Note: Items in brackets [ ] are meant to be clarifying statements but are not part of the actual audio recording of the webcast.

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You should consider FPA Crescent Fund's (the "Fund" or "Crescent") 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 the Prospectus carefully before investing. The Prospectus for the Fund dated April 30, 2024 can be accessed at: https://fpa.com/request-funds-literature, by visiting the Fund's website at fpa.com, by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

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(00:00:00)

Moderator: [Please see slide 1] Please note that today's webcast is being recorded. During the presentation, we'll have a question and answer session. You can ask text questions at any time. Submit your question in the questions and answers panel and click New Question to submit. If you would like to view the presentation in a full-screen view, click the corner of the slides panel to drag and resize to best fit your view. To restore the panels to their original view, click the Restore icon from the icons on the right side of the screen. And finally, should you need technical assistance, as a best practice, we suggest you first refresh your browser. If that does not resolve the issue, please submit your issue in our question and answer panel and someone will assist you.

It is now my pleasure to turn today's program over to Ryan Leggio. Ryan, the floor is yours.

Ryan: Thank you. Good afternoon, everyone, and thank you for joining us for FPA Crescent's Second Quarter Webcast. My name is Ryan Leggio. I'm a partner here at FPA and the Chief Client Officer.

Steven Romick, Brian Selmo, and Mark Landecker, FPA Crescent's portfolio managers, will review the Fund's recent performance and current positioning. The slides, audio, visual replay, and transcript of today's webcast will be made available on our website FPA.com in the coming week or so.

[Please see slide 2] As a reminder, FPA Investor Day Los Angeles will be held on Wednesday, October 21 and Thursday, October 22. Please register at FPA.com as space is limited. You will see the link on our homepage. We look forward to seeing you there.

[Please see slide 3] include longer-term performance here for disclosure purposes.

(00:02:02)

At the end of the prepared remarks, we will review the pre-submitted questions and then take live ones as time permits. Steven, over to you.

Steven: [Please see slide 4] Thank you, Ryan. The war on Iran has brought higher oil prices and volatility to the market. Despite that, the bull market continues. The MSCI

ACWI[1] and S&P 500[2] ended the first half at or near their all-time highs. With share prices growing faster than earnings, the stock market mathematically has become more expensive.

Crescent's 12-month return captured 62% of the return in the global market. Largely due to a relatively narrow AI-centered market, the Fund slightly underperformed its own 64% average net risk exposure. Higher prices generally translate to fewer attractive opportunities, which helps explain the Fund's net risk exposure decreasing slightly from 65.5% to 63.3% during the past 12 months. Good price performance in the Fund's US large cap holdings makes them, on average, less interesting today. However, we have found some prospects in small and midcap names, both domestically and overseas. Crescent's high yield exposure remains low thanks to continued low corporate bond yields and credit spreads.

[Please see slide 5] In the previous 12 months, Crescent's top five performers contributed 9.3% to its return, while its bottom five detracted approximately 3%. No significant news drove the winners higher and the losers lower.

[Please see slide 6] As I mentioned in the executive summary, reflective of a pricier market, Crescent's net risk exposure declined approximately 2 points to 63% from a year ago.

[1] **MSCI ACWI NR USD Index (MSCI ACWI)** is an unmanaged free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. **Net Return (NR)** indicates that withholding taxes are applied to dividend reinvestments. MSCI uses the withholding tax rate applicable to non-resident institutional investors that do not benefit from double taxation treaties.

[2] **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.

[Please see slide 7] This high yield slide graphically depicts why the Fund doesn't have much exposure in that asset class. Yields are almost 20% below average since 1997, spreads are half their historical average and have only been tighter than they are currently 3% of the time.

(00:04:11)

[Please see slide 8] Let us now turn to Q&A. As a reminder, we won't be discussing companies where we are currently engaged in transacting, whether it be a buy or a sell, or those positions that are so small as not to be relevant to Crescent's performance. We also won't be speaking to companies that are not in the portfolio and of which we have no opinion, including macro-related questions. In addition, there will be some limits to our AI discussion I think, given the robust conversation that was largely penned by my partner Brian Selmo in our quarterly letter. I'm going to turn it over to Brian now to lead the Q&A.

