FPA New Income, Inc. (FPNIX)

Fourth Quarter 2018 Webcast Presentation

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FPA New Income, Inc. – Q4 2018 Summary

Summary:

- Market experienced greater volatility on recession concerns
- BBB-rated corporate bonds create potential risk in bond market over the intermediate-term horizon
- Portfolio continues to favor high quality structured product securities while remaining poised to invest in credit opportunistically.

Today's agenda

- Fund Highlights
- Market Commentary
- Performance & Portfolio Activity
- Question & Answer

Fund Highlights

Core tenets

We are committed to seeking a return of capital as well as return on capital

Fund Highlights

- Short-term: seeks positive absolute returns in a 12-month period
- Long-term: seeks positive real returns (outperform inflation plus 100 basis points) over five-year period and competitive returns versus bond market universe

Seek holdings that in our view provides:

- Sufficient absolute return to compensate for interest rate and credit risk
- Conservative downside protection

Characteristics (12/31/18)

	Yield to Worst (%)	Effective Duration (yrs)	YTW/Duration
FPA New Income, Inc. ("Fund")	3.79	1.85	**2.05**
Bloomberg Barclays U.S. Aggregate Bond Index ("Index")	3.28	5.87	0.56
Bloomberg Barclays U.S. Aggregate 1-3 Year Index	2.76	1.90	1.45

Higher ratio equals less exposure to interest rate risk

NI captures 116% of the yield with 69% less interest rate risk than the Index

Yield to Worst ("YTW") is presented gross of fees and reflects the lowest possible yield on a callable bond. As of December 31, 2018, the Fund's subsidized/unsubsidized 30-Day SEC Standardized Yield ("SEC Yield") was 3.43%/3.35% respectively. The SEC Yield calculation begins with the Fund's dividend payments for the last 30 days, subtracts Fund expenses and uses this number to estimate returns for a year. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. The SEC Yield calculation is based on the price of the Fund at the beginning of the month. The SEC yield reflects prospective data and thus assumes payments collected by the Fund may fluctuate.

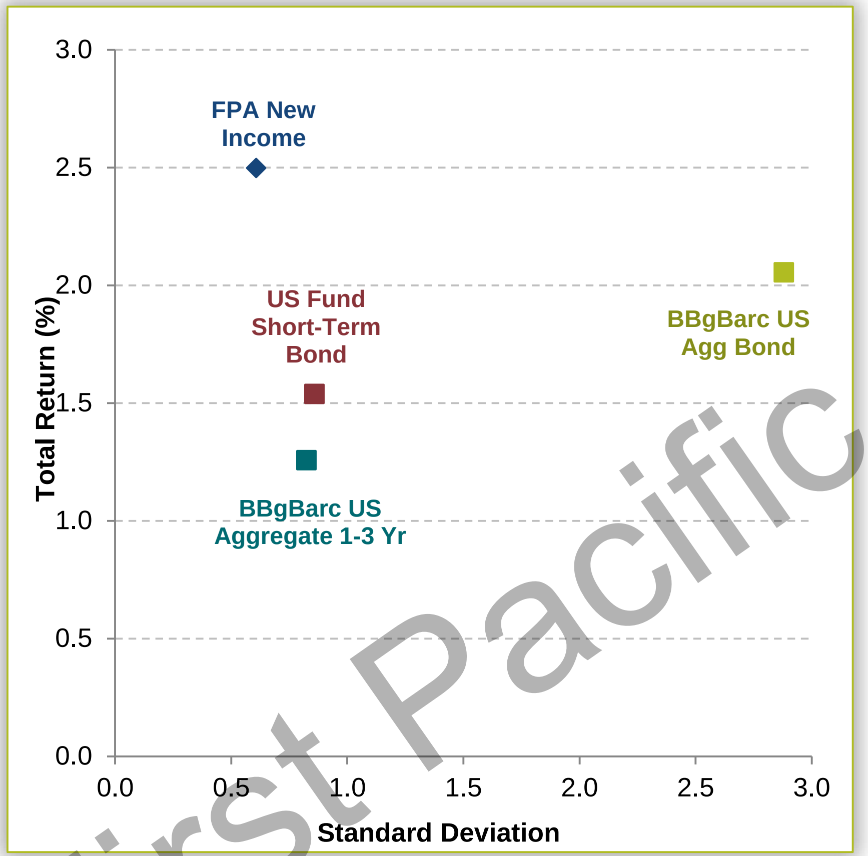
Source: FactSet, Bloomberg. Comparison to the Bloomberg Barclays U.S. Aggregate Bond Index and the Bloomberg Barclays U.S. Aggregate 1-3 Year Index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Past performance is no guarantee, nor it is indicative, of future results. Please refer to the end of the presentation for important disclosures and Glossary of Terms.**

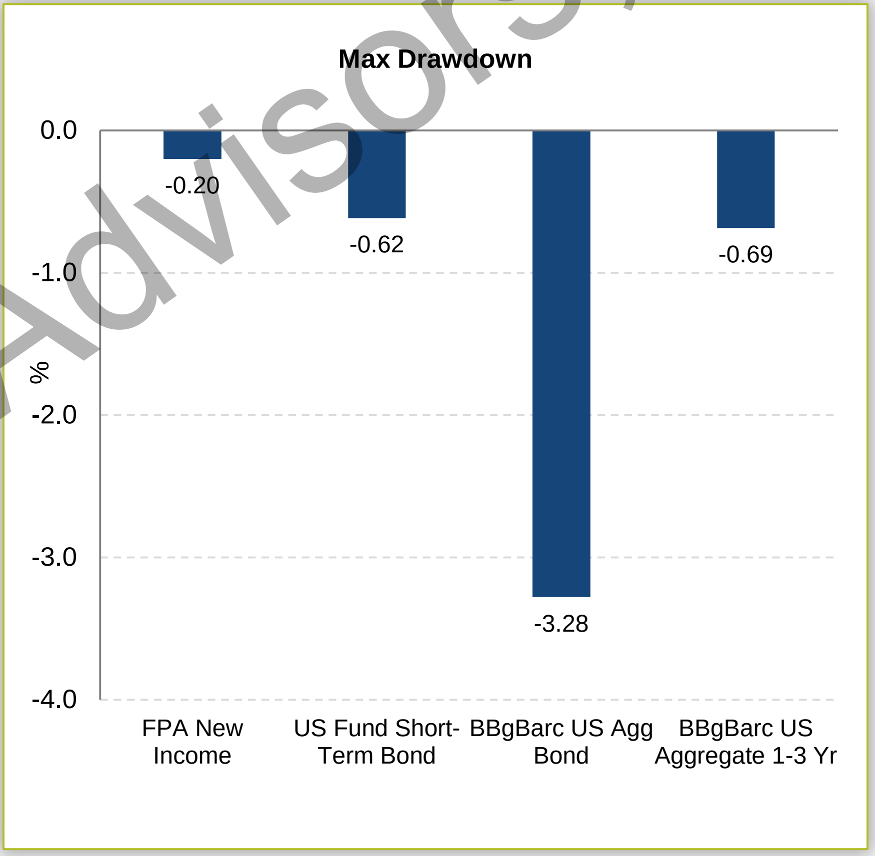
Interest rate environment

Source: Federal Reserve Bank of St. Louis. Data in chart is cover the period January 1, 2016 through December 31, 2018.

Fund returns vs. indices and peers

Data since the beginning of the most recent Fed Funds rate increase cycle (1/1/2016-12/31/2018)





Source: Morningstar Direct.

Inception date of the Fund was July 11, 1984. Annual performance since inception is provided on page 8.

Standard deviation is a measure of the dispersion of a set of data from its mean; more spread-apart data has a higher deviation. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures.**

Performance – net of fees

As of Date: 12/31/18	QTD	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	30 Years	ITD (Since 7/11/84)
FPA New Income, Inc. (“Fund”)	0.82	2.30	2.30	2.50	1.79	2.01	2.62	3.82	5.68	6.82
Bloomberg Barclays U.S. Agg Bond Index	1.64	0.01	0.01	2.06	2.52	3.48	3.87	4.55	6.10	7.14
CPI + 100	0.54	2.95	2.95	3.04	2.50	2.82	3.11	3.20	3.52	3.65
Bloomberg Barclays U.S. Agg 1-3 Year Bond Index	1.18	1.60	1.60	1.26	1.05	1.65	2.35	3.19	NA	NA

Calculated using Morningstar Direct. Periods greater than one year are annualized. Fund performance is net of all fees and expenses and includes the reinvestment of distributions. Fund returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these figures. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index.

The Total Annual Fund Operating Expenses before reimbursement is 0.59% (as of most recent prospectus). The Advisor has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.49% of the average net assets of the Fund (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, and extraordinary expenses, including litigation expenses not incurred in the Fund’s ordinary course of business) through January 31, 2019. This agreement may only be terminated earlier by the Fund's Board of Directors (the “Board”) or upon termination of the Advisory Agreement.

This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at www.fpafunds.com or by calling toll-free, 1-800-982-4372. The Fund’s net expense ratio as indicated in its most recent prospectus is 0.49%. Please refer to the end of the presentation for important disclosures and Glossary of Terms.

You should consider the Fund’s investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund's objective and policies, charges, and other matters of interest to the prospective investor. Please read the Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpa.com, by email at crm@fpa.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

Not authorized for distribution unless preceded or accompanied by a current prospectus.

Performance – net of fees

Annual Performance (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
FPA New Income, Inc. (“Fund”)	2.30	2.67	2.53	0.15	1.32	0.67	2.18	2.23	3.18	2.89	4.31	6.02	4.79	1.57	2.60	8.32	4.52	12.33
Bloomberg Barclays U.S. Agg Bond Index	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26	8.44
CPI + 100	2.95	3.05	3.12	1.68	1.70	2.56	2.80	4.09	2.46	3.84	0.98	5.15	3.55	4.37	4.38	3.06	3.51	2.62
Bloomberg Barclays U.S. Agg 1-3 Year Bond Index	1.60	0.86	1.31	0.66	0.82	0.64	1.33	1.73	2.62	5.00	4.62	6.73	4.34	1.82	1.44	2.42	6.29	8.77

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
FPA New Income	9.32	3.39	3.86	8.31	7.12	14.36	1.46	10.17	11.12	18.80	8.38	12.22	8.55	7.83	10.76	21.31	19.79
Bloomberg Barclays U.S. Agg Bond Index	11.63	-0.82	8.69	9.65	3.63	18.47	-2.92	9.75	7.40	16.00	8.96	14.53	7.89	2.76	15.26	22.10	17.11
CPI + 100	4.47	3.71	2.63	2.72	4.41	3.56	3.63	3.84	4.00	4.01	7.32	5.69	5.46	5.38	2.20	4.83	2.24
Bloomberg Barclays U.S. Agg 1-3 Year Bond Index	8.15	3.32	6.83	6.68	5.19	11.00	0.62	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Calculated using Morningstar Direct. Periods greater than one year are annualized. Fund performance is net of all fees and expenses and includes the reinvestment of distributions. Fund returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these figures. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index. Inception date of the Fund was July 11, 1984. Fund performance shown for 1984 is for the period July 11, 1984 to December 31, 1984. Index performance shown for 1984 is for the period August 1, 1984 to December 31, 1984.

The Total Annual Fund Operating Expenses before reimbursement is 0.59% (as of most recent prospectus). The Advisor has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses in excess of 0.49% of the average net assets of the Fund (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, and extraordinary expenses, including litigation expenses not incurred in the Fund’s ordinary course of business) through January 31, 2019. This agreement may only be terminated earlier by the Fund's Board of Directors (the “Board”) or upon termination of the Advisory Agreement.

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Market Commentary

Maybe this contributed to the market difficulties in Q4 for risk assets

"There's really no reason to think that this cycle cant continue for quite some time, effectively indefinitely," Powell said Wednesday at an event in Washington hosted by The Atlantic and the Aspen institute.*

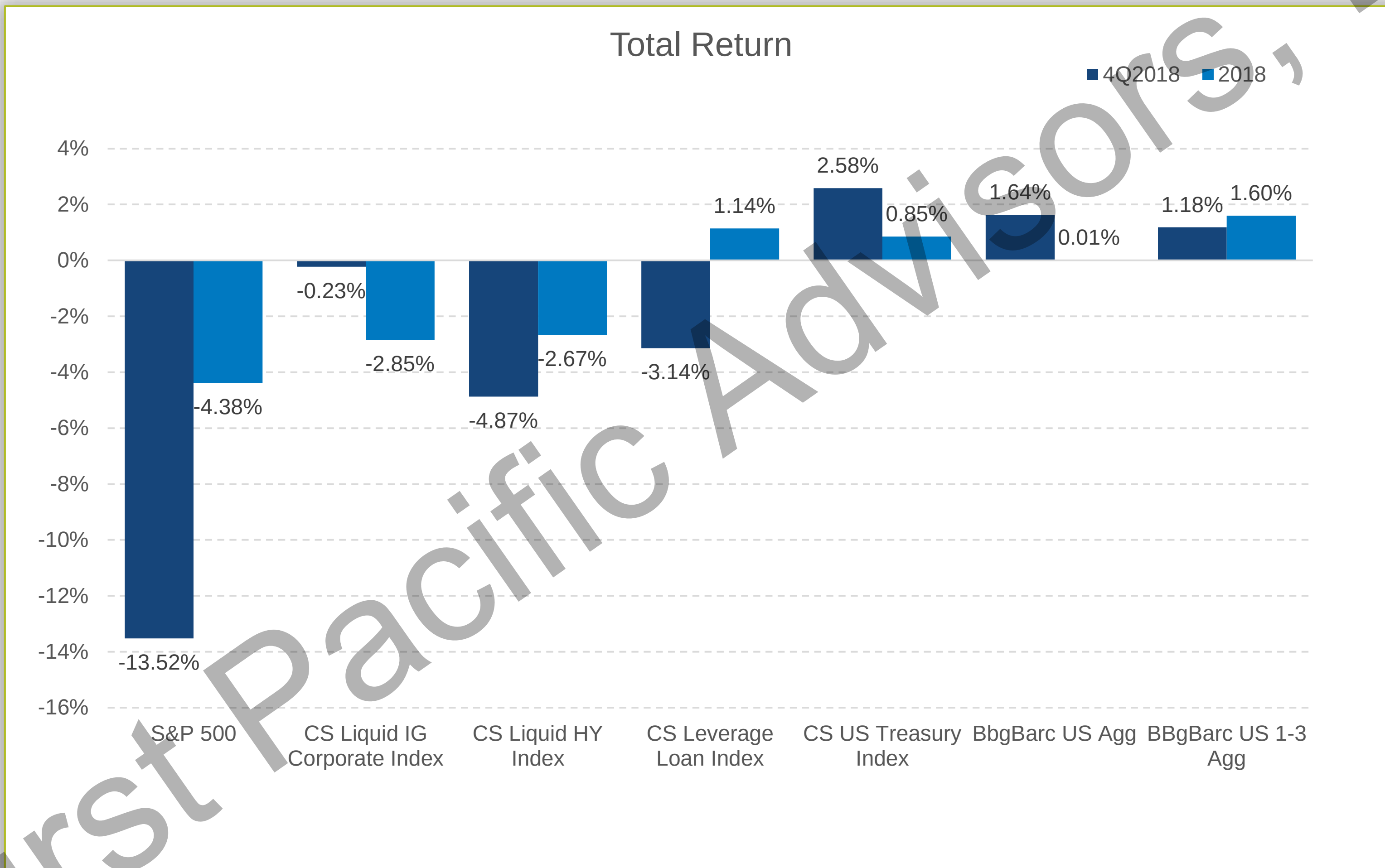
"The markets are fearful that Powell may be in the process of killing yet another recession. Consider what he has said recently:

- *October – The funds rate is a long way from neutral (hawkish)*
- *November – The funds rate is just below the range of estimates (dovish)*
- *December – Balance sheet reductions are on "automatic pilot" (hawkish)*
- *January 4 – The Fed can be patient and flexible (dovish)*
- *January 10 – The balance sheet will be 'substantially smaller' (hawkish)*

*Would Powell please make up his mind and choose one? These changes of heart have played a large role in the market's volatility over the past few months."***

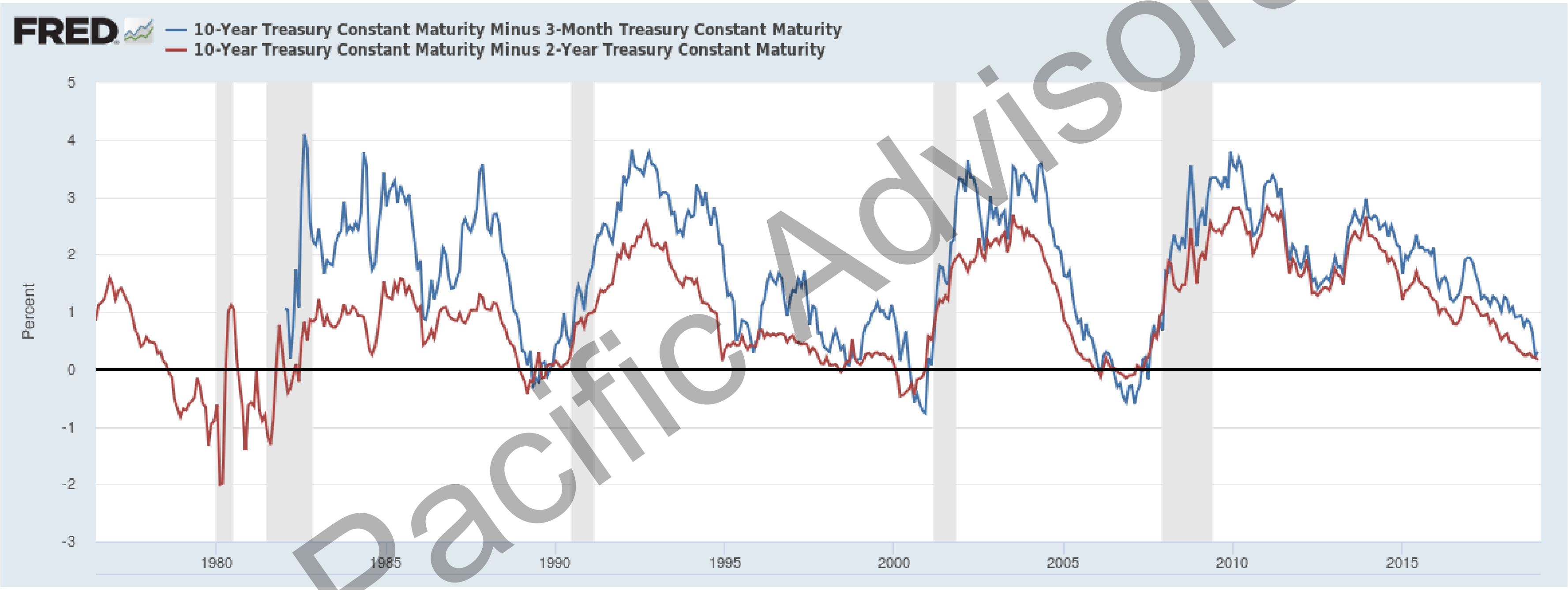
*Bloomberg, October 4, 2018; "Fed" refers to the U.S. Federal Reserve, **Source: Bianco Research LLC report *Risks for 2019* dated 1/23/2019; "Fed" refers to the U.S. Federal Reserve.

Most asset classes did not perform well last year



Source: Credit Suisse, Bloomberg Barclays, Bloomberg. **Please see the end of this presentation for important disclosures and index definitions.**

History says that curves invert before recessions…



Source: Federal Reserve Bank of St. Louis. Data in chart is through December 31, 2018. Shaded areas indicated U.S. recessions.

History says that curves invert before recessions…

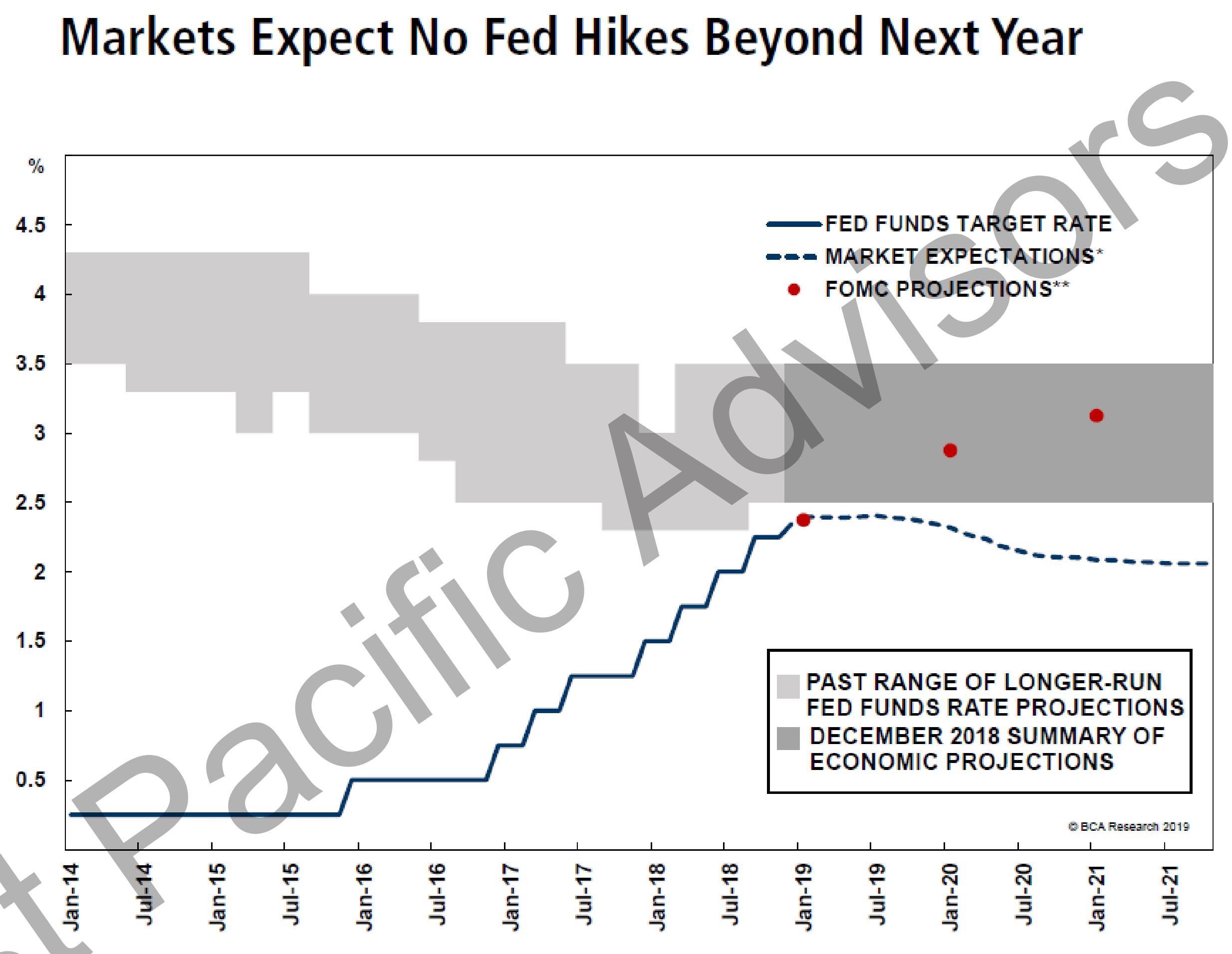
How Long Until The Recession?

When the 3M/10Yr Curve Inverts For 10 Straight Days

Date of Inversion	Date of Next Recession	Days to Next Recession
1/10/1969	Dec-69	325
6/14/1973	Nov-73	140
12/8/1978	Jan-80	389
11/7/1980	Jul-81	236
6/6/1989	Jul-90	390
7/31/2000	Mar-01	213
8/1/2006	Dec-07	487
Average		**311**

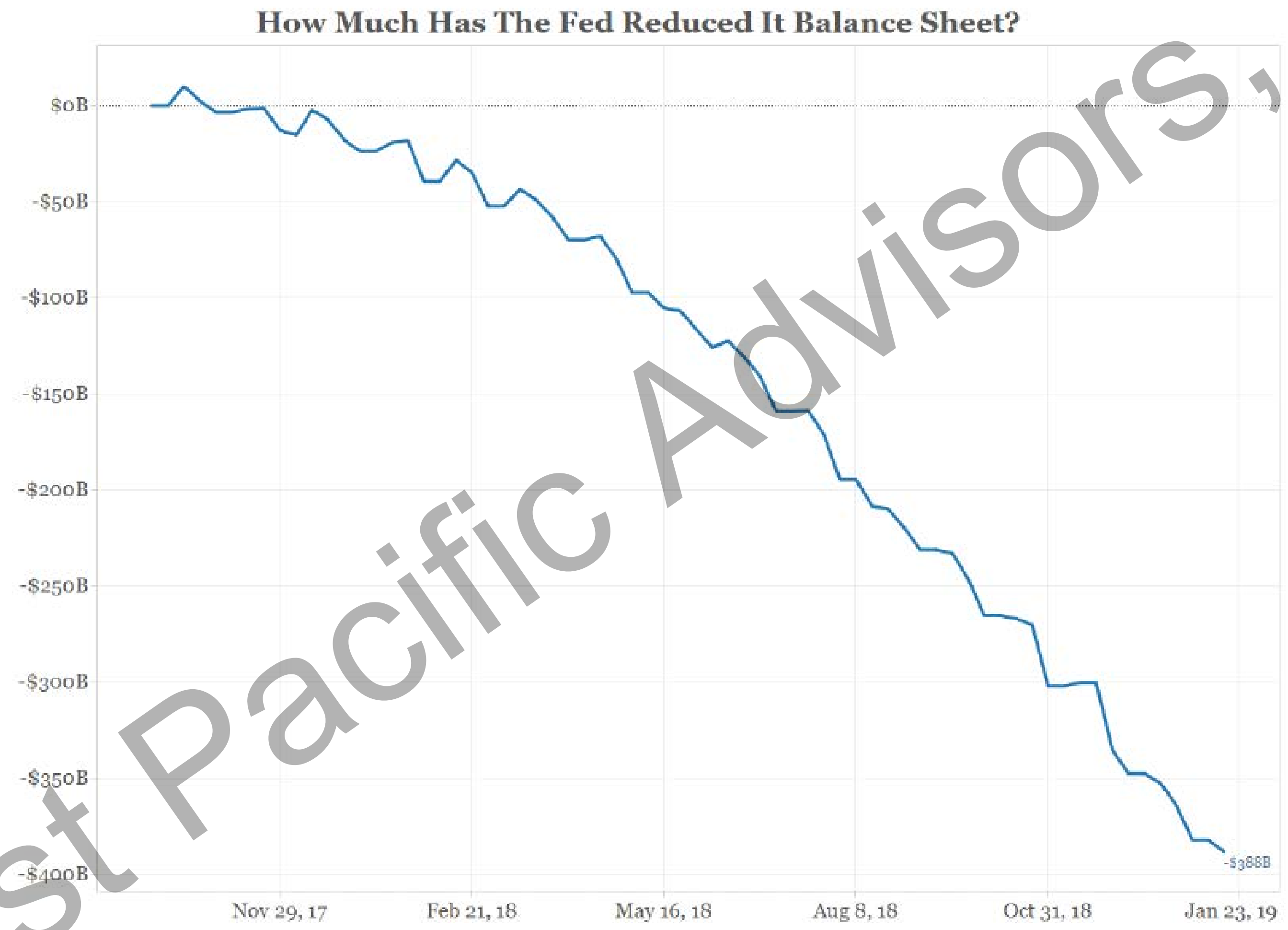
Source: Bianco Research L.L.C., January 23, 2019

…and the Fed has been tightening



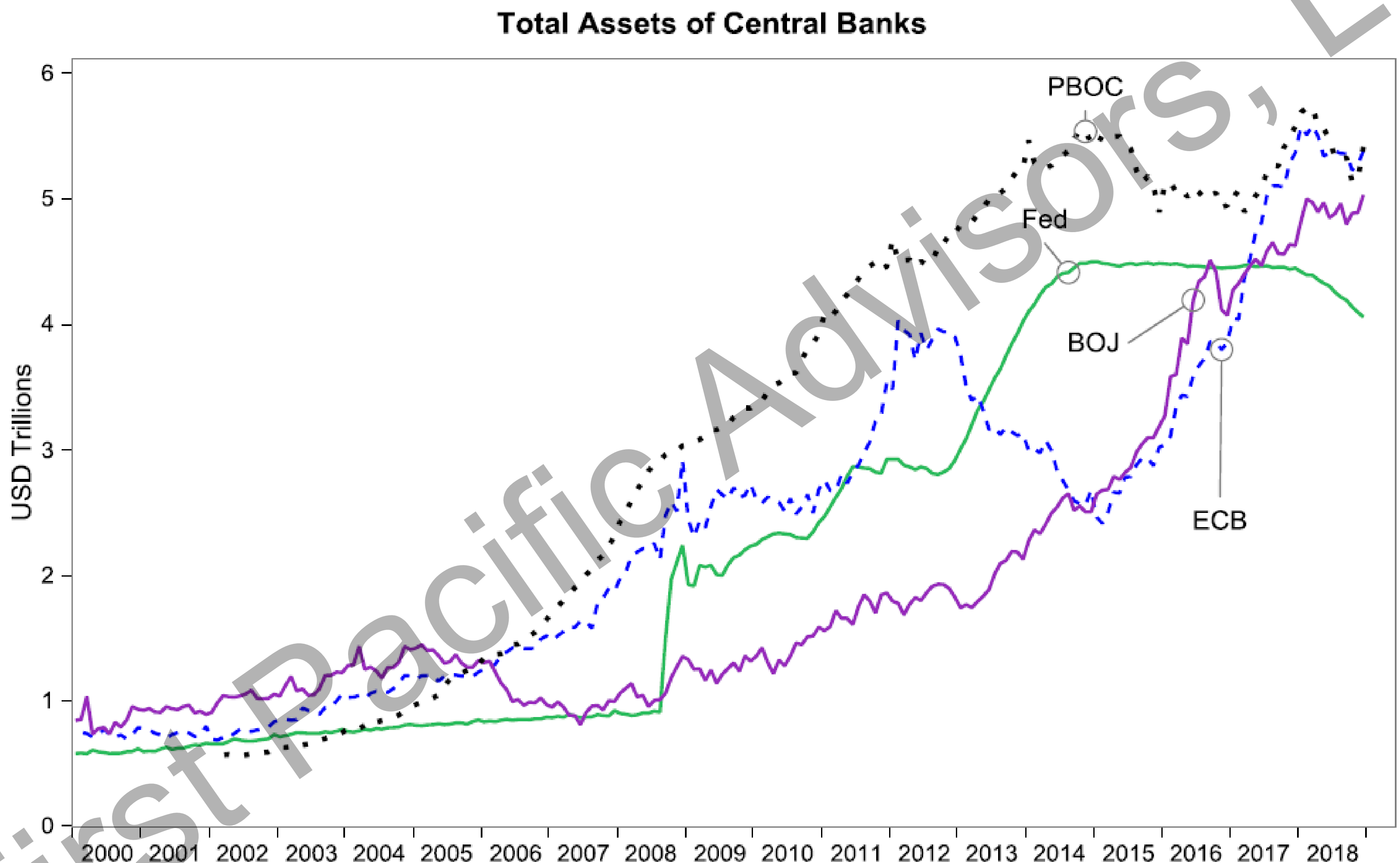
Source: BCA Research report *Merry Crisis And A Happy New Fear* dated 1/9/19.
* Refers to expectations of the average daily fed funds rating during the month as discontinues by the fed funds futures market.
** FOMC median projections from December 2018.
Shaded area denotes the range of FOMC projections for the longer-run fed funds rate.
FOMC = Federal Open Market Committee

…and tightening…



Source: Bianco Research LLC report *Risks for 2019* dated 1/23/19; Data Source: Bloomberg.

