



ITEM 1 COVER PAGE

Form ADV Part 2A

First Pacific Advisors, LLC

11601 Wilshire Boulevard, Suite 1200
Los Angeles, CA 90025

Telephone: (800) 982-4372 www.fpafunds.com

March 30, 2017

This brochure provides information about the qualifications and business practices of First Pacific Advisors, LLC. 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.

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

ITEM 2 MATERIAL CHANGES

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, First Pacific Advisers, LLC (the "Firm" or "FPA") will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

There were no material changes to this Brochure dated March 30, 2017 from the previous version dated February 24, 2017. That version was filed to indicate the naming of the Firm's new Chief Compliance Officer, Thomas K. Morgan.

TABLE OF CONTENTS

ITEM 4 ADVISORY BUSINESS	4
ITEM 5 FEES AND COMPENSATION.....	7
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	9
ITEM 7 TYPES OF CLIENTS	10
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	11
ITEM 9 DISCIPLINARY INFORMATION	18
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	18
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	19
ITEM 12 BROKERAGE PRACTICES	22
ITEM 13 REVIEW OF ACCOUNTS.....	24
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	25
ITEM 15 CUSTODY	25
ITEM 16 INVESTMENT DISCRETION.....	25
ITEM 17 VOTING CLIENT SECURITIES.....	25
ITEM 18 FINANCIAL INFORMATION	26

ITEM 4 ADVISORY BUSINESS

General Description of Adviser and Principal Owners

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 11601 Wilshire Boulevard, Suite 1200, Los Angeles, California 90025. The firm's owners are its Managing Partners, J. Richard Atwood, and Steven T. Romick, and seven other Partners as follows: Arik A. Ahitov, Thomas H. Atteberry, Dennis M. Bryan, J. Mark Hancock, Mark Landecker, Nico Y. Mizrahi, and Brian A. Selmo. FPA employs approximately 86 persons engaged full-time in portfolio management or investment research, investment operations, trading, client service, and legal and compliance activities.

Types of Advisory Services

FPA offers investment advisory services in several fundamental value-oriented investment strategies, including: Absolute Fixed Income, Contrarian Value, International Value, Small/Mid-Cap Absolute Value, U.S. Value, and World Value. For additional information about these investment strategies please refer to Item 8.

Under its investment strategies, FPA provides investment advisory services to registered investment companies, private funds and separately managed institutional accounts. In addition, FPA provides investment sub-advisory services to investment advisers to third party-sponsored registered investment companies. Additional information about these advisory services and types of clients is described immediately below and in Item 7.

Registered Investment Companies (collectively "FPA Mutual Funds")

FPA provides investment advisory services to the following investment companies registered under the Investment Company Act of 1940 (the "Company Act"):

- FPA Capital Fund, Inc. ("Capital"), a diversified, open-end registered investment company managed under the Small/Mid-Cap Absolute Value strategy;
- FPA Funds Trust's FPA Crescent Fund ("Crescent"), a diversified, open-end registered investment company managed under the Contrarian Value strategy;
- FPA Funds Trust's FPA International Value Fund ("International"), a non-diversified, open-end investment company managed under the International Value strategy;
- FPA New Income, Inc. ("New Income"), a diversified, open-end investment company managed under the Absolute Fixed Income strategy;
- FPA Paramount Fund, Inc. ("Paramount"), a non-diversified, open-end investment company managed under the World Value strategy;
- FPA U.S. Value Fund, Inc. ("U.S. Value"), a diversified, open-end investment company managed under the U.S. Value strategy; and
- Source Capital, Inc. ("Source"), a publicly traded, diversified, closed-end investment

company managed as a balanced strategy.

Separately Managed Accounts (“SMAs”)

FPA provides investment advisory services to a variety of separately managed account clients, including pension and profit sharing plans, charitable organizations, corporations, and state and municipal government entities.

Sub-Advised Accounts

FPA provides investment advisory services as a sub-adviser to certain investment advisers to investment companies sponsored by third parties.

Private Investment Funds (the “FPA Private Funds”)

FPA serves as the general partner, managing member, or manager of several private funds:

- The FPA Multi-Adviser Private Funds (“MAF”):
 - FPA Multi-Advisor Fund, L.P.
 - FPA Multi-Advisor Fund II, L.P., and
 - FPA Multi-Advisor Offshore Fund, Ltd.
- The FPA Hawkeye Private Funds:
 - The FPA Hawkeye Fund, LLC and the following series of funds:
 - FPA Hawkeye Fund
 - FPA Hawkeye-7 Fund
 - FPA Global Opportunity Fund
 - FPA Value Partners Fund, and
 - FPA Select Fund
 - FPA Hawkeye Offshore Fund, Ltd.;
- FPA Select Drawdown Fund, L.P.
- The FPA Long Opportunity Funds
 - FPA Long Opportunity Fund, L.P. (January 2017)
 - FPA Long Opportunity Offshore Fund, Ltd. (January 2017)

Investment Strategies and Restrictions

FPA manages the FPA Mutual Funds and FPA Private Funds based on each Fund's strategies, restrictions, and guidelines and does not tailor its advisory services to any particular FPA Mutual Fund investor except as described below.

With respect to SMAs, FPA will consider each client's risk tolerance, time horizon, tax status, liquidity needs, return objectives and preferences.

FPA provides its investment advisory services in accordance with the specific investment objectives and restrictions of each client, in accordance with and subject to the directions, guidelines, and limitations imposed by the client through, as applicable, the investment management agreement, prospectus and statement of additional information, private placement memorandum, limited partnership agreement, and/or other governing documents (the "Governing Documents").

FPA's investment discretion with respect to managing the FPA Mutual Funds is also subject to the parameters provided by and oversight of the respective FPA Mutual Fund's governing body (*e.g.*, board of directors/trustees).

With respect to FPA sub-advisor relationships, FPA's investment advisory services are provided in accordance with the relevant sub-advisory agreement.

While FPA does not typically provide tailored investment advice to individual investors in the FPA Private Funds, FPA or the general partners of an FPA Private Fund at times will enter into "side letters" or similar agreements with certain investors who are granted specific rights, benefits, or privileges that are not generally made available to other investors.

Some clients may not be able to hold all types of securities or participate in certain corporate actions relating to portfolio holdings due to limitations or operational impediments associated with a client's custodian. For example, some accounts may not be able to hold non-U.S. securities in ordinary form because of custodial limitations.

FPA typically intends for different clients within any single strategy (*e.g.*, the FPA Mutual Funds, the FPA Private Funds, and the SMAs) to generally hold, to the extent practicable, similar securities and financial instruments relative to the respective net asset value of each client's account. Due to various factors, however, including but not limited to account size, account inception dates, client-imposed restrictions, available cash, tax, regulatory, and other considerations, the portfolio investments of different clients within a single strategy could differ significantly.

