

**Q4 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
January 29, 2026**

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*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 New Income Fund (“FNI”) and/or FPA Flexible Fixed Income Fund (“FFI”) (each a “Fund”, and collectively the “Funds”) investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details each Fund’s objective and policies and other matters of interest to the prospective investor. Please read the Prospectus carefully before investing.**

**This transcript must be preceded or accompanied by a prospectus for the Funds. The prospectus for FNI dated January 31, 2026 can be accessed at: <https://fpa.com/resources/>. The prospectus for FFI dated April 30, 2025 can be accessed at: <https://fpa.com/resources/>. The most current prospectus can always be obtained by visiting the website at <https://fpa.com/resources/>, by calling toll-free, 1-800-982-4372, or by contacting each Fund in writing.**

(00:00:00)

Moderator: [Please see slide 1] Hello and welcome to today’s webcast. 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

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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 Kristina Surkova. Kristina, the floor is yours.

Kristina: Good afternoon and thank you for joining us today. We would like to welcome you to FPA New Income and FPA Flexible Fixed Income Fund Fourth Quarter 2025 Webcast. My name is Kristina Surkova and I am relationship manager for the funds.

[Please see slide 2] The audio, transcript, and visual replay of today's webcast will be made available on our website [FPA.com](http://FPA.com).

In just a moment, you will hear from portfolio manager Abhi Patwardhan and members of the Fixed Income investment team.

[Please see slide 3] Abhi Patwardhan is a partner at FPA and has been with the team since 2010. He has been a portfolio manager for FPA New Income since November 2015 and has served as portfolio manager for FPA Flexible Fixed Income since its inception in December 2018.

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[Please see slide 4 and 5] As part of today's agenda, Abhi will discuss the highlights for both funds, provide commentary on the market, review performance and portfolio activity, and then open it up to question and answers.

Abhi, over to you now.

(00:02:12)

Abhijeet: [Please see slide 6] Thank you, Kristina, and thank you, everyone, for your time today. Today we will share our observations on the market and how that is influencing our funds' positioning. Let's begin first with a brief overview of our funds.

FPA New Income and FPA Flexible Fixed Income both use the same bottom-up absolute value investment approach but differ in their potential credit exposure and return objectives.

FPA New Income, shown in the middle, is a short-term, largely investment grade bond fund which has to have at least 75% of its assets in investments rated single-A or higher, and can have 0% to 25% of its assets in investments rated BBB or lower. We refer to these BBB or lower investments as credit. FPA New Income seeks positive returns over rolling

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12-month periods, and long-term real returns of CPI plus 100 basis points over rolling 5-year periods.

FPA Flexible Fixed Income, shown on the right, is a non-traditional bond fund that has to have at least 25% of its assets in investments rated single-A or higher, and can have 0% to 75% of its assets in investments rated BBB or lower. FPA Flexible Fixed Income seeks positive returns over rolling 3-year periods, and long-term real returns of CPI plus 200 basis points over rolling 5-year periods.

For both of these funds, the exposure to lower-rated investments will be a function of our bottom-up investment process and market prices, as we'll discuss later.

On the left is the FPA Short Duration Government ETF. We won't discuss this ETF today but it's worth mentioning that this ETF was one of the top-performing funds in the short-duration government bond category in 2025. That performance was accomplished with a very straightforward, transparent investment process, which simply applies to a portfolio of Treasuries the same duration management process that we use for FPA New Income and FPA Flexible Fixed Income. We'll discuss that duration

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management approach in detail today. For more information on this ETF, please visit our website or feel free to contact us.

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[Please see slide 7] This is a high-level snapshot of FPA New Income and FPA Flexible Fixed Income as of December 31. Shown at the top, FPA New Income had a 4% yield-to-worst and a 3.2 year duration, with 3.6% of its portfolio held in credit, or investments rated BBB or lower. Shown at the bottom, FPA Flexible Fixed Income had a 4.09% yield-to-worst and a 3.3 year duration, with 5.1% of its portfolio held in credit.

These days, these two funds have very similar yield, duration, and risk profiles, which is consistent with our investment approach and consistent with the guidance we have given investors over the years, namely, when markets are expensive, these two funds will tend to converge towards each other and have similar profiles. When markets get cheaper, the two funds will tend to diverge. As we'll discuss in more detail, the market looks very expensive to us so it's not a surprise that these two funds look similar these days.

