FPA Crescent Fund (FPACX)

Steven Romick, Mark Landecker, Brian Selmo
Section I

Intro

Ryan Leggio, Partner
Head of National Accounts and Senior Product Specialist
Differentiated performance across multiple market cycles

- **155** peers run by same manager since 2000
- **55 funds** had >90% of return and <60% of drawdown during 2000-2007 cycle
- **3 funds** have been able to accomplish it this market cycle (October 10, 2007 to March 31, 2018)
- **FPA Crescent is one of only 2 funds able to accomplish it in both market cycles**

Peer = funds in Morningstar large growth, large value, large blend, 50-70%, or world allocation categories
Section II
Philosophy and strategy
Investment objective

- The FPA Crescent Fund seeks to generate equity-like returns over the long-term, take less risk than the market and avoid permanent impairment of capital.

Philosophy

- Flexible approach
  - We utilize a go-anywhere approach with a broad mandate allowing us to invest across asset classes and the capital structure and in a variety of market caps, geographies and sectors without regard to benchmark weights.
  - We can make illiquid investments and may sell short securities.
- Absolute return focus
  - We invest when we believe there is a compelling economic risk/reward proposition on an absolute basis.
  - We are willing to hold meaningful amounts of cash for prolonged periods if opportunities do not present themselves.
- Deep research
  - We strive to understand our companies better than most. Through independent, bottom-up, fundamental research we try to minimize risk by reading the footnotes and fine print. The first question we always ask is, “What can go wrong?”
  - We incorporate an understanding (though it may be uncertain at times) of the macroeconomic environment.
- Patience
  - While we complete our research
  - While we wait for an appropriate price
  - While we hold an investment
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Patience
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<table>
<thead>
<tr>
<th>Typical asset classes used to accomplish goal</th>
<th>FPA Crescent</th>
<th>Allocation – 50% to 70% Equity</th>
<th>World Allocation</th>
<th>World Stock</th>
<th>Long-Short Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equities (All Cap)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Developed Equities (All Cap)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Emerging Market Equities (All Cap)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Pair Trades/Stub Trades</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Yield Bonds (Global)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distressed Debt (Global)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Grade Bonds</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Fixed Income (Preferred, convertible, etc.)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shorting</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illiquids – typically up to 5% (Examples include subprime whole loans, farmland, Sears Canada private term loan)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: FPA, Morningstar
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FPA Crescent investment objective and philosophy

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Not for Redistribution
Unexpected financial problems?
FPA Crescent investment objective and philosophy

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**Compounding**

- The world’s great businesses. We think of compounders as infinite duration bonds with rising coupons.
- We think of long-term returns on compounders equal to:
  - Long-term return to owner before capital allocation = Owner earnings + Long-term organic growth in owner earnings
  - Owner earnings = Free cash flow after investment required to sustain competitive position and pursue organic growth
- Current portfolio examples include Aon, Oracle, United Technologies.*

**3:1s**

- Business is possibly of a lesser quality than that of a compounder but is still a good business and likely to have greater upside potential. We invest in these businesses when our assessment of what we can make vs. what we can lose has a ratio of 3:1 or better.
- Current portfolio examples include Owens-Illinois, American International Group, CIT Group.*

**Special Situations**

- Current portfolio examples include Pacific Gas & Electric, Yahoo, Altaba/Alibaba, Naspers/Tencent.*
Investment types – equity

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Investment types – high yield/distressed

Performing Credits
- Credit instruments expected to remain performing. Interest and principal recovered under all reasonable worst-case scenarios.
- Generally purchased at >10% yield-to-maturity, or Libor +700

Stressed Credits
- Credits with a strong likelihood of restructuring
- Generally purchased at >15% yield-to-maturity and prices at which Crescent is comfortable creating the reorganized company

Reorganization
- Business undergoing reorganization (either in or out of bankruptcy).
- Credit purchased at an attractive value in context of the “NewCo” created in the restructuring

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**Investment process**

**Portfolio Management**

**Source Ideas**
- Quality Business Universe
- Value Oriented Publications
- Professional Network
- Screens
- Sector Out of Favor

**Quick Analysis**
- Qualitative Description
- Valuation
- Risk/Reward

**Full Analysis**
- Fundamental, Bottom Up
  - Business
  - Management
  - Industry & Macro Considerations
  - Valuation
  - Risk/Reward
  - Add to library

**Review and Decision**
- Portfolio Construction
  - Equity
    - Compounding
    - 3:1s
    - Special Situations
  - Debt
    - Distressed
    - High Yield
  - Cash
    - Residual of Investment Process
- Portfolio Management
  - Typically 35-55 Positions
  - Continuous Monitoring of Fundamentals

**Add to library or trash**
- Attractive
- Unattractive
- Finished
"You are completely free to carry out whatever research you want, so long as you come to these conclusions."

Source: McLeod
Section III
Performance
Performance

Performance is presented net of fees. Calculated using Morningstar Direct. Periods greater than one year are annualized.

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 www.fpafunds.com or by calling toll-free, 1-800-982-4372. A redemption fee of 2% will be imposed on redemptions within 90 days. Expense ratio as of most recent prospectus is 1.09%.

* Fund Inception: June 2, 1993. Performance prior to March 1, 1996 reflects the historical performance of a predecessor fund. FPA assumed control of the predecessor fund on March 1, 1996. The Fund's objectives, policies, guidelines and restrictions are, in all material respects, equivalent to those of the predecessor fund.

** The MSCI ACWI was not considered a relevant illustrative index prior to 2011 because the Fund was not classified as a global mandate until this point in time.

Market Cycle Performance

Comparison to the S&P 500, the MSCI ACWI Index, the 60%S&P500/40% BBgBarc US Agg Index and the CPI is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

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Market Cycle Performance reflects the two most recent market cycles (peak to peak) defined as a period that contains a decline of at least 20% from the previous market peak over at least a two-month period and a rebound to establish a new peak above the prior market peak. The current cycle is ongoing and thus presented through the most recent quarter-end. Once the cycle closes, the results presented may differ materially.

Please refer to the end of the presentation for important disclosures.
The Fund has delivered on its objective for 24 years

Investment objective: The FPA Crescent Fund seeks to generate equity-like returns over the long-term, take less risk than the market and avoid permanent impairment of capital.

Source: Morningstar Direct. The inception date of the FPA Crescent Fund is June 2, 1993. Total returns and standard deviation as of March 31, 2018. Standard deviation calculation begins in the first full month of fund performance i.e. July 1993. Up and down participation relative to the S&P 500 as of March 31, 2018. 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 back of this presentation for important disclosures.
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Annualized total return: 10/10/07 – 3/31/18
- FPA Crescent: 6.66%
- S&P 500: 7.41%
- MSCI ACWI: 3.93%

Relative to the S&P 500 and MSCI ACWI: 10/10/07 – 3/31/18
- FPA Crescent Down Participation: 53.13%
- FPA Crescent Up Participation: 63.59%
- MSCI ACWI Down Participation: 43.62%
- MSCI ACWI Up Participation: 63.57%

Annualized standard deviation: 10/10/07 – 3/31/18
- FPA Crescent: 9.72%
- S&P 500: 14.97%
- MSCI ACWI: 16.62%

Source: Morningstar Direct. Market cycle Total returns and standard deviation as of March 31, 2018. Standard deviation calculation begins in the first full month of fund performance i.e. November 2007. Up and down participation relative to the S&P 500 and MSCI ACWI as of March 31, 2018. Comparison to the S&P 500 and MSCI ACWI are 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 back of this presentation for important disclosures.
5-year rolling returns by market type since inception

Source: Morningstar Direct. The chart illustrates the monthly five-year rolling average returns for the FPA Crescent Fund from July 1, 1993 (the first full month of performance since inception) through March 31, 2018 compared to the S&P 500 Index. The horizontal axis represents the five-year rolling average returns for the Index, and the vertical axis represents the Fund’s five-year rolling average returns. The diagonal line illustrates the relative performance of the Fund vs. the Index. Points above the diagonal line indicate the Fund outperformed in that period, while points below the line indicate the Fund underperformed in that period. The table categorizes returns for three distinct market environments: a “down market” is defined as any period where the five-year rolling average return for the Index was less than 0%; a “normal market” is defined as any period where the five-year rolling average return for the Index was between 0-10%; and a “robust market” is defined as any period where the five-year rolling average return for the Index was greater than 10%. There were 237 five-year rolling average monthly periods between July 1, 1993 and March 31, 2018. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.

