1H 2020 FPA US Value Fund (FPPFX) Webcast
July 27, 2020

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The most current prospectus can always be obtained by visiting the website at www.fpa.com, by calling toll-free, 1-800-982-4372, or by contacting each Fund in writing.

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Moderator: Hello, and welcome to today's webcast. My name is Heidi, and I will be your web event specialist today. All lines have been placed on mute to prevent any background noise. Please note that today's webcast is being recorded.

During the presentation, we will have a question and answer session. You can ask text questions at any time. Click the green Q&A icon on the lower left-hand corner of your screen, type your question in the open area, and click Ask to submit.

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And finally, should you need technical assistance, as a best practice, we suggest that you first refresh your browser. If that does not resolve the issue, please click on the Support option in the upper right-hand corner of your screen for online troubleshooting.

It is now my pleasure to turn today's program over to Kristina Surkova. Kristina, the floor is yours.

Kristina: [Please reference slide 1] Thank you. Good afternoon and thank you for joining us today. We would like to welcome you to FPA US Value's First Half 2020 Webcast. My name is Kristina Surkova, and I support the Fund on the client service side. The audio, transcript, and visual replay of today's webcast will be made available on our website, FPA.com.

In short order, you will be hearing from Gregory Nathan, the portfolio manager of the Fund. As a reminder, Greg took on the management of this fund on September 1, 2015.

As part of today's agenda, we will cover fund highlights, market commentary, performance and portfolio activity, and then open it up to question and answers. At this time, it is my pleasure to hand the call over to Gregory Nathan. Greg, over to you.

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Gregory: [Please reference slides 2 and 3][1] Thank you for that introduction. I am proud to report that the Fund had a very good first half of 2020. It returned 2.5 percent, or 3.11 percent gross before fees and expenses. This compares favorably to the S&P 500's negative 3.08 percent total return. The Fund performed [better than] the index by 6.19 percent before fees and expenses, and by 5.58 percent net of all fees and expenses [year to date]. What is worth noting about this performance is that in Q1, during the most severe and abrupt bear market we have witnessed in over a decade due to the coronavirus pandemic, the Fund returned negative 17.64 percent, compared to the [S&P 500] index's total return of negative 19.6 percent.

Then, as the market rebounded in Q2, the Fund performed relatively even better, posting a return of 24.45 percent compared to the [S&P 500] index's total return of 20.54 percent. This [relative] performance is a combination of avoiding and being underweight in certain sectors we believe will continue to be growth challenged in the coming years, and then, secondarily, picking high-quality, mid-to-large cap growing companies within sectors we believe have sustainable above-average secular tailwinds, particularly as it relates to the internet, digital,

[1] Please see slide 2 for net performance of the Fund since inception and fee waiver information along with other important disclosures. Comparison to an index is for illustrative purposes only. The Fund does not include outperformance of any index or

and mobile revolution. In fact, the coronavirus has accelerated the relative growth and market share gains of many established, pre-COVID-19 winners.

To understand how we generated this performance, one should appreciate the journey we've been on these past four-plus years. When we took over the Fund in late 2015, we came in with the mindset of putting together a portfolio solely through the lens of a senior analyst. For the first two years, the Fund was highly concentrated, averaging just 27 disclosed investments. We attempted to run the same playbook that worked for us for so long as a successful analyst; essentially mean reversion.

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As an analyst, I focused on out-of-favor industries and companies, and believed that by focusing on average to above-average businesses, over time these companies' results would not be as bad as feared, leading to multiple expansion coupled with decent earnings growth. However, what we saw time and time again over the past few years was that these previously above-average businesses were more often than not continuing to miss expectations. As fundamentals eroded, so too did their stock prices. After two very frustrating years in 2016 and 2017, we knew we had to be more diversified, since we were seeing many historically predictable businesses become increasingly unpredictable.

benchmark in its investment objectives. **Past performance is no guarantee, nor is it indicative, of future results.**

However, as we underperformed again in 2018, what we also understood was that not only was the vast majority of global growth over the past few years technology-related, but technology was also responsible for disrupting a lot of historically high-quality businesses we had an affinity for. We lacked a market-weighting of technology over the first three years because the multiples of so many of these companies were above average. Growing up as a traditional value investor, we learned to be distrustful of companies that had spectacular growth because most companies ultimately become ordinary due to basic economic principles, such as market saturation and increasing competition. As growth slows, multiples contract; thus we rarely invested in above-average multiple stocks.

