# 3Q 2026 FPA New Income Fund (FNI) and FPA Flexible Fixed Income Fund (FFI) Webcast

October 29, 2026

*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 most recent prospectus for FNI and FFI can be accessed 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 Third 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 the portfolio manager for FPA New Income since November 2015 and has served as the 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 it up to question and answers. Abhi, over to you.

Abhijeet: [Please see slides 2-4] Thank you, Kristina, and thank you, everyone, for your time today. We will begin with a reminder about how we think about the world of fixed income. We are not macro investors. We are not relative value investors. We do not track an index. We are absolute value investors. We pick individual bonds that we think are paying us for the risks involved. And after doing that many, many times, we end up with a fixed income portfolio, a portfolio that can often look very different than an index or our peers.

With that background, here is an overview of our funds. Today we're discussing the two funds on the right, FPA New Income and FPA Flexible Fixed Income.

New Income is a short-term bond fund. It is largely investment grade. It has to have at least 75% of its assets in investments rated single-A or higher. New Income can have up to 25% of its assets in investments rated BBB or lower, but it doesn't have to. We refer to that BBB or lower exposure as credit. New Income has two objectives. In the short term, we seek positive returns over rolling 12-month periods. Over the long term, we seek real returns of CPI plus 100 basis points over rolling 5-year periods.

Flexible Fixed Income uses the same investment approach as New Income, but Flexible Fixed Income is designed to take on more credit risk if and when it makes sense. Flexible Fixed Income can have up to 75% of its assets in investments rated BBB or lower. Flexible Fixed Income has a higher long-term return objective of CPI plus 200 basis points, and the higher credit capacity is one of the tools to try to get there. The investments in Flexible Fixed Income could be more volatile, so Flexible Fixed Income seeks positive returns over rolling 3-year periods.

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We also manage a short-term government bond ETF, which is shown on the left. It holds a portfolio of Treasuries and uses the same duration management that we'll discuss today.

[Please see slide 5] As we talk about these funds and the market today, it's helpful to keep in mind what they look like, which we show here. This table shows the yield and duration of our funds along with some relevant comparisons.

In the top table, we show that as of September 30, New Income had a 5.1% yield-to-worst and a 3.3-year duration. New Income's credit exposure was 3.2%, which means that 97% of its holdings were in cash and equivalents, Treasuries, and other highly rated investments.

Flexible Fixed Income, as shown in the bottom table, had a 5.36% yield-to-worst and a 3.6-year duration. Credit markets have been expensive, so even though Flexible Fixed Income can own more credit, Flexible Fixed Income only had 4% of its portfolio in credit, which means that 96% of that portfolio was in a combination of cash and equivalents, Treasuries, and other highly rated investments.

[Please see slide 6] On that note, today we will discuss why we have found that the market for lower-rated debt is expensive. We have not been investing much, if anything, there but we're happy to do so if and when prices get cheaper. Separately, due to the higher absolute level of yields, longer-duration bonds have been attractive and became even more so

with the increasing rates during the quarter. Putting those two comments together, that explains why our investments have largely been directed toward longer-duration, high-quality bonds.

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[Please see slide 7] Here's what we saw during the quarter.

[Please see slide 9] Rates increased quite a bit in the past few months and this year, which we see here. This is the yield curve at September 30, [2026], June 30, [2026], December 2025, and September 2025. The table at the bottom shows that rates increased by upwards of 86 basis points in the third quarter, and are up as much as 146 basis points year to date and 140 basis points over the last 12 months. That's a pretty big increase in a short period of time, but when looking back through history, it's not unusual. This might give people bad memories from 2022 when a lot of the bond market was down by double digits. As an aside, our funds were not down that much in 2022 [compared to the Morningstar Short-term Bond Fund and Nontraditional categories, respectively].[1]

In any event, this year is much different than 2022 because of two big differences between 2022 and 2026. First, rates went up by several hundred basis points in 2022. We are at a fraction of that nine months into 2026.