[Please see slide 8] Which takes us to the headlines for our presentation today. Spreads are in historically low territory, which is why

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we say the market looks very expensive. Credit is generally not appealing but we stand ready to buy if and when prices become attractive. We continue to believe that buying longer-duration, high-quality or highly rated bonds is appealing.

[Please see slide 9] Turning to our observations of the market.

[Please see slide 10] The Federal Reserve instituted two 25-basis point rate cuts during the fourth quarter but it wasn't a straightforward decision. The reason is that the Fed has two mandates, managing inflation and managing employment, and those two mandates were in conflict with each other. Addressing one risks making the other worse, which may always be true but it is more precarious when both inflation and employment are not starting from a good place.

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On the inflation front, it was not clear what direction monetary policy should go. This chart shows one measure of inflation: core PCE. This is a measure of inflation that the Fed often cites. The Fed targets 2% inflation. Inflation is not at 2% and was not on a clear path to 2%. This picture is clouded by tariffs and the impact they have on inflation. For what it's

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worth, Fed Chairman Powell thought that tariffs would have a one-time impact and that underlying inflation was actually close to 2%.

The other cloud that obfuscates the decision about whether to loosen or tighten monetary policy is the driver of inflation. This chart also shows an estimate of the amount of inflation that's related to supply factors and the amount that's related to demand. This chart suggests that the largest share of inflation is attributable to demand, which might warrant tighter policy; but the share attributable to supply is growing, which might support looser policy. It was not clear.

[Please see slide 11] On the labor front, the unemployment rate was still relatively low at 4.5% but, as this chart shows, labor demand was softening. This chart measures changes in nonfarm payrolls and shows that the economy was getting close to losing jobs rather than gaining jobs.

The weakening in the labor market could also be seen in other measures of the labor market. For example, the U-6 unemployment rate, which is a broader measure of unemployment, had gone up. This type of data on the labor market appears to be what tilted the Fed to cut rates in the fourth quarter rather than leave rates unchanged to address inflation.

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[Please see slide 12] But it was not an obvious decision. This chart shows the number of Fed governors who disagreed with the rate decision. Toward the right, we can see that the decision to cut rates by 25 basis points in December was not a unanimous decision. It was a 9-3 vote, with some officials preferring no cut at all, and one official preferring a much larger cut.

In short, it was not clear what direction the economy was heading in, and it was not clear what direction monetary policy was heading in, which meant it was not clear what direction rates were going. Based on yesterday's Fed announcement, the Fed seems to have more clarity now, but then there's this.

[Please see slide 13] The past several months—quarters, really—have seen an increase in actions that call into question America's relationship with other countries. For debt investors, the implication is—and this is just an observation—that some buyers of US bonds may decide that they no longer want to own US bonds. We've seen in the last few weeks talk of "Sell America." That could have an impact on US rates. That further clouds the view on the direction of interest rates. Fortunately, trying to predict rates is not part of our investment process.

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[Please see slide 14] During the fourth quarter, Treasury yields declined by 2-14 basis points for 1-5 year maturity bonds, and rose by 1-11 basis points for longer maturities. Over the course of 2025, Treasury yields mostly declined and were 66-77 basis points lower for 1-5 year maturity bonds, which is where our portfolios largely reside.

[Please see slide 15] Even with that decline in Treasury yields, Treasuries are still near 10- to 15-year highs as shown here on the right.

[Please see slide 16] Absolute yields remain attractive but spreads are very, very low, historically low. This chart shows the yield and spread on the High Yield Index and the BB component of the index excluding energy. That BB index is useful to look at because it provides a more consistent data point over time.

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As we have highlighted in the table at the top left of this slide, high yield spreads are in historically low territory. At 292 basis points on the overall High Yield Index and 184 basis points on the BB component as of December 31, spreads are at the second or third percentile. The lower the percentile, the more expensive the market is. Said another way, the High

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Yield Index has spent 97% to 98% of its history at spreads that are higher than they were at December 31.

[Please see slide 17] And it's not just high yield spreads that are low. Investment grade bond spreads are also quite low. This chart shows the yield and spread on the Aggregate Bond Index, which is an index of investment grade bonds.

The table at the top of this chart shows that the spread for the overall index was at 40 basis points at December 31, which is the 0 percentile. The spread has essentially never been lower. Now, maybe that's not a great measure of investment grade bond spreads because the Aggregate Bond Index includes Treasuries, which have no spread, but we can see that other components of the index which do have spread are trading at low spreads, in some cases extremely low spreads.

