



FPA U.S. Value Fund, Inc. (FPPFX)

First Half 2018 Webcast Presentation

Presented by:

Gregory R. Nathan, Portfolio Manager

FPA U.S. Value Fund, Inc. – first half 2018 summary

Summary:

- Backdrop for investing in large cap, growing companies remain attractive
 - 10-year U.S. treasury rate below 3% is near historical lows
 - Unemployment rate is low
 - Solid economic growth, which could improve with the recent passage of tax reform
 - Valuations of U.S. 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/or dividends, the trading multiples look more reasonable
 - Tax reform could help put upward pressure on the market as many companies likely increase their share repurchase activity in the coming years
 - The valuation spread between companies the market perceives as having above average long-term organic growth vs. those whose terminal values are in question continues to widen
 - Therefore it is imperative to avoid investing in businesses with eroding fundamentals and stick to high quality companies we believe have sustainable competitive positions that should result in above average long-term organic growth

Today's agenda:

- Fund Highlights
- Investment Philosophy & Process
- Performance & Portfolio Activity
- Question & Answer

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

- Seek to avoid permanent capital impairment
- Seek to invest in quality, growing businesses at attractive valuations
- Preference for companies with good management

Comparison to the S&P 500 Index is representative of the "market" and is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

Portfolio Manager: Gregory R. Nathan

Professional background

- 16 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

- Significant personal investment with over \$1mm invested in the Fund

Investment philosophy

Seek to avoid permanent capital impairment

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

Seek to invest in quality companies at attractive valuations

- Typically looking for **quality companies in healthy, growing industries**
- 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 parameters

Broad market capitalization

- The Fund will generally invest in companies with market caps of \$2 billion or more at time of initial purchase
- Allows us to invest wherever the best opportunities arise

U.S. companies

- At least 80% of net assets will be invested in U.S. companies¹

Opportunistic foreign investments

- Up to 20% of net assets may be invested in non-U.S. companies

Appropriate diversification

- Individual positions will not exceed 5% of total assets at time of purchase
- Cash typically will not exceed 10% of net assets

¹Includes 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.

This summary of portfolio construction highlights targeted or "typical" portfolio construction goals within the Fund. However, specific investment restrictions may vary. The prospectus describes the Fund's investment objective and policies and other matters of interest to prospective investors. **Please read the prospectus carefully before investing. Please refer to the end of the presentation for important disclosures.**

Portfolio construction process

Create a diversified portfolio seeking above average risk-adjusted returns over the long-term

- The world is dynamic with change taking place seemingly faster than ever before
 - Therefore it is important to have a diversified portfolio to mitigate unforeseen risks, namely disruption to business models
- We consider investing in all industries at any given time
- But we will not invest in all industries if that means taking undue risk and/or negatively impacting long-term returns

Deconstruct the S&P 500

- Eliminate or underweight unfavorable sectors due to relative inferior quality, lack of above average growth and/or unattractive valuation
- From 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 earnings growth rates and valuation
- Consider select investments outside the U.S. and/or S&P 500 that offer compelling risk-adjusted returns
- The goal is to be as close to fully invested as possible
 - 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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Portfolio construction process (continued)

Portfolio construction process changed in Q4'17

- During the first two years of my tenure as portfolio manager for the Fund, the portfolio was constructed in a much more concentrated manner by sector and company
- Over this time, the portfolio was significantly underweight two of the largest, highest quality, fastest growing sectors, IT and Financials, which was a major contributor to the Fund's underperformance during that time period
 - The portfolio has more recently been constructed using the methodologies described on the previous slide.

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Portfolio characteristics as of June 30, 2018

	FPA U.S. Value Fund	S&P 500
Large Capitalization	86.7%	97.6%
Top 5 Holdings	25.8%	16.0%
Top 10 Holdings	37.6%	21.2%
Foreign Securities	9.4%	0.0%
12-Month Forward P/E	18.6x	17.2x
Price/Book	3.9x	3.3x
Return on Equity	21.6%	19.3%
EPS Growth Historical (2-year, \$-weighted median)	17.7%	13.5%
EPS Growth Forecast (2-year, median)	13.7%	10.5%
Revenue Growth Historical (2-year, \$-weighted median)	13.0%	10.0%
Revenue Growth Forecast (2-year, median)	12.9%	9.4%
Debt/Equity	1.2x	1.3x
Median Market Cap (billions)	\$91.6	\$20.7
Weighted Average Market Cap (billions)	\$300.1	\$217.4

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.

