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 and other matters of interest to the prospective investor. Please read the Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpa.com, by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

Average Annual Total Returns (%)

As of Date: 12/31/2018	Since 12/1/11	5 Years	3 Years	1 Year	YTD	QTR
FPA International Value Fund	6.44	1.01	7.33	-10.81	-10.81	-6.70
MSCI ACWI ex US (Net)	4.62	0.68	4.48	-14.20	-14.20	-11.46

Inception of FPA International Value Fund was December 1, 2011. Periods greater than one year are annualized. Fund performance is shown net of all fees and expenses. Fund performance is calculated on a total return basis which includes reinvestment of all distributions. Fund performance does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these returns. Comparison to any index 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 Fund’s total expense ratio is 1.31% (as of most recent prospectus). The Advisor has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 1.29% of the average net assets of the Fund (excluding brokerage fees and commissions, interest, taxes, fees and expenses of other funds in which the Fund invests, and extraordinary expenses, including litigation expenses not incurred in the Fund’s ordinary course of business) through April 30, 2019. This agreement may only be terminated earlier by the Fund's Board of Trustees (the “Board”) or upon termination of the Advisory Agreement.

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 net expense ratio as of its most recent prospectus is 1.29%. Current month-end performance data, which may be lower or higher than the performance quoted, may be obtained at www.fpa.com or by calling toll-free, 1-800-982-4372.

Please see important disclosures at the end of the commentary.

FPA International Value Fund

Fourth Quarter 2018 Commentary

Dear Fellow Shareholders,

In the fourth quarter 2018, the FPA International Value Fund (the "Fund") declined 6.70% (in U.S. currency), net of fees and expenses (the Fund's net expense ratio was 1.29%). This compared to a decline of 11.46% over the same period for the MSCI All Country World Index (ex-U.S.) (Net) (the "Index").

Long-term returns

Over the full calendar year, the Fund declined 10.81%, net of fees and expenses (the Fund's net expense ratio was 1.29%). This compared to a decline of 14.20% for the Index over the same period.

Most importantly, since its inception on Dec. 1, 2011, the Fund has returned an average of 6.44% per year, net of fees and expenses (the Fund's net expense ratio averaged just under 1.3% over the period). This compares to an annualized return of 4.62% for the Index.

We are encouraged by the Fund's returns (not to mention that of our equity holdings), both absolute and when compared to the Index, any foreign value or blend category, or industry peers. However, we'd like to remind our readers, as we have often done in the past (during both positive and negative periods), that our focus is on the long term, and that we may at times experience negative short-term performance. Because of this, we encourage shareholders to evaluate the Fund's returns over long periods of time, including a full market cycle.

We also note that cash and equivalent holdings accounted for 22% of the Fund's total net assets at the end of the period. Since the Fund's inception, cash exposure has averaged a little over 31%, while fluctuating from less than 12% to more than 40%, depending on the availability of suitable investment opportunities.

Notwithstanding the positive impact of cash on performance this past year, the Fund's equity holdings outperformed the Index in 2018. Most importantly given our long-term focus, the Fund's equity holdings' annualized return since inception remains close to 14%, which compares favorably to 4.6% for the Index.

Looking back[1]

In our fourth quarter 2017 commentary, we wrote that "any intelligent investor with remotely adequate incentives [would] recognize that markets around the world have reached a point of 'total exuberance.'" We described the market environment then as one of the worst we had seen in a long time with "irrational expectations and valuations (…) across the board." In particular, we pointed out the naivety and complacency toward technology themes and growth investments. Around the time we drafted these comments, the Index peaked. It went on to decline more than 20% from January 26 to the trough on December 21, before reversing course for a few days as is often the case at the end of the year. While the market correction was broadly felt, it was particularly severe for growth and technology investments.

