



# FPA Crescent Fund (FPACX)

## Third Quarter 2018 Webcast Presentation

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# Q3 2018 agenda

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- Philosophy
- Performance
- Portfolio Characteristics
- Portfolio Insights
- Market Commentary
- Question & Answer

# FPA Crescent investment objective and philosophy

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## Investment objective

- The FPA Crescent Fund seeks to generate **equity-like returns** over the **long-term**, take **less risk** than the market and avoid permanent impairment of capital.

## Philosophy

- Flexible approach
  - We utilize a **go-anywhere approach** with a **broad mandate** allowing us to invest **across asset classes and the capital structure** and in a variety of market caps, geographies and sectors without regard to benchmark weights.
  - We can make illiquid investments and may sell short securities.
- Absolute return focus
  - We invest when we believe there is a **compelling economic risk/reward proposition** on an absolute basis.
  - We are **willing to hold meaningful amounts of cash** for prolonged periods if opportunities do not present themselves.
- Deep research
  - We strive to understand our companies better than most. Through independent, bottom-up, fundamental research we try to **minimize risk** by reading the footnotes and fine print. One of the first questions we always ask is, “What can go wrong?”
  - We incorporate an understanding (though it may be uncertain at times) of the **macroeconomic environment**.
- Patience
  - While we complete our research
  - While we wait for an appropriate price
  - While we hold an investment

# Opportunity set

Typical asset classes used to accomplish goal	FPA Crescent	Allocation – 50% to 70% Equity	World Allocation	World Stock	Long-Short Equity
U.S. Equities (All Cap)	✓	✓	✓	✓	✓
Developed Equities (All Cap)	✓		✓	✓	
Emerging Market Equities (All Cap)	✓		✓	✓	
Pair Trades/Stub Trades	✓				✓
High Yield Bonds (Global)	✓				
Distressed Debt (Global)	✓				
Investment Grade Bonds	✓	✓	✓		
Other Fixed Income (Preferred, convertible, etc.)	✓				
Shorting	✓				✓
Illiquids – typically up to 5%* (Examples include subprime whole loans, farmland, private term loans)	✓				

Source: FPA, Morningstar

\* While the SEC limit is 15%, the fund typically does not exceed 5% illiquids

# Performance

Trailing Performance (%)										Market Cycle Performance	
As of Date: 9/30/18	Inception*	20 Years	15 Years	10 Years	5 Years	3 Years	1 Year	YTD	QTD	3/25/00-10/9/07	10/10/07-9/30/18
FPA Crescent	10.21	9.13	8.25	8.20	6.96	8.98	6.46	3.46	4.15	14.70	6.77
S&P 500	9.76	7.42	9.65	11.97	13.95	17.31	17.91	10.56	7.71	2.00	8.12
MSCI ACWI**	-	-	-	-	8.67	13.40	9.77	3.83	4.28	-	4.19
60% S&P500/40% BBgBarc US Agg	8.16	6.53	7.51	8.91	9.22	10.77	9.99	5.64	4.59	3.97	6.65
CPI	NA	2.19	2.08	1.42	1.52	2.00	2.28	1.63	0.45	2.75	1.74
Net Risk Exposure	66.8									57.8	61.2

## Annual Performance (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
FPA Crescent	10.39	10.25	-2.06	6.64	21.95	10.33	3.02	12.04	28.37	-20.55	6.84
S&P 500	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46	-37.00	5.49
MSCI ACWI	23.97	7.86	-2.36	4.16	22.80	16.13	-7.35	-	-	-	-
60% S&P500/40% BBgBarc US Agg	14.21	8.31	1.28	10.62	17.56	11.31	4.69	12.13	18.40	-22.06	6.22
CPI	2.03	2.10	0.67	0.69	1.55	1.78	3.06	1.44	2.81	-0.02	4.11

Calculated using Morningstar Direct. Periods greater than one year are annualized. FPA Crescent Fund ("Fund") performance is net of all fees and expenses and includes the reinvestment of distributions. 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. **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 [www.fpa.com](http://www.fpa.com) or by calling toll-free, 1-800-982-4372. A redemption fee of 2% will be imposed on redemptions within 90 days. Expense ratio as of most recent prospectus is 1.10%.**

\* Fund Inception: June, 2, 1993. Performance prior to March 1, 1996 reflects the historical performance of a predecessor fund. FPA assumed control of the predecessor fund on March 1, 1996. The Fund's objectives, policies, guidelines and restrictions are, in all material respects, equivalent to those of the predecessor fund.

Comparison to the S&P 500, the MSCI ACWI Index, the 60%S&P500/40% BBgBarc US Agg Index and the CPI 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 MSCI ACWI was not considered a relevant illustrative index prior to 2011 because the Fund was not classified as a global mandate until this point in time.

Market Cycle Performance reflects the two 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 prior market peak. The current cycle is ongoing and thus presented through the most recent quarter-end. Once the cycle closes, the results presented may differ materially.

**Net Risk Exposure:** Percentage of portfolio exposed to Risk Assets. **Please refer to the end of the presentation for Important Disclosures, including definitions of key terms.**

# Active stock selection has driven differentiated returns

## FPA Crescent Fund - Long Equity Carve-Out Gross Performance vs. Indices

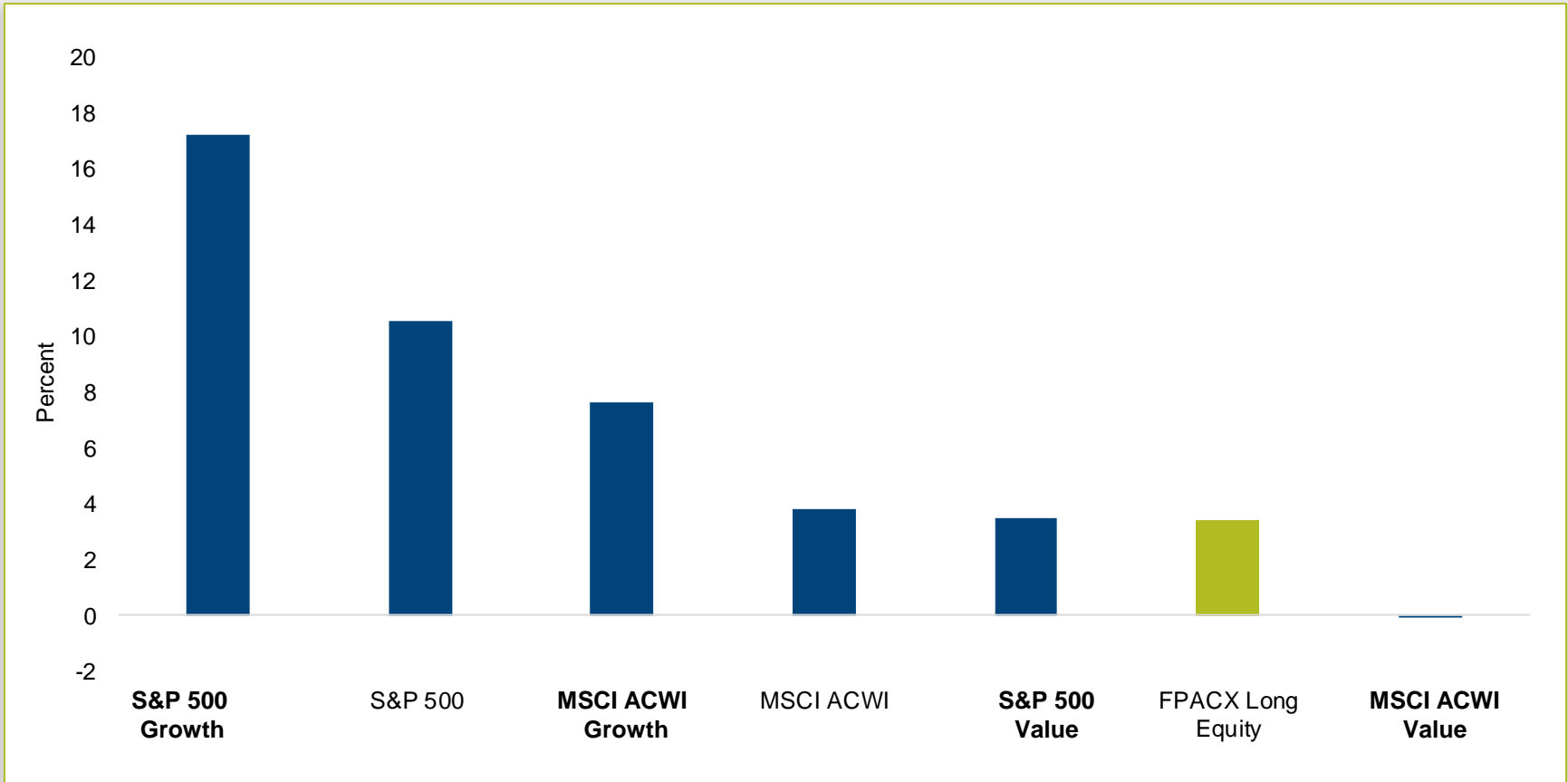
	2007 - Q3 2018 CAGR	2018 9 mos	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
FPACX long equity	10.54%	3.40%	21.07%	15.57%	-0.64%	13.64%	38.12%	17.77%	4.58%	22.48%	38.66%	-38.27%	11.47%
S&P 500	8.60%	10.56%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%	2.11%	15.06%	26.46%	-37.00%	5.49%
<i>Excess Return vs. S&amp;P 500</i>	<b>1.94%</b>	<b>-7.16%</b>	<b>-0.76%</b>	<b>3.61%</b>	<b>-2.02%</b>	<b>-0.05%</b>	<b>5.73%</b>	<b>1.77%</b>	<b>2.47%</b>	<b>7.42%</b>	<b>12.20%</b>	<b>-1.27%</b>	<b>5.98%</b>
MSCI ACWI	5.26%	3.83%	23.97%	7.86%	-2.36%	4.16%	22.80%	16.13%	-7.35%	12.67%	34.63%	-42.19%	11.66%
<i>Excess Return vs. MSCI ACWI</i>	<b>5.28%</b>	<b>-0.42%</b>	<b>-2.90%</b>	<b>7.71%</b>	<b>1.72%</b>	<b>9.48%</b>	<b>15.32%</b>	<b>1.64%</b>	<b>11.93%</b>	<b>9.81%</b>	<b>4.03%</b>	<b>3.92%</b>	<b>-0.19%</b>

Source: FPA and Morningstar Direct. The table above shows the performance of the long equity segment of the Fund only and is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. Please refer to page 5 for overall net performance of the Fund since inception. The long equity performance information shown herein is for illustrative purposes only and may not reflect the impact of material economic or market factors. 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. Alpha compares how the Fund's long equity investments performed relative to each respective benchmark listed.

Comparison to the S&P 500, the MSCI ACWI Index, the 60%S&P500/40% BBgBarc US Agg Index and the CPI is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. The MSCI ACWI was not considered a relevant illustrative index prior to 2011 because the Fund was not classified as a global mandate until this point in time. Active security selection refers to the fact that the Fund can make investments outside of the index or in different weights than the index and thus Fund performance may differ, sometimes materially, for any given period as compared to a given index. An investor cannot invest directly in an index. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures and definitions of key terms.**

# Growth continues to dominate value in 2018

2018 Index Performance YTD



As of September 30, 2018

Source: Morningstar. Past performance is no guarantee, not is it indicative, of future results.

# Winners and losers

Contributors	Performance Contribution	Detractors	Performance Contribution
<b>Q3 2018</b>			
Arconic	0.59%	JD.com	-0.32%
Nexeo	0.51%	Facebook	-0.25%
Oracle	0.49%	Baidu	-0.13%
United Technologies	0.30%	WPP	-0.10%
Puerto Rico Municipal Bonds	0.30%	Heidelbergcement	-0.08%
	<b>2.19%</b>		<b>-0.88%</b>
<b>YTD 2018</b>			
Puerto Rico Bonds	0.74%	Jefferies	-0.38%
Microsoft	0.68%	Arconic	-0.35%
Cisco Systems	0.45%	JD.com	-0.32%
Nexeo Solutions	0.45%	American International Group	-0.27%
Alphabet	0.44%	WPP	-0.26%
	<b>2.76%</b>		<b>-1.59%</b>

Reflects the top contributors and top detractors to the Fund's performance based on contribution to return for the quarter and trailing twelve months. Contribution is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The list of top and bottom 5 holdings should not be considered a recommendation to purchase or sell a particular security, represents only a small percentage of the entire portfolio and the securities noted may not remain in the portfolio at the time you receive this report. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter or year-to-date. Based on weighted contribution to the Fund's trailing three month and twelve month performance as of September 30, 2018. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the quarter and year-to-date is available by contacting FPA Client Service at [crm@fpa.com](mailto: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. **Past performance is no guarantee of future results.** Portfolio composition will change due to ongoing management of the Fund. **Please refer to the end of the presentation for important disclosures.**



# Investment Example: Puerto Rico municipal bonds

## Puerto Rico bonds plunge after Trump pledge to wipe out debt

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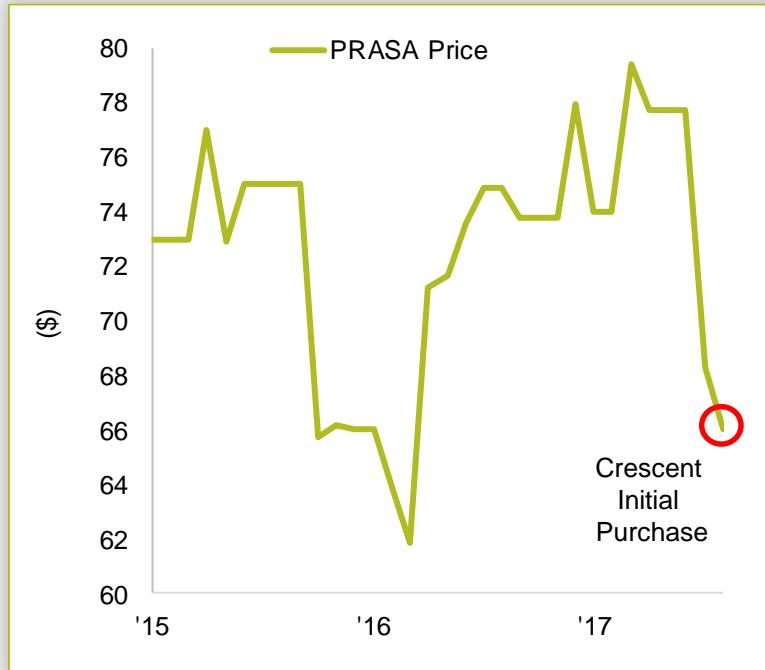
*“We are going to work something out. We have to look at their whole debt structure. They owe a lot of money to your friends on Wall Street. We will have to wipe that out. It’s going to have to be. You can say goodbye to that. I don’t know if it’s Goldman Sachs but whoever it is, you can wave goodbye to that.”* - President Trump

Source: Fox News

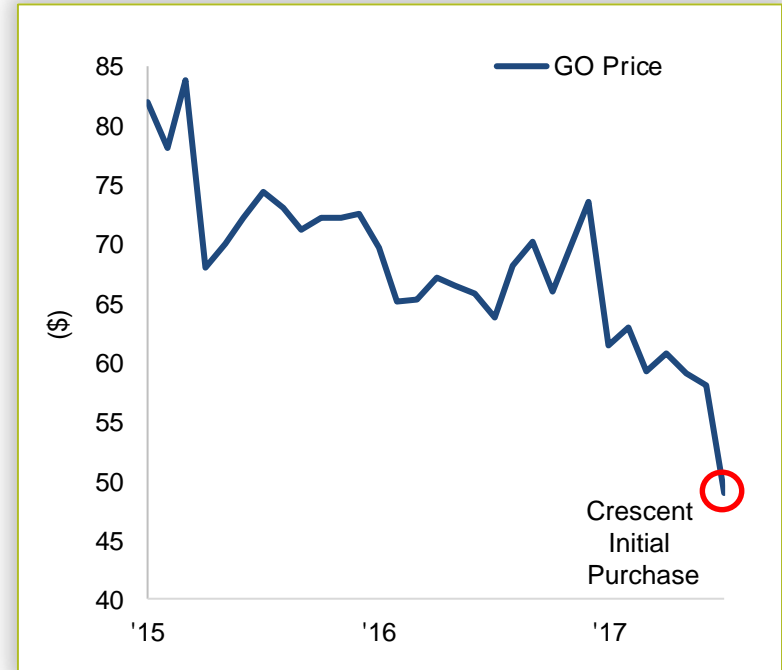
This case study is being shown only as an illustration of FPA's investment process and is not a recommendation for any particular type of security, transaction or sector, and was not chosen based on performance. It should not be assumed that any transaction in the future will be profitable. This case study is not representative of the overall performance of the Fund as is demonstrated by the Fund's past performance numbers. This case study is being shown only as an example of what the Adviser is seeking to achieve in managing the Fund, but is not necessarily indicative of what has actually been achieved with all of the investments or will be achieved going forward. References to specific securities, transactions or sectors should not be construed as recommendations by the Fund, the portfolio managers, its Adviser or Distributor. Any information provided is not a sufficient basis upon which to make an investment decision. The information provided does not constitute, and should not be construed as, an offer or solicitation with respect to any securities, products or services discussed. **Past performance does not guarantee future results and results may differ over future time periods. Please refer to the end of the presentation for important disclosures.**

# Investment Example: Puerto Rico municipal bonds

## Puerto Rico Aqueduct and Sewer Authority (PRASA)



## Puerto Rico General Obligation (GO)



Data shows price history of the two municipal bond issues from March 31, 2015 through October 31, 2017, when FPA Crescent first began buying the securities.

Source: Bloomberg

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# Asset class composition

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Risk Asset	Q3 2018	2017 Year End	Average Since 3/1/1996*
Common stock, long	71.2%	67.2%	54.7%
Common stock, short	-9.0%	-8.7%	-5.0%
Credit	3.8%	4.0%	12.0%
Other	1.3%	0.7%	0.3%
Exposure, Net	67.3%	63.3%	63.3%
No. of Equity Positions	45	40	39

\* Fund Inception Date: June 2, 1993. FPA assumed control of the Fund on March 1, 1996. Data presented is for the period March 1, 1996 – June 30, 2018. Data prior to March 1, 1996 is not available. If included, the allocations presented may differ materially, depending upon the time period.

Risk Assets include all investments excluding cash and cash equivalents. 'No. of equity positions' excludes paired trades, private placements and multiple share classes.

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# Equity - characteristics

	FPA Crescent Q3 2018	FPA Crescent Average <sup>1</sup>	S&P 500 Q3 2018	MSCI ACWI Q3 2018
Market Capitalization, Wgt. Avg. (in millions)	\$135,582	\$41,289	\$247,460	\$160,520
Market Capitalization, Median (in millions)	\$25,105	\$12,024	\$21,686	\$10,077
Price/Earnings, trailing 12 months	28.6	18.2	24.3	18.8
Price/Earnings, next 12 months	14.0	14.5	17.6	15.5
Price/Book	1.8	1.7	3.5	2.4
Debt/Capital	5.5%	5.7%	55.0%	49.0%
Return on Equity	11.0%	12.6%	17.5%	15.8%

Source: CapIQ, Mellon, and FPA.

Fund Inception: June 2, 1993.

<sup>1</sup> Market Capitalization, Wgt. Avg. and Median, and Price/Book is for the period September 30, 1996 through September 30, 2018. Data for the Fund prior to September 30, 1996 is not available. Price/Earnings, trailing 12 months, is for the period March 31, 1999 through September 30, 2018. Data for the Fund prior to March 31, 1999 is not available. Debt/Capital is for the period December 31, 1997 through September 30, 2018 and for FPA Crescent excludes lenders. Data for the Fund prior to December 31, 1997 is not available. Return on Equity is for the period March 31, 1999 through September 30, 2018. Data for the Fund prior to March 31, 1999 is not available. Price/Earnings, next 12 months, is for the period December 31, 1997 through September 30, 2018 and is an average of year-end data only. Data for the Fund prior to December 31, 1997 is not available. If these characteristics were presented since Fund Inception, the information may differ materially.

The table above shows the performance of the equity segment of the Fund only, excluding cash/cash equivalents and pair trades. Please refer to page 5 for overall net performance of the Fund since inception. The long equity performance information shown herein is for illustrative purposes only and may not reflect the impact of material economic or market factors. 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.

