

FIRST PACIFIC ADVISORS, LLC

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This brochure provides information about the qualifications and business practices of First Pacific Advisors, LLC (“Adviser” or “FPA”). If you have any questions about the contents of this brochure, please contact us at (800) 982-4372. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about people affiliated with FPA who are registered, or are required to be registered.

FPA is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training.

Currently, our brochure may be requested, free of charge, by contacting us at (800) 982-4372 or by email at mfa@fpafunds.com.

This brochure is an annual update, and does not contain any material changes from the brochure dated March 31, 2011, other than the addition of a new FPA investment product style, International Value, as contained in Items 4, 5, and 8.

In the past, FPA has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, FPA will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year (currently December 31). FPA will further provide other ongoing disclosure information about material changes as required by applicable law or as FPA otherwise determines to be necessary.

FPA will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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Item 4 – Advisory Business

FPA is a Delaware limited liability company that was formed in July 2004. Together with its predecessor organizations, FPA has been in the investment advisory business since 1954. FPA maintains its principal office at 11400 West Olympic Boulevard, Suite 1200, Los Angeles, California 90064-1550. The owners of the Adviser are the Managing Partners, J. Richard Atwood, Robert L. Rodriguez, and Steven T. Romick, and the Partners, Thomas H. Atteberry, Dennis M. Bryan, Rikard B. Ekstrand, Eric S. Ende, and Steven R. Geist. Currently, the personnel of FPA consists of 22 persons engaged full time in portfolio management or investment research in addition to 39 persons engaged full time in trading, administrative, financial or clerical activities.

FPA provides investment advisory services for a variety of different clients. These include investment companies; banks or thrift institutions; pension and profit sharing plans; trusts, estates, or charitable organizations; corporations; hedge funds and private investment companies. As of December 31, 2011, the Adviser managed the assets of approximately \$17.8 billion for six investment companies and more than 35 institutional accounts, all on a discretionary basis.

Discretionary Investment Services

FPA provides continuing supervision of each client's investment portfolio. The services provided by FPA are on a discretionary basis. FPA has full discretion to determine, consistent with clients' investment objectives and restrictions, which securities and the total amount of securities that are to be bought or sold for clients' accounts. FPA may buy and sell securities that include, but are not limited to, common and preferred stocks; foreign stocks; private placements; 144A and other restricted securities; convertible stocks and bonds; options; warrants; rights; commercial paper; certificates of deposit; futures contracts; interests in partnerships investing in real estate, oil and gas interests and securities; mortgage pass-through securities; stripped mortgage securities; Z-bonds; inverse floaters; repurchase agreements; U.S. government securities; and corporate, municipal and government bonds, notes and bills. The Adviser provides management services primarily in a value investment style for the following investment products: Small/Mid-Cap Absolute Value, Small/Mid-Cap Quality Value, Contrarian, Fixed Income Absolute Return, and International Value. FPA's discretionary investment authority may be limited by conditions imposed by clients in their stated investment objectives or guidelines, and mutually agreed to by FPA.

FPA provides discretionary investment management services to:

Registered Investment Companies (collectively "FPA Funds"). FPA manages Source Capital, Inc. ("Source"), a publicly traded, diversified, closed-end investment company; FPA Paramount Fund, Inc. ("Paramount"), a diversified, open-end investment company; FPA Perennial Fund, Inc. ("Perennial"), a diversified, open-end investment company; FPA Capital Fund, Inc. ("Capital"), a diversified, open-end investment company; FPA New Income, Inc. ("New Income"), a diversified, open-end investment company; FPA Funds Trust's FPA Crescent Fund ("Crescent"), a diversified, open-end investment company; and FPA Funds Trust's FPA International Value Fund ("International"), a diversified, open-end investment company.. Source, Paramount and Perennial are in FPA's Small/Mid-Cap Quality Value investment product style; Capital is in FPA's Small/Mid-Cap Absolute Value investment product style; New Income is in FPA's Absolute Fixed Income investment product style; Crescent is in FPA's Contrarian investment product style; and International is in FPA's International Value investment product style. As of December 31, 2011, the FPA Funds had

approximately \$14.1 billion in assets under management. The minimum investment in the open-end investment companies is \$1,500, there is no minimum investment in Source.

Managed Accounts. FPA manages assets for separate account clients in the four value investment style products noted above. Variations within an investment style result from specific guidelines and restrictions placed on these managed accounts by clients. Restrictions on the management of an account must be agreed upon by FPA and the client. Clients who place restrictions, including restrictions as to types of securities, concentrations, cash balances, brokers to be used or not used, etc., should recognize that the performance of their accounts may not be consistent with the performance of accounts managed in the same style with no restrictions or other restrictions. As of December 31, 2011, FPA managed approximately \$2.6 billion in managed account assets. There is no minimum account size for separate accounts.

