2Q 2026 FPA New Income Fund (FNI) and FPA Flexible Fixed Income Fund (FFI) Webcast

July 23, 2026

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

This transcript must be read in conjunction with the corresponding webcast slides, posted on fpa.com. The webcast slide page numbers are referenced below. Please also reference the Important Disclosures at the end of this transcript and throughout and at the end of the webcast presentation.

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, 2026 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.

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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 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's Second Quarter 2026 Webcast. My name is Kristina Surkova and I am relationship manager for the funds.

The audio, transcript, and visual replay of today's webcast will be made available on our website FPA.com.

In just a moment, you will hear from portfolio manager Abhi Patwardhan and members of the Fixed Income investment team. Abhi Patwardhan is a partner at FPA and has been with the firm 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 Fund since its inception in December 2018.

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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 up to question and answers.

[Please see slide 2] As a reminder, please save the date for our upcoming Investor Day scheduled for Wednesday, October 21 and Thursday, October 22 in Santa Monica, California. We plan that to be a two-day in-depth look at our strategies, perspectives, and people. A formal invitation with agenda and RSVP details will be sent to all FPA webcast attendees, and registration is also available on our website.

Now I turn it over to Abhi.

Abhijeet: [Please see slides 3 and 4] Thank you. Thank you, everyone, for joining us today and thank you for your time.

[Please see slide 5] We are here today to discuss two funds, FPA New Income and FPA Flexible Fixed Income, which are shown in the two right columns of this slide. Both of these funds 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 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, but does not have to, 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.

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For both of these funds, the exposure to lower-rated investments will be a function of our bottom-up absolute value investment process and market prices.

It's not part of today's discussion but we also manage the FPA Short Duration Government Bond ETF, which is shown on the left. This ETF owns a portfolio of Treasuries where the duration is actively managed using the same 100-basis point duration test that we'll discuss today. For more information about this ETF, please visit our website.

[Please see slide 6] These tables show a high-level view of FPA New Income and FPA Flexible Fixed Income as of June 30. At June 30, FPA New Income had a yield-to-worst of 4.35% and a duration of 3.2 years. New Income's credit exposure, the exposure to investments rated BBB or lower, was at 3.3%. FPA Flexible Fixed Income had a yield-to-worst of 4.5%, a duration of 3.4 years, and a credit exposure of 4%.

[Please see slide 7] Those low credit exposures are a good segue to the summary of today's discussion. Credit spreads are very low. The compensation for credit risk is very low. As bottom-up investors, low spreads lead us away from investments that have more credit risk and toward investments that have much less credit risk. Consequently, both funds have very little credit exposure. At the same time, high risk-free rates make duration attractive, which explains why we have been adding duration to both funds.

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That's it. It's pretty simple. We don't have some great insight to share. We're just responding to price. So it's pretty easy and pretty straightforward for us to be positioned the way that we are positioned.

[Please see slide 8] Here's what we see.

[Please see slide 9] This chart shows the yield and spread on the High Yield Index and the BB component of the High Yield Index excluding energy. We don't invest based on charts like this. We merely show this to provide an indicator of market prices. The BB component shown here is, we think, useful to look at because it provides a more consistent comparison over time due to the fact that the composition of the broader high yield market has changed over time.

As highlighted in the table on this slide, spreads have decreased to near historical lows. At the end of June, the spread on the High Yield Index was 297 basis points or the 4th percentile of the available history. The spread on the BB component shown here was 183 basis points, also the 4th percentile. The lower the percentile, the more expensive credit risk is. Said another way, for 96% of the high yield market's history, the compensation for credit risk was higher than it was at June 30. It should be no surprise then that we have found it challenging to find attractively priced investments in high yield and lower-rated debt.

Our funds do not track an index. We don't have to own anything. If you don't have to own high yield then it's far from clear that you should own it. Because we don't track an index, we don't find ourselves in the uncomfortable position of trying to convince ourselves, and you, that owning this type of debt is a good idea. We don't think it's a good idea, and you can see that in our low credit exposure.

The other benefit of not tracking an index is that we can pivot to other parts of the market if one part of the market is expensive. Specifically, if high yield is expensive, we can pivot to investment grade. Unfortunately, credit spreads in the investment grade bond market are also very low.

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[Please see slide 10] This chart shows the yield and spread on the investment grade Aggregate Bond Index. As shown in the table, the spread in many parts of the investment grade bond market is at the 1st to 15th percentile, near historical lows or, at a minimum, on the very low side of history.

