

As of December 31, 2021



# FPA U.S. Core Equity Fund, Inc. (FPPFX)

2021 Year-End Presentation

January 2022

Presented by:

Gregory R. Nathan, Portfolio Manager

# Performance – net of fees

## Trailing Performance (%)

As of December 31, 2021	QTD	YTD	1 Year	3 Years	5 Years	10 Years*
FPA U.S. Core Equity Fund	8.01	22.86	22.86	27.18	15.23	12.84
S&P 500	11.03	28.71	28.71	26.07	18.47	16.55

Periods greater than one year are annualized. Fund performance is shown net of all fees and expenses. Fund performance is calculated on a total return basis which 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 returns. Comparison to any index is for illustrative purposes only. An investor cannot invest directly in an index. 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 total expense ratio is 1.34% and the net expense ratio is 1.22%, as of its most recent prospectus. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at [www.fpa.com](http://www.fpa.com) or by calling toll-free, 1-800-982-4372.**

The Investment Advisory Agreement (“IAA”) between the Fund and First Pacific Advisors, LP (the “Adviser” or “FPA”), the Fund’s investment adviser, requires FPA to reduce its investment advisory fee to the extent necessary to reimburse the Fund for any annual expenses (exclusive of interest, taxes, the cost of brokerage and research services, legal expenses related to portfolio securities, and extraordinary expenses such as litigation, merger, reorganization or recapitalization) in excess of 1.50% of the first \$30 million and 1% of the remaining average net assets of the Fund for the year. This agreement is coterminous with the IAA, and Fund’s Board of Trustees reviews the IAA annually as of Oct. 1 each year. The IAA may be terminated by the Fund’s Board of Trustees, by the vote of a majority of the Fund’s shareholders, or by the Adviser.

\* On September 1, 2015, the Fund changed its name to FPA U.S. Value Fund, Inc. The current portfolio manager assumed management of the Fund on September 1, 2015. Contemporaneous with this change, the Fund transitioned to its current investment strategy. Performance prior to September 1, 2015 reflects the performance of the prior portfolio manager and investment strategy. Performance prior to September 1, 2015 is not indicative of performance for any subsequent periods. The transition took place during the time period from September 1, 2015 to September 30, 2015.

Effective December 28, 2020, the Fund changed its name to FPA U.S. Core Equity Fund, Inc., from FPA U.S. Value Fund, Inc. and adopted the S&P 500 as its formal benchmark. **Please refer to the end of the presentation for important disclosures.**

# Fund highlights and outlook

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- In 2021, the Fund returned 22.86% (24.11% gross\*) compared to the S&P 500's (the "Index") 28.71% total return
  - Over the past three years, the Fund's annualized return of 27.18% (28.68%\* gross) compares favorably to the S&P 500's 26.07% annualized total return
  
- We believe the backdrop for investing in mid-large capitalization, secularly growing companies remains attractive just as it has been over the past decade, as of 12/31/2021
  - The Coronavirus has accelerated the growth/market share gains of many established pre-Covid-19 winners
  - 10-year U.S. treasury rate at ~1.5% (as of 12/31/2021) is near all-time historical lows
    - We think this helps drive investor demand for high quality, growing, liquid, mid-large cap equities

As of December 31, 2021

\* Gross performance reflects the compounded monthly gross returns before the deduction of any fees or expenses. Gross performance is being shown for illustrative purposes only and it does not represent the return an investor can or should expect to receive. Actual returns would be lower if fees and expenses were included. Fund shareholders may only invest or redeem their shares at net asset value.