However, what we finally realized was that we are in the early innings of several major growth trends tied to the internet, digital, and mobile revolution. So towards the end of 2018 during the market selloff, we took the opportunity to become more invested in technology companies and other companies we believe will be beneficiaries of technology for many years to come. Thus, for the first time since managing the Fund, we have finally had a market-weighting of information

technology entering 2019, which partly explains why we were able to outperform meaningfully last year.[2]

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Our sector exposures heading into 2020 remain fairly similar to 2019. And as the market sold off many stocks indiscriminately in 2020, we took the opportunity to further upgrade the quality of the portfolio with minimal tax consequences. As a result, we believe the Fund is well-positioned to continue to capitalize on many of the key investor themes we will discuss later on in the presentation.

With all that being said, we believe the backdrop for investing in mid-to-large cap growing companies continues to be relatively attractive to other asset classes, but less so on an absolute basis, given how much valuations have risen over the past year. The 10-year US Treasury rate, at less than one percent, remains near all-time historical lows. [We think] this is helping drive investor demand to high-quality growing and liquid mid-to-large cap equities.

A large part of this increase in valuation can be attributed to long-term interest rates declining. The 10-year US Treasury yield declined from approximately 1.9 percent at the end of 2019, to under 0.7 percent as of June 30.

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

One of the biggest drivers of return differentials in the market is the valuation spreads we are continuing to see widen out between companies the market perceives as having structural, above-average, long-term growth—i.e., current winners—versus companies who terminal values are more in question, often due to technological disruption, i.e., potential losers. Therefore, it is imperative to avoid investing in potential losers whose fundamentals are eroding, and instead stick to high-quality companies we believe have sustainable competitive positions that should result in above-average organic growth over the long term.

Regarding today's agenda for the call—first we're going to walk through the Fund highlights. Then we'll touch on our investment philosophy and process. Following that, we will discuss some key investment themes which are helping shape the portfolio. After that, we will give an update on the Fund's performance and portfolio activity. Lastly, we will go through Q&A. If you are unable to participate in the live webcast and/or do not get your questions answered, please feel free to reach out to Kristina Surkova in client service.

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[Please reference slide 4] Regarding the Fund overview, the primary objective of the US Value Fund is growth of capital over the long term. Our goal is to outperform the S&P 500 over full market cycles, which

we define as an approximate seven-year period. The bottom line is we believe we have created a core equity fund that is a better version of the index. There are many great companies in the S&P 500, and several outside of it. However, there are a lot of mediocre and subpar companies in the index that we believe will have a difficult time growing at or above the rate of GDP growth in the coming years.

As a result, as we are constructing our portfolio, we feel it makes sense to try to eliminate the worst parts of the index by being willing to avoid altogether and significantly underweight certain sectors. Then we look to accentuate what we believe is the top 40 percent. If we are successful in continuing to do that, we believe the Fund will generate further meaningful risk-adjusted performance in the future.

[Please reference slide 5] Let me walk you through the key parameters as to how the portfolio is constructed. The Fund’s multi-cap strategy affords us the ability to invest wherever the best opportunities arise. At least 80 percent of the portfolio will be invested in U.S. companies. As of June 30, the portfolio is 92 percent invested in U.S. companies.

At the same time, we have the ability to make opportunistic foreign investments, which stands at 7.2 percent of the portfolio. Appropriate diversification, individual positions will not exceed 5 percent of total assets

at the time of purchase, generally fully invested. The reason for this is the portfolio is made up of what we believe are undervalued, high-quality companies that should compound in value over time. Therefore, cash will usually not exceed 10 percent of the portfolio. Cash and equivalents made up 0.8 percent of the Fund as of June 30.

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The foundation of our portfolio construction process stems from our investment objective of seeking long-term growth of capital. At the same time, we have a goal of generating investment returns that exceed the S&P 500 over full market cycles, all while minimizing the risk of permanent capital impairment.

[Please reference slide 6] Our view is that the world is dynamic, with change taking place seemingly faster than ever before. Therefore, it is critical to have a reasonably diversified portfolio to mitigate unforeseen risks, namely disruption to business models. While we consider investing in all industries at any given time, we will not invest in all industries if that means taking undue risk and/or negatively impacting long-term returns.

