



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

First Half 2019 Webcast Presentation

July 22, 2019

Presented by:  
Gregory R. Nathan, Portfolio Manager

# FPA US Value Fund, Inc. – first half 2019 summary

---

## Summary:

- We believe the backdrop for investing in large capitalization, growing companies remain attractive
  - 10-year US Treasury rate at ~2% is close to all-time historical lows
  - Unemployment rate is low
  - Slowing, but still growing U.S. economy
  - Valuation of US equities are reasonable within the context of low interest rates
  - 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, we believe 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, what we believe are, quality, growing businesses at attractive valuations
- Look for companies with good management

\* Comparison to the S&P 500 Index is being used as a representation 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

- 17 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

- 2015-Present: Portfolio Manager of FPA U.S. Value strategy
- 2007-2015: Senior Analyst for FPA Contrarian Value strategy
- 2005-2006: Managing Member of Coldwater Asset Management, LLC
- 2003-2004: Analyst for FPA Contrarian Value strategy
- 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
  - Added to investment during Q1'19 and Q2'19

# 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**
- Seek investments in companies that have 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

- We view good management as those who make the right operational and capital allocation decisions to put the company in the best position to achieve sustainable, above average revenue and earnings growth over the long-run
- However, we may consider investments in what we believe are good businesses that are not well-managed provided executives may be replaced and there is an ample discount to our estimate of intrinsic value
  - The quality of the business and valuation are generally 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. companies<sup>1</sup>

## 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

<sup>1</sup>Includes companies which alone or on a consolidated basis derive the highest concentration of annual revenue, earnings, or assets from goods produced, sales made, or services performed in the U.S.

This summary of portfolio construction highlights targeted or "typical" portfolio construction goals within the Fund. However, specific investment criteria 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, we believe 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 we believe offer compelling risk-adjusted returns
- The goal is to be as close to fully invested as possible
  - Cash is a byproduct of what remains after making 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

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.** Comparison to the S&P 500 Index is being used as a representation of the "market" and is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Please refer to the end of the presentation for important disclosures.**

# Portfolio construction process (continued)

---

## Portfolio construction process changed in Q4'17

- During the first nine quarters as portfolio manager for the Fund, the portfolio was constructed in a much more concentrated, purely bottoms up manner by company and sector, with an average of 27 disclosed investments
  - Over the last seven quarters ending 6/30/2019, the portfolio had an average of 64 disclosed holdings
- For a majority of the past few years, due to our prior view on valuation, the portfolio was significantly underweight technology companies\*, which have experienced some of the best growth in the market\*\* over this time
  - This was a major contributor to the Fund's underperformance from 2016-2018
  - Over the past year, as we continued to do our research on an increasing number of high quality technology related companies, we have added select names to the portfolio
    - Now the Fund has a more in-line weighting to technology relative to the market\*\*

\* "Technology companies" refers to Fund's underweight to companies in the GICS Information Technology sector from 2016 to the beginning of 2018. However, as of September 24, 2018 many companies that were historically classified under the GICS Information Technology sector have now been reclassified into a new GICS sector under Communication Services.

\*\* Using the S&P 500 Index as a proxy for the U.S. stock market.

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.** Comparison to the S&P 500 Index is being used as a representation of the "market" and is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Please refer to the end of the presentation for important disclosures.**



# US Value Fund Invests in Growing Companies

## Tech Earnings Have Outstripped Those of the Global Market

World LTM Reported Earnings (01/01/2009 = 100)

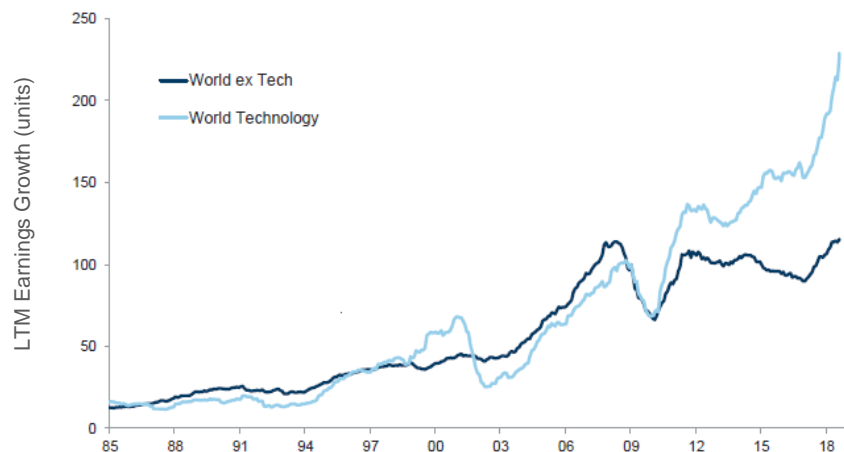


Chart data through September 1, 2018

Source: Goldman Sachs Global Investment Research. 'World Technology' refers to the Technology sector in the MSCI World Index and 'World ex Tech' is the MSCI World Index excluding companies in the Technology sector. LTM Earnings refers to Last Twelve Months reported earnings.