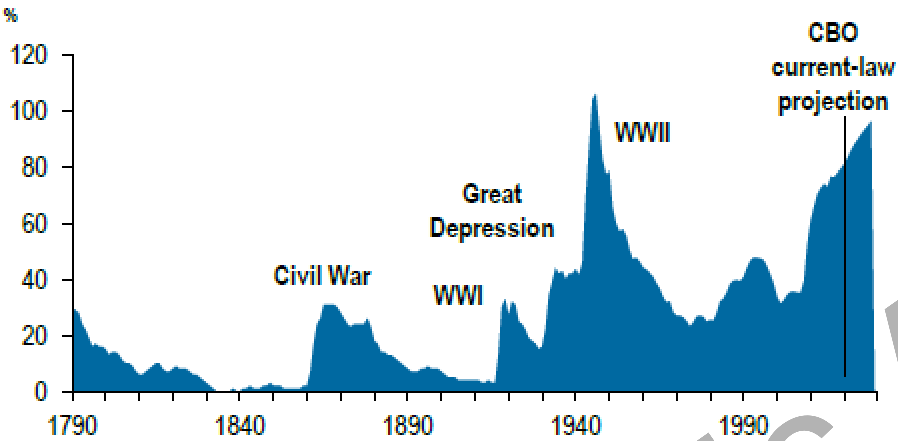
This won't be like watching paint dry



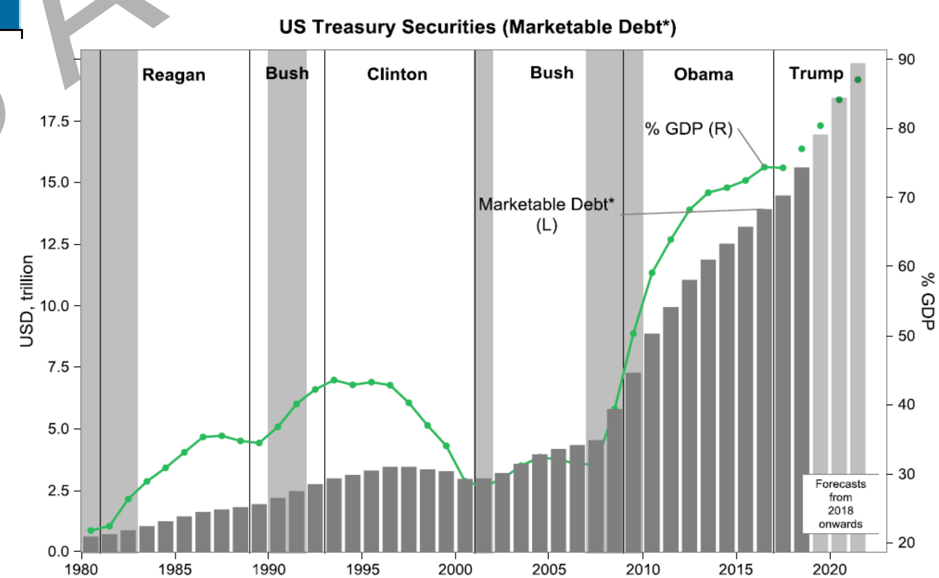
Source: Bloomberg, Mizuho Securities USA *Corporate Credit Analysis* report dated 1/28/19. Chart data is as of December 31, 2018.
PBOC=People's Bank of China; BOJ=Bank of Japan; ECB=European Central Bank; Fed=Federal Reserve

Budget deficits are approaching historic proportions without the impact of a recession

National debt as fraction of GDP



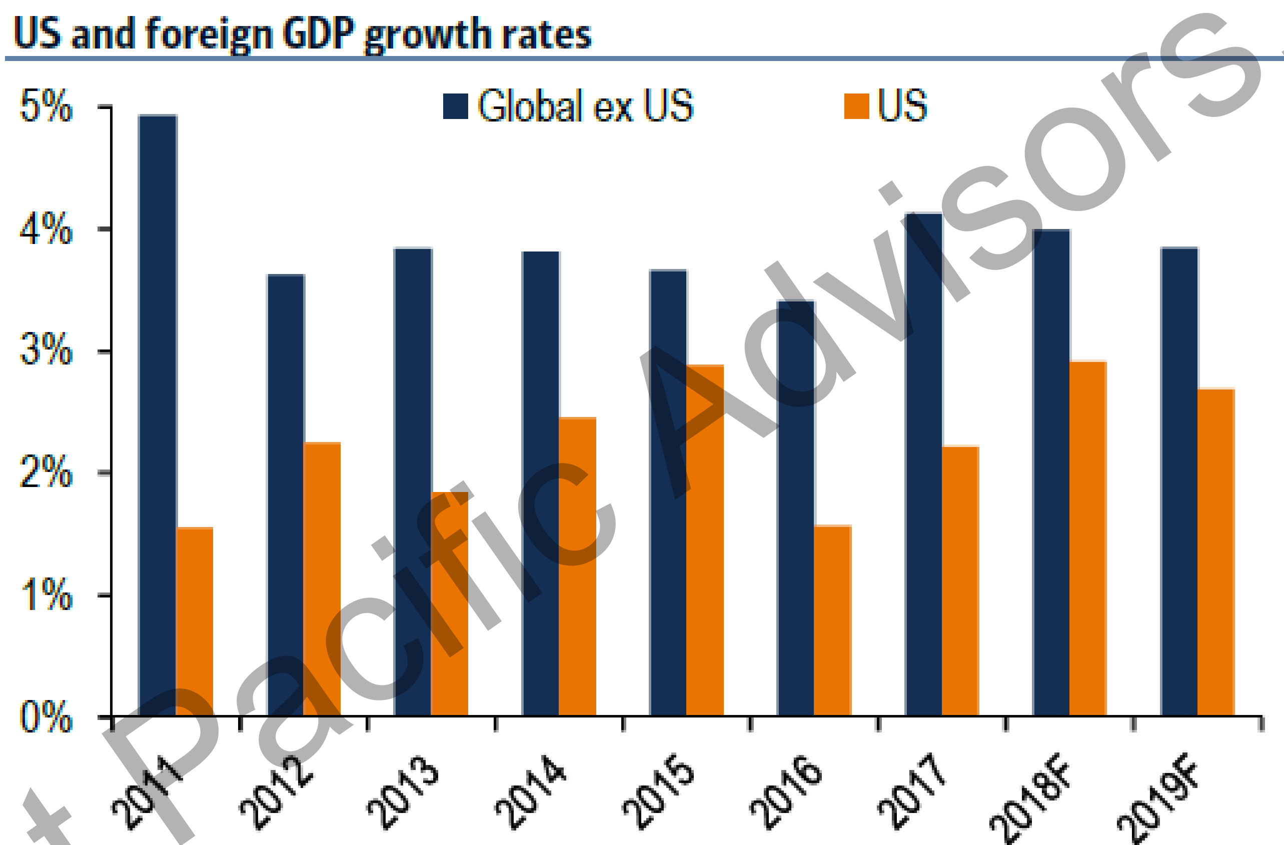
Source: J.P. Morgan. Chart data is as of December 31, 2018.



* Includes intragovernmental holdings ($bln as of Sept 2018).

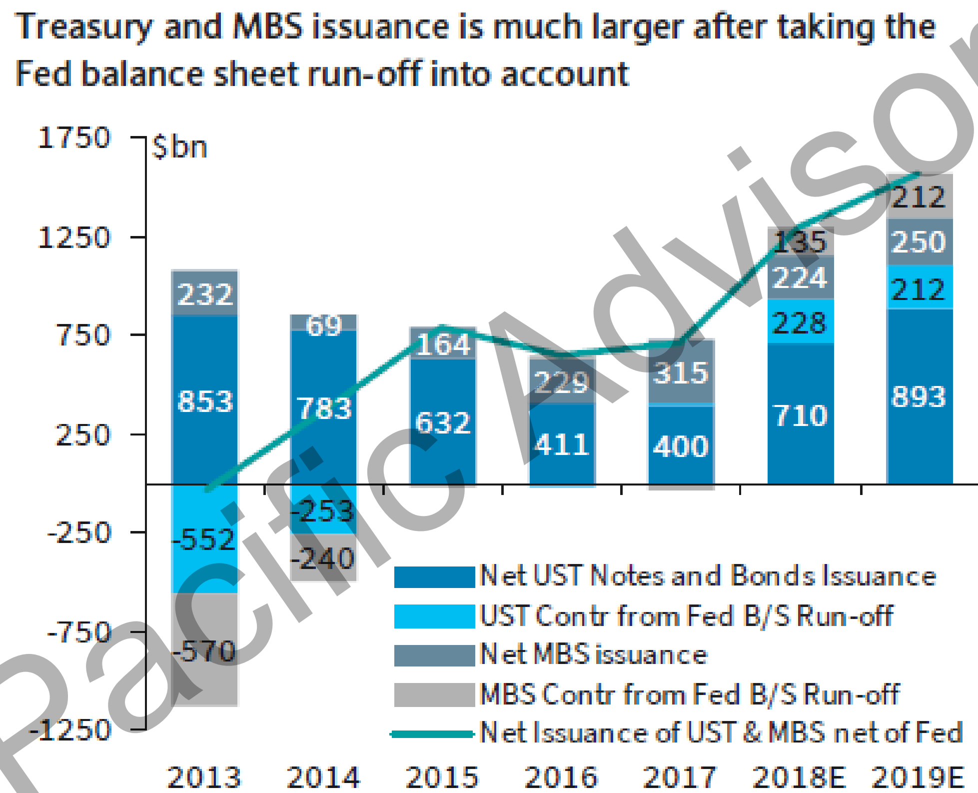
Source: Macrobond, Mizuho Securities USA *Corporate Credit Analysis* report dated 1/28/19. Grey shaded areas represent U.S. recessions.

And not enough growth to support it



Source: BofA Merrill Lynch *2019 US High Grade Outlook* dated 11/19/18.

The market will need to digest a lot of supply



Source: Barclays *Global Credit Outlook 2019* report dated 11/30/18; Data source: US Department of Treasury and The Federal Reserve.

Recession expectations are all over the place

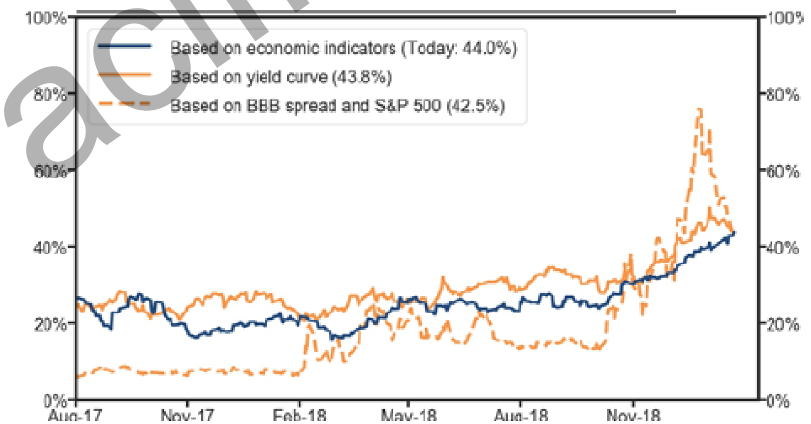
Probabilities of US recession within 1 year from economic indicators

Indicator(s)	Probability	Current level	Level at 50% Probability
Historical average unconditional probability	17%		
Consumer sentiment	34%	70.8	68.3
Nonmanufacturing sentiment	35%	58.5	55.1
Manufacturing sentiment	38%	57.3	53.6
Residential building permits	28%	1286.0	1139.4
Auto sales	27%	17.5	15.2
Payrolls	18%	254.0	-35.0
Unemployment rate	32%	3.9	4.2
Initial claims	18%	220.8	245.8
Senior loan officer opinion survey	1%	-6.2	18.3
All near-term economic indicators above	31%		
Background risk indicators	50%		
All economic indicators	44%		

Probabilities of US recession from medium-term indicators

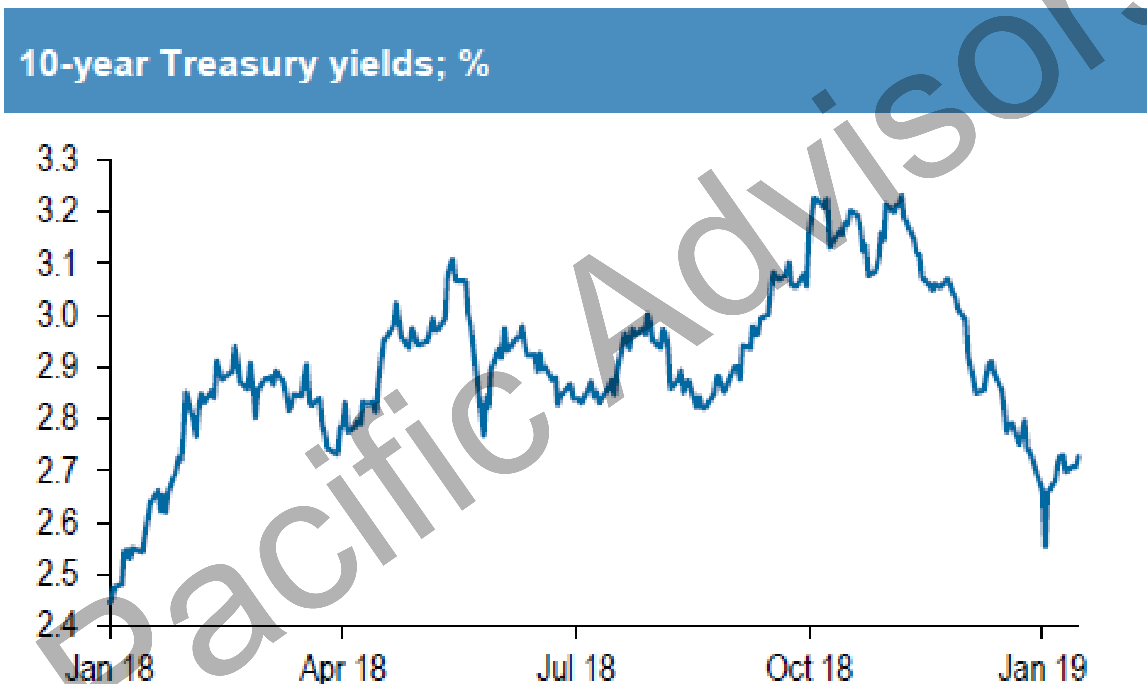
Indicator	1 year	2 years	3 years	4 years
Historical average unconditional probability	17%	32%	46%	57%
Unemployment rate	44%	71%	85%	94%
Unemployment gap	40%	65%	81%	92%
Compensation growth	43%	70%	82%	88%
Prime-age male labor force participation	62%	88%	95%	99%
Margin drawdown from 5-year peak	36%	57%	68%	76%
Durables and structures share of GDP	32%	52%	68%	82%
Composite probability from medium-term indicators	50%	82%	99%	100%
Composite from near and medium-term indicators	44%	77%	95%	100%

