



# FPA New Income Fund

## Second Quarter 2025 Commentary

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund's objective and policies, 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](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.

### Trailing Performance (%)

As of June 30, 2025	40 Yr	30 Yr	20 Yr	15 Yr	10 Yr	5 Yr	3 Yr	1 Yr	YTD	QTD
FPA New Income (FPNIX)	5.67	4.02	2.86	2.35	2.69	3.02	5.33	7.12	4.31	1.65
Bloomberg U.S. Aggregate	5.71	4.32	3.09	2.29	1.76	-0.73	2.55	6.08	4.02	1.21
CPI + 100	3.81	3.55	3.59	3.68	4.10	5.62	3.93	3.70	1.73	0.84
Bloomberg U.S. Aggregate 1-3 Yr	N/A	N/A	2.37	1.61	1.83	1.57	3.77	5.95	2.92	1.27

Index data source: Morningstar.

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](http://fpa.com) or by calling toll-free, 1-800-982-4372. As of its most recent prospectus, the Fund's total expense ratio is 0.58% for the Institutional Class and 0.78% for the Investor Class and net expense ratio is 0.45% for the Institutional Class and 0.55% for the Investor Class.

Periods greater than one year are annualized. FPA New Income Fund ("Fund") performance reflects 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. 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. Comparison to any index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

**The Fund's Total Annual Fund Operating Expenses before reimbursement (as of the most recent prospectus) is 0.58% for the Institutional Class and 0.78% for the Investor Class.** First Pacific Advisors, LP ("FPA" or the "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, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business) in excess of 0.454% of the average daily net assets of the Institutional Class shares of the Fund through January 31, 2026, and in excess of 0.554% of the average daily net assets of the Investor Class shares of the Fund through January 31, 2026. This agreement may only be terminated earlier by the Fund's Board of Trustees (the "Board") or upon termination of the Advisory Agreement.

In addition, the Adviser has voluntarily agreed to waive the advisory fee it receives from the Fund by 0.046% through January 31, 2026 of the Fund's average daily net assets. FPA will not seek recoupment of the advisory fees voluntarily waived.

Effective April 30, 2024, the current single class of shares of the Fund was renamed the Institutional Class shares and has the same ticker symbol (FPNIX). All data herein is representative of the Institutional Class shares.

***Please see important disclosures at the end of this commentary.***

Dear Shareholder:

FPA New Income Fund (the “Fund”) returned 1.65% in second quarter of 2025.

	6/30/25
Yield-to-worst <sup>1</sup>	4.43%
Effective Duration	3.34 years
Spread Duration	2.73 years
High Quality Exposure <sup>2</sup>	96%
Credit Exposure <sup>3</sup>	4%

On April 2<sup>nd</sup>, the federal government announced historically high levels of tariffs on dozens of trade partners. That announcement and a subsequent series of escalating, retaliatory tariffs and associated rhetoric led to a significant increase in interest rate volatility and an increase in credit spreads. However, following an April 9<sup>th</sup> announcement of a pause on tariffs, interest rate volatility subsided and spreads largely decreased below pre-tariff levels. During the quarter, the Federal Reserve left the Fed Funds rate unchanged at two separate meetings. Most recently, the Federal Reserve cited uncertainty with respect to the level and impact of tariffs on inflation to explain its decision to leave the Fed Funds rate unchanged.<sup>4</sup> Treasury yields declined by 5 to 20 bps in the three months ending June 30<sup>th</sup> for maturities up to seven years and increased for longer maturities. Notwithstanding the temporary tariff-induced increase in spreads in early April, spreads on investment grade bonds and high yield rated debt generally decreased over the three months ending June 30<sup>th</sup>.<sup>5</sup> Due to low spreads, we continued to focus our investment activity during the quarter on buying longer-duration, High Quality bonds (rated single-A or higher) that we believe will enhance the Fund’s long-term returns and the Fund’s short-term upside-versus-downside return profile. We did not generally view Credit (investments rated BBB or lower) as attractively priced but will seek to opportunistically invest in Credit when we believe prices adequately compensate for the risk of permanent impairment of capital and near-term mark-to-market risk. The Fund’s Credit exposure was unchanged at 4.4% on June 30, 2025 versus 4.4% on March 31, 2025. Cash and equivalents represented 5.1% of the portfolio on June 30, 2025 versus 3.3% on March 31, 2025.

<sup>1</sup> As of June 30, 2025, the Fund’s subsidized/unsubsidized 30-day SEC standardized yield (“SEC Yield”) was 3.84%/3.69% respectively. The SEC Yield calculation is an annualized measure of the Fund’s dividend and interest payments for the last 30 days, less the Fund expenses. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. The SEC Yield calculation shows investors what they would earn in yield over the course of a 12-month period if the fund continued earning the same rate for the rest of the year.

**Yield-to-worst (“YTW”)** is presented gross of fees and reflects the lowest potential yield that can be received on a debt investment without the issuer defaulting. YTW considers the impact of expected prepayments, calls and/or sinking funds, among other things. Average YTW is based on the weighted average YTW of the investments held in the Fund’s portfolio. YTW may not represent the yield an investor should expect to receive.

<sup>2</sup> High Quality is defined as investments rated A or higher, Treasuries, and cash and equivalents.

<sup>3</sup> Credit is defined as investments rated BBB or lower, including non-rated investments.