Please see page 2 for net performance of the Fund since inception and fee waiver information along with other important disclosures. **Past performance is no guarantee, nor is it indicative, of future results.**

# Fund overview

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## Investment objective

- The primary objective is long-term growth of capital. Current income is a secondary consideration

## Goal

- Generate returns in excess of the S&P 500 Index over full market cycles\*
- Create a better version of the S&P500 by:
  - Eliminating the worst parts of the Index by being willing to avoid altogether and significantly underweight certain sectors that are in structural decline
  - Accentuating what we believe is the top ~40% of the Index where there is sustainable growth
  - Maintaining reasonable diversification to mitigate risk

## Investment philosophy

- Seek to avoid permanent capital impairment
- Seek to invest in, what we believe are, quality, growing businesses at attractive valuations
- Look for companies with good management

# Portfolio construction parameters

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## Broad market capitalization

- The Fund will generally invest in companies with market caps of \$2 billion or more at time of initial purchase
- Allows us to invest wherever the best opportunities arise

## U.S. companies

- At least 80% of net assets will be invested in U.S. companies<sup>1</sup>

## Opportunistic foreign investments

- Up to 20% of net assets may be invested in non-U.S. securities

## Appropriate diversification

- Individual positions will not exceed 5% of total assets at time of purchase
- Cash typically will not exceed 10% of net assets

<sup>1</sup> Includes companies which alone or on a consolidated basis derive the highest concentration of annual revenue, earnings, or assets from goods produced, sales made, or services performed in the U.S. It also includes companies that (i) are organized under the laws of, or have its principal office in the United States; (ii) have its principal securities trading market in the United States; or (iii) issue securities denominated in the currency of the United States.

This summary of portfolio construction parameters highlights targeted or "typical" portfolio construction goals within the Fund. However, specific investment criteria may vary. The Prospectus describes the Fund's investment objective and policies and other matters of interest to prospective investors. **Please read the Prospectus carefully before investing. Please refer to the end of the presentation for important disclosures.**

# Portfolio construction process

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## Create a diversified portfolio seeking above average risk-adjusted returns over the long-term

- The world is dynamic with change taking place seemingly faster than ever before
  - Therefore, we believe it is important to have a diversified portfolio to mitigate unforeseen risks, namely disruption to business models
- We consider investing in all industries at any given time
- But we will not invest in all industries if that means taking undue risk and/or negatively impacting long-term returns