## MSCI USA Investable Market Indexes



As of June 30, 2019.

Source: Refinitiv

- Historically, one could seek to generate good investment results buying stocks trading at below market multiples provided those companies grew their earnings at or above average rates
- Historically, one could find numerous above average growing companies across a variety of sectors and industries
  - Over the past few years, which coincides around when I began managing the Fund, this has not been the case
    - A vast majority of global economic growth has been technology related largely stemming from the multi-year secular trends tied to the internet, digital and mobile revolution
    - In order to outperform the S&P 500 with a diverse portfolio, we believe the Fund should have meaningful exposure to technology
      - » Many tech stocks trade at above market multiples, but those with sustainable above average growth deserve to

The portfolio manager began managing the Fund in September 2015. Comparison to the S&P 500 Index is being used as a representation of the "market" and is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Please refer to the end of the presentation for important disclosures.**

# Portfolio characteristics as of June 30, 2019

	FPA US Value Fund	S&P 500
Large Capitalization exposure	88.7%	97.9%
Top 5 Holdings exposure	32.4%	16.5%
Top 10 Holdings exposure	49.7%	21.6%
Foreign Securities exposure	10.3%	0.0%
12-Month Forward P/E	21.2x	17.9x
Price/Book	4.8x	3.4x
Return on Equity (1-year)	27.6%	23.8%
EPS Growth Historical (2-year, \$weighted median)	29.1%	19.2%
EPS Growth Forecast (2-year, median)	19.2%	12.7%
Revenue Growth Historical (2-year, \$-weighted median)	16.8%	11.5%
Revenue Growth Forecast (2-year, median)	11.6%	6.6%
Debt/Equity	1.3x	1.4x
Median Market Cap (billions)	\$114.1	\$22.6
Weighted Average Market Cap (billions)	\$390.2	\$244.9

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.

Debt/Equity (debt-to-equity ratio) is a ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.

Portfolio composition will change due to ongoing management of the Fund. Comparison to the S&P 500 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. Please refer to the end of the presentation for important disclosures.**

# Sector breakdown as of June 30, 2019

Sector	FPA US Value Fund	S&P 500
Information Technology	23.6%	21.4%
Communication Services	21.2%	10.2%
Consumer Discretionary	14.9%	10.2%
Industrials	14.9%	9.4%
Financials	11.0%	13.1%
Health Care	5.1%	14.2%
Materials	0.0%	7.3%
Consumer Staples	0.0%	5.0%
Energy	0.0%	3.3%
Real Estate	0.0%	3.1%
Utilities	0.0%	2.8%
<b>Total</b>	<b>90.7%</b>	<b>100.0%</b>
<b>Other</b>	<b>4.8%</b>	
<b>Call Options</b>	<b>-0.7%</b>	
<b>Cash and equivalents (net of liabilities)</b>	<b>5.2%</b>	

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. Comparison to an index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Please refer to the end of the presentation for important disclosures.**

