October 28, 2015

FPA U.S. Value Fund, Inc.

FPPFX

Third Quarter 2015

Webcast Presentation

Presented by: Gregory R. Nathan, Portfolio Manager

investors first

FPA U.S. Value Fund, Inc. – Fund timeline

- June 4, 2015 – FPA announces the transition of FPA Perennial Fund, Inc. and launch of FPA U.S. Value Strategy led by Gregory Nathan
- June 15, 2015 – FPA Perennial Fund, Inc. is closed to new investors
- September 1, 2015 – U.S. Value Strategy, including FPA U.S. Value Fund, Inc. (FPPFX) commences
- October 2, 2015 – FPA U.S. Value Fund, Inc. pays capital gains distribution
- October 15, 2015 – Following the completion of the portfolio transition, FPA U.S. Value Fund, Inc. opens to new investors

FPA U.S. Value Fund, Inc. – Fund highlights

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

Investment philosophy

- Avoid permanent capital impairment
- Invest in quality businesses at attractive valuations
- Preference for companies with good management

FPA U.S. Value Fund Portfolio Manager: Gregory R. Nathan

Professional background

- 13 years investment experience
- Was most tenured senior analyst of FPA Contrarian Value
- Key contributor for FPA Contrarian Value
- Deep expertise: the skill and experience to identify quality companies selling for a discount

Professional biography

- 2007-2014: Senior Analyst for FPA Contrarian Value
- 2005-2006: Managing Member of Coldwater Asset Management, LLC
- 2003-2004: Analyst for FPA Contrarian Value
- 2002-2003: Analyst for Lakeway Capital
- 1998-2002: Earned Bachelors Degree in Business Administration (with distinction) from the University of Michigan

Alignment of interests

- Within 12 months, plan to have significant personal investment with at least $1mm invested in the Fund

Investment philosophy

Avoid permanent capital impairment

- An investment discipline on business quality, valuation and financial leverage
- An appropriate level of diversification by number of investments and industry exposure

Invest in quality companies at attractive valuations

- Typically looking for quality companies that appear misunderstood and/or out of favor
- Portfolio's returns can benefit from future above-average earnings growth, free cash flow that can be returned to shareholders as well as the potential for expanding earnings multiples

Definition of quality

- Strong and enduring competitive positions
- Growing businesses within a growing industry resulting in growing earnings
- Current and/or prospective high returns on capital
- Current and/or prospective robust free cash flow generation

Preference for companies with good management

- However, we may consider investments in good businesses that are not well-managed provided executives can be replaced and there is an ample discount to our estimate of intrinsic value
  - The quality of the business and valuation are the most important investment criteria

Portfolio construction

- Broad market capitalization
  - The Strategy will invest in companies with market caps of $2 billion or more, at time of purchase
  - Allows us to invest wherever the best opportunities arise
- U.S. companies
  - At least 80% of the portfolio will be invested in U.S. companies[1]
- Opportunistic foreign investments
  - Up to 20% of the portfolio may be invested in non-U.S. companies whose largest market is outside the U.S.
- Appropriate diversification
  - Typically 20 to 30 companies
  - Individual positions will not exceed 5% of total assets at time of purchase
  - Approximate average position size of 3% to 4%
- Normally fully invested
  - Focus on owning high-quality companies we believe should increase in value over time
  - Cash will usually not exceed 10% of the portfolio

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.

Idea generation

Discovery

Meetings
- Management meetings
- Conferences
- Suppliers, customers, competitors, industry experts

Third party research
- News and journals
- Independent and Wall Street analysts

Systematic screens

Quality
- Return on Capital > 10%
- Return on Tangible Capital > 15%

Capitalization
- $2B+

Valuation
- Price/normalized unlevered after-tax earnings < 15x

Expertise uncovering a diverse set of opportunities

- An unconstrained and continuous search
  – Multiple sources of ideas
  – Clear and rigorous criteria

Research and analysis

A comprehensive view of each business's potential and value

1. Financial Analysis

Deep analysis of 5+ years' financials to understand:

- Business model – how does the company's business make money?
- Management's discussion and analysis of outcomes and outlook
- Capital allocation – what did management do with the cash flow?
- Company and industry-specific accounting

