



Mutual Fund Observer Article: FPA Queens Road Small Cap Value Fund Profile

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 a prospective investor. Please read the Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at fpa.com, by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

Trailing Performance (%)

As of June 30, 2024	Inception	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTD
FPA Queens Road Small Cap Value	9.22	7.79	9.96	7.61	10.37	4.00	11.27	0.65	-2.62
Russell 2000 Value	7.95	7.23	10.59	6.23	7.07	-0.53	10.90	-0.85	-3.64

Past performance is no guarantee, nor is it indicative, of future results. 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 fpa.com or by calling toll-free, 1-800-982-4372. The Fund's Total Annual Operating Expenses before reimbursement is 0.96% (Investor Class), 0.90% (Advisor Class), and 0.79% (Institutional Class).

The FPA Queens Road Small Cap Value Fund ("Fund") commenced operations on June 13, 2002 (Inception date). Fund performance shown is for the Investor Class shares (QRSVX). Periods greater than one year are annualized. Fund performance is shown net of all fees and expenses and includes reinvestment of all distributions. Fund performance does 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. An investor cannot invest directly in an index.

Prior to November 1, 2020, the performance shown reflects the historical performance of the Fund when Bragg Financial Advisors, Inc. ("BFA") served as investment adviser of the Fund. Effective November 1, 2020, FPA became the investment adviser of the Fund and BFA transitioned to serving as the sub-adviser. BFA continues to be responsible for the day-to-day management of the Fund, subject to FPA's oversight. No changes to the Fund's principal investment strategies were made in connection with these changes in management of the Fund, and Steve Scruggs, CFA, Director of Research and Senior Portfolio Manager for BFA, continues to serve as the portfolio manager for the Fund.

From inception of the Fund to December 31, 2004, BFA and its affiliates voluntarily absorbed certain expenses of the Fund and voluntarily waived its management fee. Had BFA not done this, returns would have been lower during that period. Effective January 1, 2005 through October 31, 2020, BFA charged a single unitary management fee and contractually agreed to pay all operating expenses of the Fund except for brokerage, taxes, interest, litigation expenses, and other extraordinary expenses.

The Fund's Total Annual Operating Expenses before reimbursement is 0.96% (Investor Class), 0.90% (Advisor Class), and 0.79% (Institutional Class). The adviser has contractually agreed to waive its management fees and to make payments to limit Fund expenses, until July 27, 2024 so that the total annual operating expenses (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, fees and expenses of other funds in which the Fund invests, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business) of the Fund do not exceed 1.04%, 0.99% and 0.89%, for Investor Class, Advisor Class, and Institutional Class shares, respectively. These fee waivers and expense reimbursements are subject to possible recoupment by the adviser from the Fund in future years (within the three years from the date when the amount is waived or reimbursed) if such recoupment can be achieved within the lesser of the foregoing expense limits or the then-current expense limits. The expense limit agreement may be terminated only by the Fund's Board of Trustees, upon written notice to the adviser. Prior to November 1, 2020, the Fund had a unitized fee structure that limited annual operating expenses to 1.18%.

Please see additional important disclosures at the end of this Commentary.

FPA Queens Road Small Cap Value (QRSVX)

By David Snowball

A version of this article appeared in the June 2024 Mutual Fund Observer.



Steven Scruggs (top),
Benjamin Mellman

Objective and strategy The fund seeks capital appreciation by investing in the stocks or preferred shares of U.S. small cap companies. The manager pursues a sort of “quality value” strategy: he seeks high-quality firms (strong balance sheets and strong management teams) whose stocks are undervalued (based, initially, on price/earnings and price-to-cash flow metrics). Because it is willing to hold companies as their market cap rises, the portfolio has about 9% invested in mid-cap stocks (as of March 31, 2024,) that it bought when they were small caps.

In general the portfolio holds 45-60 names (currently 50) and seeks to stay fully invested. That said, the manager notes that while “we like to keep the money invested, we don’t want to make bad investment decisions. If there aren’t names that meet our criteria, we will let cash build.” The fund’s current (3/31/2024) cash allocation is 10%.