Sub-Advised Accounts. FPA is one of five sub-advisors to The Litman Gregory Masters Smaller Companies Fund (“Masters”), a diversified, open-end investment company, which had total net assets of approximately \$13.8 million at December 31, 2011. Masters is in FPA’s Small/Mid-Cap Absolute Value investment style product. FPA is one of four sub-advisors to The Litman Gregory Masters Alternative Strategies Fund (“Alternative”), a diversified, open-end investment company, which had total net assets of approximately \$37.5 million at December 31, 2011. Alternative is in FPA’s Contrarian investment style product.

Private Investment Companies. FPA is the General Partner of FPA Multi-Advisor Fund, L.P. and of FPA Multi-Advisor II Fund, L.P. , each of which is a California limited partnership, and FPA is the manager of FPA Multi-Advisor Offshore Fund, Ltd., a Cayman Islands exempted company (collectively “MAF”). MAF opens investment advisory accounts with professional money managers selected and monitored by the FPA to manage MAF’s assets (“Investment Managers”), in limited partnerships, mutual funds, or other investment vehicles sponsored and managed by such Investment Managers, and in cash, government securities, short-term money market instruments and similar securities when the FPA deems appropriate. The investment objective of each MAF Fund is capital preservation and steady growth. FPA, as General Partner or manager, does not have discretionary authority over MAF funds once they are placed under management with Investment Managers, except to the extent that it (a) is entitled to withdraw MAF funds from the management of Investment Managers, or (b) selects itself as an Investment Manager. The MAF strategy had approximately \$201.4 million of aggregate total net assets at December 31, 2011. The minimum investment for each Partnership is \$250,000 to \$500,000. MAF is open to accredited investors (as defined in Regulation D under the Securities Act of 1933) who are qualified clients (under the Investment Advisers Act of 1940).

FPA is the Manager of FPA Hawkeye Fund, FPA Hawkeye-7 Fund, FPA Global Opportunity Fund, and FPA Value Partners Fund, each a series of FPA Hawkeye Fund, LLC (“Hawkeye”), a Delaware limited liability company. As Manager of Hawkeye, the Adviser seeks above average capital appreciation, primarily through investments in equity securities of US and foreign companies. FPA can also engage in selective short selling of securities in its attempt to dampen portfolio volatility, reduce risk and increase total return. The total short positions may be up to 50% of each series’ total asset value, but under normal circumstances will generally be less than that amount. Each series of Hawkeye may use margin borrowing to leverage its returns, up to 50% of total assets. At December 31, 2011, the series of Hawkeye had total combined net assets of approximately \$703.8 million. The minimum investment for each series of Hawkeye is \$500,000. Each series of Hawkeye is open to accredited investors (as defined in Regulation D under the Securities Act of 1933) who are qualified clients (under the Investment Advisers Act of 1940).

Non-Discretionary Investment Services. The Adviser does not provide non-discretionary investment services.

Services Other than Investment Services.

In addition to providing investment advisory services, the FPA keeps books and records for all client accounts and maintains facilities, equipment and office space necessary for such record keeping. FPA also provides officers to the registered investment companies, all of whom are compensated by FPA and are provided at no additional charge to the shareholders of the Fund, except for the 0.10% of average daily net assets paid by Capital, Crescent, International, Paramount and Perennial for providing financial services. FPA provides certain services to its managed account clients, including account reconciliation and statement generation, which are provided as part of its investment services.

Item 5. -- Fees and Compensation

Registered Investment Company Fees

Advisory fees are paid by Source to FPA pursuant to an Investment Advisory Agreement effective on October 1, 2006 ("Source Agreement"). Under the terms of the Source Agreement, Source pays monthly investment advisory fees, after the end of each month, calculated at an annual rate of 0.725% for the first \$100 million of total net assets, 0.700% for the next \$100 million of total net assets, and 0.675% for any total net assets in excess of \$200 million. The Source Agreement obligates Adviser to reduce its fee by the amount by which certain operating expenses of Source (exclusive of interest, taxes, any expenditures for brokerage services, any uncapped legal expenses relating to specific portfolio securities or proposed acquisitions or dispositions thereof, and extraordinary expenses such as litigation, merger, reorganization, or recapitalization) exceed 1.5% of the first \$30 million plus 1% of the remaining average total net assets of Source for the year.

Advisory fees are paid by Paramount to FPA pursuant to an Investment Advisory Agreement effective on October 1, 2006 ("Paramount Agreement"). Under the terms of the Paramount Agreement, Paramount pays Adviser a monthly fee, after the end of each month, calculated at the annual rate of 0.75% of the first \$50 million of Paramount's average daily net assets and 0.65% of the average daily net assets in excess of \$50 million. In addition, the Adviser receives an amount equal to 0.10% of Paramount's average daily net assets for each fiscal year in reimbursement for the provision of financial services to Paramount. The Paramount Agreement obligates Adviser to reduce its fee and the reimbursement by the amount by which certain operating expenses of Paramount (exclusive of interest, taxes, any expenditures for brokerage services, and extraordinary expenses such as litigation, merger, reorganization, or recapitalization) exceed 1.5% of the first \$30 million plus 1% of the remaining average net assets of Paramount for the year.