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# Equity – geographic exposure

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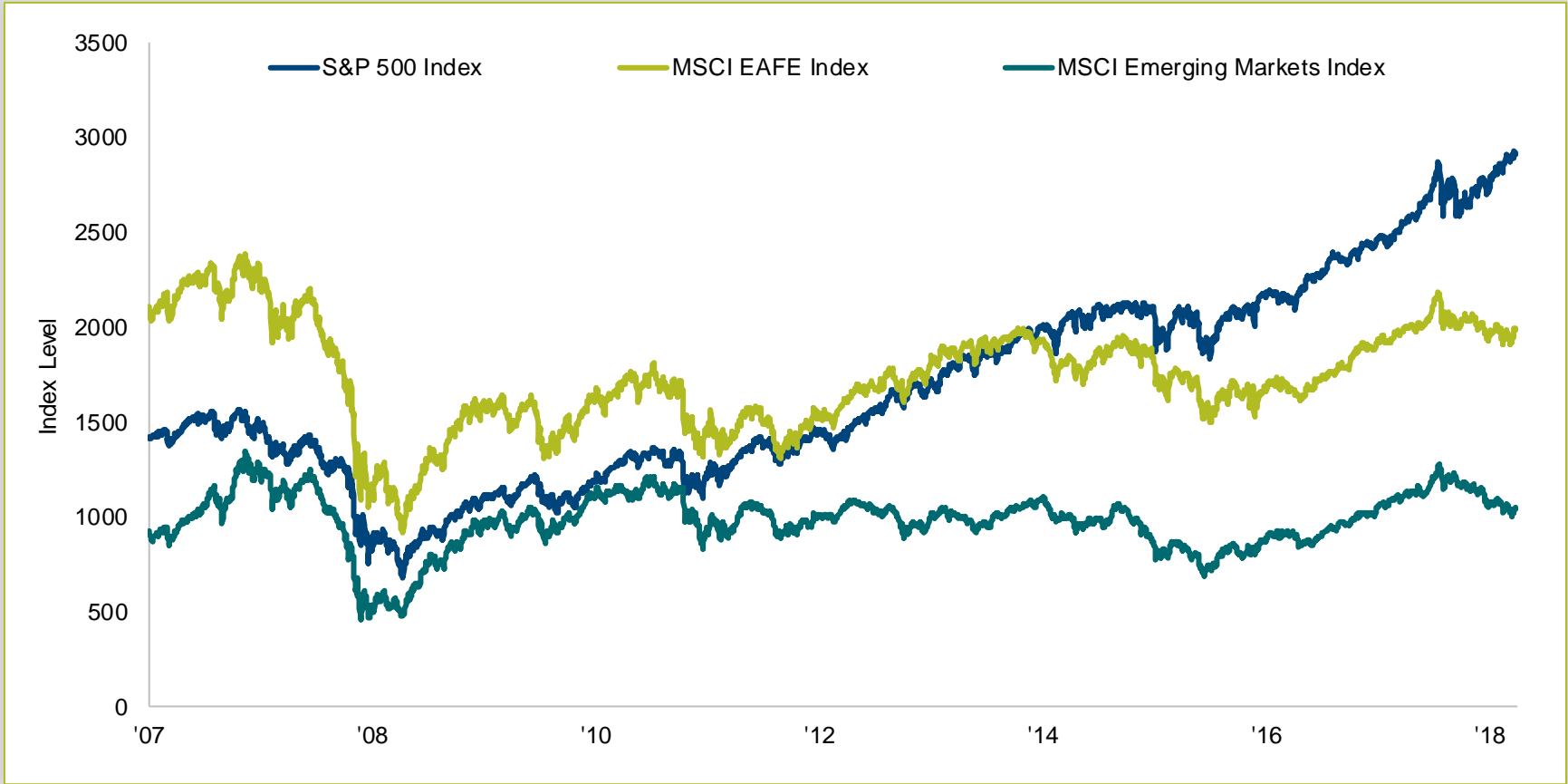
	Domicile	Revenue
North America	76.3%	45.0%
South America	-	1.4%
Uncategorized Americas	-	4.9%
Western / Northern Europe	18.5%	12.2%
Central / Eastern Europe	0.2%	0.4%
Asia / Pacific	-	10.5%
Middle East / Africa	5.1%	9.7%
Uncategorized Non-US	-	15.8%

Source: Bloomberg, based on country of domicile and revenue by geography. Revenue refers to the geographic location of companies' revenue sources, rather than where they are domiciled, and may provide insight into the portfolios' geographic diversification. Domicile and revenue composition for the Fund's net equity positions as of September 30, 2018. Portfolio composition will change due to ongoing management of the Fund.

**Please refer to the end of the presentation for important disclosures.**

# Stock markets near all-time highs

S&P 500, MSCI EAFE, MSCI Emerging Markets Indexes



As of September 30, 2018

Source: Bloomberg

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# CAPE valuation only higher on one occasion

S&P 500 CAPE Ratio, Monthly Since 1900



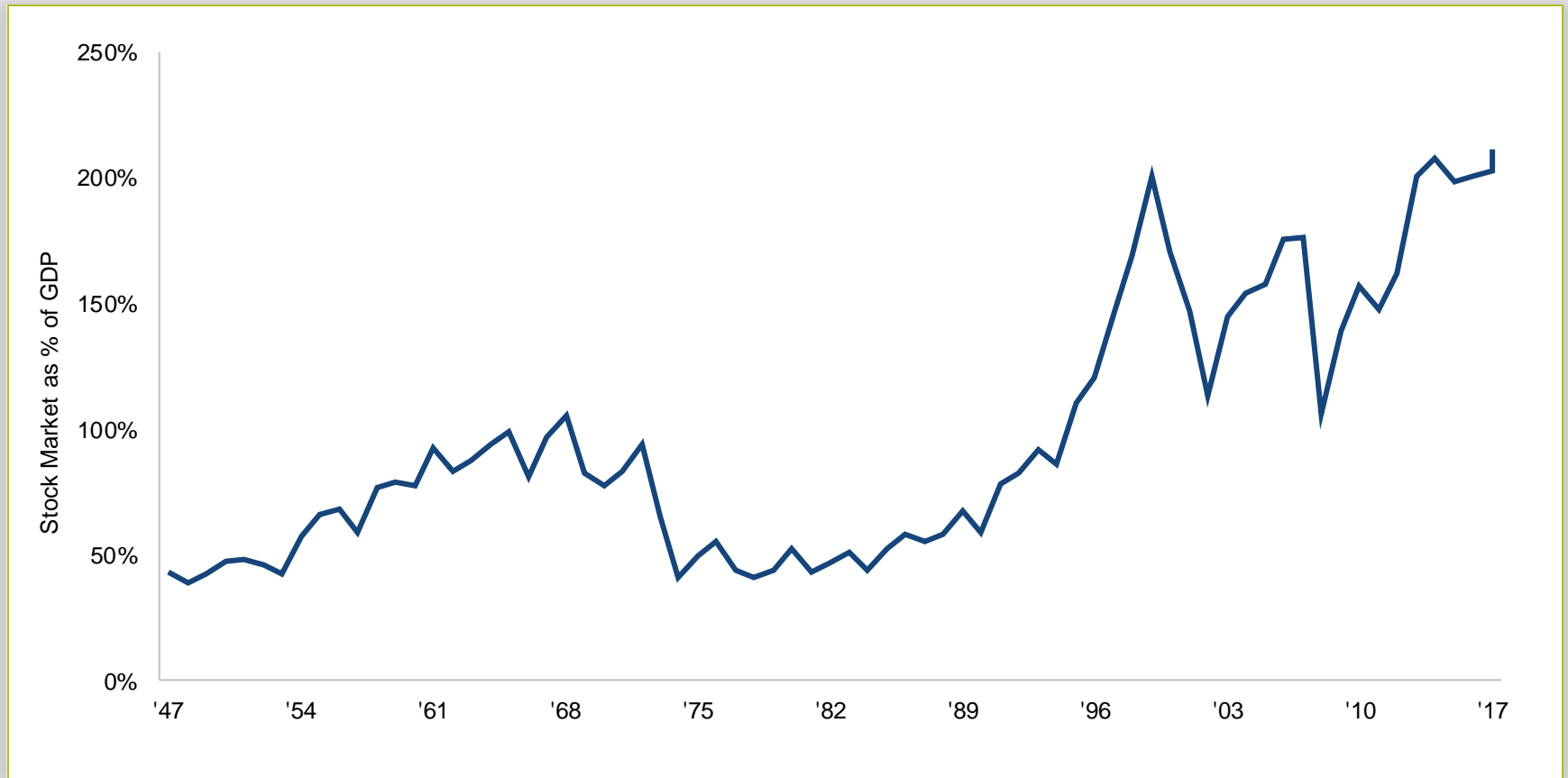
As of September 30 2018

Source: Shiller

CAPE (or Shiller PE) is the cyclically-adjusted price to earnings ratio. **Past performance is no guarantee, nor is it indicative, of future results.** Please refer to end of presentation for important disclosures.

# US equity market value at new high relative to GDP

Stock Market as a Percent of GDP



As of December 31, 2017

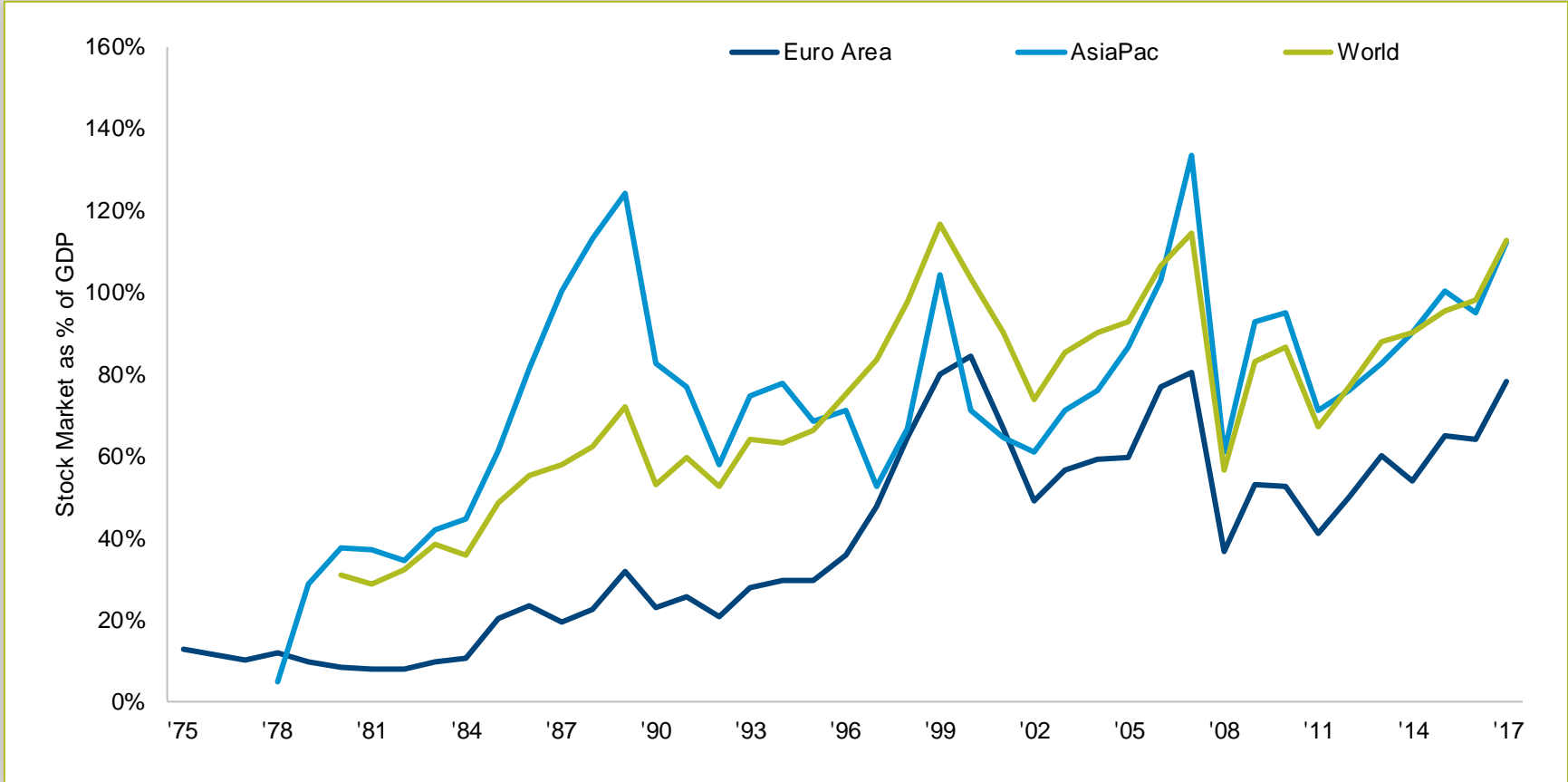
Source: Federal Reserve Bank of St Louis, Board of Governors of the Federal Reserve.

Data shown represents total value of all listed shares in the stock market as a percentage of GDP, as defined by FRED. Data released by FRED annually.



# Global equity markets approaching high valuations relative to respective GDPs

Stock Market as Percent of GDP



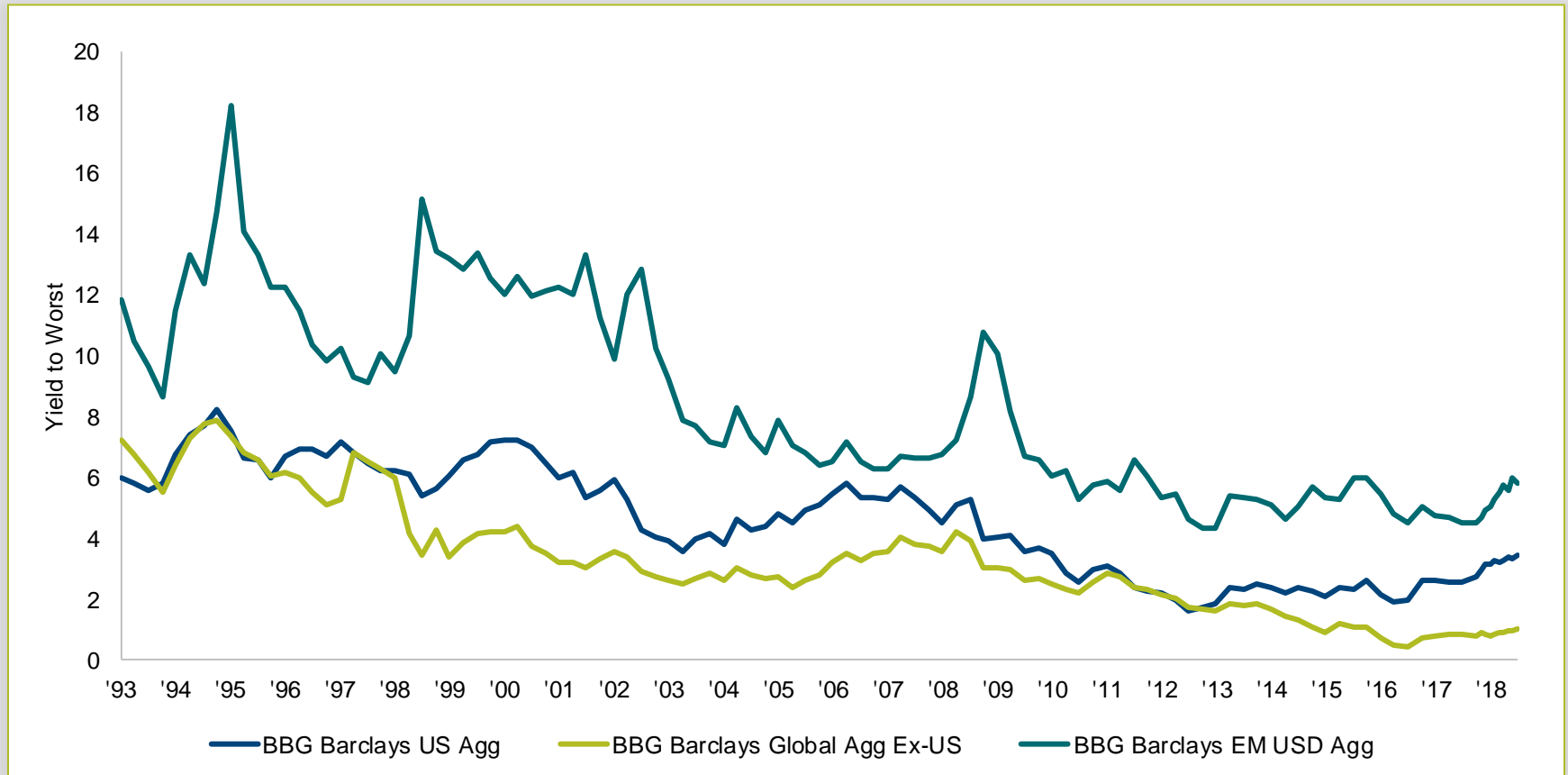
As of December 31, 2017

Source: The World Bank

Data shown represents total value of all listed shares in the stock market as a percentage of GDP in each respective region, as defined by The World Bank. The World Bank releases this data annually.

# Global interest rates near all-time lows

Bond Yields: US, Emerging Market, and Global ex-US

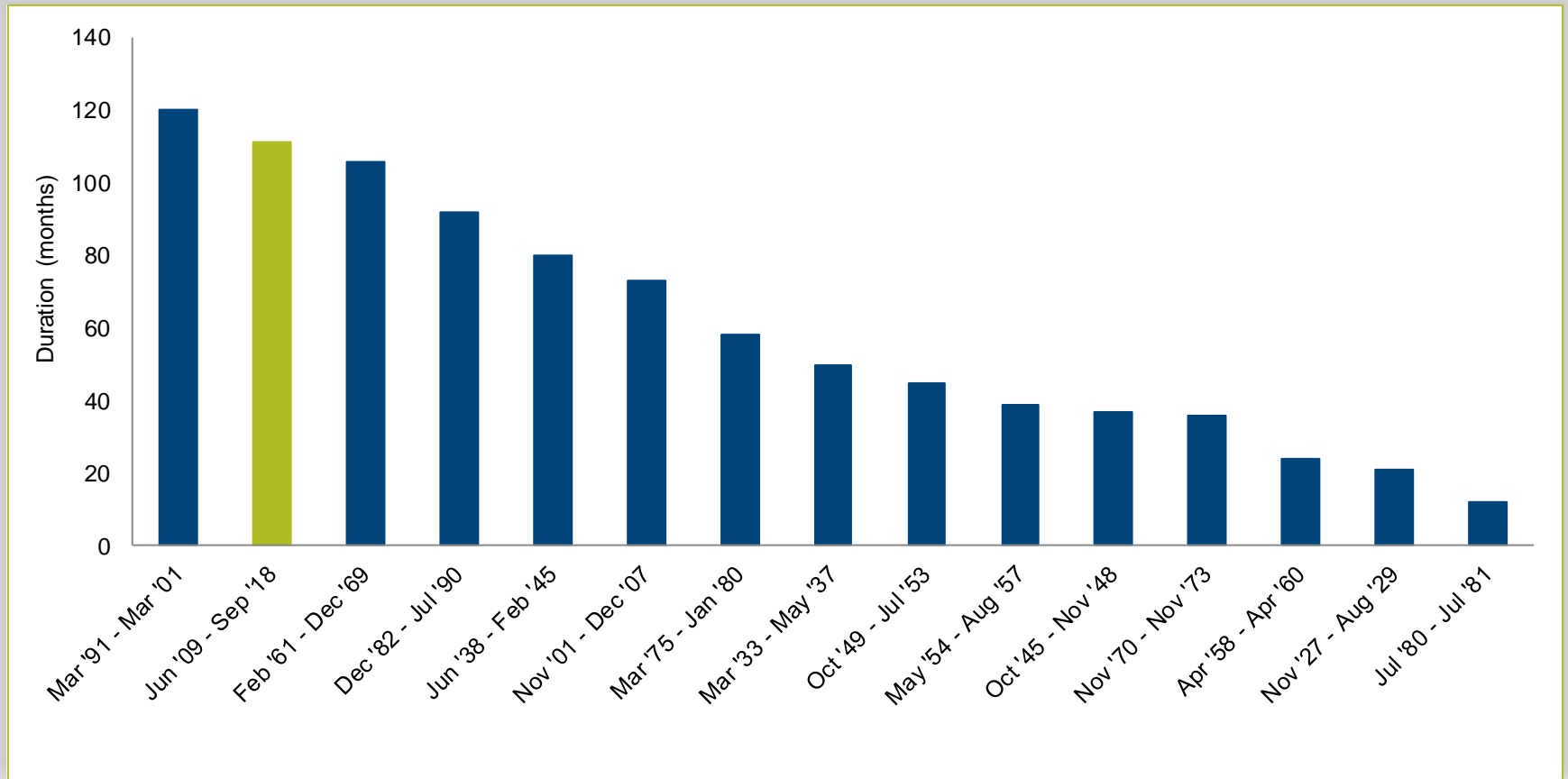


As of September 30, 2018

Source: Bloomberg

# US economic expansion currently 2nd longest on record

Months of Economic Expansion

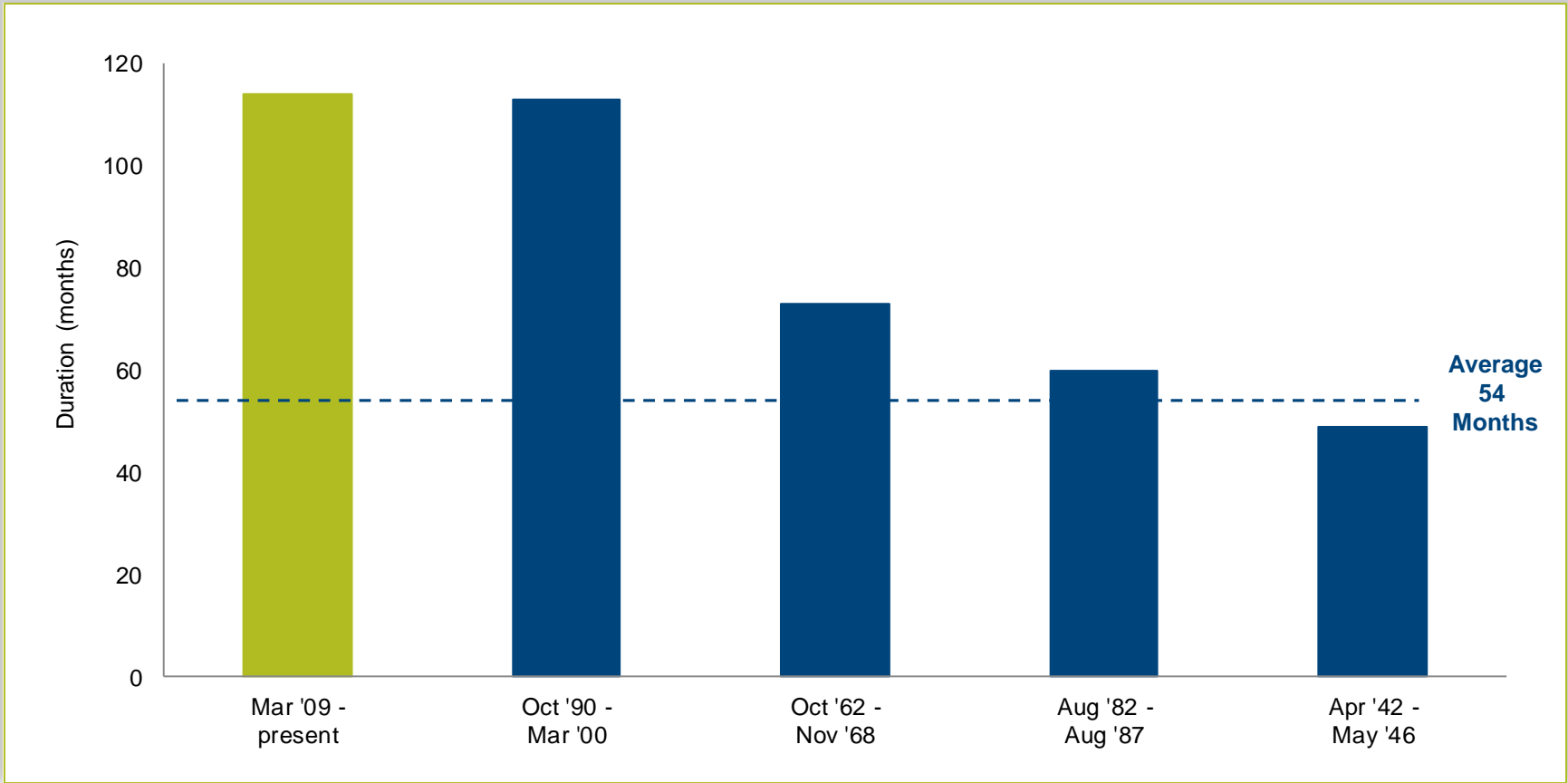


As of September 30, 2018.

