



FPA Queens Road Value Fund Fourth Quarter 2024 Commentary

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

Trailing Performance (%)

As of December 31, 2024	Inception	20 Yr	15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	YTD	QTD
FPA Queens Road Value (QRVLX)*	9.01	8.27	10.92	10.32	11.41	7.95	18.90	18.90	-2.69
S&P 500 Value	8.73	8.36	11.60	10.01	10.49	9.16	12.29	12.29	-2.67

Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at fpa.com or by calling toll-free, 1-800-982-4372.

The FPA Queens Road Value Fund ("Fund") commenced operations on June 13, 2002. Periods greater than one year are annualized. Fund performance is shown net of all fees and expenses and includes reinvestment of all distributions. Fund performance does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these figures. An investor cannot invest directly in an index.

* Prior to November 1, 2020, the performance shown reflects the historical performance of the Fund when Bragg Financial Advisors, Inc. ("BFA") served as investment adviser of the Fund.

From inception of the Fund to December 31, 2004, BFA and its affiliates voluntarily absorbed certain expenses of the Fund and voluntarily waived its management fee. Had BFA not done this, returns would have been lower during that period. Effective January 1, 2005 through October 31, 2020, BFA had a unitized fee structure that limited operating expenses to 0.95%.

The Fund's Total Annual Operating Expenses (as of the most recent prospectus) before reimbursement is 1.61%. The adviser has contractually agreed to reimburse the Fund for operating expenses in excess of 0.65% of average net assets of the Fund, excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, fees and expenses of other funds in which the Fund invests, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business, until September 30, 2025. These expense reimbursements are subject to possible recoupment by the adviser from the Fund in future years (within the three years from the date when the amount is waived or reimbursed) if such recoupment can be achieved within the lesser of the foregoing expense limits or the then-current expense limits. Similarly, the adviser is permitted to seek reimbursement from the Fund, subject to certain limitations, of fees waived or payments made by adviser to the Predecessor Fund (defined below) prior to the Predecessor Fund's reorganization on July 28, 2023, for a period ending three years after the date of the waiver or payment. This agreement may be terminated only by the Fund's Board of Trustees (the "Board"), upon written notice to the adviser.

Please see important disclosures at the end of the commentary.



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Dear Fellow Shareholders,

FPA Queens Road Value Fund ("Fund") returned -2.69% for the fourth quarter of 2024. This compares to the S&P 500 Value Index ("Index") return of -2.67% for the same period. For the full year of 2024, the Fund returned 18.90% while the Index returned 12.29%.

At Queens Road, we have a preference for high quality compounders that we hope to own forever. Quality can be defined in different ways, but, for us, the two most important indicators of quality are earnings consistency and high returns on capital. These metrics indicate that a company has consistently created economic value in the past. And we use our best judgement to determine whether that company can continue to create economic value in the future.

With that in mind, we enjoyed the recent paper "Which U.S. Stocks Generated the Highest Long-Term Returns?" by Hendrik Bessembinder of Arizona State University.¹ In it, Bessembinder uses the Center for Research in Security Prices (CRSP) database to investigate the highest total returning stocks from 1925 to 2023. What is interesting is that Mag-7 and tech stocks in general are absent from the top of the list. Bessembinder's focus on total return prioritizes both annualized compound return rate **and** longevity. The companies at the top of the list are familiar to us value investors – Altria, Vulcan Materials, Kansas City Southern, General Dynamics, Boeing, IBM, Eaton, S&P Global, Coca Cola and Pepsico make up the top 10 performers. General Dynamics and Eaton are held by the FPA Queens Road Value Fund. We think the data supports the idea these companies generally benefitted from consistent business models through changing times.²

