October 17, 2013

Photo: Bianco Research L.L.C.

Fixed Income Portfolios in the New Frontier

Presented by Thomas H. Atteberry, CFA, Partner

Investment Philosophy

We believe investors can achieve consistent **absolute and real returns** through uncompromising **risk management**, disciplined portfolio **construction,** and resourceful security **selection**.

We will invest only when we believe returns **adequately compensate investors** for risk.

Core Tenets

Strategy highlights:

- Seeks positive absolute returns every calendar year
- Seeks positive real returns over five-year period

Holdings must provide:

- Sufficient absolute return to compensate for interest rate and credit risk
- Conservative downside protection

Downside protection

	Effective Duration	Yield to Worst	YTW/ Duration
FPA New Income	2.0	2.51	**1.26**
Barclays US Aggregate Bond Index	5.5	2.35	0.43
Barclays Aggregate 1-3 Year Index	1.9	0.69	0.36

Higher ratio equals less exposure to interest rate risk

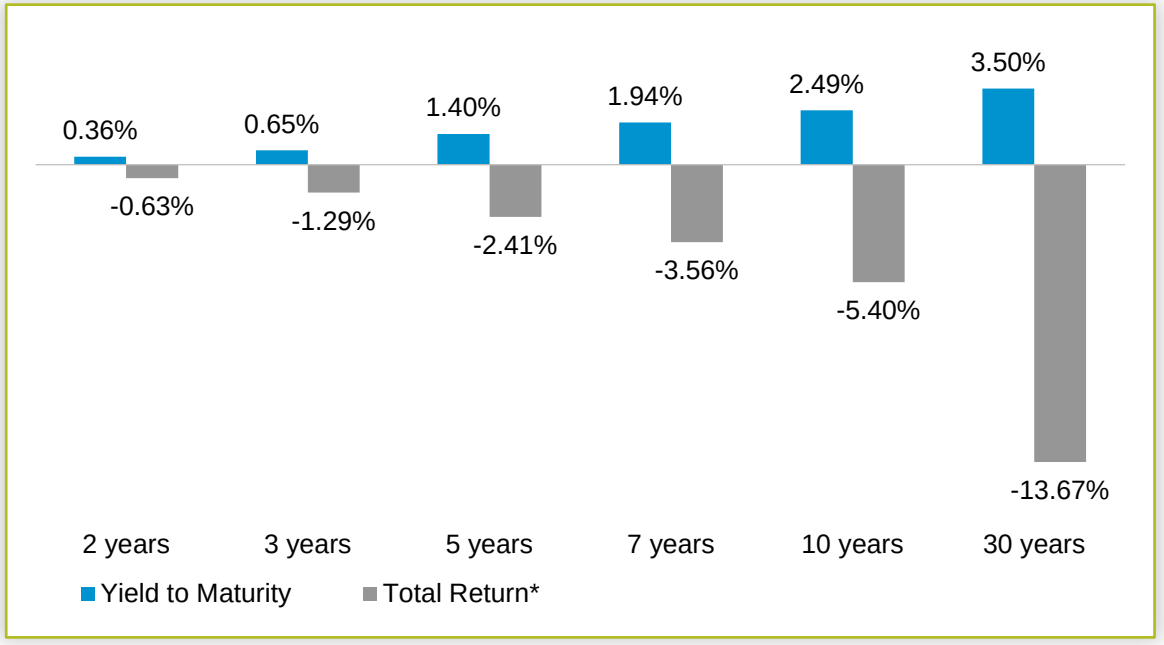
Note: SEC Yield as of 6/30/13 3.36%
Past performance is no guarantee of future returns. The Fund's share price will fluctuate and you may lose money.

Assessing Interest Rate Risk

Scenario analysis

Understanding how an interest rate increase would affect investments allows the team to focus on preservation of capital

US Treasury yields and downside risk

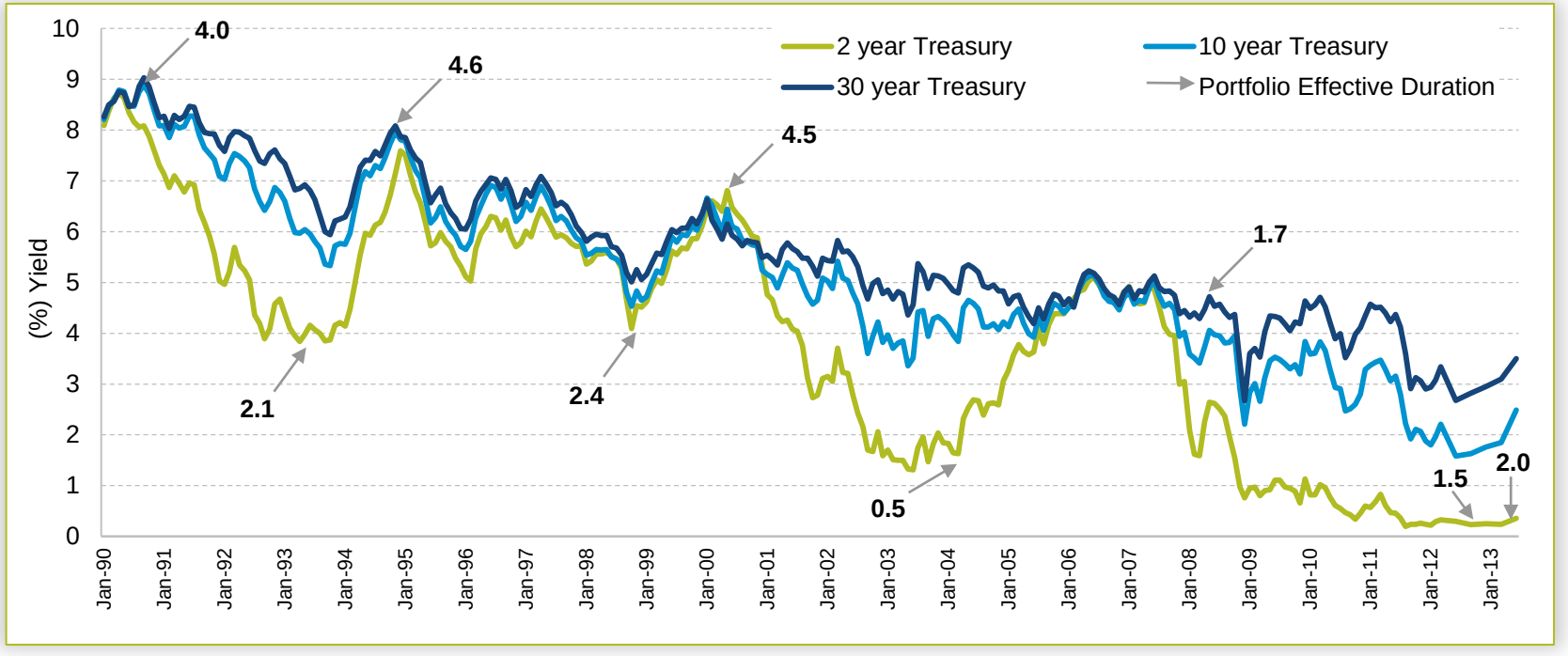


Yield to Maturity – Forecast bond income with no change in interest rates within 12 months

Stress Test – Forecast total return with 100 bps interest rate increase within 12 months

As of 6/30/13
**Simulated Treasury 1-year total return scenarios*
Source: Bloomberg
Past performance is no guarantee of future results

Assessing Interest Rate Risk



Flat Yield Curve
(Lines close together)

- Investors see low inflation risk
- Rates typically trend lower
- Portfolio duration relatively long

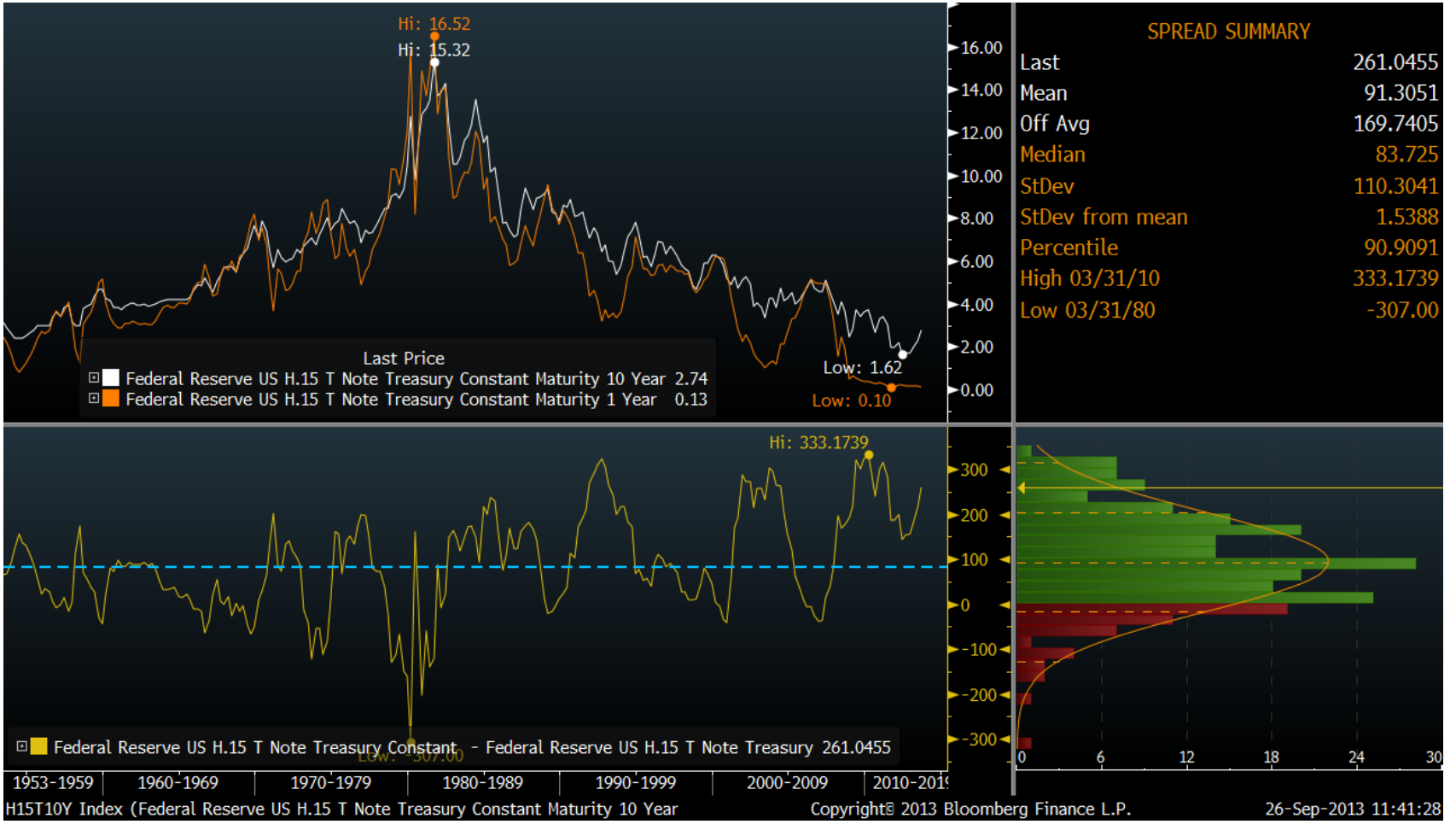
Steep Yield Curve
(Lines farther apart)

- Investors see high inflation risk
- Rates typically trend higher
- Portfolio duration relatively short

Source: BondEdge
References to the Index do not represent portfolio performance
Past performance is no guarantee of future results

Assessing Interest Rate Risk

Spread between 1 Year and 10 Year Constant Maturity Treasury



Source: Bloomberg, Federal Reserve Bank

“Real” Long Term Interest Rates Back to 1801

Highlights

- Several times in history real rates have been “very negative.” These periods have always occurred during or soon after major wars.

