

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

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

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

**You should consider FPA New Income Fund (“FNI”) and/or FPA Flexible Fixed Income Fund (“FFI”) (each a “Fund”, and collectively the “Funds”) investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details each Fund’s objective and policies and other matters of interest to the prospective investor. Please read the Prospectus carefully before investing.**

**This transcript must be preceded or accompanied by a prospectus for the Funds. The prospectus for FNI dated January 31, 2025 can be accessed at: <https://fpa.com/request-funds-literature>. The prospectus for FFI dated April 30, 2025 can be accessed at: <https://fpa.com/request-funds-literature>. The most current prospectus can always be obtained by visiting the website at fpa.com, by calling toll-free, 1-800-982-4372, or by contacting each Fund in writing.**

(00:00:00)

Moderator: [Please see slide 1] Hello and welcome to today’s webcast. 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

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

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 [Fund] and FPA Flexible Fixed Income Fund Second Quarter 2025 Webcast. My name is Kristina Surkova and I am relationship manager for the funds.

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

In just a moment, you will hear from portfolio manager Abhi Patwardhan and members of the Fixed Income investment team. Abhi Patwardhan is a partner at FPA and has been with the firm since 2010. He has been a portfolio manager for FPA New Income [Fund] since November 2015 and has served as a portfolio manager for FPA Flexible Fixed Income [Fund] since its inception in December 2018.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

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 now.

Abhijeet: [Please see slide 2-5] Thank you, Kristina. Good afternoon and thank you for your time today.

(00:02:00)

[Please see slide 6] This is an overview of the three funds managed by our Fixed Income team. All of these funds follow a similar absolute value investment philosophy, which means that when we look for investments, we are primarily focused on the absolute return available for the risks involved. In doing so, we don't speculate on the direction of spreads, we don't speculate on interest rates, and we don't make macroeconomic bets. We think the risk versus reward on that type of speculative investing is unattractive.

FPA New Income [Fund] [{"New Income"}], shown in the middle, is a short-term bond fund that seeks positive absolute returns over rolling 12-month periods. Over the long term, New Income seeks positive real returns of CPI plus 100 basis points over rolling 5-year periods. New Income is largely an investment grade or high-quality fund which has to have at least

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

75% of its assets in investments rated single-A or higher. This fund can have up to 25% of its portfolio in credit, which we define as investments rated BBB or lower, but that 25% is a capacity, not a requirement. The amount of credit that we own will depend on whether prices are attractive enough for us to invest, so our credit exposure will increase and decrease based on risk versus reward.

FPA Flexible Fixed Income [Fund] [“Flexible Fixed Income”] is shown on the right. Flexible Fixed Income is a non-traditional bond fund with the same investment philosophy as New Income. The key distinction versus New Income is that Flexible Fixed Income has the capacity to take on more credit exposure if and when it makes sense to do so. This fund can have up to 75% of its assets in investments rated BBB or lower, and must have at least 25% of its assets in investments rated single-A or higher. Flexible Fixed Income’s higher credit capacity is in service of a higher long-term return objective of CPI plus 200 basis points over rolling 5-year periods. To accommodate potentially greater credit exposure and the volatility that might come with it, in the short term, Flexible Fixed Income seeks positive absolute returns over rolling 3-year periods.

(00:04:00)

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

Lastly, on the left is the FPA Short Duration Government ETF, which is a short-term government bond ETF. All of our funds, including New Income and Flexible Fixed Income, use a 100-basis point duration test to manage duration. We'll go through that test in detail during today's presentation. This ETF uses that same duration test to actively manage the duration of a portfolio of Treasuries. The ETF can own other things as well, but investors should operate on the assumption that it will [typically] only own Treasuries, and maybe in a cheaper market we could own agency mortgages or other investment grade debt.

We won't discuss the ETF during today's webcast but anyone who is interested in learning more can visit our website [fpas.fpa.com](https://fpas.fpa.com), where they will find a webcast that explains the ETF in detail.