Because of low spreads in investment grade debt, we've generally been deploying capital into the highest-quality, lowest-credit risk, most liquid debt. Having said that, we're not categorically waving off all lower-rated debt or even riskier investment grade debt. We're not waving off anything. We're happy to buy bonds that meet our risk versus reward criteria if we can find it, and that includes lower-rated debt. And we have found a little, as we'll discuss later, but generally, we're not seeing much that's attractive out there with respect to credit risk.

We'll wrap up our comments about credit risk with the following. The market feels like it's priced for perfection. Things don't seem perfect to us. Just to name a few things, inflation is still too high. There's a war that's introducing macroeconomic risks and negatively impacting consumers, who are getting weaker even without the impact of the war. The longer-term impact of AI is uncertain and is driving up costs in the short term. Economic growth excluding AI spending is meh. There's still a lot of government policy uncertainty, including tariffs. The list goes on.

But leaving all that aside, when the market is priced for perfection, are we getting paid to find out that it…is in fact not perfect? We don't think so. As a result, we have a low credit risk portfolio, lower than other funds that one might compare ours to. That means we have a lower yield because our portfolios are not laden with a lot of riskier but higher-yielding investments. However, because spreads are so low, the yield that we are giving up, the cost of our high-quality positioning, is relatively small.

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Now that does not mean that our funds will necessarily end up with a lower return. That depends on what the market does going forward. All things being equal, we could end up with a lower return if spreads don't change or if they decline. But we could also end up with a higher return if spreads increase. Given that spreads are near historical lows, we think that risk versus reward is skewed in our favor.

Going back to the comment that the yield that we are giving up today is relatively small, the cost of our high-quality portfolio is relatively small, you can think of our high-quality, lower-yielding portfolio like paying for insurance to get some protection against a bad outcome. It's best to buy insurance when the cost is low. And then, if something bad happens because of the risk we think we've mitigated, we think we'll be in a good position to take advantage of more attractively priced investments that might show up.

[Please see slide 12] To further explain our portfolio, we think about our investment process as follows. We typically will look first for attractive credit in high-quality investments. If we cannot find attractive investments, we'll hold cash. Thus, cash is the residual of our investment process. We've said in the past that our cash balance is a reflection of the opportunity set. A lower cash balance reflects an attractive investing environment, and a higher cash balance reflects an unattractive environment.

However, there can be, at times, a stop on the way to cash: Treasuries. Just because the market for credit risk is expensive does not mean that we are hiding in a bunker with a pile of cash. There are attractive rewards available for taking on other types of risk, specifically duration risk, and more specifically, duration risk via Treasuries.

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[Please see slide 13] Treasury yields for 1- to 7-year maturity bonds increased by 20-40 basis points during the quarter and 40-70 basis points year to date, as shown here. Notably, Treasury yields increased following Kevin Warsh's first Federal Open Market Committee Meeting as the new Chair of the Federal Reserve. In the statement following the meeting, the Committee emphasized its commitment to price stability, i.e. fighting inflation, and then Warsh repeated that commitment multiple times during his post-meeting press conference. That commentary led to expectations of tighter monetary policy and, in turn, higher interest rates. Overlaid on all of this was developments in the United States war with Iran, which has ultimately pushed oil prices and rates lower, and oil prices and rates higher.

[Please see slide 14] Zooming out, with risk-free rates at 10- to 15-year highs, duration can be an attractive investment. Over the long term, owning duration via Treasuries can provide an attractive absolute, quote/unquote, "risk-free return." At recent yields over the short term, longer-duration Treasuries create the possibility of a high single-digit return in a declining interest rate environment, while simultaneously providing some ability to mitigate drawdowns that might occur in a rising interest rate environment. Our 100-basis point duration test guides us in identifying an attractive risk versus reward with respect to duration.

[Please see slide 15] This slide illustrates our duration test and how we employ it. Our 100-basis point duration test identifies the longest-duration bonds that we expect will produce at least a breakeven return over 12 months if rates increase by 100 basis points.

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The dark blue bars show Treasury yields at different maturities as of June 30, 2026. The light blue bars show the potential short-term return for these Treasuries in a rising interest rate environment, which we refer to as the downside return.

For example, the 5-year Treasury, purchased at a 4.23% yield, was expected to return 0.66% over 12 months if its yield increased by 100 basis points from 4.23% to 5.23% during that time. Since we look for the longest bond we can find that produces at least a breakeven expected downside return, 5-year Treasuries would be a fit for our portfolios, whereas the 7-year Treasury would not be a fit because its expected downside return is negative.

