FPA Queens Road Small Cap Value Fund
Second Quarter 2024 Commentary

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

Trailing Performance (%)

As of June 30, 2024	Inception	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTD
FPA Queens Road Small Cap Value (QRSVX)	9.22	7.79	9.96	7.61	10.37	4.00	11.27	0.65	-2.62
Russell 2000 Value	7.95	7.23	10.59	6.23	7.07	-0.53	10.90	-0.85	-3.64

Past performance is no guarantee, nor is it indicative, of future results. Current performance may be higher or lower than the performance shown. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at fpa.com or by calling toll-free, 1-800-982-4372. The Fund's Total Annual Operating Expenses are 0.96% (Investor Class), 0.90% (Advisor Class), and 0.79% (Institutional Class).

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

Prior to November 1, 2020, the performance shown reflects the historical performance of the Fund when Bragg Financial Advisors, Inc. ("BFA") served as investment adviser of the Fund. Effective November 1, 2020, FPA became the investment adviser of the Fund and BFA transitioned to serving as the sub-adviser. BFA continues to be responsible for the day-to-day management of the Fund, subject to FPA's oversight. No changes to the Fund's principal investment strategies were made in connection with these changes in management of the Fund, and Steve Scruggs, CFA, Director of Research and Senior Portfolio Manager for BFA, continues to serve as the portfolio manager for the Fund.

From inception of the Fund to December 31, 2004, BFA and its affiliates voluntarily absorbed certain expenses of the Fund and voluntarily waived its management fee. Had BFA not done this, returns would have been lower during that period. Effective January 1, 2005 through October 31, 2020, BFA charged a single unitary management fee and contractually agreed to pay all operating expenses of the Fund except for brokerage, taxes, interest, litigation expenses, and other extraordinary expenses.

The Fund's Total Annual Operating Expenses are 0.96% (Investor Class), 0.90% (Advisor Class), and 0.79% (Institutional Class). Prior to November 1, 2020, the Fund had a unitized fee structure that limited annual operating expenses to 1.18%.

Please see additional important disclosures at the end of this Commentary.

Dear Shareholder:

The FPA Queens Road Small-cap Value Fund ("Fund") returned -2.62% in the second quarter of 2024. This compares to a -3.64% return for the Russell 2000 Value Index in the same period. For the first half of 2024, the Fund returned 0.65% versus -0.85% for the Russell 2000 Value Index.

We prefer to be measured on longer time periods. As a reminder, our goal is to outperform the Russell 2000 Value Index over the full market cycle with less risk. Consistent with our historical returns, we expect to outperform in down markets and trail somewhat in speculative markets as a result of our diligent, disciplined, and patient process.

20% or Larger Russell 2000 Value Drawdowns Since Fund Inception[1]

	Jun 02 – Oct 02	Jun 07 – Mar 09	Jun 15 – Feb 16	Aug 18 – Mar 20	Nov 21 – Oct 23*	Average of Each Period Since Inception
FPA Queens Road Small Cap Value	-16.70%	-50.69%	-10.17%	-26.74%	-12.08%	-
Russell 2000 Value	-28.99%	-61.71%	-22.55%	-46.03%	-25.60%	-
Downside Capture	57.6%	82.1%	45.1%	58.1%	47.2%	58.03%
Outperformance (bps)	1229	1102	1238	1930	1352	-

Following quarter end, during the five business days of July 10 – July 16, the Russell 2000 Value Index suddenly leapt higher, rising more than 1% each day and 12.28% cumulatively. As is often the case in strong markets, the Fund lagged and was only up 7.73%, a 63% upside participation. We believe the causes of this sudden rally were technical – a reversal of the long Nasdaq 100 / short Russell 2000 positioning that had been wildly successful over the previous 18 months.[2]

The most interesting analysis of the small-cap rally came from Societe Generale as published by James Mackintosh in the Wall Street Journal. The magnitude of share price performance over those five days correlated extremely closely and linearly to market capitalization. Even *within* the small and large-cap indices, smaller performed much better than larger.[3] The Fund's holdings tend to be larger than those of the Russell 2000 Value Index, consistent with our preference for quality and our reluctance to take liquidity risk. Our positioning towards "larger small-cap companies" limited our participation in this melt up.

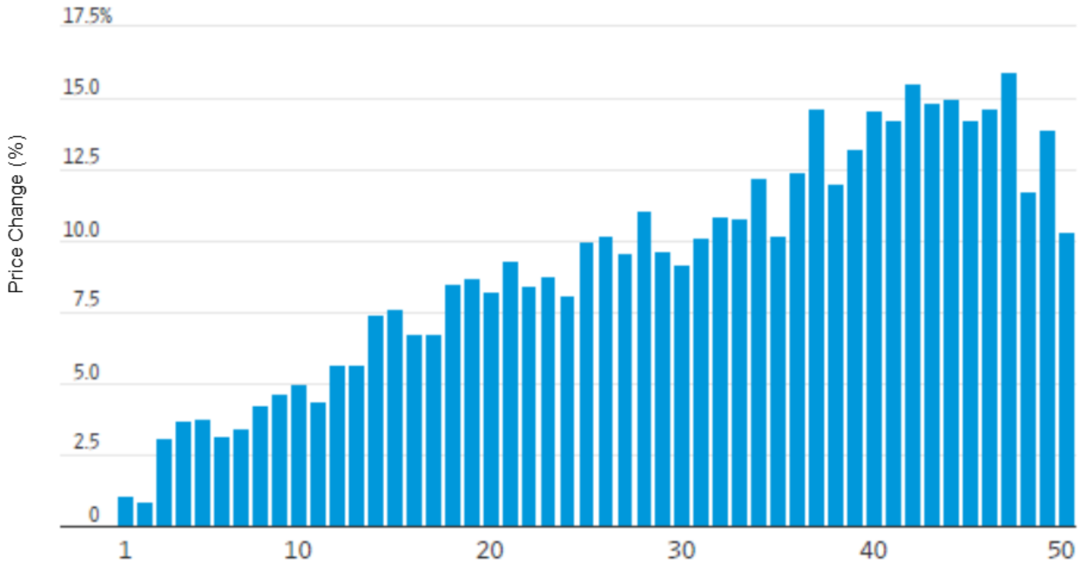
[1] As of June 30, 2024. Source: Morningstar Direct, FPA. Data shown for the FPA Queens Road Small Cap Value Fund – Investor Class ("Fund"). Inception of the Fund was June 13, 2002. The periods referenced above reflect Russell 2000 Value drawdowns 20% or greater and are calculated from that index's peak and trough dates, (i.e., 6/28/2002-10/9/2002, 6/4/2007-3/9/2009, 6/23/2015-2/11/2016, 8/22/2018-3/23/2020, 11/8/2021-10/27/2023). Please see page 1 for net performance of the Fund since inception. Please also see the end of this commentary for Important Disclosures and Definitions of Key Terms.