In the first quarter of 2018, we also drew parallels between what we were experiencing then and what happened in the first few months of 2014, when we monetized many past investments and the Fund's cash exposure

[1] Throughout this Commentary, detractors and contributors to Fund performance noted are based on contribution to return for the periods noted. Any specific contributor/detractor to performance percentages mentioned are presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the quarter is available by contacting FPA Client Service at 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, nor is it indicative, of future results.**

increased to 40%. During 2018, we followed the same value discipline, and sold out of many equity holdings following a 43% increase in their value in 2017. However, this time the Fund made simultaneous investments in Brazil, which prevented the post-sale cash from rising to such high levels as we saw in 2014. We viewed Brazil as an outlier in a broad-based market rally, with the Ibovespa index having fallen 19% in the first half of the year. In our second quarter 2018 commentary, we shared some of our thoughts on the region in a paragraph called "Space Oddity." The combined exposure of these Brazilian holdings, together with cash, at one point accounted for more than 40% of the fund's assets in the earlier part of the year.

In the later part of the year, but especially in the fourth quarter, we benefited from this exposure, with cash holding steady (evidently) and Brazilian equity holdings outperforming the Index. Brazilian businesses accounted for five out of our six best-performing holdings and six top contributors this quarter. Despite the particularly strong quarter, we believe many of our recently added Brazilian names continue to offer significant discounts to intrinsic value.

We would also highlight that most of the Fund's decline for the year took place in the fourth quarter, and came in large part from more recently added holdings that were already highly discounted, rather than past winners. This means we didn't give back past unrealized gains as other market participants may have. Instead, many of our more recent additions simply became even more attractive. Three out of our six worst-performing holdings and six worst contributors this quarter were relatively recent investments. Unsurprisingly, two of them were technology-related.

Other detractors to performance in the quarter included a business related to oil and gas, along with several companies with exposure to the UK. British equities in general have experienced significant volatility as a function of the country's ongoing negotiations to separate from the European Union ("Brexit").

Key performers[2]

The largest detractor to performance this quarter was **Sulzer**. It was also our worst-performing holding, with a share price that fell 33.9% (in U.S. currency) in the fourth quarter.[3] Based in Switzerland, Sulzer is a leading provider of pump equipment and related services, with significant exposure to the oil and gas industry. Oil prices came down 35% in the period, which we believe may have caused Sulzer's stock to experience a similar decline in price. Fundamentally though, nothing transpired in the past few months with regard to the business, its management, operating performance, or the strength of the balance sheet that would cause us to change our assessment of the company. For that reason, we remain interested in being long-term shareholders of Sulzer, and we took advantage of the price weakness to increase our investment in the group.

Our best-performing holding this quarter was **BK Brasil Operacao E Assesso** ("BKB"), with a share price that rose 64.1% (in U.S. currency).[4] BKB also was second among our top contributors to performance this quarter. The best contributor was **G8 Education** ("G8"). We have commented on that company a couple of times recently, as G8 was our worst-performing disclosed holding in both the fourth quarter 2017 and the first quarter 2018.

Based in Australia, G8 is one of the country's largest operators of childcare centers. We invested in G8 when the company was experiencing material cyclical challenges. Too much capital desperate for yields had been flowing into properties used for early education. As supply overshot demand, occupancy levels were negatively

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[2] **Top Five Contributors (Contribution %, Weight %):** G8 Education (1.27%, 2.5%); BK Brasil Operacao e Assessoria (0.86%, 2.0%); Magazine Luiza (0.41%, 2.8%); TOTVS (0.34%, 2.6%); Hypera (0.31%, 2.5%).

Bottom Five Contributors (Contribution %, Weight %): Sulzer (-1.01%, 2.8%); Dignity (-0.92%, 2.7%); Sumo Group (-0.75%, 2.0%) ; Ryanair Holdings (-0.73%, 4.2%) ; Volution Group (-0.68%, 2.3%)

The above reflects the top five contributors and detractors to the Fund's performance based on contribution to return for the quarter. See important disclosures in Footnote 1 above and at the end of this Commentary. **Past performance is no guarantee of future results.**

[3] Based on the percentage of Sulzer's share price change from Sept. 30 to Dec. 31, 2018 in U.S. currency. This share price change may not equate with the performance of the holding in the Fund. As of Dec. 31, 2018, Sulzer represented 2.8% of the Fund's net assets.