Source: National Bureau of Economic Research.

# Longest equity bull market since 1942

Longest US Bull Markets Since 1942

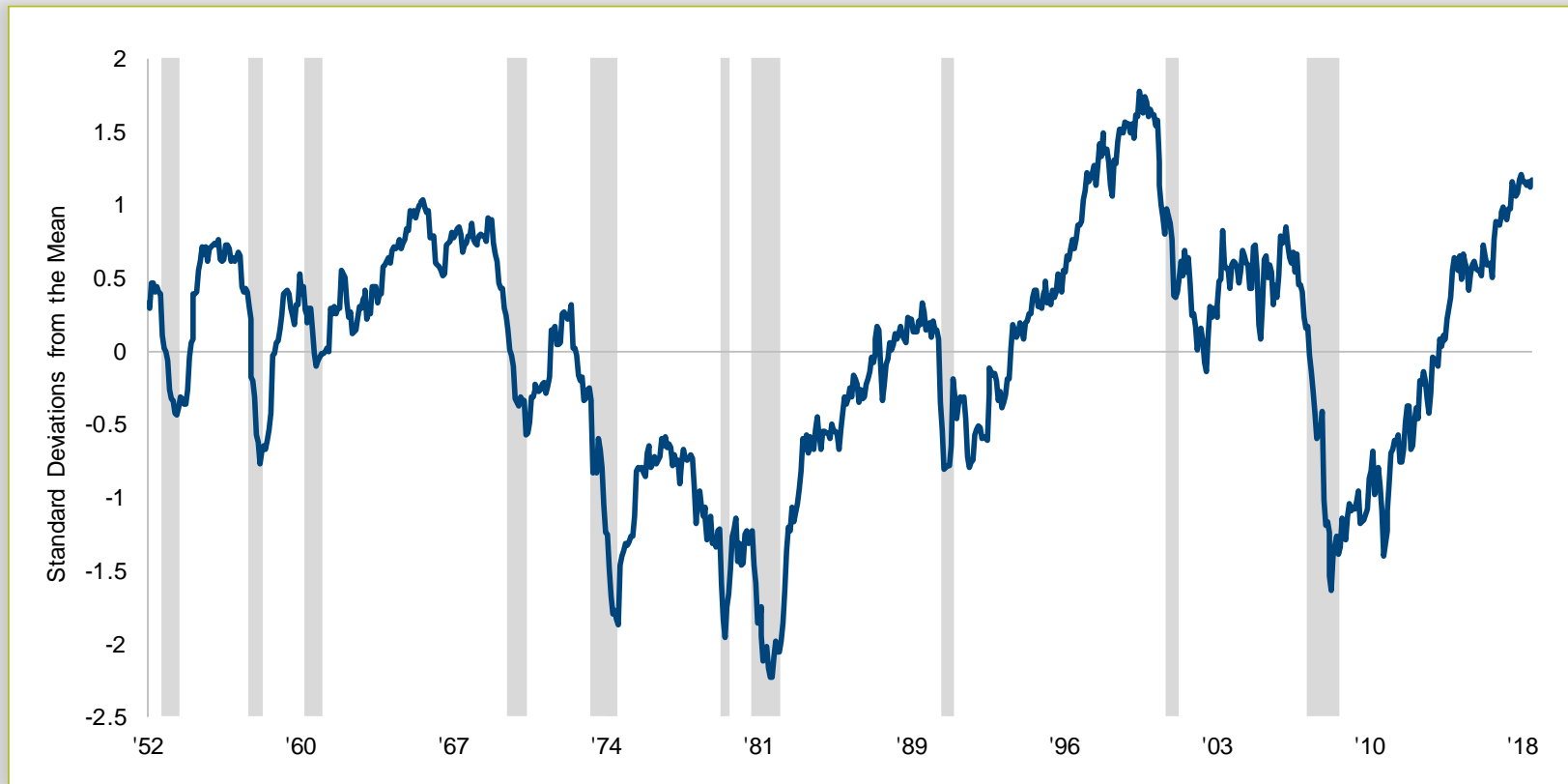


"Present" is as of September 30, 2018

Source: JP Morgan Asset Management. Past performance is no guarantee, nor is it indicative, of future results. Please refer to end of presentation for important disclosures.

# Conditions haven't ever been much better

Average Number of Standard Deviations from Historical Mean, Measured by Consumer Confidence, Unemployment (Inverted), and Log Equity Market Valuation



As of September 30, 2018

Source: Hussman Strategic Advisors, FRED, Shiller. The grey shaded areas represent recessions.

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# 10 of the last 13 Fed hiking cycles landed in recession

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## Previous Fed Rate Hiking Cycles and Results

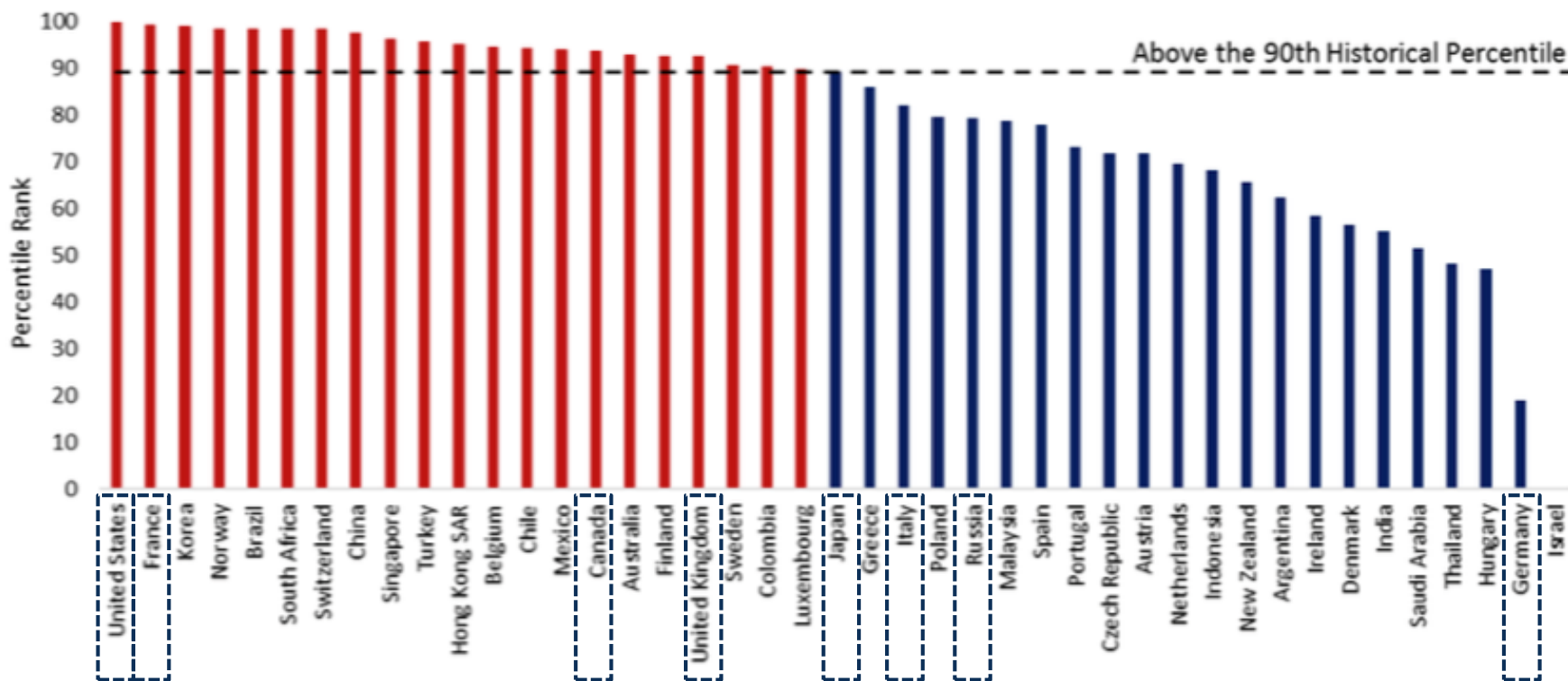
First Hike of Cycle	Last Hike of Cycle	Result
October 1950	May 1953	<b>Recession</b>
October 1955	August 1957	<b>Recession</b>
September 1958	September 1959	<b>Recession</b>
December 1965	September 1966	Soft landing
November 1967	June 1969	<b>Recession</b>
April 1972	September 1973	<b>Recession</b>
May 1977	March 1980	<b>Recession</b>
August 1980	December 1980	<b>Recession</b>
March 1983	August 1984	Soft landing
January 1987	May 1989	<b>Recession</b>
February 1994	February 1995	Soft landing
June 1999	May 2000	<b>Recession</b>
June 2004	June 2006	<b>Recession</b>
December 2015	???	???

As of September 30, 2018

Source: Bloomberg, Mauldin Economics

# Sovereign debt at new highs

Total Debt to GDP  
Historical Percentile: 100 = Record High Leverage

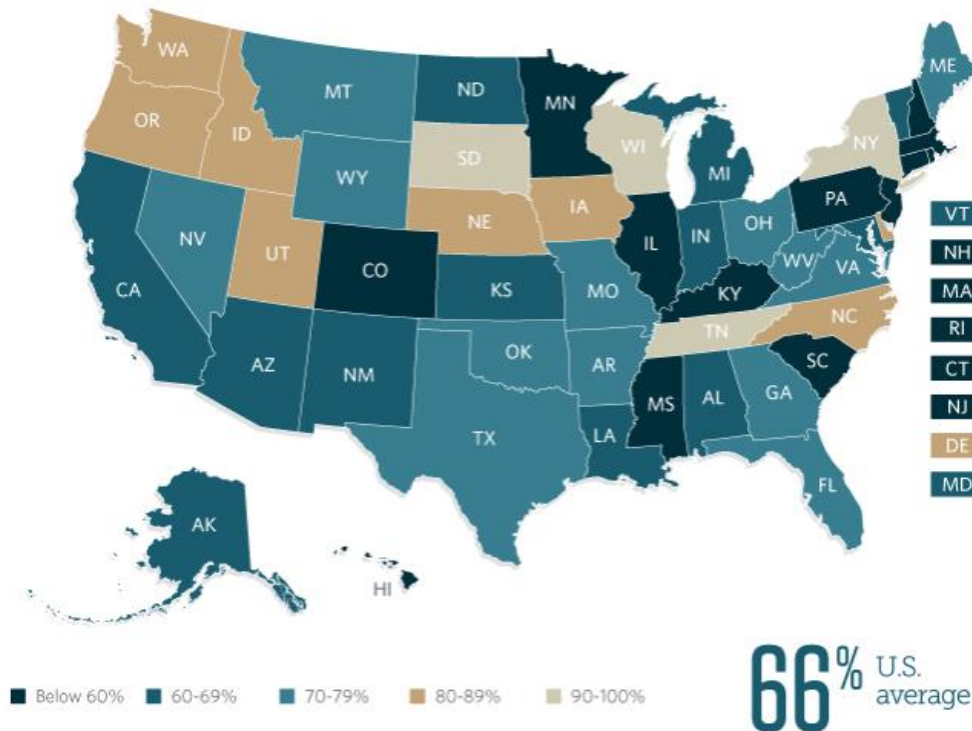


*Half of G8 countries above the 90<sup>th</sup> percentile of their historical debt to GDP*

# States are underfunded

## Funded Ratios for State Pension Plans, 2016

*Only four states had at least 90% of the assets needed to pay promised benefits*

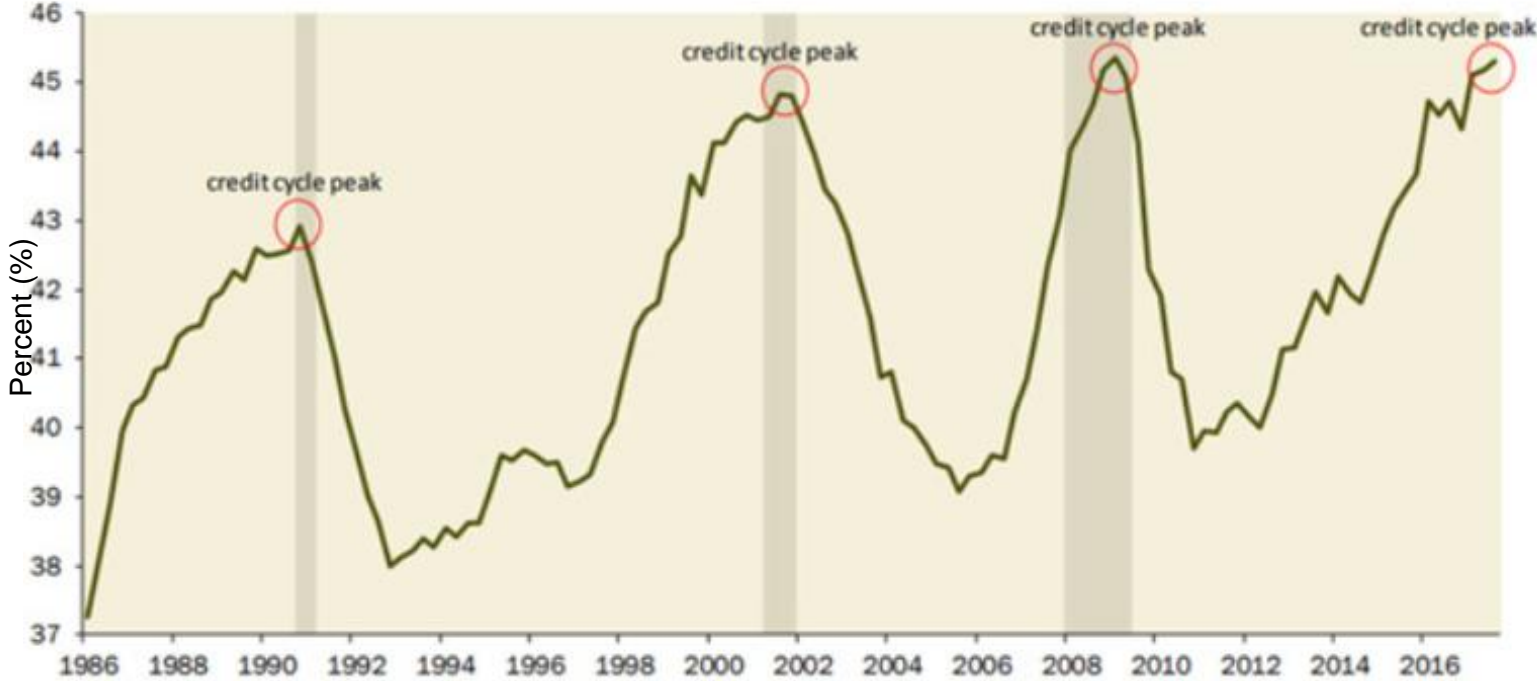


Source: The PEW Charitable Trusts "The State Pension Funding Gap: 2016" published April 2018. Based on fiscal year 2016, the most recent year for which comprehensive data were available for all 50 states.



# Corporate debt at all-time high

US Corporate Debt as Percent of GDP

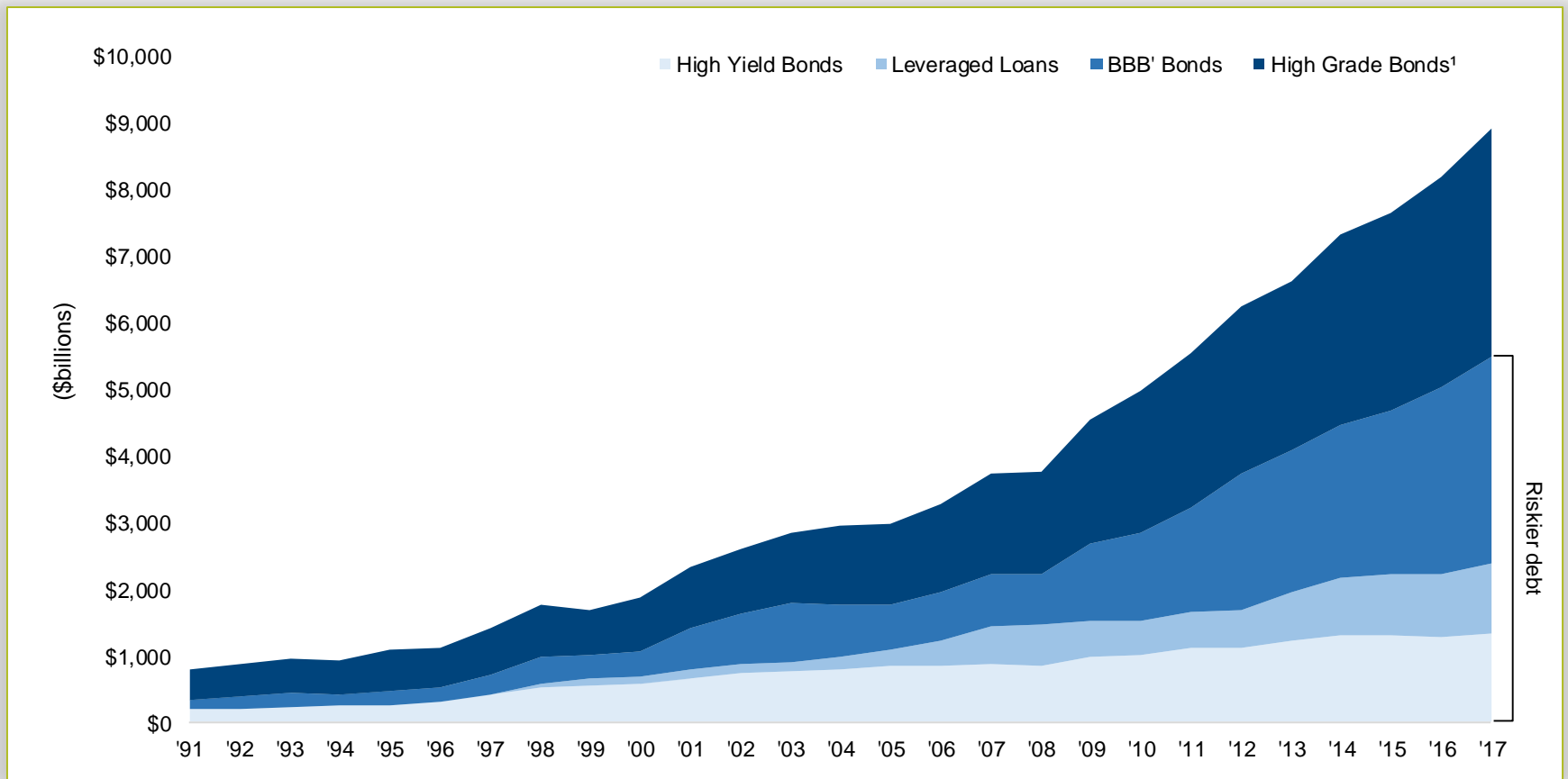


As of December 2017

Source: Haver Analytics, Gluskin Sheff, Mauldin Economics

# Corporate bond market – much bigger and junkier

## Corporate Bond Market Composition



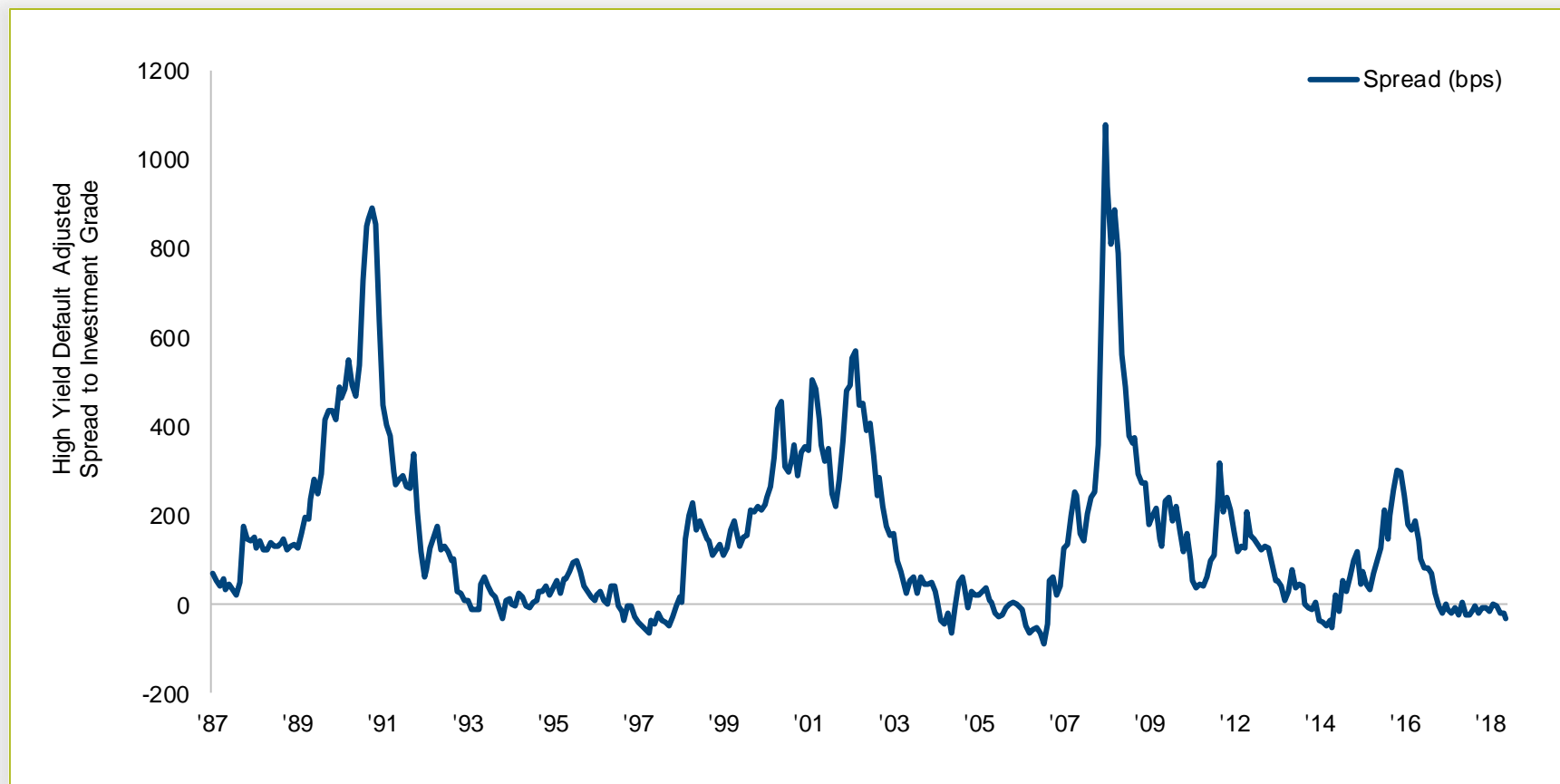
As of December 31, 2017. Source: Bloomberg, JPMorgan

High yield bonds market data from 2017 High Yield Annual Review; Leveraged loans market data from 2017 Leveraged Loan Annual Review. December 31, 2017; BBB market data represented by ICE BofAML BBB US Corporate Index.