For example, investment grade corporates were trading at just 78 basis points of spread, which would be the 1<sup>st</sup> percentile. Index-eligible structured product spreads are not quite as low but are certainly on the low side of history.

We have been responding to these extremely low spreads by reducing both funds' exposure to credit—that is, debt rated BBB or

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lower—and steering towards higher-quality debt in the rest of the portfolio, things like Treasuries, agency mortgages, and AAA-rated bonds.

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We've been doing this for three reasons. First, spreads measure the compensation that you get for buying debt that is not, quote, “risk-free,” i.e. Treasuries. Low spreads mean that the compensation for credit risk is low. Buying debt at spreads that do not sufficiently compensate for credit risk can increase the risk of a permanent impairment of capital from credit losses. Losing money because of permanent impairments of capital negatively impacts short- and long-term returns, and that's hard to recover from.

We are first and foremost yield-based buyers. Our team spends a lot of time looking at high yield and investment grade investments. In addition to the usual credit risks that we consider, borrower-specific risks, sector-related risks, etc., we now also have to contend with additional risks that have been introduced by the federal government. By the way, those new risks aren't prevalent in the history shown in these charts, which means that the market hasn't really had to price in these types of

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risks before. One would actually expect to get more spread to compensate for these risks, not less.

In any event, though absolute yields are appealing, we generally find that the spread is not sufficient for the credit risk. We think we can capture a lot of the yield that's available in the market by buying higher-rated debt and, by doing that, we can avoid taking on a lot of uncompensated incremental credit risk in lower-rated debt. Said another way, historically low spreads could make sense if one had a very high degree of confidence in the borrower's ability to pay you back.

I'll caveat the following by saying that we are downside-focused at all times, as any good debt investor should be, so it's not in our nature to be optimistic. Nevertheless, we do not see the certainty of outcome needed to justify such low spreads.

[Please see slide 18] The second reason that we have been steering toward higher-quality bonds is that the opportunity cost of doing that is very low. The opportunity cost is the return you give up by buying one type of debt instead of another.

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One way to measure that opportunity cost is to look at incremental spreads. A symptom of an expensive market is that investors become less discriminating about risk, so spreads on different types of bonds can press toward each other and the incremental spread decreases.

For example, this chart shows the spread on BB-rated high yield excluding energy less the spread on investment grade corporates. This chart measures the incremental spread that you get for taking high yield credit risk instead of investment grade credit risk.

We see here that this incremental spread is only 113 basis points which, in the context of history, is extremely low; it's the 3<sup>rd</sup> percentile. So on a historical basis, we don't think we're giving up a lot to own investment grade debt instead of high yield.

[Please see slide 19] Even within the investment grade bond market, the opportunity cost of owning higher-quality investment grade versus lower-quality investment grade is low.

This chart is one measure of that. This chart measures spreads on BBB-rated intermediate corporate bonds less the spread on AAA-rated intermediate corporate bonds. We're using these indices because it's the closest like-for-like comparison.

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At 71 basis points, this incremental spread is historically on the low side. A lot of BBB bonds are probably fine but there is not an insignificant amount of credit risk involved going from AAA to BBB.

[Please see slide 20] Also, we want to underscore that just because you get less spread by moving toward higher-quality debt, that does not necessarily mean that you are giving up return. All things being equal, you are giving up return if one of two things happens. If spreads don't move, then over the course of a year or whatever the timeframe is, you will earn less yield on higher-quality debt. The other possibility is that spreads decrease. A decrease in spreads could cause prices to increase. Depending on the magnitude of the decrease in spread, higher-quality debt could have a lower return than lower-quality debt. However, given low starting spreads today, the odds of lower-quality debt outperforming higher-quality debt are likewise low, and the history supports that contention.

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This chart shows the 12-month forward excess return on high yield based on the starting spread. This is the return on high yield in excess of

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the return that you would get if you had to own similar-duration Treasuries.

There are a couple of takeaways here.

First, when spreads are high—toward the right side of this chart—historically, high yield returns have been significantly in excess of Treasury returns. But when starting spreads are really low—on the left side of this chart—Treasuries can offer a better return. In fact, when starting high yield spreads have been 292 basis points or lower—which is where the High Yield Index spread was at December 31—on average, high yield returns over the next 12 months have been nearly 1,000 basis points worse than the return on Treasuries. In other words, you would have made more money—a lot more money—owning Treasuries instead of high yield.