2. Operational Analysis

Discussions with management, customers and suppliers to establish:

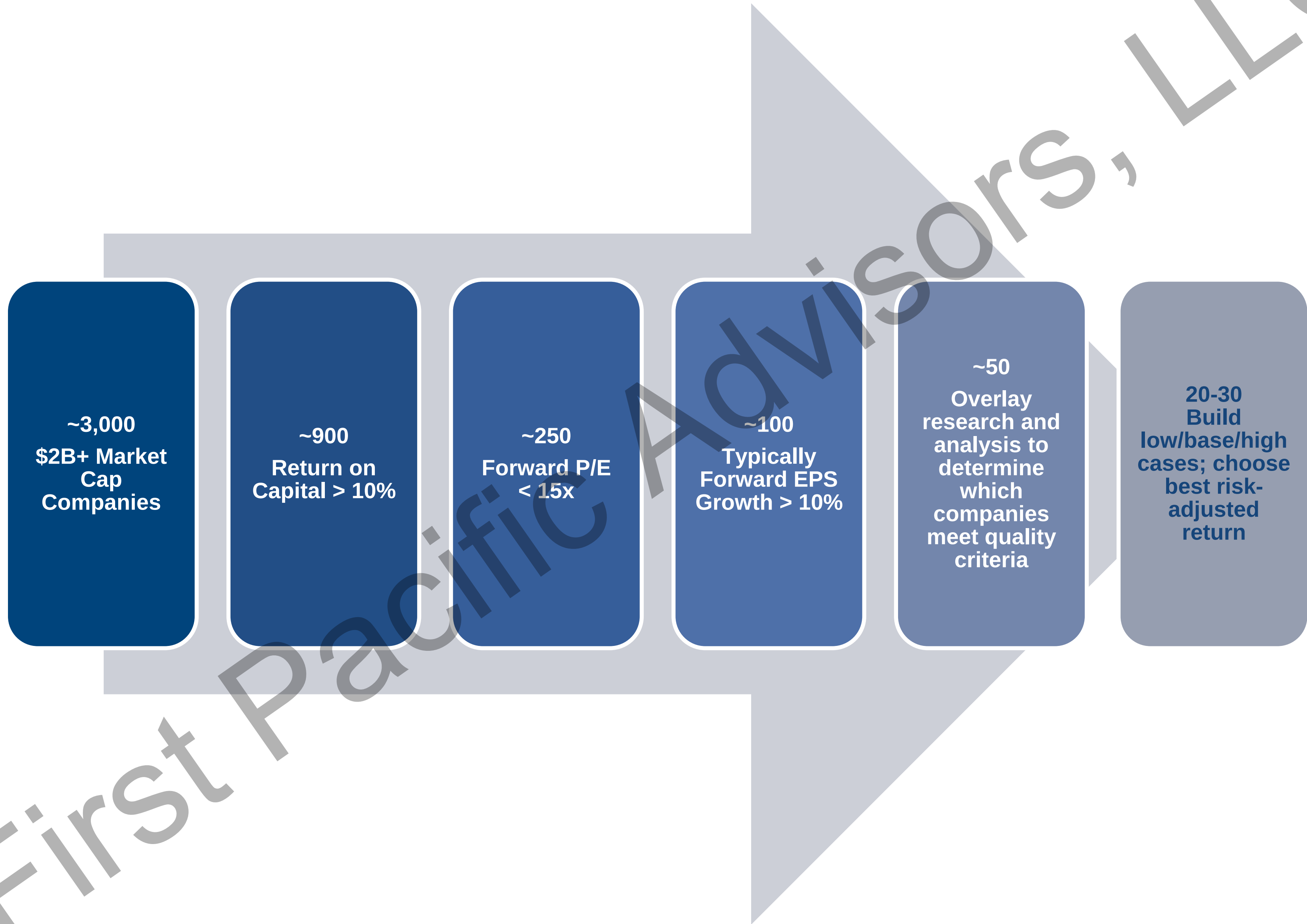
- Business model execution and issues
- Competitive framework of industry
- Threat of new entrants and substitute products
- Bargaining power of customers and suppliers
- Management incentives

