



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 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 calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

Average Annual Total Returns (%)

As of Date: 12/31/17	10 Years	5 Years	Since 9/1/13	3 Years	1 Year	YTD	QTR
FPA Paramount Fund, Inc.	7.38	10.33	8.07	10.56	27.23	27.23	4.59
MSCI ACWI	4.65	10.80	10.39	9.30	23.97	23.97	5.73

Periods greater than one year are annualized. Performance is calculated on a total return basis which includes reinvestment of all distributions. Comparison to any Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

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. The Fund's expense ratio as of its most recent prospectus is 1.29%. Current month-end performance data may be obtained at www.fpafunds.com or by calling toll-free, 1-800-982-4372.

Please see important disclosures at the end of the commentary.



Dear Fellow Shareholders,

During the fourth quarter of 2017, the Fund gained 4.59% (in U.S. currency) compared to an increase of 5.73% for the MSCI All Country World Index (Net) (the “Index”). For the full year 2017, the Fund gained 27.23% (in U.S. currency) compared to an increase of 23.97% for the Index.

The biggest performance laggards of the quarter were **Compagnie Saint Gobain, Philips, Signet, Sanofi** and **Ryanair**. Ryanair underperformed following the announcement of flight cancellations due to a temporary shortage of pilots. Signet posted weak third quarter results as it continued to struggle with shifting U.S. retailing trends.

Twenty-First Century Fox, Frutarom, Alicorp, Microsoft and **Mednax** were the top performance contributors for the quarter. Fox, also discussed later in this letter, received an offer from Disney to acquire its studios and some of its TV networks. Mednax, which was our worst-performing holding in the third quarter, rebounded after a prominent activist firm disclosed a significant stake in the company's shares.

While we are pleased with the 2017 outcome, we continue to believe short-term performance is not the best way to judge results. As value investors, we seek to buy businesses at a discount. Stock prices can, and often do, decline after purchases. We also know that market sentiment toward an industry, or even a specific company, often shifts significantly from one year to the next. It typically takes several years for discounts to our estimates to unwind. That is why we advocate evaluating the Fund's performance over longer periods, ideally over a market cycle.

Key performers

Our worst-performing holding this quarter was Compagnie Saint Gobain, which declined 7.11% (in U.S. currency).¹ Based in France, Saint Gobain is one of the world's leading manufacturers of glass products and high-performance building materials. The group also operates a retail building distribution business. When the company reported third quarter results, sales growth was strong, but higher raw materials and energy costs pressured margins. Looking back at history, we believe Saint Gobain has successfully increased prices to offset input costs, albeit with a time lag. We believe the company will be able to do so again in 2018, while benefitting from growth in key markets like France, the U.S. and Germany.

Our best-performing holding this quarter was Fox, which was up 32.30% (in U.S. currency).² Based in the U.S., Fox operates a global media business, with leading broadcast networks in the U.S., UK, Germany, Italy and some of the largest developing market countries, as well as studios that produce television shows and movies. During the quarter, the company announced an agreement to sell its film and TV studios and some of its TV networks to Disney. As home TV and movie consumption shifts from traditional cable bundles to internet-based offerings (Netflix, Hulu, Amazon, etc.), the companies providing entertainment content are consolidating. Instead of relying on cable for distribution, these companies appear to recognize the need to reach consumers directly, and are amassing content to make their offerings more appealing. Prior to announcing the deal with Fox, Disney had unveiled a plan to make its movies and TV shows available over the internet. Acquiring the Fox content clearly enhances/broadens that offering. Despite the strong

¹ Worst performer based on the percentage of Saint Gobain's share price change from Sept. 30, 2017 to Dec. 31, 2017 in U.S. currency. This share price change does not equate with the performance of the holding in the Fund's portfolio. As of Dec. 31, 2017, Saint Gobain represented 3.00% of the Fund's total assets.

² Best performer based on the percentage of Fox's share price change from Sept. 30 to Dec. 31, 2017 in U.S. currency. This share price change does not equate with the performance of the holding in the Fund's portfolio. As of Dec. 31, 2017, Fox represented 2.3% of the Fund's total assets.

performance of the Fox shares, we continue to own them, believing that the remaining assets are being undervalued by the market.

Portfolio activity

We made several new purchases in the fourth quarter, including **Frutarom**, **Edenred** and **WPP**.

Based in Israel, Frutarom is a leading global provider of flavors and fine ingredients mainly used in the food and beverage industries. Based in France, Edenred operates networks that enable employees to receive and redeem benefits vouchers, primarily in Brazil and France. WPP, based in the UK, is a leading global advertising, media management, public relations and communication services company.