[4] Based on the percentage of BKB's share price change from Sept. 30 to Dec. 31, 2018 in U.S. currency. This share price change may not equate with the performance of the holding in the Fund. As of Dec. 31, 2018, BKB represented 2.0% of the Fund's net assets. **Past performance is no guarantee, nor is it indicative, of future results. Please see important disclosures at the end of this Commentary**.

impacted. The downturn triggered material changes at G8 in terms of ownership, management, and strategic focus. The combination of these disruptive factors likely caused the prolonged, significant decline in the company's share price, some of which took place after our initial purchase.

We have frequently noted that as value investors we often find ourselves leaning into a declining stock price at the time of initial purchase. As such, it is typical for us to see new portfolio additions rank among the worst-performing holdings and contributors in the subsequent months. As long-term investors, we are willing to weather such volatility. There are a couple of reasons for this. First, when businesses experience short-term negative developments is often when genuine bargains can be found. We also do not think one can reliably predict how a stock might respond to negative momentum, which makes it impossible to pick the optimal time to invest. If a company meets all of our quality requirements, our discipline is to invest when the discount to intrinsic value gets above 30%. If the price comes down further, and the discount widens, we add to the investment. This naturally lowers our weighted average cost per share and increases the potential upside. While simple, this approach requires both conviction and fortitude. There is no guarantee that a stock trading at an already high discount to fair value will not decline in price from there.

In the case of G8, we mentioned at the time of our initial purchase that we expected the underlying business to remain under pressure in the short term. However, we believed that recent changes could be strong positives for the company and presented opportunities for improvements after years of poorly managed growth. Furthermore, we expected long-term structural drivers to support continued demand growth for early education, and we thought G8's business fundamentals were strong.

In the fourth quarter, the childcare center market started to show signs of improvement, in part thanks to the new government subsidies for all-day care (that had long been scheduled to come into effect in 2018). Some of the initiatives launched by G8's new CEO (who had joined a few months before our investment) also started to have a positive impact on the business. As a result, we suspect market sentiment shifted, which drove the share price up 40% (in U.S. currency) between September 30 and December 31, 2018.[5]

Despite the recent increase, we remain interested in being shareholders of G8, subject to the stock continuing to trade at an appropriate discount to our estimate of its intrinsic value.

Portfolio activity[6]

As always, through the quarter we continued to add to holdings we believe offer compelling discounts to intrinsic value, and to trim positions that are becoming less attractively priced. We also consistently rebalanced individual positions based on relative discounts to intrinsic value. While this helps ensure that our most compelling investments are more heavily weighted and can drive performance, it is important to realize that it can also inflate portfolio turnover at times, particularly if volatility increases.

More fundamentally, our equity exposure increased as we took advantage of market weakness in the fourth quarter to put more money to work. As referenced earlier, cash exposure was 22% at December 31, down from more than 26% at the end of the third quarter. This means we reinvested about 15% of our cash during the period, not including any redeployment of the proceeds from monetizing past gains during the period.

[5] This share price change may not equate with the performance of the holding in the Fund. As of Dec. 31, 2018, G8 represented 2.5% of the Fund's net assets. **Past performance is no guarantee, nor is it indicative, of future results. Please see important disclosures at the end of this Commentary**

[6] The information provided in this section does not reflect all positions purchased, sold or recommended by FPA during the quarter. Portfolio composition will change due to ongoing management of the funds. As of 12/31/18, the securities mentioned and corresponding position sizes were as follows: Sulzer (2.5%); Ströer 2.4%. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, FPA, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com. **Past performance is no guarantee, nor is it indicative, of future results.** Please refer to the end of this Commentary for important disclosures.

We increased our ownership of some portfolio companies whose stocks experienced material weakness, as in the aforementioned case of Sulzer. We also made new purchases, including **Stroeer**. Based in Germany, Stroeer is a leading provider of out-of-home advertising solutions with around 300,000 sites across the country. The group also operates a large portfolio of German-language websites, and through several acquisitions, is also a provider of direct marketing services.

