

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.

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, sales charges, 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 email at [crm@fpafunds.com](mailto:crm@fpafunds.com), toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

### Average Annual Total Returns As of June 30, 2016

	QTR	YTD	1 Year	3 Year	Since Inception*
<b>FPA International Value Fund</b>	-3.09 %	0.69 %	-11.60 %	-1.23 %	5.30 %
<b>MSCI ACWI ex US</b>	-0.64 %	-1.02 %	-10.24 %	1.16 %	3.97 %

\*\*Annualized. Inception of FPA International Value Fund is December 1, 2011.

A redemption fee of 2.00% will be imposed on redemptions of certain shares within 90 days. Expense ratio calculated as of the date of the most recent prospectus is 1.25%.

**Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Current month-end performance data may be obtained by calling toll-free, 1-800-982-4372.**

To view portfolio holdings from the most recent quarter end, please refer to the end of this document or at [www.fpafunds.com](http://www.fpafunds.com).

Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Funds, Advisor or Distributor.

The views expressed and any forward-looking statements are as of the date of the publication and are those of the portfolio managers and/or the Advisor. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. This information and data has been prepared from sources believed reliable. The accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

The MSCI ACWI ex-USA Index (Net) is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. These indices do not reflect any commissions or fees which would be incurred by an investor purchasing the stocks they represent. The performance of the Fund and of the Averages is computed on a total return basis which includes reinvestment of all distributions.

### Fund Risks

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. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add



## **FPA International Value Fund** ***Second Quarter 2016 Commentary***

to the risk and volatility of foreign investments. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks.

The Fund is non-diversified and may hold fewer securities than a diversified fund because it is permitted to invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the Fund could go down because of the poor performance of a single investment.

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

Dear fellow shareholders,

During the second quarter of 2016, the Fund returned -3.09% (in U.S. currency), compared to -0.64% for the MSCI All Country World Index's (ex-U.S.) (Net) (the "Index"). Since the beginning of the year, the Fund has returned 0.69%, compared to -1.02% for the Index.

Most importantly, since inception on December 1, 2011, the Fund has appreciated by an annualized rate of 5.30%, net of fees and expenses, versus 3.77% for the Index.

It is worth noting that since inception, the Fund has been invested on average 65% to 70%. Cash exposure has fluctuated from around 10% to more than 40%, depending on the availability of suitable investment opportunities.

At the end of the period, the Fund was a little over 80% invested. While this is effectively unchanged from the reported figure at the end of the first quarter, there were significant fluctuations throughout the quarter.

### ***Brexit impact***

As we have mentioned in previous commentaries, it is our preference not to comment on short-term performance, which we consider to be of little relevance to our long-term investment approach. Similarly, as bottom-up investors, we'd prefer to refrain from commenting on macro-economic or capital market developments. However, the historic decision by the British people to leave the European Union ("EU"), known as "Brexit," had a material impact on the Fund's return for the period, even though it happened on June 24, less than a week before the end of the quarter, and for reasons that need to be made clear.

To put things in perspective, by June 23, the Fund had returned 3.17% for the quarter, versus 2.88% for the Index, and had a year-to-date return of 7.20% versus 2.49% for the index. Yet by June 24, one day later, the Fund had returned -3.01% for the quarter, versus -3.34% for the Index. At that point, the Fund's year-to-date return was 0.78% versus -3.71% for the Index. This is how sharp of an impact the Brexit vote had on absolute performance this quarter.

In terms of relative performance, the Fund held up better than the Index on the first trading day following the UK referendum. At the same time, we made several investments that day which then caused the Fund to underperform in the short term. Prior to the event, the Fund's cash exposure had increased to levels in excess of 25%, as markets continued to rise, and our portfolio holdings even more so. But on June 24, as markets panicked, we deployed 8% of the Fund's assets, mostly in several UK small caps that had experienced price dislocations north of 20% on average. These stocks fell by roughly another 20% on the next trading day, June 27, when we invested another 3% of assets. As a result, the Fund declined by close to 6% on that Monday, almost 300bps worse than the Index. By aggressively taking advantage of exceptional volatility, we "gave-up" in one day almost two-thirds of the Fund's excess performance for the year.

At the same time as we put a significant amount of capital to work in these couple of days, I personally increased my investment in the Fund by more than 20%, my single-largest increase since the inception of the Fund back in December 2011.

