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 third quarter of 2012, the Fund rose 7.01% versus the MSCI All Country World Index's (ex-U.S.) (Net) (the "Index") gain of 7.40%. Since inception on December 1, 2011, the Fund has returned 16.00% versus 9.14% for the Index.

Long-distance runners

We do not consider short-term over- or under-performance versus the Index to be particularly meaningful. Since our focus remains on finding companies that offer the best value, index comparisons offer limited significance to our strategy. The Fund does not attempt to track short-term market movements, but rather seeks long-term capital appreciation. In light of this investment objective, we encourage our shareholders to consider the portfolio's performance on a long-term basis.

Returns need be measured relative to the risk that managers assume to generate them. By risk, we do not mean the volatility of share prices versus a benchmark over a given period, but rather the possibility of value destruction in combination with the magnitude of that possible loss. Given our sizeable cash position, the underlying quality of the businesses we own, and the margin of safety we believe they offer, we consider our portfolio to carry less risk than the Index. At the end of the quarter, our holdings offered a weighted average discount to estimated intrinsic value of 33% (versus 36% at June 30, 2012).

We note that our Fund may trail the Index, in particular in times of market rallies. Increased risk appetite tends to favor companies we find unsuitable for our strategy. As market prices run up against relatively stable business values, opportunities typically become scarce and discounts to fair value diminish. This in turn can drive an increase in our cash exposure, thus potentially impacting short-term relative performance. We are comfortable with this, as we believe it is a way to prevent permanent losses while positioning ourselves to take advantage of market dislocations. By foregoing some relative performance in the short-run, we think we can produce superior absolute long-term returns.

We also encourage our fellow shareholders to resist their envy bias. It does not matter to us how much better an Index - or other strategies - may perform over periods of market enthusiasm, particularly as our portfolio continues to accrue in value. What matters to us is that we stand relatively unscathed when the correction comes, and that we are able to catch genuine bargains as they present themselves. We are long distance runners, not sprinters. At times this makes for a lonely run, but that's the way we know how to win.

Key performers

Our best performing holding in the quarter was **Publicis** (+22.92% in US currency). Based in France, Publicis is one of the world's leading ad agencies with dominant positions in media buying and online services. The group is also well-positioned in high-growth economies where they generate close to 25% of their sales. The Publicis management team, led by industry veteran Maurice Levy, offers a unique combination of creative talent and superior operational execution, which translates into industry-leading margins. They have consistently returned excess capital to shareholders through progressive dividends and share buybacks. The business has grown at an average rate of 4% over the last 8 years and proven resilient in the downturn, with peak to trough profitability of 17% to 15%, respectively. Given increasingly global consumer bases, continued media fragmentation, and weak consumption growth in many markets, we anticipate demand for effective advertising to remain strong. The ad model also requires little fixed assets and carries negative working capital, which makes for virtually infinite returns and high, sustainable free cash flows. Even adjusting for customer advances, Publicis' balance sheet is relatively unlevered with Net Debt below 1.5x 2012 EBITDA. We have followed the company for many years and consider it to be typical of the high quality, well-run, financially robust businesses we want to own. Our interest in the stock remains, so long as it trades at a material discount to our fair value estimate.

Our weakest performing holding in the quarter was **LSL,** a leading provider of U.K. property services (-5.71% in US currency). LSL is our largest holding and an investment where we believe we are exposed to a highly asymmetrical outcome, with what we think is a small chance of losing a limited amount versus the prospect of significant upside. The stock, which had been trading at distressed valuations, came down further following a company update on provisions for indemnity claims. While the news was negative, its impact on intrinsic value was not material. LSL is a business we have followed since it went public in 2007. About half of group profits come from property appraisals where they command a dominant market share in a concentrated market. The remainder is a real estate brokerage business. Since the financial crisis, LSL has increased its exposure to countercyclical activities like rentals and repossessions, which helped generate profits despite housing transactions down 60% and hovering at 50% of the long-term average. Furthermore, the group has continued to increase its market share and is positioned to deliver good margins when the market turns. While we anticipate further deterioration in the short-term, we expect LSL to weather the downturn and come out a stronger franchise. LSL's business model requires little fixed assets and carries negative working capital, which means they generate virtually infinite returns and high free cash flows even in dire conditions. The group's balance sheet is reasonably levered with Net Debt at around 2x a cyclically low 2012 EBITDA. Management has run the business well in utmost challenging conditions. They own close to 20% of the stock and have recently been adding to their positions. We believe LSL is a strong company that trades at less than 6x 2013 EBITA in a highly depressed property market. At these levels, we think it offers a large margin of safety[1], and gives us a trailing twelve month dividend yield of more than 4% while we wait for the market to recover. We took advantage of the weakening share price in the quarter and bought more of the stock.