[Please see slide 7] Today's presentation will focus on New Income and Flexible Fixed Income, which we show here. Shown at the top, at June 30, FPA New Income had a 4.43% yield-to-worst and a 3.3 year duration. Shown at the bottom, Flexible Fixed Income had a 4.63% yield-to-worst and a 3.5 year duration. For comparison, we also show the Aggregate Bond Index, the 1-3 Year Index, and the Universal Index.<sup>1</sup> We don't track those

---

<sup>1</sup> The indices referenced are all Bloomberg indices – i.e., Bloomberg U.S. Aggregate Bond Index, Bloomberg U.S. Aggregate 1-3 Year Bond Index, and Bloomberg U.S. Universal Index.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

indices or invest relative to those indices. We merely offer them here so that investors can see what our funds look like in comparison to an opportunity set.

[Please see slide 8] Today we'll discuss the following. Even though markets have calmed down since early April, that does not mean that all is well. Spreads are very low and markets look expensive to us. There's still a lot of economic uncertainty and borrower-specific uncertainty out there, and a lot of it has to do with tariffs and other policy, which are still not settled. It's as though the market is assuming that everything will definitely be fine, which may end up being the case. But it's hard for us to see how anyone can have conviction in that at this point.

(00:06:00)

So-called risk-free rates are generally lower over the past 3 months but still near 10-15 year highs. Because of low spreads and high rates, we continue to focus our investment activity in both Funds on longer-duration bonds, but we've generally been doing that in bonds that we think are particularly high-quality and relatively more liquid, because we don't think we're getting paid to do otherwise. Within lower-rated debt, low spreads

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

mean that the market is not very appealing to us but we're happy to buy if and when the price makes sense.

[Please see slide 10] On April 2, the federal government announced tariffs that would have taken the average tariff rate to levels last seen about 100 years ago. The tariff announcement drove a spike in bond market volatility, which we show here. During that period of heightened volatility, rates moved more than usual, and spreads in investment grade and high yield-rated debt increased.

About a week later, on April 9, the federal government announced a 90-day pause in tariffs. At that point, the market rallied, volatility eventually returned to pre-tariff levels, and spreads recovered pretty quickly.

[Please see slide 11] This chart shows the yield and spread on the investment grade Bloomberg [U.S.] Aggregate Bond Index. After the tariff announcement on April 2, spreads got as high as 56 basis points, which represented the 16<sup>th</sup> percentile. The lower the percentile, the more expensive the market is. So investment grade bonds got cheaper but they weren't cheap, at least as far as historical comparisons go. After the announcement of the tariff pause, spreads decreased and were at 46 basis points, or the 2<sup>nd</sup> percentile, as of June 30.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

[Please see slide 12] This chart shows the yield and spread on the Bloomberg U.S. Corporate High Yield Index, and it also shows the BB component of that index excluding energy. We find that BB index provides a better measure of high yield market pricing because it removes some of the distortions in the overall index caused by changes in composition of the overall index over the years.

(00:08:00)

Having said that, keep in mind that none of the history shown here prior to April 2 includes tariffs like those announced on April 2, so this is a superficial comparison of prices, not a measure of risk versus reward. In any event, following the tariff announcement on April 2, spreads on this BB index got as high as 317 basis points, which was the 69<sup>th</sup> percentile, and the spread on the overall High Yield Index got as high as 476 basis points, which was the 48<sup>th</sup> percentile. Shortly thereafter, spreads decreased after announcement of the pause. At June 30, spreads on both indices were at the 6<sup>th</sup> percentile.

It's tempting to look at this data and think ["wow, the high yield market got cheap!"]. However, the tariffs as announced, and the related uncertainty, have the potential to have a significant impact on companies'

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

earnings. From a credit perspective, as we think about return versus risk and the risks that uncertainty introduces, it's important for us to keep in mind that bonds have an asymmetric return profile. If things are going well, ultimately we only get par; but if things are going poorly, we're exposed to 100% of the downside risk. As we like to say at FPA, there's no winning, there's just not losing. Uncertainty introduces more ways for us to lose, which is why even at the depths of the selloff in early April, we did not generally find a lot to buy in high yield and lower-rated debt.