In hindsight of course, we should have waited another day, but we can never predict how long a window of opportunity is going to be. The discounts were such that it was clear what needed to be done, and we didn't think twice about the impact on the Fund's short-term returns. This is precisely the type of situation

we hope for. While others resorted to bookies and volatility forecasts in order to “position” their portfolios for one outcome or the other in the months ahead, we continued to research and value companies so as to be ready to move promptly if markets panicked. To be clear, we didn’t buy a variety of expensive names that came down a few percentage points on that day and have since bounced back to their previous levels. Rather, we invested in UK businesses whose share prices fell, as in one particular instance, from \$7.56 on June 23 to \$4.51 on June 27. In this case, it was a company we had long followed and knew to be a quality business, but found unattractively priced until then.

This discipline can cause the Fund to underperform in the face of “market corrections” in the short run, as we make aggressive investments in stocks that experience material dislocation while others hold up better. But this is a function of our unaltered focus on buying intrinsically cheap businesses, rather than on manufacturing short-term paper returns. It also reflects growing valuation asymmetries in the markets between two types of companies. One type is big and liquid companies often perceived as unlikely-to-negatively-surprise that can be used to capture some marginal spread versus artificially deflated interest rates. The other type is typically smaller, less predictable companies that tend to be overlooked, and are fundamentally undervalued. With more capital pressed to adopt a similar approach, and chasing the same names, share prices benefit, which can make the trade look compelling in the short-term. Longer-term however, it could translate into permanent capital destruction, once focus is put back on business fundamentals.

### ***Brexit commentary***

With respect to what Brexit might mean, we would prefer to leave it to more macro- inclined, or -capable professionals to provide further insight. That said, we are not oblivious to the issue, and feel we should give our fellow shareholders a sense of the perspective we take when dealing with something like this.

The news of the UK leaving the European Union is a source of uncertainty, which is not generally conducive to business initiative or consumer sentiment, and could put pressure on business activity in the short term. In truth, it seems the British economy was previously showing some signs of moderation, despite expectations of a “remain” vote. In practice, however, nothing will technically change with respect to how things are done, or how companies operate and conduct business, for at least a couple of years.

While we cannot speculate as to how long it may last, one immediate impact of Brexit is the weakening of the British Pound. While a weaker currency is fundamentally undesirable in our view, it could be beneficial in the current world environment for the UK economy, and for its equity markets. The weaker yen for instance has proven beneficial for exporting businesses in Japan, and for the Japanese equity markets overall since the end of 2012 (and the other way around since the end of last year).

Short-term negative economic effects are also likely to put pressure on British authorities to soften their monetary and fiscal stand. This may include tax reductions, one-off budget measures, and quantitative easing-type initiatives. While there is a debate as to the economic benefits of such measures, their impact on currency and stock prices are more widely acknowledged.

In the long run, we think its decision to leave the EU could prove a historic positive change for the UK, with deregulation opening new opportunities for business ventures and trading activities, along with the prospect of material economic improvements for both the country and its potential new preferred partners. On the flip side, it will also raise complex legal and regulatory challenges, and cumbersome structural adjustments in multiple industries, particularly in banking. However, we think these challenges extend well beyond British frontiers, and we are concerned the decision might indeed put serious pressure on the EU.

From an investment standpoint, one can expect a lot of noise, uncertainty, and fear, which can cause meaningful volatility, thus creating compelling opportunities for investors with a focus on fundamentals, a

long-term view, and a sound valuation discipline. This is especially true for U.S. dollar investors. Dramatic events like these can also be a source of high impact losses, which can in turn destabilize the markets.

At a research level, we have to factor in both the translational and transactional impact on businesses of the weaker British Pound. We also need to think about possible shifts in competitive dynamics as a result. Lastly, we have to be mindful of the effect currency can have on a company's balance sheet.

More broadly, we need to consider the long-term possible effects (if any) on profit, cash flow, and ultimately, terminal value, beyond just top line exposure to the UK, or short-term forecasts. We also have to assess whether other regions may in fact benefit, and how all of these combined effects then compare with any fluctuation in a company's share price.

### ***Key performers***

Our worst-performing holding this quarter was **Countrywide**, which was down 41.29% (in U.S. currency) in the period.<sup>1</sup> Based in the UK, the company is the country's leading residential real estate brokerage network. The group also operates one of the largest home rental businesses in the UK, and provides a broad range of real estate-related services such as property appraisals, similar to peer **LSL**.