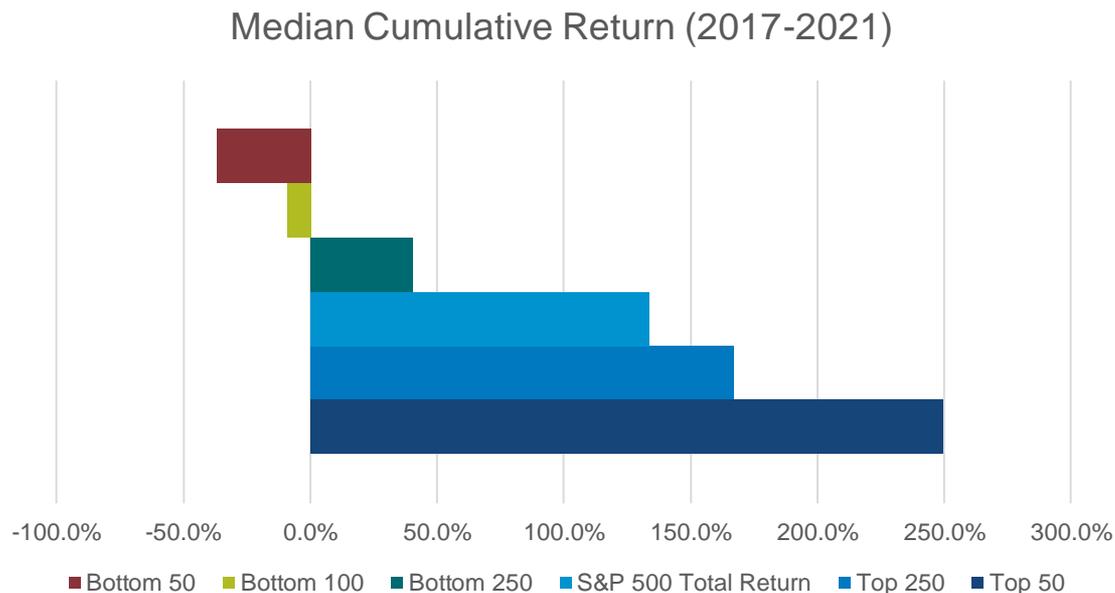
## Deconstruct the S&P 500

- Eliminate or underweight unfavorable sectors due to relative inferior quality, lack of above average growth and/or unattractive valuations
- From the remaining sectors that meet our criteria, sector weights are based on long-term industry fundamentals coupled with the relative attractiveness of various companies within those sectors centered on business model sustainability, normalized long-term earnings growth rates and valuation
- Consider select investments outside the U.S. and/or S&P 500 that we believe offer compelling risk-adjusted returns
- The goal is to be as close to fully invested as possible
  - Cash is a byproduct of what remains after making investments in the industries and companies we view attractive at the relative position weightings we deem appropriate based on sector risks coupled with our estimate of the companies' prospective returns over the long-term

This summary of the portfolio construction process highlights targeted or "typical" portfolio construction goals within the Fund. However, specific investment restrictions may vary. The Prospectus describes the Fund's investment objective and policies and other matters of interest to prospective investors. **Please read the Prospectus carefully before investing.** There is no guarantee that the Fund's investment objective will be achieved or that the processes employed will be successful. **Please refer to the end of the presentation for important disclosures.**

# Avoiding worst parts & embracing best aspects of S&P 500

Seek alpha by trying to avoid biggest losers and then secondarily, trying to pick potential winners



We believe having the right active share is key to generating attractive risk-adjusted performance

- First, try to avoid the bottom ~20% of the Index, which is generally tied to growth challenged businesses
- Second, try to identify the top ~40% of the Index and double down on those companies → ~80%+ of portfolio
- Third, add what we believe are some compelling, high quality mid-large cap U.S. and/or foreign equities not in the Index → ~10%+ of portfolio

Chart Source: Capital IQ. As of December 31, 2021.

Active Share is 57.5% as of December 31, 2021. *Active Share* is defined as the percentage of the Fund's portfolio that differs from the holdings of the Fund's benchmark. The Fund's benchmark is the S&P 500 Index. **Past performance is no guarantee, nor is it indicative, of future results.** Please see the end of this presentation for important disclosures

# U.S. Core Equity seeks to invest in growing companies

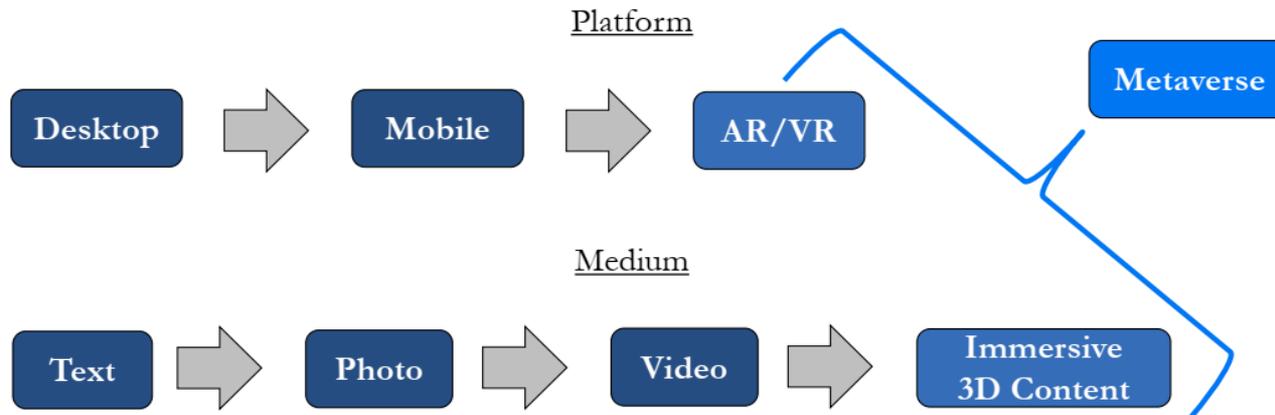
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- Global growth tied to the internet, digital, mobile and Metaverse revolution
- We believe a majority of the portfolio should benefit from these multi-year secular trends including:
  - Digital Advertising: Alphabet, Meta Platforms, Amazon.com, Microsoft, American Express
  - Cloud Computing: Amazon.com, Microsoft, Alphabet, Accenture
  - E-Commerce: Amazon.com, Meta Platforms, Nike, Adidas, Home Depot, Lowe's, Go Daddy, Starbucks, Ulta Beauty, Shopify, Avalara, MercadoLibre
  - Digital Payments: Visa, PayPal, Mastercard, Apple, American Express
  - Mobile Operating System: Apple, Alphabet
  - Digital Media/Music: Netflix, Alphabet, Disney, Comcast, Universal Music Group, Spotify
  - Software as a Service: Microsoft, Autodesk, Adobe, Salesforce
  - Digital/Mobile Gaming: Microsoft, Activision, Electronic Arts, Take-Two Interactive, Nvidia, Meta Platforms
  - Digital Health: United Healthcare, Anthem, Humana, Apple
  - Online Travel Bookings: Alphabet
  - 5G: Qualcomm, Apple, Alphabet
  - Cryptocurrency: PayPal
  - Autonomous Vehicle Software: Alphabet
  - Cybersecurity: Zscaler, CrowdStrike, Palantir Technologies
  - The Metaverse: Meta Platforms, Microsoft, Nvidia, AMD, Apple, Qualcomm