The yellow 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 7.95%. We find the combination of a 4.23% base case return, a potential 0.66% downside return, and a potential 7.95% upside return compelling.

Importantly, we are downside-focused first. As such, we would not find this return profile attractive were it not for the ability to expect at least a breakeven return in a rising interest rate environment. This is the premise behind our 100-basis point duration test.

The duration analysis above explains the funds' Treasury exposure. Like cash, the Treasury exposure is a reflection of the dearth of more attractive opportunities. Unlike cash, Treasuries avoid some of the opportunity costs of cash if interest rates decline.

So that's what we've been seeing with respect to credit spreads and risk-free rates, and that explains why we've been investing in very high-quality bonds and longer-duration bonds. When you respond to price in an index-independent manner on a bottom-up basis, over and over again, you end up with the very high-quality portfolios that we have and the duration that we have. It's straightforward. And yet if you compare our funds to other funds in our categories, you'll find that we're one of the few who are willing and able to take this position.

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[Please see slide 16] Another thing that we observed during the quarter is that real yields increased, which we show here. The real yield is the yield on Treasuries less expected future inflation. As you will hear when we discuss the portfolios in detail in a few minutes, we recently bought 5-year maturity Treasury Inflation-Protected Securities or TIPS.

The Treasury bond that most people know of is referred to as a nominal Treasury. Nominal Treasuries are backed by the full faith and credit of the United States Government. So are TIPS.

Nominal Treasuries pay a fixed rate of interest on a fixed principal balance. TIPS also pay a fixed rate of interest but on a principal balance that grows at the rate of inflation.

The yield on a nominal Treasury is referred to as the nominal yield and can simplistically be broken down into two pieces: a real yield over the life of the nominal Treasury, plus the expected inflation over the life of the nominal Treasury. In other words, when buying a nominal Treasury, one is buying a fixed real yield and a fixed amount of inflation. If real yields and/or expected inflation change during the 5-year life of a nominal Treasury, the nominal yield, and thus the dollar price of the Treasury, will change.

On the other hand, TIPS are priced based on a real yield only and, rather than being fixed, the inflation component of the future of the—the inflation component of the TIPS future return will float based on actual inflation over time. Thus, the dollar price of TIPS will respond to changes in real yield.

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Looking backward, the actual inflation over a 5-year period can differ from the inflation that was expected at the start of the 5-year period. If you buy a nominal Treasury and then, over the life of that nominal Treasury, the actual inflation is higher than the inflation expected at the time you made the investment, then the total real return over the 5-year life of the nominal Treasury will be less than the real yield at purchase.

In comparison, over the 5-year life of the TIPS, the realized real return should be roughly equal to the real yield at purchase, regardless of actual inflation over those 5 years. Thus, it stands to reason then that one should buy TIPS if one has a view that actual inflation will be higher than the expected inflation that is embedded in the yield of the nominal Treasury.

As an example, at June 30, the nominal yield on the 5-year nominal Treasury was 4.2%. The real yield on the 5-year TIPS was 1.9%. The implied inflation expected over the next 5 years was 2.3%, which is the nominal Treasury yield of 4.2% less the real yield of 1.9%. So if you think inflation over the next 5 years will be greater than 2.3%, it may make sense to buy TIPS instead of the nominal Treasury and vice versa.

What is our view on inflation? It should surprise no one that we do not have a view on inflation. We are not macro-Investors. Macroeconomic and market predictions do not drive our investing process, because we think investing in that manner is a low-conviction way to produce attractive long-term risk-adjusted returns.

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So how then did we choose to buy TIPS? Again, it’s quite simple. At our purchase prices, we found that the TIPS offered an attractive absolute return over a range of real interest rate and inflation rate scenarios in both the short and the long term.

In the short term, TIPS may produce an attractive positive absolute return while underperforming a nominal Treasury in some scenarios. Imagine very low inflation and very low real interest rates. Alternatively, TIPS may produce an attractive positive return and outperform a nominal Treasury in other scenarios. Imagine elevated inflation and rising real interest rates.

Further, consistent with our investment process, even when assuming very low inflation, we believe we purchased TIPS at prices that would produce at least a breakeven return over 12 months if real interest rates were to increase by 100 basis points.