Some Statistics About Real Interest Rates (through May 2013)

Period	Median	Average	Std Dev	+1 Std Dev	-1Std Dev	% Negative	Correlation: LT Rates and YOY CPI	Largest Positive	Date	Largest Negative	Date
Since 1801	4.32%	4.48%	5.84%	10.31%	-1.36%	11.89%	-3.12%	21.23%	1802	-21.22%	1918
1800 to 1913	7.17%	6.84%	5.38%	12.22%	1.46%	4.68%	38.18%	21.23%	1802	-20.80%	1864
Since 1913	2.42%	1.84%	5.16%	7.00%	-3.33%	19.93%	34.70%	21.21%	1921	-21.22%	1918

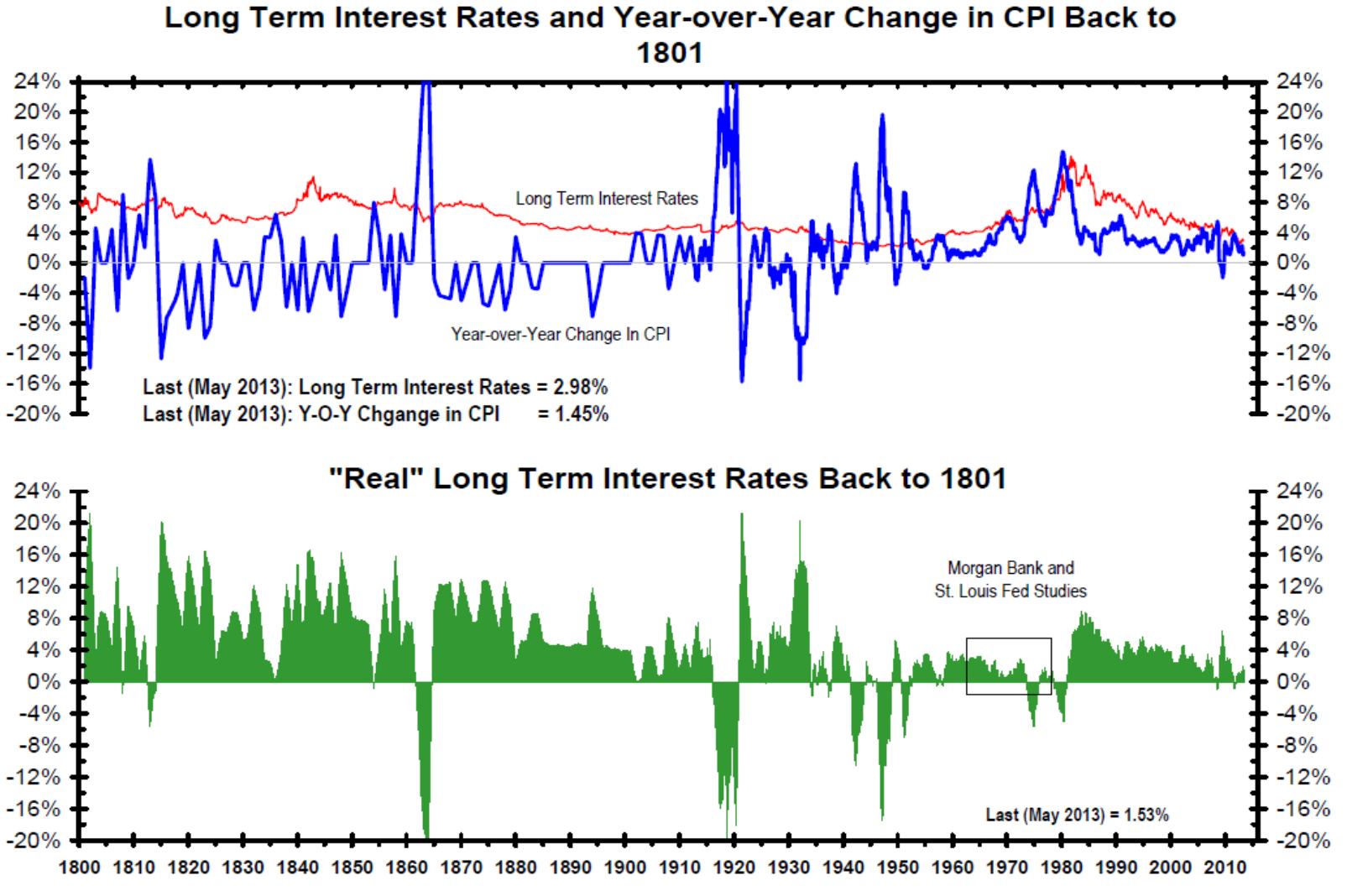
Data Sources:
The following monthly series have been spliced together:
Long Term Rates:
- *1790 to 1831: 3% British Consols*
- *1831 to 1919: High-Grade Long Term Railroad Bonds*
- *1919 to date: Long Term Treasuries constant maturity from the Federal Reserve*

Inflation:
- *1800 to 1913: Compiled by the Bureau of Labor Statistics for publication in: Historical Statistics of the United States, Colonial Times to 1970, U.S. Department of Commerce, The Bureau of Census (1975)*
- *1914 to date: The Consumer Price Index compiled by the Bureau of Labor Statistics*

This data was available from: The Foundation For The Study Of Cycles
For more information see:
- *The History Of Interest Rates, 3rd Ed. by Sidney Homer & Richard Sylla*
- *The Movements of Interest Rates, Bond Yield, and Stock Prices in the United States since 1856 by Frederick R. Macaulay (NBER, 1938)*
- *The Federal Reserve of St. Louis on the Web at http://www.stls.frb.org/*

Source: Bianco Research, L.L.C.

Long Term Interest Rates Back to 1801



Source: The Foundation for the Study of Cycles; Bianco Research, L.L.C.

Long Term Interest Rates Back to 1790

Highlights

- The Yields noted on the chart depict some of the cyclical extremes reached since 1790.
- Long term interest rates, more than any other investment, display a cyclical pattern. That is, their trends often last decades. The shortest trend was a 20-year rise in rates from 1900 to 1920. The longest was a 58-year drop in rates from 1842 to 1900.
- The lowest month-end yield ever was 2.09% in April 1946. The inflation rate, as measured by the year-over-year change in the CPI, was 10.95%.
- So, it appears that the inflation rate was higher when interest rates were near their all-time lows than when they were near their all-time highs.

Some Statistics About Long Term Interest Rates(through May 2013)

Period	Median	Average	Std Dev	+1 Std Dev	-1Std Dev
Since 1790	5.86%	5.99%	2.08%	8.07%	3.91%
Since 1919	4.72%	5.29%	2.44%	7.73%	2.85%
Since WW II	5.24%	5.73%	2.64%	8.38%	3.09%
Since Sept. 1981	6.23%	6.81%	2.56%	9.37%	4.25%

Data Sources:
The following monthly series have been spliced together:
Long Term Rates:
- *1790 to 1831: 3% British Consols*
- *1831 to 1919: High-Grade Long Term Railroad Bonds*
- *1919 to date: Long Term Treasuries constant maturity from the Federal Reserve (10-years or more).*

This data was available from: The Foundation For The Study Of Cycles
For more information see:
- *The History Of Interest Rates, 3rd Ed. by Sidney Homer & Richard Sylla*
- *The Movements of Interest Rates, Bond Yield, and Stock Prices in the United States since 1856 by Frederick R. Macaulay (NBER, 1938)*
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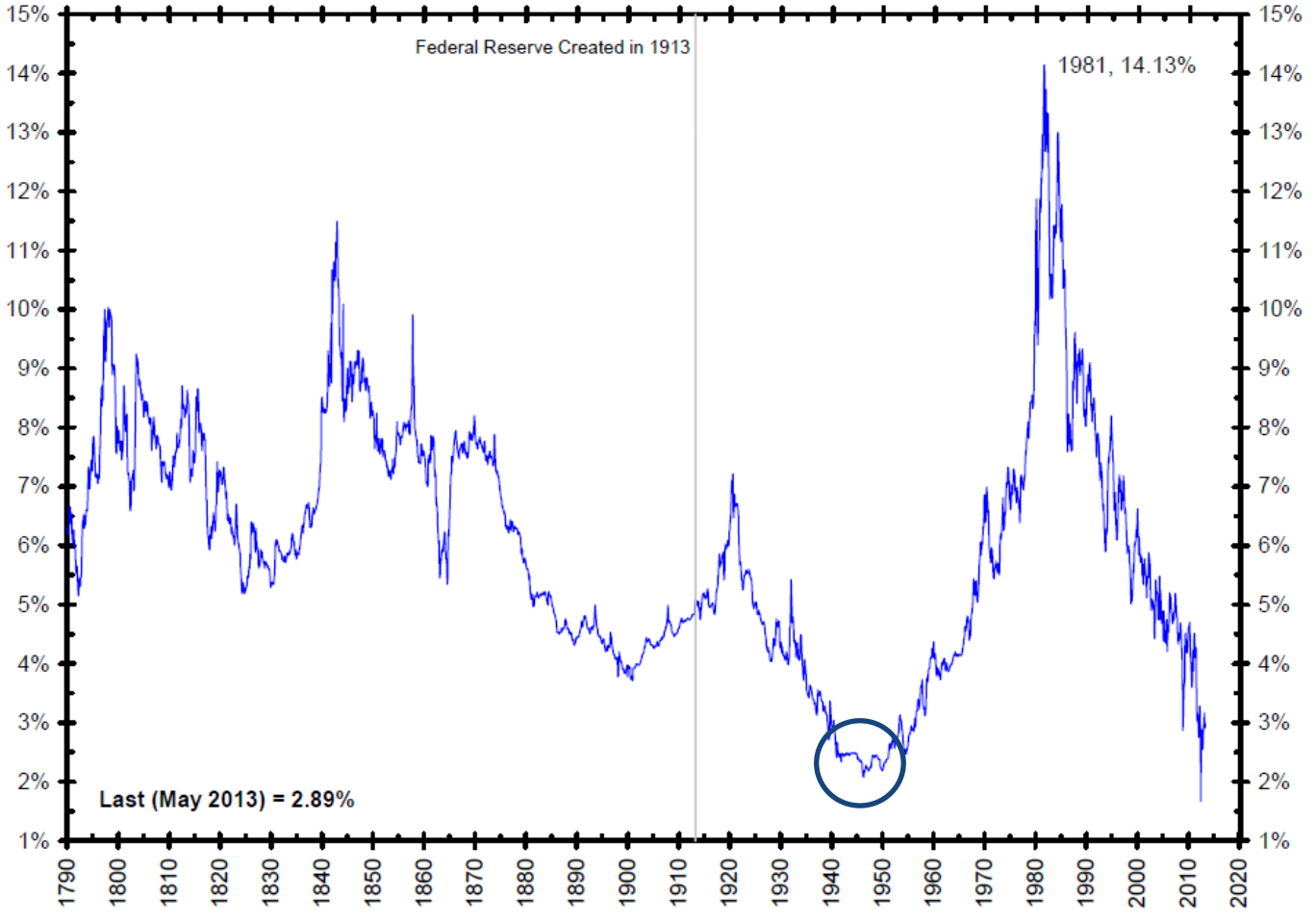
Long Term Interest Rates Back to 1790