[2] Source: Bloomberg; https://www.bloomberg.com./news/articles/2024-07-16/riskiest-stocks-begin-an-epic-rotation-with-rate-cuts-in-sight

[3] Source: Wall Street Journal; https://www.wsj.com/livecoverage/stock-market-today-dow-sp500-nasdaq-live-07-18-2024/card/the-puzzle-of-the-small-stock-rally-uBLo3eK2c08LiOiggFtM?mod=lctimeline_finance

The following chart shows the Russell 3000 bucketed by market capitalization (size) on the X axis. On the Y axis are percentage returns from July 10, 2024 through July 16, 2024.

Small Stocks Are Juiced



Source: Societe General. The chart shows the Russell 3000 bucketed into 50 groups by market capitalization (size) on the X-Axis, where 1 represents the largest companies by market cap and 50 represents the smallest companies by market cap. The Y-axis shows the price change in each group for the 5-business day period from Wednesday July 10, 2024 through Tuesday July 16, 2024.

Market Commentary

Summary

- There are fewer quality companies in the small-cap indices than there are in the large-cap indices. This is what we mean when we call the Russell 2000 Index “junky”. 41% of the companies in the Russell 2000 have negative earnings on a trailing 12 month basis, a percentage that has more than doubled over the last 30 years.[4]
- In this letter, we focus on earnings consistency, a measure of quality that is important to our investment process. When we compare small companies to large companies *of similar earnings consistency*, small companies are significantly cheaper on a price-to-earnings basis.
- This is why we pound the table for active management in small-caps. When you buy a small-cap index, you get a few quality companies and a lot of junk. But discerning investors have the opportunity to assemble selective portfolios of quality small companies at reasonable prices.

[4] Source: Apollo Daily Spark; https://www.apolloacademy.com/small-cap-vs-large-cap-earnings-expectations/

Introduction

We've used the last several letters to write about the small-cap pond we fish in. To quickly reiterate:

- Small value has significantly underperformed large-caps over the last 10 years. But, over a longer time horizon, small value has outperformed.[5]
- Small-cap stocks are currently much cheaper than large-cap stocks.[6] But a big portion of the discrepancy is compositional. Beneath the hood, small-cap indices include many more banks and financials, a little more energy, and a lot less tech than large-cap indices. Small-caps also disproportionately over-earned post Covid and have debt servicing costs that are rising more rapidly than large-caps.[7]
- We are firmly on the quality side of the value spectrum. As bottom-up fundamental investors, we are having trouble finding new portfolio holdings that meet our requirements for quality while still trading at reasonable valuations.

We want to highlight another piece of the puzzle that we wrote about in the Q4 2023 letter.[8] In 2015, the researchers at AQR published a paper called "Size Matters, If You Control Your Junk".[9] Their research, as quantitative investors, showed that small-caps are generally junkier than large-caps - i.e., they score lower across the quality metrics that quantitative researchers look at such as low volatility, high margins, high capital efficiency, low leverage, high cash conversion, etc. *But, once you control for similar levels of quality, small outperforms large on a consistent basis.*

The two quality metrics we care about most are earnings consistency and high returns on capital. In this letter, let's look at earnings consistency and leave returns on capital for another day. Most investors intuitively understand that earnings consistency is a good thing. A business with consistent earnings in the past probably has a business model that can earn consistently in the future. It is evidence of a business that is both less cyclical and is less dependent on environmental or macro factors outside management's control. And earnings consistency makes it easier for the market to capitalize those earnings at a higher multiple – e.g., the bond proxy effect enjoyed by utilities and staples.

Methodology[10]

We looked at earnings consistency of constituents of the S&P 500 Index, the S&P 600 Index, and the FPA Queens Road Small Cap Value Fund as of Dec 31, 2023. Then, we compared price-to-earnings (P/E) ratios for sets of similarly consistent earners in those indices and the Fund. (*Readers who aren't interested in the details of this methodology should feel free to skip to the **Results** section below.)*

Earnings data can be very noisy (especially for small-caps) and we use a couple of adjustments to help make the data easier to work with.

[5] Source: Factset; Annualized total returns of the Russell 2000 Value Index and S&P 500 Index from Jan 1, 2014 – Dec 31, 2023 were 6.76% and 12.03, respectively, and for the period Jan 1, 1979 - Dec 31, 2023, annualized returns were 12.45% and 12.28%, respectively. Please see the Fund's Q4 2023 Commentary for more detail at https://fpa.com/funds/fpa-queens-road-small-cap-value-fund-quarterly-commentary-archive.

[6] Source: Yardeni Research; https://yardeni.com/charts/stock-market-p-e-ratios/

[7] See our Q2 2023 and Q3 2023 letters for additional detail; https://fpa.com/funds/fpa-queens-road-small-cap-value-fund-quarterly-commentary-archive.

