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,

Over the quarter and since its Dec. 1, 2011 inception, our Fund has returned 13.16% and 14.40%, respectively, which compares favorably to the MSCI All Country World Index (ex-U.S.) (Net) (the "Index"), which appreciated 11.23% and 9.99%, respectively over the same periods. We do not consider these figures to be meaningful however, and encourage you to evaluate the Fund's returns over the medium to long-term. In addition, an Index comparison is not particularly relevant in assessing our performance since our only bias is towards where the value is. As such the Fund's profile can materially diverge from that of the Index's based on the opportunity set. Our focus is on investing with a long view in well-managed, financially solid, high quality businesses we anticipate will increase in value over time, and only purchasing their stocks when they offer significant margin of safety. At the end of the quarter, our portfolio of investments offered a 31% discount to our underlying intrinsic value estimates on a weighted average basis.

Our best performing holding in the quarter was Daimler (up 34.0%). Daimler is based in Germany and is a world leading premium auto manufacturer, primarily through the iconic Mercedes name. This is a unique brand with over 125 years of history and unmatched customer loyalty. The group consistently delivers superior quality in an industry faced with complex manufacturing and technological challenges. The current management team took over a few years ago. After a complete overhaul of the business, they were able to restore profitability and continue to find ways to improve operating efficiency. The company enjoys good growth driven by the increase in personal wealth around the world, particularly in emerging markets. It generates high single digit profit margins, has returns on capital in excess of 20%, solid free cash flows, and significant net cash on its balance sheet. As is often the case, we have known Daimler for a long time. It is a high quality company that we remain interested in owning so long as its stock trades at a material discount to our fair value estimate.

Our worst performing stock in the period was Philips (down 6.6%), which was our best performer last period (when it was up +.9%), and on which we commented in our last letter. Both Daimler and Philips are good examples of the type of irrational market behaviors that we seek to benefit from. It does not make sense to us that business value, particularly of such large companies with operations around the world, would fluctuate so much over such short periods of time. Our approach is to take advantage of that volatility and invest in companies that meet our investment criteria at times of indiscriminate market selling.

At the end of the quarter, our Fund was 66% invested (down from 70% at Dec. 31, 2011) with the portfolio now consisting of 20 positions (up from 18). While the environment has made finding absolute bargains more challenging, cash is a residual output of our process, not a top-down call on the state of the world. Investors should not take our cash exposure to mean that there are no more places for us to invest. We have identified several opportunities in our travels overseas, and look forward to putting them to the test as potential new investment ideas. While we are not satisfied with capital sitting around earning nothing, we will not compromise our process and take undue risks for the sake of being more fully invested. Short of adequate opportunities, we may retain material exposure to cash.

For reference, the Fund's weighted average market cap was around $18bn at March 31, 2012, which is only a reflection of where we continue to find the most value. Most of our exposure was with companies domiciled in Western Europe, primarily the UK, Germany, France, and Switzerland. What matters more is that the underlying free cash flow from those businesses is being generated across a broad range of markets, both developed and emerging. Lastly, we were invested in a variety of sectors including business services, industrial products, and consumer non-durables. We do not consider these portfolio characteristics to be of much relevance, however, as our investment approach is agnostic to either sector or geographic exposure. Depending on the opportunity set, the portfolio could shift more toward small cap names as well as toward companies domiciled in developing markets, and/or in other sectors. (For more information about our investment philosophy, please see our Policy Statement).

While the general profile of the Fund has not changed much since December, market conditions resulted in several portfolio decisions. With interest rates at nearly zero in most developed countries and massive liquidity injections, international markets improved materially this past quarter. The rise is in sharp contrast to the selloff in the second half of 2011 which brought the index down 13.71% for the year. The decline was then fueled by the European sovereign debt crisis and its implications for the future of the Euro. Whereas share prices have since recovered, these structural issues have not been resolved, and we do not see many reasons to think that business values have improved significantly.

In this context, we remain true to our bottom-up discipline. In the past three months, we continued to research many potential investments and conduct due diligence trips overseas. Despite the run-up in the markets, we were able to identify some well-managed, financially robust, high quality businesses that traded at significant discounts to our estimate of their intrinsic values. We added Brambles, G4S, Givaudan, Legrand, and Sodexo to the portfolio. These businesses enjoy sustainable positions of strength in their respective industries and are run by managers who have earned our trust, both from an operational and from a capital allocation standpoint. Each of these are companies that we have followed for many years, fundamentally understand, and that meet all of our investment criteria.

While we always invest as owners with a long-term view, we also hold true to our absolute value discipline by exiting a holding when the market price approaches our estimate of fair value. Consistent with this approach, we sold out of Alten, Michael Page, and Rexel. Over the quarter, these holdings returned 31.3%, 37.6%, and 25.2%, respectively, while their underlying business values remained relatively unchanged. All are high quality names that we will continue to monitor with hopes of becoming shareholders again in the future. Similarly, as share prices increased for other positions, we reduced their weightings in the Fund.

This turnover was dictated only by sound valuation discipline in face of the strong upward volatility that the international markets experienced in the period. Our expectation is that on average and over the long run, the Fund will own most stocks 3 to 5 years (which is consistent with a roughly 20% turnover level).

Looking ahead, we still consider the environment to be challenging given dysfunctional politics in many developed countries, high levels of government and consumer debt, constrained financial institutions, and possible tax increases together with austerity measures. All these factors may hamper real growth in developed markets, while some emerging markets like China are showing signs of possible economic corrections. We are also concerned about the large potential inflationary costs of irresponsible fiscal and monetary policies. We recognize that these are uniquely challenging times to be managing money. Capital preservation is paramount to our philosophy, so we try to incorporate these external factors when analyzing businesses and assessing their financial strength.

As absolute value investors, our focus is on the fundamentals of businesses, investing with a margin of safety and holding cash until we find the right opportunities. By doing so, we are well positioned to take advantage of further potential market dislocations. We also expect our businesses to perform disproportionately well in such conditions. We are enthusiastic about the select number of investments we currently own as well as the opportunities that could arise in the future.

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,

The International Value Strategy Team.

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.