Advisory fees are paid by Perennial to Adviser pursuant to an Investment Advisory Agreement effective on October 1, 2006 ("Perennial Agreement"). Under the terms of the Perennial Agreement, Perennial pays Adviser a monthly fee, after the end of each month, calculated at the annual rate of 0.75% of the first \$50 million of Perennial's average daily net assets and 0.65% of the average daily net assets in excess of \$50 million. In addition, the Adviser receives an amount equal to 0.10% of Perennial's average daily net assets for each fiscal year in reimbursement for the provision of financial services to Perennial. The Perennial Agreement obligates Adviser to reduce its fee and the reimbursement by the amount by which certain operating expenses of Perennial (exclusive of interest, taxes, any expenditures for brokerage services, and extraordinary expenses such

as litigation, merger, reorganization, or recapitalization) exceed 1.5% of the first \$30 million plus 1% of the remaining average net assets of Perennial for the year.

Advisory fees are paid by Capital to Adviser pursuant to an Investment Advisory Agreement effective on October 1, 2006 ("Capital Agreement"). Under the terms of the Capital Agreement, Capital pays Adviser a monthly fee, after the end of each month, calculated at the annual rate of 0.75% of the first \$50 million of Capital's net assets and 0.65% of Capital's net assets in excess of \$50 million. In addition, the Adviser receives an amount equal to 0.10% of Capital's average daily net assets for each fiscal year in reimbursement for the provision of financial services to Capital. The Capital Agreement obligates Adviser to pay Capital for any operating expenses (exclusive of interest, taxes, and brokerage fees and commissions payable by Capital in connection with the purchase or sale of portfolio securities) in excess of 1.5% of the first \$30 million plus 1% of the remaining average net assets of Capital for the year.

Advisory fees are paid by New Income to Adviser pursuant to an Investment Advisory Agreement effective on October 1, 2006 ("New Income Agreement"). Under the terms of the New Income Agreement, New Income pays Adviser a monthly fee calculated at the annual rate of 0.5% of New Income's net assets. The New Income Agreement obligates Adviser to pay New Income for any operating expenses (exclusive of interest, taxes, and brokerage fees and commissions payable by New Income in connection with the purchase or sale of portfolio securities) in excess of 1.5% of the first \$15 million plus 1% of the remaining average net assets of New Income for the year.

Advisory fees are paid by Crescent to Adviser pursuant to an Investment Advisory Agreement effective on October 1, 2006 ("Crescent Agreement"). Under the terms of the Crescent Agreement, Crescent pays Adviser a monthly fee calculated at the annual rate of 1% of Crescent's average daily net assets. In addition, the Adviser receives a fee equal to 0.10% of Crescent's average daily net assets for each fiscal year for the provision of financial services to Crescent. The Crescent Agreement obligates Adviser to pay Crescent for any operating expenses (exclusive of interest, taxes, and brokerage fees and commissions payable by Crescent in connection with the purchase or sale of portfolio securities) in excess of any limits set by applicable state securities commissions.

Advisory fees are paid by International to Adviser pursuant to an Investment Advisory Agreement effective on December 1, 2011 ("International Agreement"). Under the terms of the International Agreement, International pays Adviser a monthly fee calculated at the annual rate of 1% of International's average daily net assets. In addition, the Adviser receives a fee equal to 0.10% of International's average daily net assets for each fiscal year for the provision of financial services to International. The International Agreement obligates Adviser to reduce its fee to the extent necessary to reimburse International for any annual expenses (exclusive of interest, taxes, the cost of brokerage and research services, and extraordinary expenses such as litigation) in excess of 1.85% of the average daily net assets of International for the year. In addition, Adviser has contractually agreed to reimburse expenses in excess of 1.35% of the average net assets of International (exclusive of interest, taxes, the cost of brokerage and research services, and extraordinary expenses such as litigation) for the one year period ending November 30, 2012.

As stated above, in addition to the advisory fees paid by Paramount, Perennial, Capital, Crescent, and International, each Fund either pays a fee to, or reimburses the Adviser for, the costs incurred by the Adviser in providing financial services to each Fund including, among other normal financial services for each Fund, maintaining the accounts, books and other documents which constitute the record forming the basis for each

Fund's financial statements, preparation of such financial statements, preparation of such financial statements and other Fund documents and reports of a financial nature required by Federal and state laws, calculating daily net asset value of each Fund, and participating in the production of each Fund's registration statements, prospectuses, proxy solicitation materials and reports to stockholders (including compensation of the Treasurer or other principal financial officer of the Fund, compensation of personnel working under such person's direction and expenses of office space, facilities and equipment used by such personnel in the performance of their financial services duties to each Fund); provided, however, that the fee or reimbursement shall not exceed for any fiscal year of the Fund 0.10% of the average net asset value of each Fund.