Probability of recession beginning within 12 months



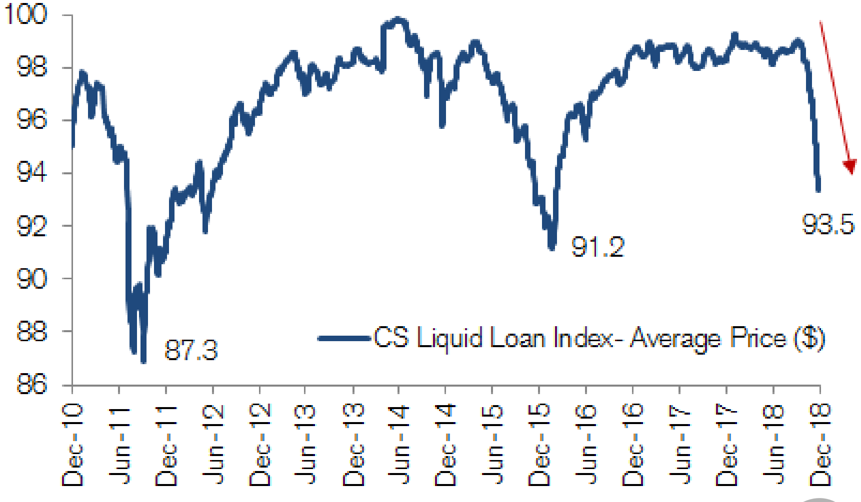
Top charts: Source: J.P. Morgan. Chart data is as of December 31, 2018 unless otherwise noted. Bottom chart: Source: Various governmental and non-governmental sources, J.P. Morgan. Chart data as of January 22, 2019.

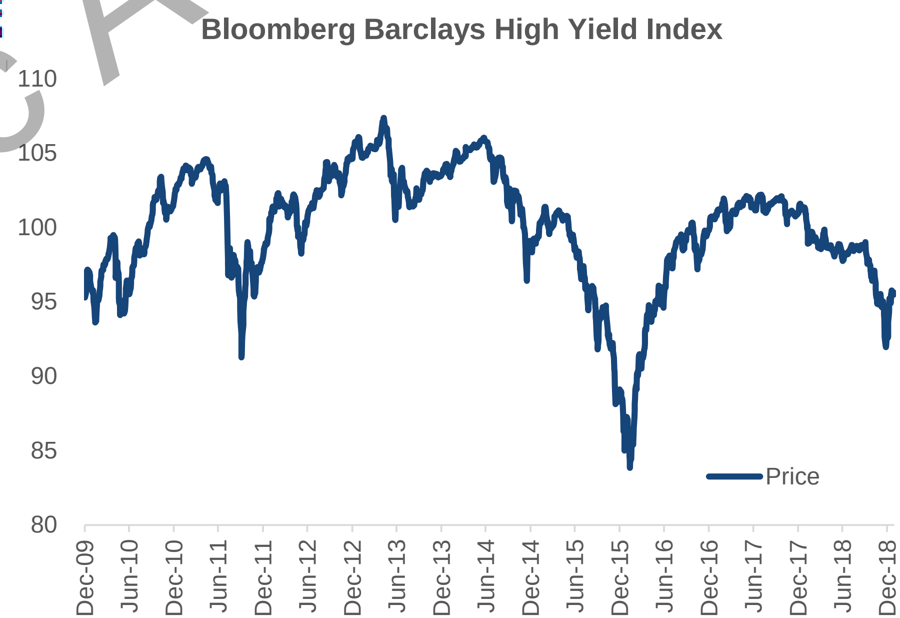
Market fears = Treasury rallies



Source: J.P. Morgan. Chart data is as of 1/22/19.

Risk assets sold off in the fourth quarter





Source: Credit Suisse (top chart), Bloomberg Barclays (bottom chart). Chart data is as of December 31, 2018. Please see end of presentation for important disclosures and index definitions.

Broad based sell off in loans

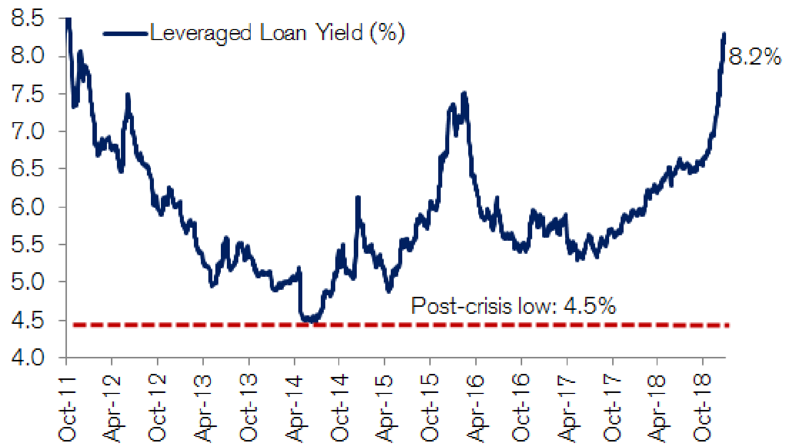
Markit industry	Avg price change May'15-Oct'15	Avg price change Oct'18-Jan'19
Computers & Electronics	-2.3	-4.7
Professional & Business Services	-2.7	-4.4
Healthcare	-4.1	-4.4
Retailing	-3.2	-4.8
Chemicals	-1.8	-4.1
Telecommunications	-3.7	-4.8
Media	-2.3	-4.7
Gaming And Hotels	-1.3	-4.7
Utilities	-5.4	-3.2
Insurance	-4.6	-4.1
Entertainment And Leisure	-1.4	-4.3
Automotive	-2.8	-5.2
Machinery	-1.8	-4.1
Building Materials	-5.4	-5.4
Oil & Gas	-17.7	-5.1
Metals & Mining	-16.4	-6.5
Other	-2.1	-4.5

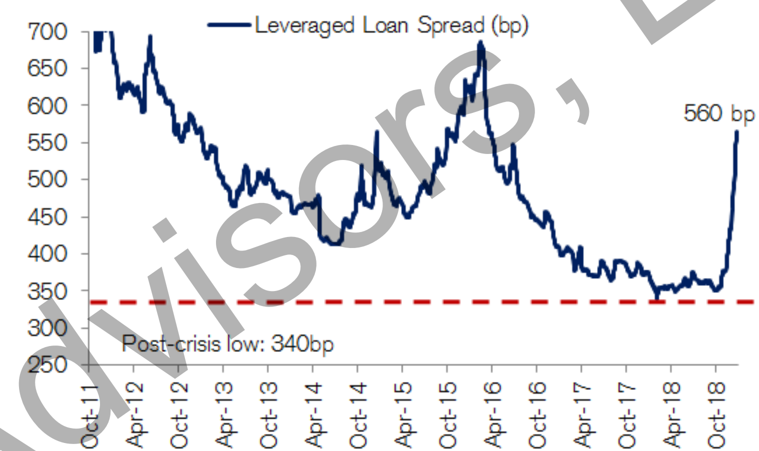
Note: For loans in CLOs only

Source: Intex, Markit, Nomura

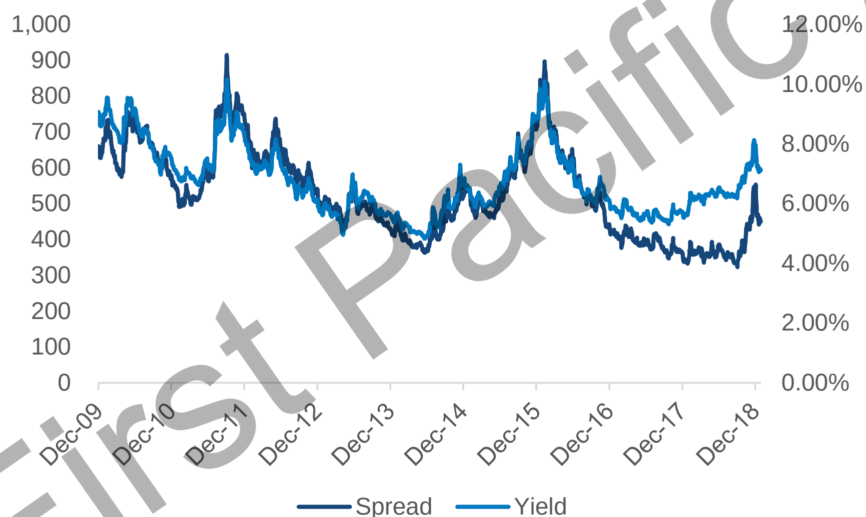
Source: Nomura *CLO Special Topics* report dated 1/4/19.

Yields became more attractive on a headline basis





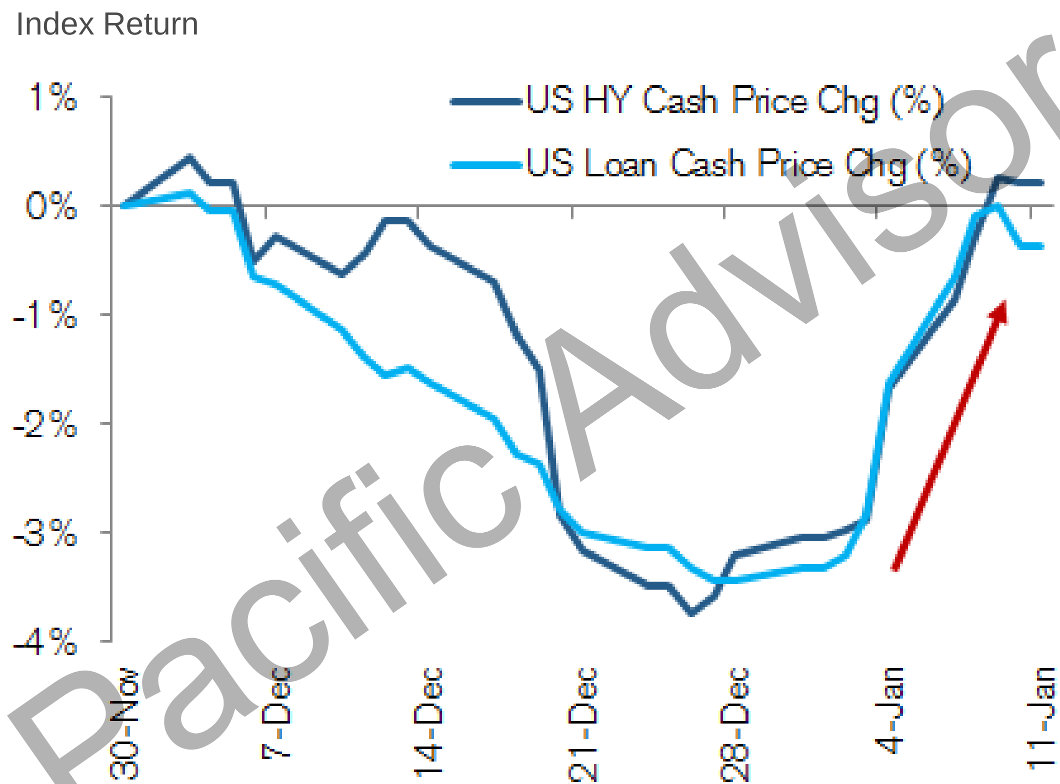
Bloomberg Barclays High Yield Index



Bloomberg Barclays Investment Grade Corporate Bond Index

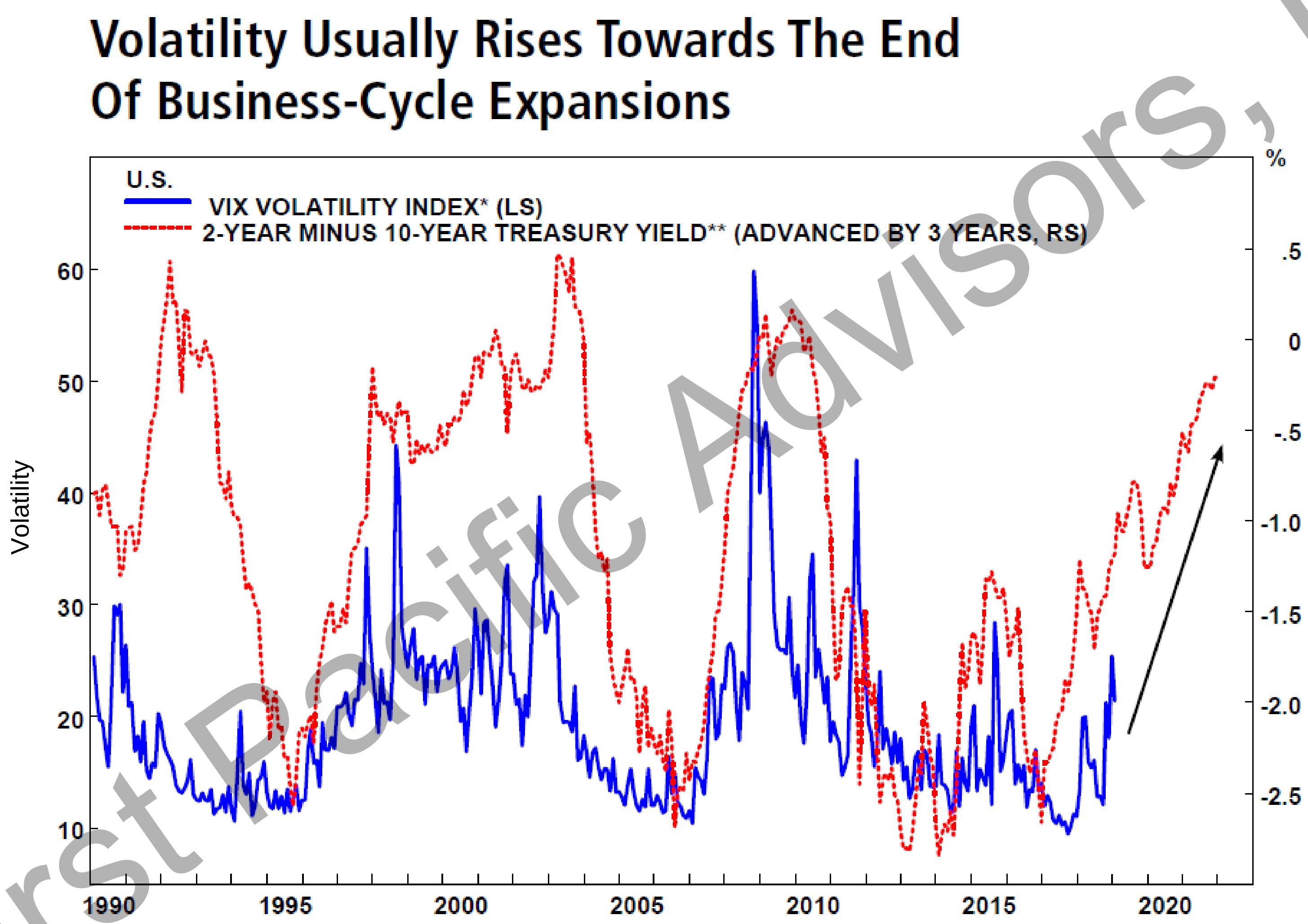
Source: Credit Suisse (top charts), Bloomberg Barclays (bottom charts). Chart data is as of December 31, 2018. In the top charts, "post-crisis low" refers to the period post the Global Financial Crisis. Please see end of presentation for important disclosures and index definitions.