<sup>4</sup> Federal Reserve Board of Governors (<https://www.federalreserve.gov/newsevents/testimony/powell20250624a.htm>)

<sup>5</sup> Source: Bloomberg

## Contributors and Detractors<sup>6</sup>

### Second Quarter 2025

#### Notable drivers of performance

##### Top contributors

Agency mortgage pools	<ul style="list-style-type: none"> <li>Price increase due to lower benchmark yields; interest income; and amortization of principal</li> </ul>
Agency-guaranteed commercial mortgage-backed securities (CMBS)	<ul style="list-style-type: none"> <li>Price increase due to lower benchmark yields and interest income</li> </ul>
Treasuries	<ul style="list-style-type: none"> <li>Interest income and price increase due to lower benchmark yields</li> </ul>

##### Top detractors

Although certain individual bonds detracted from performance during the quarter, there were no meaningful detractors at the sector level.

## Portfolio Activity<sup>7</sup>

The table below shows the portfolio's exposures as of June 30, 2025 and March 31, 2025:

	6/30/25	3/31/25
Sector Exposure (% of portfolio)		
ABS	27.1	29.4
CLO	3.5	3.6
Corporate	4.1	4.2
Agency CMBS	13.9	15.1
Non-Agency CMBS	2.5	2.6
Agency RMBS	23.1	21.9
Non-Agency RMBS	6.7	4.5
Stripped Mortgage-backed	0.3	0.3
U.S. Treasury	13.7	15.1
Cash and equivalents	5.1	3.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>6</sup> This information is not a recommendation for a specific security or sector and these securities/sectors may not be in the Fund at the time you receive this report. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. The portfolio holdings as of the most recent quarter-end may be obtained at [fpa.com](http://fpa.com).

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

<sup>7</sup> Portfolio composition will change due to ongoing management of the Fund. Please see the 'Important Disclosures' for important information and definitions of key terms.

	6/30/25	3/31/25
Characteristics		
Yield-to-worst <sup>8</sup>	4.43%	4.57%
Effective Duration	3.34 years	3.41 years
Spread Duration	2.73 years	2.78 years
Average Life	3.78 years	3.91 years

Consistent with our desire to add duration and reduce exposure to investments we believe are prone to wider spreads, during the second quarter, we bought fixed-rate, High Quality bonds including non-agency residential mortgage-backed securities (RMBS), agency-guaranteed residential mortgage pools, and bonds backed by single-family rental properties<sup>9</sup>. These investments had a weighted average life of 6.2 years and a weighted average duration of 5.4 years.

We did not make any Credit investments during the quarter.

We sold High Quality bonds to raise cash for new investments. Those sales included Treasuries, agency-guaranteed CMBS, ABS backed by equipment, bonds backed by single-family rental properties, ABS backed by auto loans, and ABS backed by data centers. The Treasuries were sold to fund similar duration investments (described above) and the single-family rental property bonds were sold to re-invest in similar bonds we believe have a better return profile. Overall, sales during the quarter had a weighted average life and duration of 2.5 years and 2.3 years, respectively. Excluding sales of Treasuries and single-family rental bonds, the remaining sales had a weighted average life and duration of 1.4 years and 1.3 years, respectively.

## Observations

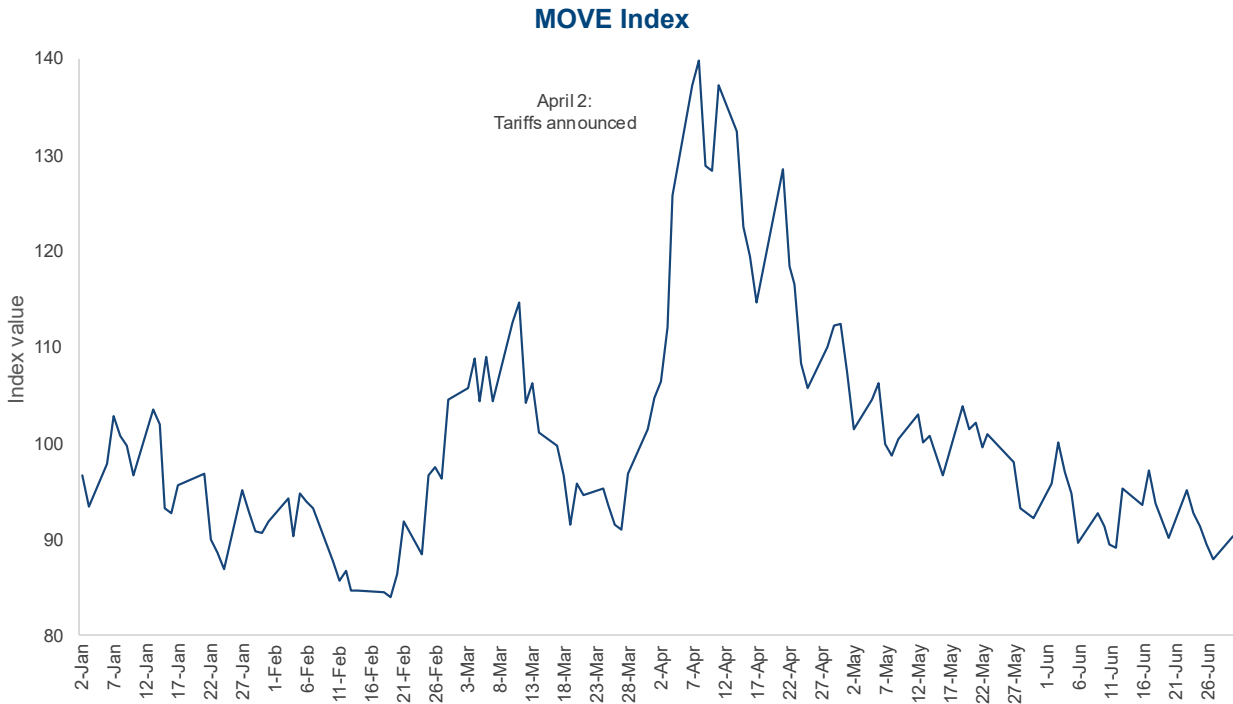
On April 2<sup>nd</sup>, the federal government announced significant tariffs on imports into the United States that initially increased the effective tariff rate on US imports to levels not seen since the 1930s. Driven by uncertainty created by a subsequent series of escalating, retaliatory tariffs and associated rhetoric, interest rate volatility increased significantly and credit spreads increased. A 90-day pause on tariffs announced on April 9<sup>th</sup> drove a subsequent reduction in volatility and decline in spreads.