Second, the drawdowns this year have been much smaller than they were in 2022 because the starting yield is much higher this year. When yields are higher, duration is lower, all things being equal. So an increase in rates leads to a smaller decline in price, all things being equal. Higher starting yields also mean that there's income to offset price declines, whereas in 2022, starting yields were near zero so there was very little income to offset price declines.

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One of the implications of the increase in rates during the quarter is that, of course, when rates go up, bond prices go down. The longer the duration, the more the price goes down. That's the immediate impact, and then it can improve over time as you earn coupons on the bonds. There was a large move in rates over nine—over the past three months, so our funds were down during the quarter. That's not enjoyable, and we get it. We are investors in these funds so we feel it firsthand. But as investors in these funds, we remind ourselves of several things.

First, as we'll discuss in a moment, a decline in bond prices is not unexpected. In fact, it's something we plan for explicitly and it's built into our investment process.

Second, our money is still there. Our funds are very high-quality these days. The price of our funds wasn't down because of a permanent impairment of capital. It's hard to recover from a permanent impairment in capital. Rather, our funds were down due to a temporary mark-to-market change in price, which can be more easily recovered.

Third, measuring returns over three months is only appropriate for things like Treasury bills. Our short-term objective is to have a positive return over a year for New Income and over three years for Flexible Fixed Income. We have achieved a positive return for New Income over the past 12 months, so we've met our objective. It's not the objective for Flexible Fixed Income, but that fund was only down 26 basis points over the last 12 months.[2]

[1] Please refer to slides 2 and 3 in the webcast presentation for the FPA New Income Fund and FPA Flexible Fixed Income Fund performance respectively.
[2] The stated investment objective for both the FPA New Income Fund and the FPA Flexible Fixed Income Fund is to seek to provide long-term total return, which includes income and capital appreciation, while considering capital preservation.

Fourth, the price is down because yields went up, which means that our funds are now more attractively priced with a higher yield.

And finally, when prices are lower, bonds are cheaper, which we view as a buying opportunity. This is what that opportunity looks like.

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[Please see slide 10] This chart shows a history of Treasury yields. The increase in rates for this quarter and this year left risk-free rates at multi-decade highs. In bond parlance, that means that duration was cheaper than it has been in decades. As value investors, we want to own more of something when it gets cheaper, so we want to own more duration; we want to add duration. And we can look at our duration test to see why.

[Please see slide 11] As mentioned at the outset of today's presentation, we are not macro investors. We actively manage duration, but we approach it differently. It's part of our special sauce that distinguishes us from a lot of other bond managers. Instead of trying to predict where interest rates will go and position duration accordingly, we use price and valuation to make our duration decisions.

The way that we define value with respect to duration is that we use our 100-basis point test. That test looks for the longest maturity bond that we expect will produce at least a breakeven return over 12 months assuming rates will increase by 100 basis points over 12 months. In other words, this test identifies bonds that we think will give us cushion against rates rising by 100 basis points in the near term.

Why 100 basis points? 100 basis points captures the majority of historical 12-month changes in interest rates across 2- to 10-year Treasuries. We're trying to [mitigate risk] against the majority of historical rate changes. We are not trying to protect against any and all changes in rates, and we are not trying to protect against changes in rates that happen over periods of less than a year.

We use this test all the time to decide what duration to buy each day. We're very transparent about it. It instils discipline and risk management in the investment process, and it makes it easier for our investors to understand what we're doing and where we're going. Our investors don't have to worry that we are gambling on rates.

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This chart illustrates how the test works using Treasuries as an example. The dark blue bars on this slide show the yield on 5- and 7-year Treasuries. The light blue bars show the results of our 100-basis point test. We show the analysis as of two dates. On the left, we show December 31, which is the beginning of this year; and on the right, we show September 30, which is the end of the third quarter.

Let's start by looking at where things stood at the beginning of the year, on the left. Nine months ago, yields were quite a bit lower. Back then, the 5-year Treasury was trading at a 3.73% yield. If you bought the 5-year Treasury at a 3.73% yield and then, 12 months later, the yield had increased by 100 basis points from 3.73% to 4.73%, you would have had a slightly positive 12-month total return of 0.12%. Because that return was better than breakeven, back then, 5-year maturity bonds were a candidate for our portfolios.