3. Valuation

Analysis to determine:

- Low/Base/High cases of the company's earnings for the next 3-5 years
- Typically <15x normalized unlevered after-tax earnings

Investment process



Sell discipline

Reasons to sell

- The market has recognized the company's quality with a valuation re-rating such that estimated future returns from that new price are projected to be below average

- An investment thesis is proven wrong
  - Will not rationalize holding an investment even if the price/valuation has declined

- A superior opportunity becomes available

Risk management

Risk control tools	Beneficial result
Broad market cap strategy ($2B+)	Invest wherever the best opportunity is
Investing in high-quality companies with solid balance sheets	Reduced risk of permanent capital impairment from business risks and/or excessive leverage
Value bias – invest in quality companies selling at discounted prices	Provides a greater margin-of-safety as well as the potential for better prospective returns over the long-term
Focus on companies that generate robust free cash flow coupled with the ability to invest capital at high rates of return and/or return cash to shareholders	Favors less capital intensive businesses that can grow organically and return cash to shareholders, generally resulting in a superior total return compared to the market
Long-term focus with low portfolio turnover	Lower trading costs and greater tax efficiency
Ability to hold up to 10% cash if quality/value criteria is not offered by the market to construct a diversified, fully invested portfolio	Reduces risk of permanent capital impairment and can help reduce downside capture of market declines

FPA U.S. Value Fund portfolio as of September 30, 2015

	FPA U.S. Value Fund	S&P 500
12-Month Forward P/E	11.8x	15.4x
Price/Book	2.3x	2.6x
Return on Equity	15.3%	17.5%
EPS Growth Historical (2-year, $weighted median)	12.4%	8.2%
EPS Growth Forecast (2-year, median)	11.9%	11.8%
Debt/Equity	0.1x	0.1x
Weighted Average Market Cap (billions)	$39.7	$128.5

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.
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 18.2% excluding finance related debt for BMW and DAI and removing AXP and KKR; HMHC numbers are using cash EBITDA and free cash flow due to unique accounting rules for its business.
Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.
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.

FPA U.S. Value Fund portfolio as of September 30, 2015

Sector	FPA U.S. Value Fund	S&P 500
Consumer Discretionary*	41.69%	13.09%
Financials	18.05%	16.53%
Health Care	14.25%	14.67%
Industrials	10.45%	10.05%
Consumer Staples	0.00%	9.93%
Energy	0.00%	6.93%
Information Technology	0.00%	20.41%
Materials	0.00%	2.82%
Telecommunication Services	0.00%	2.42%
Utilities	0.00%	3.15%
Total	**84.44%**	**100.00%**
Other	**2.30%**	
Cash and equivalents (net of liabilities)	**13.26%**	

**Houghton Mifflin Harcourt, included in the consumer discretionary sector, derives a majority of its revenue and profit from its Education segment, which primarily provides education solutions to educational institutions for the pre-K – 12 market.*
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FPA U.S. Value Fund portfolio as of September 30, 2015

Consumer Discretionary	**41.69%**
TWENTY FIRST CENTURY FOX	5.93%
CBS	5.41%
HOUGHTON MIFFLIN HARCOURT*	5.25%
BAYERISCHE MOTOREN WERKE	5.25%
TIME WARNER	5.24%
DAIMLER	4.03%
MADISON SQUARE GARDEN	3.13%
DISCOVERY COMMUNICATIONS	2.92%
CIE FINANCIERE RICHEMON	2.48%
RALPH LAUREN	2.05%
Financials	**18.05%**
AMERIPRISE FINANCIAL	5.37%
INVESCO	3.90%
AMERICAN EXPRESS	3.47%
KKR + CO	3.28%
BLACKROCK	2.03%
Health Care	**14.25%**
ALLERGAN	3.67%
MCKESSON	3.87%
EXPRESS SCRIPTS HOLDING	3.46%
AMGEN	3.25%
Industrials	**10.45%**
CUMMINS	5.36%
INGERSOLL RAND	5.09%
Other	**2.30%**
Cash and equivalents (net of liabilities)	**13.26%**
Total net assets	**100.00%**