We deconstruct the S&P 500 whereby, in the famous words of Bing Crosby, we are trying to *accentuate the positive, eliminate the negative, latch onto the affirmative, and don't mess with Mister In-Between*.[3]

[3] '"Ac-Cent-Tchu-Ate the Positive" was a popular song published in 1944 with the music written by Harold Arlen and the lyrics by Johnny Mercer. Bing Crosby made a recording on December 8, 1944 with The Andrews Sisters.

We start by eliminating or underweighting unfavorable sectors due to relative inferior quality, lack of above-average growth, and/or unattractive valuation. For 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 organic revenue and earnings growth, and valuation.

We 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, provided we can find the requisite high-quality companies at attractive valuations.

Cash is a byproduct of what is left over from having 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.

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[Please reference slide 6] In order to deliver on our goal of outperforming the S&P 500 [over full market cycles], we believe it is imperative to avoid the worst parts and embrace the best aspects of the index. We have delivered meaningful outperformance over the past six

quarters in a thoughtful, well-diversified, risk-adjusted manner.[4] We seek alpha by trying to avoid the biggest losers, and then secondarily, by trying to pick the greatest winners.

First, we have explained which sectors we are purposely avoiding and underweight as well as the reasoning behind the ones we are overweight. Second of all, we are surgical in choosing our largest investments. Our top ten positions do not exceed more than half the portfolio. Additionally, we have averaged 53 investments over the past 18 months, and are approximately 40 percent average overlap with the index. What is interesting to note is that many investors have the view that in order to outperform the market over time, you have to run with a concentrated portfolio. However, the numbers do not support that.

[Please reference slide 7] For example, from 2016 to 2019, the S&P 500's cumulative total return over those four years was 71.5 percent. The top 50 contributing stocks to the index's performance had a median return of approximately 109 percent, while the top 250 contributing stocks had a median return of 102 percent. In theory, one could put together a highly diversified portfolio of 250 equally weighted stocks over the past four years and generated over 30 percent of alpha.

However, the bottom 250 contributing stocks had a median return of 28 percent. The negative alpha of the median bottom 250 was negative

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

43.5 percent. The bottom 100 stocks had a median return of negative 9.5 percent. This tells you it is just as important, if not more important, to avoid big losers compared to picking winners.

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Another key point to make is that the top contributing stocks over these four years were in a variety of sectors, including information technology, communication services, consumer discretionary, healthcare, financials, and industrials. Moreover, the same is true about the greatest detractors. Therefore, the main takeaway to me is that one can certainly outperform, and outperform meaningfully, with a diversified portfolio.

However, what it comes down to is a good batting average, i.e., having more of those stocks in your portfolio that are in the top 250 and as few as possible in the bottom 250.

Another crucial reason we believe a portfolio should be reasonably diversified is due to increasingly faster disruption to business models across many industries. To better manage this risk, we want to operate with a sense of less conviction and more paranoia. As public investors, we can only know so much. Placing too much faith in management, who are human and thus often wrong, is not the answer. By having 50-plus positions and a wish list of companies we would like to invest in at the right valuation, we are not reliant on any one investment. Thus, when our

portfolio company disappoints us, we are mentally free to sell and move on. Stocks are just stocks, and serve investors only one purpose: to generate good returns. When they cease to do that, they do not need to be in our portfolio. That is the beauty of the public market. It gives us liquidity to freely buy and sell.

[Please reference slide 8] It is important to emphasize, we are investors who seek to find high-quality companies that have the ability to organically grow revenue and earnings at above-average rates over the long run. In addition, we invest in these companies at what we believe are compelling valuations.

Over my 13-year professional career as an analyst from 2002 to 2015, I was able to generate investment ideas with market-beating returns by fishing for stocks trading at below-market multiples.

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Therefore, if you fished in a global pond across industries and market caps and you focused on buying quality stocks trading at below-market multiples, you had good odds of outperforming the market over time.

However, beginning in 2012, this all changed. Technology earnings growth began to outpace non-tech earnings, and over the past few years, tech earnings growth has exploded while non-tech earnings have flatlined.

Many companies that historically exhibited growth no longer were. And now, due to the pandemic, many are declining.