Source: The Foundation for the Study of Cycles; Bianco Research, L.L.C.

Why Long Term Interest Rates Reach the Levels Experienced in 1940-1951

In April 1942 after US entry into World War II Fed publically commits to maintain a .375% rate for Treasury Bills and a 2.50% rate for Long Term Treasury Bonds

After World War II Federal Reserve Board wanted to change its interest rate policy

- Inflation for 1 year periods ending in June of 1947 and June 1948 was 17.6% and 9.5%
- Federal Reserve Bank wants to discontinue interest rate Peg so as to control inflation
- Federal Reserve Bank wants to be more independent of the Treasury
- What follows in mid 1950 until early 1951 is debate over Fed independence from the Treasury and the Fed Treasury Accord of 1951

Treasury Fed Accord of 1951

The view of the ruling politicians

President Harry Truman and Treasury Secretary John Snyder believed that banks and not market forces of supply and demand set interest rates

“ The Federal Reserve Board should make it perfectly plain… to the New York Bankers that the peg is stabilized…I hope the Board will…not allow the bottom to drop from under our securities. If that happens that is exactly what Stalin wants.”

Note from President Truman to Federal Reserve Board Chairman Thomas McCabe FOMC minutes 1/31/1951

Fed Accord (continued)

The Federal Reserve Bank governors view was that the Fed needed to be independent of the Treasury Department and its primary objective was to control inflation

Exchange between Representative John Wright Patman of Texas and Fed Governor Marriner Eccles

- **"Patman**: Don't you think there is some obligation of the Federal Reserve System to protect the public against excessive interest risk?
- **Eccles:** I think there is a greater obligation to the American Public to protect them against the deterioration of the dollar.
- **Patman**: Who is the master, the Federal Reserve or the Treasury? You know, the treasury came here first.
- **Eccles**: How do you reconcile the Treasury's position of saying they want the interest rate low, with the Federal Reserve standing ready to peg the market, and at the same time expect to stop inflation?
- **Patman**: Will the Federal Reserve System support the Secretary of the Treasury in that effort [to retain the 2.50% rate] or will it refuse?... You are sabotaging the Treasury. I think it ought to be stopped.
- **Eccles**: Either the Federal Reserve should be recognized as having some independent status, or it should be considered as simply an agency or a bureau of the Treasury.

U.S. Congress 1951

Fed Accord (continued)

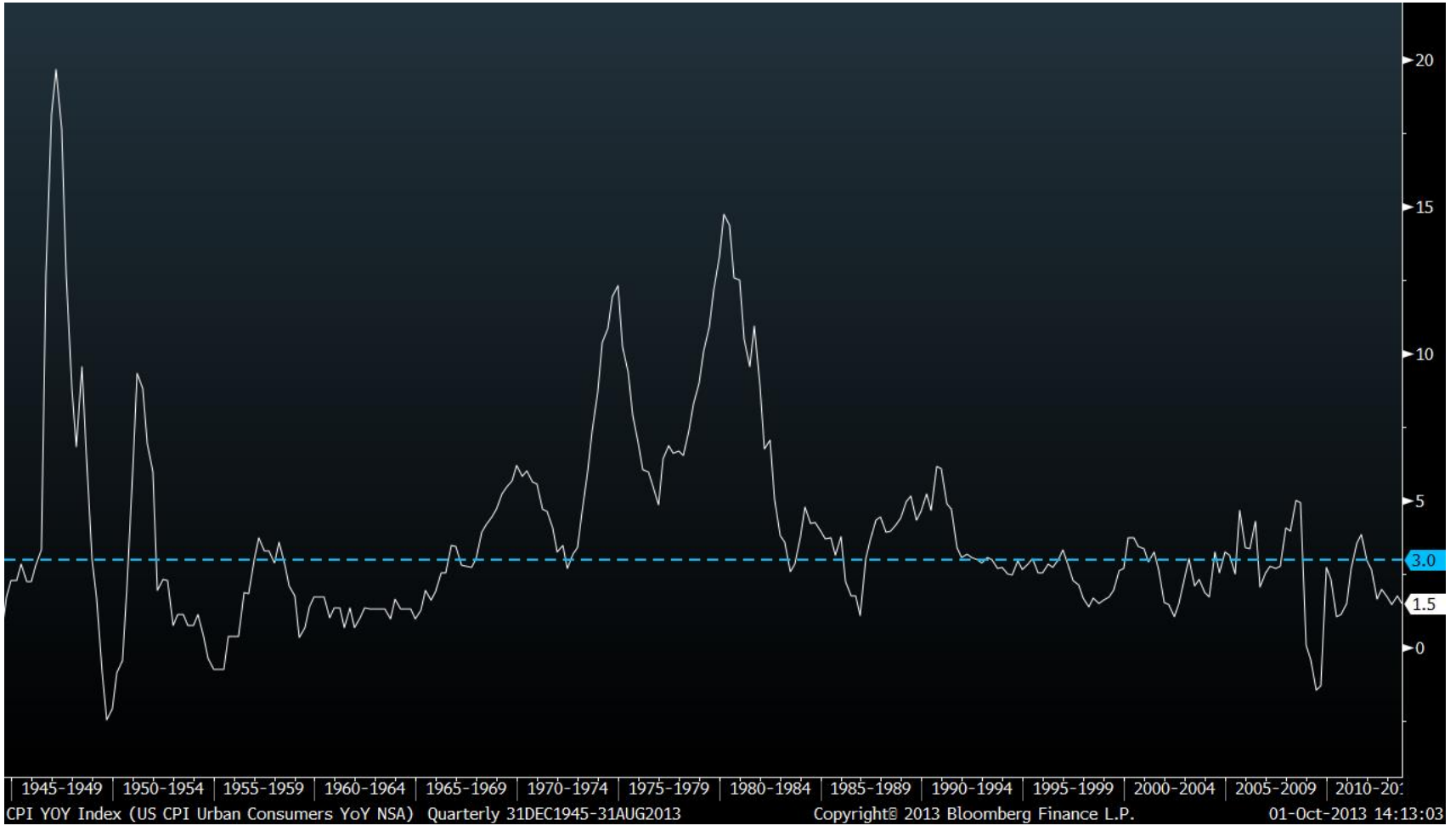
The Federal Reserve System Statement regarding the Accord between them and the Treasury Department in 1951

"The Treasury and the Federal Reserve System have reached full accord with respect to debt-management and monetary policies to be pursued in furthering their common purpose to assure the successful financing of the Government's requirements and, at the same time, to minimize monetization of the public debt."