Adviser FPA (aka First Pacific Advisors, LP) is the fund’s advisor, providing administration, marketing, and distribution services for the fund. As of March 31, 2024, FPA manages approximately \$26 billion across multiple strategies. Independently owned FPA has 78 employees, with 21 investment professionals. They are an exceptional firm with unwavering commitments to quality, value, and their investors. In 2020, they entered into a strategic partnership with Bragg Financial Advisors, Inc. Bragg Financial Advisors is the subadvisor, responsible for day-to-day management of the portfolio. The firm is headquartered in Charlotte, NC. Bragg has been around since the early 1970s, provides investment services to institutions, charities, and individuals, and has about \$3.4 billion in assets under management (as of March 31, 2024). They advise the two Queens Road funds and 1500 or so separately managed accounts. The firm is now run by the second generation of the Bragg family.

Manager Steven Scruggs, CFA. Mr. Scruggs has worked for BFA since 2000 and manages this fund and FPA Queens Road Value (QRSVX) and FPA Queens Road Value Fund (QRVLX). That’s about it. No separate accounts, hedge funds, or other distractions. He is supported by Benjamin Mellman, who joined the firm in 2023 after a stint with International Value Advisors.

Strategy capacity an closure Mr. Scruggs’ rule of thumb is that the strategy could accommodate 2.5 times the market cap of the largest stock in the Russell 2000. He translates that to a soft close at about \$2 billion.

Active share 96.8%. “Active share” measures the degree to which a fund’s portfolio differs from the holdings of its benchmark portfolio. High active share indicates management which is providing a portfolio that is substantially different from, and independent of, the

index. An active share of zero indicates perfect overlap with the index, 100 indicates perfect independence. The “active share” research done by Martijn Cremers and Antti Petajisto finds that only 30% of U.S. fund assets are in funds that are reasonably independent of their benchmarks (80 or above) and only a tenth of assets go to highly active managers (90 or above).

QRSVX has an active share of 96.8, which reflects a very high degree of independence from the benchmark assigned by Morningstar, the Russell 2000 Value ETF.

Management’s stake in the fund As of the most recent Statement of Additional Information, Mr. Scruggs has invested over \$1 million in each of the FPA Queens Road funds.

Opening date June 13, 2002.

Minimum investment \$1,500 for investor class accounts, and \$100,000 for the institutional share class. At Schwab, which holds about 50% of investor class assets, the minimum invest is \$100.

Expense ratio 0.96% for investor shares and 0.79% for institutional shares, on assets of \$712 million (as of March 31,2024).

Comments

In “[The Quality Anomaly](#)” (May 2024), we explored what’s been called “the weirdest market inefficiency in the world.” The evidence is compelling that **high-quality stocks purchased at reasonable prices** (Mr. Buffett’s “wonderful companies at fair prices” ideal) **are about the closest thing to a free lunch in the investing world**. In general, in general, the price of abnormally high returns is abnormally high volatility...except in the case of quality stocks purchased at a reasonable price (call it QARP). QARP stocks offer both higher long-term returns and lower volatility than run-of-the-mill equities. The general pattern for such portfolios is consistent: solid in normal markets, great in declining ones but laggards in rapidly rising frothy markets.

FPA Queens Road Small Cap Value is the very model of such a portfolio, one of the most consistently successful small cap funds of the 21st century. As a simple summary of that claim, here are the fund’s Morningstar ratings (as of 3/24/2024):

Current: Five star rating, Gold analyst rating

Three-year: Three stars, average return, low risk

Five-year: Five stars, above average return, low risk

Ten-year: Five stars, above average return, low risk

Overall: Five stars, above average return, low risk

The Queens Road–FPA Partnership

Despite its success, the fund remained quite small. In November 2020, Bragg Financial entered into a strategic partnership with FPA in order to provide high quality administrative support and more sophisticated marketing. That arrangement allowed the manager to focus more exclusively on portfolio management.

This has turned out to be a happy marriage. The fund has grown dramatically in size over the past four years from about \$140 million to about \$710 million. Investor expenses have fallen. Turnover remains exceptionally low. Performance has remained exceptionally strong. The

“The fund has grown dramatically in size over the past four years from about \$140 million to about \$710 million.”



portfolio's active share, a measure of independence from the index, has remained very high, which suggests that the new fund inflows have not impaired the manager's ability to execute.

The Four Pillars

FPA Queens Road Small Cap Value shares an investment discipline with its larger-cap sibling, Queens Road Value. The strategies for both funds are easily explained, sensible and repeatable: buy a reasonable number of well-run companies (signaled by their strong balance sheets and management teams) when their stocks are substantially discounted (signaled by their price-to-earnings and price-to-free-cash-flow ratios). Then hold them until something substantially changes, which leads to a relatively long, relatively tax-efficient holding period. They summarize it this way:

1. Look for companies with strong balance sheets, manageable debt, and strong free cash flow.
2. Attempt to normalize economic earnings over full market cycles.
3. Evaluate management's track record of defining effective strategies and executing their stated objectives.
4. Strive to own companies in growing industries with favorable economics.

