Mark: Good afternoon and thank you for joining us today. We would like to welcome you to our first conference call introducing the FPA U.S. Value Strategy, which includes the FPA U.S. Value Fund. My name is Mark Hancock, and I'm a partner here at FPA.

In just a moment you will hear from Gregory Nathan, the Portfolio Manager of the Strategy. We are pleased to have had Greg take on the management of the Strategy, which launched September the 1st of 2015. On today's call we will cover four areas. I'll take a brief moment to describe the history and the objectives of the Fund, as well as a brief bio of Greg Nathan, the Portfolio Manager. Greg will then take over and give you the philosophy and investment process. He will then detail certain aspects of the current portfolio, as well as highlighting an investment example. And then we will close it for conclusion and Q&A.

I'd like to mention the first slide and talk a little bit about the Fund timeline and the commencement of our new U.S. Value Strategy. On June the 4th we announced the transition due to the retirement of Eric Ende of the FPA Perennial Fund and the launch of our U.S. Value Fund led by Greg Nathan. The Fund was transitioning from a small/mid-cap quality strategy to a U.S. all-cap quality focus and, namely being led by Greg Nathan, we are calling it the U.S. Value Strategy. On June 15th we closed

the Perennial Fund to new investors to give us time for the Portfolio Manager and portfolio to be transitioned to reflect the new mandate. On September the 1st of 2015, the U.S. Value Strategy including the U.S. Value Fund commenced operations under Gregory Nathan's leadership. On October the 2nd post the aforementioned portfolio transition, the U.S. Value Fund Inc. paid a capital gain distribution. On October the 15th, following the completion of the portfolio transition and payment of the distribution, the FPA U.S. Value Fund reopened to new investors.

Thought I'd give you a little bit about the objective and the Fund highlights before we get to Greg's bio and then Greg gets a lot more in depth into his process and philosophy. The Fund's primary objective is long-term growth of capital. Current income is a secondary consideration. Our goal is to generate returns in excess of the S&P 500 Index over full market cycles. The Strategy employs an investment philosophy that focuses on three core tenets. Firstly, we seek to avoid permanent impairments of capital. Secondly, we invest in quality businesses at attractive valuations, and lastly but not least we have a preference for companies with good management teams.

And now a little bit about Greg Nathan, who is the Portfolio Manager of our U.S. Value Strategy. Greg has over 13 years of

investment experience, and he was the senior tenured analyst at the FPA Contrarian Value before joining and managing the FPA U.S. Value Strategy, a key contributor to the team over many years, with a particular skill set and focus on identifying quality companies selling at a discount. From 2007 to 2014 Greg was the senior analyst of the Contrarian Value Strategy. From 2005 and ’06, Greg ran a partnership called Coldwater Asset Management. Before that he an analyst with FPA Contrarian Value Strategy, and before that at Lakeway Capital. Greg earned a BA in Business Administration from the University of Michigan.

One thing that is consistent amongst all our portfolio managers here at FPA is the alignment of interest. And as is described on our website, Greg has a significant amount of his personal investment alongside the fellow shareholders in the FPA U.S. Value Strategy.

It is now my pleasure to hand the rest of the webcast over to Greg Nathan. Greg?

Greg: Thank you, Mark, for that introduction. First, I want to thank everyone at FPA who has helped with the launch of the U.S. Value Fund. I truly appreciate your hard work over the past number of months. Second, I want to thank long-time shareholders as well as new investors for entrusting your capital with us. I want to let you know that our interests are

fully aligned. Managing this Fund is not just my professional focus. It is my obsession, and I will work very hard to deliver shareholder value.

Now I'd like to walk you through my investment philosophy. The most important thing in investing is to avoid permanent capital impairment. Permanent capital impairment can result from investing in a business whose profitability is structurally declining, paying too high of a multiple for a company, investing in a company with too much financial leverage that can't make it through a tough business cycle without having to restructure. Thus, I focus on finding quality companies at attractive valuations with low financial leverage. I want the portfolio to have an appropriate level of diversification—by number of investments and industry exposure.