Real estate as a sector is often subject to a lot of media attention. It is also a natural ground for political interventions, and is sensitive to consumer sentiment. It can be highly volatile as a result. Through our multiple access points into the UK market, we had been made aware of a likely softening in market conditions in the middle of the year, in part due to political instability. We expected potentially significant short-term volatility as a result, and possibly the opportunity to buy-in at low prices in the coming months.

Instead, the opportunity was brought forward by Brexit, which is not to say that we couldn't experience further volatility in the stock later in the year. By June 23, Countrywide's share price was down 6%, but it fell 25% on June 24, and another 15% the following trading day on June 27. We took advantage of these severely depressed valuations to add to our existing position.

Longer-term, Countrywide presents several compelling characteristics. Property transactions in the UK remain well below both peak demand and multi-decade averages. Irrespective of when the market may return to its long-term trend, the group can continue to build its rental business and other property-related activities. The company has a sound balance sheet, with net debt just north of 1.5x EBITDA<sup>2</sup>. The business requires little tangible assets and negative working capital thus generates triple digit levels of returns on capital employed, and is highly cash generative. A significant portion of this cash is returned to shareholders via dividends and buybacks, which are accretive to value at current prices.

The relatively new CEO Allison Platt, who comes from a non-real estate and non-traditional background, has led some dramatic organizational changes at the company that have yet to prove successful. The group has also failed more recently to properly execute on integrating rental acquisitions, and the business remains exposed to an industry downturn and increased pressure from market newcomers. Nevertheless, with a double-digit free cash flow yield, we believe we are getting well rewarded for our resilience to volatility and patience towards an improvement in the UK property market's conditions.

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<sup>1</sup> Worst performer based on the percentage of Countrywide's share price change from 3/31/16 to 6/30/16. This share price change does not necessarily equate with the performance of the holding in the Fund's portfolio. As of 6/30/16, Countrywide represented 3.34% of the Fund's total assets.

<sup>2</sup> EBITDA is Earnings before Interest Tax Depreciation and Amortization.

Our best performing holding this quarter was **Totvs**, which was up 27.47% (in U.S. currency) in the period.<sup>3</sup> Based in Brazil, Totvs is the country's leading provider of enterprise software solutions, primarily to local small and medium size businesses.

We first invested in Totvs less than a year ago in the context of a rapidly deteriorating political and economic environment in Brazil, associated with weakness in the national currency the Brazilian Real. The group had also announced a sizeable acquisition, which many (ourselves included) expected would be challenging to integrate. However, Totvs continued to generate solid results in the months that followed, and the group's stock price recovered strongly, leading us to significantly reduce our position.

At the end of last year, Totvs's management team then experienced significant disruption, as Rodrigo Kede, who had been hired from IBM Brazil and was expected to succeed the company's founder Laercio Cosentino as CEO, announced he was stepping down. The decision was publically attributed to a serious health issue, only for IBM to report a few days later that Rodrigo would be re-joining the group as head of its Latin American business. This caused Totvs's share price to fall back to previous depressed levels. Despite our initial concerns with the announcements, we were able to gain confidence, through multiple conversations with various parties involved, that the situation wasn't symptomatic of more serious issues at the company. We subsequently took advantage of the opportunity to rebuild the position.

Since then, Totvs's share price has benefited from continued good results, despite short-term headwinds from challenging macro-economic conditions and the integration of Bematech.

We think Totvs is a high-quality business, with a well-established dominant position in a market that is both difficult to penetrate and constantly changing. Its solutions are high value-added and a must-have for customers. Similar to **SAP**, the world leading player in the field of ERP solutions, the company benefits from high margin, recurring maintenance and service type revenues. The business has consistently generated double-digit growth, margins above 20%, returns on capital employed in excess of 80%, and high free cash flow generation. Totvs is undergoing a shift towards a subscription model, which negatively impacts results in the short-term, but should prove beneficial longer-term. The Bematech acquisition, while challenging to integrate, is opening new market opportunities for the group. The balance sheet is net cash positive. And despite the recent snafu, the CEO has an exceptional track record in the industry, and remains a large shareholder in the company.

Even after the recent increase in Totvs's share price, we continue to think that the stock is trading at a significant discount to the intrinsic value of the business, and we remain interested in being shareholders in the company at current valuations.