FOMC Minutes, 3/3/1951, pp. 156, 163

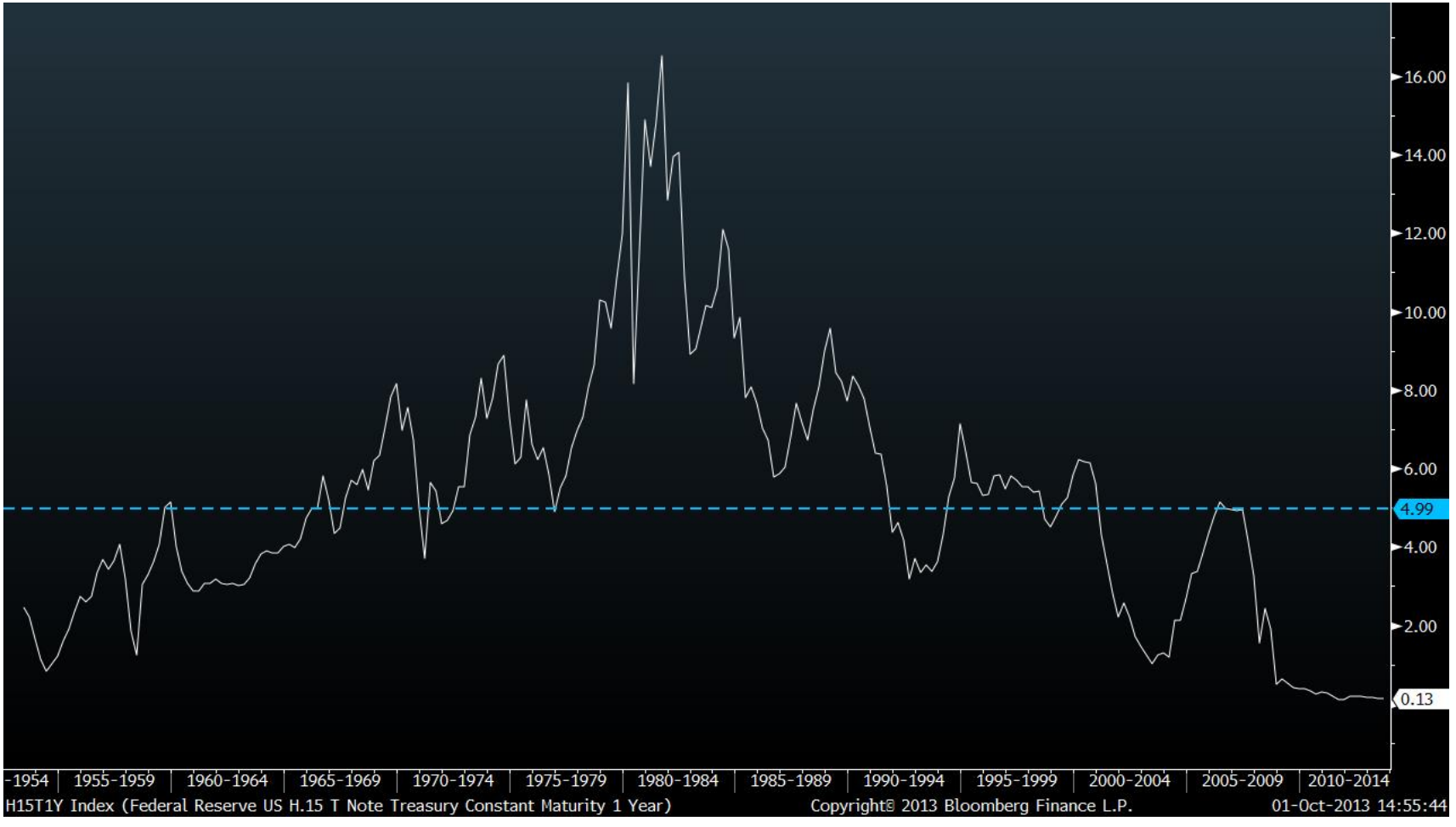
Inflation Post World War II

US CPI Urban Consumers YoY NSA



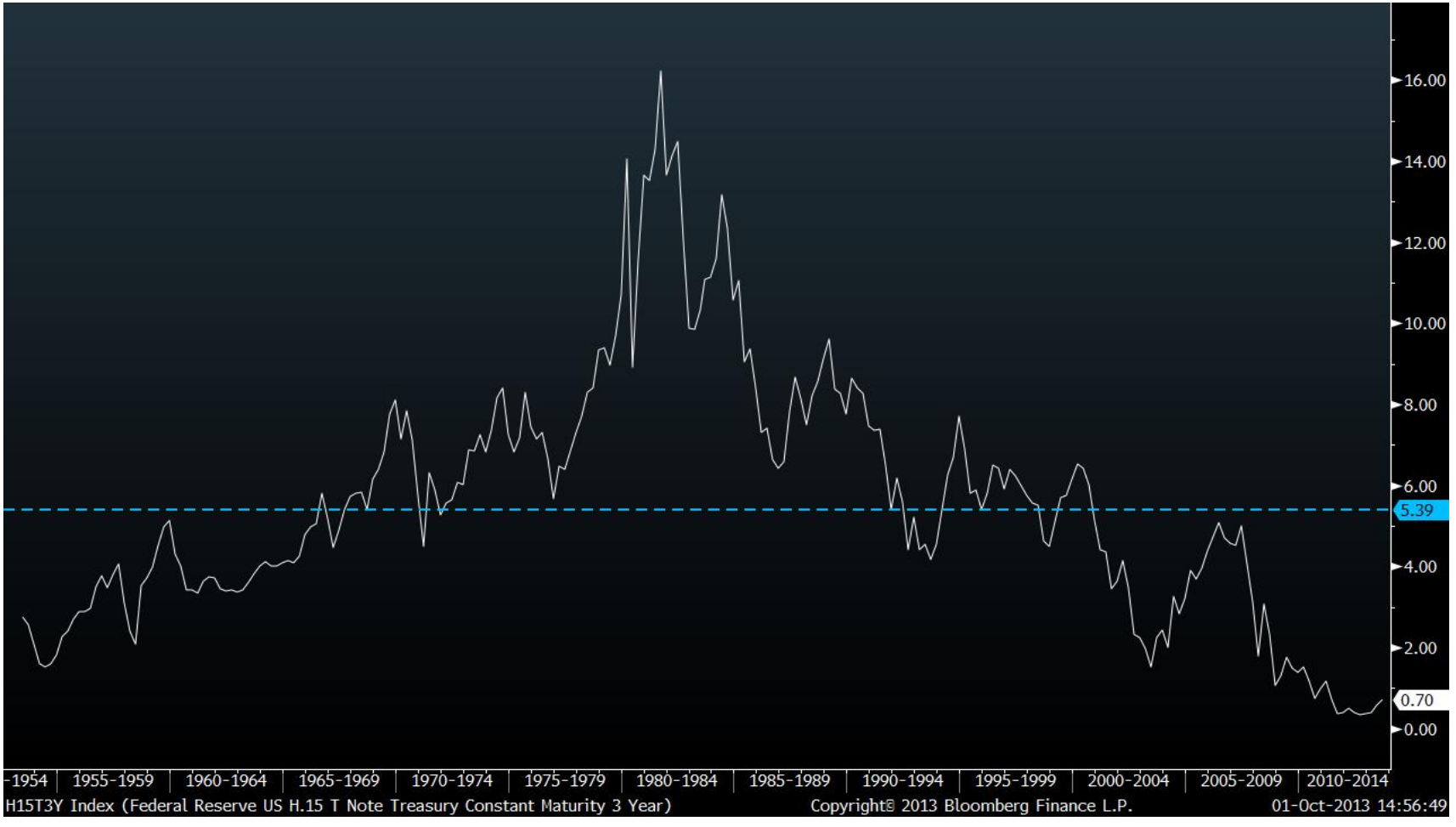
Source: Bloomberg, Bureau of Labor Statistics

Median Yield on a 1 Year Treasury



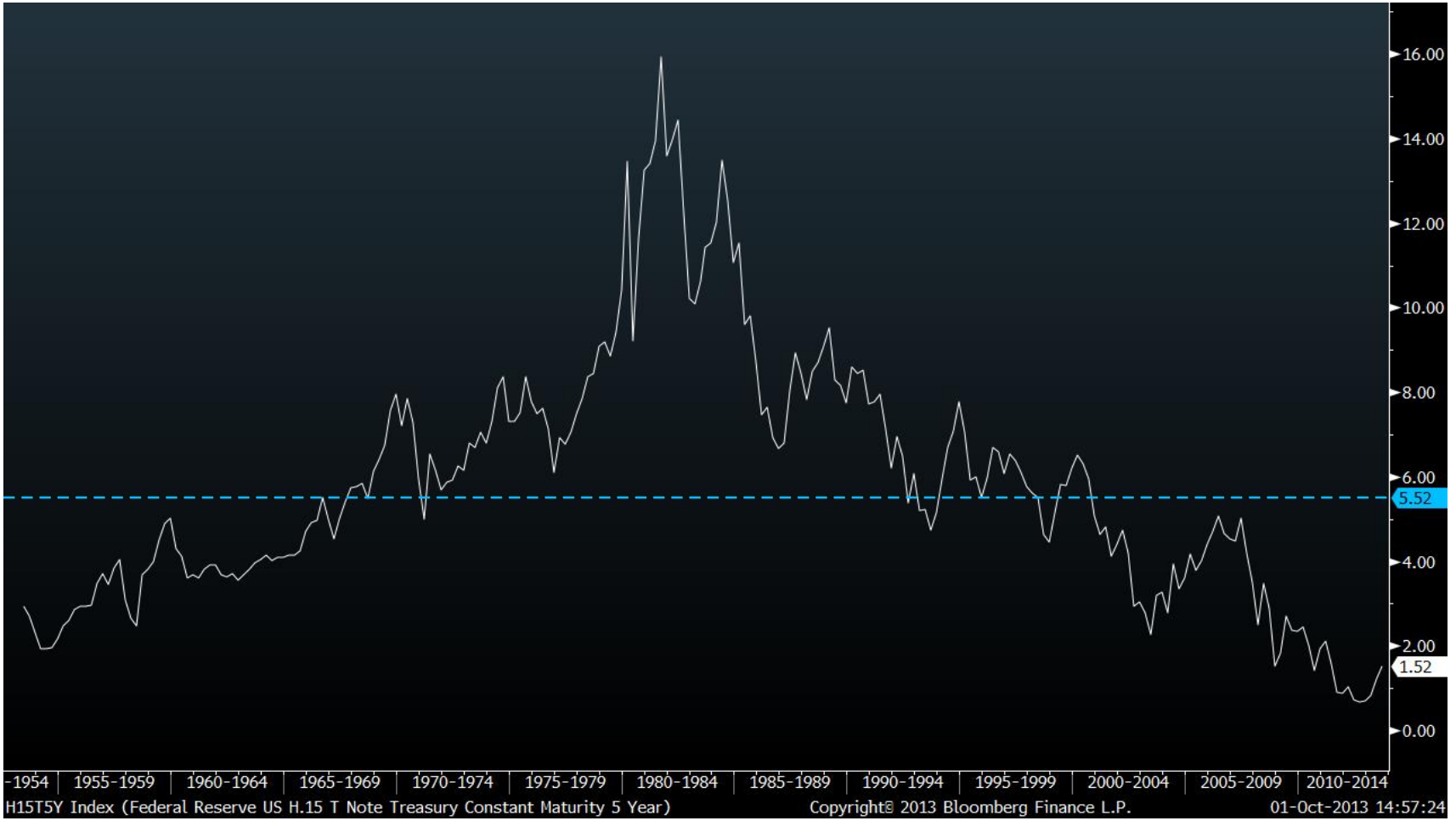
Source: Bloomberg, Board of Governors of the Federal Reserve System