The yellow bars show the upside return, which we define as rates falling by 100 basis points over 12 months. At the beginning of the year, the 5-year Treasury had an upside return of approximately 7.5%. in short, at the start of the year, 5-year maturity bonds could do a little bit better than breakeven if rates rose by 100 basis points, and we could get a 7.5% return if rates fell by 100 basis points over 12 months. That was fine and, in our eyes, an attractive upside versus downside.

We were not buying 7-year maturity bonds at the beginning of the year because, as shown on the left side of this chart, with a starting yield of 3.94%, the downside return was minus 1.2%. Because the downside return was negative, the 7-year Treasury was not a candidate for our portfolios back then. This goes back to the risk management discipline that our duration test enforces on us.

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But these days, yields are much higher, as we show on the right side of this chart. At September 30, the 7-year Treasury was trading at a 5.19% yield. If you bought the 7-year Treasury at that yield and then the yield increased by 100 basis points to 6.19% over the course of the next 12 months, we would have a positive total return of 0.24%. On the other hand, the upside return for the 7-year Treasury as of September 30 was almost 10.5%. In comparison to the 5-year Treasury at the beginning of the year, the 7-year Treasury at September 30 had similar protection in the downside scenario, we were still getting a better-than-breakeven return, but now we get a much better upside return potential of almost 10.5%. That's 300 basis points more upside than we could get at the beginning of the year.

As yields have gone up, the returns have become more asymmetric, which is appealing. This is why we say that longer-duration bonds have become more attractive.

When rates go up and prices go down, bonds become more attractive, but we understand that it can be uncomfortable to buy when prices are going down. We are investors in the Fund so we feel the discomfort too, but we also know that without risk, there can be no reward.

To help focus our decision-making, we considered the alternative to high yields, which is low yields. The path to generating high absolute returns in fixed income over the long term is not paved with low yields. If we think back to late February of this year when the 5-year Treasury was trading at a 3.5% yield and we were concerned that our days of buying attractive yield in longer-duration bonds were numbered, we had more angst then than we do today, even though yields have increased meaningfully since February.

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The reasons for that increase are subject to debate. Some reasons are positive: a stronger economy. And some are concerning: war, fiscal concerns, and inflation, to name a few. Regardless, we much prefer a cheaper market versus a more expensive market, and we much prefer a world where we and our investors can earn higher returns.

We do not know whether rates will increase or decrease going forward. We do know that rates could increase or decrease going forward, which is why we use our duration test to find bonds that [mitigate risk] against rates rising by 100 basis points in the short term. In other words, we expect to preserve capital if rates rise by 100 basis points over a year. We're also

simultaneously buying an option on high single-digit or low double-digit returns if rates decline in the short term. And long term, we're locking in what is historically an attractive yield.

By adding these longer-duration bonds to our portfolios at these yields, we think we can create a short-term return profile that can capture a lot of the upside from lower rates that's offered by longer-duration indices like the Aggregate Bond Index or longer-duration bond funds, but with better [risk mitigation] when rates rise.

[Please see slide 12] This is a glimpse of what that can look like. In the left column, in the left-hand column, is an example of the [risk mitigation]. We show the returns for the 12 months ending in September, during which time rates increased by 130-140 basis points, which is more than the 100 basis points that we solve for. Despite a greater than 100-basis point increase in yields over the last 12 months, as mentioned earlier, New Income had a positive return, in line with its objective; and Flexible Fixed Income was very close. Both of our funds performed much better than the longer-duration indices shown in the left column, which speaks to the better [risk mitigation]. Of course it didn't do as well in comparison to shorter-duration vehicles.

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In the right-hand column is an example of the upside. We show the 12-month return for New Income and Flexible Fixed Income for the period ending in February 2026. That's a period where interest rates had fallen by only 40 to 60 basis points over the prior 12 months. During that time, our funds produced mid-6 percent returns. Our funds outperformed their categories. Our funds also outperformed short-duration indices, and our funds had comparable or better returns than these longer-duration indices shown here.

