# FPA Queens Road Value Fund
## First Quarter 2022 Commentary

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

### Average Annual Total Returns (%)*

| Trailing Performance (%) | | | | | | | | Current Market Cycle Performance |
|---|---|---|---|---|---|---|---|---|
| As of Date: 3/31/2022 | Inception | 15 Years | 10 Years | 5 Years | 3 Years | 1 Year | QTD | 10/9/07-3/31/2022 |
| **FPA Queens Road Value** | 8.82 | 7.63 | 11.55 | 11.63 | 13.02 | 10.76 | -4.35 | 7.43 |
| **Russell 2000 Value Index** | 8.54 | 7.48 | 11.89 | 11.14 | 14.12 | 12.58 | -0.16 | 7.15 |

**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 lower or higher than the performance data quoted, may be obtained at www.fpa.com or by calling toll-free, 1-800-982-4372.**

The FPA Queens Road Value Fund ("Fund") commenced operations on June 13, 2002. Periods greater than one year are annualized. Fund performance is shown net of all fees and expenses and includes reinvestment of all distributions. Fund performance does 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. An investor cannot invest directly in an index.

* Prior to November 1, 2020, the performance shown reflects the historical performance of the Fund when Bragg Financial Advisors, Inc. ("BFA") served as investment adviser of the Fund. Effective November 1, 2020, FPA became the investment adviser of the Fund and BFA transitioned to serving as the sub-adviser. BFA continues to be responsible for the day-to-day management of the Fund, subject to FPA's oversight. No changes to the Fund's principal investment strategies were made in connection with these changes in management of the Fund, and Steve Scruggs, CFA, Director of Research and Senior Portfolio Manager for BFA, continues to serve as the portfolio manager for the Fund.

From inception of the Fund to December 31, 2004, BFA and its affiliates voluntarily absorbed certain expenses of the Fund and voluntarily waived its management fee. Had BFA not done this, returns would have been lower during that period. Effective January 1, 2005 through October 31, 2020, BFA charged a single unitary management fee and contractually agreed to pay all operating expenses of the Fund except for brokerage, taxes, interest, litigation expenses, and other extraordinary expenses.

The Fund's Total Annual Operating Expenses (as of the most recent prospectus) before reimbursement is 1.69%. The adviser has contractually agreed to reimburse the Fund for operating expenses in excess of 0.65% of 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, fees and expenses of other funds in which the Fund invests, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business, until October 31, 2023. These expense reimbursements are subject to possible recoupment by the adviser from the Fund in future years (within the three years from the date when the amount is waived or reimbursed) if such recoupment can be achieved within the lesser of the foregoing expense limits or the then current expense limits. This agreement may be terminated only by the Fund's Board of Trustees, upon written notice to the adviser. Prior to November 1, 2020, the Fund had a unitized fee structure that limited annual operating expenses to 0.95%.

*Market Cycle* reflects the most recent market cycle (peak to peak) defined as a period that contains a decline of at least 20% from the previous market peak over at least a two-month period and a rebound to establish a new peak above the previous one by Russell 2000 Value Index. The current cycle is ongoing and thus is presented through the most recent quarter-end. Once the cycle closes, the results presented may differ materially.

***Please see important disclosures at the end of the commentary***

Dear Shareholders,

FPA Queens Road Value Fund ("Fund") returned -4.16% in the first quarter of 2022. This compares to the S&P 500 Value Index ("Index") return of -0.17% in the same period.

The Fund's first quarter performance versus the S&P 500 Value Index was negatively impacted by not having exposure to the energy sector, which was up 39% during the quarter.[1] In addition, the Fund's industrial securities hurt performance as Trane Technologies and Ingersoll Rand fell sharply. First quarter relative performance versus the Index was helped by the Fund's technology securities, which held up better than the technology sector as a whole.

While China experienced an unexpected surge in Covid-19 cases during the first quarter, trends in the United States were favorable. The front-page news has shifted from a focus on the pandemic to Russia's invasion of Ukraine. The global repercussions of Putin's war are not yet fully understood, but energy prices have soared. Increased energy prices, as well as overall price increases tied to inflation hitting 40-year highs, are putting downward pressure on global growth.[2] The Federal Reserve announced on March 16 a .25% rate hike in the Federal Funds rate and signaled it will continue to raise rates throughout the year if inflation remains elevated.[3] In the face of this, projections for global economic growth are dropping, prompting concerns about stagflation. The Fed's prior predictions of inflation being 'transitory' have clearly not panned out.