Portfolio holdings highlights

- All companies operate within secularly growing industries
- All 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 leaders in their respective industries
  - 9 of these 21 companies are #1 players
  - 15 are in the top 3

**Houghton Mifflin Harcourt, included in the consumer discretionary sector, derives a majority of its revenue and profit from its Education segment, which primarily provides education solutions to educational institutions for the pre-K – 12 market.*
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Making a case for the Pay TV industry

Headlines from the WSJ in August 2015:

Cord-Cutting Weighs on Pay TV
Stocks of media firms with cable channels are hit on subscriber losses

Ad Woes Pummel TV Firms
Viacom's weak results fan the flames of a media-industry meltdown

- Companies with the largest exposure to Pay TV have been hit hard in 2015 due to concerns over perceived structural issues related to declines in subscribers and ad spending
- This has resulted in an out-of-favor sector that trades at a ~20% lower valuation than the S&P 500 despite better relative EPS growth (based on consensus estimates)

	Share price 12/31/2014	Share price 9/30/2015	Share price % change
S&P 500	2,058.90	1,920.03	-6.7%
Viacom	73.78	43.15	-41.5%
Scripps Networks	74.45	49.19	-33.9%
21st Century Fox	38.02	26.98	-29.0%
Discovery	33.72	24.29	-28.0%
CBS	54.88	39.90	-27.3%
Time Warner	84.30	68.75	-18.4%
Disney	93.65	102.20	9.1%
AMC Networks	63.77	73.17	14.7%
Average			-19.3%
Median			-27.6%

	2016E EPS	2016E P/E	2017E EPS	2017E P/E
S&P 500	$128.41	15.0	$142.57	13.5
Viacom	$5.97	7.2	$6.48	6.7
CBS	$4.06	9.8	$4.52	8.8
Scripps Networks	$4.86	10.1	$5.30	9.3
Time Warner	$5.66	12.1	$6.60	10.4
21st Century Fox	$2.05	13.2	$2.50	10.8
Discovery	$1.95	12.5	$2.17	11.2
AMC Networks	$5.52	13.3	$6.14	11.9
Disney	$5.67	18.0	$6.35	16.1
Average		12.0		10.6
Median		12.3		10.6

Source: Capital IQ

Making a case for the Pay TV industry

Cord cutting: perception vs. reality

- The number of households with pay TV has remained steady while the adoption of SVOD services like Netflix and Hulu Plus grew
  - Networks will increasingly offer full, in-season stacking rights which give subscribers the ability to watch any episode of a program's current season through VOD once it has aired
  - These stacking rights will allow one's traditional Pay TV subscription to act more like Netflix's and Hulu's user-friendly services, which will make a Pay TV subscription much more valuable to the consumer