The chart below shows the increase in interest rate volatility after the April 2<sup>nd</sup> tariff announcement, followed by a return to the relative calm of pre-tariff days.

<sup>8</sup> **As of June 30, 2025, the Fund's subsidized/unsubsidized 30-day SEC standardized yield ("SEC Yield") was 3.84%/3.69% respectively.** The SEC Yield calculation is an annualized measure of the Fund's dividend and interest payments for the last 30 days, less the Fund expenses. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. The SEC Yield calculation shows investors what they would earn in yield over the course of a 12-month period if the Fund continued earning the same rate for the rest of the year.

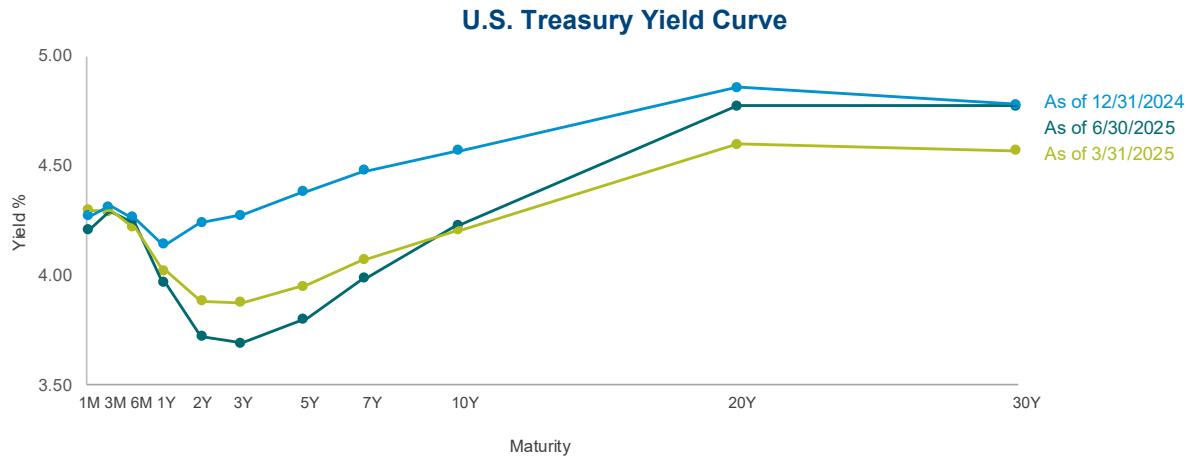
**Yield-to-worst ("YTW")** is presented gross of fees and reflects the lowest potential yield that can be received on a debt investment without the issuer defaulting. YTW considers the impact of expected prepayments, calls and/or sinking funds, among other things. Average YTW is based on the weighted average YTW of the investments held in the Fund's portfolio. YTW may not represent the yield an investor should expect to receive.

<sup>9</sup> We categorize these single-family rental bonds as Non-agency CMBS holdings.



Source: Bloomberg; As of June 30, 2025. Past performance is no guarantee, nor is it indicative, of future results. **Please refer to the end of the commentary for Important Disclosures and definitions of key terms.**

The chart below shows the change in interest rates during the quarter:

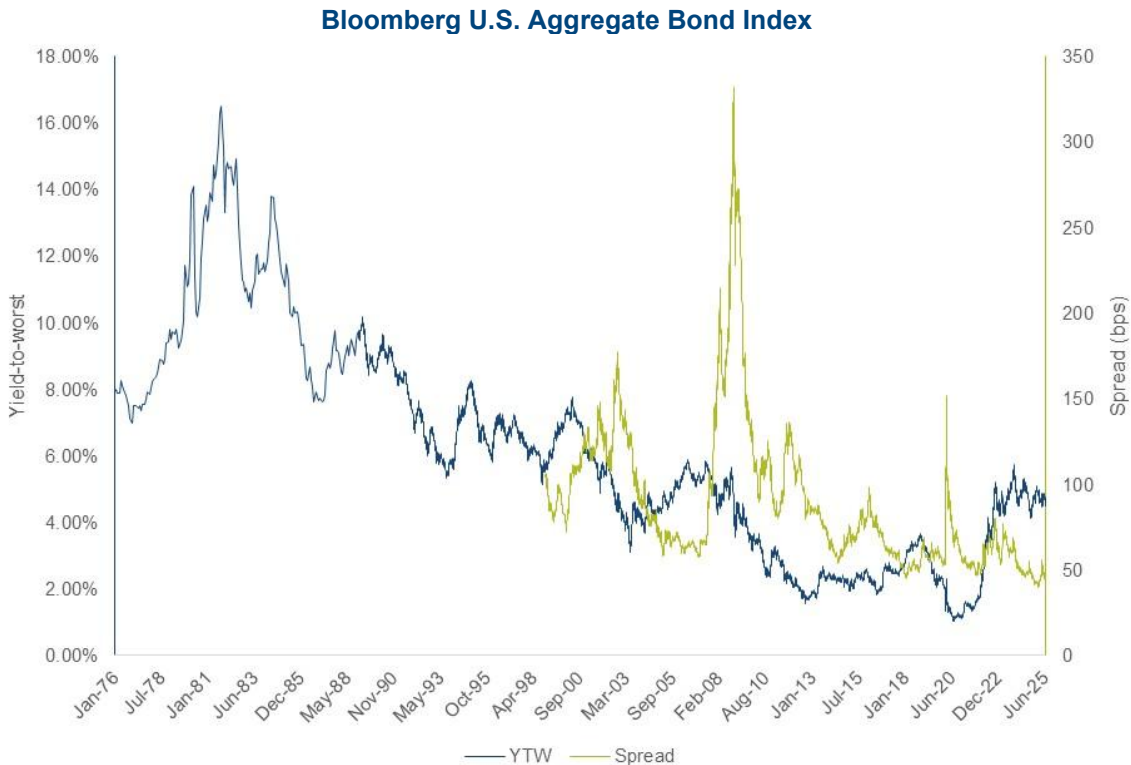


	Maturity							
	1Y	2Y	3Y	5Y	7Y	10Y	20Y	30Y
Change in yield (bps) during Q2 2025	-5	-16	-19	-15	-8	2	18	20
Change in yield (bps) year-to-date	-18	-52	-58	-59	-49	-34	-8	-1

Source: Bloomberg; As of June 30, 2025. Past performance is no guarantee, nor is it indicative, of future results. **Please refer to the end of the commentary for Important Disclosures and definitions of key terms.**

Though rates settled lower over the quarter, the yield curves shown above belie the volatility over the prior three months. To provide a sense of the increase in volatility, interest rates typically change by single digit basis points from day to day; however, the seven days between April 2<sup>nd</sup> and April 9<sup>th</sup> saw multiple days where rates changed by 10-30 bps in either direction.

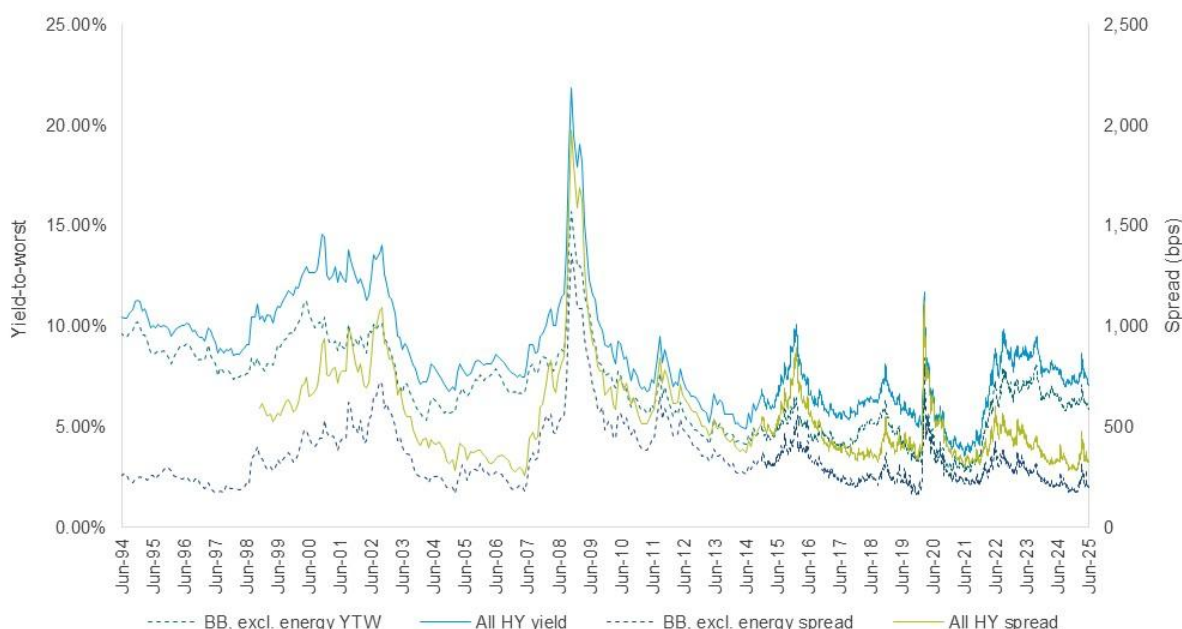
In the week following April 2<sup>nd</sup>, spreads on investment grade and high yield debt increased significantly before returning to pre-tariff levels and, in some cases, declining further. The chart below shows the spread on the Bloomberg U.S. Aggregate Bond Index. Spreads on this index increased from 47 bps before the tariff announcement to a high of 56 bps just before the announcement of the pause. At 56 bps, the spread resided at the 16th percentile of the Bloomberg U.S. Aggregate Bond Index’s available history (a lower percentile suggests a more expensive market). Between April 2<sup>nd</sup> and April 9<sup>th</sup>, the “risk” components of the Aggregate Bond Index (i.e., bonds other than Treasuries) increased in spread by 7-10 bps. After April 9<sup>th</sup>, spreads decreased. At June 30<sup>th</sup>, the spread on the Aggregate Bond index was 46 bps, representing the 2nd percentile.



Source: Bloomberg. As of June 30, 2025. YTW is Yield-to-Worst. Spread reflects the quoted spread of a bond that is relative to the security off which it is priced, typically an on-the-run treasury. Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the commentary for Important Disclosures and Index definitions.