Advisory fees are paid by Masters to Adviser pursuant to an Investment Sub-Advisory Agreement effective on October 1, 2006 ("Masters Agreement"). Under the terms of the Masters Agreement, Masters pays Adviser a monthly fee calculated at the annual rate of 0.60% of Masters' average daily net assets.

Advisory fees are paid by Alternative to Adviser pursuant to an Investment Sub-Advisory Agreement effective on September 1, 2011 ("Alternative Agreement"). Under the terms of the Alternative Agreement, Alternative pays Adviser a monthly fee calculated at the annual rate of 0.825% of Alternative's average daily net assets.

Managed Accounts

Generally, the fee schedule for managed accounts of clients, other than investment companies, is fixed after negotiation with the client. The basic fee schedule for separately managed accounts ranges from 0.30% to 1% of assets under management depending on product, asset type, and size of account. Basically, investment advisory agreements for managed accounts remain in full force and effect for varying periods up to one year unless terminated by either the client or Adviser upon notice, without payment of penalty.

Pursuant to the agreements, fees are generally billed and payable at the end of each quarter with a provision for pro rata refund for any prepaid fees in the case of cancellation. A managed account agreement may be cancelled at any time, by either party, for any reason, generally on 30 days' written notice. Upon termination of an account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Private Investment Companies

A management fee is paid by each investor in the MAF Funds to the Adviser at an annual rate of 1.00% of net assets; provided, however, that if the Adviser provides any MAF assets for management by an Investment Manager that is the Adviser or an affiliate of the Adviser, with respect to those assets either that Investment Manager will waive any asset based compensation it may otherwise charge, as opposed to performance based compensation which it need not waive, or the Adviser will waive the asset based compensation. On December 31 of each year, each investor may pay Adviser a performance-based fee up to 15% of the appreciation in that investor's capital balance during the year. The performance fee rate can be lowered or eliminated at the option of the investor based upon the longer the period of the "lock-up" of their capital. If the Adviser provides any MAF assets for investment in a product managed by any Investment Manager that is the Adviser or an affiliate of the Adviser, with respect to those assets the Adviser will receive an incentive allocation only from MAF or such other product; however, as the Investment Manager may receive a higher incentive allocation from such

other product than MAF, or vice-versa, this may result in payment by the investors of a higher incentive allocation on such assets than would otherwise be the case. The Adviser, in its discretion, may waive all or any portion of the management fee or the performance based annual incentive allocation with respect to any investor in any fiscal period.

A management fee is paid by each Member of FPA Hawkeye Fund and FPA Hawkeye-7 Fund (each a “Fund”) to Adviser at an annual rate of 1.00% of the Member’s capital account balance; provided, however, that if the Adviser provides any Fund assets for management by an Investment Manager that is the Adviser or an affiliate of the Adviser, with respect to those assets either that Investment Manager will waive any asset based compensation it may otherwise charge, as opposed to performance based compensation which it need not waive, or the Adviser will waive the asset based compensation. On December 31 of each year, each Member pays Adviser a performance-based incentive allocation equal to 20% of the appreciation in the Member’s account balance during the year. The annual incentive allocation is payable only if, and to the extent that, (i) the net capital appreciation of a Member’s capital account for the year exceeds any net capital depreciation accumulated in prior years, and (ii) the net capital appreciation of the Member’s capital account for the year meets or exceeds 5% after the incentive allocation for the year.

A management fee is paid by each Member of FPA Global Opportunity Fund (“GOF”) to Adviser at an annual rate of 1.25% of the Member’s capital account balance; provided, however, that if the Adviser provides any GOF assets for management by an Investment Manager that is the Adviser or an affiliate of the Adviser, with respect to those assets either that Investment Manager will waive any asset based compensation it may otherwise charge, as opposed to performance based compensation which it need not waive, or the Adviser will waive the asset based compensation. On December 31 of each year, each Member pays Adviser a performance-based incentive allocation equal to 20% of the appreciation in excess of 7% in the Member’s account balance during the year. The annual incentive allocation is payable only if, and to the extent that, (i) the net capital appreciation of a Member’s capital account for the year exceeds any net capital depreciation accumulated in prior years, and (ii) the net capital appreciation of the Member’s capital account for the year exceeds 7%.

A management fee is paid by each Member of FPA Value Partners Fund (“VPF”) to Adviser at an annual rate of 0.50% of the Member’s capital account balance; provided, however, that if the Adviser provides any VPF assets for management by an Investment Manager that is the Adviser or an affiliate of the Adviser, with respect to those assets either that Investment Manager will waive any asset based compensation it may otherwise charge, as opposed to performance based compensation which it need not waive, or the Adviser will waive the asset based compensation. On December 31 of each year, each Member pays Adviser a performance-based incentive allocation equal to 20% of the appreciation in excess of 5% in the Member’s account balance during the year. The annual incentive allocation is payable only if, and to the extent that, (i) the net capital appreciation of a Member’s capital account for the year exceeds any net capital depreciation accumulated in prior years, and (ii) the net capital appreciation of the Member’s capital account for the year exceeds 5%.