Brian: Sure. And Mark, I think this first question is for you but I'll read it so we do the sound of voices back and forth. **How have you changed the risk characteristics of the equity portfolio recently?**

Mark: Thanks, Brian. So risk characteristics is a bit of an undefined term and not one we use internally. But the way we think about risk is both at the portfolio level, with respect to how invested we are; and then, secondarily, how we view the valuation of the securities we own.

So as Steven mentioned, we ended the quarter low-60s percent or so invested, which is similar to where we've been for the better part of the past year. However, as noted in the commentary, the composition of the equity portfolio has changed as we have recycled proceeds from what you could call AI beneficiaries into other names where valuations strike us as more attractive.

As for the fixed income side of the portfolio, as Steven just addressed, spreads versus Treasuries are very tight at the moment, and so it should not surprise you we have not been active buyers on that side of the book as of late.

I'll take the next question. In general, what is the assessment from your portfolio companies on the health of the consumer and business economies?

(00:06:08)

We're now a good way through the second half of reporting season and generally, aside from housing-related names, we're seeing strong results. As for the consumer, the phrase being wielded about is "K-shaped," which refers to a demarcation between the spending power of various income demographics. And from what we've personally observed in company results and commentaries, that seems like an apt description of the times.

I'll take the next one as well and then Brian, I'll toss it to you afterwards. **But the next question essentially says: You have significant tech exposure to a number of names. Will this drag the Fund down when the market has a major correction?**

Well, to start, we would find it highly unlikely, if there is major correction, it does not involve some of the larger companies in the index, those same companies that have been responsible for powering much of the index increase over the past few years.

For our exposure to these names, we're very much focused on trying to balance capital appreciation and capital preservation. In doing so, we try and manage the Fund to be resilient to any environment, as opposed to optimally configured for a specific outcome.

But using value as our guide and pragmatically taking a bottoms-up approach in constructing the portfolio has generally served us well through past business cycles. If we look back on the Fund's history, there's never been a period where Crescent has found itself in the red on a rolling 5-year basis using year end, the same of which comparatively cannot be said for either the S&P or the ACWI.[3]

So what we're trying to do each day is manage the portfolio to that 5-year target of producing equity-type rates of return without taking risk of permanent capital loss. We get there by not trying to micromanage the portfolio in a way that aligns with a view of a single day, week, month, or even year; but rather, constructing the portfolio such that the underpinning is our 5-year view of intrinsic value for the portfolio holdings.

(00:08:08)

So, we fully expect that when an eventual drawdown does arrive, we will not escape unscathed. But, just as in the past, we would hope we can opportunistically deploy some of our dry powder to position the portfolio to take advantage of just such a scenario.

[3] As of June 30, 2026, the FPA Crescent Fund's standardized average annual total returns were 14.75% for the 1-year period, 9.43% for the 5-year period, and 10.41% for the 10-year period. For additional performance information, including rolling 5-year returns and the analysis referenced in this material, please see the **FPA Crescent Fund Brochure**. **As of the most recent prospectus, the Fund's total expense ratio is 1.09% for the Institutional Class, 1.05% for the Supra Institutional Class, and 1.28% for the Investor Class. The net expense ratio is 1.05% for the Institutional Class, 0.99% for the Supra Institutional Class, and 1.15% for the Investor Class.** *Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained by calling toll-free, 1-800-982-4372.*

Perhaps said another way, the volatility the portfolio experiences during drawdowns is the feature rather than the bug, that allows equity portfolios such as ours to earn returns greater than the risk-free rate.

Brian: Great.

Mark: The next question is: Please describe your views on a potential AI bubble, how it could affect the Crescent Fund, and how you are addressing it.

As noted, Brian wrote a rather lengthy commentary this quarter to address the topic, but I'll turn it over to him now and he may or may not have an AI-abbreviated summary prepared for the answer.