[Please see slide 21] This is a similar chart comparing 12-month forward excess returns to the starting spread difference between BBB and AAA-rated bonds. This chart shows how much extra return you get in the short term owning BBB bonds instead of AAA-rated bonds.

As we showed earlier, as of December 31, the spread on BBB bonds was 71 basis points higher than the spread on AAA-rated bonds. Historically, when that extra spread has been 71 basis points or lower, on

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average, over the next 12 months, you didn't get any extra return from owning BBB bonds. In fact, AAA-rated bonds produced more return, 100 basis points more return.

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So circling back to our comments about opportunity cost, these last two charts show that it's not a given that a portfolio of higher-quality debt at lower spreads will result in a worse return than a lower-quality, higher-spread portfolio.

[Please see slide 22] Finally, the third reason that we have been focused on higher-quality debt is that entry points matter. Someone recently said to us, if you're a buy-and-hold investor, why do you care about spread? Assuming the bond pays off at maturity, you'll earn the yield-to-worst. It doesn't matter if the spread changes and the price moves in the interim.

In response, we have a couple of things to say. One, we are buy-and-hold investors, but we are buy-and-hold investors for purposes of evaluating credit risk. We don't want to count on the market to take a problem investment off our hands. We buy bonds with the intention of

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getting married but we're not opposed to a divorce if we find something better later on.

Two, the buy-and-hold argument is flawed because entry points matter. If you overpay for an investment—and that could mean overpaying based on spread or overpaying based on yield, or both—and then the price goes down, then yes, you may eventually get your cost basis back over time, but that can take a long time depending on the magnitude of the price decline or drawdown.

And while you're sitting on your hands waiting to recover your cost basis and delaying your return *of* capital, you're missing out on attractive investment opportunities that showed up due to lower prices, and so then you're losing a return *on* capital.

Here are some examples of that. This table shows different indices. Next to each index, we show the date of their peak value during the frothy days of 2020 and 2021. We also show the date they recovered back to their peak value and the length of that time period. The time periods shown here are the time needed for each index to recover its basis, so the return for each index is essentially zero over the time periods shown.

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There is one notable exception here. The Aggregate Bond Index has still not recovered after 5 years, which is why the recovery date says TBD, or to be determined. So whereas the return on these other indices is essentially zero during the time periods shown for each, the return on the Aggregate Bond Index is still negative as of the end of 2025.

In comparison, we show the returns on New Income and Flexible Fixed Income over each time period. Next to the Aggregate Bond Index, we've shown the returns for New Income and Flexible Fixed Income through December 2025.

The takeaway is that because we've tried to be thoughtful about valuation, our funds entered these drawdown periods on defense and experienced a smaller drawdown, and then were able to play offense to take advantage of lower prices during these drawdown periods. As a result, while these indices merely got a return of capital—except for the Aggregate Bond Index—our funds got a return of capital and a return on capital. In short, entry points matter.

So for these three reasons—lack of compensation for credit risk, low opportunity cost, and attention to valuation entry points—we have been focusing most of our investment activity on highly rated bonds.

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[Please see slide 23] As we have done that, we continue to use our 100-basis point duration test to guide us in choosing which duration to buy. Our duration test identifies the longest-maturity bonds that we expect to produce at least a breakeven return over 12 months, assuming that yields increase by 100 basis points over those 12 months.

This chart illustrates the test. The dark blue bars show Treasury yields at various maturities as of December 31, 2025. The green bars show the results of our 100-basis point duration test. Those green bars represent the potential short-term downside return for these bonds in a rising interest rate environment.

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For example, the 5-year Treasury purchased at a 3.73% yield was expected to return 0.12% over 12 months if its yield increased by 100 basis points from 3.73% to 4.73% during that time. Because the expected short-term downside return was positive, the 5-year Treasury and other bonds with a similar duration were candidates for our portfolio. The 7-year Treasury was not a candidate for our portfolio at that time because it produced an expected short-term loss.

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Our 100-basis point test attempts to build into each of our investments some ability to preserve capital should interest rates rise. For the past few years, the longer-duration bonds identified by our test have had the added benefit of introducing meaningful short-term upside potential into the portfolio.