For Hawkeye, Hawkeye-7, GOF, and VPF, if the Adviser provides any Fund assets for investment in a product managed by an Investment Manager that is the Adviser or an affiliate of the Adviser, with respect to those assets the Adviser will receive an incentive allocation only from the Fund or such other product; however, as the Investment Manager may receive a higher incentive allocation from such other product than the Fund, or vice-versa, this may result in payment by the Members of a higher incentive allocation on such assets than would otherwise be the case. The Adviser as Managing Member, in its discretion, may waive all or any portion

of the management fee or the performance based annual incentive allocation with respect to any Member in any fiscal period.

Investors in private investment companies, may be limited in their ability to terminate their participation in the pooled investment vehicle. Such limits are set out in the Memorandum or other private investment fund offering documents, which should be read carefully. Investors in the Fund will generally only be able to redeem their investment on the last business day of the calendar quarter two years following his or her admission as a Member, and at the end of each two year period, thereafter. Upon termination, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

All of the Adviser's clients incur commissions charged by brokers in connection with security transactions to which the client is a party or with securities owned by the clients. See Item 12 Brokerage Practices below.

Item 6. -- Performance-Based Fees and Side-by-Side Management

Although FPA manages other accounts that may have similar investment objectives or strategies, FPA believes that no material conflicts currently exist, and that any material conflicts of interest which may arise in connection with FPA's management of the Fund's investments and the management of the investments of other accounts are addressed primarily through FPA's allocation policies. A potential conflict may arise when the Adviser manages a mutual fund or other account with an asset-based fee and a private investment company with a performance-based fee. For example, if those clients pursue the same or similar strategies, the Adviser would have an incentive to favor the performance-based fee account (e.g. in the allocation of investment opportunities and aggregation of orders). Under FPA's allocation policies, the Adviser attempts to allocate portfolio transactions equitably whenever concurrent decisions are made to purchase or sell securities for its advisory accounts. In some cases, this procedure could have an adverse effect on the price or amount of securities available to the Fund. The main factors considered in such allocations are the respective investment objectives, the relative amount of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held, and the opinion of the persons responsible for recommending the investments. See Item 12 Brokerage Practices below.

The Adviser has entered into performance fee arrangements with pooled investment vehicles (i.e., "hedge funds" or "private investment companies") which provide for compensation to the Adviser on the basis of a share of the capital gains upon, or the capital appreciation of, the assets or any portion of the assets. These arrangements are contingent upon satisfying all the conditions in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act").

The private investment companies' profit allocation and the performance-based fees are designed to reward the manager (the Adviser) based upon its level of success in meeting the objectives of the private investment company. Also, the private investment company may enter into arrangements with certain investment managers or hedge funds or other investment vehicles that compensate their investment managers, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the private investment company's account during specific measuring periods. Such performance fee arrangements may create an incentive for the manager and such investment managers to make investments that are riskier or more speculative than would otherwise be the case. Further, the manager and any investment manager that makes a profit for the private investment company in a particular calendar year on the private investment company's assets could earn an incentive allocation or fee, even though the private investment company may in the aggregate incur a net loss for such calendar year. See Private Investment Companies above for a detailed discussion of performance fee arrangements.

Item 7. – Types of Clients.

The Adviser generally provides investment advice to registered investment companies; banks or thrift institutions; pension and profit sharing plans; trusts, estates, or charitable organizations; corporations or business entities other than those previously referenced; and private investment companies. There is no minimum amount for a managed account. The private investment companies have a minimum investment ranging from \$250,000 to \$500,000 per partner/member. The minimum investment for the open-end investment companies is \$1,500.

Item 8. -- Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

The Adviser's security analysis methods include fundamental value-oriented investment strategies in five areas. FPA Small/Mid-Cap Absolute Value, which seeks to exploit market inefficiencies among stocks of smaller companies. FPA Small/Mid-Cap Quality Value, which emphasizes the selection of individual business and a disciplined judgment of the relative attractiveness of their market valuations. FPA Contrarian, which actively seeks value in all parts of a company's capital structure, including common and preferred stocks, as well as corporate and convertible bonds, in U.S. and foreign companies. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Adviser can purchase foreign securities, which are subject to interest rate, currency exchange rate, economic and political risks. The securities of smaller, less well-known companies can be more volatile than those of larger companies. Value stocks can perform differently than other types of stocks and can continue to be undervalued by the market for long periods of time. FPA Absolute Fixed Income, which entails the prudent maximization of total return through a cautious, low-risk emphasis on short to intermediate maturities and very high quality. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Adviser can purchase foreign securities, which are subject to interest rate, currency exchange rate, economic and political risks. The securities of smaller, less well-known companies can be more volatile than those of larger companies. High yield securities can be volatile and subject to much higher instances of default. FPA International Value, which entails identifying absolute value opportunities across international markets, including both developed and emerging countries.