Prices have since recovered



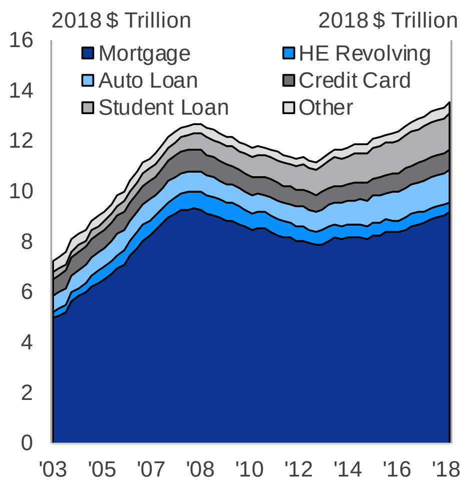
Source: Credit Suisse. Chart data is as of 1/11/19. **Past performance is no guarantee, nor is it indicative, of future results**. Please see end of this presentation for important disclosures and index definitions.

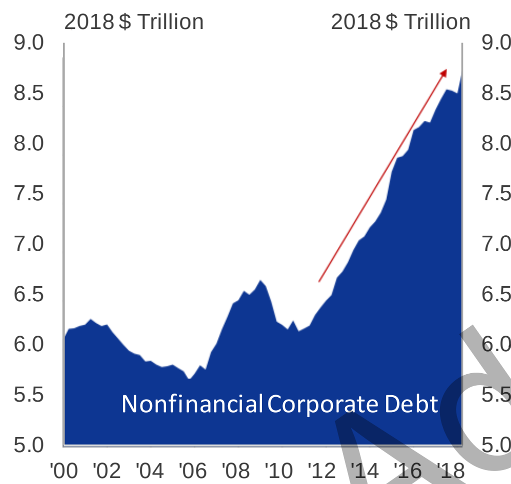
Don’t be surprised by volatility



Source: BCA Research report *Merry Crisis And A Happy New Fear* dated 1/9/19. Please see end of presentation for important disclosures and index definitions.
* Chicago board of option exchange SPX volatility index.
** Based on monthly data.

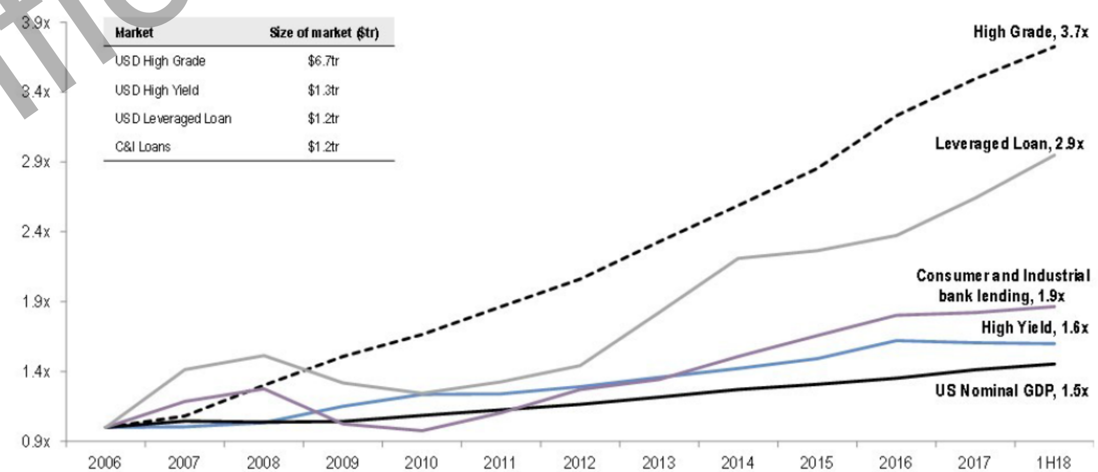
Special Commentary January 2019 “Risk is Where You're Not Looking” summary comments





Source (top charts): Goldman Sachs Global Investment Research, *From challenging to difficult*. Lotfi Karoui. December 2018. Data through September 30. 2018. (Federal Reserve Board).

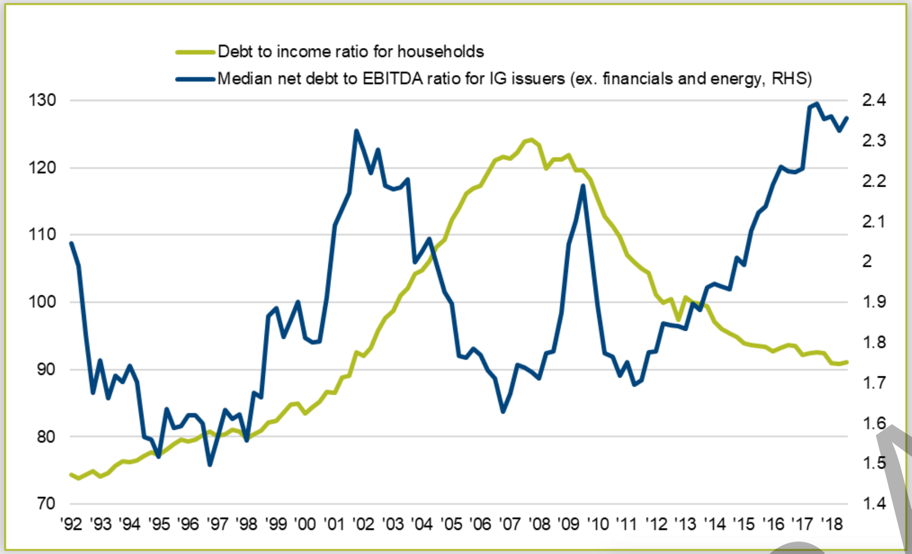
The HG bond market growth has outpaced other markets and US economic growth



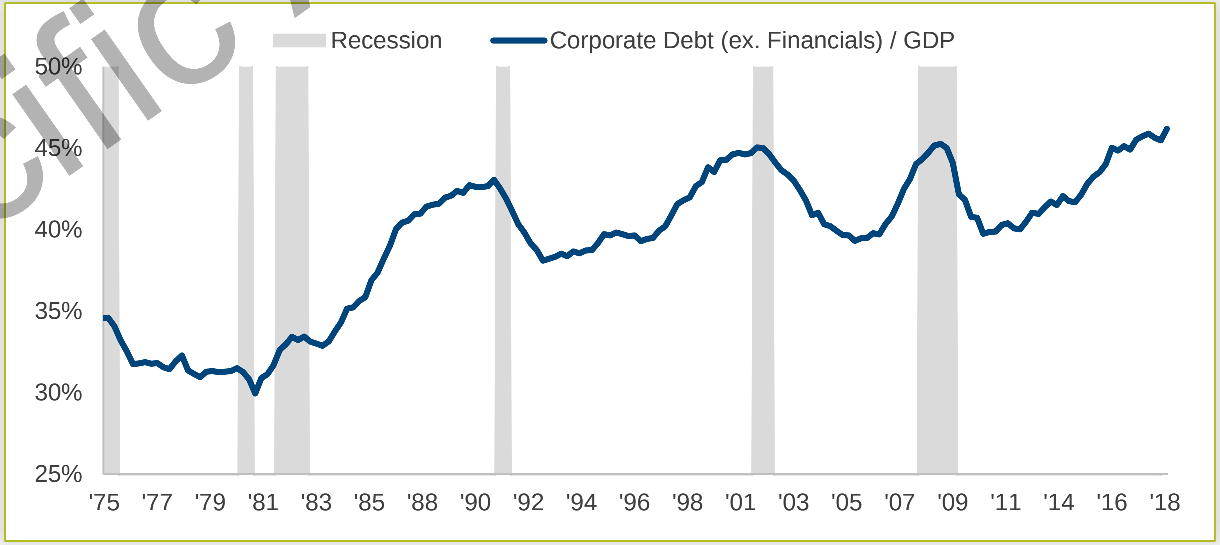
Source: J.P. Morgan. Chart data is as of first half of year 2018 (1H2018)

Please see **Important Disclosures** and glossary of terms at the end of this presentation.

Change in the levered sector of the economy



Source: Morgan Stanley, FactSet. Data through 12/31/18.

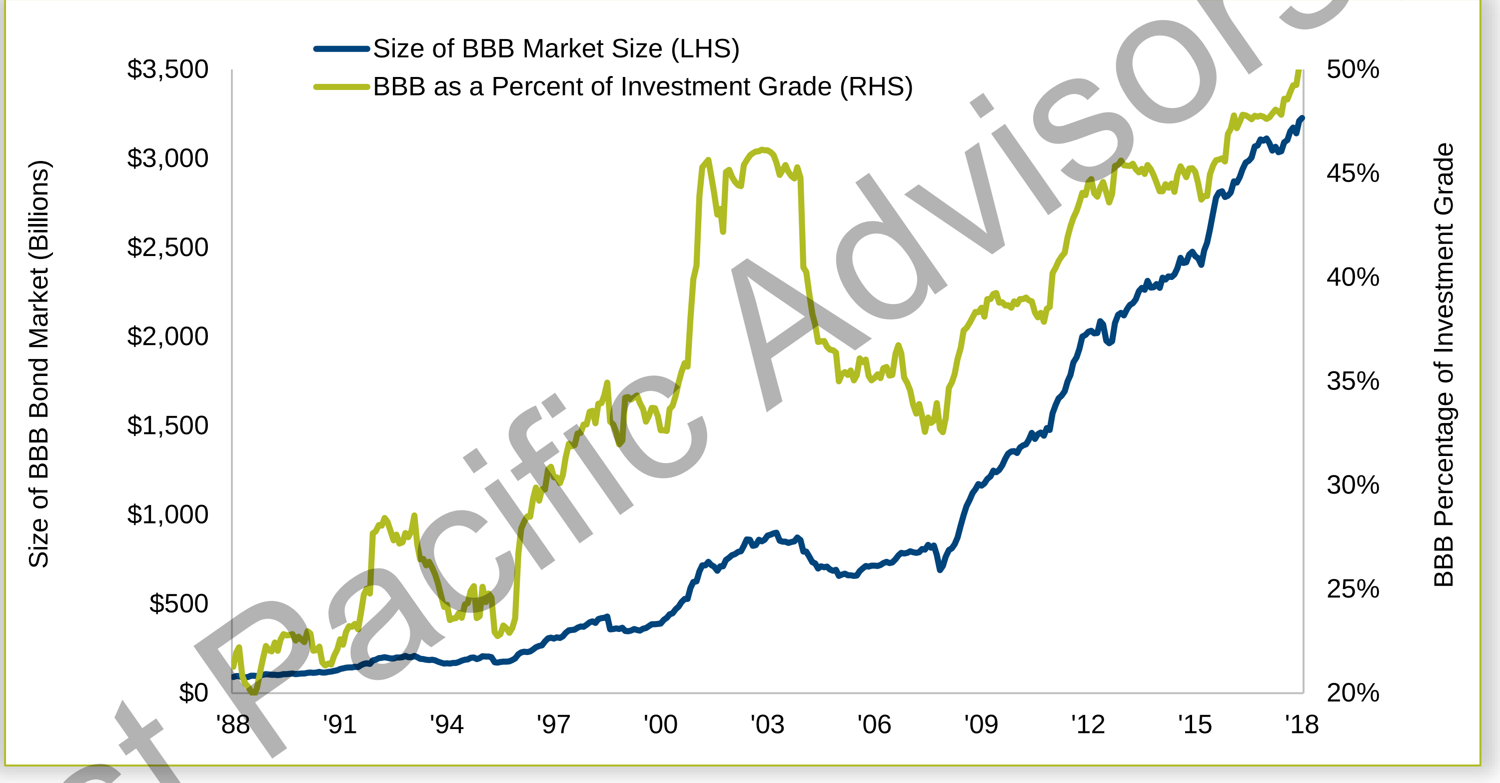


Please see **Important Disclosures** and glossary of terms at the end of this presentation. IG=Investment Grade.

Source: Morgan Stanley. As of September 30, 2018.

Special Commentary January 2019 “Risk is Where You're Not Looking” summary comments

BBB market size and percent of investment grade corporate bond market

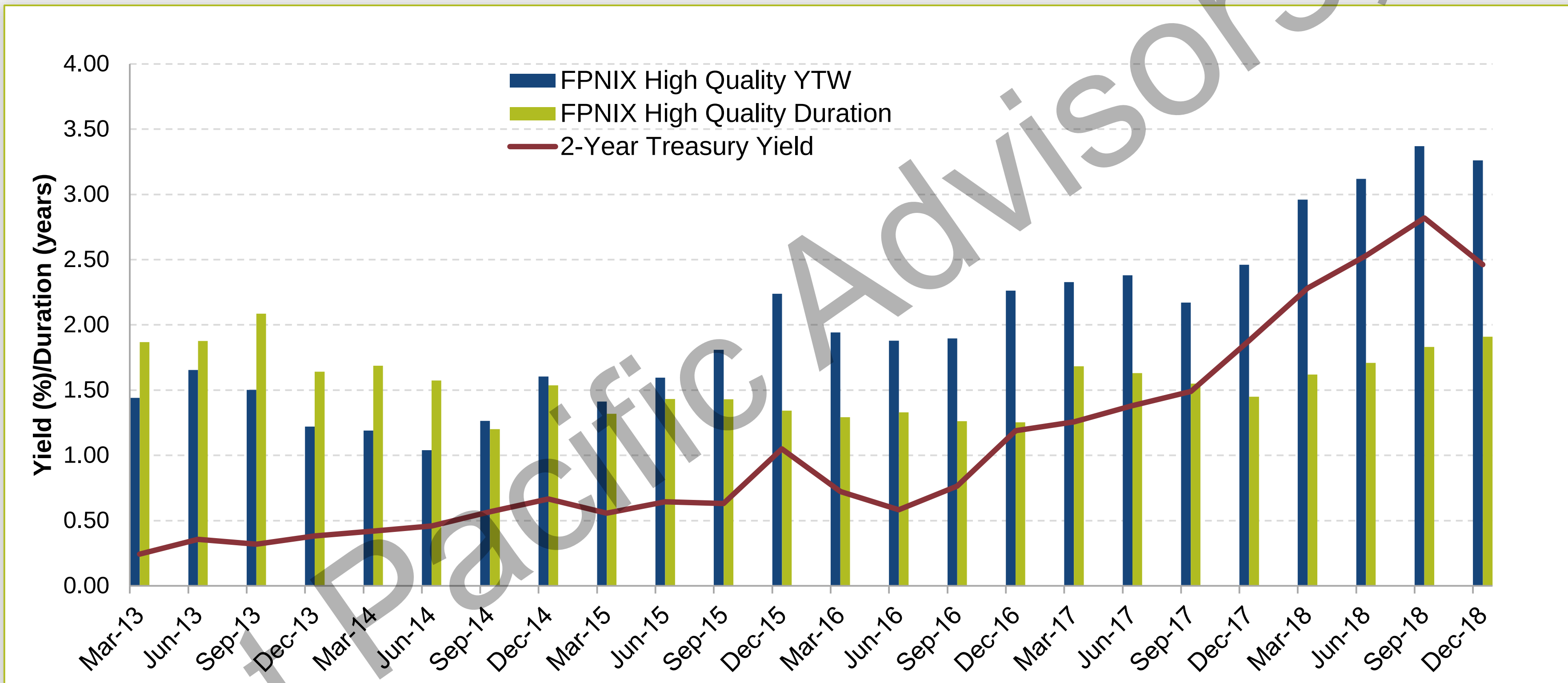


Source: Bloomberg. As of December 31, 2018. BBB market size represented by total market value of the ICE BofAML BBB US Corporate Index. BBB as a percent of Investment Grade is ICE BofAML BBB US Corporate Index divided by ICE BofAML US Corporate Index. Please see end of presentation for important disclosures and index definitions.