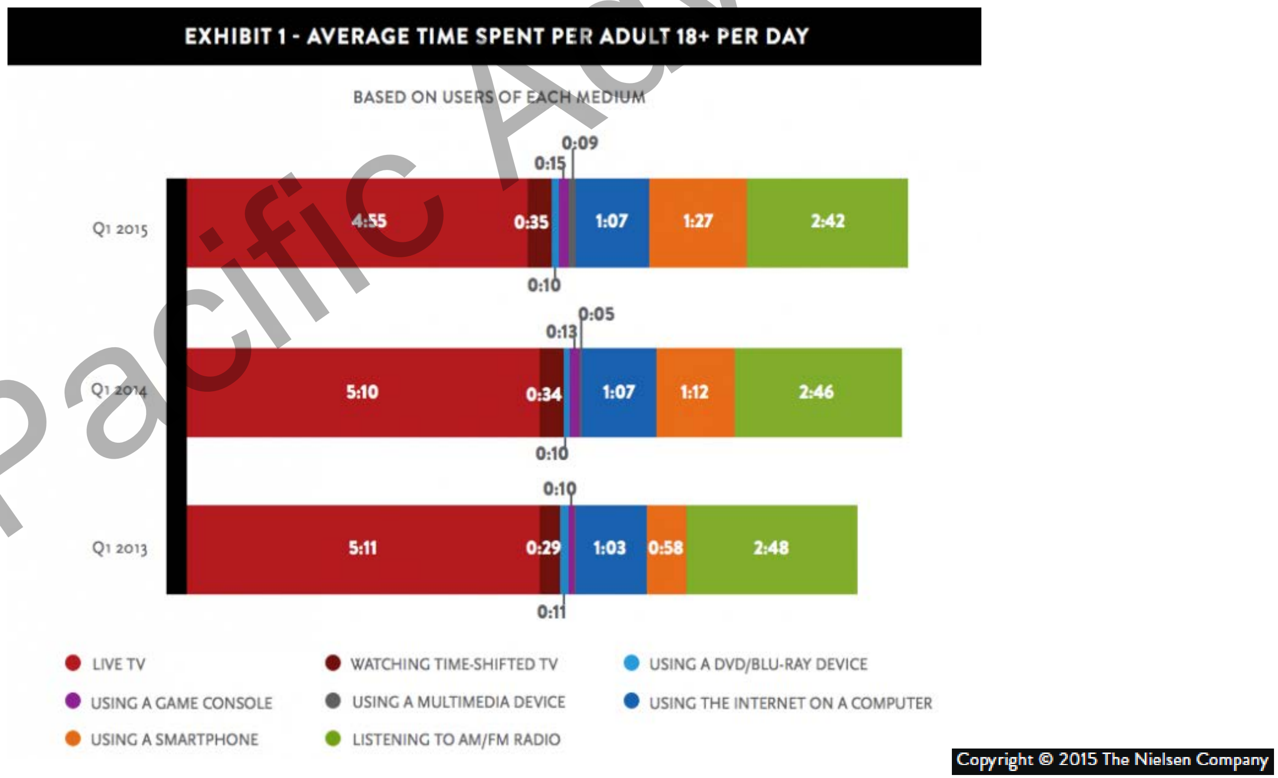
U.S. TV Distribution (in millions)	1983	1993	2003	2008	2009	2010	2011	2012	2013	2014	Q2'15
TV Households	83.3	94.0	108.4	113.4	114.4	115.9	116.4	117.0	117.4	118.7	119.7
Basic Cable Subscribers	31.4	57.2	66.4	64.2	62.6	60.4	58.6	57.0	55.1	53.7	52.4
DBS Medium and Full Power Subscribers	-	-	21.6	31.3	32.7	33.4	33.9	34.1	34.3	34.3	34.2
Telco Television Subscribers	-	-	-	3.2	5.3	7.1	8.7	10.2	11.8	13.2	14.4
Other	0.8	2.9	1.7	0.9	0.8	0.7	0.7	0.6	0.5	0.4	0.3
Multichannel Subscribers	**32.2**	**60.2**	**89.7**	**99.6**	**101.4**	**101.6**	**101.8**	**101.9**	**101.5**	**101.6**	**101.6**
% household penetration	**38.7%**	**64.0%**	**82.8%**	**87.8%**	**88.6%**	**87.6%**	**87.5%**	**87.0%**	**86.5%**	**85.6%**	**84.9%**
Premium Subscription Services											
Subscribers (via pay-TV distributors)											
Showtime / TMC / Flix				58.7	61.3	67.1	73.3	76.1	76.4	7.6	77.9
Starz / Encore				49.4	47.5	51.0	52.8	56.1	57.1	57.3	58.0
HBO / Cinemax				41.0	41.1	39.5	39.6	41.5	43.4	46.2	47.8
EPIX / EPIX Drive-In				-	0.3	8.6	9.6	9.9	9.9	9.9	10.4
Total Premium Subscribers				**149.1**	**150.2**	**166.2**	**175.3**	**183.6**	**186.8**	**121.0**	**194.1**
U.S. Subscribers (direct-to-consumer)											
Netflix Paying Streaming Subs				9.2	11.9	18.3	20.2	25.5	31.7	37.7	41.1
Netflix Paying DVD Subs							11.0	8.0	6.8	5.7	5.3
Netflix Total Paying Subs				9.2	11.9	18.3	31.2	33.5	38.5	43.4	46.4
Hulu Plus Paying Subs				-	-	-	1.4	3.1	5.0	7.0	9.0
Total Domestic DTC Paying Subscribers				**9.2**	**11.9**	**18.3**	**32.6**	**36.6**	**43.5**	**50.4**	**55.4**
Netflix Paying Streaming Subs (International)						0.3	1.4	4.9	9.7	16.8	21.7