In terms of sales, we exited our position in **Frutarom** following its acquisition by one of its larger peers, U.S.-based **International Flavors and Fragrances ("IFF")**. Based in Israel, Frutarom is a leading producer of key ingredients for food and beverage products. Since the merger between Essilor and Luxottica has closed, we are now holders of **EssilorLuxottica** stock. Based in France, Essilor is the a leading producer of eyeglass lenses. Based in Italy, Luxottica is the a leading producer of frames and sunglasses. Lastly, we sold our position in **Alicorp**. Based in Peru, Alicorp is the country's leading producer of food, home and personal care products, including margarine, pastas, mayonnaise, detergent and hair care products. Alicorp's share price had increased significantly and converged toward our estimate of intrinsic value, so it no longer offered the margin of safety we require. We continue to view Alicorp as a well-run, high-quality business that we would consider owning again at the right price.

Portfolio profile

Net of these transactions, the portfolio remained focused on our best ideas, with 31 disclosed positions at the end of the period. The top 10 positions accounted for just under 30% of the Fund's assets, and close to 38% of the invested portion. The top five accounted for about 16% of assets and just over 20% of the invested portion. The weighted average discount to fair value of these holdings increased to 34%, which we consider an attractive level for the portfolio by historical standards.

The Fund's median capitalization size was in excess of $7 billion, and the weighted average was about $38 billion at the end of the quarter. More than 40% of our invested assets were in companies with a market capitalization in excess of $10 billion. However, we do not consider a company's market capitalization size to be a relevant criterion from an investment perspective. We are invested across a wide range of market capitalization sizes, from about $140 million to close to $400 billion.

Geographic exposure

We are similarly indifferent to which sector a company operates in, or where it happens to be domiciled. Nonetheless, looking at the Fund's geographic profile at the end of the quarter, just under 40% of total assets were invested in companies domiciled in Continental Europe. For the most part, this exposure was geared toward Northern European markets like France, Holland, Ireland, Germany, and Switzerland. UK investments accounted for 13% of total assets, and emerging markets accounted for a little over 20% of total assets, which is an historical high for the Fund. As discussed earlier and in past commentaries, the vast majority of the emerging market exposure was geared to Latin America, and specifically to Brazil. Australian holdings made up 3% of total assets.

It is worth noting that while 'emerging markets' is often simplistically considered one region, the term encompasses a broad range of diverse economic and business realities. What's more, many countries in this group do not meet our investment requirements. While we select stocks based on the fundamentals of the underlying businesses, we also limit ourselves to countries with established rules of law and a political system that allows for their transparent and unbiased enforcement.

Investable markets

On this front, we are wary of how political conditions are changing in China. In our view, it is increasingly clear to us that the country's political system has morphed into a Stalinian regime and that its leaders have embraced a new agenda far less focused on economic development and business dynamics. We are concerned with how it seems to be impacting the ownership and governance of even some of the country's most prominent companies. Given the place that China has taken in the global economy over the past 15 years, we are also concerned about the broader ramifications for many businesses around the world, particularly on the supply and manufacturing sides. This is often a topic we discuss when meeting with management teams, and many have echoed our concerns and shared plans to adjust their operational set-up accordingly.

That said, political challenges are growing everywhere, causing us to more frequently question whether certain markets should remain on our list of 'investable' geographies. In Mexico for instance, many executives have shared with us their concerns about the political agenda of newly elected President Andres Manuel Lopez Obrador. In Europe, changing conditions could also raise more questions. Italy is now ruled by a populist coalition of two extreme parties: The Five Star Movement and the League. In the UK, Prime Minister Theresa May is struggling with the legacy of the Brexit vote, and could end up ceding power to Labour Party leader Jeremy Corbyn, who has expressed radical views.