Portfolio Update

Fund high quality yield to worst and duration

FPA New Income high quality portion (A & above) yield to worst ("YTW") and effective duration vs. Two-Year Treasury yield



Source: FactSet. Data through December 31, 2018. Yield to Worst ("YTW") is presented gross of fees and reflects the lowest possible yield on a callable bond. As of December 31, 2018, the Fund's subsidized/unsubsidized 30-day SEC Standardized Yield ("SEC Yield") was 3.43%/3.35% respectively. The SEC Yield calculation begins with the Fund's dividend payments for the last 30 days, subtracts fund expenses and uses this number to estimate returns for a year. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. This calculation is based on the price of the Fund at the beginning of the month. The SEC yield reflects prospective data and thus assumes payments collected by the Fund may fluctuate. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures.**

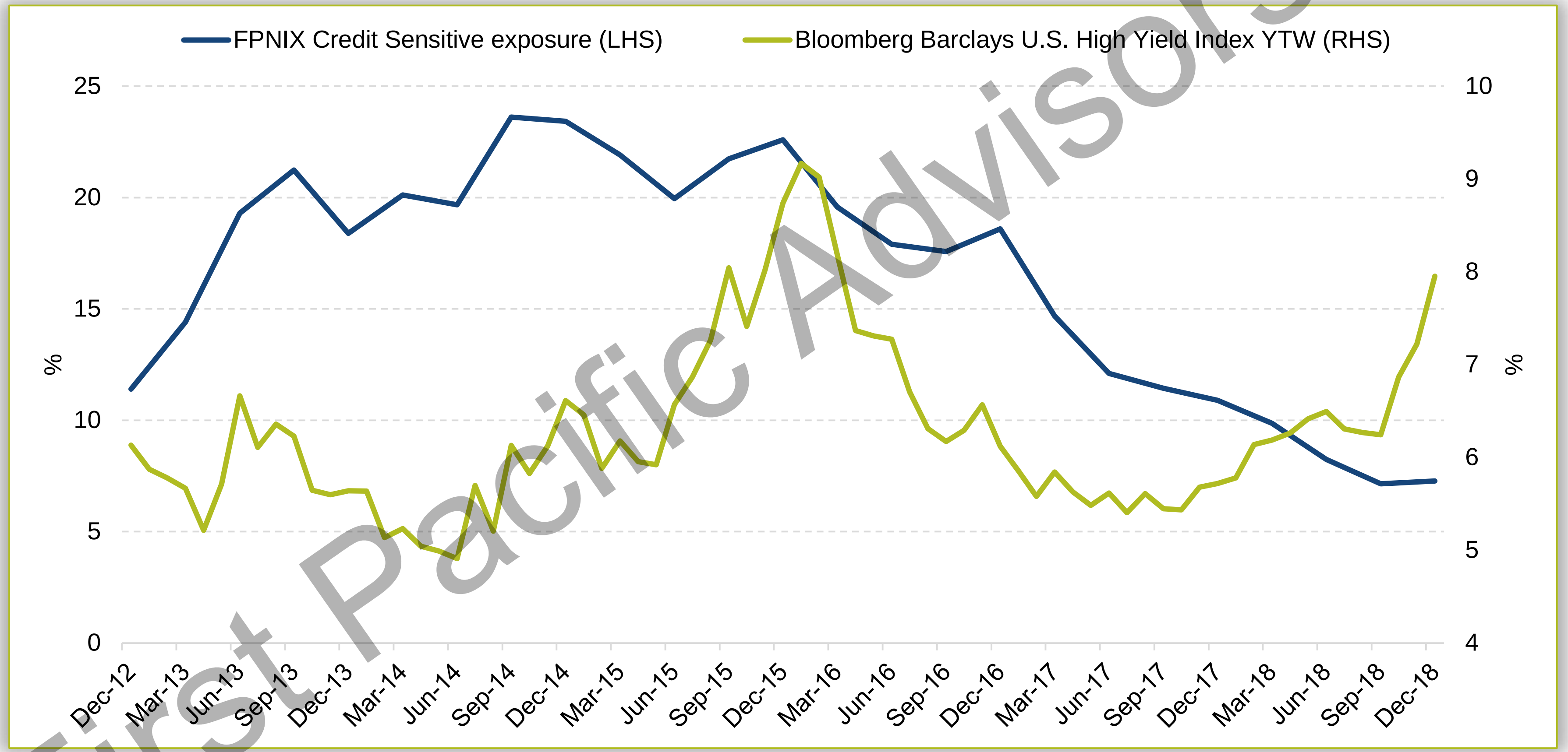
Portfolio contribution to return

	Q4 2018			YTD 2018		
	Average Weight (%)	Total Return (%)	Contribution to return (%)	Average Weight (%)	Total Return (%)	Contribution to return (%)
ABS	51.95	0.99	0.51	54.80	2.59	1.39
Auto	14.88	1.18	0.17	16.73	2.55	0.40
Equipment	12.01	1.19	0.14	12.40	2.13	0.26
CLO	12.02	0.40	0.05	12.96	2.89	0.38
Credit Cards	5.33	1.04	0.05	4.81	1.72	0.09
Other	7.71	1.13	0.09	7.91	2.98	0.26
CMO	13.08	1.29	0.17	12.26	2.23	0.29
Agency	4.60	1.89	0.09	5.18	1.79	0.09
Non-Agency	8.48	0.97	0.08	7.08	2.76	0.20
CMBS	7.97	1.89	0.15	9.13	5.21	0.46
Agency	0.01	0.38	0.00	0.01	1.58	0.00
Non-Agency	3.76	1.11	0.04	3.85	3.76	0.15
Stripped	4.20	2.63	0.11	5.27	6.57	0.32
Mortgage Pass-Through	13.42	1.77	0.26	6.51	2.09	0.29
Treasury	4.96	2.35	0.12	4.93	2.36	0.12
Cash and equivalents	3.00	0.68	0.01	5.63	1.94	0.08
MBS Stripped	0.02	0.54	0.00	0.02	1.23	0.00
Corporate	5.60	-4.75	-0.26	6.72	0.17	0.13
Bank Debt	2.40	-0.13	0.00	3.03	6.00	0.21
Corporate Bonds	3.18	-8.11	-0.25	3.66	-3.23	-0.06
Common Stock	0.01	-35.04	-0.01	0.03	-63.89	-0.02
Total	**100.00**	**0.95**	**0.95**	**100.00**	**2.76**	**2.76**

Source: Factset. The Fund's sector performance is presented gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns presented. Portfolio composition will change due to ongoing management of the Fund. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities/sectors listed. This is not a recommendation for a specific security/sector and these securities/sectors may not be in the Fund at the time you receive this presentation. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com. **Past performance is no guarantee, nor is it indicative, of future results.** Please refer to the end of the presentation for important disclosures.

Fund credit exposure over time

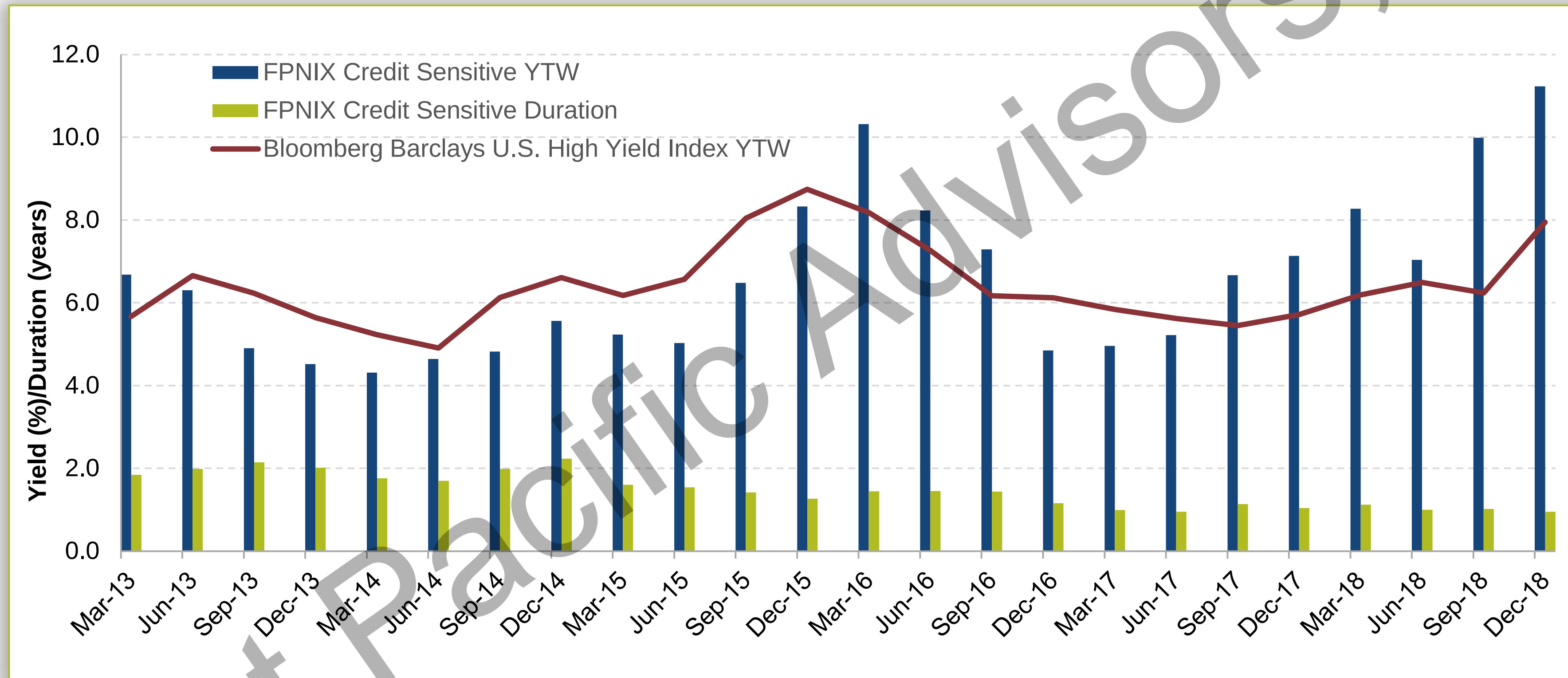
FPA New Income credit sensitive portion (BBB+ & below) allocation vs. Bloomberg Barclays U.S. High Yield Index YTW



Source: FactSet. Data through December 31, 2018. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. Portfolio composition will change due to ongoing management of the Fund. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures and index definitions.**

Fund credit yield to worst and duration

FPA New Income credit sensitive portion (BBB+ & below) yield to worst and effective duration vs. Bloomberg Barclays U.S. High Yield Index



Source: FactSet. Portfolio composition will change due to ongoing management of the Fund. Yield to Worst ("YTW") is presented gross of fees and reflects the lowest possible yield on a callable bond. As of December 31, 2018, the Fund's subsidized/unsubsidized 30-day SEC Standardized Yield ("SEC Yield") was 3.43%/3.35% respectively. The SEC Yield calculation begins with the Fund's dividend payments for the last 30 days, subtracts fund expenses and uses this number to estimate returns for a year. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. This calculation is based on the price of the Fund at the beginning of the month. The SEC yield reflects prospective data and thus assumes payments collected by the Fund may fluctuate. Comparison to indices are for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures.**

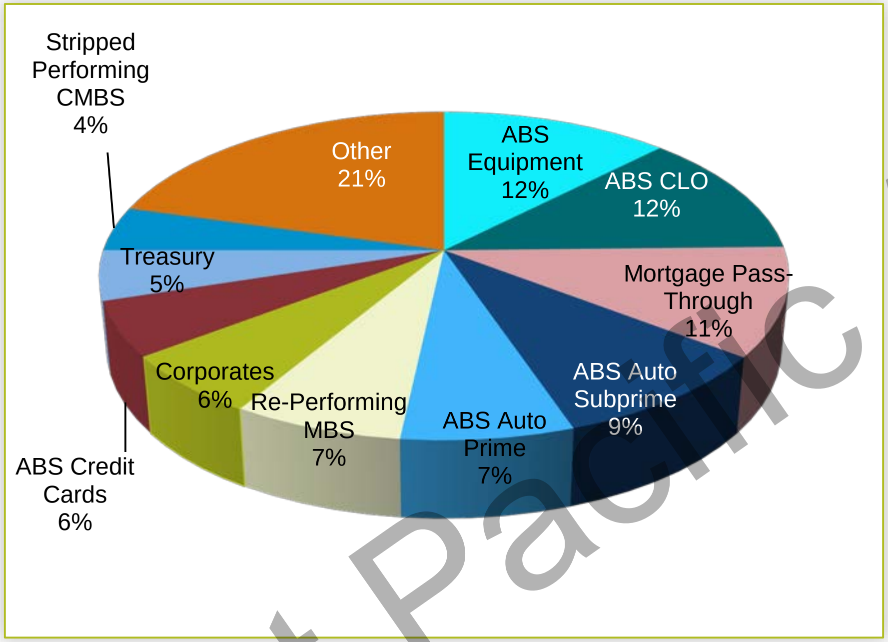
Portfolio characteristics

Sector	% Held (MV)	Maturity (Years)	Yield to Worst (%)	Effective Duration (Years)	Nominal Spread (Bps)
Cash & equivalents	5.1%	0.02	2.11	0.02	-28
U.S. Government	5.0%	3.67	2.48	3.49	1
Treasury	5.0%	3.67	2.48	3.49	1
Credit	5.7%	3.12	11.54	1.06	902
Corporate	5.7%	3.12	11.54	1.06	902
Securitized	84.2%	2.49	3.44	1.92	95
Mortgage Pass-Through	13.7%	3.19	2.88	3.09	41
Mortgage Backed (CMO)	12.9%	3.31	3.43	2.86	93
ABS	49.8%	1.97	3.59	1.34	107
CMBS	3.7%	1.61	3.93	1.24	187
Stripped Mortgage-Backed	4.1%	4.66	3.03	2.62	53
Total as of 12/31/18	**100.0%**	**2.5**	**3.79**	**1.8**	**130**
Total as of 9/30/18	**100.0%**	**2.3**	**3.82**	**1.8**	**101**