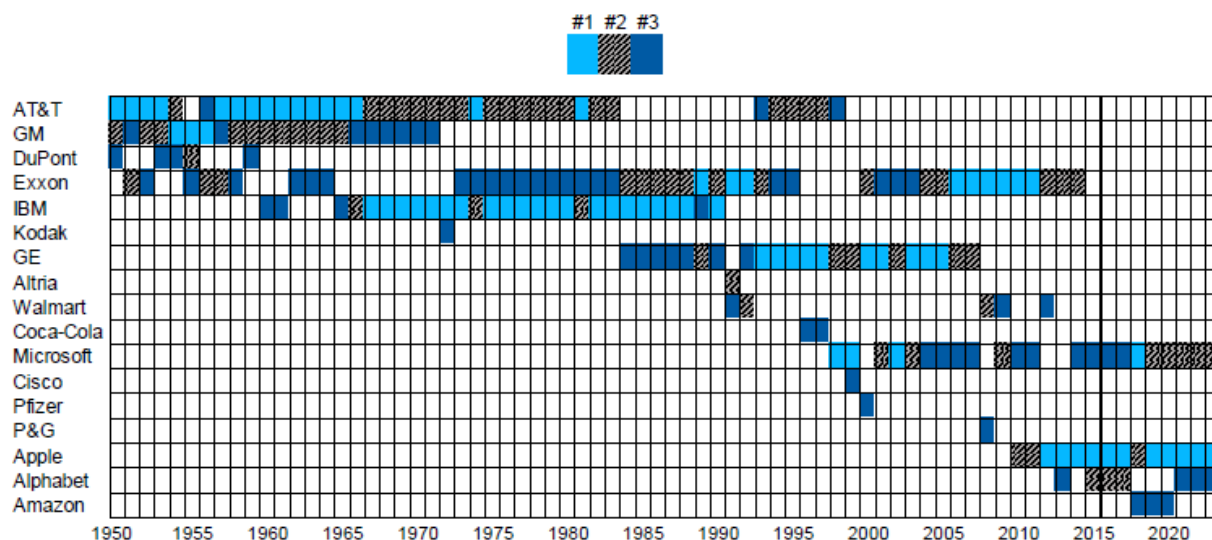
We view the current market concentration, with an increasing share of the S&P 500 in the "Mag-7" technology stocks, through this prism. The Mag-7 certainly has terrific earnings growth and returns on capital. But, even a cursory look through history finds that previous tech darlings that rose to the top of the market capitalization table had trouble sustaining the dominance of their businesses. Companies like AT&T, GM, DuPont, IBM, Kodak, GE and Cisco were all dominant in earlier eras but were eventually surpassed. Charts below from Michael Mauboussin's 2024 paper "Stock Market Concentration: How Much is Too Much?"³

¹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4897069

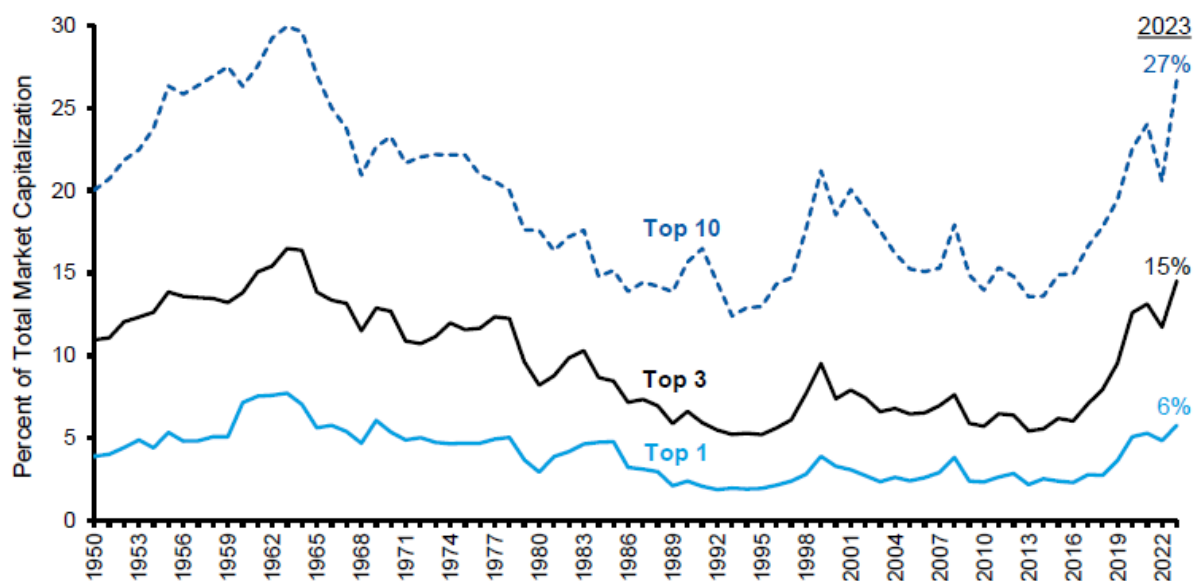
² There can be no assurance the past performance of the securities noted is indicative of future results. Any mention of these securities is for informational purposes only and not a recommendation to purchase or sell such securities.