Lastly, we were recently reminded of the challenges that exist in Japan. Since the inception of the Fund, we've had limited exposure to this market. We had none at the end of the quarter. Putting aside the issue of valuations in Japan, which we generally consider to be unattractive, there are several reasons for our historical under-exposure to the region, which we have explained on multiple occasions. Notwithstanding the price distorting effects and long-term implications of the Japanese government's aggressive monetary policies (that include purchasing large amounts of equities), one of the most important challenges we face in Japan is what we believe to be the generally low quality of corporate governance. While we give some credence to the old argument that things are changing in Japan, we've argued that the road to travel is long, and change is happening at a slow pace.

The Nissan saga brutally reminded us of the opaque, political, and arbitrary nature of the Japanese corporate world. Having lived through the Olympus scandal a few years ago, it wasn't a surprise to us. What transpired is stunning nonetheless. One of the world's most respected and successful managers, and a foreign citizen, Carlos Ghosn, was suddenly arrested on bizarre allegations, then summarily fired from his post as Chairman at Nissan. The arrest was leaked ahead of time and staged for coverage by local media. While we understand Mr. Ghosn has yet to be charged with any crime, he has been detained for almost two months in spartan conditions, with constant lighting, no sense of time, limited contact with the outside world, and repeated interrogations by prosecutors without a lawyer present. As he continues to deny any wrongdoing, prosecutors have kept piling on allegations in an effort to keep denying him bail and coerce him into confessions. To make things worse, it seems the attack on the executive may have been an effort to thwart his plans to integrate Nissan with its alliance partners into a holding structure, and to remove Nissan's CEO from his post. Such a sinister play belongs in the darkest (yet all too real) pages of *Darkness at Noon*, not the boardroom of a public company. We find it appalling, and hard to reconcile with our discipline of investing only in "countries with established rules of law and political systems that allow for transparent and unbiased enforcement of those laws."

Sector exposure

From a sector standpoint, we noted in past commentaries that we often migrate toward businesses that are cash generative and not very capital intensive. Those include service-type businesses and consumer goods companies. At the end of the quarter, Consumer Discretionary and Consumer Staples together were the Fund's largest exposure, and accounted for 29% of totalassets. The Fund still had notable exposure to Industrials, which accounted for 23% of total fund assets, and to Information Technology and Communication Services, which accounted for almost 15% of total assets. Healthcare accounted for 8% of total assets.

We also had 3% of the Fund in Financials. This represents our relatively recent investment in Irish bank **AIB Group**. Outside of this one holding, we have had no exposure to banks since the Fund's inception. On multiple occasions, we stressed the risks associated with these investments, their intrinsically weak fundamentals, inherent cyclicality, the challenges of trying to anticipate the impact of higher interest rates on the business, and ultimately their poor fit with our philosophy and process. Unsurprisingly, European bank stocks have delivered poor market returns over the past few years. As a group, they've underperformed the Index by 20 percentage points in 2018; by an annualized 11 points in the past three years; and by an annualized 9 points in the past five years. They were down 36% last year, and 45% cumulatively since 2013 (compared to the Index, which was up 117% over that period).[7]

At this point, their prices are back to mid-2016 levels. In our second quarter 2016 commentary, we wrote that "if things are as bad as trading multiples imply for the banks, not being invested in them will only help us marginally," and that they had "almost become a Pascalian wager at this stage." We think these comments may once again be applicable to the sector. To be clear, we believe this is in part a function of expectations of future interest rates, as banks are often more a trade call than a long-term investment. More fundamentally, while emphasis is often put on their financial leverage, or the risk profile and liquidity of their assets, we are puzzled by the lack of attention paid to the underlying characteristics of these businesses (notwithstanding constant government interference), and most importantly, in our view, how they have structurally changed for the worse since the financial crisis. Because of this, even though we remain shareholders of AIB and believe the stock trades at an irrational discount, we find that many of these financial institutions simply fall short of our quality requirements.