Fund holdings as of December 31, 2021. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the Portfolio Managers, the Adviser, or the distributor. It should not be assumed, and there is no guarantee, that any of these securities will be profitable or will benefit from the multi-secular trends discussed herein. Please see page 13 for a full list of Fund holdings and portfolio weights as of December 31, 2021.

# Key investment theme: The Metaverse

- The Metaverse could be the successor to the mobile internet
  - The Metaverse can be defined as a persistent, digital world that is connected to many aspects of the physical world, including people, places and things. The Metaverse enables shared experiences across both the physical and digital worlds.
  - In the future, people may be able to access the Metaverse from various devices and through different levels of fidelity such as apps on mobile phones and PCs as well as immersive virtual and augmented reality devices.
  - The defining quality of the Metaverse is presence, which is the feeling that you are in another place with another person or group of people.



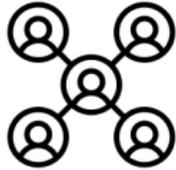
	Web 1.0	Web 2.0	Metaverse
<b>Key attribute</b>	Information access	Mobility	Immersion
<b>Hardware</b>	Desktop PC	Smartphones	Wearables, XR Headsets
<b>Network</b>	Wireline	Wireless	5G/Fiber
<b>OS</b>	Windows/Mac OS	iOS/Android	?
<b>Primary access</b>	URLs	Apps	?

# Key investment theme: The Metaverse (cont.)

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Potential use cases of the Metaverse include...