[8] Available at https://fpa.com/funds/fpa-queens-road-small-cap-value-fund-quarterly-commentary-archive

[9] Source: AQR; Journal of Financial Economics; January 22, 2015; https://www.aqr.com/Insights/Research/Working-Paper/Size-Matters-If-You-Control-Your-Junk, and https://www.sciencedirect.com/science/article/pii/S0304405X18301326.

[10] The data noted in this section has been sourced from Factset.

Past results are no guarantee, nor are they indicative, of future results.

- We only went back to 2016. 10 years (2016 – 2025, because we include forward earnings per share (EPS) estimates) is a shorter time frame than we usually consider when we examine a company's historical financials. But, particularly for small-caps, the further back you go, the messier the data gets with more companies having unavailable, missing or bad data.
- We used the S&P 600 Index to represent small cap companies rather than the Fund's benchmark, the Russell 2000 Value Index. As noted earlier, the Russell 2000 Value Index contains a large proportion of companies with negative earnings where it doesn't make sense to talk about earnings consistency.[11] The S&P 500 Index was used to represent large cap companies.
- We used Factset's "earnings per share before unusual items" data (i.e., "adjusted EPS"). These data exclude unusual or one-time items such as gains, impairments, legal costs, and restructurings that are noisy and aren't tied to core business performance.
- We measured earnings consistency against the trend in earnings growth. To compute the trend in earnings growth, we used three-year averages for our start and end points. Because we are using the years 2016 – 2025, our trend line models earnings growth between 2017 (represented by taking the average of earnings in 2016, 2017 and 2018) and 2024 (average of 2023 and 2024 and 2025 estimates). This methodology helps normalize the trend by protecting against an extreme start or end point.

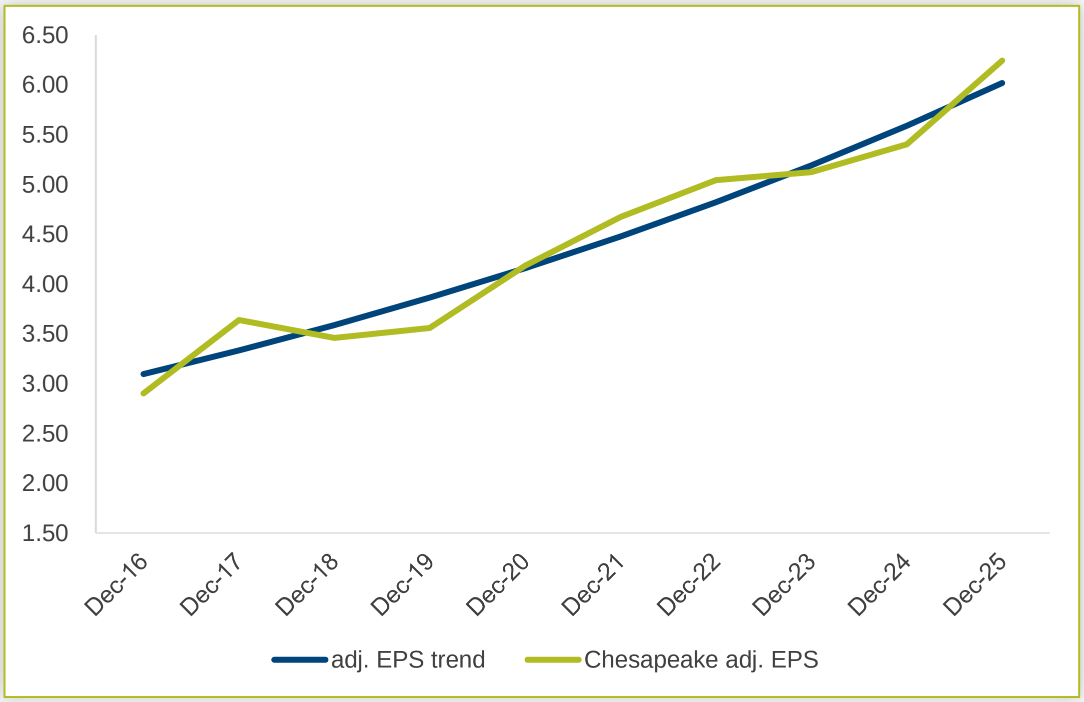
In the end, we came up with a number that we call "Stdev of EPS to Trend," which summarizes how closely a company's earnings in each individual year adhere to the overall earnings growth trend. The lower the number, the more closely annual earnings matched the trend. The higher the number, the more volatile earnings were when measured against the trend. A couple of examples should be helpful.

[11] Note: To be included in the S&P 600 Index, in addition to the market capitalization requirements (market cap of $1B to $6.7B), the companies in the index must have positive as-reported earnings over the most recent quarter, as well as over the most recent four quarters (summed together).

The top-ranking company in the S&P 600, with the lowest Stdev of EPS to Trend, is Chesapeake Utilities Corporation (CPK), a mid-Atlantic utility. Chesapeake has grown adjusted EPS at a 7.7% annual rate per the methodology above. And, over the 10 years we examined, the standard deviation of Chesapeake's adjusted EPS versus the trend line (Stdev of EPS to Trend) is only 5.5%. The biggest discrepancies were in 2017 when Chesapeake earned $3.64, 9% above the $3.33 in trend earnings, and in 2019, when Chesapeake earned $3.56, 8% below the $3.86 in trend earnings.

The data represented in the charts below were used in our Stdev of EPS to Trend calculations.