³ <https://www.morganstanley.com/im/en-us/individual-investor/insights/articles/stock-market-concentration.html>

Stocks with the Largest Market Capitalizations in the U.S., 1950-2023⁴



Stock Market Concentration in the U.S., 1950-2023⁵



⁴ Source: FactSet and Couterpoint Global. Note: Market capitalizations reflect calendar year end; Some of these companies have varied their names over time; GM=General Motors; P&G=Procter & Gamble; Exxon=ExonMobil; IBM=International Business Machines; GE=General Electric; Altria was previously known as Philip Morris

⁵ Source: FactSet; Compustat; U.S. Securities and Exchange Commission, Annual Reports, see www.sec.gov/reports; Counterpoint Global. Note: Universe includes companies listed on the New York Stock Exchange, NASDAQ and NYSE American stock exchanges, excluding American depository receipts; Market capitalizations reflect calendar year-end.

Bessembinder's current paper is an extension of his landmark 2018 work, "Do Stocks Outperform Treasury Bills?".⁶ Looking at the same CRSP database, Bessembinder found that the universe of U.S. stocks has extreme right tail skew – i.e. the best-performing 4% of listed companies explain the net gain for the entire US stock market since 1926. The performance of the other 96% of stocks collectively matched Treasury bills. Just 42.6% of common stocks, slightly less than three out of seven, have a buy-and-hold return (inclusive of reinvested dividends) that exceeds the return to holding one-month Treasury bills over the matched horizon. More than half of CRSP common stocks deliver negative lifetime returns.

The way we view building a portfolio matches the findings of Bessembinder's work. Hold companies that can create economic value and hold them for long periods of time.

Trailing Twelve Months (TTM) Top and Bottom Contributors (%)⁷

Top Five	Performance Contribution	% of Portfolio	Bottom Five	Performance Contribution	% of Portfolio
TTM					
Trane	3.43	7.3	Intel	-2.00	1.8
Oracle	3.21	6.1	Centene	-1.04	2.7
American Express	3.12	5.8	Elevance Health	-0.87	4.9
Eaton	2.54	6.8	Hershey	-0.29	2.6
Ameriprise Financial	2.34	5.8	Mondelez	-0.22	1.4
	14.64	31.8		-4.42	13.4

Although we love the companies that we own, we are having trouble finding new investments that meet our stringent Four Pillar process and provide a margin of safety. High quality industrials, a frequent hunting ground for the fund, strike us as particularly richly valued right now given their inherently cyclical nature.

For the year ending December 31, 2024, our largest winners were concentrated in the industrial and financial sectors while our largest losses were concentrated in the health care and consumer sectors. Although two of our top five winners, Eaton and Trane, are both industrials, Eaton sells electrical components and is benefitting from data center spending while Trane builds and services HVAC systems, mostly for large commercial and industrial properties. Our second largest winner, Oracle, makes servers that are going into new datacenters. Our other two largest winners, American Express and Ameriprise are both financial services.

The trailing 12 month bottom five detractors were led by Intel, two healthcare companies and two consumer staple companies. Centene and Elevance are managed care providers that with exposure to the Medicaid market. Hershey and Mondelez, whose brands include Cadbury, Oreo and Ritz, are struggling to push through inflating costs beyond just cocoa prices and waning consumer appetites.

At its most basic, our process compares a company's current price to what we expect the business to look like three to five years out. Our four pillars – balance sheet strength, valuation, management, and industry analysis – provide guidance and guardrails. Taking a long-term view has served us well in the

⁶ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2900447

⁷ Reflects the top contributors and top detractors to the Fund's performance based on contribution to return for the trailing twelve months (TTM). Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended during the TTM. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the TTM is available by contacting crm@fpa.com. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed. Totals may not sum due to rounding. 'Percent of Portfolio' reflects the average weight over the period.

past and we are confident that our disciplined and patient approach will continue to be rewarded over the long-term.