So that's an example of what we mean when we say that we think we can capture a lot of the upside of longer-duration indices with better [risk mitigation]. And this isn't even a great example because we're comparing a 40- to 60-basis point rate decline to a 140-basis point rate increase, we're showing a good outcome that's less good than the bad outcome is bad. And even then, we think the comparison is compelling. That explains why we've been adding duration.

[Please see slide 13] To explain why we've generally avoided credit, let's look at the market for credit risk, where spreads were low across the board. That means that the compensation for credit risk was low.

This charts shows the high yield market. In the table, we can see that spreads for the overall High Yield Index ended the quarter at the 13$^{th}$ percentile of history. The lower the percentile, the more expensive the market is. We also show the BB index excluding energy, which we view as the fairway of the high yield market. Those spreads ended the quarter at the 20$^{th}$ percentile. It was only in the last couple of weeks of the quarter that this BB index spread even got this high. But nevertheless, it still ended the quarter on the expensive side of history.

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[Please see slide 14] This chart helps put those spreads into context. This chart breaks down the yield of the high yield market into the percentage it's attributable to spread and the percentage that's attributable to the risk-free rate. This light blue area is the percentage attributable to spread, and if we look to the right, we can see that it's as low as it's ever been. Most of the yield in high yield—70% of the yield—is coming from the risk-free rate, not the spread. That's abnormal.

[Please see slide 15] Turning to the investment grade bond market, spreads there were also very low. This chart shows the yield and spread on the Aggregate Bond Index. We've broken out the components of the Aggregate Bond Index on the right, and we can see—sorry, we broke out the components of the Aggregate Bond Index at the bottom, and we can see that each of these components was trading at spreads that were low on an absolute basis and low in comparison to history, as shown by the very low percentiles.

[Please see slide 16] Again, this chart puts that into context. For the sake of time, we just show how investment grade bond spreads have impacted the overall yield. As we see here, it's the same story. Most of the yield in investment grade corporates was coming from the risk-free rate, not the spreads. These low spreads explain why we have been moving out of credit in both funds.

[Please see slide 17] In retrospect, we often end up being buyers of fear and sellers of glee. Optimism and rising prices often lead us to reduce risk because the reward is low. On the other hand, when fear takes over and prices go down, we often add risk because at lower prices, the reward is greater and, consequently, the risk is less.

We've done that with respect to duration. The lines here show Treasury yields and the dots show the duration of our two funds. As rates fell, we reduced duration because it got more expensive. As rates rose, we added duration because it got cheaper.

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[Please see slide 18] And we've done the same with credit risk. The line here is the spread on the BB index we showed earlier, and the dots show the exposure to BBB or lower rated investments for both funds. Remember that Flexible Fixed Income can take on more credit risk, and that is shown in the dark blue dots.

Keeping in mind that we consider overall yields when assessing risk versus reward, when spreads increased during the COVID-induced selloff in 2020, we bought credit. Then the credit exposure flatlined until 2022 when spreads rose again. We added more credit and increased the exposure to about a third of Flexible Fixed Income. Since then, spreads have been on the decline and we've been actively reducing the credit exposure in both funds and moving toward really high-quality bonds.

That all happens on a bottom-up basis. We have no preset destination that we're trying to get to. We're merely responding to prices on a daily basis. And because we don't track an index, we have the freedom to only own what makes sense and nothing else. When you repeat that process over and over again, you end up with the portfolios that we had at the end of September, where both funds have a low to mid 3-year duration and little credit risk.

[Please see slide 19] But not everyone behaves this way. As an example of that, we can compare New Income to other short-duration funds. This chart plots short-term bond funds by duration and credit quality. We've also included the Vanguard short-term index as a point of reference. Higher-duration funds are toward the right; lower-duration funds are toward the left. Higher-quality funds are toward the top and lower-quality funds are toward the bottom. Whereas most other short-duration funds are clustered in the lower duration/lower credit quality area in the bottom left quadrant, New Income is essentially all alone in the upper right high quality/higher duration quadrant. We can do that because we're not beholden to an index.