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.

Portfolio composition will change due to ongoing management of the Fund. **Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.**

Sector breakdown as of June 30, 2018

Sector	FPA U.S. Value Fund	S&P 500
Information Technology	35.2%	26.0%
Industrials	17.1%	9.5%
Financials	12.7%	13.8%
Consumer Discretionary	11.9%	12.9%
Health Care	9.9%	14.1%
Materials	1.5%	2.6%
Real Estate	0.0%	2.9%
Consumer Staples	0.0%	7.0%
Energy	0.0%	6.3%
Utilities	0.0%	2.9%
Telecommunication Services	0.0%	2.0%
Total	88.3%	100.0%
Other	4.7%	
Call Options	-0.2%	
Cash and equivalents (net of liabilities)	7.2%	

Due to rounding, percentages may not total to 100%. Sector classification scheme reflects GICS (Global Industry Classification Standard). Portfolio composition will change due to ongoing management of the Fund. **Please refer to the end of the presentation for important disclosures.**

Holdings as of June 30, 2018

Portfolio holdings highlights

- The Fund's holdings generally operate within secularly growing industries
- In our view, the Fund's holdings 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 among the top players in their respective industries

Information Technology	35.2%	Financials	12.7%	Health Care	9.9%
ALPHABET	8.4%	CITIGROUP	2.9%	ANTHEM	2.3%
FACEBOOK	6.1%	JPMORGAN CHASE	2.2%	UNITEDHEALTH GROUP	2.1%
APPLE	4.1%	BANK OF AMERICA	1.5%	ABBOTT LABS	1.1%
MICROSOFT	3.5%	BLACKROCK	1.5%	LABORATORY CORP AMER	1.1%
VISA	1.9%	KKR	1.1%	MEDTRONIC	1.0%
CISCO SYSTEMS	1.8%	AON	0.8%	THERMO FISHER SCIENTIFIC	0.7%
BAIDU	1.5%	WILLIS TOWERS WATSON	0.8%	HCA	0.6%
MASTERCARD	1.5%	BERKSHIRE HATHAWAY	0.7%	CERNER	0.5%
ALibaba	1.1%	MORGAN STANLEY	0.7%	IQVIA	0.5%
TENCENT	1.1%	AMERICAN EXPRESS	0.5%		
TE CONNECTIVITY	1.0%			Materials	1.5%
ACCENTURE	0.6%	Consumer Discretionary	11.9%	DOWDUPONT	1.5%
ADOBE SYS	0.6%	LOWE'S	1.7%		
ACTIVISION BLIZZARD	0.5%	MADISON SQUARE GARDEN	1.6%	Call Options	-0.2%
ALIBABA GROUP	0.5%	HOME DEPOT	1.1%	Cash and equivalents (net of liabilities)	7.2%
ELECTRONIC ARTS	0.5%	LENNAR	1.1%	Other	4.7%
PAYPAL	0.5%	ROYAL CARIBBEAN CRUISES	1.0%	Total net assets	100.0%
		TWENTY FIRST CENTURY FOX	1.0%		
Industrials	17.1%	CBS	0.6%		
AIRBUS	3.7%	DOLLAR GENERAL	0.6%		
FEDEX	2.3%	NASPERS	0.6%		
UNITED TECHNOLOGIES	2.0%	O'REILLY AUTOMOTIVE	0.6%		
UNION PACIFIC	1.8%	ADIDAS	0.5%		
HONEYWELL	1.7%	BOOKING HOLDINGS	0.5%		
INGERSOLL-RAND	1.5%	LVMH MOET HENNESSY	0.5%		
BOEING	1.1%	MARRIOTT	0.5%		
UNITED PARCEL SERVICE	1.1%				
NORTHROP GRUMMAN	1.0%				
RAYTHEON	0.9%				