In short, much like our investments in nominal Treasuries and our investments in any other type of debt, when considering what could happen in the future, we believe the TIPS offer an attractive upside versus downside, and attractive long-term return, without taking a view on what will happen in the future.

Finally, this recent investment in TIPS is representative of our flexible and opportunistic investment approach. Flexible Fixed Income has never owned TIPS and the last time New Income owned TIPS was nearly 20 years ago. We have looked at TIPS many times over the past decades but either the absolute short- and long-term return profile was not attractive to us, or there were other uses of capital that we believed had more attractive absolute return profiles.

As we see here on this chart, by June 30, 5-year real yields had increased to levels last seen in 2022-2024. Due to higher spreads in 2022-2024, there were other uses of capital like mortgages, ABS, corporates, etc. that we believed would be more likely to maximize the return on that capital while also satisfying our desire for an expected return of capital. In the second quarter of 2026, with spreads in historically low territory, TIPS became an attractive use of capital.

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[Please see slide 17] Let's review the second quarter for each fund, start with New Income.

[Please see slide 18] This table shows New Income's return during the second quarter, along with the contributors and detractors from performance. The bottom of the table shows that New Income returned 0.41% before fees during the second quarter.

The largest contributor to that performance was the corporate holdings. Most of the corporates return came from price appreciation on one of the common stock holdings. The corporate holdings in general also benefited from interest income on the debt holdings. As a reminder, we do not buy common stock directly but we may end up owning common stock because of debt investments we've made that get exchanged for stock or convert into stock. Fortunately, we can hold stock if we think that our investors will be better off long term by holding it. Broadly speaking, we'll try to exit when we think that we can do so at a price that reflects our view of fair value. In the meantime, we may see the stock price move up and down along the way, and we may also receive dividends. Even though the total average weight is just 1.6% across three separate investments, depending on what else is happening in the portfolio, the common stock may show up as a top or bottom contributor from time to time.

The second-largest contributor to performance was cash and equivalents, due to interest income.

The third-largest contributor to performance was asset-backed securities or ABS backed by equipment. That return came from interest income, partially offset by higher risk-free rates pushing the prices of these bonds lower.

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The largest detractor from performance was Treasuries, which declined in price due to the increase in Treasury yields during the quarter. That was partially, but not fully, offset by interest income.

There were other individual bonds that detracted from performance but there were no other meaningful detractors at the sector level.

[Please see slide 19] This slide shows New Income's holdings as of June 30, with detail on the yield, duration, and spread at the sector level. At the bottom, we see that yield-to-worst has increased to 4.35% at June 30 from 4.24% at March 31, mostly due to the increase in Treasury yields during the quarter. The duration shortened slightly from 3.3 years to 3.2 years.

[Please see slide 20] These pie charts show the portfolio broken down by investment idea, which is how we tend to think about the portfolio. There is a slice of the pie dedicated to any individual idea that is at least 4% of the portfolio. The Other slice captures all of the investment ideas that are each less than 4% of the portfolio.

During the quarter, we extended the duration of the Treasuries that were already in the portfolio. We sold some asset-backed securities that had a weighted average life and duration of 1.9 years and 1.6 years respectively. As mentioned earlier, we bought 5-year maturity TIPS. Those are included in Other on these pie charts. We also bought high-quality bonds that had a weighted average life and duration of 4.7 years and 4.2 years respectively, including Treasuries and ABS backed by equipment.

[Please see slide 21] This slide shows New Income's credit exposure, the exposure to investments rated BBB or lower, along with a history of the exposure, which is shown in the percentages on the chart. The credit exposure was 3% of the portfolio June 30, which means that 97% of the portfolio was held in a combination of cash, Treasuries, and other highly rated investments.

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We did not make any credit investments during the quarter. Consequently, the credit exposure was essentially unchanged versus the last quarter.

[Please see slide 23] Next we'll review Flexible Fixed Income.

[Please see slide 24] Here we show Flexible Fixed Income's return during the second quarter, along with the contributors and detractors from performance. The bottom of the table shows that Flexible Fixed Income returned 0.32% before fees during the quarter.

The largest contributor to performance was cash and equivalents, due to interest income.

The second-largest contributor to performance was the corporate holdings, due to interest income and price appreciation induced by lower spreads.

Equipment ABS was the third-largest contributor to performance, due to interest income, which was partially offset by a decrease in price caused by an increase in risk-free rates during the quarter.