<sup>1</sup> High grade bonds defined as AAA, AA or A rated corporate bonds. High grade bonds data represented by the AAA, AA, and A component of the ICE BofAML US Corporate Index

# High yield bonds do not appear to offer net premium to investment grade

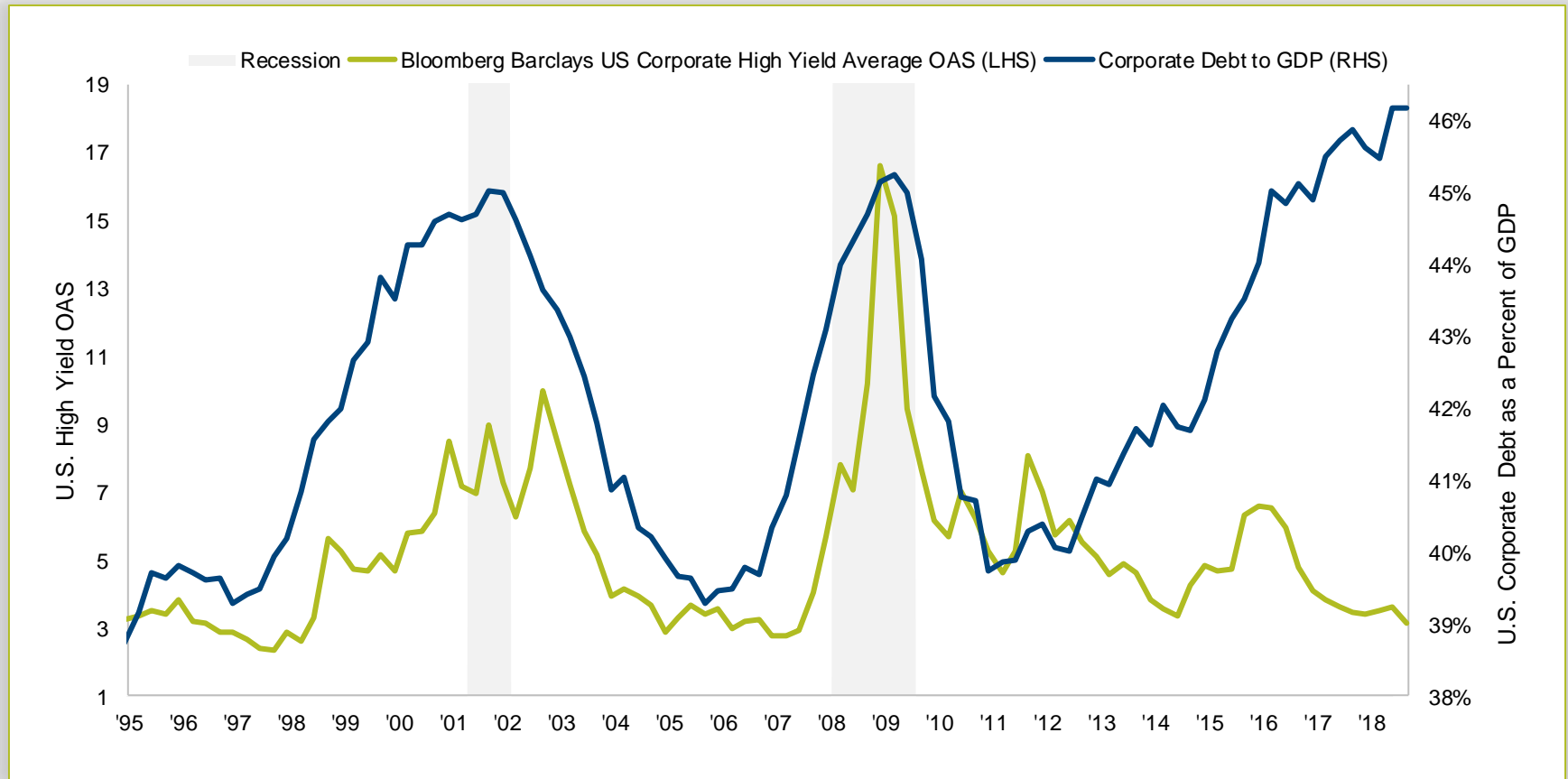
## High Yield (Default Adjusted) vs. Investment Grade Spread



As of September 30, 2018. Source: Bloomberg, Moody's. High Yield represented by Bloomberg Barclays U.S. High Yield Index. Investment Grade represented by Bloomberg Barclays U.S. Credit Index. Default adjustment calculated using average high yield default rate and average high yield recovery rate from 1983-2017 from Moody's. The constant default adjustment is then subtracted from high yield YTW historically to form High Yield Default Adjusted series. Investment grade default adjustment is assumed to be less than 0.1% because securities are usually downgraded to high yield prior to defaulting.

# High yield spread does not reflect corporate debt levels

## US High Yield Spread and Corporate Debt-to-GDP Ratio



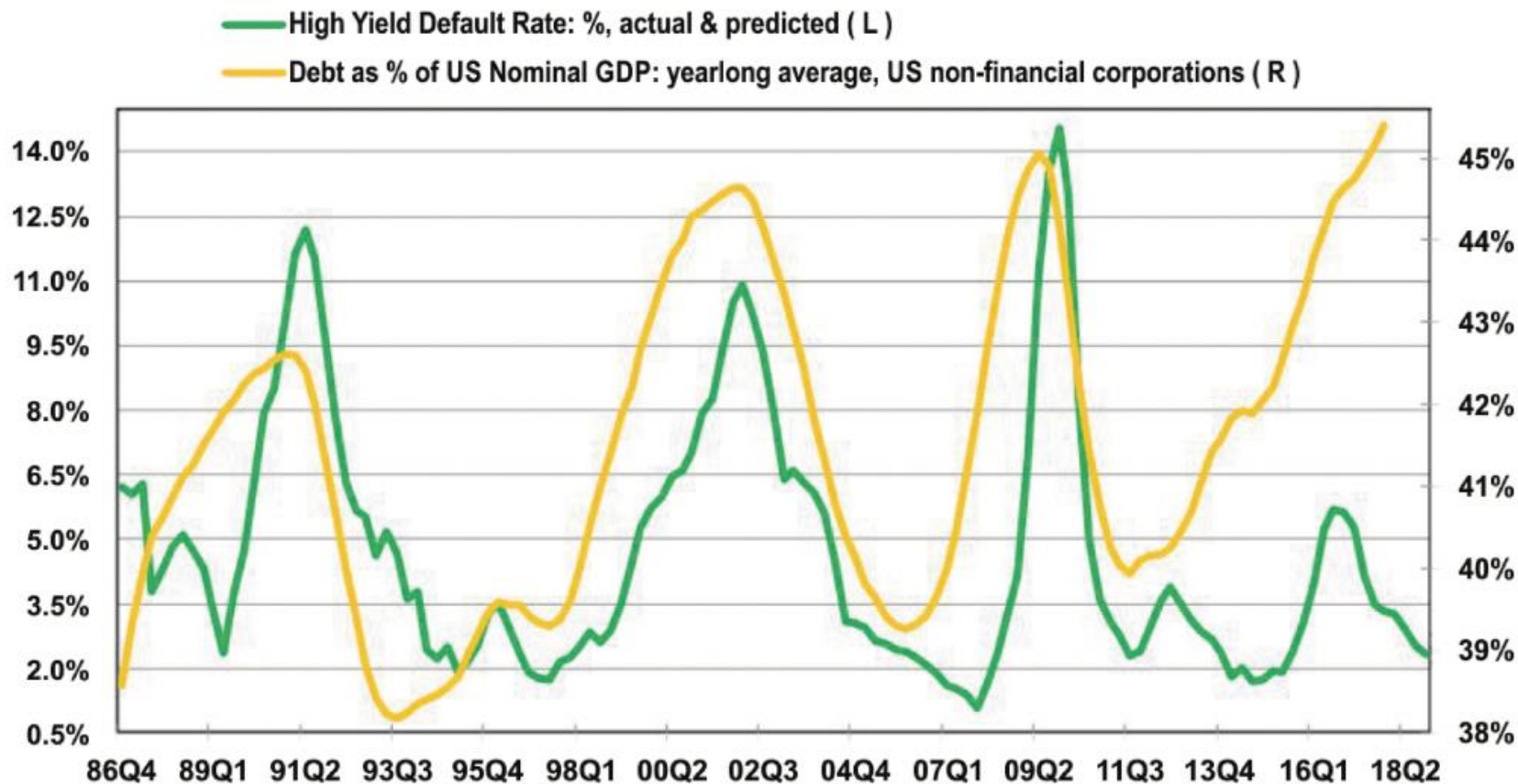
As of September 2018

Source: Deutsche Bank, Bloomberg, DoubleLine

The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. Typically, an analyst uses the Treasury securities yield for the risk-free rate.

# Default rate does not reflect corporate debt levels

High Yield Default Rate vs. Debt as Percent of US Nominal GDP

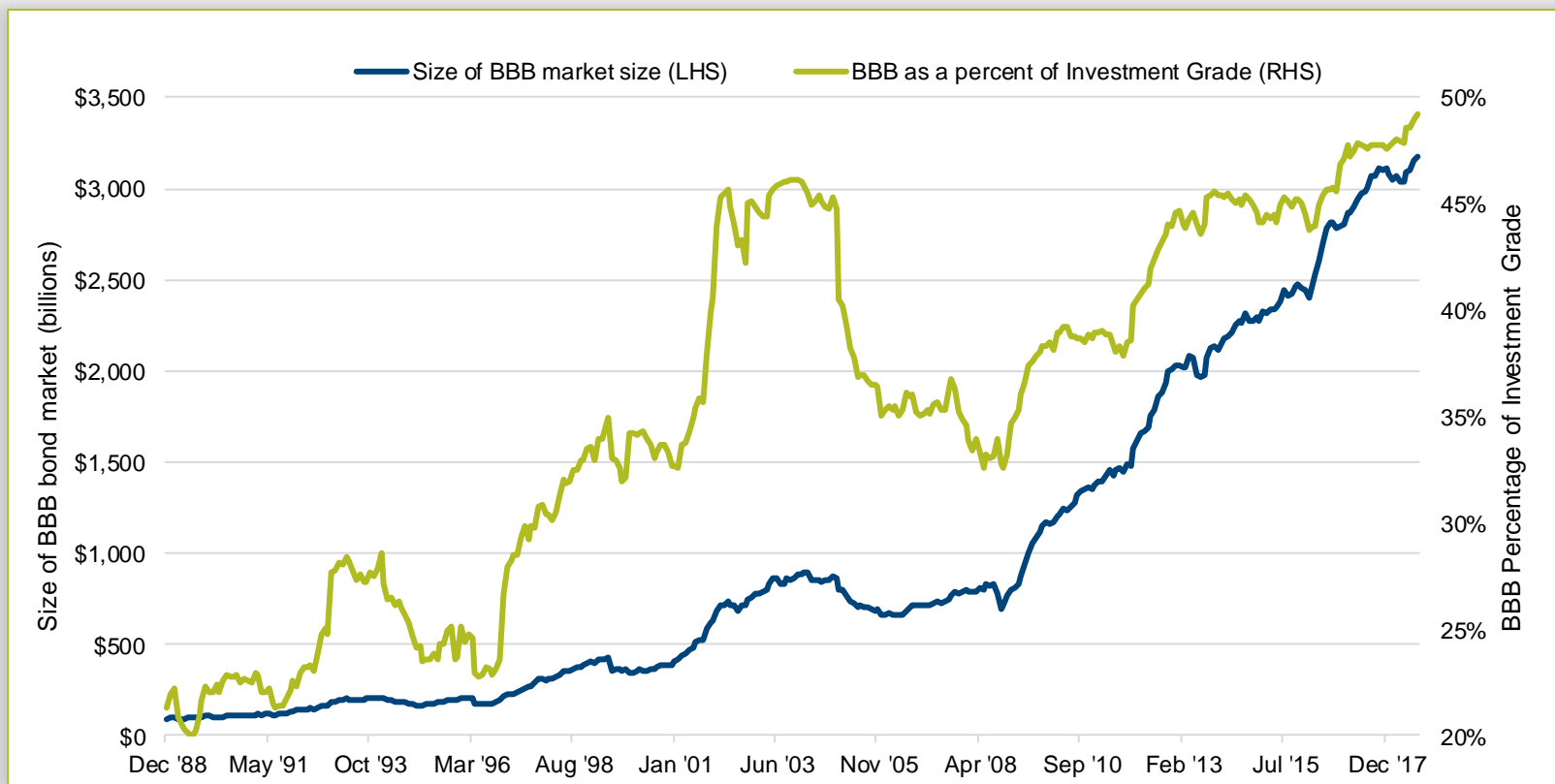


As of June 30, 2018

Source: WILTW (What I Learned this Week) – 13D Research

# BBB is almost 50% of investment grade credit

## BBB Market Size and Percentage of Investment Grade



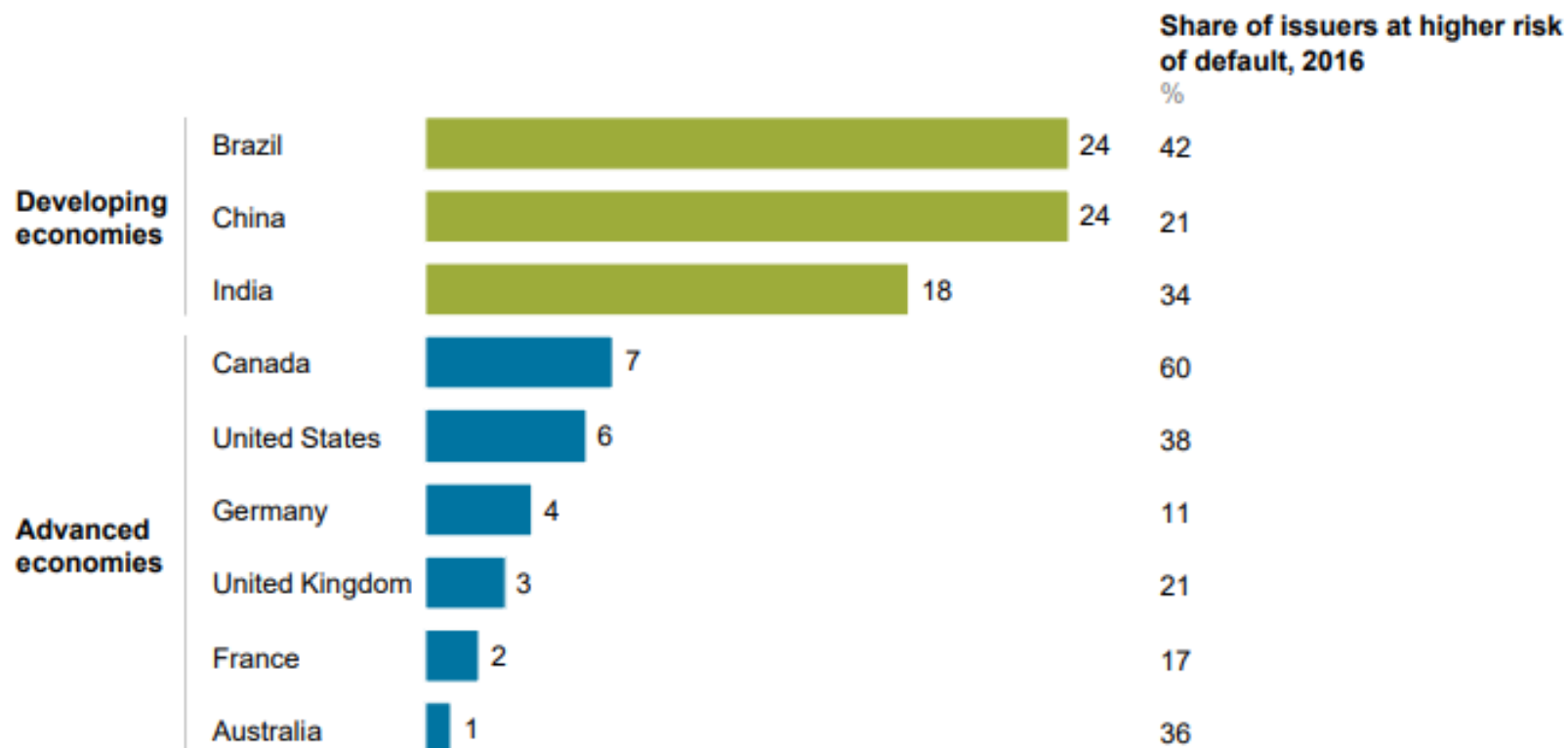
As of September 30, 2018

Source: Bloomberg

BBB market size represented by total market value of the ICE BofAML BBB US Corporate Index. BBB as a percent of Investment Grade is ICE BofAML BBB US Corporate Index divided by ICE BofAML US Corporate Index

# Corporate bonds in foreign economies are at even higher risk of default

Share of Bonds Outstanding of Nonfinancial Corporates with EBITDA/Interest Expense Ratio Below 1.5, 2016<sup>1</sup>