Median Yield on a 3 Year Treasury



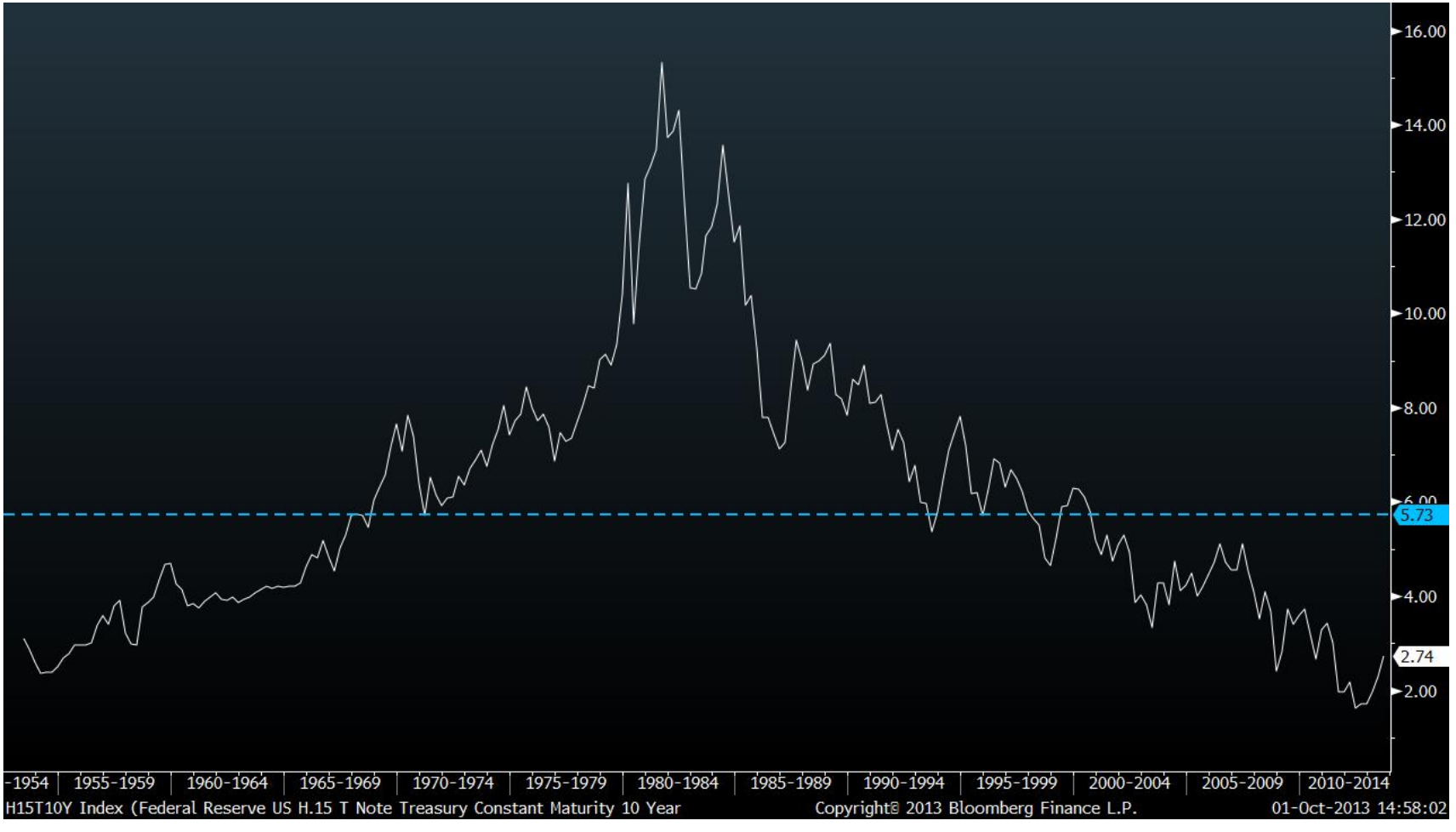
Source: Bloomberg, Board of Governors of the Federal Reserve System

Median Yield on a 5 Year Treasury



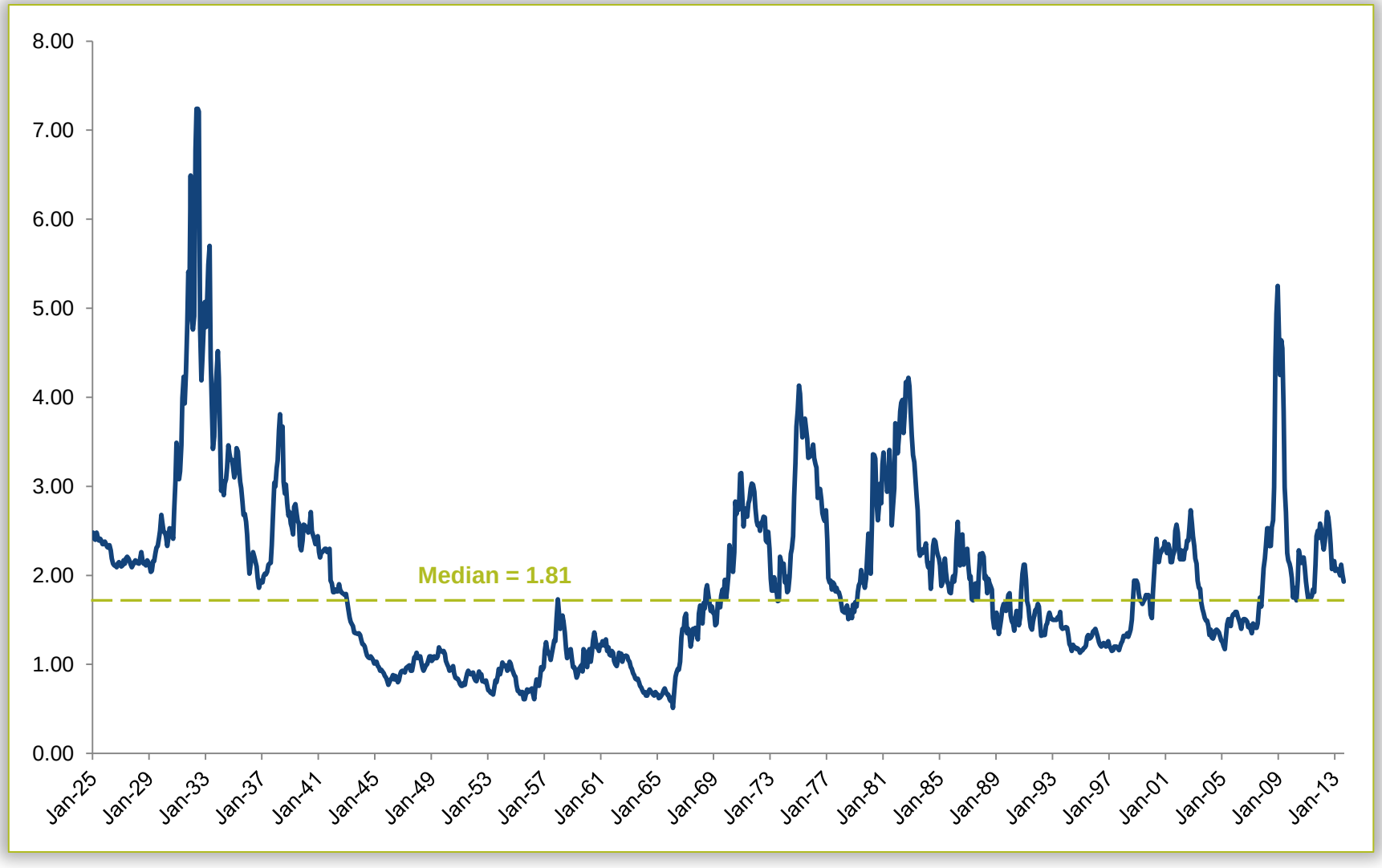
Source: Bloomberg, Board of Governors of the Federal Reserve System

Median Yield on a 10 Year Treasury



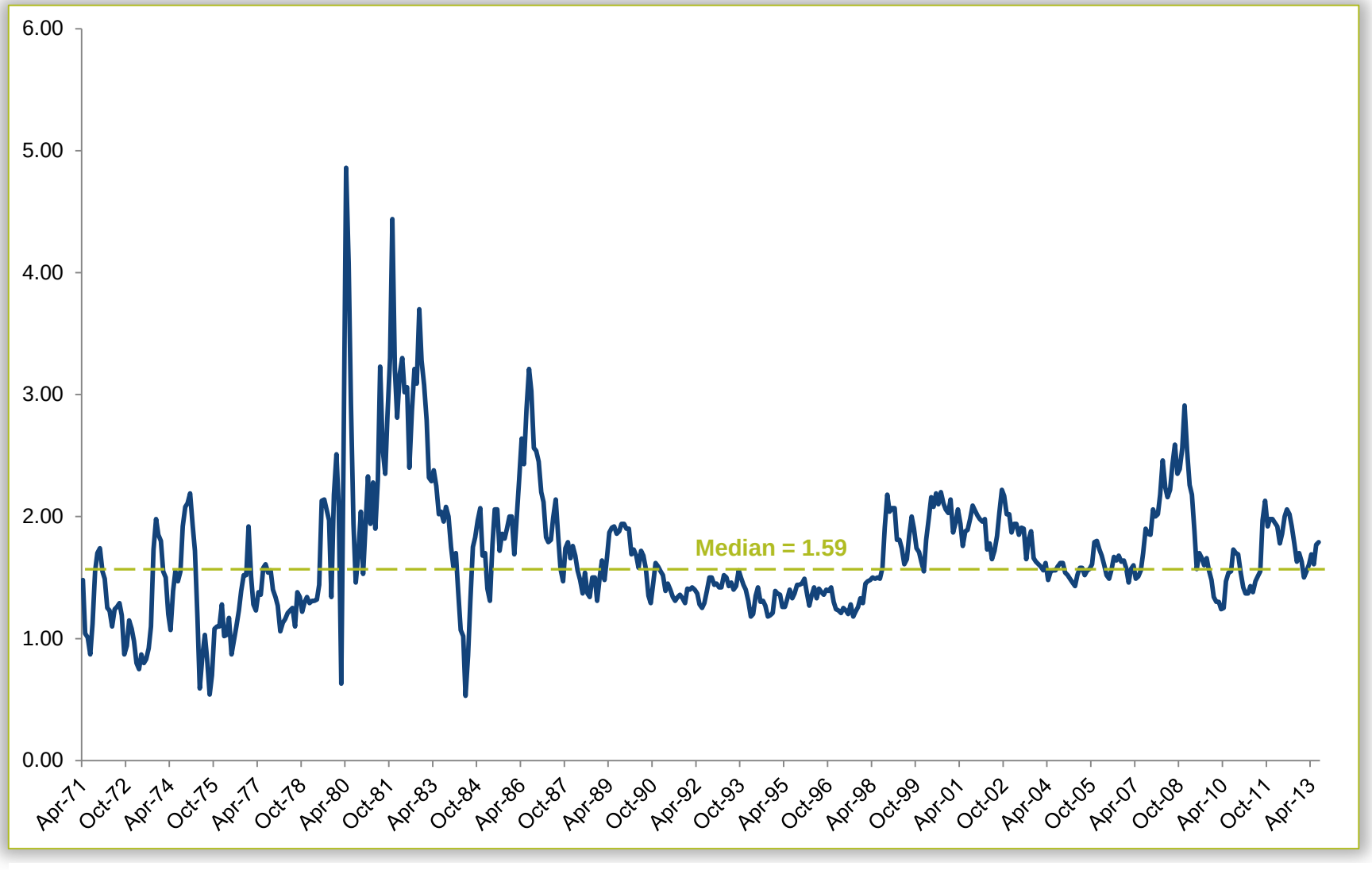
Source: Bloomberg, Board of Governors of the Federal Reserve System