<table>
<thead>
<tr>
<th></th>
<th>Down market 5yr average return below 0%</th>
<th>Normal market 5yr average return 0-10%</th>
<th>Robust market 5yr average return above 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FPA Crescent</td>
<td>9.54%</td>
<td>8.80%</td>
<td>11.11%</td>
</tr>
<tr>
<td>S&amp;P 500 average</td>
<td>-1.81%</td>
<td>3.38%</td>
<td>17.13%</td>
</tr>
<tr>
<td>Periods in which FPA outperformed the S&amp;P 500</td>
<td>49 of 49</td>
<td>77 of 79</td>
<td>13 of 110</td>
</tr>
</tbody>
</table>

Source: Morningstar Direct. The chart illustrates the monthly five-year rolling average returns for the FPA Crescent Fund from July 1, 1993 (the first full month of performance since inception) through March 31, 2018 compared to the S&P 500 Index. The horizontal axis represents the five-year rolling average returns for the Index, and the vertical axis represents the Fund’s five-year rolling average returns. The diagonal line illustrates the relative performance of the Fund vs. the Index. Points above the diagonal line indicate the Fund outperformed in that period, while points below the line indicate the Fund underperformed in that period. The table categorizes returns for three distinct market environments: a “down market” is defined as any period where the five-year rolling average return for the Index was less than 0%; a “normal market” is defined as any period where the five-year rolling average return for the Index was between 0-10%; and a “robust market” is defined as any period where the five-year rolling average return for the Index was greater than 10%. There were 237 five-year rolling average monthly periods between July 1, 1993 and March 31, 2018. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
Active stock selection drives differentiated returns

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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FPACX long equity</td>
<td>10.61%</td>
<td>-0.96%</td>
<td>21.07%</td>
<td>15.57%</td>
<td>-0.64%</td>
<td>13.64%</td>
<td>38.12%</td>
<td>17.77%</td>
<td>4.58%</td>
<td>22.48%</td>
<td>38.66%</td>
<td>-38.27%</td>
<td>11.47%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>7.96%</td>
<td>-0.76%</td>
<td>21.83%</td>
<td>11.96%</td>
<td>1.38%</td>
<td>13.69%</td>
<td>32.39%</td>
<td>16.00%</td>
<td>2.11%</td>
<td>15.06%</td>
<td>26.46%</td>
<td>-37.00%</td>
<td>5.49%</td>
</tr>
<tr>
<td>Alpha vs. S&amp;P 500</td>
<td>2.66%</td>
<td>-0.20%</td>
<td>-0.76%</td>
<td>3.61%</td>
<td>-2.02%</td>
<td>-0.05%</td>
<td>5.73%</td>
<td>1.77%</td>
<td>2.47%</td>
<td>7.42%</td>
<td>12.20%</td>
<td>-1.27%</td>
<td>5.98%</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td>5.06%</td>
<td>-0.96%</td>
<td>23.97%</td>
<td>7.86%</td>
<td>-2.36%</td>
<td>4.16%</td>
<td>22.80%</td>
<td>16.13%</td>
<td>-7.35%</td>
<td>12.67%</td>
<td>34.63%</td>
<td>-42.19%</td>
<td>11.66%</td>
</tr>
<tr>
<td>Alpha vs. MSCI ACWI</td>
<td>5.55%</td>
<td>0.01%</td>
<td>-2.90%</td>
<td>7.71%</td>
<td>1.72%</td>
<td>9.48%</td>
<td>15.32%</td>
<td>1.64%</td>
<td>11.93%</td>
<td>9.81%</td>
<td>4.03%</td>
<td>3.92%</td>
<td>-0.19%</td>
</tr>
</tbody>
</table>

Source: FPA. As of March 31, 2018. Comparison to the S&P 500 and the MSCI ACWI Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.
FPA Crescent vs. Index Funds Trailing Ten Years

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Fund Return</th>
<th>Investor Return</th>
<th>Standard Deviation</th>
<th>Max Drawdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>FPA Crescent</td>
<td>7.27%</td>
<td>7.14%</td>
<td>9.86%</td>
<td>-28.84%</td>
</tr>
<tr>
<td>Average S&amp;P 500 Index Fund</td>
<td>9.34%</td>
<td>6.38%</td>
<td>15.04%</td>
<td>-46.40%</td>
</tr>
<tr>
<td>MSCI World Index Fund</td>
<td>3.66%</td>
<td>-0.45%</td>
<td>18.38%</td>
<td>-56.61%</td>
</tr>
</tbody>
</table>

FPA Crescent vs. Index Funds Trailing Ten Years
Returns through March 31, 2018

1 Asset Weighted Average
2 JNL/Mellon Capital MSCI World Index

Comparison to any other mutual fund or index is for illustrative purposes only. The FPA Crescent Fund does not include outperformance of any index or benchmark in its investment objectives. The MSCI ACWI ETF incepted March 26, 2008. As of December 31, 2017, trailing ten year performance was not available. Past performance is no guarantee of future results.
Section IV

Process
Leaning into the wind – dynamic sector exposure

Corporate Credit
Energy
Mortgages
Healthcare
Old Tech
Consumer Brands
Financials
Municipal Bonds
Corporate credit – bad headlines

Bloomberg: Sears Canada to Liquidate With the Loss of 12,000 Jobs

MarketWatch: Delta Air Lines declares bankruptcy

The New York Times: Ford Loses Record $12.7 Billion in ’06

AP: Hard times for Sears as retailer notes doubt about future

Bloomberg: CONSOL Energy Sued Over Benefit Cuts to Retired Coal Miners

The Guardian: Glencore: how did it go so wrong, again?

Chicago Tribune: Navistar to be delisted

Truckmaker again delays financials, will fight Big Board move
Credit – some FPACX current and past investments
Opportunistic exposure – corporate credit

BofA Merrill Lynch US High Yield Master II Option-Adjusted Spread vs. FPA Crescent High Yield/Distressed Exposure

Source: FPA, Federal Reserve Bank of St. Louis, December 31, 2017. Data prior to March 31, 1996 are not available. Investment exposure for periods prior to March 31, 1996 may differ materially. Please refer to the end of the presentation for important disclosures.
Corporate credit – good headlines

BARRON'S

High-Yield Bonds Hit New 52-Week Highs

FT
FINANCIAL TIMES

Global investors develop taste for US high-yield corporate bonds

SEE IT
market

April Credit Markets Recap: The Bull Market Marches On...

HighYieldBond.com

European high yield fund inflows surge as new-issue market picks up

MarketWatch

Bond ETF inflows top $100 billion for 2017

A Bull Market For Junk Bonds As Interest Rates Rise
Energy’s late 1990 negative headlines

**BBC NEWS**
Countdown to crisis: Eight days that shook Britain

**HOUSTON CHRONICLE**
Some OPEC envoys want bigger cuts / Ministers ready to take ‘drastic’ stabilizing steps: [3 STAR Edition]

**The New York Times**
OPEC Is Prepared to Reduce Oil Production to Raise Prices

**The Dallas Morning News**
Texas financier suffers as energy markets tumble

**The SUN**
Slump leads Halliburton to cut 2,750 more jobs; No. 1 oil service firm to remove 11% of payroll, or 10,850 jobs; Layoffs

**CNN Money**
Oil prices hover at 25-year low - Nov. 30, 1998

**Los Angeles Times**
Conoco to Cut Spending, 6% of Workers

**The Economist**
Oil gluts, early-1990s style
Opportunistic exposure – energy

S&P 500 Energy Sector Earnings Yield vs.
FPA Crescent Energy Equity Exposure

As of December 31, 2017.
Source: FPA, Capital IQ, Bloomberg
Figures are presented at each year-end. Data prior to 2001 is not available. Exposure for periods prior to 2001 may differ materially. Fund sector exposure is net of short positions. Earnings yield = TTM Earnings Bloomberg Estimate / Price.
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. Please refer to the back of the presentation for important disclosures.
Energy – FPACX current and past investments
Crescent’s energy holdings less expensive than sector

As of December 31, 2017.
Figures are presented at each year-end. Data prior to 1996 is not available. Earnings yield = TTM Earnings / Price.
Please refer to the back of the presentation for important disclosures.
Not everything we read proves useful

Published 2005
US Oil Production: A Second Wind

As of December 31, 2011
Source: US Energy Information Administration (EIA)
Energy exposure increased along with expectation of weak production

As of December 31, 2017.

