FPA Flexible Fixed Income Fund
Investment Policy Statement

Introduction

The FPA Flexible Fixed Income Fund (the "Fund") adheres to a similar investment philosophy and process as the FPA New Income Fund, started in July 1984, which seeks to deliver long-term total return with less volatility than the overall bond market. To that end, the Fund aims to generate (a) a positive total return on a rolling three-year basis, and (b) a total return in excess of CPI + 200 basis points on a rolling five-year basis. This total return strategy seeks to achieve these goals through combination of income and price appreciation with an emphasis on long-term capital preservation.

Investment Philosophy

The Fund does not employ a relative value strategy. Success or failure is not measured relative to the performance of an index or a peer group, since losing less money than an index is still a loss. Moreover, we will not invest hoping that a decrease in spread or a decrease in interest rates will lead to price appreciation. Rather, our measure of value when investing will be whether expected future cash flows adequately compensate us for taking on credit risk and duration risk on an absolute total return basis.

Fixed income is an episodic asset class that moves between extremes, with periods of high yield and low risk and periods of low yield and high risk. The Fund has a flexible mandate that allows it to take advantage of the high-yield/low-risk environments while seeking to preserve capital during low-yield/high-risk environments. During the low-yield/high-risk environments, we will not reach for yield. Rather, in such periods, we will employ a disciplined investment process that focuses on capital preservation to seek to preserve investors' buying power on a real basis until high-yield/low-risk periods return. At all times, we will seek to avoid uncompensated risks, including the risk of permanent impairment of capital.

To accomplish these goals, we adhere to the following principles:

- **Absolute Value:** We are absolute value investors. Each investment must meet our strict criteria, not just offer opportunity relative to other alternatives.
- **Flexible Mandate:** We do not bind ourselves to any one benchmark or index. Moreover, we do not have limitations on the types and duration of fixed income assets we may buy. This allows us to avoid being forced to buy parts of the market that are too expensive and allows us to own more of the market that is attractively priced. In the absence of attractive investment opportunities, we hold cash. This flexibility is key to our ability to preserve capital and achieve our long-term objectives.
- **Long-term Focus:** We invest with a multi-year time horizon. We are not speculators who hope to profit from short-term market movements. Because we have a multiyear view, we have no problem waiting. We are patient, researching then waiting for the right price. Once we invest, we are buy-and-hold investors who expect to hold our investments to maturity unless the fundamental valuation changes. Markets can remain irrational or expensive for long periods of time. Thus, periodically our performance may be disappointing and those periods could be long. We are willing to accept short-term underperformance because we are focused on long-term results.
- **Alignment of Interest:** We invest alongside our investors as partners in our process. We have significant amounts of our own capital invested in this Fund. We are not just managing "your" money; we are managing "our" money and we act and speak accordingly.
- **Strict Risk/Reward Parameters:** Risk of permanent loss is a critical element in our thinking. We adhere to a strict investment discipline, and so each investment must compensate for its unique risks while offering a margin of safety.

- **Independent Decision Making:** We do not follow the crowd. We do our own research and we are independent in our decision-making. As a result, we are sometimes viewed as contrarian in our strategy and execution.
- **Integrity:** We will invest and act ethically and with integrity. We are equally long-term-focused in how we interact with borrowers, counterparties and our investors. We would rather have our co-investors leave us disappointed in our performance because we stuck to our discipline rather than leave us disappointed in our performance because we didn't stick to our discipline.

Process

Our process requires discipline, patience, intellectual rigor and a long-term view. We seek to make investments that adequately compensate us for the potential risk of permanent capital loss and that meet the objectives described above. We build our portfolio by starting with 100% cash, then add individual investments that meet our risk/reward criteria. As a result, cash is the residual of our investment process. Our investment flexibility allows us to invest only where we see value.

We approach the research process by recognizing that a bond (or any other type of debt investment) is a claim backed by an asset such as a business, real estate, etc. Not unlike an equity investment, the value of a bond depends on the value of the underlying asset. Our research process is focused on valuing those assets and then understanding the value of our claim on those assets.

Importantly, bonds have an asymmetric return profile, since they do not fully participate in changes in the underlying asset's value. A bond may only partially participate in increases in the underlying asset value, with a bond's potential value capped at par when held to maturity. On the other hand, a bond may fully participate in decreases in asset value, with the potential for the bond to be worth zero. Due to the asymmetry in a bond's future value, we invest in bonds and other debt investments by preparing for the worst and hoping for the best. Since bonds and other debt investments have limited upside potential, our research process focuses on understanding the downside – identifying the myriad of ways in which an investment could lose value. This process applies when ascertaining both credit risk and duration risk.