Because Mr. Scruggs' view of "value" is less mechanical than many of his peers', he tends to own some stocks that are somewhat "growthier" than average. As a result, the two major ratings services—Morningstar and Lipper—classify the fund somewhat differently. Morningstar places it in the "small value" peer group, while Lipper assigns it to "small core."

The Performance Test

Since Mr. Scruggs targets outperformance over the full market cycle rather than trying to "win" every quarter or every year, we used the screener at MFO Premium to measure the fund's long-term performance against both the Lipper small-value and Lipper small-core peers. The fund is just over 20 years old, so we examined its 20-year record.

By every measure, across time and against both peer groups, FPA Queens Road Small Cap Value produced competitive returns with virtually unparalleled downside protection.

QRSVX performance over 20 years, 05/2005–04/2024

	Small cap value peers	Small cap core peers
Annual returns	8.2%, identical	8.3%, trails by 0.1%
# peer funds / ETFs	37	162
Sharpe ratio	#4	#10
Maximum drawdown	#4	#8
Ulcer Index	#3	#1
Standard deviation	#3	#2
Downside dev	#2	#2
Down market dev	#3	#2
Bear market dev	#3	#2
S&P 500 downside capture	90%, #3	90%, #2

Data from Lipper Global Data Feed, calculations from MFO Premium, as of 4/30/2024

*“Mr. Scruggs keeps
his eye on the
long-term drivers
of returns and
actively screens
out the short-
term noise.”*

How do you read that table?

Annual returns simply measure the fund's gains which is a bit above the average small value fund's and a bit below the average small-core fund's.

Sharpe ratio weighs the gains against the risks investors were exposed to. They rank in the small value elite and in the top tier (top 18%) of the growthier small-core group.

All of the other metrics are different ways of measuring the risks that investors were exposed to: largest decline, day-to-day volatility, downside or “bad” volatility, volatility in months when the market fell even a little, volatility in months when the market fell more than 3% and amount of the S&P 500's losses that the fund “captured.” In each case, against both groups, QRSVX is among the elite performers.

What explains the steady outperformance?

First, Mr. Scruggs keeps his eye on the long-term drivers of returns and actively screens out the short-term noise. While he recognizes and worries about, the “severe and uncertain crisis” created by the Covid-19 pandemic and the “unprecedented” involvement in markets by central banks, he also acknowledges that we don't know the near- or long-term economic effects of either, so neither can drive the portfolio. He remains focused on finding individual stocks that “provide a reasonable expected return and an adequate margin of safety.”

Second, he has a less mechanical view of “value” than most. He argues that the appropriate measures of a firm or industry's valuations evolve with time. That evolution requires some rethinking of the importance of both physical capital (reflected in price-to-book ratios) and intellectual capital in assessing a firm's value. That's led him, he reports, to buy some value stocks that purely mechanical metrics might describe as growth stocks.

Third, he maintains a portfolio of higher-quality companies. In general, the small cap universe is littered with junky companies: companies with limited market reach, untested business models and management, and a history of...hmm, “negative earnings.” Mr. Scruggs' assiduously avoids companies that haven't met both his quality and valuation criteria.

... we have a preference for long-term compounders that we hope to own forever. These are high-quality franchises with strong balance sheets, proven management teams and attractive industry dynamics. Compounders don't usually come cheap, and while we are always valuation-conscious, we are generally willing to pay a little more for higher-quality companies.

So, what do we mean by quality? At the most basic level, quality means we can have confidence that a company's earnings and cash flows will be greater in three to five years than they are today...at the end of the day, we take a holistic look at our companies, identify their risks, try to remain conservative and judicious, and compare their current prices to our confidence in their futures.