Brian: I probably should have but these are just my own bullet points. So, sure, I think most of this is better addressed in the commentary but if take the very high-level CliffsNotes version, it would be, look, the AI technology, large language models, and its embedding in physical form, probably most notably in cars right now, is like a genuinely awesome technology. And you know, here in Santa Monica if we look out on the street, we kind of take self-driving cars for granted at this point, which is really remarkable.

In terms of determining the long-term winners or the long-term economics and where they will rest in a lot of the segments being either driven by or impacted by AI, we think that that's probably highly uncertain at this time.

(00:10:00)

In addition, I think, as Mark mentioned or we mentioned later, a lot of the spending is being funded by very profitable companies, a handful of which we own, and they have all seen their businesses accelerate materially on the back of that spending. And I think that to date, that spending has come at a very attractive return.

The big question is that with all of the capacity that's slated to come online in the next couple of years—and SpaceX just had their call yesterday, even more if you go out five years—what will the return on all of that be in the fullness of time? And where will those returns stick, at what layer and where in the stack? Again, these are sort of very uncertain questions from our mind. I think we would say that they're hard questions and we spend a lot of time, to Mark’s last point on risk, is we want to have a portfolio where we think, as a diversified group of companies, the questions we’re answering are significantly easier.

And so, as noted in the commentary, and as noted I think kind of coming out from these questions, is we have bought a lot of new names in the last 18-24 months. There's a Venn diagram in the quarterly commentary, and the kind of overlapping circles is that they are midcap and small cap companies, US and international, and they’ve been purchased at what we think are undemanding multiples for the quality of the businesses, somewhere between 10 and 15 times. And if you look at the aggregate statistics on the portfolio, we’ve not given anything up in terms of returns on capital/expected growth. But we have picked up a lot in terms of diversification, and we would call, again, as a general theme, we would call the names that we've bought somewhat AI-agnostic, so businesses that we think can do well sort of no matter who wins the various AI races.

(00:12:07)

Where we are picking up a lot of risk—and this is just a, call it, career risk, professional risk—is that the portfolio looks less and less like the market as the market becomes more narrow. And so the chance, in our mind, of us having a terrible result on an absolute basis has gone down, so we think we have a very good chance of having an adequate return. But the chance of the market and AI being that much better than everyone expects is very real, and we are not positioned for that relative to the market and the level of concentration in it.

I think I will now ask the question and turn it to you, Mark. **With respect to the Q2 purchase of Intuit, are you comfortable with the durability of their competitive advantages and stability of earnings given their core business appears to be quite exposed to AI? It seems as if they are relying on a considerable reduction in workforce to protect margins.**

Mark: Thanks, Brian. So we talked at length during the last conference call, the transcript which is available on our website, and in that we detailed our views regarding the software sector at the time. Those views are largely unchanged. We have opened a few new positions in the space that are consistent with a setup we described as fitting in our wheelhouse during that call, but all of them modestly sized names where we have recently been active in the market within the last 30 days, so we're going to defer for now on commenting about individual securities that are either close to a level or where we could be transacting.

There was another question that came in. Thoughts on concentration in the markets and current portfolio positioning? I'm going to think that Brian, you addressed that nicely in that last question so we can strike that from the list.

There is another AI question.

(00:14:02)

Steven: Is the return?

Brian: Oh, sorry, number 5, Mark?

Mark: Go ahead, Brian.

Brian: **Oh, I'm going to say there's a question that's come in and maybe I will wrap it into the question on the call. So the question that was pre-submitted is: "Overall, despite continued decline in free cash flow, increased debt, and in certain cases, stock issuance, do you believe the Return on Invested Capital (ROIC) will come through to justify all the investment being spent in cloud, and how, over what time horizon? Also, have the core operating earnings and margins for Alphabet, Meta, and Amazon[4], stripping out the markups of their investments in I think Anthropic, OpenAI, and SpaceX, have those margins improved?"**

So I think I mentioned the return on capital to date has been very good, and that excludes the sort of mark-to-market on venture holdings.