Credit risk is the risk of permanent loss of capital. We enjoy investing in debt because we like having the ability to demand our money back. Our investment process focuses on understanding whether the borrower has the willingness and ability to pay us back the money we are owed. To do so, we determine an investment's loan-to-value – the ratio of the effective purchase price versus the value of the assets that will be the source of repayment. When assessing the creditworthiness of borrowers, we research the value of the borrower's assets and the borrower's ability to generate cash flow, including anything that might impact asset value or the ability to generate cash flow such as secular trends; customer, competitor and supplier dynamics; and the regulatory environment. We try to understand the short thesis and whether these businesses should exist or whether these assets should have value. Our long-term view applies not just to returns and prices of debt investments but also to prices of assets: we don't think about loan-to-value based on today's values; rather, we think about value over a longer arc of time. Finally, we also research the borrower's capital structure to understand how our claim on the borrower's asset value and cash flow can be reduced or impeded.

Duration risk is the risk of near-term price movements caused by changes in yield as a result of changes in Treasury rates or credit spreads. Consistent with our goal of low-volatility returns, we seek to invest at prices that provide insulation from near-term movements in yields.

Ultimately, we ask ourselves whether the price of an investment is attractive on an absolute return basis, relative to the risk of permanent loss of capital, relative to duration risk and relative to its liquidity. We will only invest when we can buy at an attractive price that we believe compensates for the risks.

Once we make an investment, we invest knowing that we will likely never bottom-tick the market. Recognizing that the price could go lower gives us the freedom to buy when the price is right. If the price gets more right (i.e., prices fall), we will consider buying more.

Portfolio Construction

We do not make directional bets on the market. As such, the portfolio holdings, sector exposure, duration and yield are the cumulative result of bottom-up, individual investment decisions made consistent with the process described above rather than the result of top-down allocations.

The Fund's guidelines allow a maximum of 75% of the portfolio to be invested in "Credit" (investments rated BBB+ or lower). The actual exposure to Credit will be based on the availability of attractively-priced investment opportunities. When opportunities are plentiful, we expect to have a larger exposure to Credit and when there is a lack of opportunities we expect the exposure to Credit will be smaller. At a minimum, the portfolio must maintain at least 25% of its net assets in a combination of "High Quality" (investments rated A- or higher) and cash and equivalents. The actual exposure will be a residual of the Credit investment process.

Finally, the cash and equivalents in the portfolio will be the residual of the overall investment process. We expect that cash and equivalents will increase in expensive markets and decrease in cheap markets. Notwithstanding the foregoing, we expect to maintain a minimum amount of cash and equivalents for liquidity purposes.

Portfolio Review

We monitor each investment in the portfolio to ensure that its fundamental performance is consistent with our investment thesis. We buy when we believe the absolute return compensates us for the various risks we see and we sell if we are offered a compelling price or if our thesis is wrong (and we will get some wrong; our goal is to minimize that through consistent application of our process). As interest rates and spreads change, we review each holding to ensure that it continues to offer us adequate compensation for credit risk and duration risk. To the extent that an investment's fundamental performance is inconsistent with our expectations and/or an investment no longer offers us adequate returns for the credit risk or duration risk we are taking, we will seek to reduce or eliminate our exposure to that investment. This dynamic process and constant review allows us to maintain holdings that we believe meet or exceed our expectations and eliminate those that do not.

Conclusion

We are absolute value investors. Value investing is the best way we know to deliver what we believe to be compelling long-term returns and manage risk. We can sleep at night without worrying about market movements, headlines or what other investors are doing. We don't have to spend time trying to guess where the crowd will go. Instead, we invest with confidence with the view that we can ultimately get our money back and we expect to compound capital at an attractive return over a multi-year period along the way. In summary, our approach may be succinctly described as "winning by not losing".

Finally, we strive for transparency and thus we will consistently communicate with our fellow investors. The more we communicate and the more transparent we are, the less discrepancy there will be between our expectations and yours.

Important Disclosures

You should consider the FPA Flexible Fixed Income Fund's ("Fund") investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund's objective and policies, charges, 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 email at crm@fpa.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

As of June 30, 2024	Since Inception 12/31/18	5 Years	3 Years	1 Year	YTD	QTD
FPA Flexible Fixed Income Fund (FPFIX)	3.37	3.17	2.92	7.87	2.39	1.20

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 higher or lower than the performance data quoted, may be obtained at fpa.com or by calling toll-free, 1-800-982-4372. As of its most recent prospectus, the Fund's total expense ratio is 0.63% for the Institutional Class (FPFIX) and 0.68% for the Advisor Class (FFIAX) and net expense ratio is 0.55% for the Institutional Class and 0.60% for the Advisor Class.