The largest detractor from performance was ABS backed by recurring revenue loans, due to an increase in spread causing a decrease in price, which was partially, but not fully, offset by interest income and amortization. This investment is included in ABS Other, shown towards the top of this table. We significantly decreased our exposure to this investment during the quarter.

The second-largest detractor from performance was Treasuries, which decreased in price due to an increase in risk-free rates, which was partially offset by interest income.

There were other individual bonds that detracted from performance but there were no other meaningful detractors at the sector level.

[Please see slide 25] This table shows Flexible Fixed Income's holdings along with detail on yield, duration, and spread at the sector level. At the bottom, we show that the yield-to-worst increased from 4.34% at March 31 to 4.5% at June 30, and the duration decreased slightly from 3.5 years to 3.4 years.

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[Please see slide 26] These pie charts follow the same format we described a few minutes ago for New Income. During the quarter, we extended the duration of the existing Treasury holdings. We sold ABS with a weighted average life and duration of 1.5 years and 1.3 years respectively. We bought 5-year maturity TIPS, which are included in the Other slice. We bought high-quality bonds with a weighted average life and duration of 4.9 year and 4.5 years respectively, including Treasuries, nonagency residential mortgage-backed securities, and ABS backed by equipment.

Finally, we added to an existing BBB-rated corporate bond and initiated a new BBB-rated corporate bond investment.

[Please see slide 27] Those BBB-rated investments are included in our credit exposure which we show here. Due to some existing credit investments getting repaid and other activity, despite the additions during the quarter, the overall credit exposure decreased slightly from 4.4% at March 31 to 4.2% at June 30. 96% of the portfolio is held in a combination of cash, Treasuries and other highly rated investments.

[Please see slide 29] That concludes our prepared remarks. We are happy to take any questions but we will start with questions that we received in advance.

The first question asks about the movement in Flexible Fixed Income's share price this year. The question noted that the price went from $10.37 at the beginning of the year to $10.46 in February to $10.18 in July.

The short answer is that the price moves can largely be explained by duration. First, it's important not to forget about the dividends which are paid monthly.

For example, between the beginning of the year and February, the Fund paid 3.3 cents per share of dividends. Between the beginning of the year and February, the share price went up by 9 cents but the total value including dividends was up by 12.3 cents. The change in share price can largely be explained by rates falling by 10-14 basis points from January through February.

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Then, from February to July, the Fund paid a total of 16 cents per share of dividends. So while the share price went down by 28 cents during that time, the total value including dividends was down by 11 cents, which is much less. The share price decline from February to July can largely be explained by rates increasing 70-90 basis points during that time.

In essence, what you're seeing in these share price moves is the upside versus downside that we talked about today when we showed our stress—duration stress test. The first month or so when rates were falling, we were participating in the market's upside. And since then, as rates have risen, we've been participating in the downside. So the Fund is performing the way we would expect given what rates have done.

The next question is: **if the "AI bubble," in quotes, bursts, what are potential impacts on these funds or fixed income overall?**

So as of the end of June, neither of our funds, neither of our funds had any datacenter exposure. Maybe FFI—sorry, Flexible Fixed Income—had a 15-basis point exposure to an AI company but that's debatable due to the makeup of the business. Other than that, we did not have any direct exposure to the notable big AI spenders like Oracle, Meta, etc. We did not have any direct exposure to the chip companies or other suppliers in the AI supply chain. We did have a tiny, indirect exposure to Google via a CMBS bond but that's not a datacenter bond. From a direct exposure standpoint, I think we are well-insulated.

The indirect exposure via investments that themselves have direct or indirect exposure is harder to gauge. We think we have a lot of insulation based on what we know, but you don't know what you don't know, and it's harder to predict the second- and third-order impacts of a bubble bursting. Which is to say that even though we don't have direct exposure, that does not mean that the prices of the bonds in our portfolio won't move, because a bursting bubble could have cascading effects that lead to a broad selloff.

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Keep in mind that AI-related debt is now a sizeable part in the investment grade bond market, and borrowers have been financing in the high yield market as well. The reason we have such a high-quality portfolio is because we have valuation concerns, which is at the heart of this question about an AI bubble. Only about 60% of our portfolio has exposure to spread, and that 60% is very heavily weighted towards very high-quality debt, which we think is less prone to an increase in spread—and increases in spread are where I think you would see the impact of a broad selloff.

I actually think an AI bubble bursting could ultimately be a good outcome for us in the long term because it might create some attractive investment opportunities, and I think our high-quality, low-spread exposure positions us well to take advantage of that.