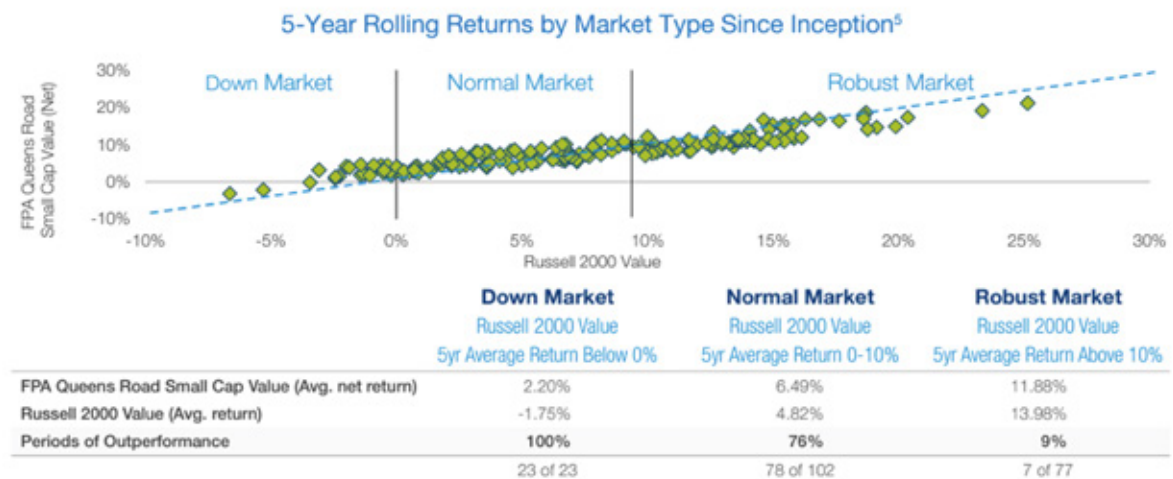
Quality companies are good long-term investments, but they tend to lag during frothy markets—periods when investors are often checking their portfolios daily and gleefully—while excelling in down markets. The “make money by not losing money” mantra is a bit tame for some, but works beautifully for long-term investors. Mr. Scruggs notes,

Historically, quality has been a large contributor to our outperformance during market downturns. Low leverage allows companies to survive and reinvest when the business cycle turns. Strong management teams can be trusted to shepherd their companies through headwinds and seek out new growth opportunities. Entrenched

competitive positions and industries with favorable outlooks mean that the passage of time is our friend. In practice, it is never this easy.

The folks at Queens Road have carefully tracked the long-term (that is, five-year rolling) performance of their fund in three different types of markets: down, normal, and robust. Below they provide both a visual representation (being above the blue line indicates above average performance) and their batting average.

PERFORMANCE THROUGH DIFFERENT MARKET ENVIRONMENTS



(source: FPA Queens Road Small Cap Value Fund fund brochure, March 31, 2024)

Bottom Line Equity investors wary about high valuations, untested business models and volatile markets have cause to be more vigilant than ever about their portfolios. FPA Queens Road Small Cap Value has a record that makes it a compelling addition to their due-diligence list.

Morningstar recognizes Queens Road as a five-star fund, an assessment of their past performance, and a Gold-rated fund, a recognition offered to “strategies that they have the most conviction will outperform a relevant index, or most peers, over a market cycle.” We concur.

QRSVX has an active share of 96.8, which reflects a very high degree of independence from the benchmark assigned by Morningstar, the Russell 2000 Value ETF.

Fund website [FPA Queens Road Small Cap Value Fund](#).

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

All data and statistics herein is as of March 31, 2024 unless otherwise noted. The quotes in the article are from the FPA Queens Road Small Cap Value Fund First Quarter 2023 Commentary, which can be accessed [here](#).

The following disclosures are in reference to the chart in the article titled '5-Year Rolling Returns by Market Type Since Inception': The chart illustrates the monthly five-year rolling average returns for the FPA Queens Roads Small Cap Value Fund - Investor Class ("Fund") from inception on June 13, 2002 through March 31, 2024 compared to the five-year rolling average returns for the Russell 2000 Value Index over the same period. Fund performance is net of all fees and expenses and includes reinvestment of all distributions. The table categorizes returns for three market environments: periods where the five-year rolling average return for the Russell 2000 Index was below 0% (down market), from 0%-10% (normal market), and above 10% (robust market). 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 202 five-year rolling average monthly periods between June 13, 2002 and March 31, 2024.

Additional Important Disclosures

This article is for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale of 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. This article does not constitute an investment management agreement or offering circular.