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FPA U.S. Value's largest IT investments vs. S&P 500's largest household and beverage products companies

	Information Technology			Household & Beverage Products		
	Apple	Alphabet	Facebook	Procter & Gamble	Coca-Cola*	PepsiCo
ROE Forward	60.9%	17.3%	25.2%	20.6%	47.1%	67.9%
Forward P/E	14.8	26.8	25.6	18.1	20.8	19.0
Forward P/E (ex. net cash & net interest income)	13.0	24.7	24.2	N/A	N/A	N/A
Revenue Growth Forecast (2-year)	9.1%	20.5%	33.6%	2.0%	3.7%	2.6%
EPS Growth Forecast (2-year)	19.5%	23.5%	22.8%	5.8%	8.4%	7.9%
Market Cap (\$ millions)	935,842	836,482	606,019	200,464	191,997	162,407
Net Debt (Net Cash)	(145,386)	(97,612)	(43,956)	19,765	26,535	19,771
Net Cash as a % of Market Cap	15.5%	11.7%	7.3%	N/A	N/A	N/A

Source: Capital IQ. *Note: KO revenue growth from 2018E-2020E to account for the sale of its bottling operations

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Performance – net of fees

Trailing Performance (%)

As of Date: 6/30/18	1 Year	YTD	QTD	10 Years*	5 Years*
FPA U.S. Value Fund, Inc.	3.13	1.31	3.29	8.05	6.88
S&P 500	14.37	2.65	3.43	10.17	13.42
US OE Large Blend	12.58	1.58	2.68	9.08	8.59
Russell 2500	16.24	5.46	5.71	10.74	12.29

Calculated using Morningstar Direct. Periods greater than one year are annualized. Comparison to the S&P 500, US OE Large Blend and Russell 2500 is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Current month-end performance data may be obtained at <http://fpafunds.com> or by calling toll-free, 1-800-982-4372. Expense ratio as of most recent prospectus is 1.13%.

The Adviser has agreed to reduce its investment advisory fee to the extent necessary to reimburse the Fund for any annual expenses in excess of 1.5% of the first \$30 million and 1% of the remaining average net assets of the Fund for the year. This agreement is coterminous with the Investment Advisory Agreement which may be terminated by the Board, the vote of a majority of the Fund's shareholders or the Adviser.

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

Contemporaneous with this change, the Fund transitioned to its current investment strategy. Performance prior to September 1, 2015, reflects the performance of the prior portfolio manager and investment strategy. Performance prior to September 1, 2015 is not indicative of performance for any subsequent periods. The transition took place during time period from September 1, 2015-September 30, 2015.

Please refer to the end of the presentation for important disclosures.



Question & Answer

First Pacific Advisors, LLC

Important Disclosures

These slides are intended as supplemental material to the First Half 2018 FPA U.S. Value Fund audio presentation that is posted on our website fpafunds.com.

It is important to understand that the views expressed on these slides and in the accompanying audio presentation are as of the date presented (July 25, 2018) 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. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. This information and data has been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund's objective and policies and other matters of interest to the prospective investor. Please read this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpafunds.com, by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

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Investments in mutual funds carry risks and investors may lose principal value. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The fund may purchase foreign securities, including American 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.

Value securities, including those selected by the Fund's portfolio manager, are subject to the risks that their intrinsic value may never be realized by the market and that their prices may go down. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods. Securities selected by portfolio managers using a value strategy may never reach their intrinsic value because the market fails to recognize what such portfolio managers consider to be the true business value or because the portfolio managers have misjudged those values.

The information in this publication has been developed internally and/or obtained from sources we believe to be reliable; however, FPA does not guarantee the accuracy or completeness of such information and is subject to change without notice.

Important Disclosures – cont'd

Index/Category Definitions

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.

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

The Russell 2500 Index consists of the 2,500 smallest companies in the Russell 3000 total capitalization universe. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization. This index is considered a measure of small to medium capitalization stock performance.

Indices do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. You cannot invest directly in an Index. Comparison to the S&P 500, US OE Large Blend and Russell 2500 is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

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

The FPA Funds are distributed by UMB Distribution Services, LLC, 235 W. Galena Street, Milwaukee, WI, 53212.