Since then, spreads are meaningfully lower and at June 30, spreads were near historically low levels, and yet tariffs and associated risks are still with us. Tariff policy and other government policy has been a moving target since April 2. It's harder for businesses, governments, and consumers to plan their spending when they don't know how much things will cost. And it's not just tariffs that are making things harder for—it's not just tariffs that are making things harder for allocators of capital. There are a host of other sources of uncertainty.

(00:10:00)

[Please see slide 13] Moreover, that uncertainty is more impactful the lower you are in the capital structure. Said another way, high yield debt

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

carries a lot of incremental credit risk in comparison to investment grade debt. And yet the incremental yield or spread available on high yield debt versus investment grade debt was also near historical lows at the end of June.

Here we show the extra spread on BB-rated bonds excluding energy versus investment grade bonds, and we see that as of June 30, this incremental spread was at the 6<sup>th</sup> percentile.<sup>2</sup>

Treasuries are—or at least they were—considered risk-free and earned a lower yield because of it. Adding uncertainty introduces risk and demands a higher return, which is why bonds that have credit risk trade with spread and have a higher yield. Given the higher uncertainty that we see since early April, we don't think it makes a lot of sense for spreads to be as low as they are. It seems like the rest of the market is making the leap of faith that all will be well. Our investors won't be surprised to hear that we cannot make that leap. We are willing to take on risk when we think we're getting paid for the risk. At the moment, low spreads lead us to focus our investment activity on investment grade debt and, even within investment

---

<sup>2</sup> As of June 30, 2025, the incremental spread was 121 bps, which represents the 6<sup>th</sup> percentile since April 2000.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

grade, we've been focused on the higher-quality bonds that we believe are more liquid.

[Please see slide 14] However, just because spreads are low doesn't prevent us from investing. Generally speaking, we don't think we're getting paid to take on credit risk but we do think that we are getting paid to take on duration risk.

As shown here, during the second quarter, yields decreased by 5 to 20 basis points across 1-7 year maturity Treasuries, and yields increased further out the curve.

[Please see slide 15] Even with those lower yields, yields are still near 10-15 year highs, as shown here. We've been taking advantage of these higher yields to add duration to both FPA New Income and FPA Flexible Fixed Income, as shown by the dots on this page. Starting from a low duration of [approximately 1 year] in 2021, as rates rose, we increased the duration of both funds to 3.3 years to 3.5 years [as of June 30, 2025].

(00:12:10)

[Please see slide 16] The duration that we have added to both funds has been guided by our 100 basis point duration test, which points us toward the longest bonds that we expect will produce at least a breakeven

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

return over 12 months, assuming that bond yields will increase by 100 basis points over those 12 months. This test points us towards bonds that we believe have an attractive upside versus downside or risk versus reward.

The dark blue bars on this chart show the Treasury yield curve at June 30. The green bars show the results of our 100 basis point test. For example, towards the right, we see that the 5-year Treasury traded at a 3.8% yield at the end of June. If the yield increased by 100 basis points over the subsequent 12 months, that 5-year Treasury would have a positive total return of 0.2%. Because the expected total return is positive, the 5-year Treasury and similar duration bonds were candidates for our portfolio. On the other hand, the 7-year Treasury shown at the very right was not a candidate for our portfolios because it had an expected total return loss of minus 1.1%.

Using this 100-basis point duration test, we think that we are buying bonds that will give us some ability to protect capital from mark-to-market losses associated with rising interest rates.

There are a lot of reasons that rates could rise, but rates could also fall. The appeal of the bonds that we've been buying is that they introduce the possibility of high single-digit returns if rates were to decrease for some

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

reason. For example, the lighter blue bars show that the 5-year Treasury has the potential to return over 7.5% if rates were to decrease by 100 basis points over 12 months.