The views expressed in this article are those of the author at the time created and is for informational purposes only. They do not necessarily reflect the views of FPA or the FPA Funds' distributor. Future events, results or views may vary significantly from those expressed and are subject to change at any time based on market and other conditions, and FPA and/or the distributor disclaims any responsibility to update such views. No forecasts can be guaranteed, and certain assumptions may prove to be inaccurate. These views may not be relied upon as investment advice or as indication of trading intent on behalf of any FPA portfolio or the distributor. FPA shall not be responsible for any trading decisions, damages or other losses from or related to the information, data analysis or opinions or their use. This information and data has been prepared from sources believed reliable. However, the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data. FPA has received certain nominations or awards by third-parties as reflected herein. Investors should review the criteria for each nomination or award as reflected on the third-party's webpage.

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 recommendations by the Fund, the portfolio manager, the Adviser, the Sub-Adviser or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at 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. The information and data contained herein 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.

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. The information is furnished as of the date shown. No representation is made with respect to its completeness or timeliness. The information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind.

Certain statements contained in this presentation may be forward-looking and/or based on current expectations, projections, and information currently available. 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 reader is advised that the Fund's investment strategy includes active management with corresponding changes in allocations from one period of time to the next. Therefore, any data with respect to investment allocations as of a given date is of limited use and may not be reflective of the portfolio manager's more general views with respect to proper geographic, instrument and /or sector allocations. The data is presented for indicative purposes only and, as a result, may not be relied upon for any purposes whatsoever.

In making any investment decision, you must rely on your own examination of the Fund, including the risks involved in an investment. Investments mentioned herein may not be suitable for all recipients and in each case, potential investors are advised not to make any investment decision unless they have taken independent advice from an appropriately authorized advisor. An investment in any security mentioned herein does not guarantee a positive return as securities are subject to market risks, including the potential loss of principal. You should not construe the contents of this document as legal, tax, investment or other advice or recommendations.

Fund performance presented is calculated on a total return basis, which includes the reinvestment of all income, plus realized and unrealized gains/losses, if applicable. Unless otherwise indicated, performance results are presented on a net of fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, operating and administrative expenses, and accrued performance fee/allocation, if applicable.

The information provided in this presentation is based upon data existing as of the date(s) of the report 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.

Investments, including mutual fund investments, 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. 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. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds. The value of an individual security can be more volatile than the market as a whole and can perform differently than the value of the market as a whole.

The FPA Queens Road Small Cap Value Fund ("Fund") primarily invests in equity securities (common stocks, preferred stocks and convertible securities) of **small-capitalization U.S. companies**, defined as those with market-capitalization, at the time of purchase, that is no greater than the largest market-capitalization of any company included in the Russell 2000 Index. Investing in small companies involves special risks including, but not limited to, the following: smaller companies typically have more risk and their company stock prices are more volatile than that of large companies; their securities may be less liquid and may be thinly traded which makes it more difficult to dispose of them at prevailing market prices; these companies may be more adversely affected by poor economic or market conditions; they may have limited product lines, limited access to financial resources, and may be dependent on a limited management group; and small-cap stocks may fluctuate independently of large-cap stocks. All investment decisions are made at the discretion of the Portfolio Manager, in accordance with the then current Prospectus. Comparison to any index is for illustrative purposes only.

The prices of securities held by the Fund may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the Fund. Securities in the Fund's portfolio may underperform due to inflation (or expectations for inflation), interest rates, global demand for particular products or resources, natural disasters, pandemics, epidemics, terrorism, regulatory events and governmental or quasi-governmental actions. There is a risk that you may lose money by investing in the Fund.

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.

Please refer to the **Fund's Prospectus** for a complete overview of the primary risks associated with the Fund.

The FPA Funds are distributed by UMB Distribution Services, LLC, 235 W. Galena Street, Milwaukee, WI, 53212. UMB and FPA are not affiliated.

Index / ETF Definitions

Comparison to any index or benchmark is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. 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, transaction costs, or fees and expenses which would be incurred by an investor purchasing the underlying securities and which would reduce the performance in an actual account. You cannot invest directly in an index.

Russell 2000 Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index.

The **Russell 2000 Value Index** is a subset of the Russell 2000 Index, and tracks the stocks of small domestic companies, based on total market-capitalization. The Russell 2000 Value Index represents those stocks of the Russell 2000 with lower price-to-book ratios and lower relative forecasted growth rates. A total return index computes the index value based on-capital gains plus cash payments such as dividends and interest.

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.

iShares Russell 2000 Value ETF: The iShares Russell 2000 Value ETF seeks to track the investment results of an index composed of small-capitalization U.S. equities that exhibit value characteristics.