We also liquidated several positions during the period.

CVS, based in the U.S., is a leading pharmacy benefits manager and also operates the country's largest drugstore chain. During 2017, the company announced the loss of a prominent client and faced market concerns about Amazon entering its business. These issues pressured the share price, making the valuation attractive in our estimation. During the quarter, the company announced the acquisition of Aetna, the health insurer. While we recognize the strategic desire to achieve vertical integration, we believe this combination only does so on a limited basis, and faces risks involved with successfully combining the businesses. Despite the relatively inexpensive valuation, we decided to exit our CVS position due to concerns about the deal.

We also sold the following companies. **Novo Nordisk**, based in Denmark, is a leading global manufacturer of pharmaceutical products to treat diabetes. **Adecco**, based in Switzerland, is a leading global provider of temporary and permanent staffing recruitment services. Based in Denmark, **Carlsberg** is one of the world's leading brewing companies. **Diageo**, based in the UK, is a leading global producer and marketer of alcoholic beverages. In each case, the company's share price had reached their estimated intrinsic values and they were sold.

Portfolio profile

We owned 47 disclosed companies on Dec. 31, which remains within the range of the 25 to 50 businesses that we would expect to own at any given time. In terms of geographic weightings, we commit to typically having a minimum of 20% of the Fund's total assets in U.S. companies and 20% of the Fund's total assets in non-U.S. companies. The locations of the remaining positions are then based solely on where we find opportunities. At quarter end, about 20% of the Fund's assets were invested in companies domiciled in the U.S. The non-U.S. portion was made up of companies domiciled in Europe (about 60%) and in the Asia-Pacific (about 6%), with the balance in other regions and cash. It's worth noting that the 20% weighting in the U.S. is the lowest since we began managing the Fund. Finding high-quality companies in the U.S. has never been an issue. The low current weighting is a reflection of the lack of attractive valuation opportunities among those quality businesses. Where a company is domiciled is largely irrelevant to us, however, since many of our holdings are large companies that conduct business on a global scale. That means they often generate significant amounts of their cash outside their home countries, rendering traditional country classifications less useful.

Most of the Fund's positions are in large-cap companies (with a weighted average capitalization of approximately \$76 billion), including several businesses that are considered mega-caps.³ The median capitalization is approximately \$20 billion. That difference is partly a function of our mandate, which focuses on companies with market caps in excess of \$2 billion.

³ Large-cap refers to companies with a market capitalization value of more than \$10 billion. Mega-cap refers to the biggest companies in the investment universe, as measured by market capitalization. While there is no exact definition of the term, mega-cap generally refers to companies with a market cap exceeding \$100 billion.

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

Respectfully submitted,

The World Value Team

Gregory Herr
Portfolio Manager

Pierre O. Py
Portfolio Manager

December 31, 2017

Important Disclosures

The views expressed herein and any forward-looking statements are as of the date of this 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.

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, 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.fpdfunds.com.

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, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks. 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. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments.

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.

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 Fund transitioned to its current investment strategy on September 1, 2013. Performance prior to that date reflects performance of the prior portfolio management team and investment strategy and is not indicative of performance for any subsequent periods.

Index Definitions

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices

Indices are unmanaged, do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. Investors cannot invest directly in an index.

Other Definitions

Margin of safety - buying with a “margin of safety” is when a security is purchased at a discount to the portfolio manager’s estimate of its intrinsic value. Buying a security with a margin of safety is designed to protect against permanent capital 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.

Takeout price - The estimated value of a company if it were to be taken private or acquired.