FPA generally does not use an asset allocation model to specify the percentage of each client portfolio that must be invested in any particular asset class or category of securities. Rather, FPA's asset allocation for each client portfolio is generally a function of the portfolio's potential risk and reward compared with available opportunities in the marketplace. Cash, cash equivalents, and/or securities issued by the U.S. Department of the Treasury ("U.S. Treasuries") are generally the default investment choices until FPA identifies new investment opportunities. Accordingly, FPA clients, including the FPA Mutual Funds and the FPA Private Funds, may at any given time hold

significant cash balances on an ongoing basis.

FPA does not participate in wrap fee programs.

Assets Under Management

As of December 31, 2016, FPA managed assets of approximately \$29.5 billion on a discretionary basis. As of that same date FPA also managed approximately \$5.8 million in assets for Unified Managed Account overlay programs on a non-discretionary basis.

ITEM 5 FEES AND COMPENSATION

Compensation earned by the firm for the provision of investment advisory services to our clients is primarily comprised of management fees based on a percentage of assets under management during the investment period, as well as, in certain circumstances, a performance-based interest. Fees and compensation are described within the Governing Documents for each client account that we manage.

Note that management fees are generally calculated either by the custodian (in case of FPA Mutual Fund accounts) or by FPA as per the Governing Documents (in the case of SMAs and FPA Private Funds). Performance Fees, if applicable with respect to any FPA Private Fund are calculated by the fund administrator, and with respect to any SMA, are calculated internally by FPA in accordance with our policies and procedures and relevant Governing Documents. In cases where FPA calculates the fees, the fees are not verified by any independent third party.

FPA, through its Valuation Committee, oversees the valuation of securities. The Valuation Committee maintains procedures requiring, to the extent possible, pricing from an independent third party pricing vendor as determined by its approved pricing hierarchy. If vendor pricing is unavailable, the Valuation Committee then looks to other observable inputs for its valuations. If a vendor price or other observable inputs are unavailable or deemed unreliable, the Valuation Committee makes a reasonable determination of a security's fair value. Note that pricing services generally value fixed income securities assuming orderly transactions of institutional round lot size. However, a client account may hold or transact in such securities in smaller, odd lot sizes, whether at the time of initial purchase or after amortization of the security over a period of time. Special valuation considerations may apply with respect to such odd lot fixed income transactions which, due to their small size, often trade at lower prices than institutional round lots. In addition, fixed income securities with maturities of 60 days or less are generally valued at amortized cost.

The following is a general description of fees typically charged by FPA for each type of client. However, some fees fall outside of the stated ranges, and fees may be negotiated in certain circumstances. Investors and clients should refer to the Governing Documents for complete information on fees and compensation.

Advisory Fees for FPA Mutual Funds

In its capacity as investment manager to the FPA Mutual Funds, FPA typically receives an investment management fee that ranges from 0.50% to 1% of the Mutual Funds' net assets. FPA

Mutual Fund fees and expenses are described in each Mutual Fund's prospectus and statement of additional information

Advisory Fees for SMAs

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. Generally, the fee schedule for separately managed accounts is fixed after negotiation with the client.

Fees are generally billed monthly or quarterly, in advance or in arrears, based on the market value of the account(s) as specified in the investment management agreement. In addition to securities, market values include cash, cash equivalents, accrued dividends and other income. If an account is opened or closed during a billing period, the advisory fees are pro-rated for that portion of the billing period during which the account was open. FPA may agree to certain fee reductions or waivers. Any such agreements are memorialized in writing.

Advisory Fees for FPA Private Funds

In its capacity as investment manager to the FPA Private Funds, FPA typically receives an annual management fee, generally paid quarterly, in an amount generally ranging from 0.50% to 1.25%, depending on the investment strategy, of the net asset value of each investor's investment in the FPA Private Funds. In addition, FPA is entitled to receive from some FPA Private Fund investors a performance-based fee (also known as an incentive allocation) ranging from 5% to 20% of the appreciation in an investor's capital balance during the year, subject to various contingencies such as a hurdle rate or other conditions. FPA Private Fund fees are described in more detail in each Fund's Offering Memorandum and/or respective Limited Partnership Agreement or other Governing Documents.

General Information

Fees may vary from the applicable schedules above based on factors such as client type, asset class, pre-existing relationship, service levels, portfolio complexity, number of accounts, account size or other special circumstances or requirements and are negotiable in some cases. Some existing clients pay higher or lower fees than new clients. Related accounts may be aggregated for fee calculation purposes in certain circumstances. FPA will manage some accounts of FPA's employees, affiliate employees, former employees, or their family members without an advisory fee.

When FPA calculates fees, unless otherwise provided in a client's investment management agreement, valuations of account assets are determined in accordance with FPA's valuation procedures, which generally rely on third party pricing services, but may permit the use of other valuation methodologies in certain circumstances. FPA's determinations may differ from valuations reflected in a client's custodial statements.

Other Fees and Expenses

FPA may invest in closed-end funds, open-end funds, exchange traded funds (ETFs), exchange traded notes (ETNs), and other pooled investment vehicles on behalf of certain of its clients. When FPA invests client assets in such vehicles, unless otherwise agreed and where permitted by law,

the client will bear its proportionate share of fees and expenses as an investor in such vehicles in addition to FPA's investment advisory fees.

In addition, FPA has the authority to invest some clients' assets in the FPA Mutual Funds or FPA Private Funds to which FPA provides investment advisory services and receives advisory or other fees. It is the policy of FPA to adjust fees paid by clients in such circumstances so that the total fees paid by such clients do not exceed the fees agreed to be paid under the Governing Documents applicable to such clients.

FPA's clients generally will incur brokerage and other transaction costs. For additional information about brokerage practices and brokerage costs, please refer to Item 12.

FPA has the right to charge FPA Private Fund investors other fees and expenses disclosed in the applicable FPA Private Fund Governing Documents. These fees and expenses typically include all investment, administrative and operating expenses incurred by the FPA Private Funds on behalf of investors. These expenses include, but will not be limited to: (1) brokerage commissions and other transaction charges; interest; fees and expenses incurred in the borrowing and lending of securities; the costs implicit in repurchase and reverse repurchase agreements; custodial fees and expenses; tax and other reporting expenses; external legal, compliance of the General Partner, administrative, accounting and audit fees and expenses; fees relating to investment banking and other financial services, whether payable to parties affiliated with FPA or others; due diligence expenses, including travel, related to proposed investments or existing investments; governmental, registration, license and membership fees (including those payable to regulatory as well as self-regulatory organizations); and the costs and expenses related to the offer and sale of shares; (2) taxes and other governmental charges; (3) all expenses incurred in connection with any threatened, pending or anticipated litigation, examination or proceeding; (4) all expenses incurred as a result of Private Funds' obligations to indemnify certain persons against losses, liabilities and expenses incurred in connection with the performance of their duties on behalf of, or the provision of services to, such Private Funds; (5) all expenses and fees of third-party valuation agents, if any; (6) all expenses and fees incurred in connection with any actual or proposed investment or other participation in, or any holding or disposition of any interest in, another investment entity, business entity or organization; and (7) all other expenses and liabilities incurred in connection with or arising out of FPA's business, including extraordinary or non-recurring charges.