FPA also takes into account the following valuation criteria, which are guidelines generally aimed at identifying undervalued or reasonably valued securities: (1) avoid high price earnings ratios; (2) avoid very high price to book value ratios; (3) trade against the direction of the market (i.e. buy on weakness, sell on strength); and (4) concentrate primarily on securities which are out-of-favor, under-researched, or under-owned by institutional investors.

Please note that the prospectuses and statement of additional information for the registered investment companies, and the offering memoranda for the private investment companies, contain important information concerning the investment objectives, strategies, policies, and risks for those funds. Shares of the registered investment companies are sold solely pursuant to their respective registration statements and that interests in the private investment companies are sold solely pursuant to their respective offering memoranda to persons who satisfy the eligibility requirements imposed by the federal securities laws for the purchase of such interests in private offerings.

Item 9. – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of FPA's advisory business or the integrity of its management.

Item 10. – Other Financial Industry Activities and Affiliations

Broker-Dealer

FPA FUND DISTRIBUTORS, INC. ("Fund Distributors"). Fund Distributors is a wholly owned subsidiary of the Adviser and is registered with the Securities and Exchange Commission, the Financial Industry Regulatory Authority and the State of California as a broker-dealer. Fund Distributors acts as distributor for shares of Paramount, Perennial, Capital, New Income and Crescent, all of which are registered investment companies. Fund Distributors does not execute portfolio transactions for any client of the Adviser.

Registered Investment Companies

FPA is the investment adviser to Source, a publicly traded, diversified, closed-end investment company; and Paramount, Perennial, Capital, New Income, Crescent, and International, all of which are diversified, open-end investment companies.

FPA is one of five sub-advisors to Masters, a diversified, open-end investment company, and one of four sub-advisors to Alternative, a diversified, open-end investment company.

Private Investment Companies

FPA is the General Partner of FPA Multi-Advisor Fund, L.P. and of FPA Multi-Advisor II Fund, L.P., each of which is a California limited partnership, and manager of FPA Multi-Advisor Offshore Fund, Ltd., a Cayman Islands exempted company.

FPA is the Managing Member of FPA Hawkeye Fund, FPA Hawkeye-7 Fund, FPA Global Opportunity Fund, and FPA Value Partners Fund, each of which is a series of FPA Hawkeye Fund, LLC, a Delaware limited liability company.

Item 11. – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Adviser may recommend to clients the purchase of shares of registered investment companies and interests in private investment companies for which it serves as investment adviser. The Adviser acts as General Partner or manager of each MAF Fund and Managing Member of Hawkeye, interests of all of which are offered to clients. To the extent the Adviser recommends such purchases to clients, the Adviser is bound by its fiduciary duty to act in the clients' best interests in making those recommendations.

Employees of the Adviser are not permitted to purchase any securities that are under active consideration for purchase or sale or are being purchased or sold by any of the accounts managed by the Adviser. In addition, all officers, partners and employees are forbidden from trading, either personally or on behalf of others, on material nonpublic information or communicating material nonpublic information to others in violation of the law. The Adviser has formalized these principles with written policies regarding personal securities transactions of officers and employees and insider trading (collectively referred to as the "Code"). The Code incorporates

recommendations and requirements of Rule 17j-1 of the Investment Company Act of 1940 and guidelines issued by the Investment Company Institute in 1994 regarding restrictions and prohibitions on certain trading practices and limitations upon certain other employee activities. The provisions of the Code apply equally to all officers and employees of the Adviser regardless of their position within the organization. A Committee has been established to administer the Code. Its responsibilities include interpreting the provisions of the Code for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations have occurred.

Various procedures have been adopted under the Code including the requirement to pre-clear all applicable transactions, provide the Committee with duplicate confirmations of all applicable transactions, and the imposition of a seven calendar day blackout period. On a quarterly basis all employees must provide a report on all applicable transactions in any security in which they have or acquire direct or indirect ownership. This reporting requirement also applies to securities issued by the Government of the United States or state/local municipalities, and shares of registered open-end investment companies. This requirement does not apply to the 401k investments and month-end direct payroll deductions into the mutual funds managed by the Adviser, nor does it apply to money market funds, bankers' acceptances, bank certificates of deposit, or commercial paper. All employees must disclose any broker dealer, bank or other account used or maintained for security transactions upon commencement of employment and thereafter quarterly. On an annual basis all employees must provide a full accounting of their personal securities holdings, certify that they have read and understand the Code, and certify that they have complied with the provisions of the Code. Additionally, on an annual basis, all employees must disclose any board memberships for which they serve, other than the investment companies managed by the Adviser, and acknowledge that they have disclosed in writing to their supervisor any ongoing business activities outside of their employment with the Adviser.

Securities issued by the United States or state/local municipalities, bankers' acceptances, bank certificates of deposit, commercial paper, and shares of registered open-end investment companies are excluded from the pre-clearance, duplicate confirmations and blackout period requirements of the Code.