The light blue bars on this chart indicate the short-term upside return potential over 12 months if rates decrease by 100 basis points. In this example, the 5-year Treasury offered a potential 12-month total return of 7.49%.

[Please see slide 24] Now, as it turned out, as we showed earlier, interest rates declined in 2025. As a result, we realized the upside optionality built into our longer-duration investments. That led New Income to being one of the top-performing funds in its short-term bond category last year, as shown by the 1-year return on this table. As we'll see in a minute, Flexible Fixed Income's 2025 return also benefited from duration. And to be clear, New Income and Flexible Fixed Income's duration-driven returns in 2025 do not represent a bet on interest rates that we got right. Rather, we intentionally bought optionality on lower rates, and the option value materialized.

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Alternatively, rates could have increased and we would have been happy with that outcome because we also bought some ability to preserve capital in a rising interest rate environment via our 100-basis point test.

In that rising interest rate scenario, we would expect that the principal value of the portfolio would be largely intact, and then we would have a market of cheaper, higher-yielding bonds available to us. In fact, that is what happened in 2024 and we reaped the benefits in 2025.

Going forward, as was true in the past, New Income and Flexible Fixed Income are not geared toward interest rates moving one way or the other. Like last year and years prior, both funds are instead constructed with the [intent of mitigating downside] and upside optionality.

Largely driven by our duration test and our attempts to be mindful of valuation over the years, New Income was not only one of the best-performing funds in its category over the past year, but also over the past 3, 5, 10, and 15 years. New Income also produced better returns than the Aggregate Bond Index over those time periods. New Income has produced better risk-adjusted returns than the typical short-term bond fund

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or the Aggregate Bond Index over those periods, as shown by the Sortino ratios on this slide.

[Please see slide 25] A similar story is true for Flexible Fixed Income. Over the past 1, 3, and 5 years, Flexible Fixed Income has produced better results or competitive results to the Aggregate Bond Index and Universal Index. During that time, despite being in a category that's not an ideal fit, Flexible Fixed Income has still been one of the better-performing funds in its category, and all of that has come with superior risk-adjusted returns as measured by the Sortino ratio.

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To wrap up, we hope it's clear that our investment process responds to market prices instead of trying to anticipate them. We use current market prices to manage our exposure to credit, spreads, and duration. These days, spreads are really low. The market is really expensive. Because of that, we've been focused on higher-quality investments, which has resulted in higher-quality portfolios than our peers might have. We also continue to add duration because of the attractive upside versus downside. We're happy to buy just about anything else if and when prices make sense. Until then, we've been moving our portfolios

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away from the crowd, which we think will benefit our investors in the long term.

[Please see slide 26] Let's review the two funds, starting with New Income.

[Please see slide 27] This table shows New Income's return for the fourth quarter broken down by sector. The bottom right shows that New Income returned 1.3% before fees during the quarter.

The largest contributor to performance was agency mortgage pools, shown here as mortgage passthrough. The price on these pools increased due to a decrease in risk-free rates and a decrease in spread. The pools also benefited from interest income and amortization of principal. These pools are owned at a price below par. As the pools amortize each month at par, the recapture of below-par dollars at par adds to the return.

The second largest contributor to performance during the quarter was Treasuries, mostly due to interest income, and secondly due to price appreciation caused by lower risk-free rates.

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The third-largest contributor to performance was asset-backed securities or ABS backed by equipment. The return on these bonds mostly came from interest income. There was also some price appreciation due to lower risk-free rates.

There were no detractors from performance at the sector level during the quarter.

[Please see slide 28] This table shows New Income's return for the 2025 calendar year. The bottom right shows that New Income returned 7.82% before fees during the quarter.

The largest contributor to performance during the year was agency mortgage pools due to price appreciation caused by lower risk-free rates and spreads, interest income, and amortization of principal.

Treasuries were the second-largest contributor to performance during the year. The return mostly came from interest income, with some price appreciation caused by lower risk-free rates.

The third-largest contributor to performance during the year was agency-guaranteed commercial mortgage-backed securities or CMBS. These bonds increased in price due to lower risk-free rates and spreads, and also benefited from interest income.

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There were no detractors from performance at the sector level during the year.