Source: Bernstein Research

Making a case for the Pay TV industry

TV Ad declines: perception vs. reality

- Has more to do with Nielsen's current inadequate ratings measurement system than waning viewership of Pay TV content
  - Measurement system does not capture viewership outside of a C3 (current day + 3 days) or C7 (current day + 7 days) window
    - For a typical non-sports TV show, viewership approximately doubles over 30 days compared to live viewing
  - Measurement system does not capture non-linear viewing on such devices as mobile phones, tablets and PCs
  - Over time, this issue can be solved by Nielsen's new measurement system coupled with the increasing use of Dynamic Ad Insertion (DAI) to advertise to viewers consuming content non-linearly and/or linearly outside of a C7 window



Making a case for the Pay TV industry

Robust industry economics

- The large cable and broadcast networks enjoy very good economics in large part due to the **subscription-based model of Pay TV, which provides a recurring, predictable revenue stream**
- The average operating margin for Pay TV companies is ~30%
- The average pre-tax return on capital is in the high-teens while pre-tax return on tangible capital is ~50%
- Very capital-light businesses with just ~5% of earnings before interest, taxes, depreciation and amortization (EBITDA) going to capital expenditures
  - Affords these companies the ability to return a lot of free cash flow to shareholders while continuing to grow organically

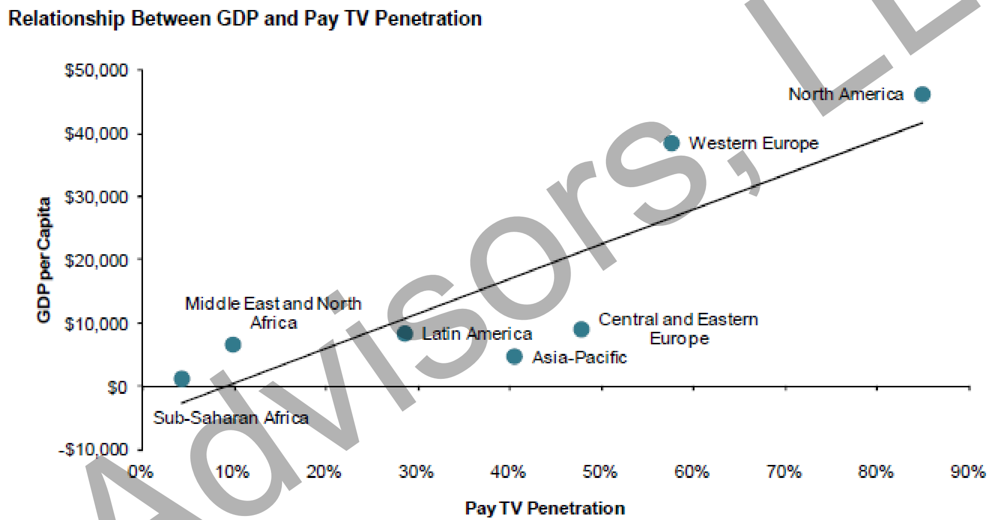
	Business Unit EBITDA Margins							
	DIS	FOXA	TWX	CBS	VIAB	AMCX	DISCA	SNI
Cable Networks	43%	38%	37%	46%	44%	39%	53%	55%
Broadcast Networks	15%	18%		24%				
Total TV	**35%**	**32%**	**37%**	**27%**	**44%**	**39%**	**53%**	**55%**
Non-TV Segments								
Parks and Resorts	25%							
Studio / Cons Prod	22%	15%	13%		8%			
Publishing			17%	11%				
Outdoor Advertising				29%				
Other / Non-media	(4%)	9%				(26%)	26%	
Total Company	**29%**	**23%**	**24%**	**25%**	**31%**	**34%**	**47%**	**50%**

Source: Bernstein Research
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.