A copy of the Adviser's Code is available free of charge, upon written request to the Secretary of the Adviser, at 11400 West Olympic Boulevard, Suite 1200, Los Angeles, CA 90064.

Item 12. – Brokerage Practices

Generally, Adviser makes decisions to buy and sell securities for its clients, selects brokers and dealers and negotiates commission rates or net prices. Equity securities are generally traded on an agency basis. For fixed-income securities traded in the over-the-counter market, orders are placed directly with a principal market maker, unless it is believed better prices and executions are available elsewhere, generally on an agency basis. In selecting brokers to be used in portfolio transactions, Adviser's primary consideration is to obtain the best overall execution for each account in each trade, which is a combination of price and execution. With respect to execution, Adviser considers a number of judgmental factors including the actual handling of the order, the ability of the broker to settle the trade promptly and accurately, Adviser's past experience with the broker on similar trades and other factors that may be unique to that particular order. If the primary consideration of best overall execution is met, agency transactions for the client are typically placed with brokers that provide brokerage and research services to the client or Adviser at commission rates considered to be reasonable, although they may be higher than the lowest rates that may be available.

While research services may be useful in supplementing other available investment information, when the Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Adviser benefits by not having to produce or pay for that research or those other products or services. The agreements with Adviser's clients authorize Adviser to cause the clients to pay commissions to broker-dealers furnishing research services in an amount higher than would have been charged by another broker-dealer if Adviser determines in good faith that the amount is reasonable in relation to the services provided as required by Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). In making this determination, Adviser may consider not only the particular transaction and the value of brokerage and research services to a particular client, but also the value of those services in Adviser's performance of its overall investment responsibilities to all of its clients.

The research received by Adviser includes information on the U.S. and world economies; information on specific industries, groups, companies, or other news affecting specific securities or markets; and technical and quantitative information. Research is received in the form of written reports, telephone contacts, personal meetings, research seminars, and access to computer databases. Some of these research services are paid for through the use of third-party soft dollar arrangements. The client bears the cost of such services and each account may either contribute to the payment for research which benefits others or be the benefactor of similar research paid for by others.

Adviser maintains an internal allocation procedure to identify those brokers which have provided it with research. Internal guidelines are established by each portfolio manager to provide direction to the Trading Department and are usually based on the quality and usefulness of the research provided and its value to Adviser. A summary of the commissions paid to brokers are provided to the portfolio managers and the CCO of Adviser on a regular basis for their review.

Because many of these research services could be considered to provide some benefit to Adviser and the "soft dollars" used to acquire them are assets of Adviser's clients, Adviser could be considered to have a conflict of interest in allocating client brokerage business. In addition, Adviser could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage commissions with which to acquire research.

Adviser manages the portfolios of a number of investment companies and advisory accounts. In the opinion of Adviser, it is not possible to measure separately the benefits from brokerage and research services to each of the accounts managed by Adviser. Because the volume and nature of the trading activities of the accounts managed by Adviser are not uniform, the amount of commissions in excess of the lowest available rate paid by each account for brokerage and research services will vary. However, in the opinion of Adviser, such costs to each client will not be disproportionate to the benefits received by each client on a continuing basis.

Adviser seeks to allocate portfolio transactions equitably whenever concurrent decisions are made to purchase or to sell identical securities for several clients managed by Adviser. Adviser typically aggregates orders for its client accounts for the same security where concurrent decisions are made to purchase or to sell identical securities for several clients managed by Adviser and such aggregation will generally result in more favorable net results for its clients. In these cases, Adviser will allocate the securities or proceeds arising out of those transactions (and the related expenses) on an average price basis among the various participants. While Adviser believes combining orders in this way will, over time, be advantageous to all participants, in particular cases, this procedure could have an adverse effect on the price or the amount of securities purchased or sold by any

one client. In making such allocations, the main factors considered by Adviser are the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and the opinions of the persons responsible for recommending the investment.

The Adviser may only enter into cross transactions between a limited number of accounts under management. Cross transactions are not permitted in ERISA or most other institutional accounts. The Adviser has developed procedures using the requirements of Rule 17a-7 of the Investment Company Act of 1940 as a guide. Cross transactions are generally initiated when a portfolio manager sells a security in an account, usually to raise cash to meet redemptions. Simultaneously, either that or another portfolio manager would like to increase the amount of that security held in another account at the current price level. Cross transactions are executed at the last sale price on trade date as reported by the security's primary exchange or the NASDAQ Official Closing Price for securities traded in the NASDAQ National Market System. If the security is not traded that day or is not listed, the trade is executed at the mean between the highest bid and lowest asked prices based upon inquiry of at least two independent broker-dealers who make a market in the security. No fees or commissions are paid by either account and the trades are only initiated if they are consistent with the investment guidelines and objectives of both. All such transactions involving an investment company are reviewed at least quarterly by the Board of each investment company.