Source: FPA, Capital IQ, Bloomberg, US Energy Information Administration (EIA)

Fund sector exposure is net of short positions.

Please refer to the back of the presentation for important disclosures.
Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma

As of March 31, 2018.
Source: Federal Reserve Economic Data (FRED)
Please refer to the back of the presentation for important disclosures.
Mortgages – bad headlines

The Subprime 25: The Top 25 Lenders Responsible For Almost $1 Trillion Of Subprime Loans

Prime Mortgage Foreclosures Outpacing Subprime!

Mortgage Crisis Spreads Past Subprime Loans

Subprime crisis: US foreclosures bring homelessness to the middle class

Record 3 million households hit with foreclosure in 2009
FPA Crescent Exposure to Residential Mortgages (Whole Loans)

As of March 31, 2018.

Source: FPA, Bloomberg, Markit. Comparison to the Markit ABX AAA 2006-2 Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

Opportunistic exposure – whole mortgage loans

Subprime index represented by Markit ABX CDS S6-2 Index. Data unavailable prior to 2007.

As of March 31, 2018.

Source: FPA, Bloomberg, Markit. Comparison to the Markit ABX AAA 2006-2 Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.

Subprime index represented by Markit ABX AAA CDS S6-2 Index. Data unavailable prior to 2007.
Mortgages – good headlines

There’s no denying that the housing market is on fire

Construction spending rises to four-year high

Housing recovery gains strength

'Homes sales are up nearly 50 percent' from the worst of the housing crisis, Obama says

A new housing boom

The Great Housing Rebound of 2012: How the Fed Helped Sellers Beat the Odds
Healthcare – bad headlines

**NEW REPUBLIC**

Obamacare Is Doomed! A Trip Down Memory Lane.

**Forbes**

Will Health Costs Bankrupt America?

Government Price Controls for Health Care: A Deficit-Reduction Strategy to Avoid

**Forbes**

Obamacare And Price Controls

**Forbes**

Like It Or Not, Obamacare Is Reshaping The Healthcare Industry
Opportunistic exposure – healthcare

S&P 500 Healthcare Sector Earnings Yield vs. FPA Crescent Healthcare Equity Exposure

As of December 31, 2017.

Source: FPA, Capital IQ, Bloomberg

Figures are presented at each year-end. Data prior to 2001 is not available. Exposure for periods prior to 2001 may differ materially. Fund sector exposure is net of short positions. Earnings yield = TTM Earnings Bloomberg Estimate / Price.

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. Please refer to the back of the presentation for important disclosures.
Healthcare – FPACX current & past investments

- Pfizer
- Johnson & Johnson
- Mylan
- Tenet Health
- Amgen
- Omnicare
- Anthem
- Covidien
- CareFusion
- Abbott
- Apria Healthcare
- Medtronic
- Thermo Fisher Scientific
Healthcare – good headlines

**Business Standard**
Healthcare sector may hit $155 bn revenue by 2017: report

**CNN Money**
Big winner from Obamacare ruling: Healthcare stocks

**The Globe and Mail**
Healthcare stocks: As boomers age, a booming sector emerges

**FINANCIAL REVIEW**
Healthcare sector growing in importance as technology takes hold

**Modern Healthcare**
Anthem acquiring Cigna in largest-ever health insurance deal: $54.2B

**Pharma fuels Johnson & Johnson’s first-quarter earnings beat**

**Los Angeles Times**
Anthem is latest health insurer to beat profit expectations

**Bloomberg**
Amgen’s Key New Drug Beats Estimates After Two Quarterly Misses

**CNN Money**
Dow, S&P close at new highs on health care rally
Old tech—bad headlines

Microsoft Is Telegraphing Bad News

More Bad News From Cisco

THE WALL STREET JOURNAL
Fast, Cheap(er) and Not Oracle

Forbes
The Cisco in the Coal Mine

THE WALL STREET JOURNAL
Oracle’s Sales Stall; Stock Tumbles 8%

REUTERS
Cisco sees "unusual uncertainty," sales disappoint

The INQUIRER
Seagate and Western Digital wait for the click of death

Forbes
Cisco Knows How to Bring the Mood Way Down

The Fiscal Times
Microsoft’s Windows 8 Fails to Reboot PC Business
Opportunistic exposure – old, large-cap tech

S&P 500 Information Tech Sector Earnings Yield vs. FPA Crescent Net Information Tech Equity Exposure

As of December 31, 2017.
Source: FPA, Capital IQ, Bloomberg
Figures are presented at each year-end. Data prior to 2001 is not available. Exposure for periods prior to 2001 may differ materially. Fund sector exposure is net of short positions. Earnings yield = TTM Earnings Bloomberg Estimate / Price.
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. Please refer to the back of the presentation for important disclosures.
Old technology – FPACX current and past investments
Crescent’s large cap tech holdings less expensive than sector

As of December 31, 2017.
Figures are presented at each year-end. Data prior to 1996 is not available. Earnings yield = TTM Earnings / Price. 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. Please refer to the back of the presentation for important disclosures.
Old tech— good headlines

The Seattle Times
Microsoft beats forecasts as cloud boosts quarterly results
For TE Connectivity Ltd. (TEL)

Business Wire
Analog Devices Named Top 100 Global Technology Leader by Thomson Reuters

Network World
What’s behind Cisco’s comeback?

Fortune
PayPal makes big splash on first day of trading after eBay spinoff

Street Observer
Strong growth prospects in the future

Seeking Alpha
Texas Instruments: Another Quarter With Double-Digit Growth

Financial Times
Oracle beats earnings expectations with a boost from cloud business

The Irish Times
Intel beats forecasts with profits and revenue rise
Microsoft and Amazon also enjoy surging gains

The Wall Street Journal
Microsoft Rides Cloud Strength and Signals More to Come
Azure’s revenue jumps 93% as company becomes chief cloud rival to Amazon
Consumer staples – bad headlines

Eurozone (debt) crisis: Country Profile
Cyprus

Open Europe
George Soros: The euro is "bound to break up the European Union"

Greek debt crisis: Lessons from Cyprus and Iceland

Forbes
Moody’s: Risk Of Mass Defaults And Eurozone Breakup Very Real

European Debt Crisis Fast Facts

The Failure of the Euro

The Little Currency That Couldn’t

EU could break up ‘within months,’ says Asselborn
As of December 31, 2017.
Source: FPA, Capital IQ, Bloomberg
Figures are presented at each year-end. Data prior to 2001 is not available. Exposure for periods prior to 2001 may differ materially. Fund sector exposure is net of short positions. Earnings yield = TTM Earnings Bloomberg Estimate / Price. 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. Please refer to the back of the presentation for important disclosures.

Opportunistic exposure – consumer staples

S&P 500 Consumer Staples Sector Earnings Yield vs.
FPA Crescent Consumer Staples Equity Exposure

As of December 31, 2017.
Source: FPA, Capital IQ, Bloomberg
Figures are presented at each year-end. Data prior to 2001 is not available. Exposure for periods prior to 2001 may differ materially. Fund sector exposure is net of short positions. Earnings yield = TTM Earnings Bloomberg Estimate / Price. 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. Please refer to the back of the presentation for important disclosures.
Crescent’s consumer staples holdings less expensive than sector

FPA Crescent Consumer Staples Holdings Weighted Earnings Yield vs. S&P 500 Consumer Staples Sector Earnings Yield

As of December 31, 2017. Figures are presented at each year-end. Data prior to 1996 is not available. Earnings yield = TTM Earnings / Price. 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. Please refer to the back of the presentation for important disclosures.
Consumer brands – good headlines

Europe is growing faster than Brexit Britain (For real!)