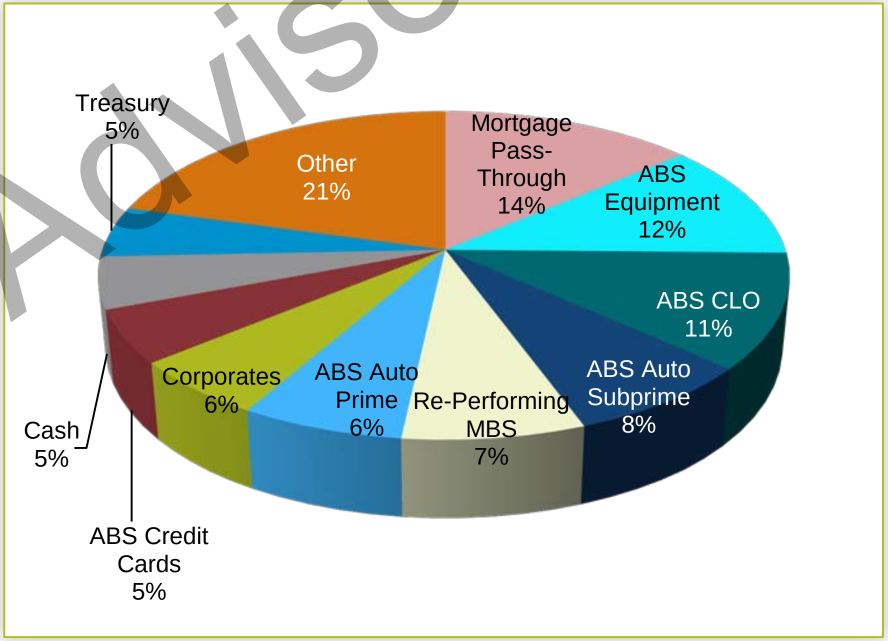
Source: FactSet. Portfolio Characteristics as of December 31, 2018. Portfolio composition will change due to ongoing management of the Fund. Yield to Worst ("YTW") is presented gross of fees and reflects the lowest possible yield on a callable bond. As of December 31, 2018, the Fund's subsidized/unsubsidized 30-day SEC Standardized Yield ("SEC Yield") was 3.43%/3.35% respectively. The SEC Yield calculation begins with the Fund's dividend payments for the last 30 days, subtracts fund expenses and uses this number to estimate returns for a year. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. This calculation is based on the price of the Fund at the beginning of the month. The SEC yield reflects prospective data and thus assumes payments collected by the Fund may fluctuate. **Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures and Glossary of Terms.**

Portfolio exposure changes

As of September 30, 2018



As of December 31, 2018



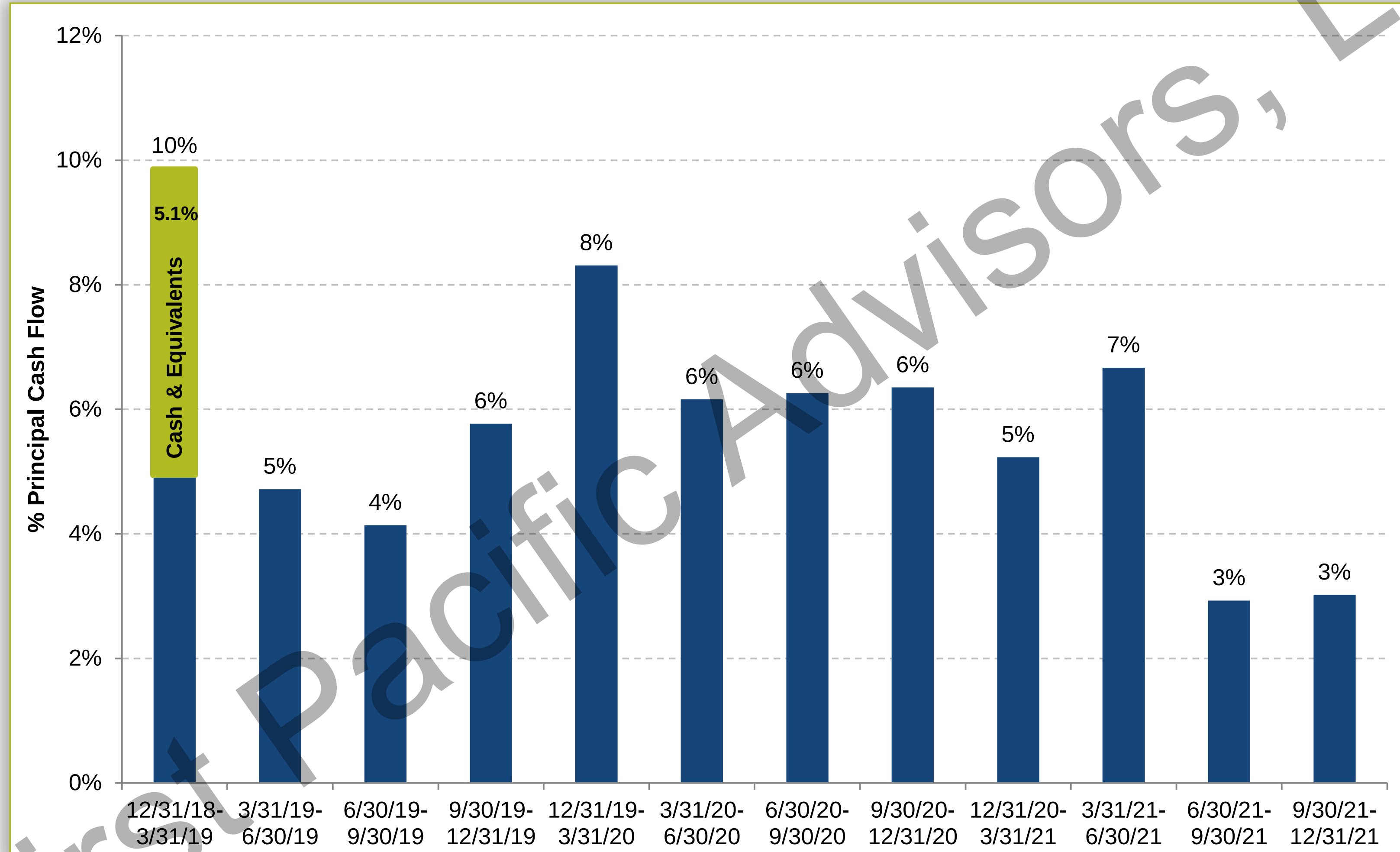
Source: FactSet. Portfolio composition will change due to ongoing management of the Fund. Please refer to the end of the presentation for important disclosures. “Other” category reflects investment ideas that are each less than 4% of the portfolio.

Portfolio breakdown by quality

% of Portfolio Held	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17
AAA	80.1	78.1	74.2	71.9	71.0
AA	8.3	10.0	11.3	11.3	10.9
A	4.3	4.7	6.3	6.9	7.1
BBB	0.2	0.2	0.3	0.3	0.3
BB	2.1	2.2	2.6	2.7	2.9
B & Below	3.4	3.5	1.4	1.8	2.1
Non-rated	1.6	1.3	4.0	5.0	5.7

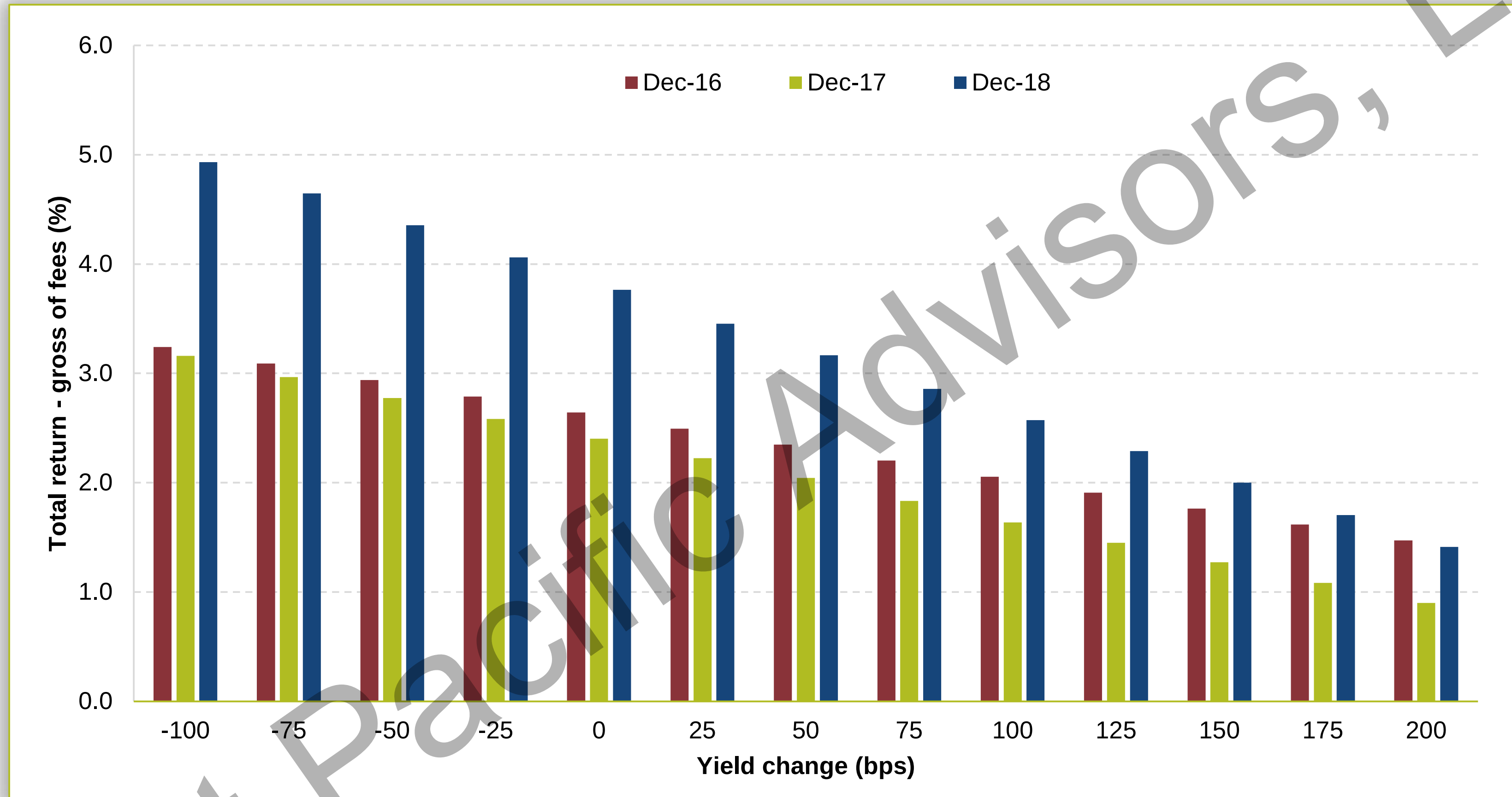
Source: FactSet. The Barclays Capital Family of Indices ratings rules use the median if more than two ratings are available from all NRSROs. Lower of the two is used if only two ratings are available from all NRSROs. Portfolio composition will change due to ongoing management of the Fund. **Please refer to the end of the presentation for important disclosures.**

Estimated quarterly principal cash flow for the Fund



Source: FactSet. **The estimated principal cash flows are being shown for illustrative purposes only**. Estimated principal cash flows are based on the underwriting assumptions of all bond holdings in the Fund as of 12/31/18 shown as a percentage of 12/31/18 market value and assumes no defaults and no purchases or sales. Portfolio composition may change due to ongoing management of the Fund. Estimated cash flows are not guaranteed and subject to change. Various economic and market factors may have a material impact on the estimates shown, including lack of liquidity or default risk. No representation is being made that the Fund will or is likely to achieve results similar to those shown. There are frequently sharp differences between estimated results and the actual results subsequently achieved by any particular account, product or strategy. **Please refer to the end of the presentation for important disclosures.**

Portfolio duration protection – stress test analysis



The Chart shows the hypothetical impact of rate change on a fixed income portfolio's performance in one year as of the month ends noted assuming: (i) a gradual shift in yield over a 12-month period; (ii) zero reinvestment rate; (iii) new securities are not purchased to replace securities that mature within the 12 months. The performance is presented gross of investment management fees, transactions costs, and operating expenses, which if included, would reduce the returns presented. **Stress Test data is hypothetical and provided for illustrative purposes only, and is intended to demonstrate the mathematical impact of changes in yield.** No representation is being made that the Fund will or is likely to achieve results similar to those shown. Hypothetical results do not reflect trading in actual accounts, and does not reflect the impact that economic or market factors might have on the results shown. Hypothetical results have certain inherent limitations. There are frequently sharp differences between simulated results and the actual results subsequently achieved by any particular account, product or strategy. Please refer to page 7 for net performance of the Fund since inception. **Past performance is no guarantee of future results. Please refer to the end of the presentation for important disclosures.**

FPA Flexible Fixed Income Fund ("FFI")

Strategy Highlights

	FFI	FPA New Income Fund
Short-term goal	Seeks positive absolute returns in a 36-month period	Seeks positive absolute returns in a 12-month period
Long- term goal	Seeks positive real returns (outperform inflation plus 200 basis points) over five-year period and competitive returns versus bond market universe	Seeks positive real returns (outperform inflation plus 100 basis points) over five-year period and competitive returns versus bond market universe
Benchmark	Benchmark indifferent	Benchmark indifferent
Credit quality*	Maximum 75% of portfolio market value can be rated less than A-	Maximum 25% of portfolio market value can be rated less than A-
Peer group	Morningstar Nontraditional Bond Funds	Morningstar Short-Term Bond Funds

FFI may be suitable for investors who:

- Have at least a ~3-year investment time horizon
- Want a strategy that has more flexibility to alter non-investment grade exposure and duration based on valuations
- Value the potential for compelling risk-adjusted performance as much or more than total returns

* Portfolio limits are measured at time of purchase.

Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures and definitions.

Analysis: credit risk

Credit Sensitive (below A- rated) exposure

	BB HY YTW excl. energy < 7%	BB HY YTW excl. energy ≥ 7%
BB HY spread excl. energy < 250 bps	Credit exposure ~20-50%	Credit exposure ~20-50%
BB HY spread excl. energy ≥ 250 bps	Credit exposure ~20-50%	Credit exposure ~50-75%

Current environment is highlighted on the chart.

- High Quality allocation is a residual of the lack of compelling credit sensitive investment ideas.

Source: FPA, FactSet. The chart reflects the potential exposure of the FFI Hypothetical Portfolio to credit sensitive issuers that FPA expects in different market environments. These expectations are subject to change at any time. “Current environment” is as of the date of this presentation.