Item 13. – Review of Accounts

Reviews. In effect, Adviser's investment advisory accounts are under constant review because of the commonality of holdings among the relatively low number of accounts under management and the limited number of different portfolio securities. These factors facilitate the continual monitoring of client portfolios in relation to changes in market prices and available information (e.g. earnings and dividends). The ongoing interaction between the investment advisory staff and the Trading Department supplements this review process.

Reviewers. Adviser does not have an investment committee or group. Each lead portfolio manager assumes primary responsibility for the ongoing review of the accounts under their management. All reviews are conducted pursuant to the guidelines established by, or in connection with, the applicable account.

The functions of the Managing Partner, Chief Operating Officer, Chief Financial Officer and Treasurer of FPA include being actively involved in managing the business and overseeing compliance with investment restrictions imposed by (1) various investment company documents and the Investment Company Act of 1940, in the case of investment companies, and (2) the client, in the case of managed accounts and private investment companies.

The functions of three Securities Traders of Adviser include being actively involved in compliance with investment restrictions imposed by (1) various investment company documents and the Investment Company Act of 1940, in the case of investment companies, and (2) the client, in the case of managed accounts.

The functions of the Vice President and Chief Compliance Officer of Adviser include assessing, reviewing and reporting on those compliance policies and procedures required by Rule 206(4)-7 of the Investment Advisers Act of 1940 and Rule 38a-1 of the Investment Company Act of 1940.

Item 14. – Client Referrals and Other Compensation

Pursuit Capital Marketing, LLC (“PCM”), an independent marketing firm, assists the Adviser in the marketing of its advisory services through plan sponsors, consultants, and registered investment advisers. First Pacific Advisors, LLC and PCM entered into an Agreement dated November 1, 2007, to provide PCM’s best efforts to assist Adviser in the marketing of Adviser’s investment advisory services to investment manager search consultants, employee benefit plan and eleemosynary fund sponsors, and other entities or persons deemed by PCM to present a reasonable prospect of investing with Adviser. In providing the services described in the Agreement, PCM acts as an independent contractor. Adviser pays PCM an annual retainer fee of approximately \$275,000, a consulting service fee of \$1,800,000, plus an asset based fee for each new advisory and management account obtained by Adviser through the efforts of PCM under the Agreement in the amount of 20% of “Manager Fee Receipts” during the first seven years that Adviser has funds for that account under management. Manager Fee Receipts includes all fees earned and received by the Adviser as a result of cash or in-kind additions to the account under management, fees determined on the basis of growth of assets in the account, fees based on investment performance, or fees based on any other basis, but not including custodial fees. Notwithstanding termination of the Agreement, the Adviser is obligated to continue to pay asset based fees to PCM for an account for so long as Adviser receives Manager Fee Receipts from that account in accordance with the terms of the Agreement. The Agreement may be terminated by the Adviser or PCM upon written notice to the other party under the terms of the Agreement.

With respect to each client account obtained by Adviser through the efforts of PCM, the engagement of PCM will be disclosed in writing to the client and Adviser will comply with the other applicable requirements under Rule 206(4)-3 under the Investment Advisers Act. In particular, Adviser will ensure that PCM provide clients with a current copy of Adviser’s written brochure (and applicable brochure supplements) and PCM’s written disclosure document.

Item 15. – Custody

The Adviser does not maintain possession or custody of the funds or securities of any client. The custodial arrangements for the Adviser’s registered investment company clients are subject to regulation under the Investment Company Act of 1940. State Street Bank and Trust Company is the custodian for each of the registered investment companies managed by the Adviser.

Item 16. – Investment Discretion

The Adviser has discretionary authority to manage securities accounts on behalf of its clients. The Adviser’s discretionary authority is generally limited by the investment objectives, strategies, policies, and restrictions set forth in the registration statements of its registered investment company clients, the offering memoranda of its private investment company clients, and the account documentation for its other clients. Please see the description of the Adviser’s advisory services provided above in Item 4 Advisory Business.

Item 17. – Voting Client Securities

The Adviser generally retains the discretion to vote proxies on behalf of its clients. The Adviser has implemented Proxy Voting Policies and Procedures (“Policies”) that generally delegate the responsibility for voting proxies to the Adviser. The Policies underscore the Adviser’s intention to make all proxy voting decisions in the best interests of the client and to act in a prudent and diligent manner intended to enhance the economic value of the assets of the client. A copy of the Policies is available free of charge, upon written request to the Corporate Secretary of FPA, at 11400 West Olympic Boulevard, Suite 1200, Los Angeles, CA 90064. Clients may obtain a complete proxy voting record for the registered investment companies for the annual period ended June 30, at the SEC’s website www.sec.gov. Managed account clients may obtain information on how the Adviser voted their proxies by contacting the Corporate Secretary.

Item 18. – Financial Information

Not Applicable

Item 19. – Requirements for State-Registered Advisers

This Item is not applicable to the Adviser.