### ***Portfolio activity***

Once again this quarter, the sharp shift in trend during the period led to a high level of activity for the Fund. While we pulled back on several investments that had performed strongly early on, we bought into some new names, and substantially added to several existing positions at the end of the quarter, including **Countrywide**, **LSL**, and **Michael Page**.

We made five new purchases, including **Metso** and **Signet**. We also disclosed two new positions that we had recently been building, **Burberry** and **Konecranes**. Based in Finland, Metso is a world leading manufacturer of heavy equipment, typically for the mining industry. The group also provides related engineering and maintenance services. Based in Bermuda, Signet is the largest specialty jewelry retailer in the United States. Based in the U.K., Burberry is one of the world's top luxury brands. The company

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<sup>3</sup> Best performer based on the percentage of Totvs's share price change from 3/31/16 to 6/30/16. This share price change does not necessarily equate with the performance of the holding in the Fund's portfolio. As of 6/30/16, Totvs represented 2.16% of the Fund's total assets.

designs, produces, and distributes, in part through its own global retail network, a broad range of apparel and accessories. Based in Finland, Konecranes is a leading producer of electrical lifting equipment, primarily industrial and port cranes. The group also provides related engineering and maintenance services.

We also monetized three positions during the period: **Intertek**, **G4S**, and **TNT Express**. In addition, as commented above, we reduced the weights of several investments based on lower discounts to intrinsic value, both on an absolute basis, and relative to other portfolio holdings. Based in the UK, Intertek is a leading global provider of inspection and certification services. The company's stock had seen a material increase in price since the original purchase at the beginning of last year, and had reached our assessment of intrinsic value per share. We continue to view Intertek as a well-run, high-quality company, and remain interested in becoming shareholders, subject to an appropriate margin of safety<sup>4</sup>. As we reported in past commentaries, TNT Express was acquired by FedEx in the second quarter of last year. The transaction finally closed this quarter, and we received cash in exchange for our shares in the company.

Our sale of G4S was a different situation. We had commented last quarter that, after years of being invested in the group and having gone through significant challenges, a change in management, and a difficult turnaround, we expected to see our thesis play out at last in the coming months. We still trust that this will happen, and suspect the company's share price will react positively to future results. Yet we had also shared in the commentary our frustration with management, and the need for the balance sheet to be strengthened. Two things transpired during the quarter that combined with these two issues, ultimately dictated our decision to sell. One was the terrorist attack in Orlando, as the gunman turned out to be an employee of G4S. Despite multiple research calls, we struggled to assess the potential liabilities (if any) for the company, and found management's response to this crisis to be inadequate. The other was the Brexit vote, and the subsequent sharp weakening of the British Pound. With a large portion of its debt denominated in U.S. dollars, we estimated the group could run into liability management issues which could seriously undermine the pending turnaround. These issues, combined with an often hard-to-reach management, led to the decision to sell the position, as our investment discipline would dictate.

While our overall investment in G4S actually proved net positive for the Fund, this is quite a frustrating outcome after so many years as shareholders. We think the business itself is worth significantly more than what the current share price implies, and would be interested in becoming shareholders again, but would want to see the aforementioned issues addressed. Our experience with G4S will serve as another reminder of the importance of strong execution in the face of challenges, and a robust balance sheet. Bad things can happen to good businesses, and sometimes several times over in a short period of time. Without the financial strength to weather the storm, this can trump even the best fundamentals.

### ***Holdings of interest***

Net of the transactions discussed above, our portfolio remained relatively concentrated at the end of the first quarter. We held 31 disclosed investments whose weighted average discount to intrinsic value was close to 40% at June 30, 2016, up somewhat from just over 35% at the end of the first quarter. We remain focused on our best ideas, with the Fund's top 10 holdings accounting for more than 40% of assets, and the top 5 accounting for more than 25%. These top holdings include **Fenner**, **LSL**, and **Michael Page**.

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<sup>4</sup> Margin of safety - Buying with a "margin of safety" is when a security is purchased at a discount to the portfolio manager's estimate of its intrinsic value. Buying a security with a margin of safety is designed to protect against permanent capital loss in the case of an unexpected event or analytical mistake. A purchase made with a margin of safety does not guarantee the security will not decline in price.