(00:14:00)

[Please see slide 17] Here we can see the value of investing in duration with an absolute value-oriented upside versus downside perspective. The first two rows on this table compare the 1-year return of New Income to the Aggregate Bond Index and Flexible Fixed Income to the Universal Bond Index. Rates were 15-100 basis points lower over the past 12 months for the bond maturities held by our funds and for the bond maturities which represent a lot of these indices. During those 12 months, both New Income and Flexible Fixed Income produced higher returns than their relevant indices. Importantly though, rates don't usually move in a straight line. There were points during those 12 months where rates rose, and yet both of our funds had smaller drawdowns than their respective indices.<sup>3</sup>

---

<sup>3</sup> **Past results are no guarantee, nor are they indicative, of future results.** Comparison to any index is for illustrative purposes only. The Funds do not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index. Drawdown is a peak-to-trough decline during a specific period.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

There are several factors that played a role in that performance, but this performance speaks to the upside we built into the portfolios and the value of the overall investment philosophy, which focuses on the absolute value and upside versus downside.

[We think] that investment approach has long-term benefits as well. Because we try to buy bonds that offer some short-term protection against rising rates, rising interest rates leave us in a good position to redeploy capital closer to 100 cents on the dollar into more attractively priced investments that might appear during those rising interest rate environments. That process has shown the ability to compound capital at an attractive rate of return over multiple years, with lower volatility.

As shown here, over the past 3 and 5 years, a period of time where rates rose by dozens or hundreds of basis points, both of our funds produced greater returns than the indices shown, but with much smaller drawdowns.<sup>4</sup>

Going back to what we said before, there's no winning in bonds; there's just not losing. Avoiding that 17% [max] drawdown that the indices

---

<sup>4</sup> **Past results are no guarantee, nor are they indicative, of future results.** Comparison to any index is for illustrative purposes only. The Funds do not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index. **Max Drawdown** is the largest peak-to-trough decline during the period.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

experienced [over the last 5 years] has a compounding effect that we think wins in the long term. So whether one wants to look at short periods or long periods, we think this investment approach offers multiple paths to attractive risk-adjusted returns.

(00:16:17)

[Please see slide 18] Now let's move on to an update of the two funds, starting with New Income.

[Please see slide 19] The table here shows New Income's performance before fees during the second quarter and the contributors to that performance. In the last row, we see that New Income returned 1.75% before fees during the quarter.

The largest contributor to that performance was agency mortgage pools. Prices on our mortgage pools increased due to the decrease in risk-free rates during the quarter. These pools also benefited from interest income. Lastly, most of these pools are owned at prices that are meaningfully below par, so the amortization of principal—in essence recapturing part of that discount at par—was also a contributor to performance.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

The second and third-largest contributors to performance were agency-guaranteed commercial mortgage-backed securities or CMBS, and Treasuries, respectively. In both cases, these bonds increased in price because of a decline in risk-free rates, and they also benefited from interest income.

While there were individual investments that detracted from performance during the quarter, there were no detractors at the sector level.

[Please see slide 20] Here we provide a high-level breakdown of the portfolio by sector. At the bottom, we show the portfolio's yield, duration, etc. at Q2 versus Q1. The yield decreased over the past three months, due mostly to the decline in risk-free rates during the quarter, but some of that yield-to-worst decrease was also due to a decrease in spreads. The duration is slightly shorter from Q1 to Q2 because even though we bought some longer-duration bonds during the quarter, the investments weren't enough to offset the aging of the rest of the portfolio.

(00:18:06)

[Please see slide 21] These pie charts show the portfolio broken down by investment idea. Any investment idea that is at least 4% of the portfolio is shown as a separate slice. The Other slice captures all of the

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

investment ideas that are each less than 4% of the portfolio and are lumped together to make the pie chart legible. As mentioned earlier, due to low[er] spreads and high[er] rates, our investment activity this quarter was focused on buying longer-duration, higher-quality bonds.

During the quarter, we bought high-quality nonagency residential mortgage-backed securities or RMBS, agency mortgage pools, and bonds backed by single-family rental properties. We include those single-family rental bonds in our nonagency CMBS holdings. These investments had a weighted average life of 6.2 years and duration of 5.4 years. Some of these investments were paid for by selling similar-duration Treasuries. The single-family rental bonds were paid for by selling single-family rental bonds that were already in the portfolio. We did that because we think the new bonds we bought had a better return profile than what we sold, and we also wanted to manage our overall exposure to those types of bonds.