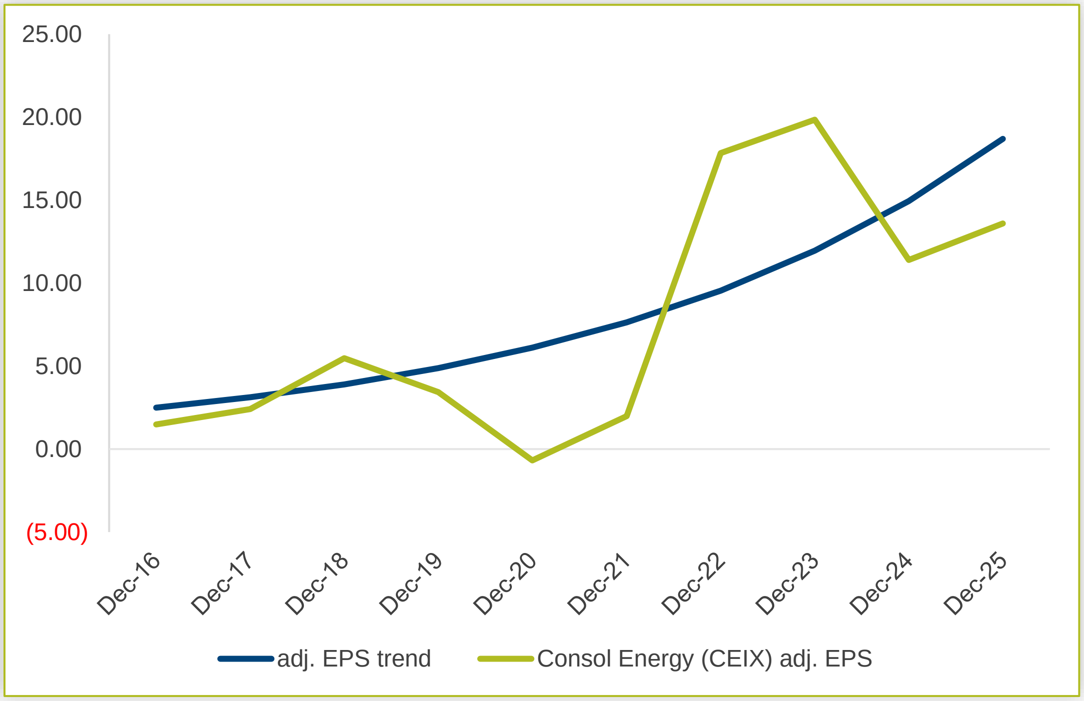
Chesapeake Utilities Corp adj. EPS vs. Trend



Source: Factset, Bragg estimates. Stdev means standard deviation.

The 290th ranked company in the S&P 600 based on Stdev of EPS to Trend is Consol Energy (CEIX), a coal producer. Consol has grown adjusted EPS at a 25% rate, but the standard deviation of Consol's adjusted EPS versus the trend line is 61% - significantly more volatile. For Consol, we can see the exponential curve upward in the trend, the result of earnings compounding at a relatively high rate.

Consol Energy adj. EPS vs. Trend



Source: Factset, Bragg estimates. Stdev means standard deviation.

In this analysis, we wanted to compare small-caps to large-caps on a like for like basis based on earnings consistency – our "Stdev of EPS to Trend" metric. We used the S&P 500 (the "large-cap index") as our baseline and ordered its constituents by Stdev of EPS to Trend. Over the past 10 years, the top decile (10%) has a Stdev of EPS to Trend of 12.3% or less, the top quintile (20%) has a Stdev of EPS to Trend of 13.8% or less and the top two quintiles (40%) have a Stdev of EPS to Trend of 20.1% or less. We then compared these baskets of S&P 500 holdings to baskets of companies in the S&P 600 and in the Fund with similar Stdev of EPS to Trend values. The results are summarized below.

Results

We are looking for stocks with consistent earnings. The small-cap index, as represented by the S&P 600 Index, has fewer stocks with low earnings volatility than the large-cap index. But, when comparing stocks of similar, low earnings volatility, we found that small stocks are cheaper than large stocks on a price to earnings basis.

The Fund has a similar allocation (by weight) to stocks with consistent earnings (low earnings volatility) as the large-cap index (S&P 500) and a larger allocation to stocks with consistent earnings than the small-cap index (S&P 600).

When comparing like-for-like consistent earners (low earnings volatility stocks), our Fund's holdings are slightly cheaper than those in the small-cap index (S&P 600) and are considerably cheaper than those in the large-cap index (S&P 500).

Let's start with the top decile of the S&P 500, the 10% of the large-cap stocks with the lowest earnings volatility (a Stdev of EPS to Trend of 12.3% or less). On a like-for-like basis, there are considerably less of these in the small-cap index (S&P 600) than there are in the large-cap index (S&P 500).

This collection of S&P 500 constituents with low earnings volatility trades at 24.5x trailing earnings. But you can find a collection of similarly consistent earners at a significantly lower P/E in the small-cap universe – roughly 20x earnings for those in the S&P 600 and approximately 18x earnings for those in our portfolio.[12]

	S&P 500	S&P 600	QRSVX
Earnings Volatility	**12.3%**	**12.6%**	**11.8%**
Weight	10.3%	5.7%	12.4%
Count*	13.3%	4.0%	8.2%
Weighted Avg. Trailing PE	24.45	19.75	18.15
Weighted Avg. Forward PE	21.79	17.47	14.28
Weighted Avg. 7 Yr. EPS CAGR	11.4%	12.8%	17.7%

* “Count” reflects the number of securities in each category divided by the total number of securities in the index/Fund as of Dec 31, 2023.

Of course, we are only looking at four stocks in the Fund (i.e., Axos Financial, Graco, SAIC, and Fabrinet) that have a Stdev of EPS to Trend of 12.3% or less, so let’s zoom out to include a wider universe.

We get similar results when we expand to the top quintile (20%) of low earnings volatility stocks in the S&P 500 (a maximum Stdev of EPS to Trend of 13.8%).[13] Again, there are fewer low earnings volatility stocks in the S&P 600, but those stocks are cheaper. The Fund has six holdings that match the S&P 500’s low earnings volatility threshold, coming close to the proportion in the S&P 500 on a weighted basis. But the Fund’s holdings were a lot less expensive, trading at 18x trailing earnings versus 27x trailing earnings for those in the S&P 500.