Based in the UK, Fenner is the world's leading player in the highly concentrated market for conveyor belts. While structurally strong, this business is exposed to mining, and it has suffered from dramatic organic decline in the past few years. In addition, Fenner is involved in a number of niche businesses, which together make up the so-called AEP (Advanced Engineering Products) segment, and now account for more than two-thirds of the group's profits. Almost 25% of that profit stems from a high-growth, high-return medical business that would command high valuations on a standalone basis. One-third of AEP's revenues are exposed to Oil & Gas, therefore some of these businesses have experienced material headwinds. Overall, the group's profits are now 65% below peak. Yet Fenner still delivers low- to mid-teen returns, along with a cash conversion rate in excess of 100%, because management has focused on extracting efficiencies, and the business requires little incremental capital at this stage. This also helps keep net debt to EBITDA below 2x, despite the sharp fall in EBITDA and negative currency effects. Fenner's management has a long personal history with the group, and is deeply committed to its long-term success. At the end of the quarter however, Fenner's stock (which is down almost 70% from its five-year peak in U.S. currency) traded at roughly 10x depressed 2017 profits. It offered high single-digit cash flow yields, and the optionality of a long-term market recovery, along with portfolio value realization opportunities.

Based in the UK, LSL is a leading real estate broker and provider of surveying services. The company operates the second-largest brokerage network in the country, and commands a dominant market share in the concentrated surveying market. Close to 20% of the group's income comes from the high-margin counter-cyclical home rental business. By nature, LSL's business depends on UK housing transactions, which fell 60% after the financial crisis and remains more than 25% below their long-term average. Yet, the business still generates mid-teen margins and virtually infinite returns<sup>5</sup> because it requires few tangible assets and is working-capital negative. The group has room to further improve profitability through its own actions, and has high operating leverage exposure to larger transaction volumes. LSL's former CEO is now chairman of the board and one of the company's largest shareholders. Net debt to EBITDA is slightly above 1x. At the end of the quarter, however, LSL's stock (which is down more than 50% from its five-year peak in U.S. currency) traded at less than 5x profits, and offered mid-teen cash flow yields, along with the optionality of a more normal market, as well as compelling business development opportunities.

Based in the UK, Michael Page, now known as Page Group, is a world leading provider of recruitment services including both permanent placement and temporary staffing. As an industry, recruiters were severely hit by the financial crisis. At the time, Page was focused on the UK. It was biased to the finance sector, and lacked exposure to the counter-cyclical temporary staffing business in key markets. It was severely affected as a result. While the group has become far more diversified since then, both in terms of geographies and sectors, it retains the image of a UK financial stock, which makes it sensitive to events like Brexit. At opening on June 24, Page's share price was down by as much as 70%. The stock is now back to levels at which we originally purchased it, and levels at which it was still trading at the end of 2009. Yet, we consider Page as a best-in-class recruiter with a strong culture of performance, and we think the business, albeit cyclical, benefits from positive long-term underlying drivers. While margins still offer room for improvement, the business requires little working capital and tangible assets to operate. Returns and cash flow generation have been strong as a result. Management has returned excess capital to shareholders through dividends and share buybacks, while the balance sheet has remained net cash positive. At the end of the quarter however, Page's stock (which is down more than 50% from its five-year peak in U.S. currency) traded at less than 7x profits, and offered high single-digit cash flow yields, along with room for further improvement and further business development opportunities, especially in the U.S. market.

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<sup>5</sup> Because LSL's working capital is negative, and the business requires little tangible assets, the company's capital employed is negative. Therefore, the returns that the business generates are virtually infinite.

We chose to highlight these names not only because they were our top holdings at the end of the quarter, but also because we believe they offer a good insight into our broader portfolio, and further illustrate how we think as investors. They also show how the portfolio has further shifted towards UK small cap names following the sharp correction in the market and the weakening of the British Pound after the Brexit vote.

### ***Portfolio profile***

Looking at the portfolio from a top-down perspective, things remained relatively unchanged at the end of the quarter, with a reasonable balance in terms of market capitalizations. The Fund's median market cap was \$3.2 billion at quarter end, even though, as mentioned earlier, we increasingly find that smaller, overlooked companies offer more compelling discounts. However, we do not consider the observation to be very meaningful, since our approach is agnostic to size, geography, and sectors.