Mondelez Looks Sweet For Long-Term Portfolios

FINANCIAL TIMES
Eurozone recovery becomes surprise economic story of 2017

SouthEUSummit
Cypriot Credit Rating Gets an Upgrade From Fitch

MarketWatch
Henkel net profit up 50% for quarter, 19% for year

QUARTZ
The economic surprise of 2017 was Europe’s best year in a decade

moderndiplomacy
The Greek economy is recovering

REUTERS
Euro zone growth, eclipsing U.S. economy, set to be best in decade
Financials – bad headlines

**USA TODAY**
AIG CEO Peter Hancock to step down after massive loss at insurance giant

**The New York Times**
*Lehman Files for Bankruptcy; Merrill Is Sold*

**DealB%k**
Bank of America Finds a Mistake: $4 Billion Less Capital

**The Wall Street Journal**
Citigroup Fights to Recover From ‘Stress Test’ Failure

**CNN Money**
Goldman Sachs posts $2.1 billion loss

**Reuters**
*WaMu is largest U.S. bank failure*

**CNN Money**
Wachovia suffers nearly $24 billion loss

**Atlanta Business Chronicle**
Feds seize First Georgia Community Bank

**DealB%k**
Citigroup Fails Federal Reserve’s Stress Test for 2nd Time in 3 Years
Opportunistic exposure - financials

FPA Crescent Financials Equity Exposure

S&P 500 Bank Industry Price/Book vs FPA Crescent allocation to Financials. Fund sector exposure is net of short positions. 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.
Share Price vs Tangible Book Value Performance

Financials – good headlines

CNN Money
AIG, once on death's door, is doing deals again

Leucadia National's Game-Changing Strategy

Seeking Alpha
Bank of America beats, has record quarter in investment banking

THE WALL STREET JOURNAL
Bank of America’s Profits Lifted by Tax Law, Rising Interest Rates

THE WALL STREET JOURNAL
CIT Group Revenue Increases

Surprise! AIG is a hot stock again. Seriously.

INVESTOPEDIA
Ally Financial Beats on EPS, Revenue for Q4

REUTERS
Citigroup profit beats on strength in consumer banking, equity trading

First Pacific Advisors, LLC
Section V

Market view
US economic expansion currently 3rd longest on record

Weak economic expansion

As of March 31, 2018
Source: JP Morgan Guide to the Markets
Lower rates = market fuel

As of March 31, 2018
Source: Shiller

10-Year US Treasury vs. CAPE Earnings Yield

As of March 31, 2018
Source: Shiller

First Pacific Advisors, LLC
Higher rates = headwind

10-Year US Treasury vs. CAPE Earnings Yield

As of March 31, 2018
Source: Shiller, FPA
What happens when the fuel runs out?

Components of S&P 500 return since 1982

- Earnings Growth: 6.45%
- Average Dividend Yield: 2.45%
- P/E Expansion: 2.13%
- Total Return: 11.10%

As of March 31, 2018. Source: Bloomberg.

What’s next?
### Second longest equity bull market in history

#### Longest US Bull Markets Since 1926

<table>
<thead>
<tr>
<th>Duration (months)</th>
<th>Month Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>113</td>
<td>Oct '90 - Mar '00</td>
</tr>
<tr>
<td>108</td>
<td>Mar '09 - present</td>
</tr>
<tr>
<td>73</td>
<td>Oct '62 - Nov '68</td>
</tr>
<tr>
<td>60</td>
<td>Aug '82 - Aug '87</td>
</tr>
<tr>
<td>49</td>
<td>Apr '42 - May '46</td>
</tr>
</tbody>
</table>

**Average 54 Months**

As of March 31, 2018

Source: JPMorgan Asset Management

---

Not for Redistribution
It has been a long, unprecedented rally

S&P 500 Streaks (1975 – Present)
A Once in 52 Years Event

Source: Morningstar. As of March 31, 2018
Global stock market highs

As of March 31, 2018

Source: Bloomberg

S&P 500, MSCI EAFE, MSCI Emerging Markets Indexes

As of March 31, 2018
Source: Bloomberg
Global bond yields have been declining

Source: Bloomberg. As of March 31, 2018

Yield to Worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. SEC Yield as of March 31 2018 was 0.61%. The SEC Yield calculation begins with the Fund’s dividend payments for the last 30 days, subtracts fund expenses (but excluding any fee waivers) and uses this number to estimate your returns for a year. This calculation is based on the price of the fund at the beginning of the month.
US CAPE Ratio has only been higher 3% of the time

Historic US P/E Using 10-year Average Earnings

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Since 1881</th>
<th>Since 1930</th>
<th>Since 1950</th>
<th>Since 1970</th>
<th>CAPE Ratio</th>
<th>10-Year CAPE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1881</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1893</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1906</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1918</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1955</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>16.8</td>
<td>17.9</td>
<td>19.3</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Shiller, Robert J. Online Data, www.econ.yale.edu/~shiller/data.htm. Data as of March 31, 2018. Monthly dividend and earnings data are computed from the S&P four-quarter totals for the quarter since 1926, with linear interpolation to monthly figures. Dividend and earnings data before 1926 are from Cowles and associates (Common Stock Indexes, 2nd ed. [Bloomington, Ind.: Principia Press, 1939]), interpolated from annual data. CAPE stands for Cyclically Adjusted P/E. P/E or price-to-earnings is a valuation ratio of a company's current share price compared to its per-share earnings. Please refer to the end of the presentation for important disclosures.
US P/E based on forward earnings

Source: Bloomberg. As of March 31, 2018. Forward earnings represented by Bloomberg’s Best field, using next four quarters estimates.
US equity market valuations at new high relative to economy

US Stock Market as a % of GDP

As of December 31, 2017
Source: Federal Reserve Bank of St Louis, Board of Governors of the Federal Reserve.
Global stock valuations are historically high

<table>
<thead>
<tr>
<th></th>
<th>US (S&amp;P 500)</th>
<th></th>
<th></th>
<th>Global (MSCI ACWI)</th>
<th></th>
<th></th>
<th></th>
<th>CAPE</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 31, 2000</td>
<td>18.9</td>
<td>1.4</td>
<td>2.9</td>
<td>43.2</td>
<td>16.2</td>
<td>1.0</td>
<td>1.9</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep 30, 2007</td>
<td>18.2</td>
<td>1.7</td>
<td>3.1</td>
<td>26.7</td>
<td>17.8</td>
<td>1.7</td>
<td>2.6</td>
<td>28.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar 31, 2018</td>
<td><strong>21.3</strong></td>
<td><strong>2.5</strong></td>
<td><strong>3.3</strong></td>
<td><strong>32.1</strong></td>
<td><strong>19</strong></td>
<td>1.3</td>
<td>2.2</td>
<td>22.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bloomberg, MSCI. Data as of March 31, 2018. P/E TTM = Trailing 12 month Price/Earnings median value of underlying securities. P/S TTM = Trailing 12 month Price/Sales median value of underlying securities. P/B = Price/Book median value of underlying securities. CAPE Ratio = value of Price/average 10-year earnings, adjusted for inflation. CAPE is not available for MSCI ACWI as the index was created in 1995 (Bloomberg, Research Affiliates). Please refer to the end of the presentation for important disclosures.
## International stocks are cheaper?

### Large, Quality US Company Valuation vs International Peers

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Durables &amp; Apparel</td>
<td>Nike</td>
<td>28.9</td>
<td>Adidas</td>
<td>29.6</td>
<td>2%</td>
</tr>
<tr>
<td>Distillers &amp; Vintners</td>
<td>Brown Forman</td>
<td>34.6</td>
<td>Diageo</td>
<td>18.9</td>
<td>-46%</td>
</tr>
<tr>
<td>Food Distributors/Restaurants</td>
<td>Sysco Corp</td>
<td>23.1</td>
<td>Compass</td>
<td>20.4</td>
<td>-12%</td>
</tr>
<tr>
<td>Household/Personal Products</td>
<td>Colgate-Palmolive Co</td>
<td>24.8</td>
<td>Unilever</td>
<td>21.2</td>
<td>-15%</td>
</tr>
<tr>
<td>Household/Personal Products</td>
<td>Estee Lauder</td>
<td>36.2</td>
<td>L’Oréal Group</td>
<td>26.8</td>
<td>-26%</td>
</tr>
<tr>
<td>Household/Personal Products</td>
<td>Procter &amp; Gamble</td>
<td>19.3</td>
<td>Unilever</td>
<td>21.2</td>
<td>10%</td>
</tr>
<tr>
<td>Insurance Brokers</td>
<td>Marsh &amp; McLennan Cos Inc.</td>
<td>21.0</td>
<td>Aon</td>
<td>31.2</td>
<td>49%</td>
</tr>
<tr>
<td>Packaged Foods &amp; Meats</td>
<td>General Mills</td>
<td>14.6</td>
<td>Danone</td>
<td>17.1</td>
<td>17%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Merck &amp; Co Inc</td>
<td>15.5</td>
<td>Sanofi</td>
<td>21.7</td>
<td>40%</td>
</tr>
<tr>
<td>Specialty Chemicals</td>
<td>International Flavors &amp; Fragrances</td>
<td>23.2</td>
<td>Givaudan</td>
<td>27.8</td>
<td>20%</td>
</tr>
<tr>
<td>Systems/Application Software</td>
<td>Oracle</td>
<td>17.6</td>
<td>SAP</td>
<td>25.4</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8%</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10%</td>
</tr>
</tbody>
</table>

As of March 31, 2018

Source: Bloomberg

P/E TTM = Trailing 12 Month Price to Equity. International Premium/Discount refers to the premium or discount in valuation at which International companies are being traded at over their US peers.
Bears facing extinction

Wells Fargo/Gallup Investor and Retirement Optimism Index

Source: Wells Fargo/Gallup
Household investments – an indicator of market returns?