When I transitioned from an analyst to a portfolio manager, my portfolio construction process was simply to create a concentrated portfolio of my best ideas. Just as I was an analyst, I would be completely bottoms-up because historically, there was not any one particular sector that exhibited significantly better growth than others did for sustained periods. And I would buy stocks at below-market multiples because you were generally not getting more value paying up for the higher-multiple stocks, as most could not maintain their above-average growth rates. This is why value or low-multiple stocks generally performed as well as higher-multiple growth stocks from 2003 through 2015, which you can see on the graph on the right.

Keep in mind, very few things last forever. Economic principles remain true even for tech companies, which are at risk of disruption by competitors over time. Just look at IBM and Oracle for example, which continue to lose market share and grow slower than its end markets. Thus, we are not advocating putting all of our eggs in one basket.

There are high-quality companies in non-tech sectors which we think have the ability to grow at above-average rates for several years. However, they are rare, and those that do exist often have expensive

valuations. As a result, nearly half of the disclosed portfolio is in non-tech sectors.

I think it is important to explain why the Fund has such large exposure to information technology and communications services. These are the two largest sector exposures that are both tech-related and combined make up over 55 percent of our disclosed investments.

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Information technology is the largest sector in the S&P 500 and in the Fund because we believe it is one of the highest quality due to its consistent above-average organic revenue and earnings growth. We believe that the portfolio's exposure to information technology and communications services will continue to benefit the Fund's performance going forward. This is certainly one of the core reasons for our meaningful outperformance over the past couple of years and into July.[5]

Given where valuations are currently across industries, we are comfortable with this composition. However, we would probably be inclined to further increase our exposure to tech on any broad-based, indiscriminate market weakness because [we believe] that is where most of the global growth is, and that is where we believe most of it will likely be for many years to come. Should that change, expect the portfolio's

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

composition to as well. We want to invest wherever the growth is, at compelling valuations. We are mentally flexible and our portfolio will flex accordingly.

[Please reference slide 9] I want to take some time to explain how the portfolio is positioned to benefit from some of the largest forces driving global economic growth, namely the internet, digital, and mobile revolution. We believe that approximately three-quarters of the portfolio should benefit from these multi-secular trends including digital advertising, cloud computing, e-commerce, digital payments, mobile operating systems, digital media, digital banking, software-as-a-service, digital and mobile gaming, digital health, online travel bookings once travel comes back to more normal levels, and autonomous vehicle software. As you can see, many of our portfolio companies are positioned to benefit from multiple secular growth trends.

[Please reference slide 10] Now we're going to go into a bit of a deep dive into some of these major secular growth trends, so you can better understand why the portfolio is positioned the way it is to benefit from them. I would also refer you to our second half 2019 webcast presentation, which goes into further detail on some of these areas of secular growth.

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First, let's look at global digitalization. How people across the globe, communicate, access, and store information will continue to influence how the world conducts business. As you can see from the graph on the left, the number of global smartphones is expected to grow to 4.5 billion in 2022, or nearly 20 percent over four years. Equipment connected to the internet, including smartphones, smart watches, digital media devices like Roku, and digital assistants like Alexa, [are expected to] nearly double to over 40 billion devices from 2018 to 2022, and the amount of global data we are consuming will nearly triple over this four-year period. Part of this will be made possible by 5G technology, which is expected to account for nearly half of all smartphone shipments by 2024. Personally, I'm excited to get the new Apple iPhone with 5G hopefully later this year.

[Please reference slide 11] As more people around the world are habitually connected to the internet, the growth of e-commerce should continue for many years. E-commerce sales are expected to be up 50 percent in the US, and 60 percent globally over the next four years to 2024.

[Please reference slide 12] As global e-commerce grows, how the economic pie is split amongst the various supply chain participants will continue to evolve. These are some of the most important charts to

understand, and really helps to put into context why we are so bullish on so many of our portfolio companies.

The companies that have the strongest direct relationships and brands providing the best overall customer experience are positioned to capture more of the pie over time. In this example of a $100 retail sale, half of the economics is going to the brick and mortar retailer. Thus companies like Nike and Adidas are well-positioned to sell more of its products direct to consumer, or DTC, and capture a higher margin of those sales. Nike and Adidas have stated that online DTC sales are approximately two to three times more profitable than brick and mortar retail sales sold through third parties, and looking at this chart helps explain why.