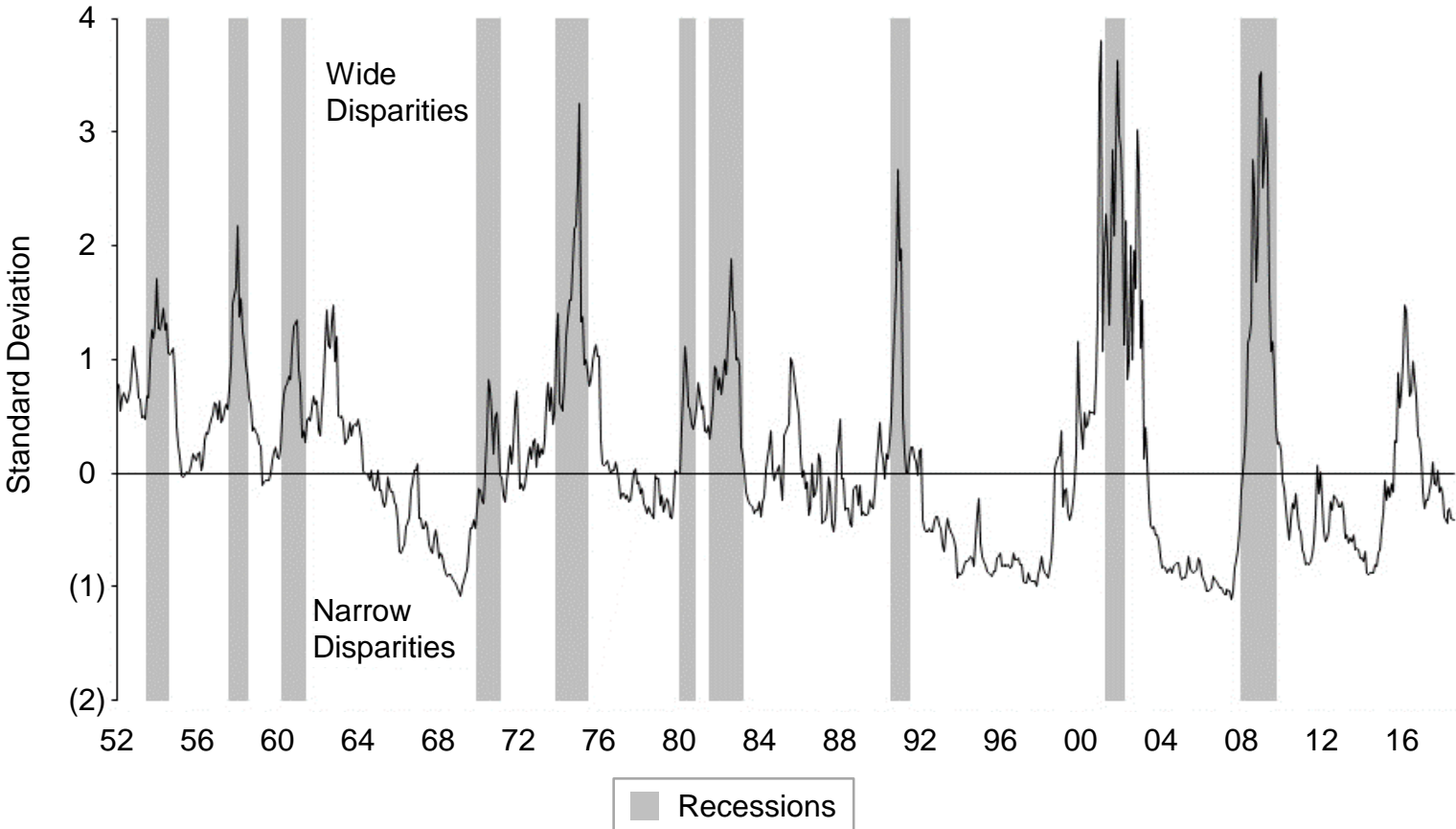
As of: December 2016

Source: Capital IQ, McKinsey Global Institute analysis

<sup>1</sup> Earnings before interest, taxes, depreciation, and amortization

# Waiting for skew

Valuation Spreads – The Cheapest Quintile Compared to the Market Average  
(1952 – May 2018)

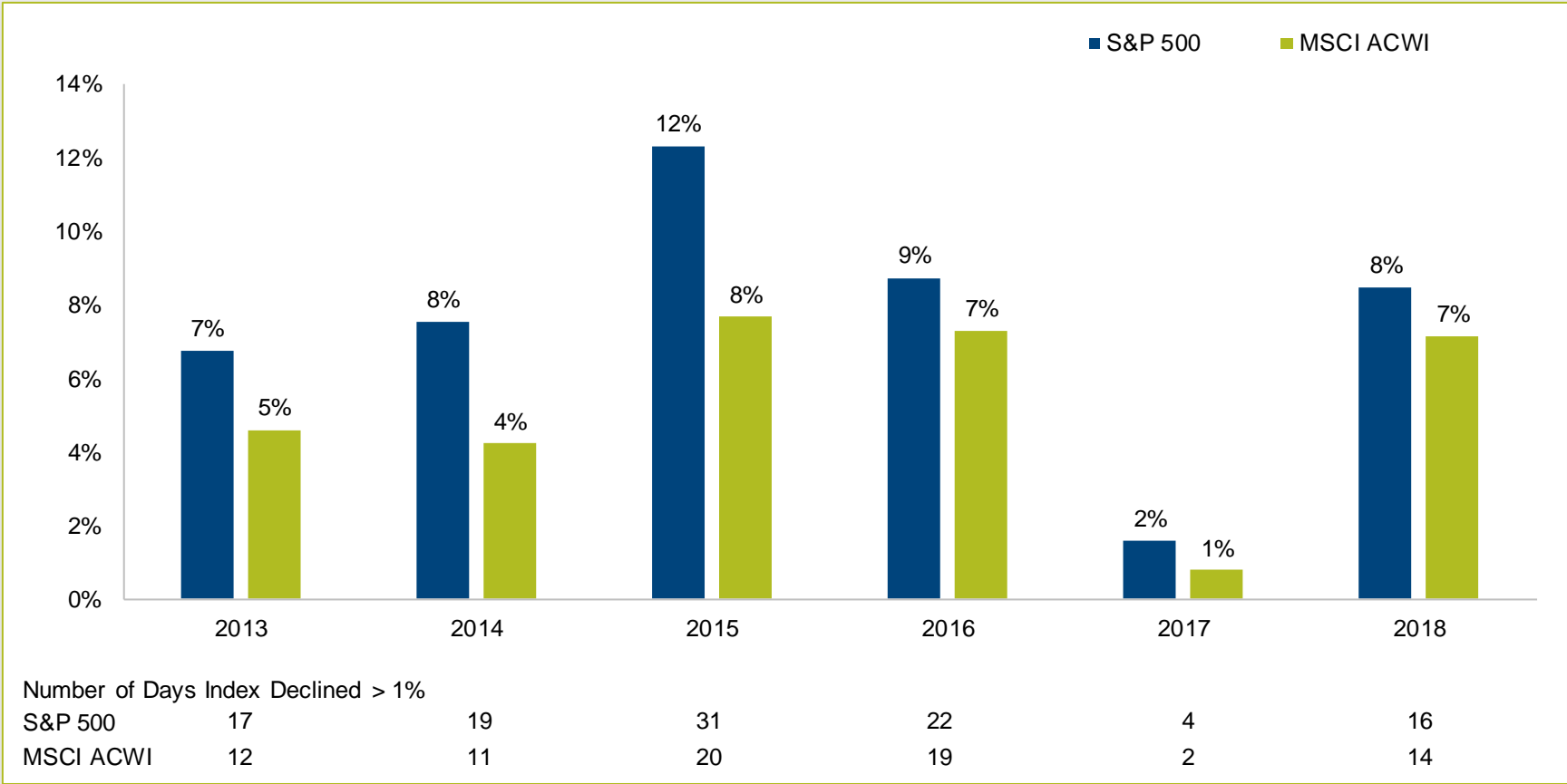


Source: Empirical Research Analysis, National Bureau of Economic Research. As of May 31, 2018. Cheapest quintile refers to the most undervalued 20% of stocks in an analysis of the largest 1,500 U.S. stocks. Standard Deviation is a measure of dispersion of a data set from its mean.



# Volatility is back

Percent of Days Per Year S&P 500 and MSCI ACWI Declined  $\geq -1\%$



As of 30 September 2018  
Source Bloomberg



## Q & A

# Holdings as of September 30, 2018

<b>Communication Services</b>	15.3%	<b>Health Care</b>	1.8%	<b>Preferred Stocks</b>	0.0%
Naspers - N Shares	3.4%	Mylan	1.6%	Ditech Holdings	0.0%
Alphabet	3.4%	Thermo Fisher Scientific	0.2%		
Baidu ADR	2.3%	<b>Industrials</b>	10.1%	<b>Credit</b>	3.8%
Comcast	1.8%	United Technologies	2.5%	Puerto Rico Municipal Bonds	1.6%
Charter Communications	1.6%	Arconic	2.5%	Bombardier	1.0%
WPP	1.4%	Meggitt	1.6%	California Resources Corporation	0.3%
Facebook	1.4%	Nexeo Solutions	1.5%	Ship Loan Participation	0.2%
		Esterline Technologies	1.4%	Navistar International Corporation	0.1%
<b>Consumer Discretionary</b>	6.1%	Jardine Strategic Holdings	0.4%	Glencore (Various issues)	0.1%
Altaba	1.9%	Sound Holdings	0.2%	RELP (10-11)	0.1%
Expedia	1.4%			Walter Investment Management Corporation	0.1%
Mohawk Industries	1.3%	<b>Information Technology</b>	9.6%	Ditech Holdings	0.1%
JD.com	0.9%	Broadcom	2.3%	Hall of Fame	0.1%
Porsche	0.6%	Oracle	2.0%	MEC FILO TL 1	0.1%
		Analog Devices	1.9%	Southwestern Energy Co.	0.0%
<b>Consumer Staples</b>	1.1%	TE Connectivity	1.8%		
Mondelez International	1.1%	Microsoft	1.6%	<b>Limited Partnerships</b>	0.6%
				U.S. Farming Realty Trust I & II	0.3%
<b>Energy</b>	1.3%	<b>Materials</b>	4.3%	Great American Capital Partners II	0.2%
Kinder Morgan	1.2%	LafargeHolcim	1.4%	WL Ross Holding Corp. – LLC Interest	0.1%
Surgutneftegas – Preference	0.1%	HeidelbergCement	1.2%		
		Owens-Illinois	1.0%	<b>Mortgages</b>	0.0%
<b>Financials</b>	20.4%	Axalta Coating Systems	0.5%	Stanwich Mortgage Loan Trust (Various issues)	0.0%
AIG	3.0%	Alcoa	0.2%		
CIT Group	2.4%			<b>Derivatives/futures</b>	0.6%
Aon	2.2%	<b>Utilities</b>	1.0%	<b>Cash and equivalents (net of liabilities)</b>	32.7%
Citigroup	2.2%	PG&E	1.0%	Commercial paper, money market	25.8%
Bank of America	2.0%			U.S. government and agencies	6.9%
Jefferies	2.0%	<b>Common stocks – short</b>	-9.0%		
Groupe Bruxelles Lambert	1.8%			<b>Undisclosed</b>	0.3%
Wells Fargo	1.2%				
LPL Financial Holdings	1.2%			<b>Total net assets</b>	100.0%
Ally Financial	0.9%				
American Express	0.8%				
Royal Bank of Scotland	0.7%				
Ditech Holdings	0.0%				

Portfolio composition will change due to ongoing management of the Fund. Totals may not add up due to rounding. Sector classification scheme for equities reflects GICS (Global Industry Classification Standard). Please refer to the end of the presentation for important disclosures.

# Investors accepting low junk bond yields

## High? Yield

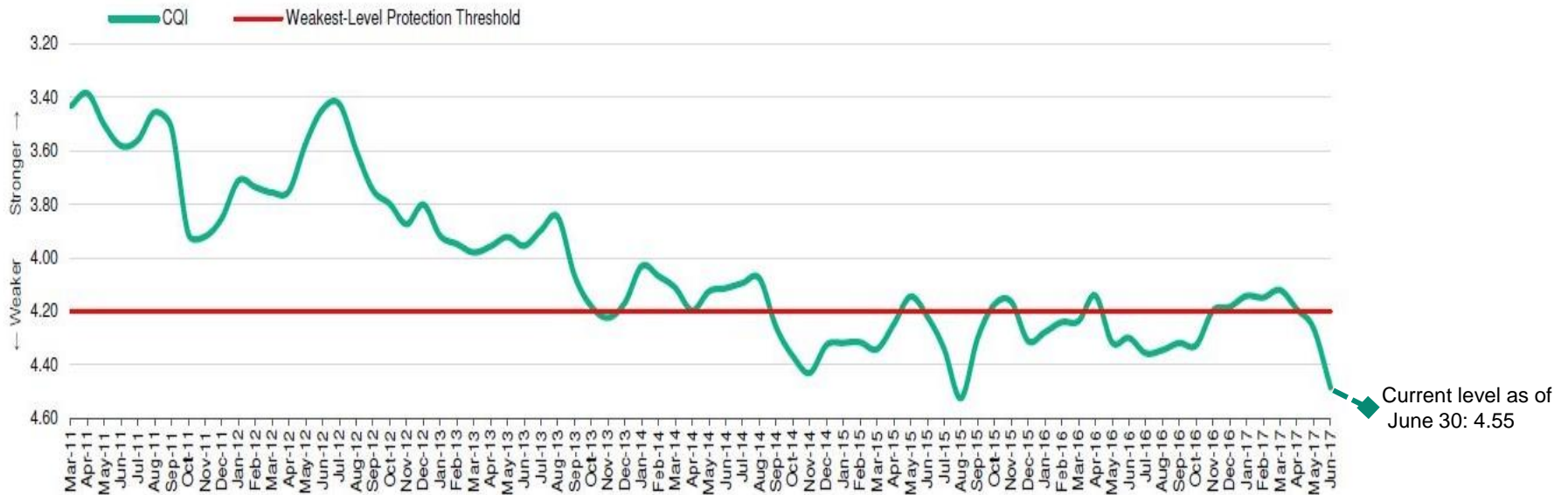
	US	EU
Gross yield	6.2%	3.4%
Default rate, historical	-3.6%	-4.6%
Recovery rate, historical	41.0%	38.4%
Net default	-2.1%	-2.8%
Net yield	4.1%	0.6%
High yield	23.3%	26.0%
Low yield	5.2%	2.3%

**US gross yield** as of September 30, 2018: BofA Merrill Lynch High Yield Master Index II (H0A0); **U.S. historical high yield default and recovery rates:** J.P. Morgan, Moody's Investors Service, S&P LCD using year-end data from 1982-2017 Q4; **EU gross yield** as of June 30, 2018: BofA Merrill Lynch Euro High Yield Index; **EU historical default rate:** J.P. Morgan Europe Guide to the Markets (12/31/2017); **EU historical high yield recovery rate:** Moody's Investors Service using 1985-Q3 2016 data. **Net Default Rate** = (1 - recovery rate) x default rate. **Net Yield** = Gross Yield minus Net Default Rate.

Note: The Moody's EU High Yield ("HY") recovery rate at Q3 2016 was approximately 2.6%. The Moody's EU HY recovery rate has remained relatively unchanged for the period Q3 2016 through Q4 2017 and Q3 2016 through Q2 2018, where the Moody's EU HY recovery rate was approximately 2.7% and 2.3% at 12/31/2017 and 6/30/2018, respectively. (Source: Standard & Poor's, Moody's, and Association for Financial Markets in Europe (AFME) European High Yield & Leveraged Loan Report – European Leveraged Finance dated Q4 2017 and Q2 2018). We believe the impact of the changes in the monthly Moody's EU HY recovery rate for the period Q3 2016 to Q1 2017 and for the period Q3 2016 to Q2 2018 on the overall average historical recovery rate over the period 1985-Q2 2018 will likely be minimal.

# Covenant quality at long-term low

## Moody's Covenant Quality Index



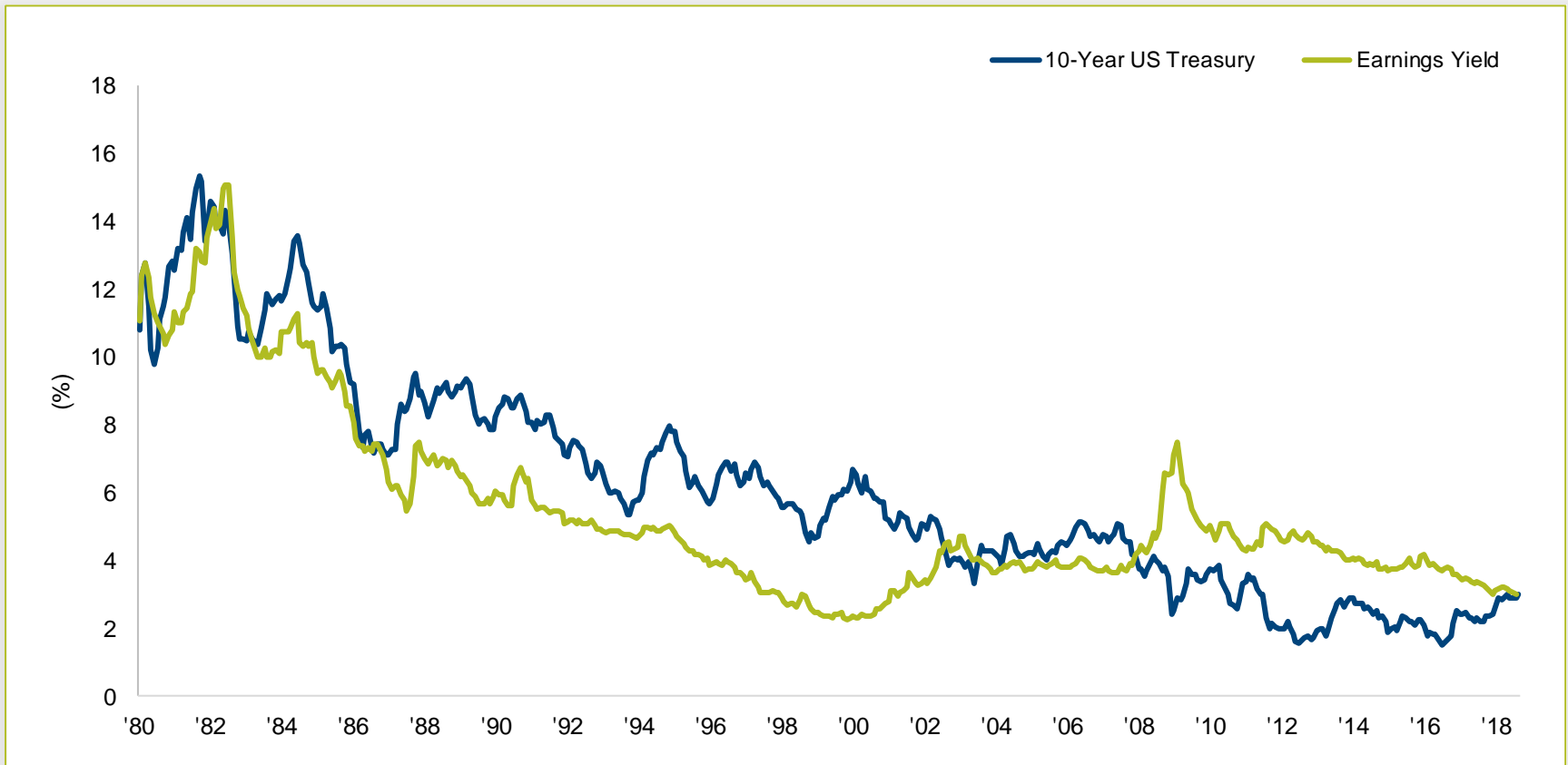
As of 30 June 2018

Source: Moody's High-Yield Covenant Database

Note: Moody's Covenant Quality Index includes all high-yield bonds, including high-yield lite. High-yield lite bonds lack a debt incurrence and/or a restricted payments covenant and automatically receive the weakest possible covenant quality score of 5.0

# Lower rates = market fuel

## CAPE Earnings Yield vs. 10-Year US Treasury



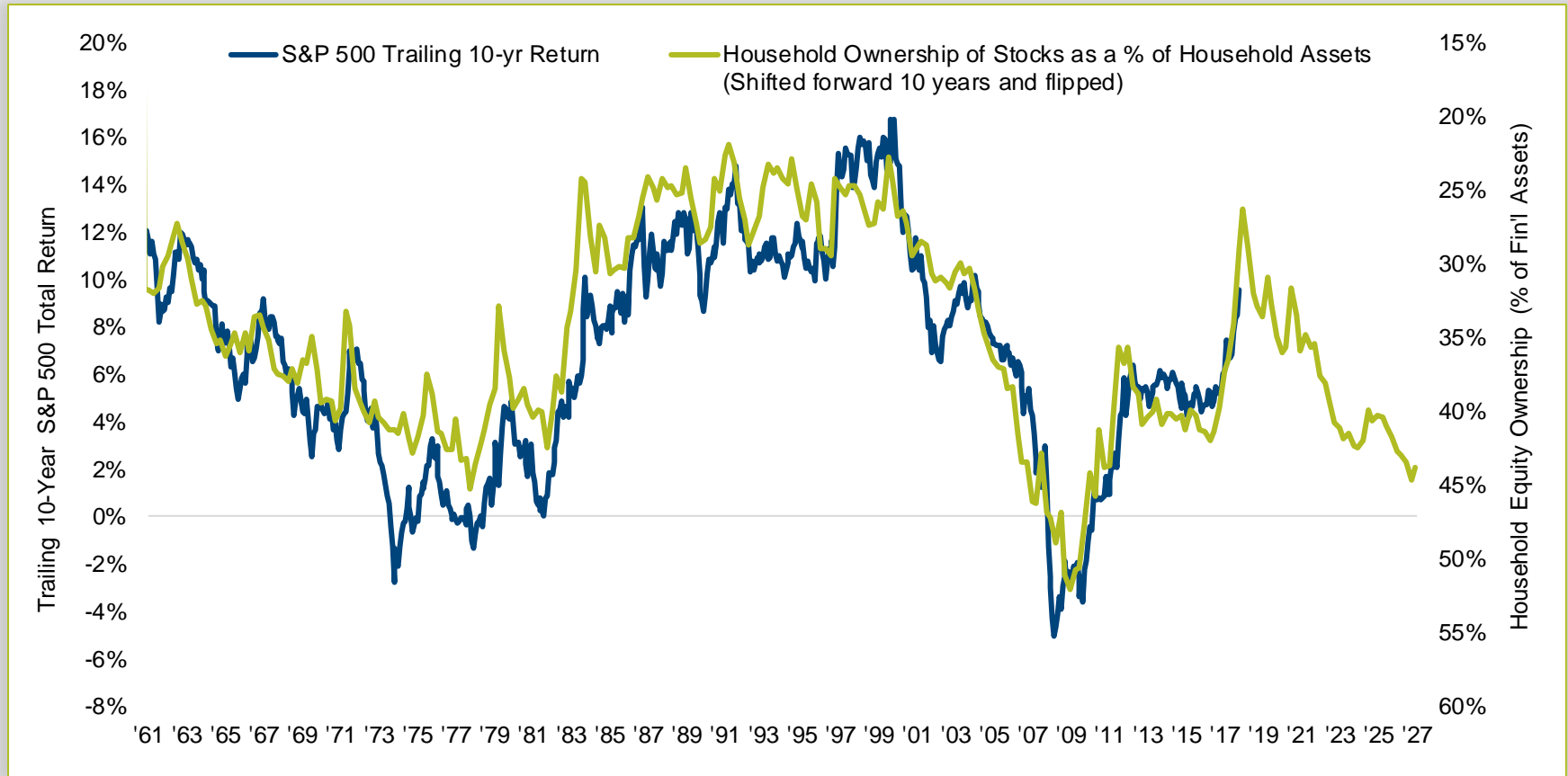
As of September 30, 2018

Source: Shiller

CAPE ratio is the cyclically adjusted price-to-earnings ratio, commonly known as CAPE Shiller P/E, or P/E 10 ratio. Please see end of presentation for important disclosures, including definitions of key terms.