So how do I find quality companies at attractive valuations? I look for quality companies that appear misunderstood, as well as industries that are out of favor. I define "quality" as companies with strong and enduring competitive positions, growing businesses within growing industries. A growing industry is key because without it there will be typically poor earnings growth and investment returns. For example, just look at the performance of Staples, the number one office supplies retailer over the past decade—huge destruction of capital. Lastly, I want my companies to have high returns on capital and robust free cash flow

generation. I prefer companies with good management. However, often the reason good businesses are offered at attractive prices is because of poor management. Therefore, I will consider such companies provided there is not a structural impediment to replacing management and there's a large enough discount to my estimate of their intrinsic value. Bottom line, the quality of the business and valuation are *the* most important investment criteria.

Let me walk you through the key parameters as to how the portfolio is constructed. The Fund's all-cap strategy affords me the ability to invest wherever the best opportunities arise. At least 80% of the portfolio will be invested in U.S. companies. At the same time I have the ability to make opportunistic foreign investments. Appropriate diversification… typically 20 to 30 companies. Individual positions will not exceed 5% of total assets at the time of purchase; approximate average position size is 3–4%. Normally fully invested… the reason for this is the portfolio is made up of what I believe are undervalued high quality companies that should compound in value over time. Cash will unusually not exceed 10% of the portfolio.

Constructing a portfolio begins with idea generation. There are many ways I find potential investments. Having researched and analyzed

various companies and industries for over 15 years, I have a very good knowledge base to pull from. For example, having done extensive research on the pharmaceutical supply chain, when one of the highest quality companies in the sector, McKesson, sold off this summer, I was able to quickly brush up on the company, understand why it was out of favor, confirm it provided a good risk-adjusted return, and add it to the portfolio.

I constantly read various publications, news articles, and buy-side as well as sell-side research. When I'm on vacation, this is also what I do for pleasure. You can just ask my wife. I think it's important for existing and potential shareholders to understand just how much of a passion I have for investing. I love what I do. Even though this is my occupation, I do not feel as if it's a job. This is what I will do for the rest of my life. I get a huge rush from finding a great company the market is giving away. So please don't ask me for any good book recommendations because essentially all I read about is information on various companies that are potential investments.

Once I have identified a potential investment, I conduct thorough research and analysis of the company and its respective industry. How does the company's business make money? How competitive is the

industry? What is the company's competitive position within the industry? Does the company have a strong and lasting competitive advantage? Is the company operating at an efficient level compared to its key competitors, or is there room for improvement? Does management have a good track record? How is management compensated and by what metrics are they incentivized? How does management allocate capital? Lastly, after building realistic low-base and high-case scenarios, does an investment at current prices provide a good risk-adjusted return?

Once the portfolio is constructed, these are the following reasons for selling an investment. One would be that 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. These are what I like to call "happy sales." An investment thesis is proven wrong. In this case I will not rationalize holding an investment even if the price or valuation has declined. These are what I like to call "unhappy sales." Lastly, a superior opportunity becomes available. These are what I like to call "very thankful sales."

As you can see on this slide, this is a list of the various risk management tools I put in place to help achieve the Fund's objective of long-term growth of capital. I've already touched on several of these

points, so I don't want to be redundant. One thing worth keeping in mind is that I take a long-term view on the companies and their respective industries when considering an investment. A byproduct of this is relatively low portfolio turnover, which lowers trading costs and improves tax efficiency.

This slide shows some key portfolio characteristics. What is most important to focus on is the portfolio's materially lower valuation compared to the market on a P/E basis. Also you can see that the historical as well as projected EPS growth rate for the portfolio is in line or better than the market. Additionally, the portfolio has similar leverage to the market. On EV/EBITDA basis, the portfolio's weighted average leverage is approximately1x. This helps explain why I do not believe these companies deserve to trade at a meaningful discount to the market. Hopefully over time, assuming these companies grow at these expected rates, their valuation should be re-rated higher by the market. Lastly, you will notice that the weighted average market cap is approximately 40 billion, given I am finding better opportunities in large caps. That being said, there are a few small-to-mid-cap companies I find attractive at current prices.