Neither FPA nor any of its supervised persons accepts compensation for the sale of securities or other investment products (other than indirectly through the management and performance fees charged for FPA's advisory services generally).

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

FPA manages multiple client accounts with different investment objectives and guidelines, and with different fee structures. FPA receives both asset-based fees for the FPA Mutual Funds and SMA's. However, for the FPA Private Funds FPA received both an asset-based fee and performance-based fees as compensation for its investment advisory services. Performance-based fees create an incentive for FPA to favor those accounts over asset-based fee accounts or make

investments that are riskier or more speculative than would be the case in the absence of performance-based fee clients.

FPA has an established review process of reporting and other related procedures that are designed to ensure that all clients and investors are treated fairly and equally and to prevent conflicts from influencing the allocation of investment opportunities among clients.

To mitigate potential conflicts of interest when managing performance-based fee clients side-by-side with asset-based fee clients, FPA has developed a policy in which portfolio managers attempt to allocate investment opportunities among eligible accounts on a pro rata basis if that is practical; or if a pro rata allocation is not practical, to allocate the investment opportunities among FPA advisory clients on a basis that over time is fair and equitable to each advisory client relative to other clients, taking into account relevant facts and circumstances, including, but not limited to:

- differences with respect to available capital and the size of a client;
- differences in investment objectives or current investment strategies;
- differences in risk profile at the time an opportunity becomes available;
- the nature of the security or the transaction including minimum investment amounts and the source of the opportunity; and
- existing or prior positions in an issuer/security.

While the procedures described above are intended to allocate investment opportunities among advisory clients on a basis that is fair and equitable to all clients over time, the procedures could in some circumstances preclude an advisory client from participating in an investment opportunity, or otherwise result in certain allocations that favor one client over another.

FPA will periodically review allocations of investment opportunities and sequencing of transactions and compare the performance of such accounts. Any exceptions or issues arising from these reviews shall be brought to the attention of FPA's Chief Compliance Officer for possible corrective action.

ITEM 7 TYPES OF CLIENTS

FPA provides advisory services to clients on a discretionary basis consisting of its FPA Mutual Funds, FPA Private Funds, SMAs and sub-advisory relationships. FPA also provides non-discretionary advisory services to two Unified Management Accounts as overlay portfolio manager. FPA's SMAs and FPA Private Funds investors include primarily state or municipal government entities; pension and profit sharing plans; trusts, estates, or charitable organizations; corporations or business entities other than those previously referenced; and high net worth individuals.

The minimum investment for each of the FPA Mutual Funds is \$1,500. For the SMAs, FPA generally requires a minimum investment of \$10 million to \$50 million, dependent upon, among other things, the strategy for the particular SMA. Each of the FPA Private Funds generally has a minimum investment ranging from \$250,000 to \$500,000 per investor. FPA may waive these

minimums at its discretion. Additional information about the minimum investments for each client and other investment qualifications and conditions are described in the applicable Governing Documents.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

FPA seeks investment opportunities based primarily on a value investing style. FPA strives to generate competitive returns over the long-term coupled with capital preservation. FPA's equity and fixed income styles are linked by a common fundamental value orientation. FPA's goal is to provide consistent, risk-adjusted and disciplined approach to long-term investing in individual securities with the objectives of achieving superior total returns for client portfolios over market cycles.

Methods of Analysis

FPA uses a variety of sources of information to facilitate methods of analysis. In particular, FPA may consult with research analysts, specific broker-dealers, economists and others in formulating investment strategies. FPA may also attend company presentations and participate in interviews and industry sponsored conferences. FPA may engage in discussions with management and others having business with the company or expertise in a particular industry. FPA also regularly monitors industry and trade related journals; websites; information provided by unaffiliated analysts and consultants; corporate rating services; annual reports, prospectuses, and SEC or governmental filings; and information published by a company, such as press releases.

FPA also takes into account the following, 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.

General descriptions of FPA's investment strategies are included below. These descriptions are not intended to serve as specific guidelines. FPA reserves the right to limit the availability of any particular strategy at any given time based on factors including capacity, pre-existing relationships, minimum account sizes, fees and distribution channels. In addition, FPA may develop other investment strategies from time to time and manage portfolios according to a client's specific investment guidelines, thus strategies may vary by client account.

Investment Strategies

Clients retain FPA to utilize one or more of the firm's fundamental value-oriented investment strategies, including: Absolute Fixed Income, Contrarian Value, International Value, Small/Mid-Cap Absolute Value, U.S. Value, and World Value.

Absolute Fixed Income. The Strategy pursues a positive absolute return using investments in fixed income securities that focus on income, appreciation and capital preservation and adheres

to the following principles: absolute return, long-term focus, alignment of interest, strict risk/reward parameters, independent decision making, and flexible mandate. Strategy guidelines require a minimum of 75% of net assets to be invested in high quality securities.

Contrarian Value. The Strategy seeks to generate equity-like returns over the long-term, take less risk than the market and avoid permanent impairment of capital. The portfolio managers look for investments that are out-of-favor or misunderstood and focus on the following categories: long-equity, short equity, credit, and other opportunistic investments (e.g., private placements). The Strategy invests across the capital structure, geographies, industries, and market-caps. Additionally, the portfolio managers are willing to hold meaningful amounts of cash.

International Value. The Strategy is non-diversified and strives to provide above-average capital appreciation over the long-term while seeking to minimize risk of capital loss. The Strategy seeks to invest in businesses when their market prices are less than the portfolio manager's estimate of their intrinsic value. The Strategy primarily invests in equity securities of companies of all market capitalizations domiciled in jurisdictions outside of the United States and can hold a meaningful amount of cash. The portfolio manager expects to be invested in no more than 25 to 35 stocks.

Small/Mid-Cap Absolute Value. The Strategy seeks long-term growth through investing primarily in common stocks of small and medium sized-public companies. In addition, the portfolio managers may invest in select fixed income securities and are willing to hold meaningful amounts of cash or cash equivalents. No more than 30% of the Strategy's assets will be invested in non-US issuers.

