Moderator: Hello and welcome to today's webcast. My name is Makenna and I will be your event specialist today. All lines have been placed on mute to prevent any background noise, and please note 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 Submit.

If you would like to view the presentation in full-screen, click the Fullscreen button in the lower right-hand corner of your screen. Press the Escape key on your keyboard to return to original view. For optimal viewing and participation, please disable your popup blockers.

And finally, should you need technical assistance, as a best practice we first suggest to refresh your browser. If that does not resolve the issue, 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: Thank you. Good afternoon and thank you for joining us today. We would like to welcome you to FPA US Value's Yearend 2017 Webcast. My name is Kristina Surkova and I support the Fund on the client service side.

Prior to today's call, I wanted to remind our listeners that we will be hosting our Investor Day here in Los Angeles on May 3 of this year. For those of who did not receive an invitation, registration is open and can be found on the landing page of our website FPAFunds.com. We hope to conduct and informative and enjoyable event and look forward to seeing those of you who are able to make it.

Back to the webcast. The audio, transcript and visual replay of today's webcast will be available on our website FPAFunds.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.

It is my pleasure to hand it over to Gregory Nathan.

(00:02:26)

Greg: Thank you for that introduction.

The backdrop for investing in large, growing companies remains attractive. The 10-year US treasury rate below 3% remains near historical lows. The unemployment rate is low. The US is posting solid economic growth, which could improve with the recent passage of tax reform.

Valuations of US equities do not appear to be cheap. However, after adjusting for a 21% corporate tax rate, as well as the benefit of bringing back cash held overseas to use for increased capital investment, R&D, M&A, debt repayment, share repurchases and dividends, the trading multiples look more reasonable. Additionally, tax reform could help put upward pressure on the market, as many companies likely increase their share repurchase activity in the coming years.

So 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. This will be followed by an update on the Fund's performance, portfolio activity, and the new, more diversified portfolio structure being implemented during the fourth quarter.

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 to arrange a call with me.

Regarding the fund highlights, the primary objective of the US Value Fund is the 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. Please visit our website at FPAFunds.com to see our white paper on this.

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Here is a quick summary of my professional background and experience, as well as alignment of interests with fellow shareholders.

Now we'd like to walk you through our 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 we focus on finding quality companies in healthy, growing industries, at attractive valuations, with low financial leverage, and we want the portfolio to have an appropriate level of diversification by number of investments and industry exposure.

We need to find quality companies that have strong and enduring competitive positions, growing businesses within growing industries—a

growing industry is key because without it, there will typically be poor earnings growth and investment returns. Lastly, we want our companies to have high returns on capital and robust free cash flow generation.

We prefer companies with good management. However, one of the reasons good businesses are offered at attractive prices is because of poor management. Therefore, we will consider such companies, provided there is not a structural impediment to replacing management, and there is a large enough discount to our estimate of intrinsic value. Bottom line, the quality of the business followed by valuation are the most important investment criteria.

We put this slide together to highlight how important it is to invest in a healthy, growing industry. This shows the ten-year performance of eight retailers. There are four categories represented: drug stores, home improvement, office supplies, and electronics. Each company is or was the number one or number two player in its respective market.

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As you can see, the four companies that outperformed the S&P 500 over this time period were CVS, Walgreens, Home Depot and Lowe's. What is worth noting is that for one, these companies operate within

secularly growing industries. Additionally, the recession allowed these companies to further distance themselves from the competition.

Conversely, the four companies that underperformed the market—and they didn't just underperform, an investment in any of these four resulted in permanent capital impairment. This occurred because the electronics and office supplies industries experienced fundamental changes that impacted the level of demand for its products and how consumers purchase them.

What's worth highlighting is that the delta between the returns of the winners and compared to the losers increased dramatically over the last five years. This speaks to the importance of having a long-term view and time horizon for investing in high-quality companies and growing industries at good prices means ultimately time is on your side.