The main geographic characteristics of the portfolio were also effectively similar to what they were at the end of last quarter. Our large exposure to companies based in Europe further increased as we took advantage of the market's negative reaction to the Brexit vote to buy into UK companies. We still have no exposure to Japan, where it now seems generally accepted that "Abenomics" has failed (as we predicted it would a few years back), with the possibility of a reversal in exchange rates and the associated benefits the market had enjoyed. While we continue to zoom-in on a handful of names, we are finding emerging markets less compelling, particularly in contrast to heavily discounted high-quality, well-run, and financially robust UK companies.

From a sector standpoint, the portfolio remained heavily geared towards Industrials, though mainly as a function of energy and mining holdings. We still have no investments in banks, with our exposure to Financials only reflecting our positions in LSL and Countrywide. A lot of the concerns we've highlighted over the years when it comes to banks have proven valid, and while valuations are now intriguing, we still think many of these businesses do not meet our qualitative investment selection criteria. Sadly though, if things are as bad as trading multiples imply for the banks, not being invested in them will only help us marginally. In that respect, they've almost become a Pascalian wager at this stage.

Our exposure to Healthcare, according to GICS<sup>6</sup>, can be misleading, since **Ansell** is more of an industrial and consumer goods business. Similarly, our exposure to Energy includes our positions in **Fugro** and **Shawcor**, which are effectively providers of industrial solutions. As we've pointed out before, however, several of our holdings have exposure to energy and the commodity market, even though they are not classified as such under GICS.

Beyond that, the Fund is still fairly diversified, though it remains geared toward businesses that are cash generative and not very capital intensive. Those primarily include consumer goods companies and service -type businesses. We also continue to have meaningful investments in ERP software providers, including **Oracle**, **Totvs**, and **SAP**, which account for our sizeable exposure to Information Technology.

### ***Prospect***

To conclude our commentary, we would highlight again the pressure we continue to see on both profit expectations and multiples, in particular for large, liquid, unlikely-to-surprise companies. Brexit may have created the short-term illusion that markets have rolled. In fact, it pushes them further in the same direction. As we said before, high valuations are a function of ever-increasing "quantitative easing" initiatives. We chose to avoid any more commentaries on where yields are globally for sovereign as well as corporate debt now, but we are no less concerned by the large scale financial destruction such policies entail.

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<sup>6</sup> Global Industry Classification Standard.

The impact they are having on capital markets is hard to ignore. As this commentary was being drafted, we read that Unilever is buying the Dollar Shave Club “for a cool \$1 billion,” (sic. WSJ on transaction report) in cash. For improv performers and equity holders alike, it doesn’t get much cooler than that. The four-year old company, which operates a razor blade mail-order service (like Montgomery Ward, though with one product line), had reportedly raised more than \$160m in venture capital. It had revenue of \$152m last year (roughly \$1 for each \$1 of capital raised), has never made a profit, and is being sued by Gillette for patent infringement. Comedic sense aside, what it means is that with free capital available in-masse, in particular for anything web-related, new businesses are able to flourish and command massive valuations by just obscenely under-cutting traditional models on price, also known as “disrupting,” irrespective of their long-term financial soundness. And we worry about irrational Chinese players coming to markets with dumping practices... The disturbing thing is that in the current interest rate and market environment, Unilever, with its privileged access to capital, can actually think that the deal “makes sense,” and at virtually any price.

At the same time, as anticipated, we find that the combination of these forces with one-off severe systemic shocks, such as the recent Brexit, is fueling more valuation asymmetries in capital markets. This is giving us more opportunities to invest in quality companies that won’t fit in with the mandates of other managers. While true value investing has proven to be “out of favor” now for several years, we see more and more opportunities for those who take a long-term view, remain focused on fundamentals, maintain a sound valuation discipline, and have both the flexibility and the liquidity to act promptly.

With that, we thank you, as always, for your confidence, and we look forward to continuing to serve your interests as shareholders of the FPA International Value Fund.