S&P 500 Trailing 10-Year Return vs Household Equity as a Percent of Household Financial Assets (shifted forward 10 years and flipped)

Source: Federal Reserve Economic Data (FRED), Capital IQ. As of March 31, 2018.

Household equity as a percent of total household financial assets series has been shifted forward 10 years and flipped.
**Investors accepting low yields in junk bonds**

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross yield</td>
<td>6.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Default rate, historical</td>
<td>-3.6%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Recovery rate, historical</td>
<td>41.0%</td>
<td>38.4%</td>
</tr>
<tr>
<td>Net default</td>
<td>-2.1%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Net yield</td>
<td>4.2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Moody’s Covenant Quality Index

Weak US high yield covenants

Source: Moody’s April 10, 2018. The rating agency’s Covenant Quality Index is a three-month rolling average of covenant quality. Data set represented is from January 2011 – March 2018. Moody’s measures bond covenant quality on a five-point scale, with 1.0 denoting the strongest investor protections and 5.0, the weakest.
Most leverage for US companies in almost 4 decades

As of April 2017


1 The net debt to earnings before interest depreciation and amortization (EBITDA) ratio is a measurement of leverage, calculated as a company’s interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. The net debt to EBITDA ratio is a debt ratio that shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
US interest coverage lowest ex-recession

Average of Interest Coverage Ratio
(Ratio of EBIT to Interest Payments)

As of April 2017
As of April 2017
1 The interest coverage ratio is used to determine how easily a company can pay their interest expenses on outstanding debt. The ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by the company's interest expenses for the same period. The lower the ratio, the more the company is burdened by debt expense.
Value investing is out of favor

Goldman Sachs Mulls the Death of Value Investing

Value Investing Is Dead; Long Live Compelling Values

Value investing: dead again?

Is Value Investing Broken?

The Problem With Value Investing

Stop Lying to Yourself About Value Investing

Forget About Value Investing

Value Investing Loses Shine in Torrid Growth Era

Value Investing Is Obsolete

Highfliers like Amazon are investor darlings as doubts mount over old investment style

Value Stocks Over Growth Stocks? Fat Chance
Value out of favor – for now

Russell 1000 Value vs Russell 1000 Growth
(Rolling 10-Years)

Value outperforms

Growth outperforms

Source: Morningstar. As of March 31, 2018. Value and Growth are represented by the Russell 1000 Value TR USD and Russell 1000 Growth TR USD Indices on a rolling 10-yr basis.
Growth dominated value in 2017

2017 Index Performance

<table>
<thead>
<tr>
<th></th>
<th>2017 Index Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI ACWI</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>30%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>25%</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td></td>
</tr>
<tr>
<td>FPACX Long Equity</td>
<td>18%</td>
</tr>
<tr>
<td>MSCI ACWI</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>15%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>10%</td>
</tr>
</tbody>
</table>

As of December 31, 2017

Source: Morningstar. Past performance is no guarantee of future results. Comparison to the S&P 500 and the MSCI ACWI Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.
Growth continues to beat value in 2018

As of March 31, 2018

Source: Morningstar. Comparison to the S&P 500 and the MSCI ACWI Index 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.
Growth is expensive relative to value

Relative Valuation of US Value vs. US Growth Stocks

Source: Bloomberg
As of March 31, 2018. The Russell Value Index is represented by the Russell 1000 Value Index. The Russell Growth Index is represented by the Russell 1000 Growth Index. The Value to Growth P/B Ratio in this chart is derived by dividing the Price to Book, or the ratio that compares a stock’s market value to its book value, of the Russell Value Index over the Russell Growth Index. Comparison to the S&P 500 and the MSCI ACWI Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.
Barron’s December 1999 - “What’s wrong, Warren?”

“What’s wrong, Warren?”
“Berkshire Hathaway may experience its first annual decline since 1990. Is Warren Buffet’s distaste for tech stocks leaving him in the dust?”

This is not the first time that value has been out of favor

Berkshire Hathaway vs S&P 500

Source: Morningstar. Data from January 1, 1998 through January 1, 2005, the last period in which value investing was out of favor.
Morningstar July 2000
“FPA Crescent has owned the wrong stocks in the wrong asset classes”

Source: Morningstar. Data from January 1, 1998 through January 1, 2005, the last period in which value investing was out of favor. Comparison to the S&P 500 Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives.
Volatility hit an all-time low in Q4 2017

Source: Bloomberg. As of March 31, 2018
Indiscriminate buying floats all boats

Valuation Spreads – The Cheapest Quintile Compared to the Market Average
(1952 – February 2018)

“The waiting is the hardest part.”
Tom Petty
“We quickly forget financial disasters and the circumstances that brought them about, and as a consequence, when the same or closely similar circumstances arise again, sometimes in just a few years, they are hailed by a new, often youthful, and always extremely self-confident generation as a brilliantly innovative discovery in the financial and larger economic world.” It becomes a consistent cycle of “illusion to disillusion and back to illusion…. There can be few fields of human endeavor in which history counts for so little as in the world of finance.”

— John Kenneth Galbraith, A Short History of Financial Euphoria
Section VI

Investment examples
Performing Credits
- Credit instruments expected to remain performing, interest and principal under all reasonable worst-case scenarios
- Purchased at 10% + YTM or Libor + 700

Stressed Credits
- Credits with a high likelihood (50/50) of restructuring
- Purchased at 15% + YTM and prices at which FPACX is comfortable creating the reorganized company

Reorganization
- Businesses undergo a reorganization (in or out of bankruptcy)
- Purchased at an attractive value of the “new co” created in the restructuring
Opportunistic exposure – corporate credit

BofA Merrill Lynch US High Yield Master II Option-Adjusted Spread vs. FPA Crescent High Yield/Distressed Exposure

Source: FPA, Federal Reserve Bank of St. Louis, March 31, 2018. Data prior to March 31, 1996 are not available. Investment exposure for periods prior to March 31, 1996 may differ materially. Please refer to the end of the presentation for important disclosures.
Puerto Rico

1970s Barron’s advertisement for Puerto Rico muni bonds

- “Puerto Rico…land of the legally balanced budget.”
- “There has never been a default….”
- “…many evidences of the fiscal responsibility so characteristic of the Commonwealth of Puerto Rico.”
Puerto Rico – bad news

Lawmakers Seek to Dismantle the Muni-Bond Market


Puerto Rico May Need to Skip Bond Payments for Five Years

Things Are So Bad in Puerto Rico the Island Canceled Its Bankruptcy Case in San Juan

The Next Crisis for Puerto Rico: A Crush of Foreclosures
Summary of Debt Outstanding as of February 2017 ($MM)

