



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: 3/31/18	1 Year	YTD	QTD	10 Years	5 Years
FPA U.S. Value Fund, Inc.	1.82	-1.92	-1.92	7.71	6.64
S&P 500	13.99	-0.76	-0.76	9.49	13.31
Morningstar Large Blend Average	12.82	-0.98	-0.98	8.58	11.72
Russell 2500	12.31	-0.24	-0.24	10.28	11.55

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 1.11%. Current month-end performance data may be obtained at www.fpafunds.com or by calling toll-free, 1-800-982-4372.

On September 1, 2015, the Fund changed its name to FPA U.S. Value Fund, Inc., and the current portfolio manager assumed management of the Fund on that date. 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 time period from September 1, 2015-September 30, 2015.

Please see important disclosures at the end of the commentary.



Introduction

In the first quarter, the Fund's performance was -1.92%. It underperformed the total return of the S&P 500 by 1.16%. A majority of the underperformance is attributable to the Fund's overweight position in Facebook (-9.45% in Q1 2018) and its lack of exposure to some large weighted technology winners such as Amazon (+23.76%), Netflix (+53.86%) and Adobe (+23.31%).

Despite the increased volatility in the market, from a fundamental perspective, not much has changed over the past few months. As a result, we continue to keep our focus on finding high-quality, growing businesses at attractive valuations.

Portfolio Commentary

Compared to the broader market, we believe our portfolio is of higher quality and has greater potential for earnings growth. At the same time, based on consensus estimates, our portfolio positions, taken together, trade at a discount to the S&P 500's forward P/E¹ and to our estimate of their intrinsic value.

	FPA U.S. Value Fund	S&P 500
Large Capitalization	86.9%	97.6%
Top 5 Holdings	21.3%	13.9%
Top 10 Holdings	32.1%	20.3%
Foreign Securities	7.3%	0.0%
12-Month Forward P/E	16.4x	17.1x
Price/Book	3.3x	3.2x
Return on Equity	19.3%	18.8%
EPS Growth Historical (2-year, \$weighted median)	8.8%	7.2%
EPS Growth Forecast (2-year, median)	14.6%	11.2%
Debt/Equity	1.3x	1.4x
Median Market Cap (billions)	\$82.6	\$21.0
Weighted Average Market Cap (billions)	\$235.2	\$199.3

Source: FPA, Mellon

As of March 31, 2018, the Fund was invested in 65 companies, including 54 that are in the S&P 500. By definition, there are 446 other index positions that are not in our portfolio. And since the 54 positions in common make up approximately one-third of the S&P 500's weighting, approximately two-thirds of the Fund's portfolio is different relative to the index. At the same time, a majority of those 54 positions are overweight in the Fund relative to the index. The Fund's remaining 11 investments are predominantly a combination of large-cap foreign and mid-cap U.S. companies. Combined, these 11 companies make up 11.4% of the portfolio. Cash is 9.9%. As a result, the Fund continues to have a high active share² compared to the S&P 500.

In terms of geography, 82.8% of the portfolio is invested in U.S. companies, while 7.3% is invested in foreign equities. By market capitalization, 86.9% of the portfolio is invested in large-cap companies, with approximately one-third of the portfolio invested in mega-caps—companies with market values above

¹ P/E (Price-to-Earnings Ratio) is a ratio used to value a company by measuring its current share price relative to its per-share earnings.

² Active share is a measure of the Fund's holdings that differ from its benchmark holdings.

\$200 billion. The portfolio's weighted average market cap is approximately \$235 billion, while the Fund's median market cap is approximately \$80 billion.

Regarding portfolio concentration, the Fund's top five positions make up 21.3% of the Fund compared to approximately 13.9% for the S&P 500. The Fund's top 10 positions make up 32.1% of the portfolio versus 20.3% for the index. Over time, our goal is to reduce the weighting of some of the Fund's largest positions and increase some of the Fund's smallest ones as our conviction increases.

From an industry exposure standpoint, the portfolio has investments in six of the 11 sectors in the S&P 500. Combined, those six sectors make up 78.9% of the S&P 500 and 90.1% of the Fund's portfolio. Relative to the S&P 500, the portfolio is similarly weighted in information technology, financials, healthcare, consumer discretionary and materials; and overweight in industrials. The Fund currently does not have any investments in consumer staples, energy, utilities, real estate or telecommunications services. Collectively, those five sectors make up 21.1% of the S&P 500.