Socializing



Gaming



Retail



Learning



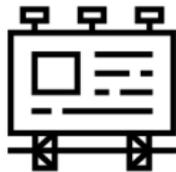
Creating



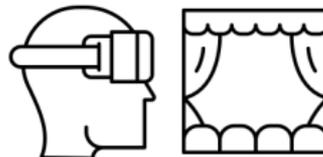
Working



Advertising



Entertainment

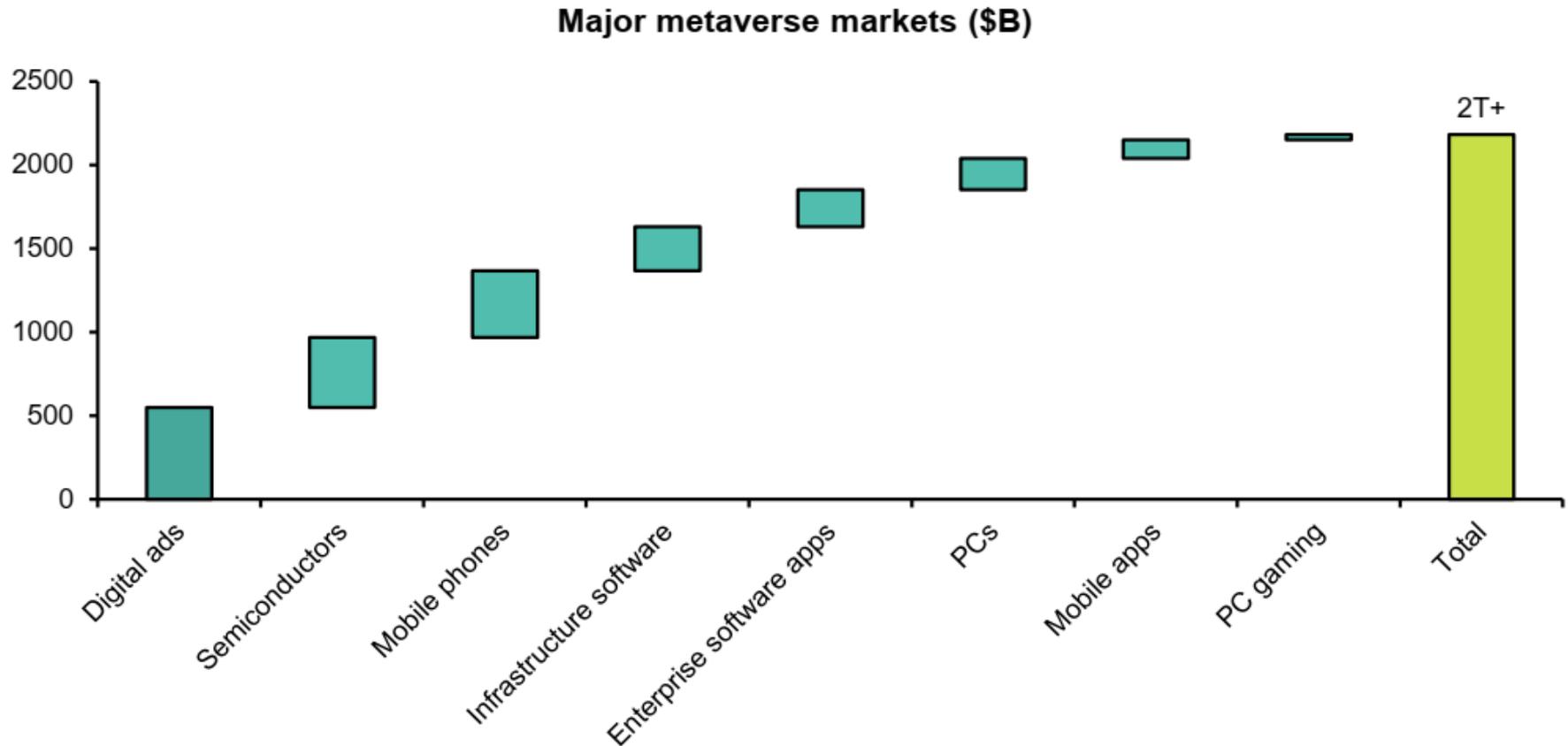


Real Estate



# Key investment theme: The Metaverse (cont.)

Sizing up the potential total addressable market (TAM) of the Metaverse based on current end markets and their respectable revenue base...



Source: Gartner, Sensor Tower, Bernstein estimates and analysis 12/7/2021.

# Portfolio holdings highlights

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- The Fund's holdings generally operate within secularly growing industries
  - We believe the aforementioned key investment themes helped fuel above average growth for many of the Fund's portfolio companies
- In our view, the Fund's portfolio companies have strong competitive positions due to advantages stemming from having large scale/low-cost structure, superior products/services and/or high-quality brands
- Majority of companies are among the top players in their respective industries