[Please see slide 30] These pie charts show the New Income portfolio broken down by investment idea. There is a slice of the pie dedicated to any individual idea that is at least 4% of the portfolio. The blue-gray Other slice at the 8 to 9 o'clock position captures all of the individual ideas that are each less than 4%. We lump those together to make the pie charts legible.

Consistent with our comments today, during the quarter, our investment activity was focused on high-quality, longer-duration bonds. We extended the duration of our existing Treasury holdings. We also bought bonds that had a weighted average life and duration of 4.8 years and 4.3 years respectively.

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These investments included Treasuries; AAA-rated utility cost recovery bonds, which are also known as rate reduction bonds; AAA-rated nonagency CMBS; AAA-rated ABS backed by equipment; AAA-rated bonds backed by single-family rental properties; and AAA-rated nonagency residential mortgage-backed securities or RMBS.

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During the quarter, we sold high-quality ABS backed by datacenters that had a weighted average life and duration of 1.2 years, and reinvested the proceeds into Treasuries that had a duration of 4.8 years. We did not make any credit investments during the quarter.

[Please see slide 31] Consequently, as shown here, New Income's credit exposure—that is, the exposure to investments rated BBB or lower—was only 4% of the portfolio as of December 31. 96% of the portfolio was held in a combination of cash, Treasuries, and other highly rated bonds.

[Please see slide 33] Finally, this chart shows an estimate of New Income's returns over the next 12 months based on different assumptions about changes in yields over those 12 months. The yield change assumptions are shown on the x-axis. These return estimates are before fees, and assume that we do not buy or sell anything during those 12 months.

Two-thirds of the way along the x-axis, the bar above +100 shows that New Income could return approximately 1.4% before fees over 12 months if yields increased by 100 basis points.

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On the left, the bar above -100 shows that New Income could return approximately 6.4% before fees if yields decreased by 100 basis points.

[Please see slide 34] Moving on to Flexible Fixed Income.

[Please see slide 35] This table shows the contributors to and detractors from return for Flexible Fixed Income during the fourth quarter. The bottom right shows that Flexible Fixed Income returned 1.39% before fees during the quarter.

The largest contributor to performance during the quarter was agency mortgage pools. The return on the pools was driven by price appreciation caused by lower risk-free rates and lower spreads. The pools also benefited from interest income and principal amortization at par on these below-par holdings.

Treasuries were the second-largest contributor to performance during the quarter, mostly due to interest income, with some return also coming from price appreciation caused by lower risk-free rates.

The third-largest contributor to performance was equipment ABS, mostly due to interest income and some price appreciation caused by lower risk-free rates.

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There were no detractors from performance at the sector level during the quarter.

[Please see slide 36] This table shows Flexible Fixed Income's performance for the calendar year 2025. The bottom right shows that Flexible Fixed Income returned 7.88% before fees during the quarter.

The largest contributor to that performance was agency mortgage pools. The return on the pools during the year came from price appreciation caused by lower risk-free rates and lower spreads, interest income, and principal amortization.

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The second-largest contributor during the year was Treasuries. The Treasury return came mostly from interest income, with some additional return coming from price appreciation due to lower risk-free rates.

The third-largest contributor to performance was agency CMBS. These bonds increased in price during the year due to a decrease in risk-free rates and spreads, with additional return coming from interest income.

There were no detractors from performance at the sector level during the year.

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[Please see slide 38] These pie charts follow the same format that we described for New Income a few moments ago. Similar to New Income, Flexible Fixed Income's investment activity during the quarter was largely focused on buying high-quality, longer-duration bonds.

During the quarter, we extended the duration of the existing Treasury holdings. We also bought highly rated bonds with an average life and duration of 4.8 years and 4.3 years respectively. Those investments included Treasuries; AAA-rated nonagency CMBS; AAA-rated ABS backed by equipment; AAA-rated utility rate reduction bonds; AAA-rated nonagency RMBS; and AAA-rated single-family rental bonds.

We sold high-quality and credit ABS backed by datacenters which had a weighted average life and duration of 1 year, and we reinvested the proceeds into Treasuries with a duration of 4.8 years.

Lastly, even though we have not seen much that is attractive in credit, we still keep looking.

During the quarter, we added to an existing high yield position that had gone down in price, and we reduced our exposure to a different existing high yield position that had gone up in price.

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[Please see slide 39] Overall though, the credit exposure in Flexible Fixed Income continues to decline, as shown here. As of December 31, Flexible Fixed Income's credit exposure was at 5% of the portfolio. 95% of the portfolio was held in cash, Treasuries, and other highly rated bonds.