This slide shows the portfolio's exposure by industry. As you can see, I am benchmark-agnostic in terms of industry exposure. I am

allocating capital to where I find the best opportunities while having an appropriate level of diversification. Keep in mind that within each industry there are various sub-sectors and therefore various drivers to companies' businesses within each industry. For example, within consumer discretionary, what will drive media companies' businesses is quite different than what will drive the luxury auto manufacturers.

The key portfolio highlights I want to mention are all these companies operate within secularly growing industries over full economic cycles. I believe they all have strong competitive positions due to advantages stemming from large-scale, low-cost structure, superior products or services, and/or high quality brands. A majority of these companies are leaders in their respective industries. Nine of these 21 companies are number one players; 15 are in the top three.

I thought it was important to walk you through the reasoning behind the Fund's largest industry exposure—media—and a specific company within the group. I will take you through the key points to the investment thesis, but for more detailed information you can find my special presentation on our website at fpafunds.com.

As you can see in the bottom left table, many of the largest media companies with exposure to pay TV saw their stock prices decline

materially through the first nine months of this year, with a median decline of approximately 28%. The reasons behind these share price declines are due to fears of pay TV subscribers cutting the cord and advertisers shifting more of their ad spend away from TV to digital formats. On the bottom right table, you can see the approximate 20% below-market valuation most of the industry trades at compared to the market.

One other point I want to stress is that I didn't have a plan many months ago to be over-weight media. I simply researched and analyzed the various potential investment opportunities the market offered and determined which are the most attractive. What is also worth noting is that not all media companies meet my strict criteria of quality and valuation. For example, Viacom, which despite trading at the cheapest P/E multiple, I find there to be too many risks to its business over the long term.

One of the main reasons why this industry trades at such a large discount from the market is due to fears about cord-cutting. However, the reality is that very few households have actually cut the cord. You can see the data below highlighted in yellow… that the actual number of pay TV subs over the past 6.5 years has remained steady, while the number of SVOD subscribers to services such as Netflix and Hulu Plus have risen substantially. This shows that most Americans use these SVOD services

as a complement to their pay TV subscription, similar to how many consumers subscribe to premium subscription services like HBO and Showtime in addition to their basic cable TV package.

Over the next few years it is my belief that our pay TV service will increasingly act more like an SVOD subscription in terms of the ability to watch any current season show through video-on-demand whenever and on whatever device we want. This will be possible as more networks increasingly offer full in-season stacking of its shows. Therefore, it is my belief that the odds of these SVOD services being substitutes for traditional pay TV is unlikely.

The other main reason why the industry is out of favor is due to declining advertising on TV. While this is indeed happening, the reason is not because people are watching less video. In fact, people are consuming more content than ever before. Rather the way people are consuming video is continuously evolving. More people are watching video on mobile phones, tablets, and PCs. Also, more people are watching shows they record or through video-on-demand on their TV more than seven days after they air. Neither of this viewership is currently measured in Nielsen’s rating system, but Nielsen is set to release its new measurement system in the coming months that it claims will capture this

viewership. This should give networks the ability to better monetize dynamic ad insertion, which can help overall ad sales.

This slide discusses why this is a high quality industry. Pay TV subscriptions provide a recurring, predictable revenue stream. This results in a business with high operating margins and return on capital. At the same time, the business is non-capital-intensive, which allows these companies to return considerable free cash flow to shareholders while continuing to grow organically.

Here I want to highlight that this is a growing industry. While the U.S. market is fairly mature, video content consumption outside the U.S. continues to grow at a very healthy rate. There is a strong correlation between GDP and pay TV penetration rates. If you look at the table below highlighted in yellow, you can see that the international box office is 2.5 times the size of the U.S., and advertising on TV outside the U.S. is twice as large as the U.S. market. But the international pay TV market is equal in size to the U.S. despite having 6.5 times the number of subscribers. Increasing fees per subscriber is a real opportunity over time for international pay TV distributors, which will in turn fuel the demand for high quality content many of these companies have.