In addition, we sold high-quality bonds including agency CMBS, asset-backed securities or ABS backed by equipment, ABS backed by auto loans, and ABS backed by data centers. Those sales had a weighted average life of 1.4 years and duration of 1.3 years.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

[Please see slide 22] This chart shows New Income's credit exposure. The percentages in the chart show the percentage of the portfolio held in investments rated BBB or lower. Since we did not make any such credit investments during the quarter, the credit exposure was unchanged at 4% over the past few months. That means that 96% of the portfolio was held in a combination of cash, Treasuries, and highly rated bonds.

(00:20:12)

[Please see slide 23] Finally, we see here the short-term value of the duration we've built into the portfolio. This chart estimates the return on New Income over the next 12 months before fees under different interest rate scenarios. This estimate assumes that the reference yield on every investment in the portfolio changes by the amount shown on the x-axis, and also assumes that we don't buy or sell anything over those 12 months. This chart estimates that New Income could produce a 1.8% return before fees if rates rise by 100 basis points, and could produce a breakeven return before fees if rates rise by 150-175 basis points. This chart also shows that New Income could produce a 7% return before fees if rates fall by 100 basis points.

[Please see slide 24] Moving on to Flexible Fixed Income.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

[Please see slide 25] Here we show Flexible Fixed Income return before fees during the quarter. The bottom row shows that Flexible Fixed Income returned 1.92% before fees during the quarter.

The biggest contributor to that performance was agency mortgage pools. The return on these pools was driven by higher prices caused by lower risk-free rates. Interest income and amortization-driven recapture of principal at par versus a below-par dollar price also contributed to performance.

The second and third-largest contributor to performance were Treasuries and agency CMBS, respectively. In both cases, the return was driven by higher prices caused by lower risk-free rates, and interest income.

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

(00:22:00)

[Please see slide 26] This slide shows a sector-level breakdown of the portfolio. At the bottom, we see that the yield-to-worst decreased from Q1 to Q2 due to lower risk-free rates and lower spreads. The duration increased a bit due to investments in longer-duration bonds that we made during the quarter.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

[Please see slide 27] These pie charts follow the same format that we described earlier for New Income. During the quarter, we bought high-quality, longer-duration bonds including agency mortgage pools, nonagency RMBS, Treasuries, bonds backed by single-family rental properties, and nonagency CMBS. These investments had a weighted average life of 6.1 years and duration of 5.3 years. The single-family rental property bonds we bought were paid for by selling other single-family rental property bonds that were already in the portfolio. We felt that the new bonds had a better return profile than the bonds we sold, and we also wanted to manage the overall exposure to those types of bonds.

We said earlier that, generally speaking, we didn't see a great opportunity to buy high yield or other lower-rated investments in early April during the tariff-induced period of market turbulence. Though the market was generally not appealing, during that time, we did find an opportunity to buy a bond that we had previously researched and which was sitting in our library of ideas waiting for an attractive entry point. Later in the quarter, we added another high yield investment that we felt was trading at an attractive price due to reasons unrelated to tariffs.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

[Please see slide 28] Even though we made a couple of credit investments, the overall credit exposure decreased slightly from 8.3% in Q1 to 7.5% in Q2. Again, we define credit as investments rated BBB or lower. The credit exposure decreased over the past 3 months because the credit investments that we made were more than offset by repayments of existing investments, resulting in a net decrease, which we are fine with.

(00:24:07)

Flexible Fixed Income is not expected to always own credit. It will own credit when the risk versus reward is attractive. Naturally then, when the risk versus reward is not attractive, like it has been for several quarters, Flexible Fixed Income will own less credit and will look more and more like New Income. When credit gets attractive is when we would expect the two funds' credit exposure to diverge more meaningfully.

[Please see slide 29] Finally, this chart is similar to the chart we reviewed for New Income and shows an estimate of Flexible Fixed Income's returns over the next 12 months under different changes in interest rates. This chart shows that Flexible Fixed Income could return 1.4% before fees if rates rise by 100 points, and could produce a breakeven return before fees if rates rise by around 150 basis points. This chart also shows that

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

Flexible Fixed Income could return 7.1% before fees if rates fall by 100 basis points.