Sector	FPA U.S. Value Fund	S&P 500
Information Technology	24.2%	24.9%
Industrials	18.6%	10.2%
Financials	16.1%	14.7%
Consumer Discretionary	14.5%	12.7%
Health Care	12.2%	13.7%
Materials	3.5%	2.9%
Real Estate	0.0%	2.8%
Consumer Staples	0.0%	7.7%
Energy	0.0%	5.7%
Utilities	0.0%	2.9%
Telecommunication Services	0.0%	1.9%
Total	89.1%	100.0%
Other	1.1%	
Cash and equivalents (net of liabilities)	9.9%	

Source: FPA, Mellon

Q1 2018 Winners and Losers³

Winners	Losers
Airbus	Facebook
Cisco	Citigroup
Madison Square Garden	Comcast
Mastercard	CVS Health
Microsoft	DowDuPont

Madison Square Garden (NYSE: MSG) was one of the Fund's biggest winners in the first quarter. We have held an investment in the company for over two years, prior to the separation of the regional sports network (RSN) from its core teams and venues businesses. The MSG investment thesis is quite simple:

³ Reflects top five contributors and top five detractors to the Fund's performance based on contribution-to-return basis. Contribution is presented as the gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. This is not a recommendation for a specific security and these securities may not be in the Fund at the time you receive this report. Past performance does not guarantee future results.

the sum-of-its-parts is worth more than its current trading value. Its major assets are its sports teams (New York Knicks, New York Rangers), venues (Madison Square Garden Arena and associated air rights, LA Forum) and large net cash position (~\$1.1 billion). Based on the most recent comparable transactions for similar assets, we believe MSG could be significantly undervalued.

The Dolan family, the largest shareholders of MSG, effectively controls the company. James Dolan is executive Chairman. Mr. Dolan has been very shareholder friendly over the years and has made several positive moves to help maximize value. These include Cablevision spinning off AMC Networks (NASDAQ: AMCX); separating the cable business from the teams/venues/RSN businesses, which was subsequently sold to Altice; and most recently, separating the RSN business (NASDAQ: MSGN) from the teams/venues businesses of MSG. The bottom line is that you do not need to be a New York sports fan to appreciate the value in MSG. While we would not want to rely on James Dolan to put together a championship caliber NBA team, we have confidence he will help create shareholder value.

One of the Fund's largest detractors in the quarter was Facebook (NASDAQ: FB). Its share price has declined in large part due to the negative publicity surrounding disclosure of Cambridge Analytica's collection of Facebook data from 87 million users. This stemmed from 270,000 Facebook users who took a personality quiz on an app developed in 2013 by Aleksandr Kogan, a Russian-American researcher at Cambridge University. Kogan exposed a loophole in FB's application program interface (API) that allowed him to gather information on not only people who used the app, but their friends as well. Kogan then sold the data to Cambridge Analytica. FB insists that Kogan violated its platform policy by transferring data his app collected to Cambridge Analytica. Additionally, Kogan had specifically assured FB that the data would not be used for commercial purposes. It is worth noting that FB did not directly profit from allowing Kogan—or by extension, Cambridge Analytica -- access to its users and their associated data.

Despite this, FB is arguably one of the world's best businesses. It operates very sticky social networks through Facebook, Instagram, Messenger and WhatsApp. As long as a person has access to a smart phone or computer, FB's social media apps offer users access to endless free entertainment, which can be highly addictive. The larger a user's friends and family social network, the more valuable the app becomes. For this self-reinforcing cycle to break, another social network would have to offer unique features, exclusivity or some other factor to get users to spend less time on existing platforms or let alone stop using them altogether. This is what Snapchat (NASDAQ: SNAP) has been able to do to some degree by garnering a largely younger audience, yet its user base currently amounts to less than 10% of Facebook's. Instagram, owned by FB, has been more successful in this regard, and now has a relatively young user base approaching one billion.

These billions of users produce free content for FB to monetize through difficult-to-replicate, highly targeted advertising. Essentially, the deal is that the user does not have to pay to use the social network and in return, will see ads placed in his newsfeed. This is akin to the historical broadcast TV business model, which is free-to-air—all you need is a digital antenna and a TV screen to watch those networks. In return for not having to pay to watch the programming on broadcast TV, the networks monetize viewership by selling advertising against those impressions to pay for its operations, including content production.