# Holdings as of December 31, 2021

<b>Communication Services</b>	<b>22.8%</b>	<b>Financials</b>	<b>5.6%</b>	<b>Information Technology</b>	<b>33.9%</b>
Alphabet	9.6%	Aon	0.8%	Microsoft	10.7%
Meta Platforms	6.6%	Apollo Global Management	0.8%	Apple	7.5%
Comcast	1.6%	American Express	0.7%	Accenture	1.6%
The Walt Disney Company	1.6%	Willis Towers Watson	0.7%	Mastercard	1.6%
Netflix	1.6%	The Blackstone Group	0.7%	Visa	1.6%
Activision Blizzard	0.5%	KKR	0.6%	Salesforce	1.6%
Match Group	0.3%	Morgan Stanley	0.5%	NVIDIA	1.6%
Take-Two Interactive Software	0.3%	MSCI	0.4%	PayPal	1.6%
Electronic Arts	0.3%	Blackrock Inc	0.3%	Adobe	1.6%
Univesal Music Group	0.2%	Moody's	0.2%	Autodesk	1.4%
Spotify	0.2%	S&P Global	0.0%	Qualcomm	0.7%
				GoDaddy	0.5%
				Intuit	0.4%
<b>Consumer Discretionary</b>	<b>17.2%</b>	<b>Health Care</b>	<b>10.8%</b>	Zscaler	0.4%
Amazon	7.2%	Thermo Fisher Scientific	1.6%	CrowdStrike	0.3%
Adidas	1.8%	UnitedHealth Group	1.6%	Shopify	0.2%
Home Depot	1.6%	IQVIA Holdings	1.2%	Avalara	0.2%
Nike	1.6%	Anthem	1.1%	Trimble	0.2%
Lowes	1.4%	Humana	1.0%	Palantir Technologies	0.1%
O'Reilly Automotive	0.7%	Danaher	0.9%		
Autozone	0.7%	Intuitive Surgical	0.8%	<b>Materials</b>	<b>0.1%</b>
Ulta Beauty	0.7%	Zoetis	0.7%	The Sherwin Williams Co.	0.1%
LVMH Moët Hennessy - Louis Vuitton	0.4%	Abbott Labs	0.7%		
Starbucks	0.4%	HCA Healthcare	0.3%	<b>Undisclosed</b>	<b>5.0%</b>
Kering	0.4%	Edwards Lifesciences	0.3%		
Mercadolibre	0.2%	Stryker	0.3%	<b>Cash and Equivalents (Net of Liabilities)</b>	<b>1.1%</b>
Etsy	0.1%	Cigna Corp.	0.2%		
		Illumina	0.2%	<b>Total net assets</b>	<b>100.0%</b>
<b>Consumer Staples</b>	<b>1.3%</b>	<b>Industrials</b>	<b>2.1%</b>		
Sprouts Farmers Market	0.5%	Airbus	0.7%		
Estee Lauder	0.4%	FedEx	0.7%		
L'Oreal	0.3%	Honeywell	0.4%		
Constellation Brands	0.1%	IHS Markit	0.4%		

Due to rounding, percentages may not total to 100%. Sector classification scheme reflects GICS (Global Industry Classification Standard). Portfolio composition will change due to ongoing management of the Fund. Portfolio weights are calculated as a percentage of total net assets. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the Portfolio Managers, the Adviser, or the distributor. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures.**

# Portfolio characteristics as of December 31, 2021

	FPA U.S. Core Equity Fund	S&P 500
Large Capitalization Holdings % of Portfolio	90.1%	99.4%
Top 5 Holdings % of Portfolio	41.7%	24.3%
Top 10 Holdings % of Portfolio	49.9%	29.0%
Foreign Securities % of Portfolio	3.7%	0.0%
12-Month Forward P/E	29.1x	20.9x
Price/Book	9.1x	4.8x
Return on Equity	29.7%	18.8%
EPS Growth Forecast (2-year, median)	13.5%	9.0%
Revenue Growth Historical (2-year, \$-weighted median)	27.5%	16.1%
Revenue Growth Forecast (2-year, median)	17.8%	14.7%
Debt/Equity	0.5x	0.9x
Median Market Capitalization (billions)	\$80.9	\$34.0
Weighted Average Market Cap (billions)	\$955.2	\$665.2

P/E (Price-to-Earnings Ratio) is a ratio for valuing a company that measures its current share price relative to its per-share earnings. Forward P/E uses estimated future per-share earnings in the calculation. Forward P/E numbers are estimates and subject to change.