<table>
<thead>
<tr>
<th>Issuers included in Fiscal Plan</th>
<th>Bond principal</th>
<th>CAB</th>
<th>Unpaid P&amp;I</th>
<th>Private Loans</th>
<th>Total Bonds &amp; Private Loans</th>
<th>Leases from GOB/GMA Entities</th>
<th>Total Debt Service FY 17-18</th>
<th>DSRP Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>GO</td>
<td>$12,013</td>
<td>$84</td>
<td>$1,114</td>
<td>$24</td>
<td>$13,267</td>
<td>$169</td>
<td>$3,284</td>
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<tr>
<td>COFINA</td>
<td>11,725</td>
<td>6.55</td>
<td>--</td>
<td>--</td>
<td>17,589</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>HTA</td>
<td>4,106</td>
<td>135</td>
<td>--</td>
<td>6</td>
<td>4,247</td>
<td>1,734</td>
<td>375</td>
<td>101</td>
</tr>
<tr>
<td>PSA</td>
<td>4,912</td>
<td>117</td>
<td>--</td>
<td>--</td>
<td>4,929</td>
<td>1,672</td>
<td>811</td>
<td>--</td>
</tr>
<tr>
<td>GDB</td>
<td>3,182</td>
<td>--</td>
<td>743</td>
<td>28</td>
<td>4,152</td>
<td>386</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>ERS</td>
<td>2,258</td>
<td>496</td>
<td>--</td>
<td>--</td>
<td>2,754</td>
<td>580</td>
<td>--</td>
<td>44</td>
</tr>
<tr>
<td>PRIFA</td>
<td>1,666</td>
<td>49</td>
<td>232</td>
<td>--</td>
<td>2,127</td>
<td>127</td>
<td>483</td>
<td>2</td>
</tr>
<tr>
<td>PPC</td>
<td>1,035</td>
<td>112</td>
<td>--</td>
<td>--</td>
<td>1,147</td>
<td>--</td>
<td>259</td>
<td>--</td>
</tr>
<tr>
<td>UPR</td>
<td>496</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>496</td>
<td>79</td>
<td>145</td>
<td>51</td>
</tr>
<tr>
<td>PRCCDA</td>
<td>388</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>388</td>
<td>36</td>
<td>143</td>
<td>9</td>
</tr>
<tr>
<td>PRDCCO</td>
<td>145</td>
<td>11</td>
<td>--</td>
<td>--</td>
<td>156</td>
<td>73</td>
<td>54</td>
<td>19</td>
</tr>
<tr>
<td>AMA</td>
<td>--</td>
<td>26</td>
<td>--</td>
<td>--</td>
<td>26</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Other Central Govt Entities</td>
<td>197</td>
<td>--</td>
<td>29</td>
<td>413</td>
<td>459</td>
<td>3,897</td>
<td>--</td>
<td>--</td>
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<tr>
<td>Total</td>
<td>$41,111</td>
<td>$7,293</td>
<td>$2,641</td>
<td>$458</td>
<td>$51,168</td>
<td>$6,460</td>
<td>$16,575</td>
<td>$242</td>
</tr>
</tbody>
</table>

Debt Issuers not incl. in Fiscal Plan

<table>
<thead>
<tr>
<th>Issuers</th>
<th>Bond principal</th>
<th>CAB</th>
<th>P&amp;I</th>
<th>Private Loans</th>
<th>Total Bonds &amp; Private Loans</th>
<th>Leases from GOB/GMA Entities</th>
<th>Total Debt Service FY 17-18</th>
<th>DSRP Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIFA</td>
<td>5,254</td>
<td>--</td>
<td>697</td>
<td>8,956</td>
<td>36</td>
<td>2,775</td>
<td>93</td>
<td>--</td>
</tr>
<tr>
<td>PRASA</td>
<td>3,884</td>
<td>29</td>
<td>13</td>
<td>584</td>
<td>4,868</td>
<td>229</td>
<td>995</td>
<td>93</td>
</tr>
<tr>
<td>Children’s Trust</td>
<td>647</td>
<td>613</td>
<td>--</td>
<td>--</td>
<td>1,469</td>
<td>--</td>
<td>140</td>
<td>65</td>
</tr>
<tr>
<td>HFA</td>
<td>542</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>542</td>
<td>83</td>
<td>134</td>
<td>33</td>
</tr>
<tr>
<td>PRICO</td>
<td>--</td>
<td>90</td>
<td>--</td>
<td>--</td>
<td>90</td>
<td>--</td>
<td>90</td>
<td>--</td>
</tr>
<tr>
<td>Municipality Related Debt</td>
<td>1,140</td>
<td>--</td>
<td>--</td>
<td>1,140</td>
<td>1,140</td>
<td>--</td>
<td>2,036</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>$14,167</td>
<td>$441</td>
<td>$13</td>
<td>$2,629</td>
<td>$17,289</td>
<td>$2,385</td>
<td>$4,044</td>
<td>$427</td>
</tr>
</tbody>
</table>

Less: GDB Bonds (Excl. TDF)  
Plus: Leases from GOB/GMA Entities  
Public Sector Debt: $74,265

Government of Puerto Rico

1) Unpaid principal and interest includes debt service that has been paid by insurers and is owed by the government.
2) HTA includes Teodoro Moscoso bonds.
3) GDB private loans includes Tourism Development Fund ("TDF") guarantees.
4) Includes GDB Senior Guaranteed Notes Series 2013-B1 ("CFSE")
5) PRIFA includes PRIFA Rum bonds, PRIFA Petroleum Products Excise Tax BANs, PRIFA Port Authority bonds and $34.9m of PRIFA ASSMCA bonds.
6) UPR includes $54.2m of AFICA Desarrollos Universitarios University Plaza Project bonds.
7) PRASA bonds includes Revenue Bonds, Rural Development Bonds, Guaranteed 2008 Ref Bonds.
Puerto Rico

Source: Bloomberg. As of March 31, 2018
Recap from 2016 Investor Day

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup</td>
<td>2.7%</td>
<td>2.1-3.9x</td>
<td>11.0%</td>
<td>0.67x</td>
<td>9.0%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>3.4%</td>
<td>3.2-4.2x</td>
<td>8.1%</td>
<td>0.84x</td>
<td>9.1%</td>
</tr>
<tr>
<td>CIT Group</td>
<td>6.0%</td>
<td>0.6-1.7x</td>
<td>14.8%</td>
<td>0.64x</td>
<td>6.1%</td>
</tr>
<tr>
<td>AIG</td>
<td>8.2%</td>
<td>1.2-1.7x</td>
<td>17.6%</td>
<td>0.84x</td>
<td>5.7%</td>
</tr>
<tr>
<td>Leucadia/Jefferies</td>
<td>4.8%</td>
<td>2.0-3.0x</td>
<td>10.8%</td>
<td>0.78x</td>
<td>NM</td>
</tr>
<tr>
<td>Company X</td>
<td>5.4%</td>
<td>NM</td>
<td>7.5%</td>
<td>0.69x</td>
<td>9.8%</td>
</tr>
<tr>
<td>Average</td>
<td>5.1%</td>
<td></td>
<td>11.6%</td>
<td>0.73x</td>
<td>7.9%</td>
</tr>
</tbody>
</table>

Sources: 2007 Tangible Equity/Tangible Assets from company filings. 2007 Price/Tangible Book range from Bloomberg, except for CIT which is from brokerage reports. Company X is an undisclosed portfolio position and was not publicly traded in 2007. Q1 2016 Tangible Equity/Tangible Assets from company filings. Q1 2016 P/TB = Q1 2016 Price/ Q1 2016 Tangible Book. 2015 ROTE (Return on Tangible Equity) from company filings and FPA calculation/adjustments. LUK/JEFF Tangible Equity/Tangible Assets is for Jefferies in 2007 and Jefferies subsidiary in Q1 2016. 2007 trading multiple is for Jefferies.
Returns since last Investor Day

Cumulative Performance
(Since June 6, 2016)

<table>
<thead>
<tr>
<th>Company</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>112.3%</td>
</tr>
<tr>
<td>Ally</td>
<td>54.4%</td>
</tr>
<tr>
<td>CIT Group</td>
<td>53.3%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>51.4%</td>
</tr>
<tr>
<td>Leucadia</td>
<td>31.2%</td>
</tr>
<tr>
<td>AIG</td>
<td>-0.9%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>29.9%</td>
</tr>
</tbody>
</table>

Source: Bloomberg. As of March 31, 2018. Represents the percentage of the issuer’s share price change from 6/6/16 to 3/31/18. The percentage price change does not equate with the performance of the holding in the Fund’s portfolio. In addition, key performers are presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. As of 3/31/18, the key performers and corresponding position sizes were as follows: Bank of America: 2.8%; Ally: 1.3%; CIT Group: 2.4%; Leucadia: 2.1%; AIG: 3.0%. Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.
ROE Improved
Valuation Improved