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As e-commerce grows, certain distribution expenses, store rent, and associated overhead, as well as traditional advertising expenses, are reduced, freeing up more spending on effective customer acquisition. Therefore, performance marketing is not purely advertising. Rather, it is money spent effectively on acquiring customer transactions. Essentially, it is the economic rent of e-commerce.

In an e-commerce-centric model, a sizable chunk of the economics of a sale that would have gone to the retailer, and in many cases a

distributor, is freed up and can be reallocated to find additional customers more cost-effectively. Evercore ISI estimates that in a $100 traditional physical retail sale that moves online, advertising spent for that sale increases by 125 percent. In our view, the market opportunity for the likes of Alphabet's Google properties and Facebook's social media platforms have often been defined too narrowly as advertising within a traditional framework based on a physical retail-centric model.

Given that people are spending an increasing amount of time using search and social media, companies are increasingly advertising more on Alphabet's and Facebook's platforms to reach targeted consumers cost-effectively. If you think about it, if a DTC sale for Nike and Adidas is two to three times more profitable than a retail sale of the same product, companies like Nike and Adidas are willing to spend an increasingly greater amount of money on digital advertising in order to get more customers to buy products directly through its app or website.

With over 1 billion active monthly users on Instagram, it is logical that Nike and Adidas should be willing to spend an increasing amount of money on that platform to drive those much higher margin DTC sales. Thus, it stands to reason social media platforms like Facebook and Instagram [may] likely see its pricing rise nicely over time.

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[Please reference slide 13] The king of e-commerce, Amazon.com, continues to grow its Prime customer base, which now stands at over 50 percent of US households. This increasing scale provides it with unique opportunities and more competitive advantages.

[Please reference slide 14] Amazon is keeping its foot on the accelerator, so to speak, by offering one-day shipping on an increasing number of goods sold and fulfilled by Amazon. Again, referring back to the charts where half of the economics is going to the physical retailer and distributor in a traditional retail sale—because Amazon does not have a lot of those traditional physical retail expenses, it is able to reallocate resources toward one-day shipping, and utilizing the gross profit dollars from a growing number of sales to help pay for that costly expense.

Over the past few years, Amazon has been growing its data and fulfillment square footage at a healthy clip. Much of this growth is in smaller, local centers within urban areas where there is population density. This allows it to increase its total addressable market by being able to sell consumers various goods and services that are more time sensitive, such as groceries, meals, and health care.

[Please reference slide 15] As Amazon delivers an increasingly greater percentage of a growing e-commerce market, [we believe] its cost per item delivered should decline over time, and result in an even greater

competitive advantage. In my opinion, this is a virtuous cycle that will continue to distance Amazon from the competition. Amazon is willing to take the upfront hit to expenses by offering one-day shipping on a growing number of items.

As it continues to take more market share, its gross profit dollars from selling these items allow it to reinvest more into its delivery network. Companies like UPS and FedEx, which do not capture a piece of the gross profit dollars from sales of products, do not have those dollars to help invest in their offering in order to provide faster, cheaper delivery. So what you will likely see over time is Amazon continue to take share, utilize more of its own delivery network, and cause retailers and delivery companies to suffer the impact from fixed-cost deleverage.

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[Please reference slide 16] Another key investment theme for the Fund is its investments in the cloud and enterprise software industry. Amazon Web Services, or AWS, data suggests that over 90 percent of compute spend is still on-premises, and less than five percent is in the cloud, which translates into a large market opportunity. Oppenheimer estimates that enterprises have only migrated only about 20 percent of workload to the cloud in the US, and worldwide enterprise cloud adoption

is even less, which helps explain why [we believe] this industry stands to have robust growth for many years to come.

[Please reference slide 17] Globally, companies are in the early innings of cloud adoption across their enterprises. New use cases from the likes of the internet of things, artificial intelligence, and autonomous vehicles may help fuel industry growth. How quickly enterprises are willing to embrace the cloud and all of its benefits may help determine who the winners are within their respective industries.

[Please reference slide 18] Regarding the portfolio’s holdings, we’d like to point out a few highlights. We believe our companies operate within secularly growing industries. The aforementioned key investment themes are helping fuel above-average growth for many of the Fund’s portfolio companies. In our view, the Fund’s holdings have strong competitive positions due to advantages stemming from having large scale and a low cost structure, superior products and services, and/or high-quality brands. A majority of these companies are among the top players in their respective industries.