[Please see slide 30] That concludes our prepared remarks. We can now take any questions.

So during the call we received a couple of questions. One question is, **“Why don’t other fund managers follow FPA’s formula if FPA’s risk/reward returns consistently beat the market?”**

So I think there are a couple of reasons for that. One is that what we’ve found in our experience is that a lot of other fund managers do not have the same long-term orientation that we do. A lot of other fund managers and a lot of other investors that we’ve come across are really much more focused on beating some measure of the market, for example the Aggregate Bond Index, over short periods of time.

(00:26:05)

Just as a point of clarification, the returns that we showed over the past year, 3 and 5 years have certainly beaten the market, but it’s worthwhile for our investors to know that there have been periods of time where we have underperformed the market, and sometimes in a significant way, which we’re completely fine with. Those periods of time where we have

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

underperformed the market have generally been markets where we think the market has been expensive, and so we just weren't willing to take on the excess risk needed to potentially outperform the market during those expensive periods of time. We are completely fine with that underperformance. We believe that over the long term, we are going to have opportunities to make that performance back, which I think the last few years have shown. But there are periods of time when our performance is not going to look great, and there are some folks who are just not comfortable with underperforming for certain periods of time. So I think that explains a lot of the reason why other folks have not necessarily been inclined to take the absolute value approach that we've taken for many decades here at FPA.

Another question was asked, **“Are you at all concerned about the trillion dollars that the U.S. has to raise this quarter?”**

So I haven't seen the exact numbers on the amount of debt that the U.S. government has to raise, and I'm not sure if that's referring to U.S. government finances or just general market fundraising required. As a very broad statement, I would say yes, we are generally concerned with the level of deficit and indebtedness at the federal government level. I think that there

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

are also concerns down at the state and local level as well, depending on the specific municipalities. But by and large, the trajectory of the U.S. balance sheet relative to its earnings potential has certainly gotten worse over the past several decades and several years. So yes, we are concerned about that.

(00:28:10)

In the near term, we are not concerned about the ability of the U.S. government to pay back its indebtedness and so we're not concerned about maturities maturing in the next few years. But it's certainly something to keep an eye over the long term about whether the U.S. government debt is sustainable.

We had another question asking, **"In general, would you say that there are certain types of companies that we favor such as recurring revenues, use of free cash flow to pay down debt, no maturity walls, less cyclicity, etc.?"**

Short answer is no. There are no particular types of companies that we gravitate towards. By similar notion, there are no particular types of companies that we try to avoid, although I would say that there are certain types of companies and industries and businesses that we find are harder

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

for us to get comfortable with. I think that's particularly true when spreads are as low as they are, but the general statement is that we're kind of happy to own any type of company or investment if we can buy at the right price.

Kristina: I think these are all the questions we have at this time. Thank you, everyone, for listening to FPA New Income Fund and FPA Flexible Fixed Income [Fund] Second Quarter 2025 Webcast. We now turn it over to the system moderator for closing comments and disclosures.

Moderator: [Please see slides 36-41] 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.

(00:30:15)

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.

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

Please visit [FPA.com](http://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](mailto: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.

**Past performance is no guarantee nor is it indicative of future results.**

Any mention of individual securities or sectors should not be construed as a recommendation to purchase or sell such securities or invest

**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

in such sectors, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of the security or sector examples discussed.

(00:32:03)

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

**You should consider each Fund's investment objectives, risks, and charges and expenses carefully before you invest. The prospectus for each Fund details their investment objective, and policies, risks, charges, and other matters of interest to a prospective investor. Please read the prospectus carefully before investing.**

**The prospectus for each Fund may be obtained by visiting the website at [FPA.com](http://FPA.com), by email at [crm@fpa.com](mailto:crm@fpa.com), toll-free by calling 1-800-982-4372, or by contacting the fund in writing.**

*FPA funds are distributed by Distribution Services, LLC. Distribution Services and FPA are not affiliated.*



**Q2 2025 FPA New Income Fund (FNI) and Flexible Fixed Income Fund (FFI)  
Webcast  
July 29, 2025**

---

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

(00:33:09)

[END FILE]