The Phaeacian Accent International Value Fund and the Phaeacian Global Value Fund (the “Phaeacian Funds”) were formerly known as the FPA International Value Fund and the FPA Paramount Fund, Inc. (the “Former Funds”), respectively, until their reorganization in October 2020. This commentary was written by the portfolio managers of the Phaeacian Funds while they were the portfolio managers of the Former Funds and employees of the Former Funds’ investment adviser. The Former Funds are no longer available for sale and these commentaries are provided for informational purposes only. The provision of these commentaries does not constitute or imply an endorsement of the Phaeacian Funds by the Former Funds’ investment adviser, and the views and opinions expressed in these commentaries are those of the portfolio managers and do not state or reflect those of the Former Funds’ investment adviser. Past performance is no guarantee, nor is it indicative, of future results. This is not an offer for sale or recommendation of any security, product or services discussed and neither does it provide investment advice.

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders:

We are pleased to provide our first report as portfolio managers of the FPA International Value Fund. Our primary objective in this communication is to discuss some of the investment opportunities that we see in the international equity markets. It is also our goal to give you a better sense of how we think as investors and manage the portfolio. To that end, we have attached our policy statement to this letter.

As long-term value investors, we welcome periods of uncertainty and negative headlines. Indiscriminate selling and volatility in the equity market typically follows, which usually opens up opportunities for us to deploy capital at prospectively high rates of return. The rampant sovereign debt crises in most developed markets, Europe in particular, have been the primary contributors to the current depressed sentiment. The resulting correction in the markets in the latter part of this year gave us several opportunities to invest in well-managed, high quality companies with strong balance sheets, at significant discounts to our estimates of their intrinsic values.

At the end of the quarter, the Fund was 70% invested with the portfolio consisting of 18 positions, somewhat below the 25 to 35 names we would typically expect to own. Most of our exposure is in companies domiciled in Western Europe, primarily the UK, Germany, France, and Switzerland. However, our holdings generate more than half of their free cash flows outside Europe. We are invested in a variety of industries, notably business services, trading and distribution, and industrial products. This is a function of our bottom-up approach, as we are agnostic to sectors as well as geographies. While we are invested in companies of all sizes, the Fund's weighted average market cap was around $15 billion at December 31, 2011, as we found compelling value in large global businesses. On average, the Fund's holdings trade at a 13.6x trailing P/E and have a dividend yield of 3.6%. Looking forward, we expect both earnings and dividend payouts to increase.

We typically invest with a long-term time horizon and thus do not consider a quarter, let alone a single month, as particularly meaningful. For reference, however, our Fund returned +1.1% from its December 1 inception through the end of the fourth quarter, which compares favorably to -1.1% for the MSCI World All Country ex-US benchmark over the same period.

Our best performing stock was Philips. Headquartered in the Netherlands, Philips occupies a leading position in most of its businesses including medical imaging equipment, personal care, and lighting. In early 2011, a new CEO took over and made several important changes to the group's management structure. This will increase accountability and should ultimately help improve operating efficiency. Philips has a strong balance sheet with no debt and has used some of its excess cash to repurchase shares at attractive prices. The stock currently trades at a significant discount to our estimate of the intrinsic value of the group's assets. For example, we estimate that we are getting the personal care business for free, while getting paid a 5% dividend yield to wait for fair value to be realized.

Our worst performing stock was SAP. Based in Germany, SAP is the global leader in Enterprise Resource Planning software. This is a highly attractive business. Customers spend large amounts of time and money implementing these solutions which can materially improve their operating efficiency. They then pay SAP an annual maintenance fee to receive on-going updates and support. Given the value-add and high switching costs, customers almost never replace or abandon the product. Consequently, SAP has a large installed base of loyal customers which generates significant recurring free cash flow. Continued adoption of these software solutions should allow SAP to generate further profitable growth and to build value over the long run. With a price of just 14x forward earnings, we do not believe that the company's stock price adequately reflects these positive characteristics. While SAP's stock price has come down since we first bought it, we see this as an opportunity to further increase our ownership in the business. Short-term downward movement in share price away from intrinsic value implies greater long-term prospective returns, and typically incites us to increase our exposure to a given position.

Both Philips and SAP are established, well managed companies with proven business models that we have known and followed for many years, and are good examples of the type of businesses we look for.

Going into the New Year, we remain mindful of some of the challenges the global economy is facing. High budget deficits and public debt levels in Europe, Japan and the US may constrain economic growth as governments enact austerity programs and eventually increase taxes. With no resolution of sovereign issues in sight and stricter capital requirements ahead for credit institutions, banks might be hesitant to expand their loan books. Household indebtedness also remains high relative to GDP in the US, UK, and Australia. This is likely to protract restrained consumer spending, and economic growth could remain relatively muted as a result.