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[Please reference slide 19] I think it’s worth understanding US Value’s portfolio characteristics compared to the S&P 500. While US Value is reasonably diversified, with 78 investments, 67 of which are

disclosed, we are more concentrated than the index. US Value has 36.4 percent of the disclosed portfolio in its top five holdings compared to 22.7 percent for the S&P 500. Our top 10 disclosed investments make up about half the portfolio compared to 27 percent for the index.

One differentiator is over seven percent of our portfolio is invested in foreign equities while the S&P 500 has none. Today you can see that the median and weighted average market cap of our portfolio is considerably higher than the index. That is because some of the largest companies in the index, such as Apple, Microsoft, Amazon, Alphabet, and Facebook, are some of our largest positions. This also contributes a great deal to our portfolio's approximate 40 percent disclosed overlap with the index.

We believe these are some of the highest-quality businesses we have ever come across, and they share an ability to grow revenue and earnings at above-average rates for many years to come.

In terms of comparative quality, there are a few metrics you can look at to give you a sense but don't tell the entire story. The companies in our portfolio over the past two years have grown revenue and earnings faster than the index by approximately six percent and 11 percent respectively. At the same time, based on consensus estimates, over the next couple of years, expectations are both for revenue and EPS to grow

at a faster rate of approximately five percent and nine percent respectively. This is a material difference when compounded over many years.

Our companies also have about a four percent higher return on equity and carry less financial leverage, meaning that on an unlevered basis, return on capital for our portfolio of companies is even higher.

As you can see, the 12-month forward P/E of our portfolio compared to the S&P 500 is at a bit of a premium. We would argue that this valuation premium is well-deserved, given the [attractive] growth rates our portfolio companies have compared to the overall market.

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Many people would say value investing does not work anymore; however, to say that one must first define value. We define value as the relationship of business quality relative to the price you pay for it. Business quality, to us, means the ability to generate sustainable above-average earnings growth over the long term. We have found trying to find value by leading our quest looking for low-multiple stocks is not a good approach. Instead, we focus on finding quality businesses within growing industries. From there, we estimate its long-term earnings power, and as a result, we can have a view as to what an appropriate multiple is for the company and therefore what a good purchase price is.

We believe we will be able to continue finding value by taking a long-term view and hopefully being right on those views much more than we are wrong. Moreover, by using this approach to construct a reasonably diversified portfolio, we are confident this will generate long-term growth of capital, with [the goal of] returns exceeding the S&P 500 over full market cycles.

[Please reference slide 20] Now here is the portfolio sector breakdown as of June 30. There are disclosed investments in 8 of the 11 sectors in the S&P 500. Combined, these eight sectors, which make up approximately 92 percent of the index, account for 94 percent of US Value's disclosed portfolio. Relative to the S&P 500, the portfolio is overweight in information technology, communications services, and consumer discretionary. The Fund is underweight healthcare, financials, industrials, consumer staples, and real estate.

[In our view], Probably one of the greatest differentiators for US Value is our willingness to eschew entire sectors of the market. To that point, US Value currently does not have any disclosed investments in three of the 11 sectors that combined make up 8.4 percent of the index. These sectors are Utilities, Energy, and Materials. This goes back to the earlier point of trying to minimize exposure to inferior parts of the market where we do not see good value.

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[Please reference slide 21] Lastly, and most importantly, let's discuss US Value's performance. We explained the manner in which we put together the portfolio over the first three years is entirely different than how we've been managing the Fund since the end of 2018. Those changes of being more diversified and invested in the right sectors is what has allowed us to deliver on our goals of outperformance over the past six quarters. Because we have invested in so many great companies that we believe can deliver above-average organic revenue earnings over the years to come, we can continue to hold these investments and deliver further tax-efficient returns.

Now while it's early in the year, the Fund is off to a fantastic start. As of yesterday, July 27, year to date, the Fund is up 7.3 percent net of all fees and expenses, or approximately 8.1 percent gross, compared to 1.36 percent for the S&P 500's total return. We look forward to hopefully finishing the year well over the next five months, which could result in a cumulative three-year record of outperformance over the S&P 500.[6]

Considering the reasonable level of diversification the portfolio has had across and within sectors, as well as the approximate 40 percent overlap with the index, it should be noted that this would be achieved in a very thoughtful, risk-adjusted manner. We are confident that our mentally

flexible approach is working to our advantage and will help us continue to deliver on our goal of continued growth of capital and outperformance. We look forward to delivering value for fellow shareholders over the coming years.