	S&P 500	S&P 600	QRSVX
Earnings Volatility	13.8%	13.9%	13.5%
Weight	20.9%	6.8%	17.8%
Count	17.5%	5.3%	12.2%
Weighted Avg. Trailing PE	27.10	19.28	18.04
Weighted Avg. Forward PE	24.36	17.35	14.63
Weighted Avg. 7 Yr. EPS CAGR	13.2%	12.5%	14.2%

[12] The statistics presented for the FPA Queens Road Small Cap Value Fund (QRSVX), including weight, exclude the Fund’s 9.4% allocation to cash.

[13] Apple, with a 7% weight in the index as of Dec 31, 2023, is the cutoff stock at the 20% (quintile) threshold for the S&P 500. The inclusion of Apple has an outsized effect on the financial metrics included in this low earnings volatility bucket.

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Results are similar when we expand the universe to include the top two quintiles (40%) of the S&P 500 sorted on earnings consistency (maximum Stdev of EPS to Trend of 20.1%). Microsoft, with a 7% weight in the S&P 500, is at the threshold and including it pushes the cumulative weight of this bucket up to 44%.[14] There are fewer small-cap stocks that meet this threshold, but the ones that do are cheaper. 35% of the Fund's equity holdings meet this threshold and collectively trade at roughly 16x trailing earnings compared to 25x trailing earnings for those in the S&P 500.

	S&P 500	S&P 600	QRSVX
Earnings Volatility	20.1%	20.2%	20.8%
Weight	44.0%	16.3%	35.3%
Count	32.1%	13.4%	24.5%
Weighted Avg. Trailing PE	25.09	17.90	15.83
Weighted Avg. Forward PE	21.88	16.56	13.29
Weighted Avg. 7 Yr. EPS CAGR	15.8%	11.3%	13.7%

The data above is meant to be illustrative. We are not quants, although we are numerical. We follow the numbers as far as we can take them, but no further. The data in this analysis are backward-looking. There is no guarantee that the trajectory of a company's earnings growth in the future will match its earnings growth in the past. But studies like this provide a useful starting point for sorting out the sprawl in our small-cap universe.
We don't want to own the small-cap index and we don't recommend that for other investors either. We want to own a selective collection of quality small companies, at reasonable valuations, that we believe can be more valuable in three to five years.

A complete list of FPA Queens Road Small Cap Value holdings and how they fared in this study can be found in the Appendix.

Portfolio Update[15]

- In the second quarter of 2024, the Fund didn't acquire any new positions. We used market volatility to rebalance the Fund toward more attractive opportunities in the portfolio.
- We incrementally added to 11 existing positions.
- We reduced our position in TD Synnex (SNX), our largest holding, as it exceeded our 5% single position risk limit. Similarly, we continued to trim our position in Deckers (DECK) as its market cap exceeded $20B. In the case of Deckers, we think the company's operational performance has been exceptional and thus we are balancing the potential for continued gains, tax optimization, and our mandate as a small-cap fund. As of June 30th, Deckers represented 0.91% of Fund assets.
- In the quarter, we sold our remaining shares of United Natural Foods (UNFI). The decision to exit UNFI was largely consummated in the first quarter 2024 and discussed in our first quarter letter.[16]

[14] Microsoft, also with a 7% weight in the index as of Dec 31, 2023, is the cutoff stock at the 40% (top two quintile) threshold for the S&P 500. The inclusion of Microsoft has an outsized effect on the financial metrics included in this low earnings volatility bucket.

[15] It should not be assumed that an investment in the securities mentioned was or will be profitable. The Fund's full list of holdings as of June 30, 2024 can be found at fpa.com.

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[16] The Q1 2024 Commentary can be found at: https://fpa.com/funds/fpa-queens-road-small-cap-value-fund-quarterly-commentary-archive.

- Brookfield's acquisition of long-time fund holding American Equity Life (AEL) was completed on May 2. Roughly 30% of the purchase price was paid for in shares of Brookfield Asset Management (BAM), and we have elected to continue holding our BAM shares for the time being. As of June 30th, our position in BAM represented 1.00% of Fund assets.
- The Fund's cash position as of the end of the second quarter was 10.36%.

Trailing Twelve Months (TTM) Contributors and Detractors[17]

Contributors	Performance Contribution	% of Portfolio	Detractors	Performance Contribution	% of Portfolio
TTM					
Fabrinet	3.41%	4.9%	MasTec	-1.25%	0.6%
Sprouts Farmers Market	2.65%	2.8%	Darling Ingredients	-1.01%	1.7%
Deckers Outdoor	1.79%	2.3%	IAC	-0.80%	2.3%
ServisFirst Bancshares	1.50%	3.4%	Arcadium Lithium	-0.68%	0.4%
TD Synnex	1.11%	4.8%	Vishay Intertechnology	-0.61%	2.2%
	10.47%	18.1%		-4.35%	7.3%

Trailing Twelve Months (TTM) Contributors[18]

- **Fabrinet (FN)** is a contract manufacturer of optical communications components and modules. The company has a dominant position in hard-to-replicate precision-manufacturing technologies and an enviable track record of execution. The majority of Fabrinet's sales are to networking equipment manufacturers, but it has been successfully diversifying into the data center, industrial, auto, and medical end-markets. FN's stock jumped after reporting June 2023 earnings – datacenter sales increased 50% sequentially and more than 100% over the previous year, driven by their 800-gigabyte transceivers for Artificial Intelligence applications. The company also announced that Nvidia is a 10%+ customer.