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup</td>
<td>0.67x</td>
<td>7.6%</td>
<td></td>
<td></td>
<td>1.24x</td>
<td>9.6%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>0.84x</td>
<td>9.8%</td>
<td></td>
<td></td>
<td>1.75x</td>
<td>11.0%</td>
</tr>
<tr>
<td>CIT Group</td>
<td>0.64x</td>
<td>7.0%</td>
<td></td>
<td></td>
<td>0.99x</td>
<td>8.2%</td>
</tr>
<tr>
<td>AIG</td>
<td>0.84x</td>
<td>6.0%</td>
<td></td>
<td></td>
<td>0.84x</td>
<td>4.1%</td>
</tr>
<tr>
<td>Leucadia/Jefferies</td>
<td>0.78x</td>
<td>1.6%</td>
<td></td>
<td></td>
<td>1.23x</td>
<td>8.7%</td>
</tr>
<tr>
<td>Ally</td>
<td>0.69x</td>
<td>8.1%</td>
<td></td>
<td></td>
<td>0.99x</td>
<td>9.8%</td>
</tr>
<tr>
<td>Average</td>
<td>0.73x</td>
<td>6.7%</td>
<td></td>
<td></td>
<td>1.17x</td>
<td>8.6%</td>
</tr>
</tbody>
</table>
### Financials: 3-Year Cumulative Return Potential

**Return on Tangible Equity**

<table>
<thead>
<tr>
<th>Multiple of tangible book</th>
<th>6%</th>
<th>7%</th>
<th>8%</th>
<th>9%</th>
<th>10%</th>
<th>11%</th>
<th>12%</th>
<th>13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.57</td>
<td>60%</td>
<td>64%</td>
<td>69%</td>
<td>74%</td>
<td>79%</td>
<td>84%</td>
<td>89%</td>
<td>94%</td>
</tr>
<tr>
<td>1.47</td>
<td>50%</td>
<td>54%</td>
<td>58%</td>
<td>63%</td>
<td>67%</td>
<td>72%</td>
<td>77%</td>
<td>81%</td>
</tr>
<tr>
<td>1.37</td>
<td>39%</td>
<td>43%</td>
<td>48%</td>
<td>52%</td>
<td>56%</td>
<td>60%</td>
<td>65%</td>
<td>69%</td>
</tr>
<tr>
<td>1.27</td>
<td>29%</td>
<td>33%</td>
<td>37%</td>
<td>41%</td>
<td>44%</td>
<td>48%</td>
<td>53%</td>
<td>57%</td>
</tr>
<tr>
<td>1.17</td>
<td>19%</td>
<td>23%</td>
<td>26%</td>
<td>30%</td>
<td>33%</td>
<td>37%</td>
<td>40%</td>
<td>44%</td>
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<tr>
<td>1.07</td>
<td>9%</td>
<td>12%</td>
<td>15%</td>
<td>18%</td>
<td>22%</td>
<td>25%</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>0.97</td>
<td>-1%</td>
<td>2%</td>
<td>4%</td>
<td>7%</td>
<td>10%</td>
<td>13%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>0.87</td>
<td>-11%</td>
<td>-9%</td>
<td>-6%</td>
<td>-4%</td>
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<td>2%</td>
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<td>7%</td>
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<tr>
<td>0.77</td>
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<td>-19%</td>
<td>-17%</td>
<td>-15%</td>
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<td>-10%</td>
<td>-8%</td>
<td>-5%</td>
</tr>
<tr>
<td>0.67</td>
<td>-32%</td>
<td>-30%</td>
<td>-28%</td>
<td>-26%</td>
<td>-24%</td>
<td>-22%</td>
<td>-20%</td>
<td>-17%</td>
</tr>
</tbody>
</table>

Source: FPA estimates. This chart is for illustrative purposes only. It does not imply any future performance of the fund and past performance is no guarantee of future results. TBV (tangible book value) multiples are equal-weighted between the financials owned by Crescent (first chart in section) and not representative of the TBV for the positions in the Fund. Current Return on Tangible Equity as of YE 2017.
Financials valuation vs FPA Crescent exposure

S&P 500 Bank Industry Price/Book vs FPA Crescent allocation to Financials

First Pacific Advisors, LLC
AIG – what happened?

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses Per Share</td>
<td>$0.78</td>
<td>-$7.33</td>
</tr>
<tr>
<td>TBV Per Share</td>
<td>$73</td>
<td>$66</td>
</tr>
</tbody>
</table>

AIG Stock Price Since June 6, 2016

Source: Bloomberg. As of March 31, 2018
AIG – what’s new?

New Management
■ CEO - Brian Duperreault
■ COO - Peter Zaffino

“In 2017, our reserve and underwriting action set a baseline for General Insurance. As I said before, 2018 is the year of the underwriter at AIG, and I’m committed to empowering underwriters and holding them accountable for driving profitable growth.”

Source: (Top chart) Dowling & Partners AIG Property & Casualty Research, February 12, 2016; (Bottom charts) Dowling & Partners AIG Property & Casualty Research, May 7, 2017
“Well, yes. I mean, we look at all the reserves, I mean, really. I mean, it’s not -- I mean, we have a detailed review of -- in a scheduled way. If we see a problem, we pull it forward. We will look at everything. So I wouldn’t characterize this as these were the easy ones. We look at all. I said earlier, I think ‘17, to me, is a good starting point. I feel confident and I said that before in the reserve process and the way we look at the business. So you never can predict what’s going to happen next year. I’m not going to do that. But I feel confident in our understanding of what this portfolio is all about, where the issues are and what we need to address.”

- Brian Duperreault, AIG President, CEO and Director

Source: (quotes) Q4 2017 American International Group Inc Earnings Call, Final Transcript; (table) Dowling & Partners AIG Property & Casualty Research, May 7, 2017
AIG – why we like it?

Underperforming Market Leader

Discount Valuation

- 0.83x TBV Normal Earnings Power of 6-7 per share
- Excess Capital PV of approximately $10

Proven Capable Management

Source: Dowling & Partners AIG Property & Casualty Research, February 12, 2016, FPA estimates
Q&A
Appendix
Holdings as of March 31, 2018