Thank you to my fellow shareholders who have taken this journey with me these past four-plus years, and who look forward to continuing on. Your confidence and support mean the world to me.

Again, if you are unable to participate in the live webcast and/or do not get your questions answered, please feel free to reach out to Kristina Surkova in Client Services to arrange a call with me. Now let's poll for questions.

(00:34:00)

Kristina: [Please reference slide 22] Thank you, Greg. And we want to thank those of you who submitted questions in advance. We will cover that first and then turn to questions that might be submitted during the presentation.

The question we got in advance is regarding the flows in the fund, and whether we've seen outflows year to date.

Gregory: Sure. So we are happy to report, given the strong absolute and relative performance of the Fund over the past couple years, outflows have declined significantly. Thus with the strong performance in the first half of 2020, the Fund's AUM only declined by 2.9 percent. At the same time, we

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

were seeing [interest in] the strategy from various advisors and wealthy individuals. However, what is worth noting is that many investors [may] prefer to invest in the strategy through separately managed accounts, because of two main reasons: first, since the mutual fund is small in size, the expenses are relatively high. To give you a sense, approximately half of the 1.22 percent of the fees/expenses is FPA's management fee on the Fund, and the rest are expenses; at scale, which would be approximately a few hundred million in AUM in the Fund, fees and expenses would decline to 0.85 percent.

So to number two, many investors with taxable accounts are reticent to inherit the low cost basis of some of our larger positions, such as Alphabet, Amazon, Microsoft, Apple, Visa, and Mastercard, and PayPal, that have been big winners over the past couple of years. A separately managed account would allow investors to have the same model portfolio but without the tax issues. So if you're interested in a separately managed account for the strategy, please reach out to myself or Kristina Surkova. Thank you for the good question.

Kristina: (00:36:11) Thank you, Greg. So now we will pause briefly to poll for questions.

There are no questions at this time. We want to thank you all for listening to FPA US Value's First Half 2020 Webcast. We now turn it over to the system moderator for closing comments and disclosures.

Moderator: Thank you for your participation in today's webcast. We invite you, your colleagues, and shareholders to listen to the playback of this recording and view the presentation slides that will be available on our website within a few days at FPA.com. We urge you to visit the website for additional information about the Fund such as complete portfolio holdings, historical returns, and after-tax returns.

Following today's webcast, you will have the opportunity to provide your feedback and submit any suggestions or comments. We encourage you to complete this portion of the webcast. We know your time is valuable, and we do appreciate and review all of your comments.

Please visit FPA.com for future webcast information, including replays. We post the date and time of upcoming webcasts toward the end of each current quarter, and webcasts are typically held three to four weeks following each quarter end. If you did not receive an invitation via email for today's webcast and would like to receive them, please email us at crm@fpa.com.

We hope that our quarterly commentaries, webcasts, and special commentaries will continue to keep you appropriately informed on the strategy.

We do want to make sure that you understand that the views expressed on this call are as of today and are subject to change without notice based on market and other conditions. These views may differ from other portfolio managers and analysts at the firm as a whole and are not intended to be a forecast for future events, a guarantee of future results, or investment advice.

(00:38:08)

[Please reference slide 23-25] **Past performance is no guarantee, nor is it indicative of, future results.** Any mention of individual securities or sectors should not be construed as a recommendation to purchase or sell securities or invest in such 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 or sector examples discussed.

Any statistics or market data mentioned during this webcast have been obtained from sources believed to reliable, but the accuracy and completeness cannot be guaranteed.

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. The prospectus details the Fund's investments, objectives, risks, charges, and other matters of interest to a prospective investor. Please read the prospectus carefully before investing. The prospectus may be outlined by visiting the website at FPA.com, by email at crm@fpa.com, toll free by calling 1-800-982-4372, or by contacting the Fund in writing.

FPA Funds are offered by UMB Distribution Services, LLC.

This concludes today's call. Thank you and enjoy the rest of your day.

(00:39:28)

[END FILE]

The current prospectus for FPPFX can be accessed at: https://fpa.com/request-funds-literature

In addition, the most current prospectus can always be found at www.fpa.com.