U.S. Value. The Strategy seeks long-term growth of capital by investing in quality companies at attractive valuations. The portfolio manager runs a concentrated portfolio of 20 to 40 positions and seeks to maintain a minimum of 80% of portfolio assets in US securities. The Strategy invests in companies with market capitalizations greater than \$2 billion at time of initial purchase and typically holds no more than 10% in cash or cash equivalents.

World Value. The Strategy is non-diversified and strives for high total investment return, including capital appreciation and income, while attempting to minimize risk of permanent loss. The portfolio managers seek to identify value opportunities across markets globally, including both developed and emerging countries, with a primary focus on equities with market capitalizations in excess of \$2 billion at time of initial purchase. The Strategy seeks to maintain a minimum of 20% of assets invested in US stocks and a minimum of 20% of assets invested in international stocks, which includes depositary receipts. The portfolio managers run a concentrated portfolio of 25 to 50 stocks and typically hold no more than 10% in cash or cash equivalents.

Principal Risks

While FPA seeks to manage accounts so that risks are appropriate to the return potential for the strategy, it is often not possible to fully mitigate risks. As with any investment, loss of principal is a risk of investing in accordance with the investment strategies described above. The

following summary of risk factors does not claim to be a complete account or explanation of the risks involved in an investment strategy nor do all risks apply to each strategy. Existing and prospective clients are encouraged to consult their own financial advisors and legal and tax professionals, and the investment guidelines, prospectuses or offering memorandum and other Governing Documents specific to each strategy before considering any services of FPA. In addition, due to the ever-changing nature of the markets, strategies may be subject to additional risk factors not mentioned below.

General Risks

Possibility of Losses: An investment in one of FPA's strategies is speculative and involves a high degree of risk, including the risk that the entire amount invested may be lost. The value of interests in the FPA Mutual Funds or FPA Private Funds, SMAs or any Sub-Advisory Account will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of the underlying securities; governmental intervention; market conditions; and local, regional, national and global economic conditions. Therefore, investors may lose all or a portion of their principal invested if the trading strategies are not successful.

Dependence on Key Personnel: FPA depends on the diligence, skill, judgment, business contacts and personal reputations of certain key personnel. FPA's future success will depend upon the ability to retain senior professionals and other key personnel and the ability to recruit additional qualified personnel. These individuals possess substantial experience and expertise in investing, are responsible for determining client portfolio investments, and have significant relationships with market participants that are the source of many of FPA's investment opportunities. The departure for any reason of any of one or more of FPA's investment professionals could have a material adverse effect on our ability to achieve our investment objectives.

Risk of Failing to Adequately Address Conflicts of Interest: As FPA has expanded its investment operations, it increasingly confronts potential conflicts of interest relating to investment activities. For example, FPA's strategies and clients within each strategy may have overlapping investment objectives and interests, and different fee structures. Potential conflicts may arise with respect to decisions regarding how to allocate investment opportunities among other possible conflicts. While FPA attempts to identify, mitigate and disclose all materials conflicts, any failure to appropriately address material conflicts of interest could expose FPA to regulatory and other risks that could adversely affect FPA's business.

Risk of Failing to Timely Execute Orders or Achieve Best Execution: Certain of FPA's investment strategies depend significantly on its ability to timely trade securities and achieve best execution for client portfolios. Trading orders may not be executed in a timely and efficient manner due to various circumstances, including, for example, systems failures attributable to the FPA, counterparties, brokers, dealers, agents or other service providers. In addition, FPA's trading process relies on electronic execution systems (and may rely on new systems and technology in the future), and such systems may be subject to certain systemic limitations or mistakes, causing the interruption or delay of trading orders made for client portfolios.

Risk That Significant Cash Positions Could Affect Performance: FPA generally does not use an asset allocation model to specify the percentage of client portfolios that must be invested in any

particular asset class or category of securities. Rather, FPA's asset allocation for each client portfolio is generally a function of the portfolio's potential risk and reward compared with available opportunities in the marketplace. Consequently, FPA client portfolios may at any given time hold significant cash balances for an extended period of time, which could have a negative impact on the performance of those client portfolios.

Risks Associated with Value Investing: Value stocks are subject to the risks that their intrinsic value may never be realized by the market and that their prices may go down. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods. The Fund's value discipline may result in a portfolio of stocks that differs materially from its benchmark index.

Equity Risks

Common Stock Risk: The risks that could affect the value of the strategy's products and the total return on your investment include the possibility that the equity securities, generally common stocks and/or ADRs of U.S. and foreign domiciled companies held, will experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets generally, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Equity securities may also lose value because of factors affecting an entire industry or sector, such as increases in production costs or factors directly related to a specific company, such as decisions made by its management.

Small-Cap and Mid-Cap Companies Risk: Investing in smaller companies generally involves greater risk than investing in larger companies and securities of smaller companies are often more volatile. The prices of securities of small and mid-cap companies tend to fluctuate more widely than those of larger, more established companies. Small and mid-cap companies may have limited product lines, markets or financial resources or may depend on the expertise of a few people and may be subject to more abrupt or erratic market movements than securities of larger, more established companies or the market averages in general. Securities of such issuers may lack sufficient market liquidity to effect sales at an advantageous time or without a substantial drop in price. In addition, small and mid-cap companies often have shorter operating histories and are more reliant on key products or personnel than larger companies. Securities of such issuers may lack sufficient market liquidity to effect sales at an advantageous time or without a substantial drop in price.

Value Investing Risks: 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 style investing during given periods. FPA's value discipline often results in a portfolio of stocks that may differ materially from its benchmark index.

Concentration Risk: FPA manages both diversified and non-diversified strategies. As such a portfolio may from time to time have more than 5% of total assets invested in the securities of a single company. Such relative concentration is likely to increase the volatility of the portfolio's

asset value. If an adverse event depresses the value of a particular security, an investment in a security proves in retrospect to be inopportune because of other adverse developments or the vagaries of the markets, or company-specific events reduce the income or return generated from its securities, the products in the strategy may be more susceptible to losses than if one invested in more companies.

Fixed Income Risks

Interest Rate Risk: Changes in interest rates are one of the most important factors that could affect the value of an investment in a strategy's products. Rising interest rates tend to cause the prices of debt securities (especially those with longer maturities) to fall. Investments in fixed-income securities with longer maturities generally produce higher yields but are subject to greater market fluctuation. Rising interest rates may also cause investors in mortgage-backed and asset-backed securities to be paid off later than anticipated, forcing the products in the strategy to keep its money invested at lower rates or to sell the securities at lower prices. Falling interest rates, however, generally cause investors in mortgage-backed and asset-backed securities to be paid off earlier than expected, forcing the products in the strategy to reinvest the money at a lower interest rate.