The other question is: how do you think about the risks of Amazon and Google's cloud revenues given that it's been reported that a large amount come from OpenAI and Anthropic.

So, and Mark, I include you to jump in on this whenever you'd like, but you know, the companies in question saw a meaningful acceleration in their business in the second quarter, and their return on investment looks very good so far.

[4] References to specific companies are for informational purposes only and should not be considered recommendations. For current FPA Crescent Fund Top 10 holdings, click here.

The sort of second part of how self-referential maybe this is, you know, OpenAI and Anthropic, I think that's a very good question. I mean, I think we allude to this earlier that there are a lot of hard questions we don't know the answer to. I would somewhat zoom out on this question and say the overall demand and use for compute is going to go up over time. Now whether there's a period where it's pre-built too aggressively or not and there's an air pocket in the return or in the capital you spend, I would say that for the large hyperscale companies, platform companies, it's not that big an issue in our mind.

(00:16:08)

And I think actually, in Meta's second quarter call, Zuckerberg pretty much addresses this, or maybe it was the CFO, in that the return over the next year or so is pretty well bedded-down in terms of the demand they have. If it turns out that they get a year ahead or a year and a half ahead in terms of shells or whatever that they've built, they can pretty much stop. They don't have to put—they don't have to buy the chips. They can kind of curtail the spending, and then you would think that the demand would catch up with where they've built.

So I would say that in the long term, I don't view that as like a huge issue for the companies. I maybe would think back to when Amazon overbuilt delivery capabilities or capacity coming out of COVID—actually, it kind of provided us the opportunity to buy Amazon—and people got pretty upset because there was sort of a year with no free cash flow and the revenues slowed down a bit. It wouldn't shock me if something similar to that happened on the cloud side but I also, I don't know what will happen. That's kind of the point of the letter, a lot of hard questions.

Mark, I don't know if I…

Mark: No, and I think that addresses a couple of other questions that we received online about the risks to Amazon and Google's cloud revenue and the like. So we think we've tried to address the unanswerable to the extent possible, either in the commentary or with remarks you're hearing on today's call. But these are effectively known unknowns that we're investing around.

Something we do know with decimal point precision is there's a question: Can you provide results for the JDE Peet's investment? Brian, I'll turn it over to you.

Steven: Yes, we're just going to wait for some sirens to pass. Give me one second.

Brian: We were hoping they'd be raring when we went through the returns though. We were hoping—we were actually looking, those time—no, jokes aside, we're not going to get into the decimal points because I also think we don't want to get into the habit of doing decimal point returns on investment-by-investment. But you know, the returns were circa mid-single digits, which is below what we would target in equity investments, and so it was a disappointing or low-case outcome that is okay in the context of a portfolio but on an individual name, below what we would have looked for.

(00:18:32)

The company experienced a couple of business-specific headwinds during our holding period. One was a sort of record spike in coffee prices and sort of almost volatility but then two spikes in coffee prices. Secondly, their business in Russia, which was probably mid-single digits, maybe even high-single digits stripped out of overhead costs profit contribution was largely lost as a result of sanctions and the war. And then interest rates went up 300 to 400 basis points, which caused a rational re-rating for a number of consumer staple, durable bond alternative type investments.

On the positive side, just before the company was bought, they appointed a new CEO, Rafael Oliveira, and we did get to chat with him a few times and came away very positively impressed and actually really excited for the future of him running the Peets business. And so a couple of weeks ago or so, maybe a month ago, we were very excited to see him be appointed the CEO of Heineken. And you know, again, as we understand the opportunities in front of Heineken, he would be almost an ideal choice from our perspective, both an outsider history and a cost-focused 3G culture, and then also I think a genuine operator. So we're very excited to see what he'll do at Heineken.

Mark: Great. There is a question: the current opinion of Charter.

(00:20:15)

I don't want to add salt to the wound. Brian went through our cable investments on the last commentary. I don't think anything has really changed, Brian, if there's anything you want to share. Otherwise we'll refer you to the transcript from our Q1 conference call.