Moody's Long Term Baa Corporate Credit Spread



Source: Moody's Investor Services, Board of Governors of the Federal Reserve System

30 Year Agency Mortgage Pool Spread



Source: FHLMC, Board of Governors of the Federal Reserve System

What Could Potentially Happen to Bond Market Returns if Interest Rates Return to Long Term Median Levels

			Annualized Total Return If Return to Median Yield	
Interest Rate	**8/31/13 Yield to Worst**	**Long Term Median Yield**	**3 Years**	**5 Years**
1 Year Treasury	0.11%	4.99%	NA	NA
3 Year Treasury	0.87%	5.39%	0.87%	NA
5 Year Treasury	1.69%	5.52%	-0.71%	1.69%
7 Year Treasury	2.31%	5.60%	-1.62%	1.07%
10 Year Treasury	2.88%	5.73%	-2.68%	0.43%
Barclays Corporate IG Index	3.39%	7.42%	-3.69%	0.20%
Barclays Corporate High Yield Index	6.36%	9.79%	3.05%	4.86%
Barclays US Aggregate Bond Index	2.47%	6.67%	-2.81%	0.61%

Charts are for illustrative purposes only and are not indicative of any particular investment.

Impact of the Change in Interest Rates over Different Time Horizons

		3 Year Time Horizon			5 Year Time Horizon		
Interest Rate	**8/31/13 Yield to Worst**	**3%**	**4%**	**5%**	**3%**	**4%**	**5%**
1 Year Treasury	0.11%	NA	NA	NA	NA	NA	NA
3 Year Treasury	0.87%	NA	NA	NA	NA	NA	NA
5 Year Treasury	1.69%	-0.41%	-1.96%	-3.48%	NA	NA	NA
7 Year Treasury	2.31%	1.69%	0.87%	0.60%	0.10%	-2.64%	-5.31%
10 Year Treasury	2.88%	2.77%	2.27%	1.78%	2.55%	1.36%	0.20%
Barclays Corporate IG Index	3.39%	3.51%	2.96%	2.42%	3.53%	2.22%	0.93%
Barclays Corporate High Yield Index	6.36%	9.85%	8.61%	7.39%	19.85%	14.30%	9.02%
Barclays US Aggregate Bond Index	2.47%	1.98%	1.22%	0.46%	0.83%	-1.51%	-3.88%

Charts are for illustrative purposes only and are not indicative of any particular investment.

Post 2008 Security Selection Criteria

Find bond opportunities that meet the following criteria:

- Secured by an asset that is critical to the business or individual
- There is an ability to place a value on the collateral asset
- The bond has a first lien on the asset
- Issuer/borrower has capital at risk
- Five years or less average life or maturity

Single Family Mortgage Investment Opportunity that Represents about 6% of the Portfolio

Loan characteristics:

- Significantly delinquent and defaulted first lien mortgages
- Weighted average outstanding loan size $388,908
- Weighted average current appraisal value of the home $252,537
- Current Loan-to-Value 154%
- Weighted average credit score 565

Loan characteristics based on purchase price of loan pool:

- Percent of outstanding loan size 35%
- Percentage of current home value 43%

Source: FPA

Single Family Mortgage Investment Opportunity that Represents about 6% of the Portfolio

Resolution process is dual path:

- Modify the mortgage through reduction of principal so Loan-to-Value on home is 80% the resulting new loan is greater in value than price paid for unpaid balance
- $252,537 times 80% equals $202,029
- $388,908 times 35% equals $136,118
- Foreclose on the home and sell the property at greater than 43% of current appraisal

Bond Characteristics:

- Yield to Maturity 3.47%
- Weighted Average Life 1.4 years

Source: FPA

High Quality Investment that Represents about 10% of the Portfolio

Basic Characteristics of GNMA REMIC Project-Loan IO

- Project-Loan IO is an interest-only class whose weighted-average coupon is stripped off the entire transaction
- Priced using 15% CPJ, so cash-flows are default adjusted from day one
- Priced off a spread to Treasuries
- All GNMA REMIC Projects are 0% risk weighted, including IO classes
- GNMA project-loan IOs are prepay protected via lockout and fixed prepay penalties
- GNMA IO receives 100% of all fixed prepayment penalties
- Large outstanding universe
- $150 billion issued since program inception
- $60 + billion outstanding
- FHA guarantees eventual payment of principal, less the mortgage insurance premium and one month’s interest

High Quality: Seeking Value

Security specific opportunity

Seeking value and capital preservation in high quality bonds

- **Differentiated sector opportunities**
  Compare/contrast each high quality sector for optimum opportunities
- **Security-level analysis**
  Price movement among high quality bonds tend to be impacted by same influences however analysis of the underlying security fundamental is still paramount
- **Risk management**
  Stress testing helps improve security selection with goal of enhancing portfolio outcomes

Risk/reward profile	Treasury Note Due 4/30/2018	GNMA Project Loan CMO GNR 2012-58 IO Tranche
Rating	AAA/AA	AAA/AA
Maturity/Average Life	56 Months Maturity	56 Months Average Life
Coupon	0.625%	1.031%
Yield	1.549%	4.207%
Price	95.834	8.321
Duration	4.58 years	2.50 years
Stress Test: Total return with 100 bps rate increase in 12 months*	-2.03%	0.53%

** Data as of August 23, 2013 assumes no spread change in GNMA and a prepayment speed change from 15% Industry prepayment convention to a 5% industry prepayment convention over the next twelve months*
The bond quality ratings indicated are assigned by credit rating agency Standard & Poor's as an indication of an issuer's creditworthiness. Credit quality is subject to change.

Historical Non-Agency CMBS Case Study

MSC 2007-XLF9

- Securitized floating rate commercial real estate loans originated in 2007
- Loans outstanding as of October 2012:

Loan Description	Property Type	Property Location	Loan Maturity
MSREF Resort Portfolio			Oct-2014
JW Marriott Desert Ridge	*Resort*	*Phoenix, AZ*	
JW Marriott	*Resort*	*Orlando, FL*	
Ritz-Carlton	*Resort*	*Orlando, FL*	
Great River Entertainment Complex	Casino/Entertainment	Burlington, IA	Jun-2012
Westchester Marriott	Hotel	Tarrytown, NY	Jul-2012
Reunion Development	Land	Reunion, FL	Aug-2012
Herakles Data Center	Data Center	Sacramento, CA	Dec-2012
Hyatt Place Portfolio			Apr-2012
Hyatt Place San Antonio	*Hotel*	*San Antonio, TX*	
Hyatt Place Austin	*Hotel*	*Austin, TX*	
Hyatt Place Grand Prairie	*Hotel*	*Grand Prairie, TX*	
Hyatt Place Houston	*Hotel*	*Houston, TX*	

Source: FPA, Morgan Stanley
MSREF = Morgan Stanley Real Estate Fund
As of 3/31/13, MSC 2007-XLF9 represented 0.30% of New Income Fund's total net assets. Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.

Historical Non-Agency CMBS Case Study

JW Marriott Desert Ridge, Phoenix, AZ

Source: JW Marriot

Historical Non-Agency CMBS Case Study

JW Marriott, Orlando, FL

Source: JW Marriot

Historical Non-Agency CMBS Case Study

Ritz-Carlton, Orlando, FL

Source: Ritz-Carlton

Historical Non-Agency CMBS Case Study

Even under the downside case, the 'D' Tranche has a capital buffer

		Weighted Average Loan-to-Value			MSREF-only Loan-to-Value		
Tranche	Tranche Balance as of October 2012	2007 Appraisal	FPA Base Case	FPA Downside Case	2007 Appraisal	FPA Base Case	FPA Downside Case
A1	$0	0%	0%	0%	0%	0%	0%
A2	145,054,558	10%	15%	35%	15%	20%	47%
B	44,110,000	13%	20%	46%	19%	26%	61%
C	37,810,000	16%	24%	55%	23%	31%	73%
D	37,810,000	19%	27%	64%	27%	36%	86%
E	37,810,000	21%	31%	73%	31%	42%	98%
F	37,810,000	24%	35%	82%	35%	47%	110%
G	37,810,000	27%	39%	91%	39%	52%	122%
H	37,810,000	30%	43%	100%	42%	57%	134%
J	37,810,000	32%	47%	109%	46%	63%	147%
K	31,500,000	34%	50%	117%	50%	67%	157%
L	31,512,221	37%	54%	125%	53%	71%	167%
Total:	**$516,826,779**	**37%**	**54%**	**125%**	**53%**	**71%**	**167%**

- FPA base case valuation based on recent operating cash flow and non-distressed cap rate.
- FPA downside case valuation based on trough cash flows over past five years and distressed cap rate.

Source: FPA. Tranche = a specific class of bonds within a securitization wherein each tranche offers varying degrees of risk to the investor
Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.
Note: Loan-to-Value adjusted for pro-rata portions of mortgages not included in trust and subordinate tranches within each property's capital structure.