Duration Risk: The concept of duration is useful in assessing the sensitivity of the fixed-income portion of the products in a strategy to interest rate movements, which are the main source of risk for the fixed-income portion of these products. Duration measures price volatility by estimating the change in price of a debt security for a 1% change in its yield. For example, a duration of five years means the price of a debt security will change about 5% for every 1% change in its yield. Thus, the higher the duration, the more volatile the security.

Credit Risk: The credit rating or financial condition of an issuer may also affect the value of a debt security. Generally, the lower the quality rating is of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value. The issuer of an investment-grade security is typically valued as more likely to pay interest and repay principal than an issuer of a lower rated bond. Adverse economic conditions or changing circumstances, however, may weaken the issuer's capacity to pay interest and repay principal.

High Yield Risk: High yield bonds, commonly referred to as "junk" bonds, are highly speculative securities that are usually issued by smaller, less credit-worthy and/or highly leveraged (indebted) companies. Compared with investment-grade bonds, high yield bonds carry a greater degree of risk and are less likely to make payments of interest and principal. Market developments and the financial and business conditions of the corporation issuing these securities influence their price and liquidity more than changes in interest rates, when compared to investment-grade debt securities. Insufficient liquidity in the high yield bond market may make it more difficult to dispose of high yield bonds and may cause products in the portfolio to experience sudden and substantial price declines. A lack of reliable, objective data or market quotations may make it more difficult to value high yield bonds accurately.

Mortgage-Backed Securities Risk: The value of mortgage-backed securities may be affected by,

among other factors, changes or perceived changes in: interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgages, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market's assessment of the quality of underlying assets. Payment of principal and interest on some mortgage-backed securities (but not the market value of the securities themselves) may be guaranteed by the full faith and credit of the U.S. Government or by its agencies, authorities, enterprises or instrumentalities, which are not insured or guaranteed by the U.S. Government. Mortgage-backed securities issued by non-governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may entail greater risk than obligations guaranteed by the U.S. Government. Mortgage-backed securities are subject to prepayment risk, which is the possibility that the underlying mortgage may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the strategy's products to have to reinvest the money received in securities that have lower yields. Rising or high interest rates tend to extend the duration of mortgage-backed securities, making their prices more volatile and more sensitive to changes in interest rates.

Repurchase Agreement Risk: A repurchase agreement is a short-term investment. A strategy's products may acquire a debt security that the seller agrees to repurchase at a future time and set price. If the seller declares bankruptcy or defaults, the products in this strategy may incur delays and expenses liquidating the security. The security may also decline in value or fail to provide income.

Convertible Securities Risk: Convertible securities are generally not investment grade and are subject to greater credit risk than higher-rated investments. They may also be less liquid and more difficult to value than higher-rated debt securities.

Odd Lot Risk: When a client instructs FPA to sell securities, FPA may need to sell small positions or odd lot sizes and/or be unable to aggregate a client's order with orders of other clients. There are price and liquidity risks associated with small odd lot transactions that would not otherwise exist if FPA were able to sell larger positions of the security. This will be true even if the amount of securities the client originally purchased was an institutional sized position or round lot that has diminished in size over time.

Corporate Debt Securities: FPA may invest in corporate bonds, bank debt, notes and commercial paper of varying maturities and may invest in domestic bonds, bank debt and notes and those issued by non-U.S. corporations and governments. Issuers of these securities have a contractual obligation to pay interest at a specified rate on specified date and to repay principal on a specified maturity date, and may have provisions that allow the issuer to redeem or "call" the security before its maturity.

International Risks

Non-U.S. Securities Risk: The economies of some non-U.S. markets often do not compare favorably with that of the U.S. in areas such as growth of gross domestic product, reinvestment of capital, resources, and balance of payments. Some of these economies may rely heavily on particular industries or foreign capital. They may be more vulnerable to adverse diplomatic

developments, the imposition of economic sanctions against a country, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Governmental actions, such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or the imposition of punitive taxes, may adversely affect investments in foreign markets. The governments of certain countries may prohibit or substantially restrict foreign investing in their capital markets or in certain industries. This could severely affect security prices. This could also impair the ability to purchase or sell foreign securities or transfer assets or income back to the U.S. or otherwise adversely affect the management of the portfolio. Other non-U.S. market risks include foreign exchange controls, difficulties in pricing securities, defaults on foreign government securities, difficulties in enforcing favorable legal judgments in foreign courts, and political and social instability. Legal remedies available to investors in some countries are less extensive than those available to investors in the U.S. Many foreign governments supervise and regulate stock exchanges, brokers and the sale of securities less than the U.S. government. Corporate governance may not be as robust as in more developed countries. As a result, protections for minority investors may not be strong, which could affect security prices. Accounting standards in other countries are not necessarily the same as in the U.S. If the accounting standards in another country do not require as much disclosure or detail as U.S. accounting standards, it may be harder to completely and accurately determine a company's financial condition. Because there are usually fewer investors on foreign exchanges and smaller numbers of shares traded each day, it may be difficult to buy and sell securities on those exchanges. In addition, prices of foreign securities may go up and down more than prices of securities traded in the U.S. Foreign markets may have different clearance and settlement procedures. In certain markets, settlements may not keep pace with the volume of securities transactions. If this occurs, settlement may be delayed, and assets may be uninvested and may not be earning returns, or other investment opportunities may be missed. Changes in currency exchange rates will affect the value of foreign holdings or exposures. The costs of foreign securities transactions tend to be higher than those of U.S. transactions, increasing the transaction costs. International trade barriers or economic sanctions against foreign countries may adversely affect holdings or exposures.

Certain Risks of Holding Fund Assets Outside the U. S.: Non-U.S. securities in which a client invests are generally held outside the U.S. in foreign banks and securities depositories. A client's custodian is its "foreign custody manager." The "foreign custody manager" is responsible for determining that a client's directly-held foreign assets will be subject to reasonable care, based on standards applicable to custodians in relevant foreign markets. However, certain foreign banks and securities depositories may be recently organized or new to the foreign custody business. They may also have operations subject to limited or no regulatory oversight. Also, the laws of certain countries may put limits on a client's ability to recover its assets if a foreign bank or depository or issuer of a security or an agent of any of the foregoing goes bankrupt. In addition, it likely will be more expensive for a client to buy, sell and hold securities, or increase or decrease exposures thereto, in certain foreign markets than it is in the U.S. market due to higher brokerage, transaction, custody and/or other costs. The increased expense of investing in foreign markets reduces the amount a client can earn on its investments. Settlement and clearance procedures in certain foreign markets differ significantly from those in the U.S. Foreign settlement and clearance procedures and trade regulations also may involve certain risks (such as delays in payment for or delivery of securities) not typically involved with the settlement of U.S. investments. Communications between the U.S. and emerging market countries may be unreliable, increasing the risk of delayed

settlements or losses of security certificates. Settlements in certain foreign countries at times have not kept pace with the number of securities transactions. The problems may make it difficult for the client to carry out transactions. If a client cannot settle or is delayed in settling a purchase of securities, a client may miss attractive investment opportunities, and certain of its assets may be uninvested with no return earned thereon for some period. If a client cannot settle or is delayed in settling a sale of securities, directly or indirectly, it may lose money if the value of the security then declines, or if it has contracted to sell the security to another party, a client could be liable to that party for any losses incurred.