The FPA Flexible Fixed Income Fund ("Fund") performance is shown for the Institutional Class and is calculated on a total return basis which includes reinvestment of all distributions and is net of all fees and expenses. Periods greater than one year are annualized. Fund returns do 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.

First Pacific Advisors, LP (the "Adviser" or "FPA"), the Fund's investment adviser, has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, redemption liquidity service expenses, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business) in excess of 0.554% of the average net assets of the Fund attributable to the Institutional Class and 0.604% of the average net assets of the Fund attributable to the Advisor Class for the one-year period ending April 30, 2025. Beginning May 1, 2023, any expenses reimbursed to the Fund by FPA during any of the previous 36 months may be recouped by FPA, provided the Fund's Total Annual Fund Operating Expenses do not exceed 0.64% of the average net assets of the Fund attributable to the Institutional Class and 0.74% of the average net assets of the Fund attributable to the Advisor Class for any subsequent calendar year, regardless of whether there is a then-effective higher expense limit. This agreement may only be terminated earlier by the Fund's Board of Trustees (the "Board") or upon termination of the Advisory Agreement.

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No investment decisions should be based in any manner on the information and opinions set forth in this document. You should verify all claims, do your own due diligence, and/or seek advice from your own professional advisor(s) and consider the investment objectives and risks and your own needs and goals before investing in any securities or strategies mentioned. An investment in any security or strategy mentioned does not guarantee a positive return as investments of any type are subject to market risks, including the potential loss of principal.

This document was last updated in July 2024. The views expressed herein and any forward-looking statements are as of the date of the publication and are those of the portfolio manager. 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. FPA cannot assure future results and disclaims any obligation to update or alter any statistical data and/or references thereto, as well as 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. This information and data 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.

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, First Pacific Advisors, LP ("FPA"), the portfolio manager, 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 for the Fund as of the most recent quarter-end may be obtained at fpa.com.

Investments, including 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 may 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. Private placement securities could be more difficult to sell or may be able to sell such securities only at prices lower than if such securities were more widely held. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale.

The return of principal in a debt investment or fixed income fund is not guaranteed. Debt investments have issuer, interest rate, inflation and credit risks. Lower rated debt, convertible securities and other types of debt obligations involve greater risks than higher rated debt. Interest rate risk is when interest rates go up, the value of fixed income securities, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principle due to the issuer's failure to repay a loan. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults the security may lose some or all its value.

Mortgage securities (including mortgage-backed securities), asset-backed securities, and collateralized mortgage obligations (CMOs) are subject to prepayment risk and the risk of default on the underlying mortgages or other assets; such derivatives may increase volatility. Convertible securities are generally not investment grade and are subject to greater credit risk than higher-rated investments. High yield securities can be volatile and subject to much higher instances of default. The Fund may experience increased costs, losses and delays in liquidating underlying securities should the seller of a repurchase agreement declare bankruptcy or default.

Collateralized debt obligations (“CDOs”), which include collateralized loan obligations (“CLOs”), collateralized bond obligations (“CBOs”), and other similarly structured securities, carry additional risks in addition to interest rate risk and default risk. This includes, but is not limited to: (i) distributions from the underlying collateral may not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results. Investments in CDOs are also more difficult to value than other investments.

The ratings agencies that provide ratings are Standard and Poor’s, Moody’s, Fitch, Kroll and DBRS. Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Bonds with credit ratings of CCC or below have high default risk.

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.

As with any investment, there is always the potential for gain, as well as the possibility of loss. Past performance is no guarantee, nor is it indicative, of future results and current performance may be higher or lower than the performance shown. There is no assurance that the Fund’s investment objective will be achieved or that the strategies employed will be successful.

<u>Index / Benchmark Definitions</u>

The **Consumer Price Index (CPI)** is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics. The CPI is presented to illustrate the Strategy/Fund’s purchasing power against changes in the prices of goods as opposed to a benchmark, which is used to compare the Strategy/Fund’s performance. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time. CPI + 200 is a measure of the consumer price index (CPI) plus an additional 200 basis points annually.

Comparison to an index is for illustrative purposes only. Indices are unmanaged. Index returns do not reflect transactions costs, investment management fees or other commissions, fees and expenses that would reduce performance for an investor. The Fund does not include outperformance of any index or benchmark in its investment objectives. Investors cannot invest directly in an index.

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