FB is a fast-growing, cash-flow machine. At the end of 2017, it had net cash of \$41.7 billion -- equal to 9% of its market cap. In Q4 2017, FB grew revenue 47% and operating profit by 61%. Monthly active users (MAUs) increased by 15% while average revenue per user (ARPU) grew by 28%. Its operating margin expanded to 57%, from 52% in Q4 2016. Excluding its net cash, FB ended the first quarter trading at a trailing, unlevered, after-tax free-cash-flow yield of 4.1% or 24x.

We do not expect the company to continue growing earnings at a 61% pace going forward. However, if FB can continue to grow EPS at a rate of roughly 20% over the next few years, in line with consensus expectations, then our view is that the stock is exceedingly attractive at current levels. Said another way, by the end of 2019, it's possible that FB could have net cash equal to over 15% of its current market cap and excluding net cash, trade at approximately 12x forward earnings. One other thing to keep in mind is that FB has yet to monetize Messenger and WhatsApp, two of its biggest platforms, with over 1.3 billion MAUs each.

We don't yet know the effects of the recent developments — regulatory risk, possible user and/or advertiser defections due to the Cambridge Analytica situation, and increased operating and capital expenditures to better manage the integrity of its platforms. But much of the fallout from these issues appears to be priced in at this point. Nonetheless, you never know for sure, and that is why we have a diversified portfolio.

Closing

We are optimistic and believe that the Fund is positioned to generate good absolute and relative returns compared to the S&P 500 going forward.

We look forward to delivering value for our shareholders over the coming years. Thank you for your confidence and continued support.

Respectfully submitted,

Gregory R. Nathan
Portfolio Manager

April 2018



TICKER	SHARES	SECURITY	COUPON RATE (%)	MATURITY DATE	MKT PRICE (\$)	MKT VALUE (\$)	% OF NET ASSET VALUE
COMMON STOCKS							
ABT	20,800	ABBOTT LABS			59.92	1,246,336	1.6%
ACN	2,900	ACCENTURE PLC CL A*			153.50	445,150	0.6%
AET	6,800	AETNA INC			169.00	1,149,200	1.5%
AIR FP	24,250	AIRBUS SE*			115.42	2,798,842	3.6%
AKZA NA	5,350	AKZO NOBEL NV*			94.42	505,172	0.7%
GOOG	5,700	ALPHABET INC CL C			1,031.79	5,881,203	7.6%
AABA	12,150	ALTABA INC			74.04	899,586	1.2%
AXP	4,800	AMERICAN EXPRESS COMPANY			93.28	447,744	0.6%
ABC	4,400	AMERISOURCEBERGEN CORP			86.21	379,324	0.5%
ANTM	7,350	ANTHEM INC			219.70	1,614,795	2.1%
AON	4,500	AON PLC			140.33	631,485	0.8%
AAPL	17,000	APPLE INC			167.78	2,852,260	3.7%
ARNC	34,850	ARCONIC INC			23.04	802,944	1.0%
AXTA	13,500	AXALTA COATING SYSTEMS LTD			30.19	407,565	0.5%
BAC	40,000	BANK OF AMERICA CORP			29.99	1,199,600	1.6%
BRK/A	5	BERKSHIRE HATHAWAY INC-CL A			299,100.00	1,495,500	2.0%
BLK	2,250	BLACKROCK INC			541.72	1,218,870	1.6%
BX	12,200	BLACKSTONE GROUP L P			31.95	389,790	0.5%
BA	2,500	BOEING CO			327.88	819,700	1.1%
CCL	11,800	CARNIVAL CORPORATION			65.58	773,844	1.0%
CBS	8,200	CBS CORP CLASS B NON VOTING			51.39	421,398	0.6%
CSCO	31,800	CISCO SYSTEMS INC			42.89	1,363,902	1.8%
C	32,750	CITIGROUP INC			67.50	2,210,625	2.9%
CMCSA	34,000	COMCAST CORP NEW CL A			34.17	1,161,780	1.5%
DAL	8,300	DELTA AIR LINES INC			54.81	454,923	0.6%
DIS	4,500	DISNEY WALT CO /THE			100.44	451,980	0.6%
DG	4,200	DOLLAR GENERAL CORP			93.55	392,910	0.5%
DWDP	27,300	DOWDUPONT INC			63.71	1,739,283	2.3%
FB	16,950	FACEBOOK INC CL A			159.79	2,708,441	3.5%
FDX	5,600	FEDEX CORP			240.11	1,344,616	1.8%
GD	1,850	GENERAL DYNAMICS CORP			220.90	408,665	0.5%
HCA	4,200	HCA HOLDINGS INC			97.00	407,400	0.5%
HD	4,400	HOME DEPOT INC			178.24	784,256	1.0%
HON	9,100	HONEYWELL INTL INC			144.51	1,315,041	1.7%
IR	12,700	INGERSOLL-RAND PLC*			85.51	1,085,977	1.4%
IWG LN	100,000	IWG PLC*			3.21	320,866	0.4%
JD	19,400	JD COM INC SPON ADR CL A			40.49	785,506	1.0%
JNJ	10,400	JOHNSON & JOHNSON			128.15	1,332,760	1.7%
JPM	16,000	JPMORGAN CHASE & CO			109.97	1,759,520	2.3%
KKR	19,600	KKR & CO LP			20.30	397,880	0.5%
LH	3,700	LABORATORY CORP AMER HLDGS			161.75	598,475	0.8%
LEN	19,700	LENNAR CORP CL A			58.94	1,161,118	1.5%
LMT	1,200	LOCKHEED MARTIN CORP			337.93	405,516	0.5%
LOW	13,500	LOWE'S COS INC			87.75	1,184,625	1.6%