Currency Risk: Because the non-US securities in which certain accounts may invest, with the exception of depositary receipts, generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect an account's value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. A strong U.S. dollar relative to these other currencies will adversely affect the value of an account. Depositary receipts are also subject to currency risk.

Emerging / Frontier Market Risk: Investments in issuers in developing, emerging, or frontier market countries involve increased exposure to changes in economic, social and political factors. The economies of most emerging / frontier market countries are in the early stage of capital market development and may be dependent on relatively fewer industries. As a result, their economic systems are still evolving, and their political systems are typically less stable than those in developed economies. Securities markets in these countries can also be smaller, and there may be increased settlement risks. Emerging / frontier market countries often suffer from currency devaluation and higher rates of inflation. Due to these risks, securities issued in these countries may be more volatile, less liquid, and harder to value than securities issued in more developed countries.

Non-Diversified Risk

Certain strategies are non-diversified and may invest a greater percentage of its total assets in the securities of fewer issuers than a "diversified" strategy. This increases the risk that a change in the value of any one investment in the portfolios of the strategy could affect the overall value more than it would affect that of a diversified strategy holding a greater number of investments. Accordingly, a portfolio in a non-diversified strategy will likely be more volatile than the value of a portfolio in a more diversified strategy.

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

FPA acts as General Partner or Managing Member to certain of the FPA Private Funds. It does not engage in other financial industry activities or have other affiliations.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

FPA has adopted and implemented a Code of Ethics (the “Code”) in compliance with SEC Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Company Act. The Code sets forth the standards of conduct expected of all employees, directors, and officers of the firm (“Employees”).

The Code requires certain business activity or conduct to be reported and monitored to avoid potential conflicts of interest. In addition, the Code also outlines policies and procedures designed to detect and prevent conflicts of interest relating to personal trading by all Employees and to ensure that FPA effects transactions for clients in a manner consistent with its fiduciary duty and in accordance with applicable laws.

The Code prohibits FPA Employees from purchasing securities (with certain limited exceptions) that are held in any client account or are under active consideration for purchase or sale by any client account. Included in this prohibition are all equivalent and/or related securities, based on the issuer. In addition, all Employees are prohibited 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.

Various procedures have been adopted under the Code including the requirement to pre-clear all applicable transactions. Additional restrictions relating to short-term trading and purchases of initial public offerings are also defined in the Code and applicable to all employees.

Employees are required to comply with certain periodic reporting requirements and to certify they have read and will comply with the Code upon commencement of employment and annually thereafter. Employee reporting requirements and trading, as noted above, is monitored for adherence to the Code and any employee who violates the Code is subject to remedial actions.

A copy of FPA’s Code is available upon request by contacting Thomas Morgan, FPA Chief Compliance Officer, at 310-996-5402 and/or via electronic mail at tmorgan@fpafunds.com.

Participation or Interest in Client Transactions

From time to time officers and employees of FPA invest in the FPA Private Funds or the FPA Mutual Funds. FPA also establishes proprietary accounts, including seed capital accounts. These investments from time to time will represent all, or a significant percentage, of the FPA Private Fund or proprietary account’s assets. In addition, FPA has a financial interest in these funds and accounts, including but not limited to the receipt of investment management and/or certain performance-based fees. As such, FPA has a financial incentive to recommend those FPA Private Funds that would produce greater compensation and profit to FPA, and indirectly, to personnel of FPA involved in decision-making for these accounts. In addition, FPA Private Funds and proprietary accounts often invest in the same securities and trade alongside other client accounts. This creates a conflict if FPA were to favor such accounts in the allocation of investment opportunities. FPA maintains policies and procedures designed to treat all clients, including FPA Private Funds and proprietary accounts, fairly when aggregating and allocating investment opportunities.

Although some officers and employees of FPA maintain a material position or percentage interest in Private Funds, and the interests of FPA usually represent all or a significant percentage of such proprietary accounts or seed accounts, the restrictions and/or prohibitions on securities transactions under the Code as set forth above do not apply to these funds or accounts. Instead, to address any conflict created or mitigate any associated risk under these circumstances, FPA periodically reviews allocations of investment opportunities and sequencing of transactions across all accounts and compares the performance of such accounts to other client accounts to detect any favoritism.

FPA provides investment advisory services to various clients that at times will differ from the advice given, or the timing and nature of the actions taken with respect to any one account, including proprietary or personal accounts, depending upon a variety of factors as discussed in Item 16. In addition, other factors such as market impact or liquidity constraints could result in one or more clients receiving less favorable trading results if FPA were to implement an investment decision ahead of or contemporaneously with similar decisions for one set of clients ahead of other clients. As set forth above, FPA maintains policies and procedures reasonably designed to ensure that all clients are treated fairly when aggregating and allocating investment opportunities.

Similarly, there may be limited opportunity to sell an investment held by multiple accounts. In addition, different account guidelines and/or differences within investment strategies may lead to the use of different investment practices for portfolios with a similar investment strategy. FPA will not necessarily purchase or sell the same securities at the same time, same direction, or in the same proportionate amounts for all eligible accounts, particularly if different accounts have materially different amounts of capital under management, different amounts of investable cash available, different strategies, or different risk tolerances. As a result, although FPA manages numerous accounts and/or portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, will differ from account to account.

From time to time, FPA effects rebalancing or internal cross transactions among two or more client accounts if FPA determines such transactions to be in the best interest of all clients involved, subject to limits imposed by ERISA and the Company Act. FPA recognizes the conflicts of interest that cross trades or principal trades may create. To mitigate the conflicts of interest, FPA will take steps to ensure that the crossing price in any such transaction is fair to both sides of the transactions, does not disadvantage any one client over the other client, and is in compliance with applicable law. Prior to affecting such transaction, approval from Compliance must be received, and if appropriate Board oversight. To the extent that FPA controlling persons own more than a 25% interest in any one or more of the client accounts, the cross transaction will be deemed to be principal transactions and FPA will comply with the principal trade provisions of the Advisers Act. Principal trades will not be effected when the trade involves an ERISA client or a client subject to the Company Act.