In our experience, when there is exuberance in the markets, it is usually overdone. But when markets get volatile and the pundits predict doom and gloom, it is usually overdone as well. We acknowledge the heightened uncertainty as well as the headwinds the economy faces. But given the current valuations and long-term fundamentals of the Fund's holdings, we feel positive about the portfolio and remain significant co-investors with you.

Respectfully,

Steve Scruggs, CFA

Portfolio Manager

March 4, 2025

Important Disclosures

This Commentary is for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale of any securities, products or services discussed, and neither does it provide investment advice. Any such offer or solicitation shall only be made pursuant to the Fund's Prospectus, which supersedes the information contained herein in its entirety. This Commentary does not constitute an investment management agreement or offering circular.

The statements contained herein reflect the opinions and views of the portfolio manager as of the date written, is subject to change without notice, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Such information may not be accurate over the long-term. These views may differ from other portfolio managers and analysts of the firm as a whole and are not intended to be a forecast of future events, a guarantee of future results or investment advice.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities or sectors are for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, the Adviser, the Sub-Adviser or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at fpa.com.

Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. The information and data contained herein has been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

The information contained herein is not complete, may change, and is subject to, and is qualified in its entirety by, the more complete disclosures, risk factors, and other information contained in the Fund's Prospectus and Statement of Additional Information. The information is furnished as of the date shown. No representation is made with respect to its completeness or timeliness. The information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind.

Certain statements contained in this presentation may be forward-looking and/or based on current expectations, projections, and information currently available. Actual events or results may differ from materially those we anticipate, or the actual performance of any investments described herein may differ from those reflected or contemplated in such forward-looking statements, due to various risks and uncertainties. We cannot assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Such statements may or may not be accurate over the long-term. Statistical data or references thereto were taken from sources which we deem to be reliable, but their accuracy cannot be guaranteed.

The reader is advised that the Fund's investment strategy includes active management with corresponding changes in allocations from one period of time to the next. Therefore, any data with respect to investment allocations as of a given date is of limited use and may not be reflective of the portfolio manager's more general views with respect to proper geographic, instrument and /or sector allocations. The data is presented for indicative purposes only and, as a result, may not be relied upon for any purposes whatsoever.

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

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

The information provided in this presentation is based upon data existing as of the date(s) of the report and has not been audited or reviewed. While we believe the information to be accurate, it is subject in all respects to adjustments that may be made after proper review and reconciliation.

Investments, carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. You risk paying more for a security than you received from its sale. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds. The value of an individual security can be more volatile than the market as a whole and can perform differently than the value of the market as a whole.

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

Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

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

The FPA Funds are distributed by Distribution Services, LLC. Three Canal Plaza, Suite 100, Portland, ME 04101. Distribution Services, LLC and FPA are not affiliated.

Index / Benchmark / Category Definitions

The Fund will typically be less diversified than the indices noted herein and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund's investment strategy. Indices are unmanaged and do not reflect any commissions, transaction costs, or fees and expenses which would be incurred by an investor purchasing the underlying securities and which would reduce the performance in an actual account. You cannot invest directly in an index.

Standard & Poor's 500 Stock Index (S&P 500) is a capitalization-weighted index which covers industrial, utility, transportation and financial service companies, and represents approximately 75% of the New York Stock Exchange (NYSE) capitalization and 30% of NYSE issues. The S&P 500 is considered a measure of large capitalization stock performance.

The **S&P 500 Value Index** is a subset of the S&P 500 index. Companies within the index are ranked based on growth and value factors including three-year change in earnings price/share, three-year sales/share growth rate, momentum, book value/price ratio, earnings/price ratio, sales/price ratio. The companies at the bottom of this list, that have a higher Value Rank, comprising 33% of the total index market capitalization are designated as the Value basket.

Other Definitions

Margin of Safety - Buying with a "margin of safety" is when a security is purchased at a discount to the portfolio manager's estimate of its intrinsic value. Buying a security with a margin of safety is designed to protect against permanent capital loss in the case of an unexpected event or analytical mistake. A purchase made with a margin of safety does not guarantee the security will not decline in price.