Respectfully submitted,

The International Value Team

Pierre O. Py  
Portfolio Manager

Jason Dempsey  
Analyst

June 30, 2016



TICKER	SHARES	SECURITY	MKT PRICE (\$)	MKT VALUE (\$)	% OF NET ASSET VALUE
AGK LN	405,886	AGGREKO PLC*	17.10	6,941,872.63	2.57%
ALQ AU	2,086,458	ALS LIMITED*	3.70	7,723,546.10	2.86%
ANN AU	350,612	ANSELL LTD*	13.69	4,798,487.70	1.78%
ATEA NO	240,014	ATEA ASA*	9.53	2,287,213.32	0.85%
BIDU	29,000	BAIDU INC - ADR*	165.15	4,789,350.00	1.77%
BRBY LN	460,000	BURBERRY GROUP PLC*	15.56	7,155,488.26	2.65%
CWD LN	2,746,208	COUNTRYWIDE PLC*	3.28	9,007,592.52	3.34%
BN FP	54,361	DANONE SA*	69.98	3,804,325.58	1.41%
DGE LN	103,879	DIAGEO PLC*	27.94	2,901,927.53	1.08%
FENR LN	9,489,583	FENNER PLC*	2.09	19,819,210.13	7.34%
FUR NA	591,858	FUGRO NV*	17.60	10,417,074.92	3.86%
BOSS GY	129,000	HUGO BOSS AG*	56.85	7,333,909.77	2.72%
IPL AU	532,129	INCITEC PIVOT*	2.25	1,195,325.98	0.45%
KCR1V FH	270,000	KONECRANES OYJ*	25.39	6,854,227.45	2.54%
KSB3 GR	34,244	KSB AG VORZUG*	344.02	11,780,704.56	4.37%
LSL LN	4,780,893	LSL PROPERTY SERVICES PLC*	3.25	15,529,529.67	5.76%
MGMT LN	1,005,000	MEGGITT PLC*	5.44	5,462,610.23	2.02%
MEO1V FH	230,000	METSO OYJ*	23.51	5,407,266.04	2.00%
MGAM LN	595,502	MORGAN ADVANCED MATERIALS PLC*	3.09	1,839,999.97	0.68%
ORCL	197,600	ORACLE CORP	40.93	8,087,768.00	3.00%
		OTHER		11,997,990.34	4.44%
PAGE LN	3,565,200	PAGEGROUP PLC*	3.97	14,155,990.32	5.25%
1913 HK	3,783,200	PRADA SPA*	3.10	11,715,890.77	4.34%
PUB FP	74,060	PUBLICIS GROUPE*	66.90	4,954,790.32	1.84%
SAP GR	40,794	SAP SE*	75.11	3,063,838.71	1.14%
SCL CN	124,200	SHAWCOR LTD*	24.79	3,079,164.05	1.14%
SIG	80,000	SIGNET JEWELERS LIMITED*	82.41	6,592,800.00	2.44%
SW FP	21,158	SODEXO*	107.13	2,266,644.11	0.84%
SPO AU	8,030,343	SPOTLESS GROUP HOLDINGS LTD*	0.85	6,796,159.63	2.52%
SUN SW	84,410	SULZER AG*	86.78	7,324,775.99	2.71%
TSM	85,700	TAIWAN SEMICONDUCTOR MFG LTD - ADR*	26.23	2,247,911.00	0.83%
TOTS3 BZ	614,100	TOTVS SA*	9.51	5,838,375.62	2.16%
		<b>TOTAL EQUITIES:</b>		<b>\$ 223,171,761.22</b>	<b>82.70%</b>
		<b>TOTAL DERIVATIVES/FUTURES</b>		<b>1,598,500.72</b>	<b>0.59%</b>
912828F88	25,000,000	US TREASURY 0.375% 2016	100.02 \$	25,004,027.50	9.27%
		<b>TOTAL US GOVT AND AGENCIES:</b>		<b>25,004,027.50</b>	<b>9.27%</b>



TICKER	SHARES	SECURITY	MKT PRICE (\$)	MKT VALUE (\$)	% OF NET ASSET VALUE
		CASH & EQUIVALENTS (NET OF LIABILITIES):		20,068,355.88	7.44%
		<b>TOTAL CASH &amp; EQUIVALENTS (NET OF LIABILITIES):</b>	\$	<b>45,072,383.38</b>	<b>16.70%</b>
		<b>TOTAL NET ASSETS:</b>	\$	<b>269,842,645.32</b>	<b>100.00%</b>
		<b>NO. OF EQUITY POSTIONS:</b>		<b>31</b>	

\* Indicates Foreign Security

Portfolio Holding Submission Disclosure

**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, sales charges, 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 email at [crm@fpafunds.com](mailto:crm@fpafunds.com), toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.**

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 Depositary Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks.

The Fund is non-diversified and may hold fewer securities than a diversified fund because it is permitted to invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the Fund could go down because of the poor performance of a single investment.

Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Funds, Advisor or Distributor.

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