Brian: Yes, I think that's right. The quick punchline is we know that we got the 60/40 wrong in terms of the viability of fixed wireless. They're not going to be as good a business as we would have hoped or thought they were. We don't think there's solvency issues at Charter, and we think it's too cheap for what it is.

Steven: There's a question on what capacity does Crescent, as a percentage of assets, have to acquire small and midcap stocks.

You know, and that question is just, can only be answered in a moment in time given where Crescent's current AUM is. But even with our current AUM, we think it's meaningful. According to Morningstar in its most recent report, and the way they measure small and mid, we're about 30% in that, in small and mid stocks; and that's versus just 19% for the index and 17% for our peers. And we've always said we'll get more diversified into this space or more invested in small and midcap stocks if we need to. And need is a function of opportunity and attractive risk/reward. So small and midcap stocks often trade with—are often more inefficiently priced and we hope for more future opportunities to take advantage of that.

Brian: Yes, I think at the current fund size, we can get the entire equity portfolio—we can get the entire fund invested in midcap and small cap stocks, dependent on price diversification and relative opportunities.

(00:22:00)

Mark: There is a question: do your portfolio companies expect ongoing term profit margins to remain at the historical highs experienced currently.

We've rarely met a management team that has not told us their margins are going to be higher in the future rather than down. That said, we don't always put a ton of credence in what management is telling us. We like to build our own financial models, layer in an element of conservatism, and if you were to look at the models we typically use, it might be something along the lines of our high case might represent management's base case, our base case would be their low case, and our low case would effectively be armageddon for them. And to the extent that we can not lose money in our low case, get equity-type returns in our base case, and equity plus in our high, it's historically worked out well for us and been a rubric to try and invest with a margin of safety[5] and not put capital at risk. But we don't blindly take management's forecasts and put them in our models per se.

Steven: And it's also important to note that, as Brian was framing the discussion around Peets, we have a portfolio of companies that we have populated Crescent, and not all our, some of our companies—not all our companies are hitting on all cylinders at the same time. And some of our companies are sitting at higher historical profit margins; and other companies, like Brian just referenced as an example Heineken, are not. So I think that it is, that's important to note as well.

Brian: I'll just respond to it but I don't think any of us have any take on the US buying yen.

Steven: I'm going to turn it back over to Ryan to close out the call. That's the end of the questions that were offered to us in advance and those that have come over the transom during this live call. Ryan?

Ryan: Thanks, Steven. Yes, as Steven mentioned, those were all the live questions that were submitted during the call. If for some reason we missed your question or if you have follow-up questions or new questions, feel free to email us at crm@fpa.com or reach out to your FPA representative.

(00:24:16)

[5] **Margin of Safety** - Buying with a "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 intended to provide a cushion between the purchase price and the portfolio manager's estimate of intrinsic value in the event of an unexpected occurrence or analytical error. A purchase made with a margin of safety does not guarantee the security will not decline in price.

I'll also mention the most recent commentary and the Q1 commentary was referenced numerous times during the call. Both of those commentaries can be found under the FPA Crescent section of the website.

That does it for our webcast today. Thank you so much for listening. Again, we hope you can join us for our FPA Investor Day in Los Angeles. Please register online. And we now turn it back to the system moderator for closing comments and disclosures.

Moderator: Thank you for your participation in today's webcast. We invite you, your colleagues, and shareholders to listen to the playback of this recording and view the presentation slides that will be available on our website, typically within a few weeks, at FPA.com. We urge you to visit the website for additional information about the Fund, such as complete portfolio holdings, historical returns, and after-tax returns.

Following today's webcast, you will have the opportunity to provide your feedback and submit any comments or suggestions. We encourage you to complete this portion of the webcast. We know your time is valuable, and we do appreciate and review all of your comments.

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

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We do want to make sure you understand that the views expressed on these calls are as of today and are subject to change without notice, based on market and other conditions. These views may differ from other portfolio managers and analysts at the firm as a whole, and are not intended to be a forecast of future events, a guarantee of future results, or investment advice.

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

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