Historical Non-Agency CMBS Case Study

MSC 2007-XLF9 D purchased in October 2012 at a dollar price of 93.50

- Coupon = 1 month LIBOR + 0.85%
- Maturity uncertain due to expiration of loan extension options

Return Summary Three Possible Scenarios	Maturity Date	Annualized Return	Weighted Avg. Life (years)
Prepayment at MSREF maturity date	Oct-2014	4.7%	2.0
Prepayment at maximum allowed loan maturity date	Dec-2015	3.4%	3.2
Prepayment at maximum allowed loan maturity date plus one year	Dec-2016	2.8%	4.2

- Investment was attractive due to loan-to-value that provides downside protection and potential yields that offer sufficient return to compensate for credit and duration risk with the possibility of better returns if loans repaid early.
- MSREF loan was repaid in April 2013 resulting in payment of MSC 2007-XLF9 D at par in April 2013
- **Realized total holding period return from October 2012 through April 2013 of 6.9% which equates to an annualized return of 15.0%.**
- This is an atypical example and we do not expect to generate similar returns for our other Non-Agency CMBS holdings
- Non-agency CMBS represented 6.1% of FPNIX's holdings as of March 31, 2013

Source: FPA
Past performance does not guarantee future results

Secured Airplane Investment

- In July 2012, FPA structured and funded a $23.5 million note secured by a 1st lien on one 1999 Boeing 747-400 leased to Delta Air Lines

- At issuance, the Secured Note had an expected yield of 7.61% and an expected weighted average life of 4.2 years

- The 747-400 is an integral part of Delta's fleet dedicated largely to trans-Pacific and intra-Asia flights to and from the Tokyo-Narita hub

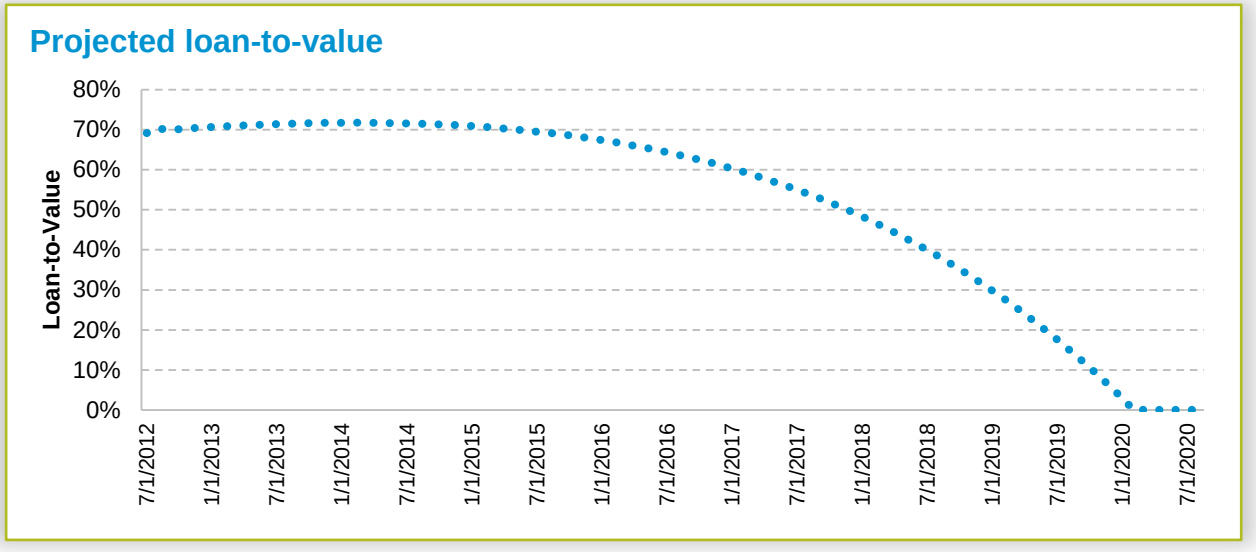
- Delta committed to ongoing use of its 747 fleet as exemplified by its multimillion dollar commitment to upgrade the fleet with lie-flat beds, new economy seats and in-seat entertainment

Secured Airplane Investment

- As of July 2012, Delta's gross leverage1 was 5.9x and Delta was on pace for an additional $1.7 billion of debt reduction, which would imply gross leverage of 5.6x and give Delta one of the strongest balance sheets among the network carriers. Delta designed its capital spending and balance sheet plans toward achieving investment grade status.

- As of May 2013, Delta's gross leverage was 5.6x and S&P had upgraded the Company from B to B+

- The N671US Secured Note created the 747-400 at an initial loan-to-value of 69% with the loan-to-value projected to decline over time:



As of June 30, 2013, N671US Structured Note represented 0.14% of the FPA New Income Fund's net assets. Portfolio composition will change due to ongoing management of the funds. References to individual securities or sectors are for informational purposes only and should not be construed as recommendations by the Funds, Advisor or Distributor.
Notes: (1) Gross leverage defined as (a) total debt plus capitalized operating leases and unfunded pension obligations divided by (b) EBITDA plus rent expense and pension expense.
The bond quality ratings indicated are assigned by credit rating agency Standard & Poor's as an indication of an issuer's creditworthiness. Credit quality is subject to change.

Example of Opportunity During Market Decline

Nielsen Finance 7.75% Senior Notes due 10/15/18

Nielsen is a market-leading provider of media audience measurement and consumer purchasing analytics

- The company enjoys a monopoly in providing data critical for $76 billion television advertising market in U.S.
- Nielsen also measures market share for consumer packaged goods companies based on retail point-of-sales scanner data, field auditors, and consumer panels

Earnings have been consistently strong and recession resistant

Nielsen Holdings

($ in millions)

	Year Ended									Last 12 Months Ended
	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10R	12/31/11R	12/31/12R	03/31/13
Sales	3,814	4,059	4,174	4,458	4,806	4,808	5,103	5,507	5,590	5,648
EBITDA[1]	721	782	725	960	1,134	1,262	1,346	1,506	1,559	1,573
Sales Growth		6%	3%	7%	8%	0%	6%	8%	2%	
EBITDA Margin	19%	19%	17%	22%	24%	26%	26%	27%	28%	28%

R designates restated to exclude discontinued online business from Watch segment; only annual restatement available

(1) EBITDA is Earnings Before Interest, Taxes, and Depreciation & Amortization
Source: SEC Filings
As of 6/30/13 Nielsen Finance 7.75% 10/15/18 represented 0.54% of the FPA New Income Fund's net asset value. Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, Advisor or Distributor.

Example of Opportunity During Market Decline

- The company is publicly listed and trades at an enterprise value of 11.5x pro forma LTM EBITDA[1,2]; pro forma net leverage through senior bonds of 3.9x implies loan-to-value of 34% for senior unsecured bonds
- FPA New Income Fund also owns the Nielsen Secured Term Loan E, which we believe has an LTV of 21%

Nielsen Holdings ($ in millions)		Pro Forma 03/31/13	Net Leverage	Credit Ratings	Loan-to-Value
Cash		233			
Secured $635 million LIBOR + 300 bps Revolver due 04/01/16		55		Ba2/NR/BB+	
Secured LIBOR + 275 bps Term Loan E due 05/01/16		**2,526**		**Ba2/BBB-/BB+**	
Secured EURIBOR + 300 bps EUR Term Loan E due 05/01/16		371		Ba2/BBB-/BB+	
Secured LIBOR + 225 bps Term Loan D due 02/20/17		1,167		Ba2/BBB-/NR	
Capital Leases		106			
Other Secured Debt		7			
Total Secured Debt		**4,232**	**2.5x**		**21%**
11.625% Senior Notes due 02/01/14		**215**		**B2/BB-/BB**	
7.75% Senior Notes due 10/15/18		**1,080**		**B2/BB-/BB**	
4.5% Senior Notes due 10/01/20		800		B2/BB-/BB	
Expected New Debt for Arbitron Acquisition[3]		275			
Total Debt		**6,602**	**3.9x**		**34%**
Share Price (as of 07/24/13)	$33.31				
Shares Outstanding (millions)	375.8				
Equity Market Capitalization		12,518			
Enterprise Value		**18,887**	**11.5x**		
Pro Forma Last 12 Months EBITDA[2]		1,626			

(1) EBITDA is Earnings Before Interest, Taxes, and Depreciation & Amortization
(2) Pro forma for May 2013 sale of Expositions business and announced pending purchase of Arbitron
(3) Expected $1.2 billion purchase price for announced Aribtron acquisition plus estimated fees net of $950 million proceeds from May 2013 sale of Expositions business

Source: SEC Filings. Bps: Basis Points, LTM: Last Twelve Months, LTV: Loan to Value

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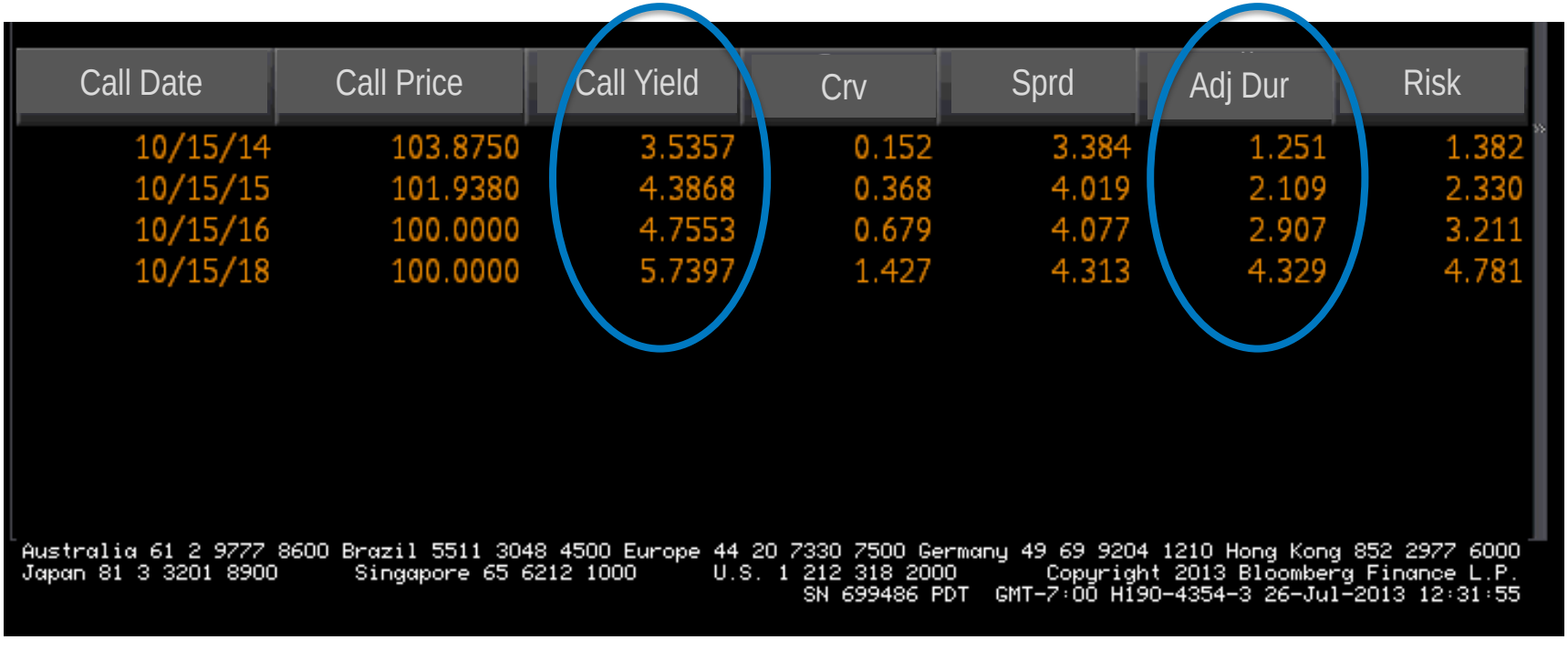
Example of Opportunity During Market Decline