The next chart shows the spread on the BB component of the Bloomberg U.S. Corporate High Yield Index, excluding energy. We find this measure of the high yield market to be a better indicator of historical pricing in the high yield market because it removes some of the distortions associated with changes in the composition of the overall high yield index. Between April 2<sup>nd</sup> and April 9<sup>th</sup>, spreads on these BB-rated bonds reached a peak of 317 bps, representing the 69th percentile of the available history. For reference, the spread on the overall high yield index reached a peak of 476 bps during that time, representing the 48th percentile. At June 30<sup>th</sup>, the spread on the BB index, excluding energy, was 199 bps and the spread on the overall high yield was 323 bps, both representing the 6th percentile of their respective histories.

### Bloomberg U.S. Corporate High Yield Index



Source: Bloomberg. As of June 30, 2025. YTW is Yield-to-Worst. Spread reflects the quoted spread of a bond that is relative to the security off which it is priced, typically an on-the-run Treasury. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the commentary for Important Disclosures and Index definitions.**

Judging only by the spread, for a brief moment in early April the high yield market looked like it was abnormally cheap, or at least fairly priced. However, higher uncertainty demands a higher expected return and lower uncertainty earns a lower expected return. That’s why Treasuries trade at lower yields than other bonds that are not “risk-free.” Consistent with that framework, we recall our comments on tariffs in our first quarter commentary<sup>10</sup>:

“Deploying capital is always difficult because returns are always uncertain, but those returns have become even more uncertain because there is an additional cost looming from tariffs, and the magnitude of that cost and who will pay it are unclear. In addition, tariffs create additional uncertainty with respect to future

<sup>10</sup> FPA ([https://fpa.com/docs/default-source/funds/fpa-new-income/literature/fpa-new-income-fund-commentary-2025-03.pdf?sfvrsn=80ff9e9d\\_4](https://fpa.com/docs/default-source/funds/fpa-new-income/literature/fpa-new-income-fund-commentary-2025-03.pdf?sfvrsn=80ff9e9d_4))

economic growth and inflation and how the Federal Reserve will respond. Finally, there are now questions about the U.S. Dollar's status as a reserve currency and the safety of U.S. assets, including Treasuries.

The prices of many investments have declined, but that does not necessarily make them cheaper. For example, if the price of a business that is 100% reliant on imports from China decreases, has the price of that business become cheaper or is it not cheap enough? That question may be easier to answer once there is clarity on trade policy. This example serves to highlight why we will not attempt to 'buy the dip.' It is certainly possible that there will be an announcement of good news from the federal government tomorrow that spurs bond prices higher, and those who 'bought the dip' might be rewarded. But were those gamblers smart or lucky? We would not be good stewards of your capital if we invested merely hoping that things turn out well. Hope is not a good investment strategy, especially when investing in debt, because debt has an asymmetric return profile with limited upside and 100% downside."

With that philosophy in mind, we did not find compelling Credit investments for the Fund during the tariff-induced market turmoil. Remarkably, since April 9<sup>th</sup>, spreads continued to decrease even though tariff-related uncertainty has not subsided. As of the date of this letter, we still do not have clarity on the level of tariffs and who will bear them, and yet spreads are near all-time lows. It's as if the market is making a leap of faith that all will be well. Our investors will not be surprised to hear that we cannot make that leap. Though market prices would suggest otherwise, uncertainty abounds. Due to the asymmetric return profile of debt investments, **there's no winning in bonds; there's just not losing**. Uncertainty increases the odds of mark-to-market losses and/or permanent impairment of capital and we find that current spreads generally do not compensate us for such uncertainty.

Bill Belichick, regarded by many as one of the greatest coaches in NFL history, wrote in his book<sup>11</sup>:

"People focus on the fact that we developed a new defensive game plan [for each game], but they forget that we also developed a new game plan against every team we played. We were following the same process that brought us there, but that didn't mean doing the same things: Our consistent process also included consistently adapting."

Likewise, our investment approach is predicated on consistently applying the same process to every market and adapting our investment activity based on the results of that process. With respect to Credit, we are happy to invest when we are compensated for uncertain outcomes. Until then, we adapt to an expensive market for credit risk by taking less credit risk.