As I stated earlier, not all companies in the industry meet my strict

criteria of quality in valuation. Regarding qualitative characteristics, I favor companies that are poised to meaningfully grow their international business, have less revenue exposure to advertising for non-sports programs. The exception to this are networks such as CBS, whose audience skews older because 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.

I also favor companies that possess must-have content including valuable sports rights locked up for many years. Additionally, I favor companies with networks that are priced at a good value for pay TV distributors in terms of the ratio of ratings share to the share of the pay TV distributors' network affiliation expenses. Two of the Fund's largest investments, CBS and 21st Century Fox, own broadcasters which provide a great value to pay TV distributors.

In summary, I am very excited about the long-term prospects for the Fund's media investments and other holdings. Our interests are fully aligned, and I will work hard to deliver shareholder value over the coming years. Thank you for your interest in FPA U.S. Value Fund. Now I'd like to turn it back to Mark.

Mark: Greg, thank you very much. We're now going to address a few questions

that that have come in during the webcast, and we'll have Greg go through them one-by-one. And I will ask the question, and Greg can answer it.

If the Fed Funds resets 1% higher, how if any does that affect your estimate of fair value/discount?

Greg: So 1%... so I don't make adjustments to my valuation for companies based on these small types of movements. My valuation is based on a normalized interest rate environment, so factoring in much higher rates than they are currently. Also it's factored on a ten-year Treasury note as opposed to the short-term Fed Funds rate. So hope that answers that question.

Mark: Although I know you don't make macro calls, what is more likely if you had to guess: the S&P 500 at 1500 or 2500?

Greg: That person is correct. I don't make macro calls.

Mark: Why do you think Ralph Lauren has sustainable competitive advantages versus luxury retailers of harder goods—i.e., watches and bags?

Greg: I honestly like both businesses. If you look in the portfolio, there is a company called Richemont, which makes luxury watches. They own Cartier for example, among other luxury outfits—Van Cleef & Arpels, etc. So, look, I think they're both great businesses, and that's why they're both in the portfolio. Next question.

Mark: Where does DIRECTV fit into your pay TV analysis?

Greg: Interestingly enough, I actually did a lot of work on DIRECTV for Contrarian Value couple years ago. And so I have done work on the space, and so I have a very good in-depth analysis of the entire industry in terms of how DIRECTV as well as other providers fit within the industry.

Mark: So there's a question on competing funds and potentially how you might be different. I think it's very odd for us to talk about competing funds, but maybe Greg can enumerate some of the sort of character traits about himself or more importantly about the Strategy that over time might have differentiate it as we commence our track record here.

Greg: Sure. I mean, look, there are other funds that manage U.S. value. There are other funds that have "quality." I guess Yacktman would be a fund that comes to mind. He's had very good results over the long term. So if you think in those terms, I think one of the key differences though today… his fund is definitely more concentrated I believe than this one. He has some positions that are much, much larger. His largest position I believe is circa 10%. So we don't have that type of concentration, but we do look for high quality businesses at attractive prices and would love to be long-term holders of them provided the future returns are good.

Mark: Thank you. Well, that concludes the prepared marks and the current Q&A

from today's third quarter 2015 webcast. We would like to thank you all for your participation in the webcast and look forward to be in touch in very short order.

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 fpafunds.com. We urge you to visit the website for additional information on 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 comments or suggestions. We encourage you to complete this portion. We know your time is valuable, but we do take them into consideration.

Please visit our fpafunds.com for future webcast information, including replays. We'll post the time and date of the prospective calls towards the end of each quarter, and expect the calls to be 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 is at crm@fpafunds.com. We hope that our quarterly commentaries, webcasts, and special commentaries will continue to keep you appropriately informed of the Strategy.

We do want to make sure that you understand that the views expressed on this call are as of today, October the 28th, 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 the 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, should not be construed as an offer or solicitation with respect to any such securities, products, or services discussed.

Performance in the past is not a guarantee of future results. 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.

You may request a prospectus directly from the Fund's distributor, UMB Distribution Services LLC, or from our website, fpafunds.com.

Please read the prospectus carefully before investing. FPA U.S. Value Fund Inc. is offered by UMB Distribution Services LLC.

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

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