI EAFE index. In the future, country weightings could shift materially depending on the relative attractiveness of opportunities across regions.

While managing the Fund is an ongoing process and the portfolio continuously evolves based on market opportunities, it is unlikely to experience changes of such magnitude as those we implemented since September 1, 2013. In particular, we expect no further exceptional distributions from large realized capital gains. As discussed in the Fund's third quarter Commentary and Webcast, the sale of investments during the period resulted in the Fund paying significantly higher taxable distributions of capital gains than in prior years. After payment of the distributions, as of January 27, 2014, the total unrealized and undistributed gains made up only a little more than 2% of the Net Asset Value of the Fund.

Key performers

Our holding with the best quarterly performance was **CVS Caremark** (up 26.51% in U.S. currency). Our holding with the worst quarterly performance was **Laboratory Corporation of America** (down 7.84% in U.S. currency). Since both are new positions to the portfolio and did little to impact Fund performance in the quarter, we would like to discuss two other companies that have been in the Fund for a more meaningful period of time.

Zebra Technologies (up 18.70% in U.S. currency) designs and manufactures thermal printers used by businesses to produce bar codes and other tracking systems. We estimate that its share in this niche global market is 3.5x the next largest competitor. Zebra is nicely profitable with limited capital needs, which produces strong cash flow. Over time management has proven to be a good steward of the cash, channeling most of it into share repurchases.

Maxim Integrated Products (down 5.58% in U.S. currency) designs and manufactures high performance analog semiconductors. The combination of top engineering talent and a broad product catalog places Maxim in a leadership role in each of the main analog markets. The company converts these positions into EBITA[3] margins that average in the low 20% over a cycle. The shares were under pressure in the

[2] Buying with a "margin of safety", is when a security is purchased for less than its estimated value. This helps protect against permanent loss in the case of an unexpected event or analytical mistake. A purchase made with a margin of safety does not guarantee the security will not decline in price.

[3] Earnings before interest, taxes and amortization is a financial indicator used widely as a measure of efficiency and profitability.

fourth quarter because of weakness in the consumer business, particularly at Maxim's largest customer, Samsung. We believe this is a transitory issue and continue to maintain our position in Maxim.

Concluding thoughts

In addition to market prices marching ever higher, we recognize many challenges in the current environment. Fragile economies in developed countries are still seemingly dependent on unconventional monetary policy. Overall debt levels are little changed from the start of the financial crisis. Increasing Central Bank asset accumulation combined with tepid economic growth in these countries raises the incentive for governments to try to inflate their way back to health. In emerging markets, growth has slowed and we fear many of the excesses of the last decade's investment cycle are starting to appear. Finally, in the credit markets, artificially low interest rates have caused many of the structures and credit terms condemned in the downturn to return with a vengeance.

Against this backdrop, we are vigilant, but nonetheless encouraged that the Fund can still find some compelling investment opportunities. Our focus is on competitively advantaged businesses, with solid balance sheets and strong cash flow generation profiles, run by management teams that both operate the business well and deploy capital in a value creative manner. We want to invest in such high quality companies when their stocks trade at a significant discount to our estimate of intrinsic value.

We are grateful for your confidence as shareholders of the FPA Paramount Fund, and look forward to continuing to serve your interests.

Respectfully submitted,

The Global Value Team

Gregory Herr Portfolio Manager	Pierre O. Py Portfolio Manager
Jason Dempsey Analyst	Victor Liu Analyst

January 27, 2014

FPA investors first

FPA Paramount Fund, Inc.

Portfolio Holdings

12/31/2013

CUSIP/SEDOL	TICKER	SHARES	SECURITY	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
G1151C101	ACN	64,375	ACCENTURE PLC CL A	82.22	5,292,912.50	1.78%
B4WQ2Z2	AGK LN	783,675	AGGREKO PLC*	28.30	22,178,786.18	7.45%
B1FJ0C0	BXB AU	1,050,100	BRAMBLES LTD*	8.17	8,576,481.73	2.88%
17275R102	CSCO	467,000	CISCO SYSTEMS INC	22.45	10,484,150.00	3.52%
126650100	CVS	66,300	CVS CAREMARK CORP	71.57	4,745,091.00	1.59%
B1Y9TB3	BN FP	215,600	DANONE S.A.*	71.98	15,518,154.96	5.21%
0237400	DGE LN	156,400	DIAGEO PLC*	33.12	5,179,968.00	1.74%
278642103	EBAY	79,500	EBAY INC	54.89	4,363,755.00	1.46%
B096LW7	FUR NA	285,750	FUGRO NV*	59.59	17,027,385.30	5.72%
B01FLG6	GFS LN	2,427,450	G4S*	4.35	10,552,125.15	3.54%
6673042	IPL AU	7,759,083	INCITEC PIVOT*	2.39	18,561,278.35	6.23%
481165108	JOY	95,000	JOY GLOBAL INC	58.49	5,556,550.00	1.87%
50540R409	LH	84,500	LABORATORY CORP AMER HLDGS	91.37	7,720,765.00	2.59%
57772K101	MXIM	164,700	MAXIM INTEGRATED PRODUCTS, INC.	27.91	4,596,777.00	1.54%
580135101	MCD	43,500	MCDONALDS CORP	97.03	4,220,805.00	1.42%
3023231	MPI LN	631,722	MICHAEL PAGE INTL*	8.08	5,105,135.00	1.71%
594918104	MSFT	203,300	MICROSOFT CORP	37.43	7,609,519.00	2.56%
7123870	NESN VX	60,000	NESTLE SA*	73.19	4,391,394.00	1.47%
68389X105	ORCL	198,300	ORACLE CORPORATION	38.26	7,586,958.00	2.55%
			OTHER		14,852,947.90	4.99%
703395103	PDCO	136,000	PATTERSON COMPANIES INC	41.20	5,603,200.00	1.88%
4682329	RI FP	42,400	PERNOD RICARD*	113.92	4,830,280.08	1.62%
4380429	PUB FP	55,950	PUBLICIS GROUPE*	91.50	5,119,301.91	1.72%
778296103	ROST	63,000	ROSS STORES INC	74.93	4,720,590.00	1.58%
4846288	SAP GR	171,150	SAP AG*	85.72	14,670,960.89	4.93%
B1Q3J35	SKFB SS	181,000	SKF AB B SHARES*	26.23	4,746,942.20	1.59%
7062713	SW FP	50,300	SODEXO*	101.31	5,095,716.95	1.71%
874039100	TSM	683,000	TAIWAN SEMICONDUCTOR MFG LTD SPD ADR	17.44	11,911,520.00	4.00%
92927K102	WBC	34,100	WABCO HOLDINGS, INC.	93.41	3,185,281.00	1.07%
989207105	ZBRA	94,100	ZEBRA TECHNOLOGIES - CLASS A	54.08	5,088,928.00	1.71%
			TOTAL EQUITIES:		**249,093,660.09**	**83.63%**

CASH & EQUIVALENTS (NET OF LIABILITIES):	**48,775,213.58**	**16.37%**
TOTAL NET ASSETS:	**$ 297,868,873.67**	**100.00%**
NO. OF EQUITY POSTIONS:	**29**	

* Indicates Foreign Security

Portfolio Holding Submission Disclosure

Except for certain publicly available information incorporated herein, the information contained in these materials is our confidential and proprietary information and is being submitted to you for your confidential use with the express understanding that, without our prior written permission, you will not release these materials or discuss the information contained herein or make reproductions of or use these materials for any purpose other than evaluating a potential advisory relationship with First Pacific Advisors.

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