Other Definitions

Market Cycle reflects the four 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 previous one by the Russell 2000 Value Index. The portfolio manager considers a full market cycle to typically be a period of five years or more.

Margin of safety is when a security is purchased at a discount to the portfolio manager's estimate of its intrinsic value. Buying a security with a margin of safety is designed to seek to protect against permanent capital loss in the case of an unexpected event or analytical mistake. Determining a company's "true" worth or intrinsic value is highly subjective. There is no guarantee that the methods used to evaluate intrinsic value will be accurate or precise or that an investment made with a margin of safety will not decline in price.

Morningstar Category and Ratings Definitions and Disclosures

The Morningstar ratings provided in the article are as follows:

Current (as of March 31, 2024): Five star rating, Gold analyst rating (498 funds in the category); **Three year:** Three stars, average return, low risk (457 funds in the category); **Five years:** Five stars, above average return, low risk (426 funds in the category); **Ten years:** Five stars, above average return, low risk (335 funds in the category); **Overall:** Five stars, above average return, low risk (498 funds in the category).

Morningstar Small Value Category rankings noted in the article are as of March 31, 2024 and are based on total returns. Time periods greater than one-year are annualized. As of March 31, 2024, the Fund's category percentile rank and number of funds in the category are as follows: 1 year: 49%, 482 funds; 3 years: 35%, 450; 5-years: 27%, 424; 10 years: 23%, 332; and 15 years: 75%, 233.

Morningstar Medalist Ratings as of 3/31/2024. The Morningstar Star Ratings are as of 3/31/2024. Please see Morningstar Medalist Ratings and Morningstar Ratings disclosures below:

Morningstar Small Value Category portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). As of March 31, 2024, there were 498 funds in the category.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The FPA Queens Road Small Cap Value Fund was rated against the following numbers of the Small Value Category funds over the following time periods: 457 funds in the last three years, 426 funds in the last five years, and 335 funds in the last ten years. Past performance is no guarantee of future results.

Morningstar Return Rating is an annualized measure of a fund's load-adjusted excess return relative to the return of the 90-day Treasury Bill over a three-, five-, or ten-year period. This is a component of the Morningstar Risk-Adjusted Return. This is derived directly from Morningstar Return. In each Morningstar Category, the top 10% of investments earn a High rating, the next 22.5% Above Average, the middle 35% Average, the next 22.5% Below Average, and the bottom 10% Low. Investments with less than three years of performance history are not rated.

Morningstar Risk Rating is a proprietary Morningstar data point. An assessment of the variations in a fund's monthly returns, with an emphasis on downside variations, in comparison to similar funds. In each Morningstar Category, the 10% of funds with the lowest measured risk are described as Low Risk, the next 22.5% Below Average, the middle 35% Average, the next 22.5% Above Average, and the top 10% High. Morningstar Risk is measured for up to three time periods (three, five, and 10 years). These separate measures are then weighted and averaged to produce an overall measure for the fund. Funds with less than three years of performance history are not rated.

In relation to the Morningstar Medalist Rating™, the Analyst-Driven % data point displays the weighted percentage of a vehicle's pillar ratings assigned directly or indirectly by analysts. The Data Coverage % data point is a summary metric describing the level of data completeness used to generate the overall rating.

The Morningstar Medalist Rating™ is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars (People, Parent, and Process) which, when coupled with a fee assessment, forms the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they're assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated via an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar Category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and reevaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to global.morningstar.com/managerdisclosures/.

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Lipper Category Definitions and Disclosures

Lipper Small -Cap Value Category is comprised of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) below Lipper's USDE small-cap ceiling. Small-cap value funds typically have below-average characteristics compared to the S&P SmallCap 600 Index. There were 39 funds in the category as of April 30, 2024.

Lipper Small-Cap Core Category is comprised of Funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) below Lipper's USDE small-cap ceiling. Small-cap core funds have more latitude in the companies in which they invest. These funds typically have average characteristics compared to the S&P SmallCap 600 Index. There were 221 funds in the category as of April 30, 2024.

The average performance of the 39 funds, including the Fund, in the Lipper Small-Cap Value category for the twenty year period from May 1, 2004 through April 30, 2024 was 8.20%. The average performance of the 221 funds in the Lipper Small-Cap Core category, including the Fund, for the twenty year period from May 1, 2004 through April 30, 2024 was 8.31%. The performance of the Fund for the same period was 8.2%.

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