# Household equity investments – an indicator of market returns?

S&P 500 Trailing 10-Year Return vs Household Equity Ownership as a Percent of Household Financial Assets (Shifted Forward 10 Years and Flipped)



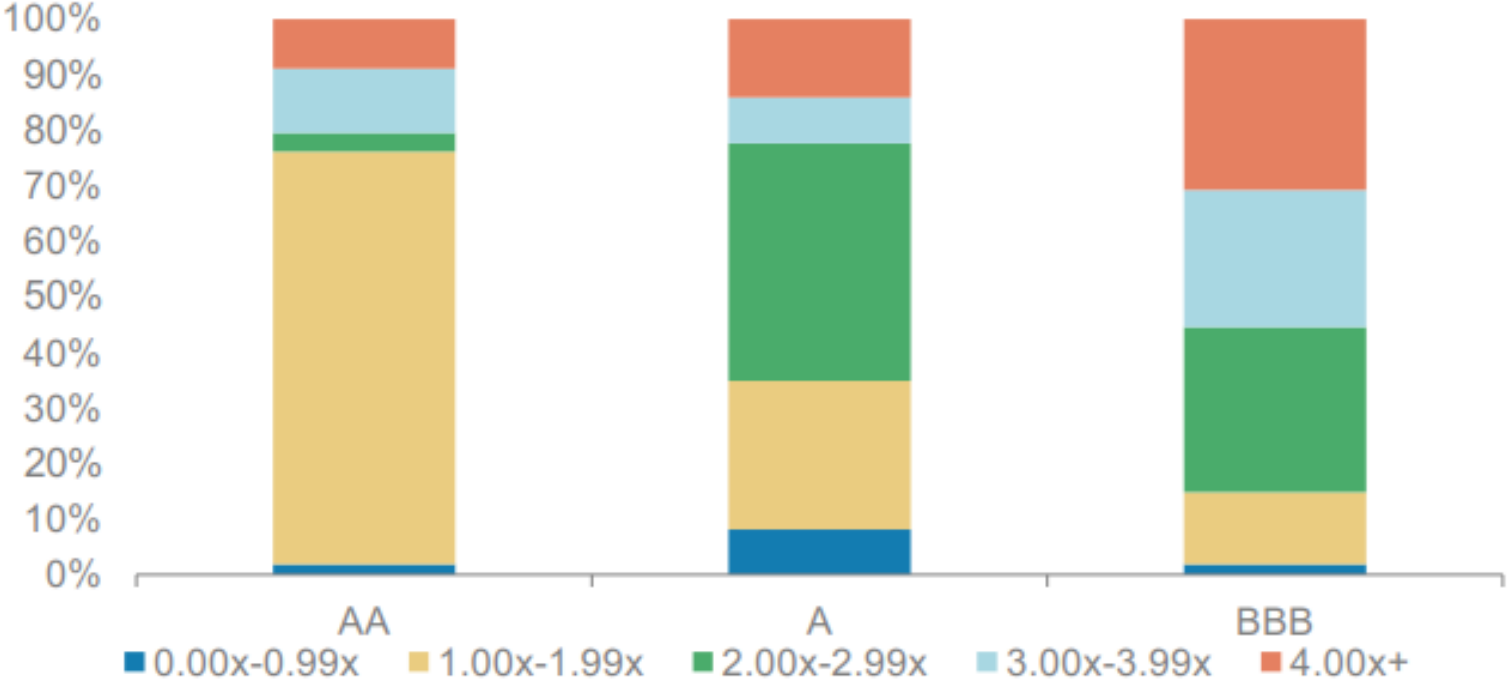
Source: Federal Reserve Economic Data (FRED), Capital IQ. As of September 30, 2018.

Household equity ownership as a percent of total household financial assets series has been shifted forward 10 years and flipped.

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

# Approximately 30% of BBB debt has leverage of 4.0x or more

Percent of IG Debt in Each Leverage Bucket, by Rating

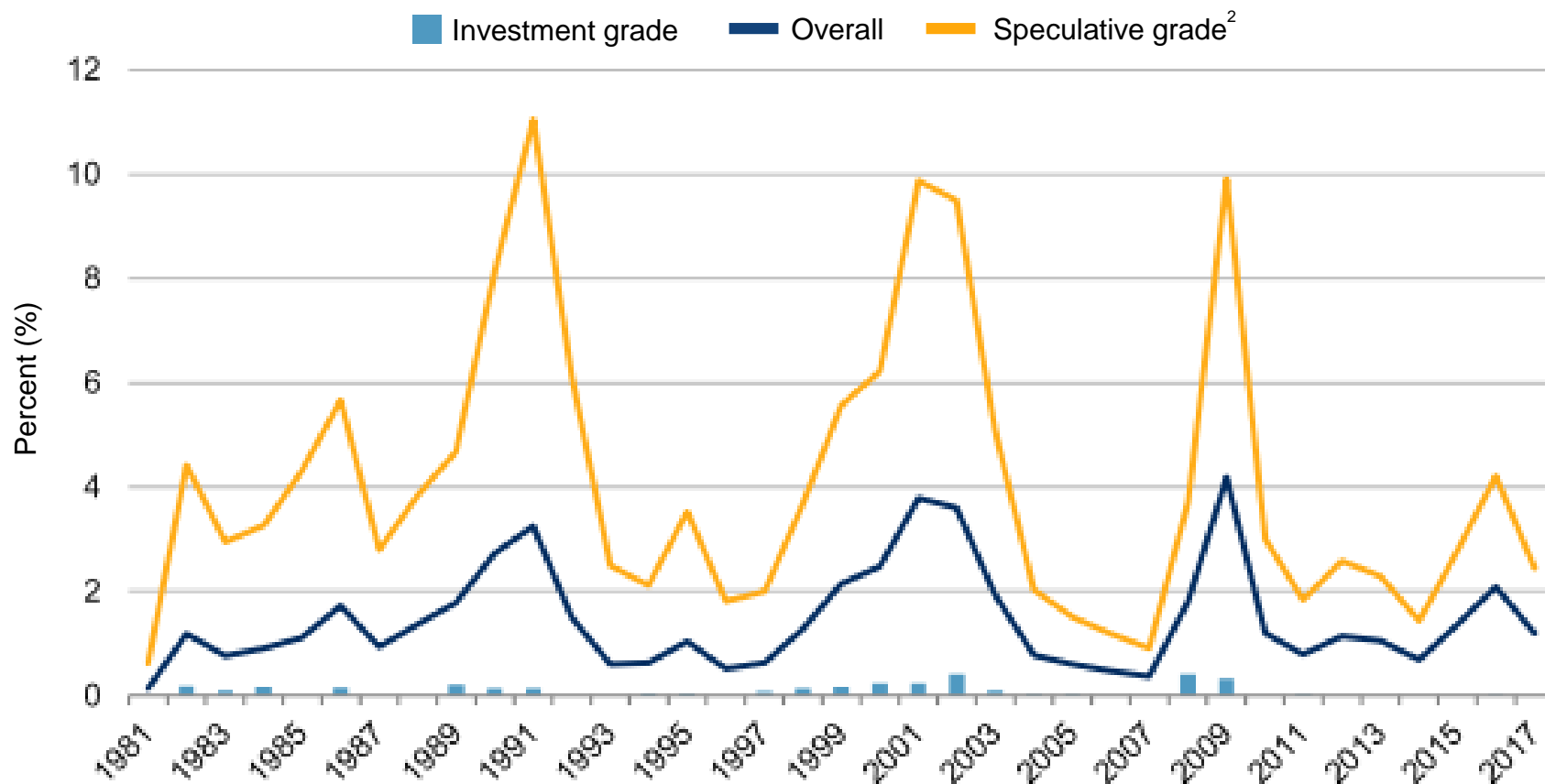


As of September 30, 2018  
Source: Morgan Stanley Research, FTSE Fixed Income LLC, Bloomberg



# Default rate still low – for now

Global Corporate Default Rate (Share of Issuers that Default)<sup>1</sup>



As of: December 2017

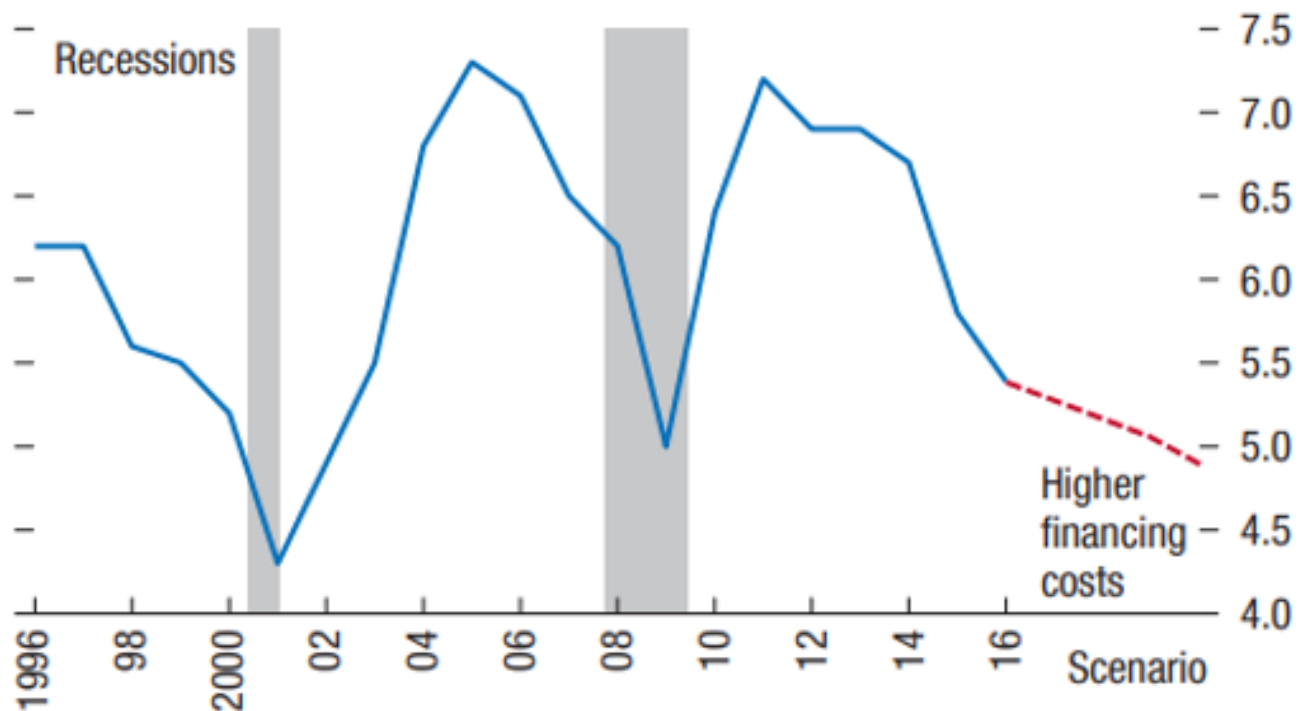
Source: S&P Global Retings, McKinsey Global Institute analysis

<sup>1</sup> Includes financial and nonfinancial corporations

<sup>2</sup> Speculative grade is defined as a rating of BB+ and lower based on S&P rating

# At the end of 2016, US interest coverage at a low ex-recession

Average of Interest Coverage Ratio  
(Ratio of EBIT to Interest Payments)



As of April 2017

Source: World Economic and Financial Surveys "Global Financial Stability Report: Getting the Policy Mix Right"

# US corporate leverage highest outside of a recession since 1985

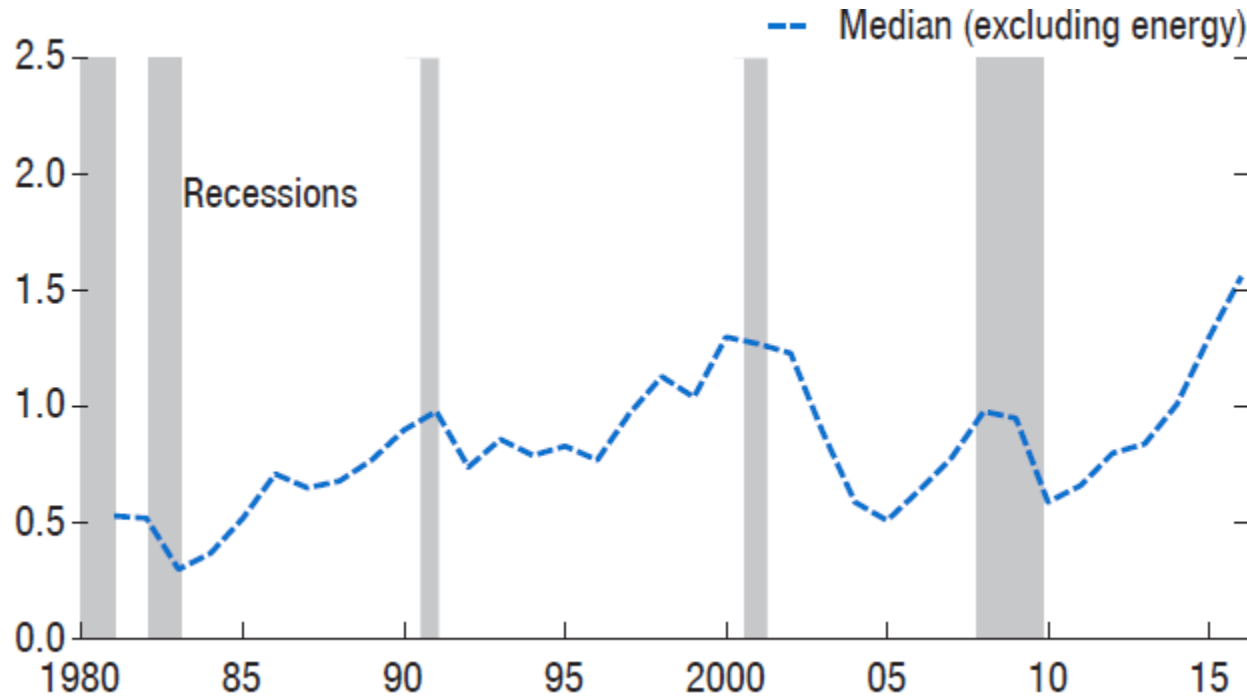


As of June 2018

Source: Bank of America Merrill Lynch

# Most leverage for US companies in almost 4 decades

Net Leverage of S&P 500 Companies  
(Ratio of Net Debt to EBITDA<sup>1</sup>)



As of April 2017

Source: World Economic and Financial Surveys "Global Financial Stability Report: Getting the Policy Mix Right"

<sup>1</sup> EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is one indicator of a company's financial performance and is used as a proxy for the earning potential of a business, although doing so can have drawbacks. EBITDA strips out the cost of debt capital and its tax effects by adding back interest and taxes to earnings.

# Growth is expensive relative to value

Relative Valuation of US Value vs. US Growth Stocks

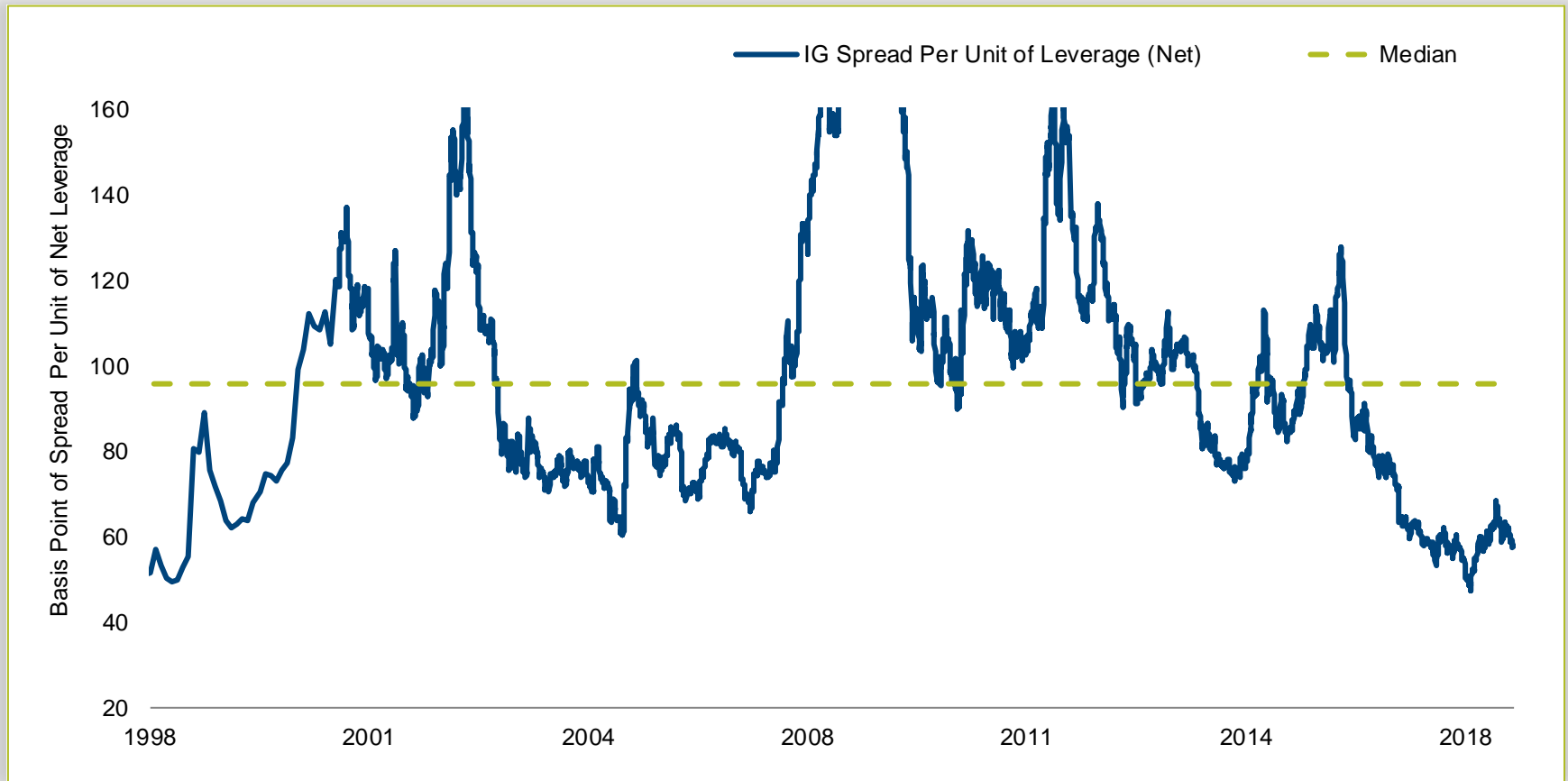


Source: Bloomberg

As of September 30, 2018. The Russell Value Index is represented by the Russell 1000 Value Index. The Russell Growth Index is represented by the Russell 1000 Growth Index.