Federal Reserve Chairman Jerome Powell said after the Federal Reserve Board of Governors' March meeting, "The U.S. economy is very strong and well-positioned to handle tighter monetary policy." Perhaps this prediction will prove to be more accurate than the previous assurance of "transitory" inflation; we shall see. The Fed, which had predicted U.S. GDP growth of 4% for 2022 back in December, lowered its expectation to 2.8% growth for the year.[4]

[1] Source: S&P

[2] Source: US Bureau of Labor Statistics

[3] Source: Press release from the Federal Open Market Committee (the Fed) https://www.federalreserve.gov/newsevents/pressreleases/monetary20220316a.htm

[4] Source: Federal Reserve Summary of Economic Projections https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20220316.pdf

## Q1 2022 and Trailing 12-Month Contributors and Detractors[5]

| Contributors | Performance Contribution | Percent of Portfolio | Detractors | Performance Contribution | Percent of Portfolio |
|---|---|---|---|---|---|
| **QTD** | | | | | |
| General Dynamics | 0.69% | 4.7% | Trane Technologies | -1.26% | 4.5% |
| American Express | 0.67% | 5.3% | T. Rowe Price | -0.89% | 3.3% |
| Berkshire Hathaway Inc. Class A | 0.60% | 3.9% | Eaton | -0.67% | 5.5% |
| Anthem | 0.34% | 5.5% | Cisco Systems | -0.56% | 4.7% |
| Prudential Financial | 0.28% | 3.0% | Danaher Corporation | -0.56% | 4.8% |
| | **2.59%** | **22.5%** | | **-3.95%** | **22.7%** |
| **TTM** | | | | | |
| Anthem | 2.11% | 5.8% | T. Rowe Price | -0.41% | 3.7% |
| American Express Company | 1.86% | 5.6% | Trane Technologies | -0.41% | 4.6% |
| Ameriprise Financial | 1.59% | 5.4% | V.F. Corporation | -0.50% | 1.6% |
| General Dynamics Corporation | 1.47% | 4.0% | Walt Disney Company | -0.67% | 2.1% |
| Pfizer | 1.35% | 3.6% | Intel | -0.87% | 3.4% |
| | **8.38%** | **24.4%** | | **-2.86%** | **15.3%** |

### Contributors

- **Anthem, Inc.** rose during the last 12 months as revenue, net income, and enrollments all saw robust growth in the face of Covid-19 headwinds. The managed health care provider maintained its No. 1 position in the US with over 45 million enrollees.[6] In addition, the company recently announced it was renaming the company Elevance Health in a strategic rebranding plan to position itself in markets outside of healthcare where it is expanding.[7] We remain impressed with management's execution and the position remains a core holding in the fund.
- **American Express Company** rose over the last year on strong revenue and earnings growth, as consumer use of its cards continued to rebound as Covid-19 fears generally subsided. Large corporate billed business remains well below 2019 levels but is projected to recover through 2022 and 2023. Credit quality improved and the company grew its loan book by 27% year-over-year as of March 31, 2022.[8] While we believe the company trades at a slightly elevated valuation, we remain confident in its prospects given its position in the market and our confidence faith in management.
- **Ameriprise** performed well during the year as revenues and assets under management grew driven by strong organic growth in its Wealth and Asset Management segment. Return on equity, which has been growing steadily over the last decade (except for a brief interruption), was 50% in the most recent period. In addition, the company has reduced its share count by 27% over the last five years.[9] Recent interest rate moves and market volatility may have a near-term negative impact on the company's asset management business, but we remain optimistic about the company's long-term prospects.
- **General Dynamics,** the defense and aerospace company, advanced on a strong bounce back in orders in its Gulfstream private jet business and increased global military concerns due to the Russian invasion

[5] Reflects top five contributors and top five detractors to the Fund's performance based on contribution-to-return on a gross basis. This is not a recommendation for a specific security and these securities may not be in the Fund at the time you receive this commentary. The information provided does not reflect all positions purchased, sold or recommended by the Fund during the quarter. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed. For a full list of holdings, please view the holdings report at the end of this commentary. The portfolio holdings as of the most recent quarter-end may also be obtained at www.fpa.com.