Valuation discipline

Our decision to buy more LSL is consistent with our valuation discipline. Some investors may lack confidence in their holdings causing them to drop the stock on negative news. Our approach is to know what we own, carefully weigh new information, and factor it into our assessment of intrinsic value. Providing that we feel the stock offers enough margin of safety, we typically buy into negative news and the subsequent decline in price. We do not try to catch the bottom. All that we require is a minimum 33% discount to our intrinsic value estimate. We do not settle for less either, however close the threshold may be. In the case of another holding G4S, whose share price came down last July following failure to deliver on their Olympics contract, we were not able to take advantage of the temporary correction. As frustrating as it may be at times, we hold true to our valuation discipline in order to avoid adaptive thinking and playing catch-up with running prices. We may find ourselves doing little for a prolonged period of time as a result, but part of our mandate as absolute value managers is to stay put when opportunities are scarce.

Same structural challenges

For that reason the Fund's general profile did not change much during the quarter, although our cash exposure increased. Capital markets on the other hand shifted dramatically over the period. In yet another change of heart since the beginning of the year, they reverted to a risk-on approach as central banks around the world vowed to do

[1] Buying with a "margin of safety," a phrase popularized by Benjamin Graham and Warren Buffet, is when a security is purchased for less than its estimated value. This helps 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.

"whatever it takes" to support asset buying. While that may translate into short-term relative underperformance for the Fund, we will not be bullied into putting capital at risk without the prospect of asymmetric returns. Whereas share prices increased, most business values have not improved significantly and thus, we have struggled to find attractive investment opportunities.

We continue to see the same serious structural challenges facing the world economy: high levels of government and consumer debt, troubled financial institutions, the likelihood of tax increases together with further austerity measures, and ultimately weak growth in mature as well as developing markets. In the long run, we worry that massive injections of liquidity into the economy might drive high levels of inflation.

Portfolio activity

In this context, we remain true to our bottom-up approach. We continue to travel overseas and conduct fundamental research in search of new ideas. Despite the market run-up, we were able to identify one well-managed, financially robust, high quality business trading at a significant discount to our estimate of intrinsic value. We initiated a position in Senior, a UK-based manufacturer of parts for the aerospace sector. We sold two holdings - Philips and Wolseley - in which we had been invested since the Fund's inception. In the time we owned them, they returned +44.25% and +22.41%, respectively, and no longer offered an adequate margin of safety. Net, net, our cash exposure increased over the period as a result. At the end of the quarter, the Fund was 71% invested, down from 79% at June 30, 2012.

The portfolio remained geared towards companies domiciled in Europe, which is only a reflection of where we find the most compelling opportunities, as our 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 coming less from Europe than the corporation's domicile suggests. Where business value is created is what matters to us as investors.

Navigating difficult times

Valuations running ahead of business performance on bold government actions put managers with fully invested mandates in a compromised position, as they are pressured to forego discipline and capital preservation to chase returns. Our absolute value approach, on the other hand, provides the distance and flexibility that are needed to navigate such difficult times. We remain mindful of the challenges ahead when assessing opportunities and invest only when offered a significant margin of safety. We limit our holdings to competitively advantaged businesses with strong balance sheets run by capable management teams that we expect to get stronger over time. As bargains become scarce, we continue to research companies so as to best position ourselves to take advantage of future investment opportunities.

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

October 10, 2012

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.