Another key point we want to make is to consider the moment in time from ten years ago, at the end of 2007. If you had the view then that the market was overvalued and there was a housing bubble, you probably would not have invested in anything housing-related such as Home Depot or Lowe's. However, since that time, Home Depot is up over 600% and Lowe's is up over 300%, which compares very favorably to the S&P 500, up approximately 100%.

The point is, regardless if the macroeconomic backdrop is unfavorable or the stock market doesn't appear to be cheap, if you can find high-quality companies in healthy and growing industries at reasonable prices, the results should be quite good over time.

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% of the portfolio will be invested in US companies. At the same time, we have the ability to make opportunistic foreign investments. Appropriate diversification. Individual positions will not exceed 5% 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% of the portfolio.

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Constructing a portfolio begins with idea generation. We find potential investments in multiple ways. Having researched and analyzed various companies and industries for over 15 years, we have a very good knowledge base to pull from, and are consistently adding to our research library. We habitually read various publications, news articles, and buy-

side as well as sell-side research. When we are on vacation, this is also what we do for pleasure. I think it's important for existing and potential shareholders to understand just how much of a passion we have for investing in order to find the next great company to put into the portfolio.

Once we have identified a potential investment, we conduct thorough research and analysis of the company and its respective industry. What is the current health and long-term growth rate of the industry? How competitive is 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?

In summary, this investment process shows just how selective the criteria is for a company to make it into the portfolio. Out of approximately 3,000 companies that could be considered for investment, when factoring in our strict criteria of quality, valuation and growth, there are usually not more than 100 companies that make the cut.

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Once the portfolio is constructed, there are a few 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, current price are projected to be below average. Another is that the investment thesis is proven wrong. In this case, we will not rationalize holding an investment even if the price or valuation has declined. Lastly, a superior opportunity becomes available.

Now here is the portfolio's sector breakdown as of December 31. There are investments in 8 of the 11 sectors in the S&P 500. Combined, these eight sectors, which make up 88.9% of the S&P 500, are 96.4% of US Value's portfolio. Relative to the S&P 500, the portfolio is generally equally weight technology, financials, healthcare and materials. The Fund is overweight consumer discretionary and industrials, while is it underweight consumer staples and real estate. The three sectors the Fund currently does not have any direct exposure to are energy, telecommunications services and utilities. Collectively, these three sectors make up 11.1% of the S&P 500.

Regarding the portfolio's holdings, we'd like to point out a few highlights.

We believe our companies operate within secularly growing industries. We believe our companies have a strong position within their respective industry due to various competitive advantages. A majority of these companies are among the leaders in their respective industry. Lastly, with the recent passage of corporate tax reform, the portfolio is in a position to benefit. Most of our companies are domestic, and many have above-average tax rates. As a result, these companies' earnings may increase with the corporate tax rate declining to 21%. Additionally, several companies could benefit from the ability to repatriate cash held overseas.

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When looking at the portfolio's composition as of December 31, it is important to emphasize that this is truly an actively managed fund and our active share continues to remain high. Approximately two-thirds of the portfolio differs from the S&P 500. Of the 83 companies we are invested in, 65 are in the S&P 500. A majority of these positions are overweight in US Value relative to the S&P 500. By definition, there are 435 companies in the S&P, which are not in US Value. At the same time, there are 18 companies not in the index that make up 17.4% of the portfolio. These are predominantly large-cap foreign and mid-cap US companies. Cash is 3.6%.

In terms of geography, nearly 85% of the portfolio is invested in US companies, while 11.5% is invested in foreign equities. By market capitalization, approximately 92% of the portfolio is invested in large-cap companies. Nearly one-third of the portfolio is invested in mega-caps with a market value north of $200 billion. The portfolio's weighted average market cap is just north of $210 billion, while the Fund's median market cap is approximately $74 billion.

Regarding portfolio concentration, US Value's top five positions make up 22.2% of the Fund compared to 13.9% for the S&P 500. The Fund's top ten positions make up 31.4% of the portfolio compared to 19.8% for the index. Over time, the goal is to reduce the weighting of some of the Fund's larger positions and increase some of the Fund's smaller ones as our conviction grows.