[6] Source: Anthem, Inc., Q1 2022 Earnings Call April 20, 2022;

[7] Source: https://www.businesswire.com/news/home/20220309005991/en/Anthem-Inc.-Announces-Intent-for-Corporate-Rebranding

[8] Source: American Express Q1 2022 Earnings Call April 22, 2022

[9] Source: FactSet

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

of Ukraine. Over the last several years, U.S. defense spending has grown at a slowing rate and the trend continued in fiscal 2022, with defense outlays expected to increase by just 1.7%. The U.S. government is the company's largest customer and anemic growth in defense outlays is a concern for the company. The company maintains a backlog of $129 billion (estimated contract value) which provides considerable visibility.[10] With the recent run up in the stock price, the company is near our estimate of fair value.

- **Pfizer** rose on continued tailwinds from the pandemic. The Pfizer-BioNTech Covid-19 vaccine (Comirnaty) represents 60% of the total covid vaccines administered in the United States. As vaccine revenue falls off, the company is expecting to replace much of the decline with its recently approved Covid-19 treatment (Paxlovid). Research and development expense increases has led to a pipeline of over 20 compounds in Phase 3 testing and many more in early stages, however the company has not provided sufficient guidance on how it expects to monetize that pipeline. The company has begun to devote more resources to creating additional mRNA vaccines and is hopeful that area can become a source of growth for Pfizer.[11] The stock price is currently near our estimate of fair value.

**Detractors**

- **T. Rowe Price's** share price fell during the last year on concerns over recent fund flows and relative performance of many of its actively managed funds. The company has grown assets under management (AUM) at approximately 12% per year over the last decade to approximately $1.55 trillion. During the last 12 months the year, the company made its largest acquisition to date with the purchase of alternative investment manager Oak Hill Advisors, which manages over $55 billion in assets. Concerns over rising interest rates, geopolitical tensions, and losing market share to passive investments weighed on the stock price.[12] In spite of these risks, at the current valuation we think the company offers a very attractive opportunity.
- **Trane Technologies** was spun out of Ingersoll Rand in 2020 and operates as a pure-play HVAC company. In spite of increased revenue and orders, the share price fell over the last 12 months. The company ended 2021 with a record backlog and the company expects growth in its markets to exceed the U.S. GDP growth rate. Trane has increased adjusted operating margins consistently over the last five years and announced a $300 million expense reduction plan that is expected to increase operating margins.[13]
- **V.F. Corporation,** the maker of Vans, Timberland, and North Face apparel, fell during the last 12 months, as revenues decreased primarily due to Covid-19 restrictions and supply chain issues. Weakness in Vans, the company's largest and fastest-growing brand (until recently), weighed heavily as revenue for that brand fell. Management has an admirable track record of managing its brands, and during the year added Supreme, a global streetwear brand, which is expected to be accretive this year.[14] The company's focus on increasing it digital marketing business has shown strong results, though we don't believe such strong growth is sustainable. We expect growth to moderate, and given our projections for growth and the current valuation, we remain cautiously optimistic on the holding.
- **Walt Disney Company** was hurt during the year by Covid-19 restrictions, which hurt park attendance. In 2021, Parks segment revenue was down approximately $10 billion from 2019 levels ($16 billion vs $26 billion). Recent trends have been very encouraging and this spring the parks extended hours to

[10] Source: CBO, General Dynamics Q1 2022 Earnings Report April 27,2022
[11] Source: FactSet, Pfizer 4Q 2021 Earnings Report February 8, 2022
[12] Source: T. Rowe Price Annual Meeting 2022 , May 10, 2022
[13] Source: Trane Technologies Investor Presentation, 2022 Bank of America Global Industrials Conference, March 15, 2022
[14] Source: V.F. Corporation Q3 2022 Earnings Presentation January 28, 2022, VF Corp 2021 10K

adapt to increased attendance. The Media & Entertainment segment saw modest growth and the company's recently launched streaming service Disney+ is exceeding expectations of subscriber growth. In October of 2021, the company also announced it would pursue sports gambling through its ESPN brand.[15] There has been speculation that this could result in a spinoff of the ESPN brand to insulate the company's other brands from the negative connotations of sports wagering.