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Now, it's worth discussing what has been happening in the markets since the end of September. The AI trade may be wobbling and the market has become a bit turbulent. Spreads have increased, and people may be questioning the fundamentals of some of the investments they made. That can all lead to lower prices. If you're heading into a risk-off market, you probably want to have a really high-quality, low credit risk portfolio like we do.

We've also seen that the classic market reaction function is still in place, where risk-off episodes trigger a flight to quality and a decline in Treasury yields. So it's probably a good thing to have a longer duration that can benefit from that, like we do. To be clear, we are not banking on flight to quality. That's just one of many ways we can win.

[Please see slide 20] We know that our investment approach, where we lean into cheapness and away from richness, doesn't necessarily lead to the greater returns over any one year but we can see here that, over time, it has worked out quite well for our investors, contributing to superior total returns and superior risk-adjusted returns.

This chart shows the value of a $10,000 investment in New Income over the past 5 years versus short-duration comparisons and the longer-duration Aggregate Bond Index. Our investors are wealthier today than they would have been if they had owned the average short-duration bond fund or funds that look like a short-duration index [that we show on the accompanying slide]. Our investors are also wealthier than they would have been had they owned something that looks like the Aggregate Bond Index. And that total return outperformance has come with drawdowns that have been a fraction of that experienced by the comps shown, and with better risk-adjusted returns, as shown by the Sharpe and Sortino ratios.

[Please see slide 21] It's the same story for Flexible Fixed Income. Our investors are wealthier today than they would have been if they'd owned other nontraditional funds or funds that look like the Aggregate Bond Index or Universal Bond Index, and our investors have had a smoother ride. Flexible Fixed Income had a better total return and better risk-adjusted return, with much smaller drawdowns along the way, which is reflected in the better Sharpe and Sortino ratios.

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[Please see slide 22] Let's now review the two funds starting with New Income.

[Please see slide 23] This table shows New Income's return during the quarter, along with the contributors and detractors from performance. The bottom right of this table shows that New Income returns minus 1.3% before fees during the quarter, and the rows above show the contributors to and detractors from that return.

The largest contributor to performance was the corporate holdings. Much of the corporate's return was driven by an increase in fair value of one of the common stock investments. There was also additional benefit from interest income on the bond and loan offerings, with some offset from lower prices due to the increase in yields during the quarter.

As a reminder, we do not buy common stock directly but we may end up owning stock because of debt investments we've made in the past that are 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 we can do so at a price that reflects our view of fair value. In the meantime, we may see the value of the investment move up and down along the way, and we may also receive dividends. Even though the total

average weight is just 1.5% 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 income.

The third-largest contributor to performance was CLOs due to interest income. These bonds are floating rate so their prices did not change much during the quarter.

The largest detractors from performance were Treasury notes, agency mortgage pools, and nonagency residential mortgage-backed securities or RMBS. In all three cases, the performance was predominantly due to price declines caused by the increase in yields during the quarter.

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[Please see slide 24] 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 the yield-to-worst increased from 4.35% at June 30 to 5.11% at September 30, mostly due to the increase in Treasury yields during the period. The duration increased slightly from 3.3 years to 3.2 years. [*sic*] This data point, the yield-to-worst increasing by 76 basis points whereas the duration increased by 0.1 years, underscores a comment we made earlier that the increase in yields during the quarter made our funds more attractive.

[Please see slide 25] 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, our investment activity included the following. We extended the duration of the Treasury holdings, which included extending approximately 5 percentage points of the Treasury holdings into 7-year maturity Treasuries. We added to our investment in 5-year maturity TIPS, increasing the exposure to approximately 4.3% of the portfolio. We bought high-quality bonds with an average life and duration of 5.1 years and 4.4 years respectively. Meaningful investments within that group included agency mortgage pools, asset-backed securities or ABS backed by equipment, agency collateralized mortgage obligations, ABS backed by—sorry, ABS backed by equipment, and investment grade corporate bonds. We did not make any credit investments in New Income during the quarter.

[Please see slide 26-27] As a result, the credit exposure in New Income remains very low, at just 3% of the portfolio, as shown here.

