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.

Dear fellow shareholders,

During the second quarter of 2012, the Fund returned a negative 5.24%, which compares favorably to the MSCI All Country World Index (ex-U.S.) (Net) (the "Index") loss of 7.61%. Since inception on December 1, 2011, our Fund has returned 8.40% vs. 1.62% for the Index.

Capturing value over time

We do not consider short-term returns versus an index to be particularly meaningful. Because we concentrate solely on finding companies offering the best value, index comparisons offer limited relevance to our strategy. We encourage shareholders to consider the Fund's returns over the medium to long-term, and focus on the underlying quality of the businesses we own today, along with the margins of safety we believe they offer. While we are not satisfied with absolute negative returns, we note that the decline in market prices against relatively stable business values has made our holdings more attractive prospectively. At the end of the quarter, our portfolio of investments offered a 36% discount (vs. 31% at March 31, 2012) to our underlying intrinsic value estimates on a weighted average basis.

Key performers

Our best performing holding in the quarter was **Diageo** (up 7.2% in US currency). Based in the UK, Diageo is the global leading producer and distributor of premium spirits. The group's portfolio is mostly geared towards Scotch (Johnnie Walker) and Vodka (Smirnoff), but also includes about a third of the world's 100 leading spirit and beer brands. The business hasn't experienced a down year in a decade and has grown at an organic compound annual growth rate (CAGR) of 5% over the period. 40% of revenues are generated in emerging markets where Diageo now stands to reap the rewards of years of investments. Operating profits margins are typically in excess of 30% in established markets. The group generates returns on capital in excess of 20% and high, sustainable free cash flows. Management has proven operationally strong, value-creation focused, and shareholder-oriented. CEO Paul Walsh has led the firm for over a decade. Walsh repositioned the portfolio away from food, made financially sound spirit acquisitions, and pulled out of overpriced auctions. In his tenure, he has returned £ 9 billion in dividends and £ 8 billion through buybacks to shareholders, or 40% of the current market capitalization. The balance sheet has a reasonable amount of leverage in light of the strong cash generation at 2x net debt/EBITDA. Diageo is a good example of high business quality consistently underappreciated by capital markets. We have followed the company for many years and we remain interested in owning the stock so long as it trades at a material discount to our fair value estimate.

Our worst performing stock was **Daimler** (down 22.4%). Daimler was our best performer in the previous period (when it was up 34.0%). This is similar to the last quarter's situation with Philips, which was one of our best performing holdings again this period (up 2.3%), as the company reported results that were better than analysts had feared a few months ago. In the case of Daimler, the stock traded down on Chinese growth concerns, and the implications for earning expectations in the coming quarters. We never shared the Street's hopes for wild uninterrupted growth in China, and don't claim to know precisely what Daimler's next year sales will be in that region. However, we do expect that in the long run, China will remain one of the group's largest individual markets.

Concept of intrinsic value

More importantly, our valuation of Philips, Daimler, or any other business for that matter is not based on short-term results. We strive to understand the competitive dynamics of a business, using that to estimate its long-term economics and associated free cash flows. This free cash flow generation out into perpetuity is the basis for our estimate of intrinsic value. Relative to that, what happens to profits in any given quarter isn't significant, providing it doesn't reflect a change in the fundamentals of the business. Little of the value of any given business is created in one year, let alone one quarter. In many cases, however, fears over upcoming quarterly results will drive stock price volatility and offer long-term investors like ourselves the opportunity to invest in high-quality businesses at substantial discounts to fair value. One of our goals as managers of FPA International Value Fund is to take advantage of these opportunities.

Investors face realities

The Fund's general profile did not change much in the second quarter. In a reversal of the prior period, however, we witnessed a change of heart in capital markets that led us to make several portfolio decisions. Whereas in the first quarter investors seemed to turn a blind eye to the many challenges facing the world economy, in the second, they engaged more directly with the dysfunctional political environments in many developed countries: high levels of government and consumer debt, troubled financial institutions, and the prospect of tax increases together with further austerity measures. These issues returned to the forefront with more banks' missteps, hectic elections in Greece, a new socialist government in France, a precipitated bailout of the Spanish financial system, and further deterioration in economic data, particularly in the European periphery. The same way we didn't believe that business values had improved significantly in the first quarter, we don't think that they declined materially this quarter and thus, took several initiatives in line with our bottom-up approach to investing.