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MSG	4,025	MADISON SQUARE GARDEN CO A			245.80	989,345	1.3%
MA	5,700	MASTERCARD INCORPORATED CL A			175.16	998,412	1.3%
MDT	16,400	MEDTRONIC INC*			80.22	1,315,608	1.7%
MSFT	17,000	MICROSOFT CORP			91.27	1,551,590	2.0%
MS	21,700	MORGAN STANLEY			53.96	1,170,932	1.5%
NPSNY	16,000	NASPERS LTD SPONSORED ADR			50.18	802,880	1.0%
NCLH	8,400	NORWEGIAN CRUISE LINE HLDGS LT			52.97	444,948	0.6%
ORLY	3,500	O'REILLY AUTOMOTIVE, INC.			247.38	865,830	1.1%
ORCL	13,650	ORACLE CORPORATION			45.75	624,488	0.8%
		OTHER				868,404	1.1%
PAH3 GY	4,937	PORSCHE AUTO HL SE*			83.06	410,044	0.5%
LUV	7,300	SOUTHWEST AIRLINES CO			57.28	418,144	0.5%
STT	8,300	STATE STR CORP			99.73	827,759	1.0%
TMO	2,350	THERMO FISHER SCIENTIFIC INC			206.46	485,181	0.6%
FOXA	15,000	TWENTY FIRST CENTURY FOX A			36.69	550,350	0.7%
UNP	9,800	UNION PACIFIC CORP			134.43	1,317,414	1.7%
UPS	15,000	UNITED PARCEL SERVICE INC CL B			104.66	1,569,900	2.1%
UTX	10,450	UNITED TECHNOLOGIES CORP			125.82	1,314,819	1.7%
UNH	4,400	UNITEDHEALTH GROUP INC			214.00	941,600	1.2%
V	10,650	VISA INC - CL A			119.62	1,273,953	1.7%
WLTW	4,100	WILLIS TOWERS WATSON PLC			152.19	623,979	0.8%
		TOTAL EQUITIES				69,521,953	90.2%
		CALL OPTIONS					
	(4,200)	DOLLAR GENERAL CORP		01/18/2019	8.80	(36,960)	-0.1%
		TOTAL CALL OPTIONS				(36,960)	-0.1%
		REPURCHASE AGREEMENTS					
	9,013,000	STATE STREET BANK/FICC REPO	0.28	04/02/2018		9,013,000	11.7%
		TOTAL REPURCHASE AGREEMENTS				9,013,000	11.7%
		CASH & EQUIVALENTS (NET OF LIABILITIES)				(1,395,232)	-1.8%
		TOTAL CASH & EQUIVALENTS				7,617,768	9.9%
		TOTAL NET ASSETS				77,102,761	100.0%
		NO. OF EQUITY POSITIONS				64	

* Indicates Foreign Security



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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 Depositary 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. 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.

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, the Portfolio Managers or Distributor.

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, 235 W. Galena Street, Milwaukee, WI, 53212.

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.

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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 manager considers the true business value or because the portfolio manager 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.

Index / Category Definitions

Price-to-Book (P/B) - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

EPS (Earnings per share) is the portion of a company's profit allocated to each outstanding share of common stock.

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.

Morningstar Large Blend Average consists of portfolios that invest in a variety of large US stocks. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. The blend style is assigned to funds where neither growth nor value characteristics predominate.

The Russell 2500 Index consists of the 2,500 smallest companies in the Russell 3000 total capitalization universe and is considered a measure of small to mid-capitalization stock performance.

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.

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

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