[Please see slide 41] Finally, this chart estimates Flexible Fixed Income's potential return over the next 12 months based on different assumptions about changes in yield over that time. This chart uses the same format and assumptions as the similar chart we showed for New Income a few minutes ago.

The bar above +100 shows that Flexible Fixed Income could return approximately 1.25% before fees if yields increased by 100 basis points over the next 12 months; and the bar above -100 shows that Flexible Fixed Income could return approximately 6.5% before fees over the next 12 months if yields decrease by 100 basis points. Those two data points encapsulate the upside versus downside we are trying to build into these portfolios.

[Please see slide 42] That concludes our prepared remarks. We can now turn to Q&A, and we'll start with a quick note.

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You may have noticed that the duration for both funds shortened a bit over the quarter, and the cash in each fund is higher. There's nothing behind that other than the investment process. As described today, we made a number of longer-duration investments in both funds. However, the dollars spent on those longer-duration investments by the end of the quarter was not enough to offset the shortening of the existing portfolio over the past 3 months. As a result, the duration shortened. And because we didn't see a lot of attractive prices, especially toward the end of the quarter, the cash built up. So it's really just timing.

The statistics that we report are a snapshot as of a certain date. Sometimes the investing environment is not rich with opportunity, and then the end of the quarter arrives. We take the picture of the portfolio at that date and then we keep going. We think it's better to wait for more appealing investments rather than try to force the issue by a certain date.

(00:38:12)

And now we'll cover some questions that were submitted in advance. First question is, **“Do we have any thoughts on AAA CLO?”**

We have not been buying AAA CLOs lately. The spread's pretty low, they don't have a lot of call protection, and they potentially have a lot

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of spread duration. We've generally found that the expecting lifetime total return and short-term upside versus downside is better—excuse me—is better than the longer-duration fixed rate bonds we've been buying. We still look at CLOs; they just are not return-optimizing for us at the moment.

Next, **“Do you worry about Fed debt monetization creating permanently higher inflation?”**

Yes, we worry about that and a lot of other things. Fed independence, the fiscal situation, policy—it's a long list. Unfortunately, it's a long list of things in which it's hard to have conviction, which is why we lean towards [the intention of mitigating] downside with upside optionality.

Next question is, **“Have you see any surprising points of weakness as the markets continue to go along?”**

No, there's nothing notable or nothing that stands out. I would say there's been a surprising lack of weakness. We see headlines about low spreads, complacency in the market, the deluge of AI and datacenter-related financing, etc. but spreads keep running tighter. It's that paradox where everything is going so well in the market that it's self-fulfilling and then the market keeps going up, so to speak. But all the while, it's actually getting riskier because of rising prices.

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Next, someone asked and noted that our mortgage exposure has gone up and then asks, **“What vintage comprised most of the MBS and are these mainly high-coupon or low-coupon? To what extent, if any, does Fannie and Freddie having to buy hundreds of billions more in MBS impact your holdings?”**

We mostly have been buying low-coupon mortgages which tend to be from the 2021 or 2022 vintage. As to the impact of Fannie and Freddie buying hundreds of billions of mortgages, mortgage spreads had already come down but I think that Fannie and Freddie buying hundreds of billions of mortgages has probably driven spreads lower.

Kristina: Thank you to those of you who submitted questions in advance. We've addressed those during the webcast and just now, and we are going to pause briefly to check for questions asked during the livestream.

Abhijeet: So one question we see asked about the record demand for gold affecting bonds in general, and sorry, **“How does the record demand for gold affect bonds in general and the portfolio specifically?”**

So I'm speculating a bit. This is a somewhat informed answer. We don't spend a ton of time on trying to understand the direction of

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commodity prices, but it appears to us that a meaningful driver of the gold price recently has been a reflection of this notion that people aren't that enthralled with owning sovereign risks these days, and specifically US government risk. So I think we've seen over the past couple of weeks with some of the headlines out there that, along with a selloff in US financial assets, there's been a rise in gold prices. So I suspect that has something to do with it but we don't really have anything more specific to share beyond that.

(00:42:10)

Kristina:               These are all the questions that we have right now. Thank you for listening to FPA New Income and FPA Flexible Fixed Income Fourth Quarter 2025 Webcast. We now turn it over 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](http://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.

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

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