# Risk/reward for investment grade near all-time lows

Investment Grade Credit Spread Per Unit of Leverage

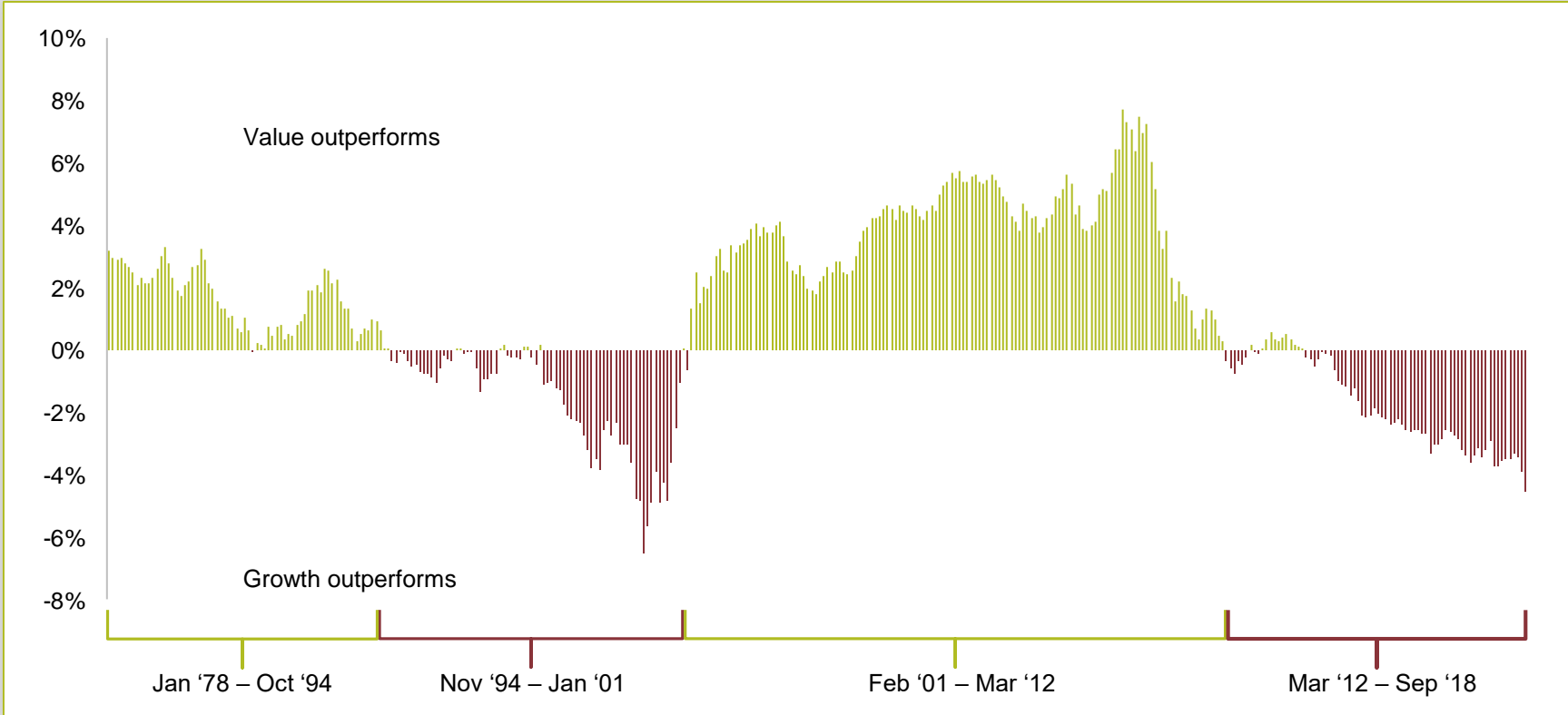


As of September 30, 2018

Source: Morgan Stanley Research, Citigroup Index LLC, Bloomberg Finance LP, S&P Capital IQ

# Value out of favor – for now?

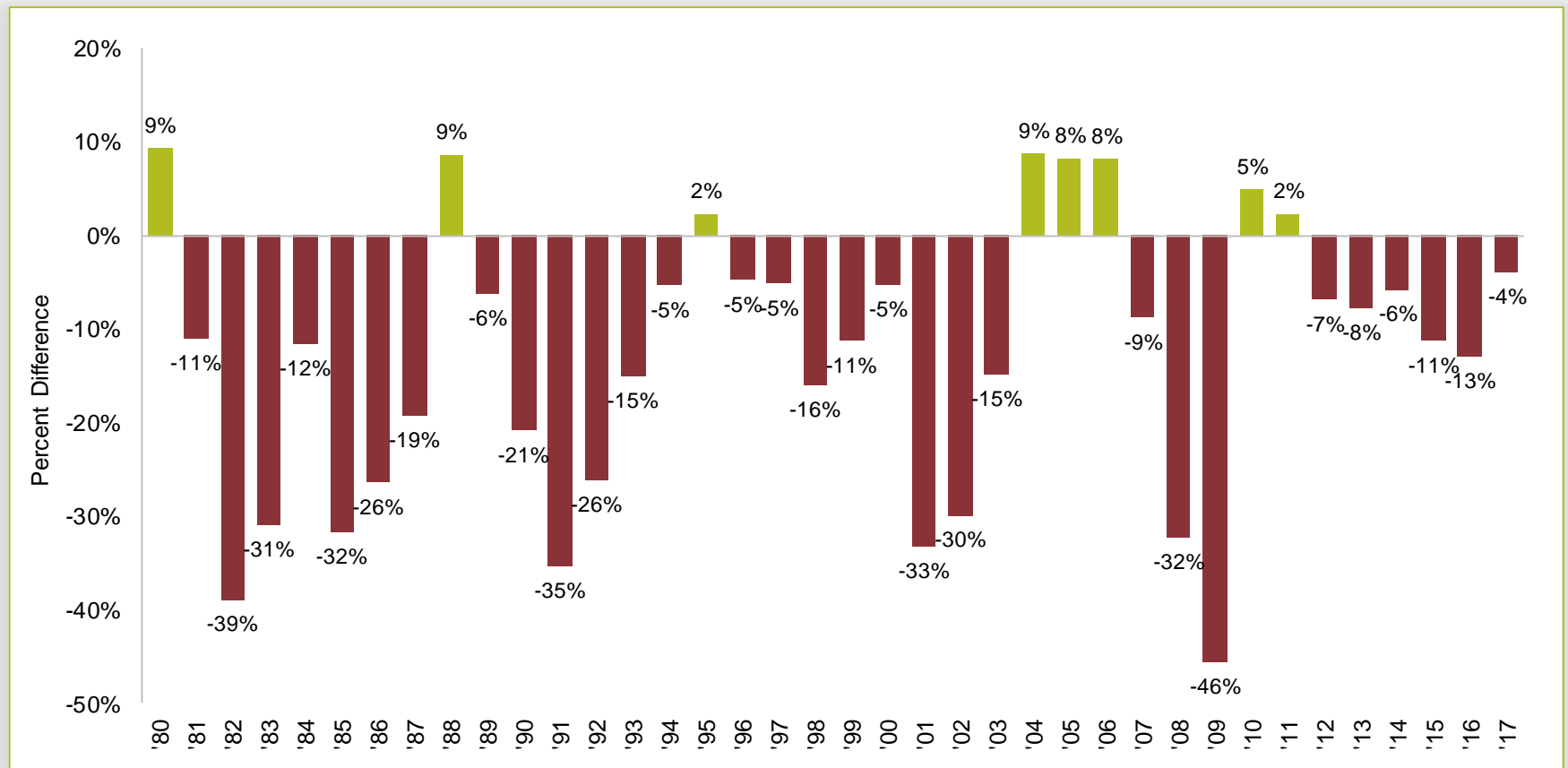
Russell 1000 Value vs Russell 1000 Growth  
(Rolling 10-Years)



Source: Morningstar.  
As of September 30, 2018. Value and Growth are represented by the Russell 1000 Value TR USD and Russell 1000 Growth TR USD Indices on a rolling 10-yr basis.

# Analysts have historically overshot with their earnings estimates

## Initial Consensus Earnings Estimates vs. Actual Earnings



As of September 30, 2018

Source: Yardeni, FPA

Chart shows the difference in percent between analysts' initial annual earnings estimates for the S&P 500 to actual 12 month earnings recorded at year end (e.g. from February 1979 to February 1981 for calendar year 1980).



# Investors demanding slim risk premia to Treasuries

S&P 500 Free Cash Flow Yield Spread (ex. financials) to 10-Year Treasuries Yield



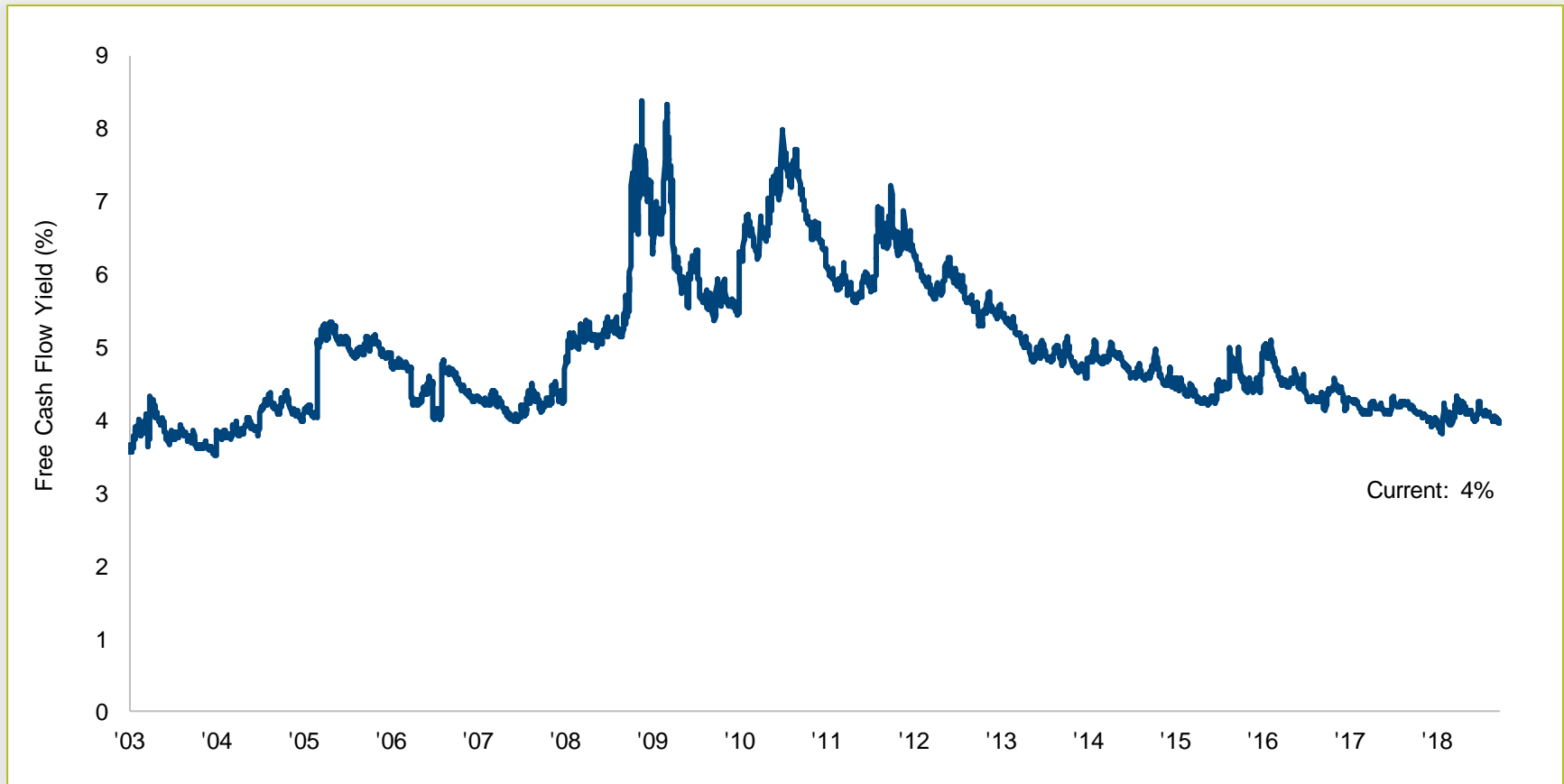
As of September 30, 2018

Source: Bloomberg

Free cash flow yield is calculated as trailing 12M free cash flow per share divided by last price. Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

# S&P 500's free cash flow yield, ex-financials, has reached cyclical lows

S&P 500 Free Cash Flow Yield (ex. Financials)



As of September 30, 2018

Source: Bloomberg

Free cash flow yield is calculated as trailing 12M free cash flow per share divided by last price. Free cash flow is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

# International stocks are cheaper?

## Large, Quality US Company Valuation vs International Peers

Industry	US Company	P/E TTM	International Company	P/E TTM	International Premium / Discount
Consumer Durables & Apparel	Nike	29.3	Adidas	27.9	-5%
Distillers & Vintners	Brown Forman	29.9	Diageo	22.1	-26%
Food Distributors/Restaurants	Sysco Corp	23.8	Compass	21.6	-9%
Household/Personal Products	Estee Lauder	28.0	L'Oréal Group	26.7	-5%
Household/Personal Products	Procter & Gamble	21.9	Unilever	22.3	2%
Household/Personal Products	Colgate-Palmolive Co	21.2	Unilever	22.3	5%
Insurance Brokers	Marsh & McLennan Cos Inc.	18.5	Aon	20.2	9%
Packaged Foods & Meats	General Mills	14.3	Danone	15.0	5%
Pharmaceuticals	Merck & Co Inc	16.4	Sanofi	29.1	77%
Specialty Chemicals	International Flavors & Fragrances	22.4	Givaudan	30.5	36%
Systems/Application Software	Oracle	17.6	SAP	26.3	49%
				<b>Average</b>	<b>13%</b>
				<b>Median</b>	<b>5%</b>

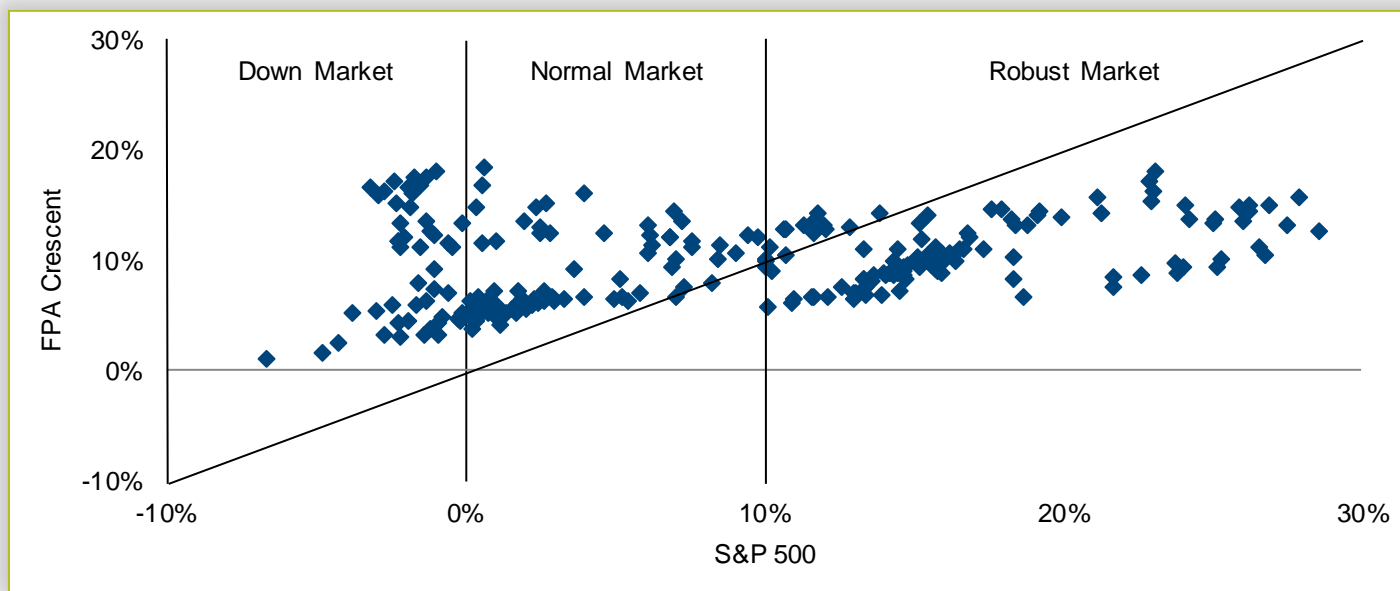
As of September 30, 2018

Source: Bloomberg

P/E TTM = Trailing 12 Month Price to Equity. International Premium/Discount refers to the premium or discount in valuation at which International companies are being traded at over their US peers.

International Premium / Discount is calculated by dividing the International P/E by the US peer's P/E and subtracting one.

# 5-year rolling returns by market type since inception

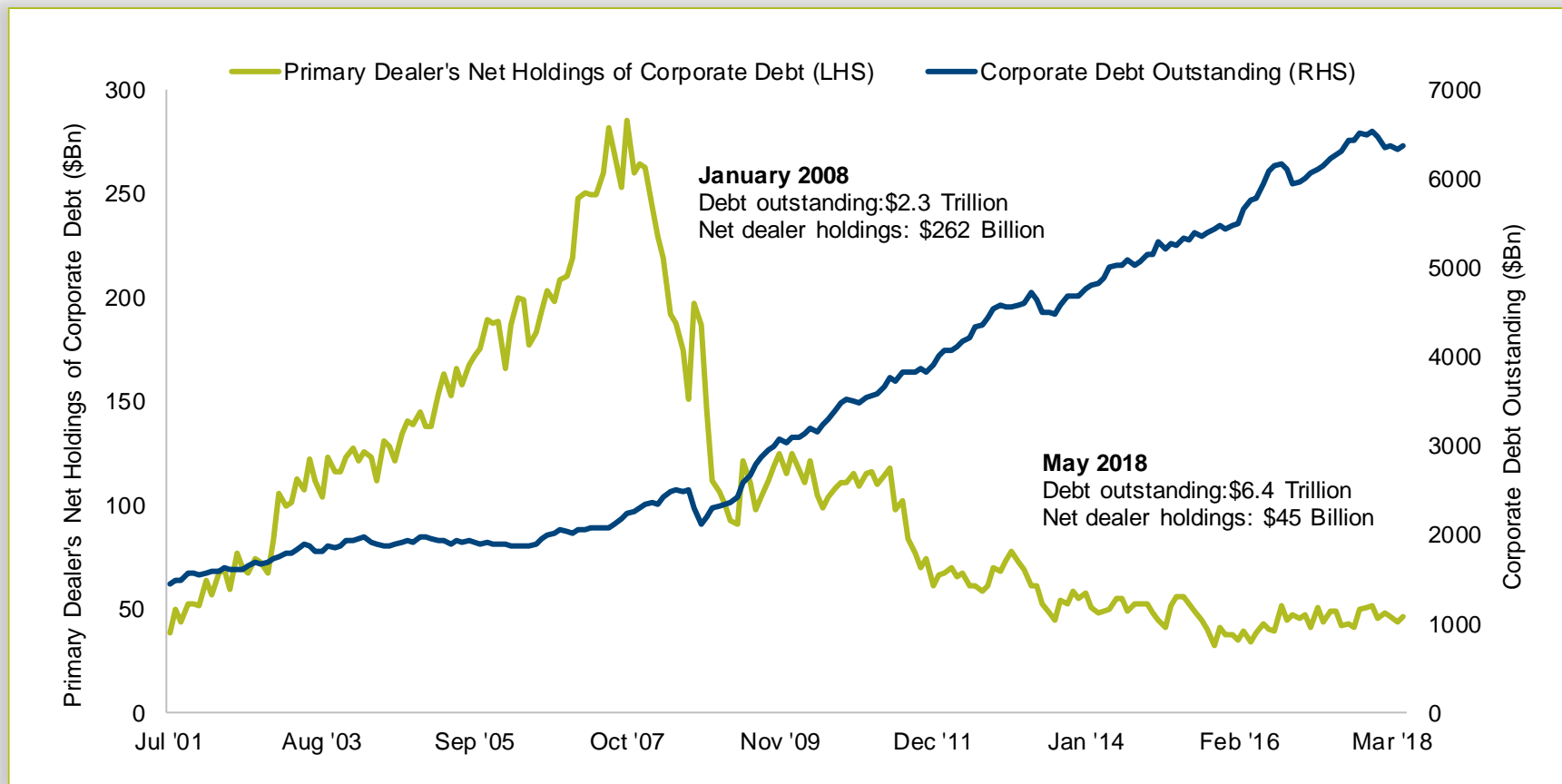


	Down market 5yr average return below 0%	Normal market 5yr average return 0-10%	Robust market 5yr average return above 10%
FPA Crescent	9.54%	8.71%	10.90%
S&P 500 average	-1.81%	3.30%	16.94%
Periods in which FPA Crescent outperformed	100%	97.47%	11.21%
	49 of 49	77 of 79	13 of 116

Source: Morningstar Direct. The chart illustrates the monthly five-year rolling average returns for the FPA Crescent Fund from July 1, 1993 (the first full month of performance since inception) through September 30, 2018 compared to the S&P 500 Index. The horizontal axis represents the five-year rolling average returns for the Index, and the vertical axis represents the Fund's five-year rolling average returns. The diagonal line illustrates the relative performance of the Fund vs. the Index. Points above the diagonal line indicate the Fund outperformed in that period, while points below the line indicate the Fund underperformed in that period. The table categorizes returns for three distinct market environments: a "down market" is defined as any period where the five-year rolling average return for the Index was less than 0%; a "normal market" is defined as any period where the five-year rolling average return for the Index was between 0-10%; and a "robust market" is defined as any period where the five-year rolling average return for the Index was greater than 10%. There were 244 five-year rolling average monthly periods between July 1, 1993 and September 30, 2018. **Past performance is no guarantee, nor is it indicative, of future results.** Comparison to the any index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Please refer to the end of the presentation for important disclosures.**

# US primary dealer's holdings of corporate debt

Primary Dealer's Net Holdings of US Corporate Debt  
vs. US Corporate Debt Outstanding



As of June 30, 2018. Source: New York Fed, Bloomberg.

Note: Primary dealer position data split into three time periods (July 2001 – March 2013, April 2013 – December 2014, January 2015 – Now) due to changes in data structure. Corporate debt outstanding represented by Bank of America Merrill Lynch US Corporate Bond Index.