Our focus is on the fundamentals of individual businesses rather than macroeconomic conditions which we have little ability to predict. In that respect, we feel confident about the long-term prospects of the companies in the portfolio. We believe all are positioned to weather challenging economic conditions. We eschew highly levered businesses that take risks we cannot identify and adequately price-in. As such, we have no exposure to the financial sector. Similarly, our portfolio companies have little exposure to troubled European countries like Greece, Spain and Portugal. We continue to search for new ideas that would meet our investment criteria, but will only consider investing if we can do so with a high margin of safety. In the absence of adequate opportunities, we may retain material exposure to cash.

We recognize that this is a challenging environment to start a new Fund, but we are excited about the investment opportunities that it may provide and have each invested a significant portion of our net worth in the Fund. We are grateful for your confidence and look forward to continuing serving your interests as shareholders of the FPA International Value Fund.

Respectfully submitted,

Eric Bokota

Eric J. Bokota	Pierre O. Py
Portfolio Manager	Portfolio Manager
February 10, 2012	

The discussion of Fund investments represents the views of the Fund's managers at the time of this report and are subject to change without notice. References to individual securities are for informational purposes only and should not be construed as recommendations to purchase or sell individual securities. While the Fund's managers believe the Fund's holdings are value stocks, there can be no assurance that others will consider them as such. Further, investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods.

FORWARD LOOKING STATEMENT DISCLOSURE

As fund managers, one of our responsibilities is to communicate with shareholders in an open and direct manner. Insofar as some of our opinions and comments in our letters to shareholders are based on current management expectations, they are considered "forward-looking statements" which may or may not be accurate over the long term. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, actual results may differ materially from those we anticipate. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions when discussing prospects for particular portfolio holdings and/or the markets, generally. We cannot, however, assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Further, information provided in this report should not be construed as a recommendation to purchase or sell any particular security.

THE FPA INTERNATIONAL VALUE POLICY STATEMENT

(including the FPA International Value Fund)

Following the launch of the FPA International Value Fund in December, we want to initiate communication with our fellow shareholders in the form of this policy statement. Future quarterly letters will give us many opportunities to comment on specific investments. At this stage, we would like to introduce ourselves and convey our vision for the FPA's International Value Strategy that includes the Fund. This letter summarizes who we are and how we think as investors, as well as how we construct and manage the portfolios.

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We are long-term value investors primarily focused on international equities, having helped build a strong track record with a well-known advisory team. We spent most of the last ten years scouring markets overseas to find investment opportunities across a wide range of sectors, researching and analyzing hundreds of businesses, and building local intelligence networks in the process. We maintain a concentrated, disciplined approach to long-term value investing whereby we focus on our best ideas while attempting to weed out higher risk, lower quality, and more expensive businesses.

Our objective is to deliver above-average capital appreciation over the long-term while minimizing the risk of a permanent impairment of capital.

We are absolute value investors. That is to say, we seek genuine bargains rather than relatively attractive ones. Unlike many long-only investment managers, our starting point is not a fully-invested portfolio. We are only interested in making an investment when we are exposed to an asymmetric outcome. We will only convert cash into a partial ownership of a business if we are convinced we are buying a stake at a significant discount to its intrinsic value, and when we believe the risk of potential losses is limited.

Over the years, we have identified hundreds of businesses throughout the world that we would like to own, but they often trade at prices that are too high for us to become shareholders. We consistently monitor these companies while patiently awaiting a cheaper share price. Under normal circumstances, we would expect to have no more than 15% of the Fund's assets invested in cash, but we may at times hold significantly more if we cannot find enough opportunities.

With capital markets generally short-term minded and susceptible to herd-like behavior, we find that our investment goals are best achieved by taking a long-term and often contrarian approach. We consider ourselves owners of businesses. A successful business owner would not care about what happens in the coming quarter, and neither do we. While in principle we would be happy to be invested in perpetuity under the right conditions, in practice we find that five years is a reasonable timeframe.

We insist that our investments meet the following criteria:

1) High Quality — businesses that have sustainable, superior fundamentals. These include high barriers to entry, low threat of product or service substitution, unique competitive advantages, power over customers as well as suppliers, and ultimately, pricing power. We believe that such businesses can generate industry leading margins, realize high levels of free cash flows, and earn attractive returns on capital.
2) Financial Strength — companies that have conservative balance sheets and good free cash flow profiles. Our view is that financial robustness enhances a business' ability to weather temporary disruptions or adverse economic circumstances, and puts it in a position to consistently gain strength through difficult times. Value destruction, on the other hand, is often the result of excessive leverage, particularly when combined with unforeseen events.