Nielsen Finance 7.75% Senior Notes due 10/15/18

- Purchased $24 million of 7.75% Senior Notes due 10/15/18 in market sell-off at average price of 109.11 and yield-to-worst of 3.5% to expected October 2014 call
  - Over 2.5 points cheaper than 05/10/13 price of 111.55 with 135 bps more yield



Source: Bloomberg
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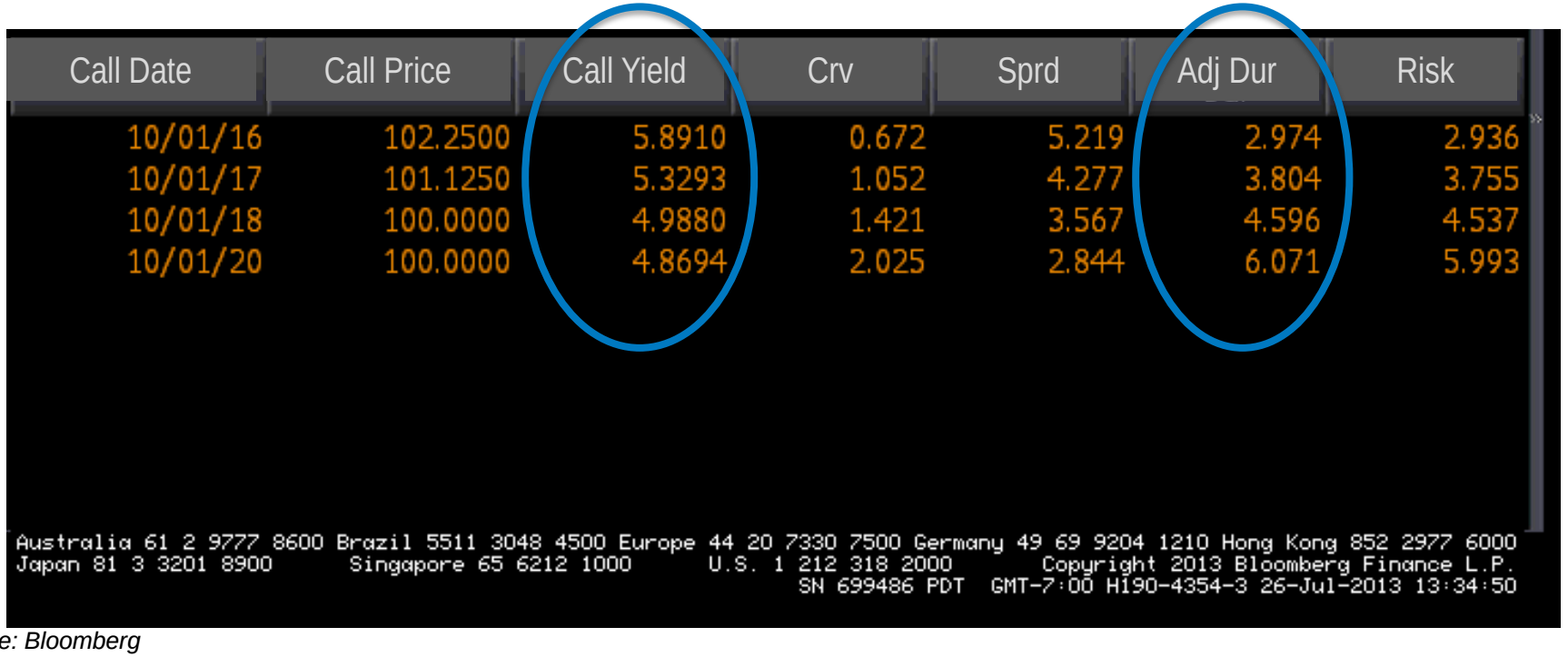
Example of Opportunity During Market Decline

- 4.5% Senior Notes due 10/01/20 were trading at a 4.9% yield-to-maturity
  - Down 6.875 points and 132 bps wider on yield-to-worst basis from 05/10/13 peak price of 104.625
- Bonds could have absorbed another 94 bps of upward pressure in yield and company could still call 7.75% bonds and save on interest payments
- Extension risk to 2016 par call if yields absorbed additional upward pressure; happy to own bonds at 4.8% yield-to-worst for 2.9 years of duration



Source: Bloomberg

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Disclosure

These slides are intended as supplemental material to the CFA Institute audio presentation that is posted on our website fpafunds.com.
We do want to make sure you understand that the views expressed on these slides and in the accompanying audio presentation are as of today, October 17th, 2013 and are subject to change based on market and other conditions. 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. Any mention of individual securities or sectors should not be construed as a recommendation to purchase or sell such securities, and any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed.

Past performance is not a guarantee of future results. 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. Performance has been calculated on a total return basis, which combines principal and dividend income changes for the periods shown. Principal changes are based on the difference between the beginning and closing net asset values for the period and assume reinvestment of all dividends and distributions paid. All applicable expenses such as advisory fees have been included in calculating performance. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the security examples discussed. Current month-end performance data may be obtained by calling toll-free, 1-800-982-4372.
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, sales charges, and other matters of interest to the prospective investor. Please read this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpafunds.com, by email at crm@fpafunds.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.
Current holdings can be viewed by visiting the website at http://fpafunds.com/docs/funf-holdings/new-income-13-09.pdf?sfvrsn=6.

Statistics have been obtained from sources believed to be reliable, but the accuracy and completeness cannot be guaranteed.

Investments in mutual funds 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. The Fund can purchase foreign securities, which are subject to interest rate, currency exchange rate, economic and political risks. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

The return of principal in a bond fund is not guaranteed. Bond funds have the same issuer, interest rate, inflation and credit risks that are associated with underlying bonds owned by the fund. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds. Mortgage securities and collateralized mortgage obligations (CMOs) are subject to prepayment risk and the risk of default on the underlying mortgages or other assets; derivatives may increase volatility.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the security examples discussed. Any statistics have been obtained from sources believed to be reliable, but the accuracy and completeness cannot be guaranteed.
The FPA Funds are distributed by UMB Distribution Services, LLC

Glossary of Terms

Absolute Return: The return that an asset achieves over a certain period of time. This measure looks at the appreciation or depreciation (expressed as a percentage) that an asset - usually a stock or a mutual fund - achieves over a given period of time. Absolute return differs from relative return because it is concerned with the return of a particular asset and does not compare it to any other measure or benchmark.

Adjusted Duration: see effective duration

Barclays Corporate IG Index: is the Corporate component of the U.S. Credit index which includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

Barclays U.S. Corporate High Yield Index: covers the universe of fixed rate, non-investment grade debt.

Barclays US Aggregate Bond Index: covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. .

Bps (Basis Points): a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

Call Date: The date on which a bond can be redeemed before maturity. If the issuer feels there is a benefit to refinancing the issue, the bond may be redeemed on the call date at par or at a small premium to par.

Call Price: The price at which a bond or a preferred stock can be redeemed by the issuer. This price is set at the time the security is issued. Also referred to as "redemption price".

Call Yield: The yield of a bond or note if you were to buy and hold the security until the call date. This yield is valid only if the security is called prior to maturity. The calculation of yield to call is based on the coupon rate, the length of time to the call date and the market price.

CMBS (Commercial Mortgage Backed Security): a mortgage-backed security backed by commercial mortgages rather than residential mortgages.

CMO (Collateralized Mortgage Obligation): a mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes.

CPI (Consumer Price Index): A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

CPJ: Bloomberg's prepayment rate notation which is exactly like CPR, except that it also incorporates Project Loan Default model for involuntary prepayments.

CPR (Constant Prepayment Rate): is equal to the proportion of the principal of a pool of loans that is assumed to be paid off prematurely in each period. The calculation of this estimate is based on a number of factors such as historical prepayment rates for previous loans that are similar to ones in the pool and on future economic outlooks.

Effective Duration: the duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

EURIBOR (Euro Interbank Offer Rate): The rates offered to prime banks on euro interbank term deposits. The EURIBOR is based on average interest rates established by a panel of around 50 European banks (panel banks) that lend and borrow from each other. Loan maturities vary from a week to a year and their rates are considered among the most important in the European money market

Glossary of Terms (continued)

GNMA: Government National Mortgage Association, or Ginnie Mae was established in the United States in 1968 to promote home ownership. As a wholly owned government corporation within the Department of Housing and Urban Development (HUD), Ginnie Mae's mission is to expand affordable housing in the United States by channeling global capital into the nation's housing finance markets.

LIBOR (London Interbank Offered Rate) An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association. The LIBOR is derived from a filtered average of the world's most creditworthy banks' interbank deposit rates for larger loans with maturities between overnight and one full year.

LTV (Loan-to-Value) ratio: a financial term used by commercial lenders to express the ratio of a loan underwritten to a value of an asset purchased.

NSA (Not Seasonally Adjusted): data series not subject to the seasonal adjustment process. In other words, the effects of regular, or seasonal, patterns have not been removed from these series.

Real Return: The annual percentage return realized on an investment, which is adjusted for changes in prices due to inflation or other external effects. This method expresses the nominal rate of return in real terms, which keeps the purchasing power of a given level of capital constant over time.

REMIC (Real Estate Mortgage Investment Conduits): A complex pool of mortgage securities created for the purpose of acquiring collateral. This base is then divided into varying classes of securities backed by mortgages with different maturities and coupons.

Risk: The chance that an investment's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment.

Spread: The difference between the bid and the ask price of a security or asset.

StDev (Standard Deviation): is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

S&P (Standard & Poor's): The world's leading index provider and the foremost source of independent credit ratings. Standard & Poor's has been providing financial market intelligence to decision-makers for more than 150 years.

Tranche: A piece, portion or slice of a deal or structured financing. This portion is one of several related securities that are offered at the same time but have different risks, rewards and/or maturities. "Tranche" is the French word for "slice".

Yield Curve (Crv): A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

YOY (Year over Year)

Yield to Maturity (YTM): The rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond's current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield. YTM is a complex but accurate calculation of a bond's return that helps investors compare bonds with different maturities and coupons.

Yield to Worst (YTW): The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer. This metric is used to evaluate the worst-case scenario for yield to help investors manage risks and ensure that specific income requirements will still be met even in the worst scenarios.