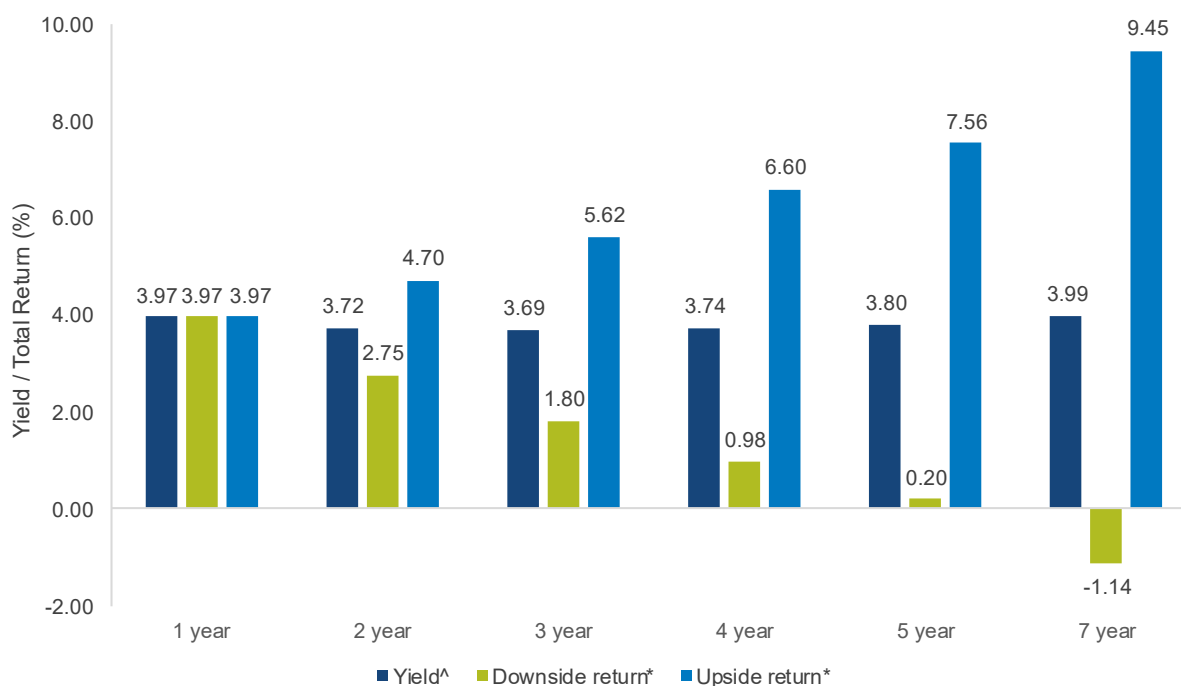
Similarly, though interest rate volatility has subsided, there remains considerable uncertainty with respect to the impact of tariffs, fiscal policy, immigration, etc. on inflation, economic growth and the strength of government finances. Even if we knew where tariff policy will settle, in combination with other policies from the administration and attempts to replace leadership of the Federal Reserve, we cannot know with conviction the future path of interest rates. This stance is entirely consistent with our investment approach – we do not believe it is ever possible to know with certainty the future path of interest rates. Today's heightened uncertainty only adds to that challenge. Yet the inability to accurately forecast rates does not preclude us from taking duration risk. As we are happy to own Credit when we are compensated for the uncertainty, so are we also happy to own duration when we are compensated for interest rate uncertainty.

We assess whether we are compensated for interest rate uncertainty by utilizing our 100 bps duration test which seeks to identify the longest-duration bonds we expect will produce at least a breakeven return over a 12-month period, assuming a bond's yield will increase by 100 bps during that period. The chart below illustrates our duration test.

---

<sup>11</sup> Bill Belichick (2025). *The Art of Winning: Lessons from My Life in Football*. Avid Reader Press/Simon & Schuster.