Overall, the Fund has limited exposure to the credit cycle and financially levered companies. It also has little exposure to highly cyclical businesses, such as car manufacturers. We owned some of these companies in the past, and recognize many now trade at low multiples, even after adjusting for a likely downturn in demand and prices (this time possibly without the offsetting benefits of strong growth and high margins in China). However, while price is an important selection criterion for us, it is not the only one, and it's never sufficient by itself to warrant an investment. First and foremost, we look for quality. We need to be able to research and analyze a business and become confident the underlying fundamentals support solid long-term returns.

In the case of car manufacturers, we continue to work toward assessing the structural effects of the many disruptive forces the industry is facing, which include (in no particular order): continued regulatory pressure; the rise of Chinese producers; the move toward electric powertrains; the rising influence of outside technology on the cabin experience; generational changes in consumer transportation preferences; the outsourcing of core competencies; and the risk of brand erosion.

While we try to provide some perspectives on the Fund's sector profile in these commentaries, we would highlight that our portfolio is simply a residual output of our bottom-up approach. We also find that the Global Industry Classification Standard (GICS) classifications are of limited relevance. **Page Group**, for instance, is a provider of recruitment services, yet it is classified as Industrial. In our view, GICS's sector definitions are too broad to give a meaningful picture of our underlying holdings.

More fundamentally, we believe the Fund is exposed to a fairly diverse group of sectors, as well as geographies, and is exposed to markets that we think have limited correlation. We also believe many of our holdings have unique secular dynamics that may make them more predictable and better suited to work through potential short-term economic challenges.

While it is impossible to anticipate how individual stocks will perform going forward, we would argue that the Fund's exposure to varying sectors and geographies, along with the quality of its holdings, positions it well to withstand further market dislocation. To this, of course, we need to add the cash holding, which offers us the flexibility to buy when others are selling. It may also be a driver of performance through the cycle.

[7] European bank stocks are represented by the EURO STOXX Banks Index. Time period used is the 2018 calendar year.

High point in cycle and mounting risks

Looking at market prospects, we find ourselves increasingly of two minds about the current environment.

On the one hand, we view the recent correction as relatively modest, especially considering the strong run up in prices that preceded it. While the number of potential ideas we are currently looking at is greater than it has been in some time, we do not believe prices have reached attractive levels yet. We also continue to see significant risks in the system.

We wrote earlier about some of the political challenges. To these we would add rising social tensions in France that have the potential to derail the proposed agenda of economic reforms, and to put pressure on the European Union and its currency. This is particularly concerning in the context of the upcoming parliamentary elections, which we believe is likely to favor political extremes. The risk is further accentuated by developments in Germany, which is seeing signs of weaker economic growth and is facing a daunting transition after 18 years of Angela Merkel's leadership.

From a macro-economic standpoint, the Chinese growth engine appears to be running out of gas. The negative impact of a trade war with the United States and a looming global backlash over privacy concerns could contribute further to the slowdown. A more dramatic crisis is also possible following years of directed, and thus often unproductive, investments, together with the aggressive use of financial leverage. Other emerging markets could face currency crises if the U.S. dollar continues to appreciate. Subject to the outcome of the Brexit process, the UK economy could experience a material downturn. Other continental European markets could also struggle to maintain improving economic momentum as a result.

Generally speaking, we are likely at a high point in the economic cycle, and at an even higher point in the credit cycle. Across the board, but particularly in the United States, leverage continues to grow to concerning levels in the areas of government debt, leveraged loans, and student borrowing (along with other forms of consumer financing). Of course, this makes both the economy and capital markets sensitive to a potential increase in interest rates. We believe one of the most impactful issues for markets could be a shift away from unprecedented accommodative monetary policies across the globe. Low interest rates have largely contributed to economic growth and the run-up in market prices in the past decade. If rates were to increase further from here, we would expect these trends to reverse.