We received a question, someone made a comment saying: **didn't TIPS get crushed in the pandemic crisis period, like they lost a lot?**

Yes, that is correct. I'm trying to think about how best to answer this question. So, like any investment that one might make, it all depends on the price that you're paying. So I think it makes a ton of sense that if you bought a bond at a negative real yield, like a lot of people did during the pandemic period, then when yields start to normalize, and certainly if they go from negative to positive territory, you would expect prices to move a lot.

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So during the pandemic period, we encountered a number of folks who made investments in TIPS because they were worried about inflation and so they went out and bought 5-, 10-year maturity TIPS but they were buying them at negative real yields. And once yield increased in 2022 and 2023, they saw that the price of the TIPS that they had bought, because of the long duration on those TIPS investments, the price went down pretty significantly and yes, they ended up losing a lot of money even though the value of their TIPS was partially offset by the accretion in the inflation value.

So, long story short, price ultimately determines whether or not you're going to make or lose money on something. If you paid too high of a price on something, it's highly likely you're going to lose money, which is what happened to a lot of people in the pandemic period. And that's true not just for TIPS but that was true for people who also bought other long-duration investments like things that look like the Aggregate Bond Index or that looks like the long duration on mortgages that people got crushed on during the pandemic period. So, as I discussed and as we discussed in our webcast today, we do not think that we are setting ourselves up to lose a lot of money on TIPS but you never know what's going to happen. We think that the risk/reward is attractive at the prices that we paid.

We received another question asking about the 1.6% common equity exposure in New Income. Does it really add value compared to having to explain it to clients? Isn't it typically an investment that went bad?

On the question of whether it's typically an investment that went bad, it is typically—sorry, let me restate that. It has historically been an investment where one of our downside scenarios ended up materializing. So when we underwrite investments, part of our underwriting entails trying to understand what it could look like if a company were to go through a restructuring or perhaps go into bankruptcy, what our recovery might look like, what the form of that recovery might look like, etc.

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So it was not necessarily the desired outcome that we received equity in exchange for these investments, but it was not an unexpected outcome that we received equity in exchange for these investments.

We would argue quite strongly that our investors have been significantly better off by our holding onto these common stock investments, and I think the history has proven that out, which much more—sorry, which very much compensates for whatever difficulty there might be in explaining it to clients.

We have to explain to clients all the time. We have found that our clients have generally appreciated that we've been able to deliver them a better return because of the holdings, and so they have been happy to hear the explanation. But I can understand that maybe some clients are not willing to hear the explanation.

How will higher short-term interest rates—how will higher short-term interest rates, if we get them, impact the Fund?

If we have higher short-term interest rates, I think people should expect that the price of the Fund will go down in the short term, and the magnitude of that decrease will depend on how much short-term interest rates increase. I also think that, over time, that price decline should be offset by the interest income that we receive in the portfolio. But the immediate day one impact is likely going to be a decrease in the Fund's share price and, over time, we think that we will make some money and roughly preserve capital, again subject to the magnitude of the increase in yield. And the path going forward from there is that we should then be able to recycle capital into higher-yielding, more attractive investments in the future.

Kristina: Thank you, Abhi. These are all live questions and pre-submitted questions at this time. Thank you for listening to FPA New Income and FPA Flexible Fixed Income Second Quarter 2026 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. We urge you to visit the website for additional information about the fund, such as complete portfolio holdings, historical returns, and after-tax returns.

[Please see slides 32 through 36] 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.

Please visit FPA.com for future webcast information, including replays. We post the date and time of upcoming webcasts towards the end of each current quarter, and webcasts are typically held three to four weeks following each quarter end. If you did not receive an invitation via email for today's webcast and would like to receive them, please email us at crm@fpa.com.

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

We do want to make sure you understand that the views expressed on this call 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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Past performance is no guarantee nor is it indicative of future results.

Any mention of individual securities or sectors should not be construed as a recommendation to purchase or sell such securities or invest in such sectors, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the securities or sector examples discussed.

Any statistics or market data mentioned during this webcast have been obtained from sources believed to be reliable, but the accuracy and completeness cannot be guaranteed.

You should consider each fund's investment objectives, risks, and charges and expenses carefully before you invest. The prospectus for each fund details their investment objective and policies, risks, 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 FPA.com, by email at crm@fpa.com, toll-free by calling 1-800-982-4372, or by contacting the fund in writing.

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

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