### Hypothetical 12-month U.S. Treasury Returns

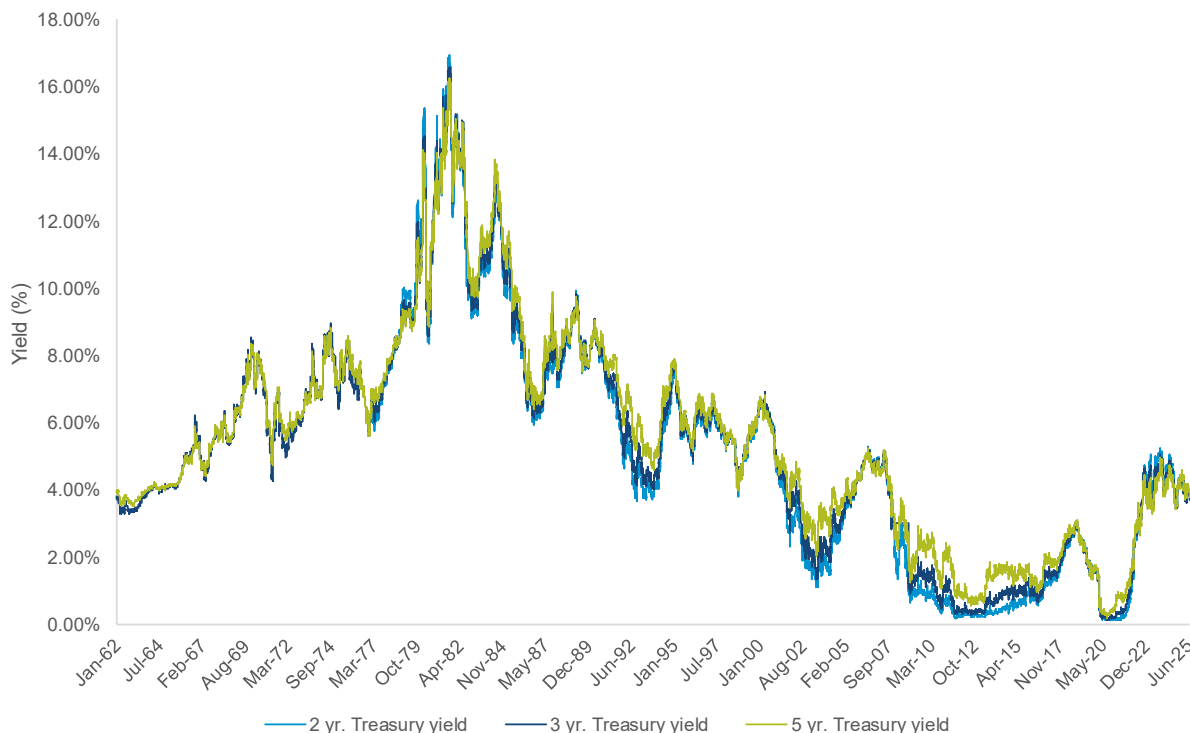


Source: Bloomberg. <sup>^</sup> **Yield-to-maturity** is the annualized total return anticipated on a bond if the bond is held until it matures and assumes all payments are made as scheduled and are reinvested at the same rate. The expected return assumes no change in interest rates over the next 12 months. \* **Upside return** estimates the 12-month total return assuming yields decline by 100 bps over 12 months. **Downside return** estimates the 12-month total return assuming yields increase by 100 bps over 12 months. Return estimates assume gradual change in yield over 12 months. **The hypothetical stress test data provided herein is for illustrative and informational purposes only and is intended to demonstrate the mathematical impact of a change in Treasury yields on hypothetical Treasury returns.** No representation is being made that any account, product or strategy will or is likely to achieve profits, losses, or results similar to those shown. Hypothetical results do not reflect trading in actual accounts, and does not reflect the impact that all economic, market or other factors may have on the management of the account. Hypothetical results have certain inherent limitations. There are frequently sharp differences between simulated results and the actual results subsequently achieved by any particular account, product or strategy. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the back of the commentary for important disclosures.**

The dark blue bars above show Treasury yields of various maturities on June 30, 2025. The green bars indicate the results of our 100 bps duration test and represent the potential short-term downside return for these bonds in a rising interest rate environment. For example, the 5-year Treasury purchased at a 3.80% yield was expected to return 0.20% over twelve months if its yield increased by 100 bps from 3.80% to 4.80% during that time. Because the expected short-term downside return was positive, the 5-year Treasury was a candidate for our portfolio. The 7-year Treasury was not a candidate for our portfolio at that time because it produced an expected short-term loss. All things being equal, we sought investments with a duration between that of the 5-year Treasury and 7-year Treasury, where we expected a bond to breakeven under our test.

Of course, interest rates could decline. The light blue bars on the chart above indicate the short-term upside return potential, namely the potential total return over twelve months if rates decreased by 100 bps. In the example above, the 5-year Treasury offered a potential 12-month total return of 7.56%.

### U.S. Treasury Yields



Source: Bloomberg. Data from 1/5/1962-6/30/2025. Past performance is no guarantee, nor is it indicative, of future results. **Please refer to the end of the commentary for Important Disclosures and definitions of key terms.**

The longer duration bonds identified by our duration test these days have some ability to preserve capital in a rising rate environment while also potentially offering a meaningful positive short-term return if rates decrease. We find this short-term upside versus downside attractive in an uncertain world. Over a longer horizon, we further find it appealing to lock in today’s generationally high yields (shown above) for multiple years knowing that the capital deployed into these investments could be preserved if rates rise by 100 bps or less, thereby providing an opportunity to redeploy unimpaired capital into better opportunities in the future. In summary, we believe that longer-duration bonds offer multiple paths to attractive, risk-adjusted returns.

Returns over the past twelve months and longer exemplify the value of our investment approach and the upside versus downside we’ve been building into the portfolio. Specifically, as shown below, over the last twelve months in which not only rates decreased by 15 to 115 bps across 1-10 year maturity Treasuries but also in which volatility was heightened, the Fund produced a higher total return than the longer duration Aggregate Bond Index but with a smaller drawdown. Evidencing the multiple paths to attractive, risk-adjusted returns, the table below demonstrates that over longer time periods our approach has compounded capital at a better rate than the overall market with smaller drawdowns along the way.

## Upside versus downside (%)

	FPA New Income	Bloomberg U.S. Aggregate
1-year return ending 6/30/25	7.12	6.08
Max drawdown during the 1-year ending 6/30/25	-1.36	-3.06
3-year return ending 6/30/25	5.33	2.55
Max drawdown during the 3-year ending 6/30/25	-2.02	-8.23
5-year return ending 6/30/25	3.02	-0.73
Max drawdown during the 5-year ending 6/30/25	-4.24	-17.18

Source: Morningstar Direct. As of June 30, 2025. FPNIX Inception is July 11, 1984. FPNIX performance is net of all fees and expenses and includes the reinvestment of distributions. **Past performance is no guarantee, nor is it indicative, of future results.**

With that said, as we search for longer duration investments, we find even in High Quality debt that low spreads offer inadequate compensation for mark-to-market risk associated with a return to normal spreads and, in some cases, offer inadequate compensation for credit risk and/or liquidity. Consequently, unlike past years when wider spreads led us to invest across many parts of the bond market, our investments in longer duration bonds these days have been directed toward debt that is higher quality and relatively more liquid. Once again, this approach represents a consistent process even though we are not doing the same things we've done in the past.

Coach Belichick further wrote: "Big moments are won by winning all the small moments that come before them. We won our first Patriots Super Bowl in 2002 in part because we didn't do anything we hadn't done before...." Replace "Super Bowl" with "attractive long-term risk-adjusted returns" and you have the philosophy we have long espoused. In an expensive market, it is tempting to take on risk in a reach for more return. We choose not to make a leap of faith that all will be well, so we are taking less credit risk – a small moment that we believe will pay off in big moments later.

Thank you for your confidence and continued support.

Abhijeet Patwardhan

Portfolio Manager

July 2025

## Important Disclosures

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

The views expressed herein and any forward-looking statements are as of the date of the publication and are those of the portfolio management team. 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. 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. You should not construe the contents of this document as legal, tax, accounting, investment or other advice or recommendations.

Abhijeet Patwardhan has been portfolio manager for the Fund since November 2015. Thomas Atteberry managed/co-managed the Fund from November 2004 through June 2022. Effective July 1, 2022, Mr. Atteberry transitioned to a Senior Advisory role. There were no material changes to the investment process due to this transition. Effective September 30, 2023, Mr. Atteberry no longer acts as a Senior Advisor to the investment team, but he remains as Senior Advisor to FPA.