# Holdings as of June 30, 2019

## 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

<b>Information Technology</b>	<b>23.6%</b>	<b>Financials</b>	<b>11.0%</b>	<b>Health Care</b>	<b>5.1%</b>
Microsoft	6.4%	Bank of America	2.1%	Unitedhealth Group	1.4%
Visa	5.0%	JPMorgan Chase	2.1%	Thermo Fisher Scientific	1.0%
Apple	3.8%	KKR	2.1%	Abbott Labs	0.6%
Mastercard	3.0%	Citigroup	1.6%	IQVIA Holdings	0.6%
PayPal	1.4%	Blackstone	1.3%	Medtronic	0.6%
Adobe Systems	1.2%	American Express	1.0%	Anthem	0.5%
Cisco Systems	1.0%	Morgan Stanley	0.8%	Humana	0.4%
Salesforce	0.7%				
TE Connectivity	0.6%	<b>Communication Services</b>	<b>21.2%</b>		
Accenture	0.5%	Alphabet	7.9%		
		Facebook	7.0%		
<b>Industrials</b>	<b>14.9%</b>	Comcast	1.6%		
Airbus	5.0%	Madison Square Garden	1.6%		
Boeing	3.4%	The Walt Disney Company	1.6%		
Union Pacific	1.3%	Netflix	1.0%		
United Technologies	1.0%	Activision Blizzard	0.5%		
Lockheed Martin	0.9%				
Northrop Grumman	0.8%	<b>Consumer Discretionary</b>	<b>14.9%</b>	<b>Undisclosed</b>	<b>4.8%</b>
UPS	0.8%	Amazon	6.1%	<b>Cash and Equivalents (Net of Liabilities)</b>	<b>5.2%</b>
Honeywell	0.5%	Altaba	2.0%		
Ingersoll-Rand	0.5%	Alibaba	1.5%		
Huntington Ingalls Industries	0.4%	Booking Holdings	1.1%		
General Dynamics	0.3%	Home Depot	1.0%		
		Low e's	0.8%	<b>Total net assets</b>	<b>100.0%</b>
		LVMH Moët Hennessy - Louis Vuitton	0.7%		
		Norwegian Cruise Line	0.6%		
		Royal Caribbean Cruises	0.6%		
		Marriot International	0.5%		

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. Portfolio weights are calculated as a percentage of total net assets. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the Portfolio Managers, the Adviser, or the distributor. **Please refer to the end of the presentation for important disclosures.**

# A few of the Fund's largest technology investments vs. S&P 500's largest consumer staples products companies

	Information Technology/ Communication Services			Household & Beverage Products		
	Apple*	Alphabet*	Facebook*	Procter & Gamble	Coca- Cola**	PepsiCo
ROE Forward	83.9%	16.9%	23.7%	21.8%	48.6%	58.7%
Forward P/E	16.8	19.0	21.2	23.4	22.6	22.3
Forward P/E (ex. net cash & net interest income)	15.1	16.8	20.2	N/A	N/A	N/A
Revenue Growth Forecast (2-year)	4.8%	15.8%	20.7%	3.4%	4.5%	4.0%
EPS Growth Forecast (2-year)	11.5%	14.3%	18.9%	6.3%	7.6%	7.7%
Market Cap (\$ millions)	930,343	757,610	553,717	289,224	219,262	184,762
Net Debt (Net Cash)	(112,781)	(114,504)	(38,033)	20,282	11,848	26,562
Net Cash as a % of Market Cap	12.1%	15.1%	6.9%	-7.0%	-5.4%	-14.4%

Data as of 6/30/2019.

\* Holdings that are currently in the Fund.

\*\* Note: Coca-Cola revenue growth forecast (2-year) from 2019E-2021E takes into account the sale of its bottling operations.

Source: Capital IQ

Return on Equity (ROE) a measure of financial performance calculated by dividing net income by shareholders' equity. The ROE forward is the estimated ROE for the next four quarters.

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.

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. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, FPA, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at [www.fpa.com](http://www.fpa.com). 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. **Please refer to the end of the presentation for important disclosures.**

# Performance – net of fees

## Trailing Performance (%)

As of June 30, 2019	3 Years	1 Year	Q1 2019	Q2 2019	YTD	10 Years*	5 Years*
FPA U.S. Value Fund, Inc.	7.56	7.72	15.27	4.97	21.00	11.12	3.97
S&P 500	14.19	10.42	13.65	4.30	18.54	14.70	10.71
US OE Large Blend	12.58	8.10	12.91	3.83	17.23	12.65	8.36
Russell 2500	12.34	1.77	15.82	2.96	19.25	14.44	7.66

\* 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.

Calculated using Morningstar Direct. FPA U.S. Value Fund ("Fund") performance is net of all fees and expenses and includes the reinvestment of distributions. Periods over one year are annualized. Fund returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these figures. 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. An investor cannot invest directly in an index.