Making a case for the Pay TV industry

A growing industry…

- As the global economy grows, so should the demand for high-quality content to feed a growing Pay TV / SVOD industry



- The international box office is 2.5x the size of the U.S. and advertising on TV outside the U.S. is 2x the size of the U.S. market
- This bodes well for the growth of the international Pay TV industry, which is currently similarly sized to the U.S. despite having 6.5x the number of subscribers and a 40% lower household penetration rate
- U.S. media companies' revenue mix is currently ~70% U.S. and ~30% international. Over time, the relative size of the international Pay TV market compared to the U.S. should resemble that of the global box office market.

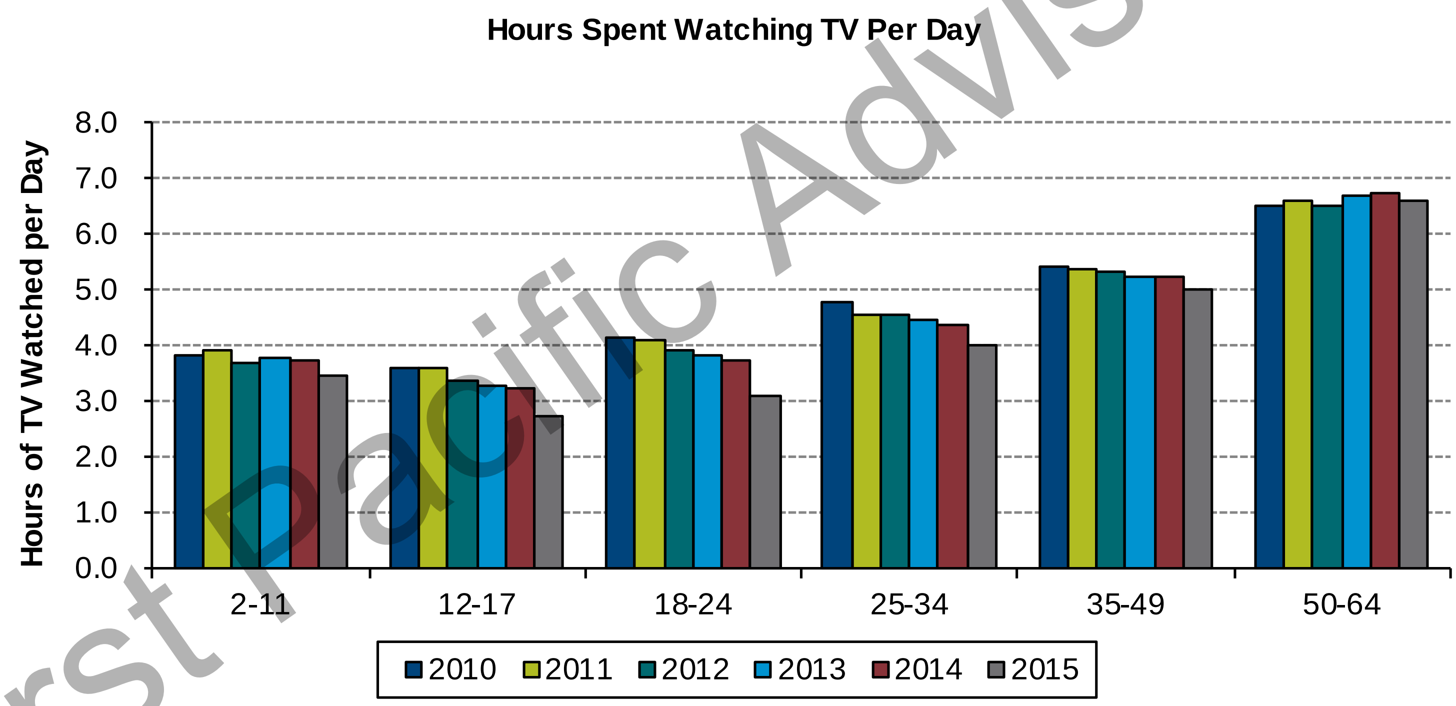
Global Media Markets (2013)