Looking at the portfolio's statistics, as you can see, US Value not only trades at a valuation that is 11.3% cheaper on a 12-month forward P/E basis compared to the index, but based on the median, is expected to grow earnings per share faster to the tune of 13.8% compared to 10.8% for the index. While statistics such as return on equity show above-average quality, based on our own analysis, we would argue the portfolio is much higher in quality than the market.

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We continue to find the most value in large-cap stocks, which explains why the portfolio's weighted average market cap of disclosed investments was north of $210 billion at quarter end.

As you can see here, we underperformed the S&P 500 in 2017 for many of the same reasons we underperformed in 2016. A large part of the Fund's underperformance over this time is due to the relative sector weightings. The Fund was very underweight some of the largest and best-performing sectors, namely information technology and financials. Combined, these two sectors make up nearly 40% of the S&P 500 and for most of 2017, the Fund's combined exposure to them was approximately 14%. Information technology, the index's largest sector at nearly 25% weighting, was up close to 40% in 2017. At the same time, the Fund was heavily overweight some relatively poor-performing industries such as media, pharmaceutical services and airlines.

Over the past couple of years, the portfolio construction has evolved as we have built up our library of companies in which to invest. During the fourth quarter, we were able to put our money to work in several new companies as well as prior investments. Today, the portfolio is much more diversified and sector-balanced than ever before. This will

continue to be the case provided the fundamentals are there to support such weightings.

The fourth quarter was an active one. Throughout October, we realized losses to offset any realized gains over the past year. From these sales, our cash position rose. This coincided with a notice of a large redemption, which we paid out at the end of November. By then 31 days had passed to avoid the wash sale rule on any positions we wanted to buy back. Therefore, by November 30, we had our new, more diversified, largely fully invested portfolio in place. As a result, December was the first month under this new portfolio structure.

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While it has only been a couple of months, so far the results are very encouraging. Our batting average was very good throughout December. Out of the 84 companies in which we invested during the month, we had 60, or over 70%, contribute positively to the Fund's performance. Most importantly, we outperformed the S&P 500 by 64 basis points net of fees and expenses. I am pleased to report January has continued in a similar manner. As of yesterday, January 24, year to date the Fund is up 7.87%, outperforming the S&P 500 by 165 basis points net of fees and expenses.

In closing, it's a new dawn, it's a new day. We are optimistic our new, more diversified portfolio structure will help generate good absolute and relative returns compared to the S&P 500 going forward. We look forward to delivering value for shareholders over the coming years.

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

Thank you for your confidence and continued support. We truly appreciate it.

Now back to you, Kristina, to poll for questions.

Kristina: Thank you, Greg, and thank you to those of you who submitted questions in advance of the webcast. We will cover that first and then move on to the live questions.

So the question that we received in advance was regarding the holding of Alphabet in the portfolio and how it fits into a value-oriented portfolio.

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Greg: Sure. So first, we always think about the quality of the company and their key businesses before we consider valuation. Alphabet is a phenomenal company with some of the best businesses in the world. Its core search

business plays an integral role in so much of the global population's daily lives. Google monetizes its growing search traffic through advertising, which it prices at a relative bargain compared to the traditional media CPMs. We believe its respective like-for-like pricing on mobile and desktop will increase nicely over time.

As we think about unit volume growth for the business, search continues to increase at above-average rates. At the same time, Google's market share continues to grow. Additionally, Android, which is one of the top two mobile operating systems globally, helps bolster its dominant position in search. Its YouTube business is one of the two most dominant platforms for digital video content consumption. If you ask most young people from preteens to teenagers to millennials how and where they spend much of their leisure time, the overwhelming response is watching video content on YouTube and Netflix. It is our view that YouTube is in the early innings of monetizing this immense, growing consumption of digital video content, be it through advertising and/or its nascent subscription services.

Now we get to its "other bets" segment, which currently loses money. Included in this segment are some fairly well-known businesses such as Nest. Nest is a home automation producer of programmable self-

learning, sensor-driven, Wi-Fi-enabled thermostats, smoke detectors, security cameras and other security systems. This business is complemented by Google Home, its in-home voice-activated assistant, which in turn complements its search business.