From a capital market standpoint, the twin waves of quantitative and passive investment strategies continue to drive indiscriminate buying and combined with diminishing liquidity, to foster irrational market pricing. On that note, we would point out that John Bogle, the "father of the Index Fund," recently warned of the dangers of his own creation in an interview with the Wall Street Journal[8]. He appeared to point out the fallacy of strategies set to mimic a market they have come to replace in large measure. He also talked of the socialization of returns, and the need for differentiated performance. Most importantly, he expressed concern over the consolidation of ownership and the transfer of corporate governance into the hands of corporate renters with no understanding of the business, no financial discipline, and little alignment of interest with equity holders. As a result, companies are also likely to become even more susceptible to political interference.

Opportunities in market inefficiency and increased volatility

On the other hand, many of these top-down concerns only matter in our view if they could structurally impact the fundamentals of the businesses we own (or that we are hoping to buy), and affect their ability to generate free cash flows in the long term. To the extent these risks only impact market sentiment and prices, they provide us with opportunities. The more numerous and broad the macro risks, the greater the opportunities. With large amounts of cash available in the Fund, we believe we are well-positioned to take advantage of price dislocations.

[8] Wall Street Journal (Weekend Edition) article - December 2, 2018.

Short-term volatility also gives us an opportunity to actively rotate capital into companies we know well, consider to be high quality, and have owned in the past. Historically, this has been an important and effective contributor to alpha generation for us as investors.

More generally, from our perspective as fundamental investors, we think many inefficiencies have been building in capital markets. Following years of near-zero interest rates and with the extended use of automation and indexing as investment tools, the level of price discovery in the market may have reached historic lows. The disconnect between stock valuations and underlying fundamentals has grown in recent years to a point where it is now exemplified almost daily by wide fluctuations in prices in response to one random report on trade wars, or a comment on possible future action by the Central Bank.

This is all good news for us. It means we have less competition along with more and greater opportunities for mispriced securities. Our team is continuing to grow and mature into a unique ensemble of experienced and talented stock pickers who are all methodically applying a common investment philosophy and a consistent selection process. With this in place, we expect to be well positioned to take advantage of these inefficiencies.

While the investment environment remains challenging today, our focus is on the opportunities that could transpire in the midterm to longer term. In the meantime, we continue to abide by our strict discipline that calls for minimizing the risk of permanent losses while seeking to build capital. We keep monitoring the companies on our coverage list in case of any temporary disruption. We also continue to look in (and travel to) every corner of the equity markets for compelling investment ideas.

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,

Pierre O. Py
Portfolio Manager

December 31, 2018

Important Disclosures

The data herein has been provided for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, FPA, or the distributor. The views expressed herein and any forward-looking statements are as of the date of this publication and are those of the portfolio management team. 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, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

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 Fund, the portfolio manager, the Adviser, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com.

Throughout this Commentary, detractors and contributors to Fund performance noted are based on contribution to return for the periods noted. Contributors and detractors are presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter. A copy of the methodology used and a list of every holding's contribution to the overall Fund's performance during the quarter is available by contacting FPA Client Service at 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, nor is it indicative, of future results, and there is no assurance that the Fund's investment objective will be achieved or that the strategies employed will be successful. As with any investment, there is always the potential for gain, as well as the possibility of loss.**

Investments in mutual funds carry risks and investors may lose principal value. Capital 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 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. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

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.

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.

Index Definitions

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund will be less diversified than the indices noted herein, and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund's investment strategy. Indices are unmanaged and do not reflect any commissions or fees which would be incurred by an investor purchasing the underlying securities. All indices include reinvestment of dividends and interest income unless otherwise noted. An investor cannot invest directly in an index.

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.

Ibovespa Brasil Sao Paulo Stock Exchange index is a gross total return index weighted by free float market cap and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

Other Definitions

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.

Full market cycle - A cycle is a time period that contains a wide range of market conditions and usually consists of a bear market, recovery, and bull market stage.

High-quality business - The portfolio manager believes a high quality business is one that is able to generate a return on capital in access of its cost of capital for sustained periods of time.