  Fabrinet was a top-five holding in the Fund before its June 2023 earnings announcement. Since then, the stock has appreciated considerably and we have trimmed in keeping with our risk management policies. Given the growth in its forward earnings estimates, Fabrinet trades in line with its historical earnings multiples and remains a top five position for us.
- **Sprouts Farmers Market (SFM)** is a natural grocer with great merchandising and best-in-class gross margins.[19] The company has attractive returns on capital, great new store economics, and they are accelerating their unit growth from 12 stores a year to 35 stores in 2024 on a base of roughly 400

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

[18] The company data and statistics referenced in the TTM Contributors and Detractors sections are sourced from company earnings calls, transcripts, and press releases, investor presentations, and financial disclosures (e.g., 10Q, 10-K) unless otherwise noted.

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

[19] As of March 31, 2024, Sprout's gross margin was 38.3%. (Source: Form 10-Q for the quarter ended March 31, 2024).

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stores. Over the past year, the stock has performed well after reporting strong operating results and from a low initial valuation.[20] The stock price jumped when the company reported 2023Q4 results and gave strong 2024 guidance on February 22, 2024. We have maintained our position and allowed it to appreciate. Although SFM's share price has increased faster than bottom line results, we believe SFM still trades in the "range of reasonableness" for a high-quality, non- cyclical franchise that can reinvest capital at attractive rates of return.

- **Deckers (DECK)** is a footwear and apparel company that owns the UGG, Hoka, Teva, Sanuk, and Koolaburra brands. We think management has done a terrific job growing and extending the UGG franchise. Now they are replicating that success with Hoka running shoes, which surpassed $1 billion in sales in 2023. At over thirty times forward earnings (as of June 30, 2024), we have weighed Deckers' valuation against the quality of its management team, strong brands, and net cash balance sheet and have trimmed our position. We first bought a small position in Deckers in 2015 and 2016 when the company was struggling with supply chain issues. Its stock price has increased more than ten times since then because of excellent operating performance, and we have trimmed all the way up. Given the company's exceptional financial performance and growth, the stock trades on the higher side of our "range of reasonableness" and we have continued to trim accordingly.

- **ServisFirst Bancshares (SFBS)** is a conservatively run lending franchise helmed by Tom Broughton. Tom hires local bankers but doesn't build branches – this allows for best-in-class efficiency metrics while maintaining a strong and conservative lending culture. Return on equity (ROE) and average earnings per share growth were near 20% for the 10 years through 2022 – very attractive for a conservative, plain vanilla commercial lender.[21] SFBS's share price declined significantly with other regional banks in 2023 as rising rates put pressure on deposit pricing, NIMs (net interest margins), and ROE (return on equity). Shares are up since the depth of regional banking crisis, and during the Q1 2024 earnings call, management said that NIM is improving as loan growth re-accelerates and the asset side of their balance sheet reprices higher.

- **TD Synnex (SNX)** is an information technology (IT) distributor formed through the merger of Tech Data and Synnex in 2021. IT distribution is an attractive business model that grows at a GDP+ rate with the opportunity for margin improvement through selling more software and services, although with some cyclicality. The IT distributors have historically traded cheaply, usually at less than 10x earnings.[22] We have owned Synnex since 2012 and Tech Data from 2010 until it was taken private by Apollo in 2020. SNX has performed well on the back of a strengthening IT market, particularly for PCs.

Trailing Twelve Months (TTM) Detractors

- **MasTec (MTZ)** is a contractor that builds and repairs infrastructure for telecoms, electric utilities, oil and gas pipelines, and the clean energy industry. The company benefits from strong spending for 5G in telecom and government support (including the Infrastructure Investment and Jobs Act) for clean energy and the electrical grid.[23] The Mas brothers have an impressive history of rolling up smaller players and growing earnings, most recently in the electrical and clean energy spaces. However, we became uncomfortable with the low margins and competition in the electrical utility and clean energy businesses. On Aug 4, 2023, in its Q2 2023 earnings release, the company reduced guidance, and we began to exit our position, partially in Q3 2023 and fully by the end of Q4 2023.

[20] Source: Factset. On June 30, 2023, SFM's share price was $36.73. This was 15x trailing EPS of $2.39 for the year ending Dec-22 and 13x forward EPS of $2.84 for the year ending Dec-23.
[21] Source: Factset. Cumulative average growth rate is based on diluted earnings per share for year ends 2013-2022.
[22] Source: Factset.
[23] Source: Factset; See discussion at the Credit Suisse Industrials Conference; Dec 1, 2022.

- **Darling Ingredients (DAR)** is the world's largest rendering operation with about 17% of the global market and a higher share in the core U.S. market.[24] The business is one part industrial where scale and route density are big advantages – they collect unused animal waste from slaughterhouses and butchers, and one part commodity – their plants process this waste into fats, bone meal and ingredients that trade at prices set by the global commodity markets. Finally, DAR's Diamond Green Diesel joint venture with Valero turns animal fats into green energy – a business that benefits from renewables subsidies and tax credits. The company took on debt to make three large acquisitions in 2022, adding additional complexity as DAR integrates the acquisitions and de-levers. The stock has sold off because of weakness in DAR's commodity end markets, falling renewable identification number (RIN) prices, and lower earnings and guidance reported for the second and third quarters of 2023.[25] We first purchased Darling shares in 2008 and have watched as CEO Randy Stuewe has grown Darling from a minnow to a global behemoth. As of June 30, 2024, Darling trades at approximately 10x normal earnings and, despite the company's commodity exposure and organizational complexity, we are comfortable holding a mid-sized position.

- **IAC** is a holding company helmed by Barry Diller and Joey Levin. IAC's model is to incubate digital businesses and then spin them off tax free. Past spinoffs include Ticketmaster, Expedia, Tripadvisor and Match.com. IAC invests opportunistically and generally runs its businesses for growth, keeping margins low and minimizing taxes. IAC's current collection of businesses are eclectic, including DotDash Meredith (websites and magazines), Turo (AirBnB for cars), Care.com, Vivian (job board for registered nurses), and 20% and 84% of the publicly traded shares of MGM and ANGI respectively. We believe these pieces are worth significantly more in aggregate than IAC's share price and that management will work to maximize that value for shareholders.