Portfolio decisions

At the end of the quarter, our Fund was 79% invested (up from 66% at March 31, 2012). This increase arose from a combination of the decline in prices and acting on specific research outcomes. We took advantage of depressed valuations to increase our exposure to some existing positions and re-purchased stakes in Michael Page and Alten. We had sold out of these holdings last quarter after they had returned 31.3% and 37.6%, respectively. Following the sales and prior to our renewed investments, their stocks had retreated -19.0% and -19.4%, respectively. We continue to monitor high quality names with hopes of becoming shareholders and, consistent with our valuation discipline, invest any time their stocks offer at least 50% upside. Michael Page and Alten are good examples of irrational market behaviors (disconnects that arise in the short-term between fluctuations in stock prices and business values) and how we take advantage of these anomalies when we invest. We also initiated a position in Travis Perkins, the UK's largest builders' merchant. The group earns industry leading margins and returns on capital, has a strong balance sheet, and is managed by a long-serving, value-minded management team. While Travis' current trading outlook is challenged, we are able to purchase the business at attractive multiples of current profits and free cash flows. In difficult times, we expect the company will continue to widen its competitive moat thus allowing for increased value creation and ultimately benefitting long-term shareholders.

We note that following these decisions, our portfolio remains geared towards companies domiciled in Europe. This is only a reflection of where we find the most compelling opportunities, as our investment approach is agnostic to geographic or sector exposure. In addition, many of the businesses we invest in operate globally and thus, generate a large portion of both their current and future cash flows outside Europe. That means the risk to our estimate of fair value is less coming from Europe than corporations' domiciles otherwise suggest. Where business value is created is what is important to us as investors.

Long-term value investment opportunities

As we mentioned in prior commentaries, this is far from an easy time to be managing money. We remain mindful of the many difficulties ahead when analyzing businesses, gauging their financial strength, and assessing intrinsic values. At the same time, valuations are compressing again for some securities, increasing the scope of investment opportunities and enhancing the prospect of superior returns for long-term value investors. While the economic environment remains bleak, in particular in Europe, and while some companies will suffer further pressure, competitively advantaged businesses with strong balance sheets run by capable management teams should eventually build stronger competitive positions. We travelled extensively in the last period and are actively researching companies that appear so positioned. Our portfolio is comprised of many such businesses and while near-term trading conditions may prove difficult, we are enthused about the long-term prospects of the companies in which we invest, the significant discounts to intrinsic values at which they trade, and the opportunity to be able to buy their stocks.

As always, we thank you for your confidence and look forward to continue serving your interests as shareholders of the FPA International Value Fund.

Respectfully submitted,

Pierre O. Py
Portfolio Manager
July 27, 2012

Team Update

On a different front, I am saddened to report that my friend and colleague of nearly a decade Eric Bokota stepped down as Co-Portfolio Manager of the FPA International Value Fund. Eric could no longer dedicate the energy and attention that the business requires and had to come to the difficult decision of resigning from FPA, effective July 23, 2012. In a press release published the same day, he expressed his firm belief in the strategy and announced his intention to maintain a significant investment in the Fund.

I will continue as Portfolio Manager of FPA International Value Fund and will act as sole Manager of the Strategy going forward. While these are difficult, unforeseen circumstances, it does not impact the portfolio as we invest in a small number of companies with a long-term view and expect limited turnover.

We are fortunate in that we were in the process of adding analytical resources to the team. I am very excited by some of the candidates we came across and confident that we will find strong investment talent to contribute to our international research effort. In the interim, FPA's management and investment professionals have offered their full support in managing the transition. FPA remains strongly committed to the Strategy.

I would like to thank Eric for his contributions to FPA. While I will miss him, I support his decision. I wish him well and I hope to have the opportunity to work with him again at some point in the future. I also take this opportunity to thank my associates at FPA who have proven to be remarkable partners throughout this challenging time.

Past performance is not indicative of future performance. The MSCI ACWI ex-USA Index 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.

The discussion of Fund investments represents the views of the Fund's managers at the time of this report and is 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.

FORWARD LOOKING STATEMENT DISCLOSURE

As mutual 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.