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

The statements made herein may be forward-looking and/or based on current expectations, projections, and/or information currently available. Actual results may differ from those anticipated. The portfolio manager and/or 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.

Investments carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Fund may purchase foreign securities, including depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; these risks may be elevated when investing in emerging markets. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. 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.

Interest rate risk is the risk that when interest rates go up, the value of fixed income instruments, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principal due to the issuer's failure to repay a loan. Generally, the lower the quality rating of a fixed income instrument, 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 fixed income instrument may lose some or all of its value.

Mortgage 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.

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.

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.

The ratings agencies that provide ratings are Standard and Poor's ("S&P"), Fitch, Moody's, Kroll, DBRS, and any other nationally recognized statistical rating organization ("NRSRO"). Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings of 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/Caa or below have high default risk. Please refer to the Fund's Prospectus for a complete overview of the primary risks associated with the Fund.

**The Fund is not authorized for distribution unless preceded or accompanied by a current prospectus.** The prospectus can be accessed at: <https://fpa.com/request-funds-literature>.

### Hypothetical Stress-Tested Results

**The hypothetical and estimated data provided herein is for illustrative and informational purposes only.** No representation is being made that Fund or the securities used for the simulation will or is likely to achieve profits, losses, or results similar to those shown. Hypothetical and estimated results do not reflect trading in actual accounts, and do not reflect the impact that economic, market or other factors may have on the management of the account.

The hypothetical and estimated results as set forth in this commentary do not represent actual results; actual results may significantly differ from the theoretical data being presented. Hypothetical/estimated results have certain inherent limitations. Hypothetical models theoretically may be changed from time to time to obtain more favorable results. There may be sharp differences between simulated or estimated results and the actual results subsequently achieved by any particular security, account, product or strategy. In addition, simulated/estimated results cannot account for the impact of certain market risks such as a lack of liquidity or default risk. There are numerous other factors related to the markets in general or the implementation of any specific strategy which cannot be fully accounted for in the preparation of simulated or estimated results, all of which can adversely affect actual results.

A client's individual portfolio results may vary from any hypothetical or estimated results because of the timing of trades, deposits and withdrawals, the impact of management fees and taxes, market fluctuations, trading costs, cash flows, custodian fees, among other factors. Hypothetical results are not meant to be construed as a prediction of the future return of the Fund. **Past performance is no guarantee, nor is it indicative, of future results.**

### Index Definitions

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund will be less diversified than the indices noted herein and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund's investment strategy. Indices are unmanaged, do not reflect any commissions, fees or expenses which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index or benchmark in its investment objectives. Investors cannot invest directly in an index.

**Bloomberg U.S. Aggregate Bond Index** provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1 year remaining in maturity. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, nonconvertible, and taxable.

**Bloomberg U.S. Aggregate 1-3 Year Bond Index** provides a measure of the performance of the U.S. investment grade bonds market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have a remaining maturity of 1 to 3 years. In addition, the securities must be denominated in U.S. dollars and must be fixed rate, nonconvertible, and taxable.

**Bloomberg U.S. Corporate High Yield Bond Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

**Bloomberg U.S. Investment Grade Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

**Consumer Price Index (CPI)** is an unmanaged index representing the rate of the inflation of the U.S. consumer prices as determined by the U.S. Department of Labor Statistics. This index reflects non-seasonally adjusted returns. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

**CPI +100 Basis Points** is created by adding 1% to the annual percentage change in the Consumer Price Index ("CPI").

**Merrill Lynch Option Volatility Estimate (MOVE) Index** reflects the level of volatility in U.S. Treasury futures. The index is considered a proxy for term premiums of U.S. Treasury bonds (i.e., the yield spread between long-term and short-term bonds).

**Morningstar Short-Term Bond portfolios** invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI. As of June 30, 2025, there were 561 funds in the category.

### **Glossary of Terms**

**ABS (Asset Backed Securities)** are financial securities backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.

**Basis Point (bps)** is equal to one hundredth of one percent, or 0.01%. 100 basis points = 1%.

A **bond premium** occurs when the price of the bond has increased in the secondary market. A bond might trade at a premium because its interest rate is higher than current rates in the market

**CLO (Collateralized Loan Obligation)** is a single security backed by a pool of debt.

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

**Core duration bonds (also known as core bonds)** refer to bonds similar in duration to Bloomberg U.S. Aggregate Bond Index.

**Coupon** is the interest rate stated on a bond when it's issued. The coupon is typically paid semiannually.

**Corporate Holdings** include bank debt, corporate bonds and common stock.

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

**Mark-to-market** is a method of recording the price or value of a security portfolio, or account to reflect the current market value rather than book value.

**RMBS (Residential Mortgage-Backed Securities)** are mortgage-backed securities backed by residential mortgages.

**Stripped Mortgage-Backed Securities** is a trust comprised of mortgage-backed securities which are split into principal-only strips and interest-only strips.

**Weighted Average Life (WAL)** is the average length of time that each dollar of unpaid principal on a loan, a mortgage, or an amortizing bond remains outstanding. The time weightings used in WAL calculations are based on payments to the principal (and exclude payments to interest). WAL shows an investor how many years it will take to receive roughly half the amount of outstanding principal. A lower WAL may suggest the bond carries less credit risk.

**Yield to Maturity (YTM)** is the total return anticipated on a bond if the bond is held until it matures.

©2025 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted by Morningstar to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance is no guarantee of future results.**

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