- **Arcadium Lithium (ALTM)** is an integrated, low-cost, well-managed lithium producer formed by the merger of Livent, which the Fund owned, and Allkem in Australia. The merger was completed at the beginning of the year and we received, and decided to hold, shares of Arcadium.[26] The share price has declined because of volatile lithium prices that collapsed from bubbly levels at the beginning of 2023.[27] Estimates for electric vehicle production are slowing and capacity got ahead of demand; the industry is now waiting for a supply response.[28]

  Arcadium is an unusual investment for us. We normally avoid the commodity and materials sectors, and have kept our position in Arcadium small. But we believe Arcadium has a unique position in an industry with a strong long-term outlook. The company has low-cost production assets, is virtually debt-free, and has considerable capacity additions planned near-term.

- **Vishay Intertechnology (VSH)** is a manufacturer of discrete semiconductors and passive components, mostly for the general industrial and auto markets. Although the industry is cyclical, competitive dynamics are stable and VSH benefits from electric vehicles and industrial electrification. Vishay's products are similar to ball bearings but for a technological rather than a mechanical economy: high value-to-cost, and they go into nearly everything. Shares have followed operating performance that has drifted down from post-Covid highs following the industrial cycle and a slowdown in electric vehicle (EV) production. Management has an ambitious plan to grow capacity, sales, and margins. We are cautiously optimistic and have been incrementally adding to our position.[29]

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[24] Source: Mar 6, 2023 Raymond James Institutional Investors Conference transcript.

[25] Source: Darling 23Q2 and 23Q3 earnings releases; https://ir.darlingii.com/quarterly-results

[26] Source: https://www.prnewswire.com/apac/news-releases/arcadium-lithium-announces-completion-of-merger-of-equals-between-allkem-and-livent-302026367.html

[27] Source: https://tradingeconomics.com/commodity/lithium

[28] Source: https://www.fastmarkets.com/insights/battery-materials-market-facing-oversupply-and-macroeconomic-headwinds-in-2024-2024-preview/

[29] Source: Vishay Intertechnology April 2, 2024 Investor Day; https://vishayinvestorday.gcs-web.com/

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

Conclusion

The Fund's cash position is a residual of the investment process. When we cannot find companies that meet our stringent criteria, we will allow cash to build. Over a long time horizon, we would prefer to own a diversified collection of quality companies (acquired at reasonable prices) instead of cash. But we weigh this objective against our reluctance to sacrifice a margin of safety and to risk the permanent impairment of capital. At quarter end, our cash position was 10.36%, within rounding of our 10% cap policy.

We do not have a crystal ball or make short-term predictions on market direction. We work from the bottom up, looking for companies with long histories of success through diverse economic environments. Our focus on the Four Pillars – balance sheet, valuation, management and industry structure – lets us sleep well at night and gives us confidence that the Fund's holdings will be worth more in three-to-five years than they are today.

As always, and as significant co-investors in the Fund, we appreciate your trust in us to be good stewards of your capital. If you would like to discuss performance or the Fund's portfolio holdings in greater detail, please let us know.

Respectfully,

Steve Scruggs, CFA, Portfolio Manager

Ben Mellman, Senior Analyst

July 23, 2024

Appendix: FPA Queens Road Small Cap Value holdings as of Dec 31, 2023 sorted by earnings consistency (Stdev of EPS to Trend)

Ticker	Name	Weight	Stdev of EPS to Trend	P/E	Fwd P/E	7-Year Earnings CAGR
AX	Axos Financial, Inc.	2.93	10.1%	10.77	7.10	17.9%
GGG	Graco Inc.	1.40	11.5%	29.53	28.11	11.2%
SAIC	Science Applications International Corp.	1.78	11.6%	13.66	15.36	12.1%
FN	Fabrinet	5.40	11.8%	27.75	21.87	21.3%
CSGS	CSG Systems International, Inc.	2.02	13.3%	19.94	13.14	8.2%
MSM	MSC Industrial Direct Co., Inc. Class A	2.82	13.5%	16.53	17.85	4.1%
SFM	Sprouts Farmers Market, Inc.	2.45	15.3%	17.12	15.37	16.1%
SNX	TD SYNNEX Corporation	4.70	16.0%	12.57	8.93	6.6%
DECK	Deckers Outdoor Corporation	2.68	17.7%	23.21	21.52	29.0%
SFBS	ServisFirst Bancshares Inc	3.68	19.1%	16.88	17.49	11.1%
UNF	UniFirst Corporation	0.33	19.2%	33.10	24.47	1.3%
MTG	MGIC Investment Corporation	2.08	20.8%	7.76	7.57	10.8%
GPK	Graphic Packaging Holding Company	0.97	22.1%	9.45	9.15	18.1%
NJR	New Jersey Resources Corporation	2.06	29.0%	22.94	15.31	4.6%
OSK	Oshkosh Corp	3.05	29.1%	11.89	9.62	12.9%
LFUS	Littelfuse, Inc.	0.36	29.2%	24.41	31.58	7.7%
VSEC	VSE Corporation	0.51	32.3%	21.97	18.29	3.0%
MDU	MDU Resources Group, Inc.	0.81	33.8%	9.86	12.38	7.9%
AGCO	AGCO Corporation	0.26	34.5%	7.79	9.99	25.5%
LEVI	Levi Strauss & Co. Class A	1.20	35.5%	17.16	13.05	7.1%
GIII	G-III Apparel Group, Ltd.	2.18	36.9%	8.86	9.58	10.3%
ARW	Arrow Electronics, Inc.	2.01	41.2%	7.37	11.61	10.5%
IDCC	InterDigital, Inc.	4.44	49.2%	14.63	19.27	1.1%
CNXC	Concentrix Corporation	2.68	50.2%	12.74	8.24	44.1%
DAR	Darling Ingredients Inc	1.65	52.6%	12.34	17.34	26.9%
SCHL	Scholastic Corporation	1.90	53.3%	15.10	18.76	10.8%
PVH	PVH Corp.	4.06	53.3%	10.65	11.10	5.8%
THS	TreeHouse Foods, Inc.	1.04	56.9%	18.08	18.30	4.8%
RLI	RLI Corp.	3.07	61.4%	20.14	22.98	16.1%
HMN	Horace Mann Educators Corporation	2.07	66.2%	30.01	10.55	3.0%
LTHM	Livent Corporation	1.31	69.4%	12.75	12.75	21.5%
VSH	Vishay Intertechnology, Inc.	2.08	81.1%	9.97	28.32	9.3%
CSWI	CSW Industrials, Inc.	2.42	83.0%	31.79	25.99	37.8%
UPBD	Upbound Group, Inc.	1.13	83.6%	19.54	9.01	24.8%
AAN	Aaron's Company Inc	0.31	90.8%	4.69	78.39	-14.8%
MATV	Mativ Holdings, Inc.	0.51	100.8%	(52.42)	14.79	-14.6%
DCO	Ducommun Incorporated	0.70	115.1%	29.86	20.06	3.9%