- **Intel Corporation** laid out its "IDM 2.0" strategy and announced a multi-year, $20 billion plan to expand its U.S. chip production. The company acknowledged it needs to take bold action to reclaim its market leadership in data center and PC chips, and announced its continued commitment to meaningfully compete in the GPU (graphics processing unit) market. Looking forward, data center business is expected to continue strong growth in 2022, while PC business is expected to decline following the pandemic-related boom in PC sales.[16] While there are considerable execution risks, we remain positive on the company but are closely watching for tangible signs of success in the recently announced strategic initiatives.

Sincerely,
Steve Scruggs, CFA
Portfolio Manager

## 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. This Commentary does not constitute an investment management agreement or offering circular.

The statements contained herein reflect the opinions and views of the portfolio managers as of the date written, is subject to change without notice, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Such information may not be accurate over the long-term. These views may differ from other portfolio managers and analysts of the firm as a whole and are not intended to be a forecast of future events, a guarantee of future results or investment advice.

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 manager, the Adviser, the Sub-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.

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. The information and data contained herein 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 information contained herein is not complete, may change, and is subject to, and is qualified in its entirety by, the more complete disclosures, risk factors, and other information contained in the Fund's Prospectus and Statement of Additional Information. The information is furnished as of the date shown. No representation is made with respect to its completeness or timeliness. The information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind.

Certain statements contained in this presentation may be forward-looking and/or based on current expectations, projections, and information currently available. Actual events or results may differ from materially those we anticipate, or the actual performance of any investments described herein may differ from those reflected or contemplated in such

---

[15] Source: FactSet, Walt Disney Company Management Presentation, Morgan Stanley Technology, Media and Telecom Conference, March 7, 2022

[16] Source: Intel Corporation Investor Meeting 2022, February 17, 2022

forward-looking statements, due to various risks and uncertainties. We cannot assure future results and disclaim any obligation to update or alter 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. Statistical data or references thereto were taken from sources which we deem to be reliable, but their accuracy cannot be guaranteed.

The reader is advised that the Fund's investment strategy includes active management with corresponding changes in allocations from one period of time to the next. Therefore, any data with respect to investment allocations as of a given date is of limited use and may not be reflective of the portfolio manager's more general views with respect to proper geographic, instrument and /or sector allocations. The data is presented for indicative purposes only and, as a result, may not be relied upon for any purposes whatsoever.

In making any investment decision, you must rely on your own examination of the Fund, including the risks involved in an investment. Investments mentioned herein may not be suitable for all recipients and in each case, potential investors are advised not to make any investment decision unless they have taken independent advice from an appropriately authorized advisor. An investment in any security mentioned herein does not guarantee a positive return as securities are subject to market risks, including the potential loss of principal. You should not construe the contents of this document as legal, tax, investment or other advice or recommendations.

Fund performance presented is calculated on a total return basis, which includes the reinvestment of all income, plus realized and unrealized gains/losses, if applicable. Unless otherwise indicated, performance results are presented on a net of fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, operating and administrative expenses, and accrued performance fee/allocation, if applicable.

The information provided in this presentation is based upon data existing as of the date(s) of the report and has not been audited or reviewed. While we believe the information to be accurate, it is subject in all respects to adjustments that may be made after proper review and reconciliation.

Investments, including mutual fund investments, 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. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds. The value of an individual security can be more volatile than the market as a whole and can perform differently than the value of the market as a whole.

The prices of securities held by the Fund may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the Fund. Securities in the Fund's portfolio may underperform due to inflation (or expectations for inflation), interest rates, global demand for particular products or resources, natural disasters, pandemics, epidemics, terrorism, regulatory events and governmental or quasi-governmental actions. There is a risk that you may lose money by investing in the Fund.

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.

Please refer to the **Fund's Prospectus** for a complete overview of the primary risks associated with the Fund.

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

**Index / Benchmark / Category Definitions**

The Fund will typically 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 and do not reflect any commissions, transaction costs, or fees and expenses which would be incurred by an investor purchasing the underlying securities and which would reduce the performance in an actual account. You cannot invest directly in an index.

The **S&P 500 Value Index** is a market cap-weighted index. The value factors used to determine a stock's value score are book value to price ratio, cash flow to price ratio, sales to price ratio and dividend yield. S&P Style Indices divide the complete market capitalization of each parent index into growth and value segments. Constituents are drawn from the S&P 500.