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



TICKER	SHARES	SECURITY	COUPON RATE (%)	MATURITY DATE	MKT PRICE (\$)	MKT VALUE (\$)	% OF NET ASSET VALUE
COMMON STOCKS							
AIBG ID	740,020	AIB GROUP PLC*			6.60	4,883,519	2.7%
ALICORC1 PE	1,469,301	ALICORP S.A.*			3.27	4,803,266	2.7%
GOOG	4,060	ALPHABET INC CL C			1,046.40	4,248,384	2.4%
ALQ AU	371,880	ALS LIMITED*			5.43	2,020,424	1.1%
AMS SM	42,420	AMADEUS IT GROUP SA*			71.96	3,052,648	1.7%
ABEV3 BZ	565,392	AMBEV SA*			6.42	3,628,940	2.0%
ANN AU	117,872	ANSELL LTD*			18.88	2,225,859	1.2%
AHT LN	99,472	ASHTAD GROUP PLC*			26.82	2,667,985	1.5%
BIDU	17,909	BAIDU INC SPON ADR			234.21	4,194,467	2.4%
BXB AU	325,490	BRAMBLES LTD*			7.84	2,550,888	1.4%
BVIC LN	434,911	BRITVIC PLC*			10.97	4,772,894	2.7%
CSCO	45,730	CISCO SYSTEMS INC			38.30	1,751,459	1.0%
SGO FP	97,590	COMPAGNIE DE SAINT GOBAIN*			55.04	5,370,985	3.0%
BN FP	37,060	DANONE S.A.*			83.79	3,105,287	1.7%
DKSH SW	25,354	DKSH HOLDING LTD*			87.48	2,218,030	1.2%
DG	34,280	DOLLAR GENERAL CORP			93.01	3,188,383	1.8%
EDEN FP	183,280	EDENRED*			28.95	5,305,931	3.0%
EMP/A CN	143,340	EMPIRE CO LTD A*			19.48	2,792,678	1.6%
EI FP	15,400	ESSILOR INTL*			137.74	2,121,218	1.2%
FEMSAUBD MM	294,972	FOMENTO ECONOMICO MEXICANO*			9.41	2,774,274	1.5%
FRUT IT	59,346	FRUTAROM*			93.71	5,561,177	3.1%
HWDN LN	433,390	HOWDEN JOINERY GROUP PLC*			6.29	2,728,129	1.5%
JE/ LN	493,319	JUST EAT PLC*			10.52	5,188,843	2.9%
PHIA NA	100,770	KONINKLIJKE PHILIPS NV*			37.76	3,804,937	2.1%
LH	16,560	LABORATORY CORP AMER HLDGS			159.51	2,641,486	1.5%
LUX IM	54,990	LUXOTTICA GROUP SPA*			61.37	3,374,862	1.9%
MD	56,570	MEDNAX INC			53.44	3,023,101	1.7%
MGGT LN	408,380	MEGGITT PLC*			6.49	2,651,757	1.5%
MSFT	56,000	MICROSOFT CORP			85.54	4,790,240	2.7%
NESN SW	55,970	NESTLE SA*			85.98	4,812,090	2.7%
ORLY	12,520	O'REILLY AUTOMOTIVE, INC.			240.54	3,011,561	1.7%
ORCL	100,740	ORACLE CORPORATION			47.28	4,762,987	2.7%
		OTHER				5,712,253	3.2%
PAGE LN	890,253	PAGEGROUP PLC*			6.30	5,609,448	3.1%
PCLN	2,300	PRICELINE GROUP INC/THE			1,737.74	3,996,802	2.2%
PSG SM	164,645	PROSEGUR COMP SEGURIDAD*			7.85	1,291,655	0.7%
PUB FP	48,310	PUBLICIS GROUPE*			67.79	3,274,799	1.8%
RYA ID	315,385	RYANAIR HOLDINGS PLC*			17.92	5,650,175	3.2%
SAN FP	21,600	SANOFI*			86.09	1,859,586	1.0%
SAP GY	38,070	SAP AG*			111.88	4,259,089	2.4%
G24 GY	122,016	SCOUT24 AG*			40.76	4,972,874	2.8%
SCL CN	147,050	SHAWCOR LTD*			21.81	3,207,726	1.8%
SW FP	35,860	SODEXO*			134.06	4,807,337	2.7%
SUN SW	32,584	SULZER AG*			121.30	3,952,413	2.2%
UHR VX	5,340	SWATCH GROUP AG*			407.18	2,174,330	1.2%
FOX	121,500	TWENTY FIRST CENTURY FOX B			34.12	4,145,580	2.3%
WPG LN	746,372	WORLDPAY GROUP PLC*			5.74	4,283,124	2.4%
WPP LN	192,840	WPP PLC (JERSEY)*			18.07	3,483,798	2.0%
TOTAL EQUITIES						176,709,678	98.8%



REPURCHASE AGREEMENTS					
2,315,000	STATE STREET BANK/FICC REPO	0.2	1/2/2018	2,315,000	1.3%
	TOTAL REPURCHASE AGREEMENTS			2,315,000	1.3%
	CASH & EQUIVALENTS (NET OF LIABILITIES)			(252,147)	-0.1%
	TOTAL CASH & EQUIVALENTS			2,062,853	1.2%
	TOTAL NET ASSETS			178,772,531	100.0%
	NO. OF EQUITY POSTIONS			47	

* Indicates Foreign Security

Portfolio Holding Submission Disclosure

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