UGI	UGI Corporation	2.19	129.8%	23.61	8.40	-2.6%
EQC	Equity Commonwealth	0.24	130.7%	25.43	25.43	-9.3%
AEL	American Equity Investment Life Holding Company	3.28	147.3%	27.07	7.87	7.9%
UNFI	United Natural Foods, Inc.	0.90	167.3%	20.02	(568.86)	-23.1%
QRVO	Qorvo, Inc.	0.59	170.9%	86.83	18.64	34.4%
OMI	Owens & Minor, Inc.	0.01	172.5%	56.99	12.37	8.4%
FSTR	L. B. Foster Company	0.36	173.1%	186.66	13.13	-198.5%
ESGR	Enstar Group Limited	1.25	194.9%	4.30	7.96	31.2%
CNO	CNO Financial Group, Inc.	2.06	264.8%	11.62	9.08	33.6%
SYNA	Synaptics Incorporated	2.17	903.1%	62.31	52.38	49.7%
IAC	IAC Inc.	2.10	-	(19.69)	(132.85)	-
KNF	Knife River Corporation	0.65	-	20.05	18.26	-

Data as of Dec. 31, 2023. Stdev of EPS to Trend is our measure of earnings volatility and covers the 10-year period from Jan 1, 2015 through Dec 31, 2025. See the Commentary for the full methodology. Weight as listed in this table is the actual weight in the portfolio based on total net assets while the weights referenced in the tables on Pages 8-9 are exclusive of the Fund's 9.4% cash holding as of Dec. 31, 2023.

Important Disclosures

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

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

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

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

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

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

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

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

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

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

The Fund primarily invests in equity securities (common stocks, preferred stocks and convertible securities) of **small-capitalization U.S. companies**, defined as those with market-capitalization, at the time of purchase, that is no greater than the largest market-capitalization of any company included in the Russell 2000 Index. Investing in small companies involves special risks including, but not limited to, the following: smaller companies typically have more risk and their company stock prices are more volatile than that of large companies; their securities may be less liquid and may be thinly traded which makes it more difficult to dispose of them at prevailing market prices; these companies may be more adversely affected by poor economic or market conditions; they may have limited product lines, limited access to financial resources, and may be dependent on a limited management group; and small-cap stocks may fluctuate independently of large-cap stocks. All investment decisions are made at the discretion of the Portfolio Manager, in accordance with the then current Prospectus. Comparison to any index is for illustrative purposes only.

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

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

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

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Index / Benchmark / Category Definitions

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

Russell 2000 Index is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index.

The **Russell 2000 Value Index** is a subset of the Russell 2000 Index, and tracks the stocks of small domestic companies, based on total market-capitalization. The Russell 2000 Value Index represents those stocks of the Russell 2000 with lower price-to-book ratios and lower relative forecasted growth rates. A total return index computes the index value based on-capital gains plus cash payments such as dividends and interest.

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

Standard & Poor's 600 Stock Index (S&P 600) is an index of small-cap stocks managed by Standard & poor's. It tracks a broad range of small-sized companies that meet specific liquidity and stability requirements. This is determined by specific metrics such as public float, market capitalization, and financial viability, among other factors.

Small-cap Value Companies: The term small-cap describes companies with a relatively small market-capitalization. A company's market-capitalization is the market value of its outstanding shares. The definition for small-cap varies, but generally means a company with $300 million to $2 billion in market-capitalization.

Other Definitions

Compound annual growth rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

Downside-capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has fallen. The ratio is calculated by dividing the manager's returns by the returns of the index during the down market, and multiplying that factor by 100. BPS or basis points; 1 bps is equal to 0.01%.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. **Earnings yield** is the earnings per share for the most recent 12-month period divided by the current market price per share.

Expected earnings are an estimate for a company's future quarterly or annual earnings per share (EPS).

Forward earnings are an estimate of the next period's earnings of a company, usually through the completion of the current fiscal year and sometimes to the following fiscal year.

Free cash flow (FCF) is the cash a company generates after taking into consideration cash outflows that support its operations and maintain its-capital assets.

Margin of safety is a principle of investing in which an investor only purchases securities when their market price is significantly below their intrinsic value.

Market Cycle reflects the four most recent market cycles (peak to peak) defined as a period that contains a decline of at least 20% from the previous market peak over at least a two-month period and a rebound to establish a new peak above the previous one by the Russell 2000 Value Index. The portfolio manager considers a full market cycle to typically be a period of five years or more.

Net income margin measures how much net income or profit is generated as a percentage of revenue.

The **Operating margin** measures how much profit a company makes on a dollar of sales after paying for variable costs of production.

The **Price-to-earnings (P/E) ratio** is the ratio for valuing a company that measures its current share price relative to its earnings per share.

Return on Equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

Return on Invested Capital (ROIC) is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.