**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, which may be lower or higher than the performance data quoted, may be obtained at [www.fpa.com](http://www.fpa.com) or by calling toll-free, 1-800-982-4372. The Net Expense Ratio as of most recent prospectus is 1.20%.**

The total expense ratio is 1.37% (as of most recent prospectus). The Investment Advisory Agreement ("IAA") between the Fund and First Pacific Advisors, LLC ("FPA" or the "Adviser"), the Fund's investment adviser, requires FPA to reduce its investment advisory fee to the extent necessary to reimburse the Fund for any annual expenses (exclusive of interest, taxes, the cost of brokerage and research services, legal expenses related to portfolio securities, and extraordinary expenses such as litigation, merger, reorganization or recapitalization) in excess of 1.5% of the first \$30 million and 1% of the remaining average net assets of the Fund. This agreement is coterminous with the IAA, and the IAA is renewed annually by the Board as of October 1. The IAA may be terminated by the Board or by the vote of a majority of the Fund's shareholders or the Adviser.

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



## Question & Answer

# Important Disclosures

---

**These slides are intended as supplemental material to the First Half 2019 FPA U.S. Value Fund audio presentation that is posted on our website [fpa.com](http://fpa.com).**

**This presentation is for informational and discussion purposes only.** 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 22, 2019) and are subject to change based on market and other conditions. This presentation does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale with respect to any securities, products or services discussed, and neither does it provide investment advice. Any such offer or solicitation shall only be made pursuant to the Fund's Prospectus, which supersedes the information contained herein in its entirety.

The statements contained herein reflect the opinions and views of the portfolio managers as of the date written. 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.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities or sectors are for informational purposes only and should not be construed as a recommendation by the Fund, the portfolio managers, FPA or the distributor to purchase or sell such securities or 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 examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at [www.fpa.com](http://www.fpa.com).

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.fpa.com](http://www.fpa.com), by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.**

**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. The Fund's net expense ratio as of most recent prospectus is 1.20%. The total expense ratio is 1.37% (as of most recent prospectus). Current month-end performance, which may be higher or lower than the performance data quoted, may be obtained at [www.fpa.com](http://www.fpa.com) or by calling toll-free, 1-800-982-4372.**

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.

Investments in mutual funds carry risks and investors may lose principal value. Capital 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. You risk paying more for a security than you received from its sale.

Value style investing presents the risk that such holdings or securities' 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.



# Important Disclosures – cont'd

---

Certain statements contained in this presentation may be forward-looking and/or based on current expectations, projections, and information currently available to FPA, and can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, actual events or results may differ from materially those we anticipate, or the actual performance of any investments described herein may differ from those reflected or contemplated in such forward-looking statements, due to various risks and uncertainties. We cannot assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Such statements may or may not be accurate over the long-term. Statistical data or references thereto were taken from sources which we deem to be reliable, but their accuracy cannot be guaranteed.

The information contained herein is not complete, may change, and is subject to, and is qualified in its entirety by, the more complete disclosures, risk factors, and other information contained in the Fund’s Prospectus and Statement of Additional Information (“SAI”) and/or FPA’s Form ADV. The information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind. **Past performance is not a guarantee, nor is it indicative, of future results.**

Certain information provided in this report is based upon data existing as of the date(s) of the report in FPA’s internal systems and has not been audited or reviewed. While we believe the information to be accurate, it is subject in all respects to adjustments that may be made after proper review and reconciliation.

**12-Month Forward P/E** ratio is a current stock’s price over its “predicted” earnings per share for the next twelve months. If the forward P/E ratio is higher than the current P/E ratio, it indicates decreased expected earnings.

**Return on Equity (ROE)** is a ratio that provides investors with insight into how efficiently a company (or more specifically, its management team) is handling the money that shareholders have contributed to it.

**Market capitalization** is the aggregate market value of a company represented in dollar amount, it is computed based on the current market price of its shares and the total number of outstanding shares.

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

## **Index / Category Definitions**

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund does not include outperformance of any index or benchmark in its investment objectives. The Fund may be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund’s investment strategy. Indices are unmanaged and 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. The Fund does not include outperformance of any index in its investment objectives.

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.

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.

**Morningstar Large Blend Average (US OE Large Blend)** 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 average does not reflect the effect of fund sales charges.

©2019 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted by Morningstar to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

# Important Disclosures – cont'd

---

## Index / Category Definitions – Cont'd

**MSCI World Index** is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI world index does not offer exposure to emerging markets.

**The MSCI USA Index** is designed to measure the performance of the large and mid-cap segments of the US market. With 643 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.

**The MSCI USA Growth Index** captures large and mid-cap securities exhibiting overall growth style characteristics in the US. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

**The MSCI USA Value Index** captures large and mid-cap US securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.