<table>
<thead>
<tr>
<th>Sector</th>
<th>Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Discretionary</td>
<td>7.9%</td>
</tr>
<tr>
<td>Naspers - N Shares</td>
<td>4.2%</td>
</tr>
<tr>
<td>Porsche Auto Holding</td>
<td>1.5%</td>
</tr>
<tr>
<td>WPP</td>
<td>1.4%</td>
</tr>
<tr>
<td>Expedia</td>
<td>0.8%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>0.6%</td>
</tr>
<tr>
<td>Unilever</td>
<td>0.6%</td>
</tr>
<tr>
<td>Energy</td>
<td>2.3%</td>
</tr>
<tr>
<td>Kinder Morgan</td>
<td>1.0%</td>
</tr>
<tr>
<td>Lukoil ADR</td>
<td>0.6%</td>
</tr>
<tr>
<td>Gazprom ADR</td>
<td>0.4%</td>
</tr>
<tr>
<td>Rosneft Oil Company – Reg S GDR</td>
<td>0.2%</td>
</tr>
<tr>
<td>Surgutneftegaz – Preference</td>
<td>0.1%</td>
</tr>
<tr>
<td>Occidental Petroleum</td>
<td>0.0%</td>
</tr>
<tr>
<td>Financials</td>
<td>20.6%</td>
</tr>
<tr>
<td>AIG</td>
<td>3.0%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>2.8%</td>
</tr>
<tr>
<td>Aon</td>
<td>2.7%</td>
</tr>
<tr>
<td>CIT Group</td>
<td>2.4%</td>
</tr>
<tr>
<td>Citigroup</td>
<td>2.1%</td>
</tr>
<tr>
<td>Leucadia National</td>
<td>2.1%</td>
</tr>
<tr>
<td>Groupe Bruxelles Lambert</td>
<td>1.9%</td>
</tr>
<tr>
<td>Allianz Financial</td>
<td>1.3%</td>
</tr>
<tr>
<td>LPL Financial Holdings</td>
<td>1.3%</td>
</tr>
<tr>
<td>American Express</td>
<td>1.0%</td>
</tr>
<tr>
<td>Ditech Holdings</td>
<td>0.0%</td>
</tr>
<tr>
<td>Health Care</td>
<td>3.1%</td>
</tr>
<tr>
<td>Mylan</td>
<td>1.8%</td>
</tr>
<tr>
<td>Industrials</td>
<td>9.3%</td>
</tr>
<tr>
<td>United Technologies</td>
<td>2.8%</td>
</tr>
<tr>
<td>Arconic</td>
<td>2.1%</td>
</tr>
<tr>
<td>Meggitt</td>
<td>1.4%</td>
</tr>
<tr>
<td>Nexeo Solutions</td>
<td>1.2%</td>
</tr>
<tr>
<td>Esterline Technologies</td>
<td>1.1%</td>
</tr>
<tr>
<td>Jardine Strategic Holdings</td>
<td>0.5%</td>
</tr>
<tr>
<td>Sound Holdings</td>
<td>0.2%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>21.3%</td>
</tr>
<tr>
<td>Oracle</td>
<td>3.7%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>3.0%</td>
</tr>
<tr>
<td>Alphabet</td>
<td>3.0%</td>
</tr>
<tr>
<td>TE Connectivty</td>
<td>2.3%</td>
</tr>
<tr>
<td>Alibaba</td>
<td>2.1%</td>
</tr>
<tr>
<td>Baidu ADR</td>
<td>2.1%</td>
</tr>
<tr>
<td>Analog Devices</td>
<td>1.9%</td>
</tr>
<tr>
<td>Cisco Systems</td>
<td>1.5%</td>
</tr>
<tr>
<td>Google</td>
<td>1.3%</td>
</tr>
<tr>
<td>Qualcomm</td>
<td>0.4%</td>
</tr>
<tr>
<td>Materials</td>
<td>2.5%</td>
</tr>
<tr>
<td>Owens-Illinois</td>
<td>1.1%</td>
</tr>
<tr>
<td>Availt Coating Systems</td>
<td>0.6%</td>
</tr>
<tr>
<td>MMC Norisk Nickel ADR</td>
<td>0.5%</td>
</tr>
<tr>
<td>Ariba</td>
<td>0.3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.8%</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>0.8%</td>
</tr>
<tr>
<td>Common stocks – short</td>
<td>-10.9%</td>
</tr>
<tr>
<td>Preferred Stocks</td>
<td>0.1%</td>
</tr>
<tr>
<td>Ditech Holdings</td>
<td>0.1%</td>
</tr>
<tr>
<td>Limited Partnerships</td>
<td>0.4%</td>
</tr>
<tr>
<td>U.S. Farming Realty Trust I &amp; II</td>
<td>0.3%</td>
</tr>
<tr>
<td>Great American Capital Partners II</td>
<td>0.1%</td>
</tr>
<tr>
<td>WL Ross Holding Corp. – LLC Interest</td>
<td>0.0%</td>
</tr>
<tr>
<td>Credit</td>
<td>4.3%</td>
</tr>
<tr>
<td>Puerto Rico Municipal Bonds</td>
<td>1.3%</td>
</tr>
<tr>
<td>Bombardier</td>
<td>1.1%</td>
</tr>
<tr>
<td>Constel Energy</td>
<td>0.5%</td>
</tr>
<tr>
<td>Navistar International Corporation</td>
<td>0.3%</td>
</tr>
<tr>
<td>California Resources Corporation</td>
<td>0.2%</td>
</tr>
<tr>
<td>Glencore (Various issues)</td>
<td>0.2%</td>
</tr>
<tr>
<td>RELP (10-11)</td>
<td>0.2%</td>
</tr>
<tr>
<td>Ship Loan Participation</td>
<td>0.2%</td>
</tr>
<tr>
<td>Walter Investment Management Corporation</td>
<td>0.1%</td>
</tr>
<tr>
<td>Ditech Holdings</td>
<td>0.1%</td>
</tr>
<tr>
<td>Hall of Fame</td>
<td>0.1%</td>
</tr>
<tr>
<td>Southwestern Energy Co.</td>
<td>0.0%</td>
</tr>
<tr>
<td>Mortgages</td>
<td>0.1%</td>
</tr>
<tr>
<td>Sunset Mortgage Loan Company</td>
<td>0.1%</td>
</tr>
<tr>
<td>Stanwich Mortgage Loan Trust (Various issues)</td>
<td>0.0%</td>
</tr>
<tr>
<td>Derivatives/futures</td>
<td>0.4%</td>
</tr>
<tr>
<td>Cash and equivalents (net of liabilities)</td>
<td>37.2%</td>
</tr>
<tr>
<td>Commercial paper, money market</td>
<td>29.1%</td>
</tr>
<tr>
<td>U.S. government and agencies</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

Portfolio composition will change due to ongoing management of the Fund. Totals may not add up due to rounding. Sector classification scheme for equities reflects GICS (Global Industry Classification Standard). Please refer to the end of the presentation for important disclosures.
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Return and volatility targets or objectives are used for measurement or comparison purposes and only as a guideline for prospective investors to evaluate the investment strategy and the accompanying risk/reward ratio. Targeted returns and volatility are subjective determinations by the investment manager based on a variety of factors, including, among others, investment strategy, prior performance or similar products, volatility measures, risk tolerance and market conditions. Performance may fluctuate, especially over short periods. Targeted returns and volatility should be evaluated over the time period indicated and not over shorter periods. Targeted returns and volatility should not be relied upon as an indication of future performance. No representation or assurance is made that the FPA Crescent Fund will or is likely to achieve the objectives or targeted returns or volatility.

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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.

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 expense ratio as of its most recent prospectus is 1.09%. A redemption fee of 2% will be imposed on redemptions within 90 days. Current month-end performance data may be obtained at www.fpafunds.com or by calling toll-free, 1-800-982-4372.

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 Managers, 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.

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. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale.

Interest rate risk is when interest rates go up, the value of fixed income securities, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principal due to the issuer’s failure to repay a loan. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults the security may lose some or all of its value. The return of principal in a bond investment is not guaranteed. Bonds have issuer, interest rate, inflation and credit risks. Lower rated bonds, callable bonds and other types of debt obligations involve greater risks. Mortgage-backed securities and asset-backed securities are subject to prepayment risk and the risk of default on the underlying mortgages or other assets.

Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

Index / Benchmark / 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. The S&P 500 is considered a measure of large capitalization stock performance.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

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Not for Redistribution
Important Disclosures (continued)

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The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

The Consumer Price Index (CPI) is an unmanaged index representing the rate of the inflation of the U.S. consumer prices as determined by the U.S. Department of Labor Statistics. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

60% S&P500/40% Barclays Aggregate Index is a hypothetical combination of unmanaged indices comprised of 60% S&P 500 Index and 40% Barclays Aggregate Index, the Fund's neutral mix of 60% stocks and 40% bonds.

The BofA Merrill Lynch US High Yield Master II Index tracks the performance of US dollar denominated below investment grade corporate debt publically issues in the US domestic market.

The Barclays 1-3 Year U.S. Treasury Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least one year and less than three years.

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.

Other Definitions

The Fund's Debt/Total Capital is calculated by dividing each security's long-term debt by its total capitalization (the sum of common equity plus preferred equity and long-term debt) and is a measure of the portfolio’s financial leverage. Debt/Capital figures for FPACX exclude financials holdings.

Long equity represents the performance of stocks that the Fund owned over the given time periods and excludes short-sales, limited partnerships, derivatives/futures, corporate bonds, mortgage backed securities, and cash and cash equivalents.

Price/Book ratio is the current closing price of the Stock by the latest quarter's book value per share.

Price/Earnings ratio (P/E) is the price of a stock divided by its earnings per share. P/E and average P/E reflect the trailing 12 months. P/E, next 12 months utilizes forward earnings expectations.
Price-to-Sales (P/S) is a ratio valuing a stock relative to its own past performance. Price to sales is calculated by dividing a stock's current price by its revenue per share in most recent year.

Return on Equity is the amount of profit computed by dividing net income before taxes less preferred dividends by the value of stockholders’ equity.

Tangible Equity/Tangible Assets is calculated by taking the value of the company’s total equity and subtracting intangible assets, goodwill and preferred stock equity and then dividing by the value of the company’s tangible assets.

Price/Tangible Book is the price of a stock divided by its tangible book value per share. Tangible book value is the total net asset value of a company minus intangible assets and goodwill.

Standard deviation is a measure of the dispersion of a set of data from its mean.

Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or standard deviation.

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