When we look at valuation, first we back out its enormous net cash balance that represents over 10% of its market cap. Second, we back out its current operating losses within its “other bets” segment, as we believe one of two things will happen there. Either Alphabet will grow these businesses to scale over time such that they will, at a minimum, break even; or eventually, they will shut certain ones down unless they help bolster its highly profitable core businesses. Therefore, we do not believe it makes sense to put a multiple on these current operating losses.

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As a result, we believe Alphabet trades at approximately 25 times forward core unlevered after-tax earnings. We believe this is a reasonable valuation given it dominates the industries in which it competes.

When thinking about future earnings growth, consider this. For the trailing 12 months, it grew its Google segment operating profit nearly 20% on revenue growth of 22%. Most businesses that have revenue growth of 22% would result in leveraging its fixed costs such that operating profit

would increase well above—as opposed to below—the rate of its revenue growth. However, in part because Alphabet reinvests so much into its core businesses, operating profit growth is impacted.

The current overweight position size in Alphabet is due to share price appreciation. The shares have appreciated approximately 65% from our cost in less than two years. In fact, the position size would be even larger had we not cut back our investment at the end of 2017. Moreover, we will look to trim it back further should we gain increasing conviction in some of our smaller investments or find compelling new ones.

Kristina: Thank you, Greg. We will now move on to live questions. Do you see Amazon injecting themselves into CVS and Walgreens' business?

Greg: I think, so so far, Amazon has yet to enter the pharmacy business. I won't be surprised if they do in the future. I would suspect most likely they would go after the cash pay business, which consumers pay out of pocket directly. So I think that's the most likely piece of the industry that Amazon would go after. I would refer you to my shareholder letter that was just posted which discusses CVS and Walgreens.

Kristina: Next question. Why did you make the portfolio more diversified?

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Greg: Sure. As I spoke about this in my prepared comments, we have been, for the last two years, we have been increasing our library of research and putting together a number of new investments, potential new investments. And as we finished a lot of that work over the past year, we were able to put those new ones in the portfolio. We also realized that some of the best growth in the economy is coming in the technology sector and there's a lot of secular growth there that we were underweight. And so as we found certain companies that met our criteria, and certain companies, I would argue, that really have grown into their valuation now make sense.

And then this next question, which talks about—to that end, talks about when was the Facebook position established? That position was established in the fourth quarter, and we're not going to go into great detail about it on this call, but suffice it to say, it's a phenomenal business. We think the valuation is really reasonable given the quality. And if you look at the growth in the business, in the last quarter, operating profit grew 65% and you're paying a low to mid-twenties multiple backing out net cash, which we would argue is pretty darn attractive for that quality of business. And part of the reason we think it exists at the valuation it's offered at is management talking down expectations over the next year,

given it's going to reinvest a large amount into CAPEX as well as operating expenses to keep the quality of its platforms very high for users.

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And what's interesting, if you look at Facebook over the past couple of years, a majority of the return in that company can be attributed to earnings growth as opposed to multiple expansion. So we would argue that Facebook is as good a value today as it was a couple of years ago.

Kristina: Thank you, Greg. We don't have any other live questions at this time. Thank you, everyone, for listening to FPA US Value's Year End 2017 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 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 of the webcast. We know your time is valuable, and we do appreciate and review all of your comments.

Please visit FPAFunds.com for future webcast information, including replays. We will post the date and time of prospective calls towards the end of each current quarter, and expect the calls to be held three to four weeks following each quarter end.

If you did not receive any invitation via email for today's webcast and would like to receive them, please email us at crm@fpafunds.com.

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

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We want to make sure you understand that the views expressed on this call are as of today and are subject to change based on market and other conditions. These views may differ from other portfolio managers and analysts from 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 securities.

Past performance is not a guarantee to future results.

Any [statistics] have been obtained from sources believed to be reliable but 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 funds are offered by [UMB] Distribution Services, LLC.

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

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