	Pay-TV Sub Fees ($B)	Pay-TV Subs (M)	Pay-TV Fees/Sub	Pay-TV Penetration	Pay-TV Adv ($B)	Adv/ Sub	Box Office ($B)
U.S.	100.0	100	$ 1,000.00	87.0%	63.0	$ 630.00	10.9
International	100.0	649	$ 154.08	46.5%	123.5	$ 190.29	25.0
Total	**200.0**	**749**	**$ 267.02**	**49.6%**	**186.5**	**$ 249.00**	**35.9**

Source: PWC, Ovum, DISCOP, CIA Factbook, The World Bank, government statistics organizations, industry reports and Bernstein estimates and analysis.

Making a case for the Pay TV industry

- Favor companies that should be poised to meaningfully grow their international businesses
- Favor companies with less revenue exposure to advertising for non-sports programs
  - Exception to this are networks such as CBS whose audiences skew older (median age 50+)
    - That demographic represents about half of consumer spending and is much less likely to watch video online compared to the under 50-year-old cohort



Source: Nielsen Media Research

Making a case for the Pay TV industry

- Favor companies that possess “must-have” content including valuable sports rights locked up for many years
- Favor companies priced at a good value for Pay TV distributors in terms of the ratio of ratings share to the share of a Pay TV distributor’s network affiliation expenses
  - Two of the Fund’s largest investments, CBS and 21st Century Fox, own broadcasters, which provide great value to Pay TV distributors

Cable Network Group Summary Fees/Viewer Comparison (for 2015)

Network Group	HH Viewers (000's) Prime	Average Fees ($/sub/mo)	% HH Viewers Prime	% Avg Fees	Ratio: Fee/Viewer Prime
Scripps	2,313	$0.58	3.9%	1.6%	0.42x
A&E	3,195	1.10	5.4%	3.1%	0.58x
Discovery	3,995	1.30	6.8%	3.7%	0.54x
AMC	1,321	0.77	2.2%	2.2%	0.97x
Viacom	4,411	3.01	7.5%	8.5%	1.14x
Time Warner	4,097	3.44	7.0%	9.7%	1.40x
NBCU	4,434	3.38	7.5%	9.6%	1.27x
Fox	2,908	3.30	4.9%	9.3%	1.89x
Disney	2,572	7.54	4.4%	21.3%	4.89x
Others	6,121	7.32	10.4%	20.7%	1.99x
Total Basic Cable	**35,367**	**$31.73**	**60.0%**	**89.8%**	**1.50x**
Broadcast					
CBS		**$0.72**	**12.0%**	**2.0%**	**0.17x**
FOX		0.70	7.0%	2.0%	0.28x
NBC		0.54	7.0%	1.5%	0.22x
ABC		0.62	8.0%	1.8%	0.22x
Others		1.03	6.0%	2.9%	0.49x
Total Broadcast		**$3.61**	**40.0%**	**10.2%**	**0.26x**
Total Basic Cable		**$31.73**	**60.0%**	**89.8%**	**1.50x**
Basic Cable + Broadcast Retrans		$35.34	100.0%		

Source: SNL Kagan, Nielsen

Question & Answer

Disclosure

These slides are intended as supplemental material to the 3rd Quarter 2015 FPA U.S. Value Fund audio presentation that is posted on our website fpafunds.com. We do want to make sure you understand that the views expressed on these slides and in the accompanying audio presentation are as of today, October 28, 2015 and are subject to change based on market and other conditions. 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. Any mention of individual securities or sectors should not be construed as a recommendation to purchase or sell such securities, and any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed.

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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 email at crm@fpafunds.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

Statistics have been obtained from sources believed to be reliable, but the accuracy and completeness cannot be guaranteed and is not a complete summary or statement of all available data. The Standard & Poor's 500 Stock Index (S&P 500) is a capitalization-weighted index which covers industrial, utility, transportation and financial service companies, and represents approximately 75% of the New York Stock Exchange (NYSE) capitalization and 30% of NYSE issues.

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. Certain funds 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. 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.

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

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the security examples discussed. Any statistics have been obtained from sources believed to be reliable, but the accuracy and completeness cannot be guaranteed.

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