Price to book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value.

Return on Equity measures a portfolio company's profitability by dividing net income before taxes less preferred dividends by the value of stockholders' equity.

Earnings Per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Debt/Equity (debt-to-equity ratio) is a ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.

Market Capitalization, refers to the total dollar market value of a company's outstanding shares.

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# Sector breakdown as of December 31, 2021

Sector	FPA U.S. Core Equity Fund	S&P 500
Information Technology	36.1%	28.7%
Communication Services	24.1%	10.0%
Consumer Discretionary	17.9%	12.0%
Health Care	10.9%	13.1%
Financials	5.7%	11.3%
Industrials	2.1%	7.8%
Consumer Staples	1.3%	6.1%
Real Estate	0.6%	2.7%
Materials	0.1%	2.5%
Energy	0.0%	3.4%
Utilities	0.0%	2.5%
<b>Total</b>	<b>98.9%</b>	<b>100.0%</b>
<b>Cash and equivalents (net of liabilities)</b>	<b>1.1%</b>	

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# Important Disclosures

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**This presentation is for informational and discussion purposes only.** It is important to understand that the views expressed on these slides are subject to change without notice based on market and other conditions. This presentation does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale with respect to any securities, products or services discussed, and neither does it provide investment advice. Any such offer or solicitation shall only be made pursuant to the Fund's Prospectus, which supersedes the information contained herein in its entirety.

The statements contained herein reflect the opinions and views of the portfolio manager as of the date written. 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 a recommendation by the Fund, the portfolio managers, FPA or the distributor to purchase or sell such securities or sectors, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at [www.fpa.com](http://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. 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, investment or other advice or recommendations.

**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 the Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at [www.fpa.com](http://www.fpa.com), by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.**

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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. 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. You risk paying more for a security than you received from its sale.

Value style investing presents the risk that such holdings or securities' intrinsic value may never be realized by the market and that their prices may go down. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods. Securities selected by portfolio managers using a value strategy may never reach their intrinsic value because the market fails to recognize what such portfolio managers consider to be the true business value or because the portfolio managers have misjudged those values.

# Important Disclosures – cont'd

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Certain statements contained in this presentation may be forward-looking and/or based on current expectations, projections, and information currently available to FPA, and can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, 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 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 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 (“SAI”) and/or FPA’s Form ADV. The information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind. **Past performance is not a guarantee, nor is it indicative, of future results.**

Certain information provided in this report is based upon data existing as of the date(s) of the report in FPA’s internal systems 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.

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

## **Index / Category Definitions**

Comparison to any index 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 may hold positions that are not within the Fund’s investment strategy. Indices are unmanaged and do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index in its investment objectives. An investor cannot invest directly in an index.

The **S&P 500 Index** includes a representative sample of 500 hundred companies in leading industries of the U.S. economy. The index focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, but is also considered a proxy for the total market.

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

# Important Disclosures – cont'd

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## Other Definitions

**12-Month Forward P/E ratio** is a current stock's price over its "predicted" earnings per share for the next twelve months. If the forward P/E ratio is higher than the current P/E ratio, it indicates decreased expected earnings.

**Active Share** is defined as the percentage of the Fund's portfolio that differs from the holdings of the Fund's illustrative index. It is calculated by taking the sum of the absolute value of the differences of the weight of each holding in the Fund and the weight of each holding in the index and dividing by two.

**Alpha** is the incremental return achieved by fund managers in excess of benchmark returns.

**Return on Equity (ROE)** is a ratio that provides investors with insight into how efficiently a company (or more specifically, its management team) is handling the money that shareholders have contributed to it.

**Market capitalization** is the aggregate market value of a company represented in dollar amount, it is computed based on the current market price of its shares and the total number of outstanding shares.

**Operating margin** measures how much profit a company makes on a dollar of sales, after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax. It is calculated by dividing a company's operating profit by its net sales.