Management of Multiple Accounts: Each of the portfolio managers is responsible for managing multiple accounts, including SMAs; FPA Mutual Funds, FPA Private Funds, and their own accounts. From time to time, a potential conflict of interest will arise as a result of the portfolio manager's management of a number of accounts (including proprietary accounts) with similar

investment strategies. Often, an investment opportunity may be suitable for both a number of clients, but may not be available in sufficient quantities for all eligible accounts to participate fully. FPA has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time. FPA has implemented additional procedures to complement the general trade allocation policy that are designed to address potential conflicts of interest due to the side-by-side management of the Mutual Funds, Private Funds and SMAs.

Performance fee arrangements: FPA may advise certain accounts with respect to which the advisory fee is based entirely or partially on performance. In addition, certain portfolio managers have investments in FPA Private Funds. Performance fee arrangements and such private fund investments create a conflict of interest for the portfolio manager and for FPA in that the portfolio manager and FPA have an incentive to allocate the investment and trade opportunities that s/he or they believe might be the most profitable to such other accounts instead of allocating them another account. FPA has adopted policies and procedures reasonably designed to allocate investment and trade opportunities between the FPA Mutual Funds and FPA Private Funds and such other accounts on a fair and equitable basis over time or otherwise.

Material Non-Public Information: FPA may come into possession of material non-public information with respect to an issuer. Should this occur, FPA would be restricted from buying or selling securities, derivatives or loans of the issuer on behalf of a client until such time as the information became public or was no longer deemed material. FPA may establish information barriers that have the effect that disclosure of such information to FPA personnel responsible for the affairs of the client will be on a need-to-know basis only, and the Fund may not be free to act upon any such information. Therefore, a client may not have access to material non-public information in the possession of FPA which might be relevant to an investment decision to be made by FPA, and FPA may initiate a transaction or sell an investment which, if such information had been known to it, may not have been undertaken. Due to these restrictions, FPA may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Capital Structure: Conflicts potentially limiting client investment opportunities also arise when the clients invest in different parts of an issuer's capital structure, such as when an FPA fund owns senior debt obligations of an issuer and other clients own junior tranches of the same issuer. In these circumstances, decisions over whether to trigger an event of default, over the terms of any workout, or how to exit an investment often result in conflicts of interest. To minimize conflicts, a portfolio manager may avoid certain investment opportunities that would potentially give rise to conflicts with other clients or FPA may create internal procedures designed to minimize such conflicts, which could have the effect of limiting a client's investment.

Seed Investors: Officers and employees of FPA and advisory clients sometimes provide initial funding to or otherwise invest in a new fund. FPA faces a conflict if an account it advises is invested in the fund and that account's interests diverge from those of the fund. When an officer, employee or advisory client invests in the fund, it may do so with the intention of redeeming all or part of its interest in the fund in the future or when it deems that sufficient additional capital has been invested in the fund. The timing of an employee's redemption could benefit the employee. For example, the employee may choose to redeem its shares at a time when the fund's portfolio is

more liquid than at times when other investors may wish to redeem all or part of their interests. In addition, when an investor (including an employee) redeems a significant amount of interests, investors remaining in the fund will bear a proportionately higher share of fund expenses following the *redemption*.

ITEM 12 BROKERAGE PRACTICES

Selection of Broker-Dealers

In determining the broker-dealers through which to place securities transactions for client accounts, FPA's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. In selecting broker-dealers to execute transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of factors, including, but not limited to, the nature of the security being traded, the size and timing of the transaction, the activity existing and expected in the market for the particular security, the likelihood of price improvement, the speed of execution, and the ability to minimize market impact. In addition, FPA considers the broker-dealer's financial responsibility, its responsiveness and operational capabilities, and its maintenance of the confidentiality of orders. Further, FPA considers the value, nature and quality of the research services provided. The determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution under the circumstances. As a result of any or a combination of the above factors, transactions will not always be executed at the lowest available price, commission, and/or mark-up/mark-down.

Fixed income securities may be purchased from the issuer or broker-dealer or primary market-maker acting as principal for the securities on a net basis, with no brokerage commissions being paid by the client, although the price usually includes certain undisclosed compensation to the dealer. Rather than purchasing from a broker-dealer on a principal basis, in certain circumstances consistent with its responsibilities in seeking best execution, FPA may engage a broker-dealer to act as agent (for which such broker-dealer may be paid a negotiated commission or mark-up) in purchasing fixed-income securities for client accounts. Securities also may be purchased from underwriters at prices that include underwriting fees.

FPA has established a Brokerage and Trading Practices Committee that has oversight responsibility for FPA's brokerage practices. The Committee meets semiannually or more frequently as needed.

FPA places some orders through financial firms that use, offer or include products of FPA or its affiliates. FPA does not take into account such relationships when selecting firms through whom orders are placed.

Research and Other Soft Dollar Benefits

The term "soft dollars" refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the adviser. FPA has established soft dollar arrangements with certain brokers and may use "soft dollars" generated

by client portfolios to pay for research-related services such as: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Research services provided by broker-dealers may be used by FPA in connection with investment services provided to accounts other than those whose transactions were effected through the broker-dealer providing the service.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use “soft dollars” generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to an adviser in the performance of investment decision-making responsibilities. The soft dollar arrangement entered into by FPA is within the safe harbor afforded by Section 28(e).

The brokerage and research products and services that FPA receives from broker-dealers supplement FPA’s own research activities. As a practical matter, in some cases FPA could not, on its own, generate all of the research that broker-dealers provide without materially increasing expenses. FPA seeks to allocate soft dollar benefits by strategy. Within a strategy, FPA does not seek to allocate soft dollar benefits proportionately to the soft dollar credits the accounts generate. Some strategies trade more frequently than others and potentially could bargain for lower commission rates. Generally, clients in each strategy pay the same commission rate, unless a specific brokerage rate is required under a client’s advisory agreement, because FPA believes that all of its clients benefit from access to research and the payment of different commission rates within the same firm could make some broker-dealers less willing to provide research products and services to FPA.

Soft dollar arrangements create a potential conflict by giving an investment adviser an incentive to trade frequently to generate commissions to pay for these products or services, which may not be in the best interests of an adviser’s clients, or, in some cases, to trade actively in certain accounts to obtain research used primarily by other, less frequently traded accounts. FPA attempts to mitigate these potential conflicts through oversight of the use of commissions by the Brokerage and Trading Practices Committee.

Brokerage for Client Referrals

FPA does not consider client referrals when selecting or recommending broker-dealers.