3) Strong Management — shareholder-aligned management teams that we believe not only run operations well, but also allocate capital in a way that creates value over time. Frequently and preferably these managers are shareholders themselves who think and act as owners. We would expect them to appropriately allocate capital by comparing the relative returns of various investment opportunities and, in the absence of attractive options, consider returning capital to shareholders through dividends and/or share repurchases.

4) Low Absolute Valuations — an opportunity to invest with a significant margin of safety. This is how we expect to achieve excess returns in the long run. We recognize that we cannot always be right in our assessment of value and demand at least a 33% discount to our estimate of intrinsic value before investing. Buying into quality businesses that build value over time, coupled with a high margin of safety, helps mitigate the potential negative impact of unforeseen factors and allows the passage of time to work in our favor.

Given our stringent criteria, we need to look broadly across capitalizations, industries, and geographies to find good opportunities. While there are over 20,000 listed corporations located outside of the U.S., only a few combine all of our investment requirements at a given time, which leads us to run a more concentrated portfolio. Concentration allows us, in turn, to spend a disproportionate amount of time getting to know the most attractive companies, helping to reduce the risk of mistake which might otherwise lead to capital loss. We focus only on our best ideas and expect to be invested in no more than 25 to 35 stocks.

In analyzing companies, we take a bottom-up, research-driven approach. We eschew businesses that do not lend themselves to appraisal. We limit ourselves to countries with established rules of law and political systems that allow for transparent and unbiased enforcement of those laws. We are also cognizant of macro-economic factors but center our analyses around, and select stocks based on the fundamentals of the underlying businesses. To understand these fundamentals, we engage in extensive research.

We dedicate a lot of time traveling to visit investment prospects and meet with management teams or key employees to discuss operations, strategy, and capital allocation. We interview competitors, suppliers, customers, and other relevant third parties. We study how industries and companies evolve over time and how adept management is at responding to and taking advantage of changes in the business. We think prospectively rather than looking only at the past to anticipate potential changes. Our research is an on-going process, and ultimately the companies we invest in are the ones we have followed for years, and have seen perform through good and bad times.

We also study a long history of annual reports, investor presentations, conference call transcripts, third-party research and other relevant publicly available materials for each targeted company, as well as the other industry participants. Through this process, we seek to obtain an understanding of the value chain, market forces, and strategic dynamics. We use our research findings and analytical work to assess the normal economics of the business, and to estimate the present value of its future stream of cash flows.

We study the company's financial position and how its balance sheet would hold up in challenging conditions. We look at leverage, debt structure, and free cash flow generation profile. We spend a lot of time asking ourselves what could go wrong and, if something did, what it might mean for the business and its value. To the extent possible, we make an assessment of that through our research. We then price the stock with those concerns in mind, rather than making arbitrary allocations between alternative scenarios. If we cannot price-in those concerns, we do not invest.

THE FPA INTERNATIONAL VALUE POLICY STATEMENT

(including the FPA International Value Fund)

Portfolio construction is the product of that research and valuation process. We only add those companies that meet all of our selection criteria and offer enough margin of safety to the list of investments. We then allocate individual portfolio weightings according to the relative discount to our estimate of intrinsic value. Positions could be as small as 1.5% of the portfolio, and as high as 8.0%. This approach allows our ideas with the greatest upside to have a more significant impact on performance.

We continuously monitor each portfolio company to ensure that our original thesis remains intact and that the required upside is still there. We may sell a holding when its market price appreciates and approaches our estimate of value; when we find opportunities to reallocate capital to other investments with greater reward potential; or when the original investment thesis no longer holds. While taking a loss can be a painful decision, it is preferable, in our view, to recognize a mistake early, rather than just hoping for a better outcome.

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In conclusion, our approach is to concentrate on a few well-reasoned and well-researched positions. We want to be long-term owners of high quality, financially sound businesses run by proven managers who build value over time for shareholders. We invest in these businesses only when we can buy their stocks at what we believe to be absolutely low prices. We adopted this approach because that is the only one that makes sense to us.

We manage assets the way we manage our own money, and invested a significant portion of our net worth in the Fund. Should our portfolio lag, we will feel the pain along with our fellow shareholders. At times we expect to experience poor relative performance in the short-run, but as patient, long-term investors we should ultimately be able to enjoy the benefit of superior capital appreciation.