# Stock valuations are historically high

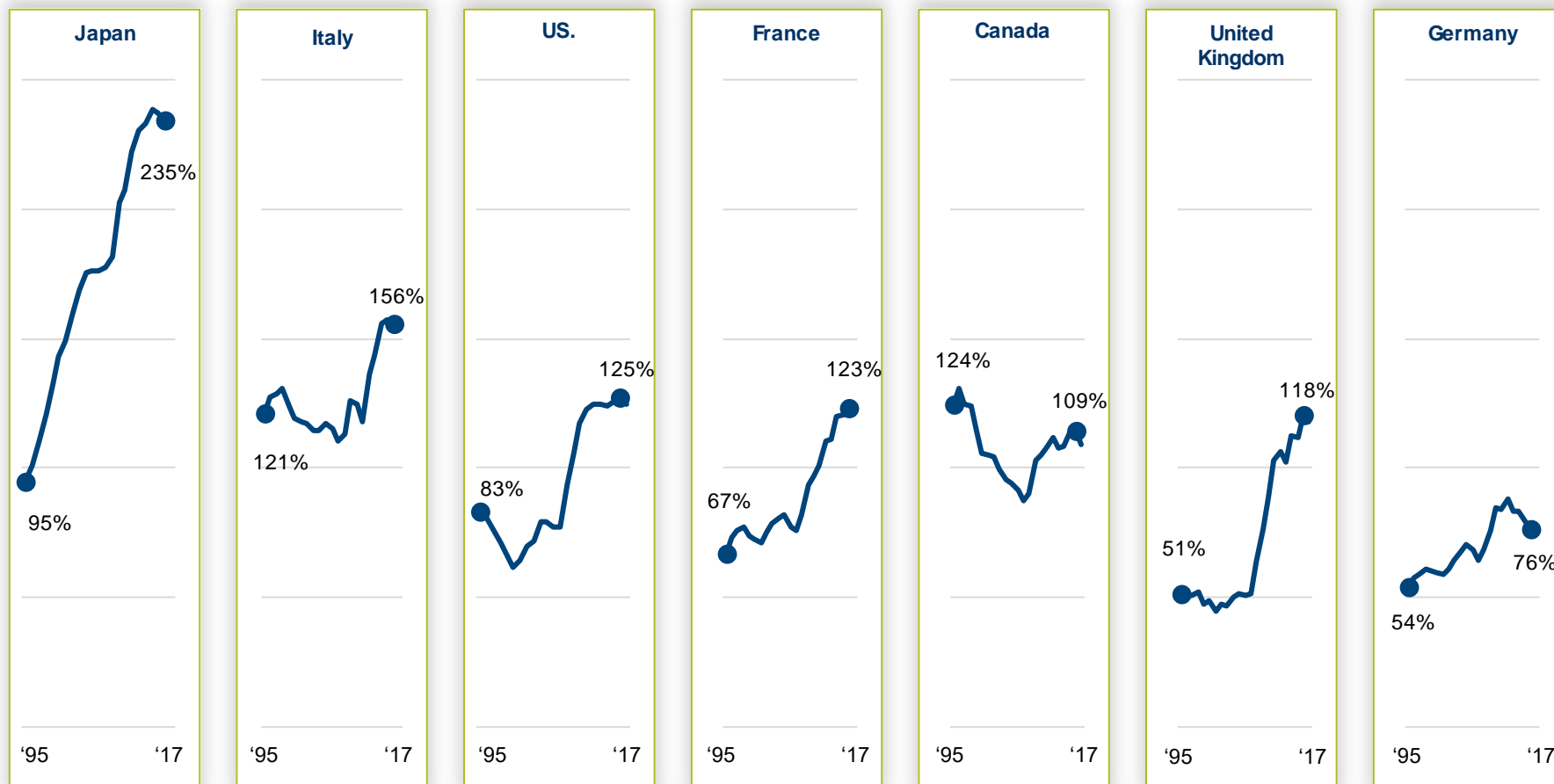
## Valuations at Most Recent Market Peaks vs. September 30, 2018

	US (S&P 500)				Global (MSCI ACWI)			
	Price/ Earnings TTM	Price/ Sales TTM	Price/ Book	CAPE	Price/ Earnings TTM	Price/ Sales TTM	Price/ Book	CAPE
Mar 31, 2000	18.9	1.4	2.9	<b>43.2</b>	16.2	1.0	1.9	N/A
Sep 30, 2007	18.2	1.7	3.1	26.7	<b>17.8</b>	<b>1.7</b>	<b>2.6</b>	<b>28.6</b>
Sep 30, 2018	<b>19.2</b>	<b>2.1</b>	<b>3.3</b>	32.9	16.0	1.5	2.1	22.0

Source: Bloomberg, MSCI, Research Affiliates. Data as of September 30, 2018. P/E TTM = Trailing 12 month Price/Earnings median value of underlying securities. P/S TTM = Trailing 12 month Price/Sales median value of underlying securities. P/B = Price/Book median value of underlying securities. CAPE Ratio = value of Price/average 10-year earnings, adjusted for inflation. CAPE is not available for MSCI ACWI as the index was created in 1995 (Bloomberg, Research Affiliates). **Please refer to the end of the presentation for important disclosures.**

# Debt-to-GDP has increased for most G7 economies

Total Gross Government Debt as a Share of GDP in the Group of Seven Nations (1995-2017)

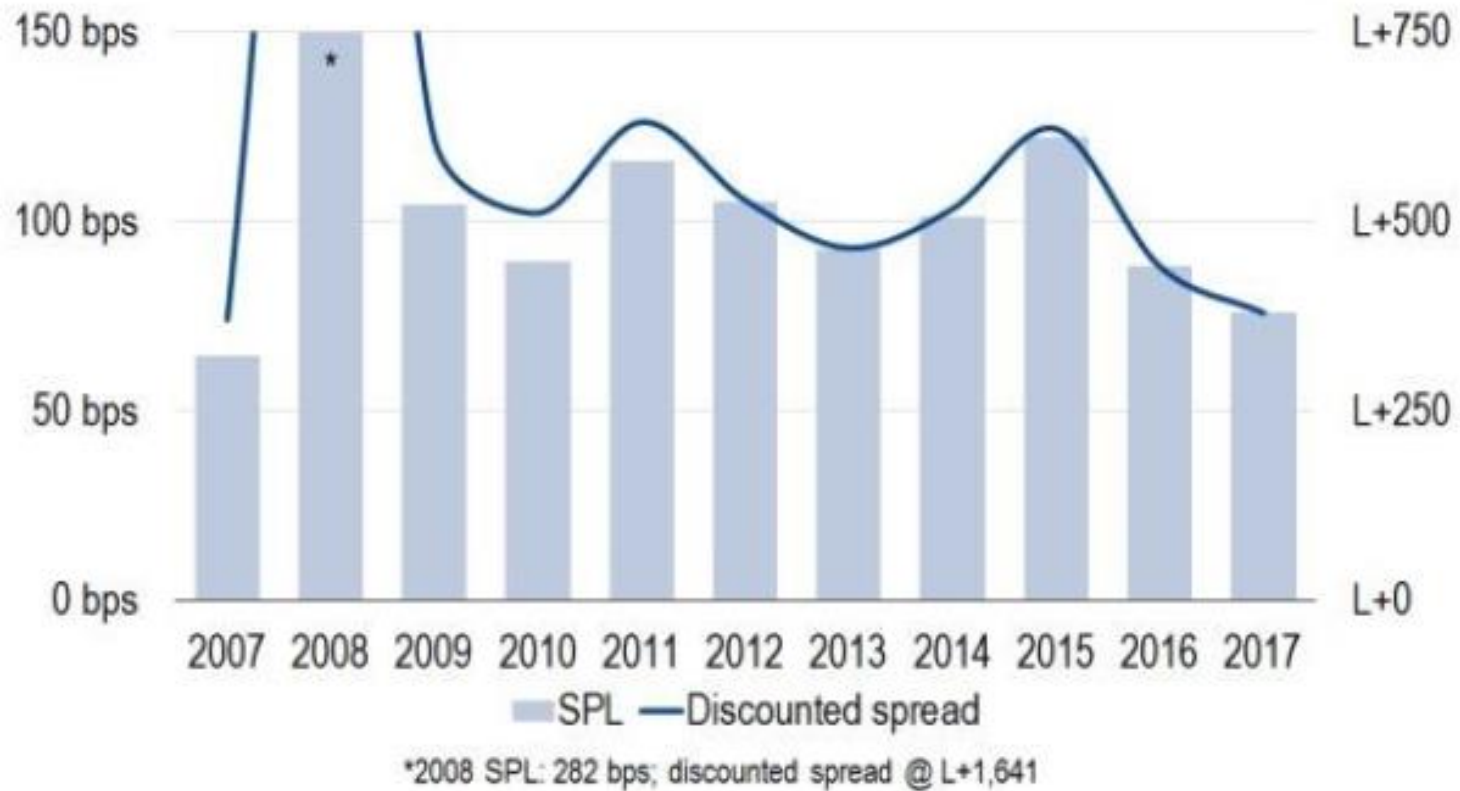


As of December 31, 2017. Source: OECD

Total gross government debt is defined as the sum of the following liability categories (as applicable): currency and deposits; securities other than shares, except financial derivatives; loans; insurance technical reserves; and other accounts payable.

# Risk/reward for borrower and lender is poor

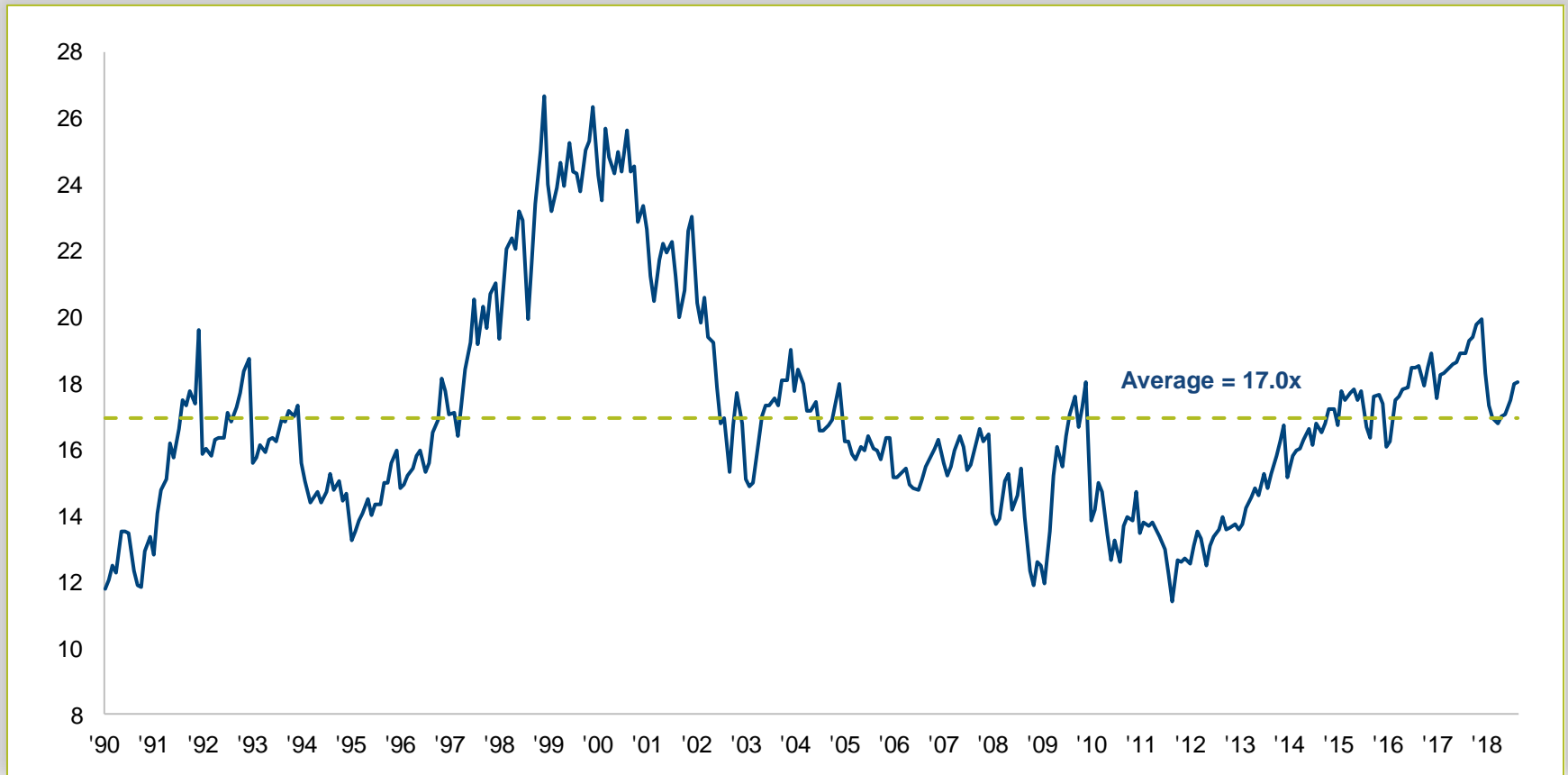
Risk vs. Reward for Loans Outstanding  
Spread Per Unit of Leverage ("SPL") and Margin Paid on Top of Libor





# P/E based on forward earnings

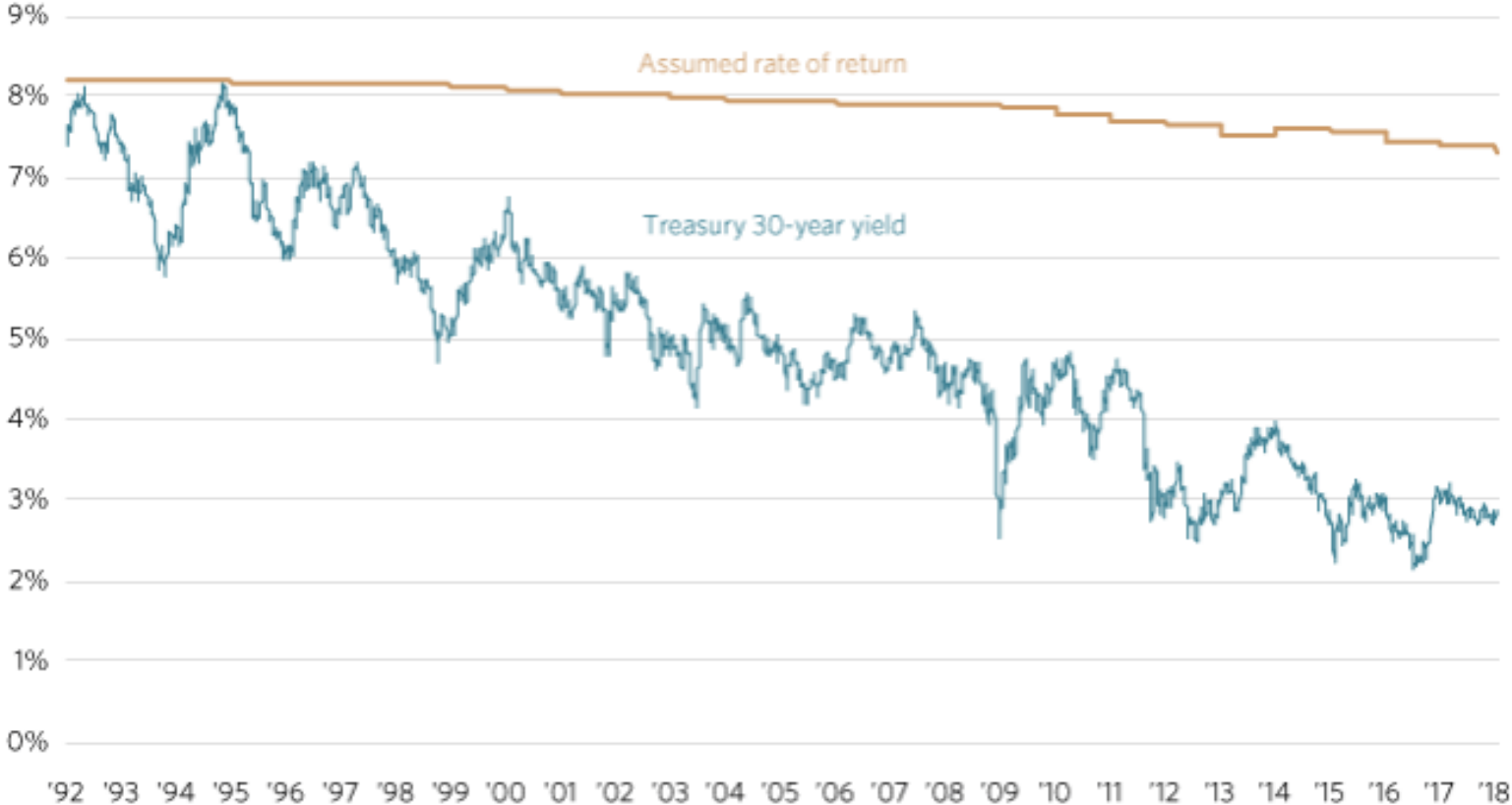
S&P 500 Forward Price/Earnings Ratios, Monthly Since 1990



Source: Bloomberg. As of September 30, 2018. Forward earnings represented by Bloomberg's Best field, using next four quarters estimates.

# State plans turn to riskier investments to meet return targets

Median Pension Plan Assumed Return vs. 30-year Treasury Rates, 1992-2018



Source: The PEW Charitable Trusts “The State Pension Funding Gap: 2016” published April 2018. Based on fiscal year 2016, the most recent year for which comprehensive data were available for all 50 states.

# Important disclosures

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Return and volatility targets or objectives are used for measurement or comparison purposes only and only as a guideline for prospective investors to evaluate the investment strategy and the accompanying risk/reward ratio. Targeted returns and volatility are subjective determinations by the investment manager based on a variety of factors, including, among others, investment strategy, prior performance or similar products, volatility measures, risk tolerance and market conditions. Performance may fluctuate, especially over short periods. Targeted returns and volatility should be evaluated over the time period indicated and not over shorter periods. Targeted returns and volatility should not be relied upon as an indication of future performance. No representation or assurance is made that the FPA Crescent Fund will or is likely to achieve the objectives or targeted returns or volatility.

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**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 the prospective investor. Please read this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at [www.fpafunds.com](http://www.fpafunds.com), by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.**

**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. The Fund's expense ratio as of its most recent prospectus is 1.09%. A redemption fee of 2% will be imposed on redemptions within 90 days. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at [www.fpafunds.com](http://www.fpafunds.com) or by calling toll-free, 1-800-982-4372.**

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.

Investments in mutual funds carry risks and investors may lose principal value. Stock 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 American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. 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.

**Interest rate risk** is when interest rates go up, the value of fixed income securities, such as bonds, typically go down and investors may lose principal value. **Credit risk** is the risk of loss of principal due to the issuer's failure to repay a loan. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults the security may lose some or all of its value. The return of principal in a bond investment is not guaranteed. Bonds have issuer, interest rate, inflation and credit risks. Lower rated bonds, callable bonds and other types of debt obligations involve greater risks. **Mortgage-backed securities and asset-backed securities** are subject to prepayment risk and the risk of default on the underlying mortgages or other assets.

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 FPA Funds are distributed by UMB Distribution Services, LLC, 235 W. Galena Street, Milwaukee, WI, 53212.*

# Important disclosures (continued)

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## Index / Benchmark / Category Definitions

Index returns are provided for comparison purposes only. Indices are unmanaged and index returns do not reflect transactions costs (e.g., commissions), investment management fees or other fees and expenses that would reduce performance for an investor. Indices have limitations when used for comparative purposes because they may have volatility, credit, or other material characteristics that are different from the referenced fund. For example, the referenced fund may hold underlying securities that are not included in any index used for comparative purposes and FPA makes no representation that the referenced fund is comparable to any such index in composition or element of risk involved. Any comparisons herein of the investment performance of a referenced fund to an index are qualified as follows: (i) the volatility of such index may be materially different from that of the referenced fund; (ii) such index may employ different investment guidelines and criteria than the referenced fund and, therefore, holdings in such fund may differ significantly from holdings of the securities that comprise such index; and (iii) the performance of such index may not necessarily have been selected to represent an appropriate index to compare to the performance of the referenced fund, but rather, is disclosed to allow for comparison of the referenced fund's performance (or the performance of the assets held by such fund) to that of a well-known index. Indexes should not be relied upon as a fully accurate measure of comparison. No representation is made as to the risk profile of any index relative to the risk profile of the referenced fund. It is not possible to invest directly in an index.

The 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.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

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The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 44 country indices comprising 23 developed and 21 emerging market country indices.

The 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. There can be no guarantee that the CPI or other indexes will reflect the exact level of inflation at any given time.

60% S&P500/40% Barclays Aggregate Index is a hypothetical combination of unmanaged indices comprised of 60% S&P 500 Index and 40% Barclays Aggregate Index, the Fund's neutral mix of 60% stocks and 40% bonds.

The BofA Merrill Lynch US High Yield Master II Index tracks the performance of US dollar denominated below investment grade corporate debt publically issues in the US domestic market.

The Barclays 1-3 Year U.S. Treasury Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least one year and less than three years.

ICE BofAML US Corporate BBB Index, a subset of the ICE BofAML US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a given investment grade rating BBB.

ICE BofAML US Corporate Index, a subset of the ICE BofAML US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market.

# Important disclosures (continued)

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## Other Definitions

**Annualized Standard Deviation** is the standard deviation multiplied by the square root of the number of periods in one year. Standard deviation of return measures the average deviations of a return series from its mean, and is often used as a measure of risk.

**CAPE ratio** is the cyclically adjusted price-to-earnings ratio, commonly known as CAPE, [1] Shiller P/E, or P/E 10 ratio, is a valuation measure usually applied to the US S&P 500 equity market. It is defined as price divided by the average of ten years of earnings (moving average), adjusted for inflation. As such, it is principally used to assess likely future returns from equities over timescales of 10 to 20 years, with higher than average CAPE values implying lower than average long-term annual average returns.

The Fund's **Debt/Total Capital** is calculated by dividing each security's long-term debt by its total capitalization (the sum of common equity plus preferred equity and long-term debt) and is a measure of the portfolio's financial leverage. Debt/Capital figures for FPACX exclude financials holdings.

**Long equity** represents the performance of stocks that the Fund owned over the given time periods and excludes short-sales, limited partnerships, derivatives/futures, corporate bonds, mortgage backed securities, and cash and cash equivalents.

**Price/Book ratio** is the current closing price of the stock by the latest quarter's book value per share.

**Price/Earnings ratio (P/E)** is the price of a stock divided by its earnings per share. P/E and average P/E reflect the trailing 12 months. P/E, next 12 months utilizes forward earnings expectations.

**Price-to-Sales (P/S)** is a ratio valuing a stock relative to its own past performance. Price to sales is calculated by dividing a stock's current price by its revenue per share in most recent year.

**Price/Tangible Book** is the price of a stock divided by its tangible book value per share. Tangible book value is the total net asset value of a company minus intangible assets and goodwill.

**Return on Equity** is the amount of profit computed by dividing net income before taxes less preferred dividends by the value of stockholders' equity.

**Risk Assets:** any asset that carries a degree of risk and generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high-yield bonds, real estate and currencies.

**Standard deviation** is a measure of the dispersion of a set of data from its mean.

**Sharpe ratio** is the average return earned in excess of the risk-free rate per unit of volatility or standard deviation.

**Tangible Equity/Tangible Assets** is calculated by taking the value of the company's total equity and subtracting intangible assets, goodwill and preferred stock equity and then dividing by the value of the company's tangible assets.