Directed Brokerage

FPA determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. However, certain clients limit FPA’s selection of brokers or instruct FPA to direct trades through a particular broker. In these cases, FPA at times will place separate, non-simultaneous, transactions for its clients and a directed client account that could temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of all accounts. Directing clients at times will receive worse prices, and/or pay higher commissions than non-directing clients. Alternatively, from time to time, FPA may endeavor to aggregate the directed brokerage order with non-directed brokerage orders for execution and then step out the trade to the directed broker for

clearance and settlement. This arrangement facilitates two purposes. First, a step-out allows the directed broker to receive the commissions. Second, aggregation of directed brokerage orders with non-directed orders allows directed brokerage clients to participate on the same terms and conditions as other non-directed brokerage clients

Aggregation of Trades

FPA may, in its discretion, aggregate orders being placed for execution at the same time for the accounts of two or more clients, which may include FPA Mutual Funds, FPA Private Funds, and SMAs, where it believes such aggregation is appropriate and in the best interest of its clients. This practice may enable FPA to seek more favorable executions and net prices for the combined order. However, FPA is not obligated to aggregate orders or to include any particular account in an aggregated order if portfolio management decisions for different accounts are made separately or if FPA determines that aggregating trades would be inconsistent with FPA's investment management duties or with any investment objectives, guidelines or restrictions applicable to a particular client. All orders placed for execution on an aggregated basis are subject to FPA's allocation policies and procedures. FPA employees will aggregate orders where appropriate for the participating clients and consistent with FPA's duty to seek best execution.

Allocation of Partially Filled Orders

If FPA is unable to fill an aggregated transaction completely, it allocates the partially filled orders according to FPA's allocation policy among accounts participating in the order. The objective of FPA's allocation policy is to achieve fair treatment of all clients' accounts through its trade allocation process. No preference is given with respect to portfolio size, or tenure of client.

ITEM 13 REVIEW OF ACCOUNTS

The portfolio managers for each FPA client account review those accounts on a regular basis. FPA'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). All reviews are conducted pursuant to the guidelines established by, or in connection with, the applicable account.

FPA provides reports to investors in the FPA Mutual Funds and to other clients as required by the applicable Governing Documents. Investors in the FPA Mutual Funds should refer to the applicable Governing Documents for further information on the reports provided to a particular Fund's investors.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

From time to time, FPA enters into written solicitation agreements for the referral of FPA's investment advisory services under which persons introducing new clients to FPA receive a referral fee. When entering such agreement, FPA complies with all applicable securities requirements including Rule 206(4)-3 under the Advisers Act. Generally, the fee is based on a

percentage of the investment advisory fees earned on assets invested with FPA at the commencement of the relationship. Clients do not pay higher fees as a result of these arrangements.

ITEM 15 CUSTODY

FPA does not maintain physical custody of the funds or securities of any client. However, FPA is deemed to have custody of the assets of the FPA Private Funds within the meaning of Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) because of the authority it or a related party has over such clients or their assets. FPA complies with the Custody Rule with respect to the Private Funds by causing each FPA Private Fund to be audited annually and distributing the audited financial statements prepared in accordance with U.S. generally accepted accounting principles to investors no later than 120 days (or 180 days for a fund of funds) after each FPA Private Fund’s fiscal year end.

ITEM 16 INVESTMENT DISCRETION

FPA has discretionary authority to manage securities accounts on behalf of its clients. FPA’s discretionary authority is generally limited by the investment objectives, strategies, policies, and restrictions set forth in the Governing Documents.

ITEM 17 VOTING CLIENT SECURITIES

To the extent that FPA holds securities that require it to vote proxies or in circumstances in which the FPA’s employees are serving on the board or other governing body of a portfolio company and are required to vote on a matter, FPA has a responsibility to vote the proxies in a manner in which it views to be in the best interests of its clients. In this regard, in accordance with Rule 206(4)-6 under the Advisers Act, FPA has adopted written policies and procedures regarding the voting of client proxies that are designed to ensure that FPA fulfills its fiduciary obligations to clients, including policies for addressing material conflicts that may arise between FPA and its clients.

In the event a proxy raises material conflicts involving FPA employees, whether arising from any material business, personal or familiar relationship with employees at a portfolio company or a material arrangement with any such company, the Chief Compliance Officer will determine the manner in which such proxies should be voted so that the vote is in the best interests of clients.

Under such policies and procedures, FPA is authorized to vote proxies on behalf of its clients unless a client specifically retains or delegates this authority to another party in writing. FPA has adopted written Proxy Voting Policies and Procedures that are designed to reasonably ensure that all proxy voting decisions are made in the best interests of advisory clients for whom FPA has voting authority. FPA will act in a prudent and diligent manner intended to enhance the value of the assets of the client’s account. FPA has contracted with Institutional Shareholder Services, Inc. (“ISS”) to assist FPA in the administration of its proxy voting responsibilities.

FPA will review proxy proposals for conflicts of interest as part of the overall vote review process. If material conflicts of interest arise between FPA and its clients with respect to voting a proxy,

FPA will convene an internal group of senior FPA employees who are independent from the conflict of interest at issue. The internal group will consider the proxy and the conflict and determine a course of action that is in the best interest of the client.

Clients may obtain a copy of FPA's Proxy Voting Policies and Procedures, as updated from time to time, as well as information on how FPA voted their accounts' securities upon written request to:

First Pacific Advisors, LLC
Attn: Compliance Department
11601 Wilshire Boulevard, Suite 1200
Los Angeles, CA 90025

or by contacting Thomas K. Morgan, FPA's Chief Compliance Officer, at 310-996-5402 and/or via electronic mail to tmorgan@fpafunds.com.

Class Actions Settlements

Securities issuers are, on occasion, the subject of class action lawsuits where the class of potentially injured parties is defined to be purchasers of the issuer's securities during a specific period of time. These cases may result in an award of damages or settlement proceeds to the class members who file claims with the settlement administrator. At the time of the settlement, notice of the settlement together with a claim form and release is generally sent to the custodian the securities who in turn may forward these notices to the clients. FPA does not provide any legal advice to clients in connection with class action litigation. FPA will instead provide new accounts with reasonable assistance by providing account-level information as clients may request.

Legal Proceedings

As a general matter, except as required by law, FPA does not monitor, advise or act for a client in legal proceedings, including, but not limited to bankruptcies or other legal proceedings involving securities purchased or held in a client's account. Clients should instruct their custodians to promptly forward any communications relating to legal proceedings involving such assets.

ITEM 18 FINANCIAL INFORMATION

FPA does not require or solicit prepayment of fees by any client six months or more in advance, and thus, has not included a balance sheet for its most recent fiscal year. FPA is not aware of any financial condition that is reasonably likely to impair its ability meet its contractual commitments to clients, nor has FPA been the subject of a bankruptcy petition at any time.