Weighted average discount to fair value - Refers to the weighted average discount to fair value of all securities in the Fund based on fundamental research versus its actual market value

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

TICKER / CUSIP	SHARES / PRINCIPAL	SECURITY	COUPON RATE (%)	MATURITY DATE	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
		COMMON STOCKS					
AIBG ID	1,331,846	AIB GROUP PLC			4.22	5,616,006	2.6%
ABEV3 BZ	1,481,298	AMBEV SA			3.96	5,869,770	2.7%
AVON LN	254,870	AVON RUBBER PLC			15.93	4,060,716	1.8%
BKBR3 BZ	804,246	BK BRASIL OPERACACO E ASSESSO			5.34	4,291,249	2.0%
BVIC LN	366,478	BRITVIC PLC			10.18	3,732,509	1.7%
CAP FP	60,206	CAPGEMINI			99.46	5,988,389	2.7%
SGO FP	160,060	COMPAGNIE DE SAINT-GOBAIN			33.20	5,313,429	2.4%
DTY LN	672,025	DIGNITY PLC			8.88	5,969,724	2.7%
EDEN FP	104,625	EDENRED			36.83	3,853,228	1.7%
EL FP	41,960	ESSILORLUXOTTICA			126.76	5,318,760	2.4%
FEMSAUBD MM	558,941	FOMENTO ECONOMICO MEXICA - UBD			8.60	4,806,180	2.2%
GEM AU	2,731,818	G8 EDUCATION LTD			1.99	5,446,736	2.5%
GVNV NA	250,466	GRANDVISION NV			21.90	5,486,012	2.5%
HYPE3 BZ	697,205	HYPERA SA			7.79	5,429,259	2.5%
IMCD NA	85,427	IMCD GROUP NV			64.01	5,468,488	2.5%
ITX SM	224,331	INDUSTRIA DE DISENO TEXTIL			25.52	5,725,973	2.6%
OR FP	9,676	L'OREAL			228.82	2,214,103	1.0%
MGLU3 BZ	132,561	MAGAZINE LUIZA SA			46.61	6,178,679	2.8%
NESN SW	46,680	NESTLE SA			81.16	3,788,677	1.7%
GNDI3 BZ	723,716	NOTRE DAME INTERMED PAR SA			7.50	5,427,047	2.5%
		OTHER COMMON STOCKS				6,024,594	2.7%
PAGE LN	979,467	PAGEGROUP PLC			5.74	5,626,485	2.6%
PFRM3 BZ	6,484,921	PROFARMA DISTRIBUIDORA			1.01	6,563,762	3.0%
RAND NA	135,408	RANSTAD HOLDINGS			45.85	6,208,446	2.8%
RYA ID	744,852	RYANAIR HOLDINGS PLC			12.27	9,139,118	4.2%
SAP GY	52,664	SAP SE			99.25	5,226,882	2.4%
SW FP	52,957	SODEXO SA			102.56	5,431,024	2.5%
SAX GR	110,913	STROEER SE & CO KGAA			48.47	5,375,749	2.4%
SUN SW	75,908	SULZER AG			79.70	6,049,585	2.8%
SUMO LN	2,851,347	SUMO GROUP PLC			1.52	4,322,428	2.0%
TOTS3 BZ	821,340	TOTVS SA			7.01	5,753,853	2.6%
FAN LN	2,724,616	VOLUTION GROUP PLC			1.83	4,983,461	2.3%
		TOTAL COMMON STOCKS				**170,690,321**	**77.8%**

TICKER / CUSIP	SHARES / PRINCIPAL	SECURITY	COUPON RATE (%)	MATURITY DATE	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
		REPURCHASE AGREEMENTS					
	47,816,000	STATE STREET BANK/FICC REPO				47,816,000	21.8%
		TOTAL REPURCHASE AGREEMENTS				**47,816,000**	**21.8%**
		CASH & EQUIVALENTS				840,862	0.4%
		TOTAL CASH & EQUIVALENTS				**48,656,862**	**22.2%**
		TOTAL NET ASSETS				**219,347,183**	**100.0%**
		NUMBER OF EQUITY POSITIONS				**31**	

*Indicates Domestic Security