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[Please see slide 28] Turning to Flexible Fixed Income.

[Please see slide 29] Here we show Flexible Fixed Income's return during the quarter, along with the contributors and detractors from performance. The bottom of the table shows that Flexible Fixed Income returned minus 1.7% before fees during the quarter.

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

The second-largest contributor to performance was CLOs due to interest income. The prices of these bonds did not move much during the quarter despite the increase in risk-free rates, because these are floating rate bonds.

The third-largest contributor to performance is ABS backed by recurring revenue loans due to an increase in price and also due to interest income. These bonds are a component of ABS Other shown towards the top of this table.

The largest detractors from performance were Treasury notes, agency mortgage pools, and nonagency RMBS. In all three cases, the performance was predominantly due to price declines caused by the increase in yields during the quarter.

[Please see slide 30] 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 4.5% at June 30 to 5.36% at September, and the duration increased from 3.4 years to 3.6 years, noting here too that the increase in yield during the quarter made this fund more attractive as well.

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[Please see slide 31] These pie charts follow the same format as the charts we showed a few minutes ago. Our investment activity during the quarter included the following. We extended the duration of the existing Treasury holdings. Included within that duration extension, we extended approximately 5 percentage points of the Treasury holdings into 7-year maturity Treasuries. We added to our investment in 5-year maturity TIPS, increasing the exposure to approximately 4.3% of the portfolio. We also bought high-quality bonds with a weighted average life and duration of 5.1 years and 4.4 years respectively. Meaningful investments there included agency mortgage pools, ABS backed by prime quality auto loans, agency collateralized mortgage obligations, ABS backed by equipment, and investment grade corporate bonds. We made a not-meaningful investment in credit during the quarter, not enough to move the needle.

[Please see slide 32-33] So the credit exposure remained very low, at 4% of the portfolio, as shown here.

[Please see slide 34] That concludes our prepared remarks. We're happy to take any questions. **And we can start with a question that we received in advance, which asks us to explain the investment in TIPS.**

[Please see slide 35] We wrote about our investment in TIPS in our second quarter letter, and we can frame that explanation here. For those who aren't familiar, TIPS are Treasury Inflation-Protected Securities. These are bonds issued by the federal government that pay income and principal that adjust based on actual inflation.

This chart shows real yields on 5-year maturity TIPS. The real yield is the yield that you earn to maturity in addition to inflation. Toward the right, we can see that real yields are at multi-decade highs.

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[Please see slide 36] The short-term returns can be really interesting too. When you can buy at circa 2% real yield, you can get some [risk mitigation] against outcomes that are bad for TIPS and optionality on outcomes that are good for TIPS, which we show here.

This table estimates the 12-month return on 5-year maturity TIPS, where we show what happens if real yields increase by 100 basis points, stay the same, or fall by 100 basis points, and then we also show the impact of different inflation scenarios. Let's look at two scenarios to help bracket outcomes.

Let's say inflation stays high at 3% to 4% and, as a result, real yields increase by 100 basis points. This scenario is shown at the bottom left of the table. TIPS could return 2% to 3% over 12 months, which is a positive return and protects capital, because capital preservation is important. Other bonds that one might buy may not fare well in that scenario.

At the other end, let's say that inflation is suddenly at 2% or lower and real yields decline by 100 basis points. This is shown in the top right of this table. In that scenario, TIPS could produce a high single-digit return over 12 months. That's probably not quite as good as what other longer-duration bonds might produce but it's still very attractive on an absolute basis.

That explains why we bought TIPS. People often buy TIPS to express a view on inflation. We do not have a view. We just saw the price and the math, and we saw an opportunity to buy at a price that does not require a view. There's no guarantee that TIPS will end up performing one way or another, but we found the distribution of outcomes appealing.

Kristina: We do not—thank you so much, Abhi. We do not have any other questions. Thank you, everyone, for listening to FPA New Income and FPA Flexible Fixed Income Third Quarter 2026 Webcast. We now turn it over to the system moderator for closing comments and disclosures.

(00:36:04)

Moderator: [Please see slide 39-43] 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.

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.**

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**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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