“High Quality” means securities A- and above. “Credit Sensitive” means securities below A-. “bps” means basis points.

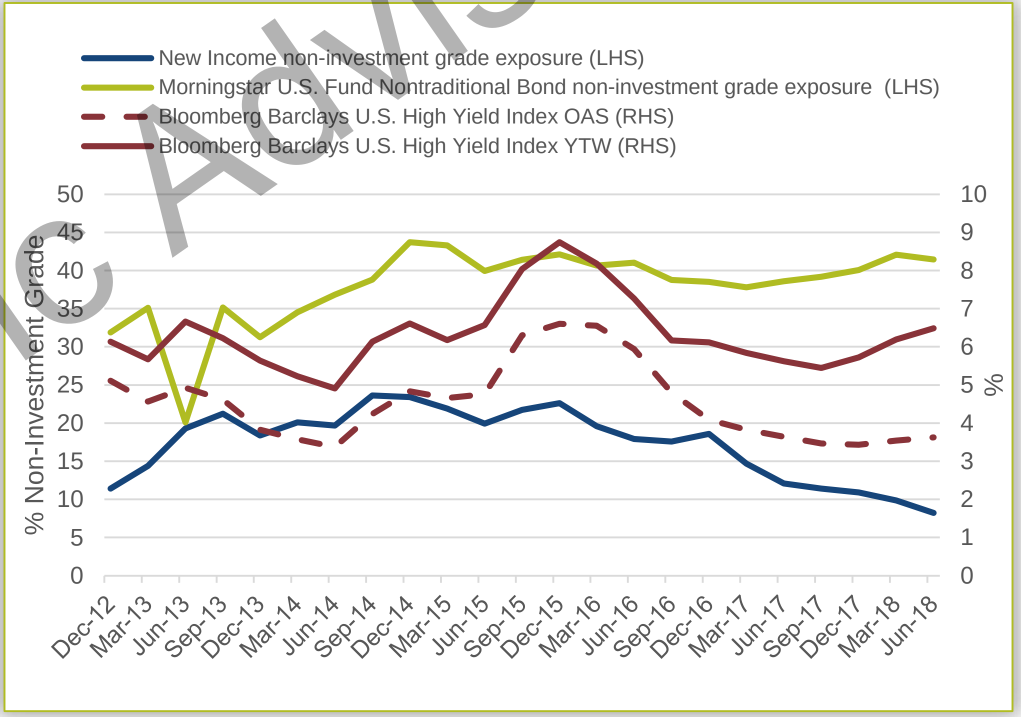
Why Launch FFI?

We think FFI can be an attractive solution compared to other similar strategies as we believe they, on average:

- Charge too much in absolute terms and relative to total return potential: the average nontraditional fund charges 1.25% (Source: Morningstar)
- Do not meaningfully alter their high-yield exposure to valuations (see chart below)
- Have higher turnover

FFI investment approach:

- Buy and hold approach
- Nimble, opportunistic
- Primarily invest in "cash bonds"
- Predictable non-investment grade exposure based on market environment
- No leverage



Source: Bloomberg Barclays, Morningstar. OAS=Option Adjusted Spread.

Comparison to indices are for illustrative purposes only. The strategies do not include outperformance of any index or benchmark in the investment objectives**. Past performance is no guarantee, nor is it indicative, of future results. Please refer to the end of the presentation for important disclosures and definitions.**

FFI update

Terms

- Management fee: 0.50%
  - Places FFI in the cheapest quartile of the Morningstar Nontraditional Bond category.
- Net annual expense ratio
  - 0.39% during 2019
  - 0.49% during 2020
  - 0.59% during 2021
- Available on major platforms (including Charles Schwab & Co, Fidelity, TD Ameritrade, Pershing, Wells Fargo)

Update on the Fund

- Approximate assets as of 1/31/19: $19 million
  - Greater than $3 million from FPA employees
- Transition to model portfolio approximately 25% complete
- Yield, duration, and credit profile of invested assets broadly similar to FPA New Income's positioning

The FPA Flexible Fixed Income Fund's Total Annual Fund Operating Expenses are 0.97%. First Pacific Advisors, LP ("FPA" or the "Adviser"), the Fund's investment adviser, has contractually agreed to reimburse the Fund for Total Annual Fund Operating Expenses (excluding interest, taxes, brokerage fees and commissions payable by the Fund in connection with the purchase or sale of portfolio securities, and extraordinary expenses, including litigation expenses not incurred in the Fund's ordinary course of business) in excess of 0.39% of the average net assets of the Fund through December 31, 2019, in excess of 0.49% of net assets of the Fund for the year ended December 31, 2020, and in excess of 0.59% of net assets of the Fund for the year ended December 31, 2021. During the term of the current expense limit agreement, beginning December 31, 2018 and ending December 31, 2021, any expenses reimbursed to the Fund by FPA during any of the previous 36 months may be recouped by FPA, provided the Fund's Total Annual Fund Operating Expenses do not exceed the then-applicable expense limit. Beginning January 1, 2022, any expenses reimbursed to the Fund by FPA during any of the previous 36 months may be recouped by FPA, provided the Fund's Total Annual Fund Operating Expenses do not exceed 0.64% of average net assets of the Fund for any subsequent calendar year, regardless of whether there is a then-effective higher expense limit. This agreement may only be terminated earlier by the Fund's Board of Trustees (the "Board") or upon termination of the Advisory Agreement.

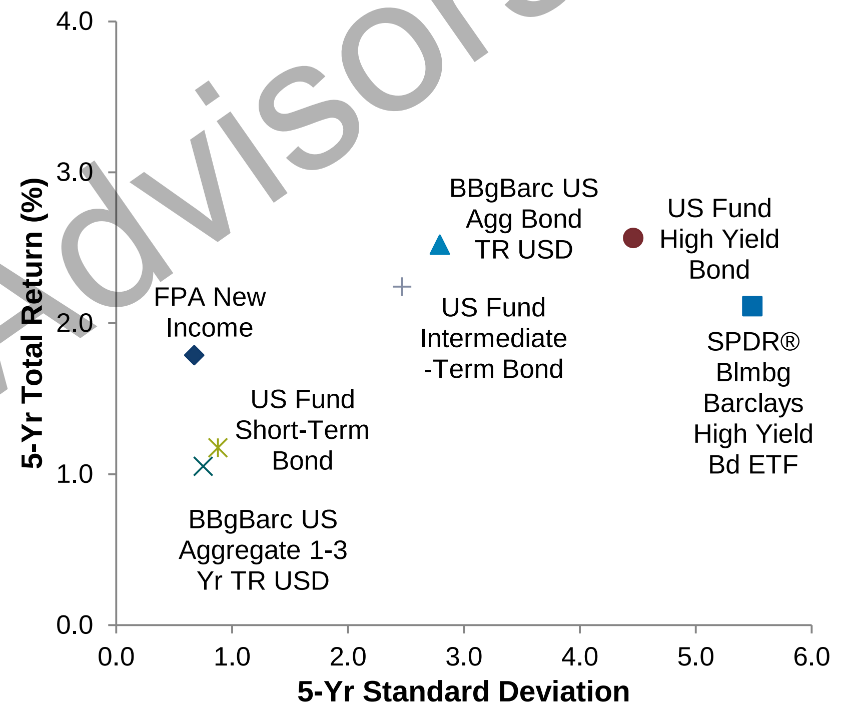
How to use

How to use FPA New Income (“New Income”)

- May be appropriate for investors with at least a 1 year investment time horizon given its mandate
- May be used as a high-quality short-term bond fund
- May be used as a conservative “core” bond fund
  - With 34 years consecutive years of positive calendar year returns, it may be used as an anchor or ballast in an overall or bond portfolio.

How to use FPA Flexible Fixed Income Fund (“FFI”)

- May be appropriate for investors with at least a 3 year investment time horizon given its mandate
- May be used as a flexible “core plus” bond fund given its mandate
- May be used a nontraditional bond fund given it has an ability to have varied and material interest rate risk and credit exposure



Source: Morningstar Direct. Inception date of the New Income was July 11, 1984. New Income performance is shown net of all fees and expenses and includes the reinvestment of distributions. Annual performance since inception is provided on page 8. Comparison to indices are for illustrative purposes only. New Income does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index. **Past performance is no guarantee, nor is it indicative, of future results.**

Inception date of FFI was December 31, 2018. FFI currently does not have a performance track record.

Please refer to the end of the presentation for important disclosures.

Question & Answer

Important Disclosures

This presentation is for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale with respect to any securities, products or services discussed, and neither does it provide investment advice. Any such offer or solicitation shall only be made pursuant to the Fund's Prospectus, which supersedes the information contained herein in its entirety. This presentation does not constitute an investment management agreement or offering circular.

The information contained herein reflects the opinions of portfolio manager/presenter as of the date provided, is subject to change, and may be forward-looking and/or based on current expectations, projections, and/or information currently available. Such information may not be accurate over the long-term. The views are those of the presenter acting in his individual capacity and not as a representative of the firm. These views may differ from other portfolio managers and analysts of the firm as a whole, and are not intended to be a forecast of future events, a guarantee of future results, or investment advice.

Thomas Atteberry and Abhijeet Patwardhan have been portfolio managers in this strategy since November 2004 and November 2015, respectively, and manage the strategy in a manner that is substantially similar to the prior portfolio manager, Robert Rodriguez. Mr. Rodriguez ceased serving as the strategy's portfolio manager effective December 2009.

Not authorized for distribution unless preceded or accompanied by a current prospectus. The prospectus can be accessed at: https://fpa.com/docs/default-source/funds/fpa-new-income/literature/fpa-new-income-prospectus_01-31-19_web-ready.pdf?sfvrsn=4

You should consider the Fund's investment objectives, risks, and charges and expenses carefully before you invest. The Prospectus details the Fund's objective and policies and other matters of interest to the prospective investor. Please read this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpa.com, by calling toll-free, 1-800-982-4372, or by contacting the Fund in writing.

This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. As with any investment, there is always the potential for gain, as well as the possibility of loss. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Current month-end performance data, which may be lower or higher than the performance data quoted, may be obtained at www.fpa.com or by calling toll-free, 1-800-982-4372. The Fund's net expense ratio as indicated in its most recent prospectus is 0.49%.

Any mention of individual securities or sectors is for informational purposes only and should not be construed as a recommendation to purchase or sell such securities, and any information provided is not a sufficient basis upon which to make an investment decision. It should not be assumed that future investments will be profitable or will equal the performance of any security examples discussed. The statements made herein may be forward-looking and/or based on current expectations, projections, and/or information currently available. Actual results may differ from those anticipated. The presenter and/or FPA cannot assure future results and disclaims any obligation to update or alter any statistical data and/or references thereto, as well as any forward-looking statements, whether as a result of new information, future events, or otherwise. Such statements may or may not be accurate over the long-term.

NO INVESTMENT DECISIONS SHOULD BE BASED IN ANY MANNER ON THE INFORMATION AND OPINIONS SET FORTH IN THIS PRESENTATION. YOU SHOULD VERIFY ALL CLAIMS, DO YOUR OWN DUE DILIGENCE AND/OR SEEK ADVICE FROM YOUR OWN PROFESSIONAL ADVISOR(S) AND CONSIDER THE INVESTMENT OBJECTIVES AND RISKS AND YOUR OWN NEEDS AND GOALS BEFORE INVESTING IN ANY SECURITIES MENTIONED. AN INVESTMENT IN ANY SECURITY MENTIONED DOES NOT GUARANTEE A POSITIVE RETURN AS SECURITIES ARE SUBJECT TO MARKET RISKS, INCLUDING THE POTENTIAL LOSS OF PRINCIPAL.

The information provided does not constitute, and should not be construed as, a recommendation, financial promotions, investment advice, encouragement or an offer or solicitation with respect to any securities, products or services discussed. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. This information and data has been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

Investments, including mutual fund investments, carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities, including American Depository Receipts (ADRs) and other depository receipts, are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Groups of stocks, such as value and growth, go in and out of favor which may cause underperformance as compared to other equity groups. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale.

Important Disclosures (continued)

The return of principal in a bond investment is not guaranteed. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds. High yield securities, senior loans, private placements, or restricted securities may carry liquidity risks.

Mortgage-Backed and Asset-Backed Risk. Mortgage-related and other asset-backed securities represent interests in “pools” of mortgages or other assets such as consumer loans or receivables held in trust and often involve risks that are different from or possibly more acute than risks associated with other types of debt instruments. Mortgage-related and asset-backed securities are subject to prepayment risk and can be highly sensitive to changes in interest rates. Mortgage-backed and asset-backed securities, and in particular those not backed by a government guarantee, are subject to credit risk/risk of default on the underlying mortgages or other assets. Asset-backed are also subject to additional risks associated with the nature of the assets and the servicing of those assets.

Interest rate risk is when interest rates go up, the value of fixed income securities, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principal due to the issuer’s failure to repay a loan. Generally, the lower the quality rating 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 the security may lose some or all of its value. The return of principal in a bond investment is not guaranteed. Bonds have issuer, interest rate, inflation and credit risks. Lower rated bonds, callable bonds and other types of debt obligations involve greater 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 styles of investing during given periods.

In relation to the FNI and FFI Funds, portfolio composition will change due to ongoing management of the Funds. References to individual securities are for informational purposes only and should not be construed as recommendations by the Funds, the Adviser, the portfolio managers, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at www.fpa.com.

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

Important Disclosures for Hypothetical Stress-Tested Results and Estimated Principal Cash Flows

The hypothetical and estimated data provided herein is for illustrative and informational purposes only. No representation is being made that the Fund will or is likely to achieve profits, losses, or results similar to those shown. Hypothetical and estimated results do not reflect trading in actual accounts, and do not reflect the impact that economic, market or other factors may have on the management of the account.

The hypothetical and estimated results as set forth in this presentation do not represent actual results; actual results may significantly differ from the theoretical data being presented. Hypothetical/estimated results have certain inherent limitations. Hypothetical models theoretically may be changed from time to time to obtain more favorable results. There may be sharp differences between simulated or estimated results and the actual results subsequently achieved by any particular account, product or strategy. In addition, simulated/estimated results cannot account for the impact of certain market risks such as a lack of liquidity or default risk. There are numerous other factors related to the markets in general or the implementation of any specific strategy which cannot be fully accounted for in the preparation of simulated or estimated results, all of which can adversely affect actual results.

A client’s individual portfolio results may vary from any hypothetical or estimated results because of the timing of trades, deposits and withdrawals, the impact of management fees and taxes, market fluctuations, trading costs, cash flows, custodian fees, among other factors. Hypothetical results are not meant to be construed as a prediction of the future return of the Fund. **Past performance is no guarantee, nor is it indicative, of future results.**

Certain statements are forward-looking and/or based on current expectations, projections, and information currently available to First Pacific Advisors, LP (“FPA”). Such statements may or may not be accurate over the long-term. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, actual results may differ from those we anticipate. We cannot assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. Statistical data or references thereto were taken from sources which we deem to be reliable, but their accuracy cannot be guaranteed.

Important Disclosures (continued)

Index Definitions

Index returns are provided for comparison purposes only. Indices are unmanaged and index returns do not reflect transactions costs (e.g., commissions), investment management fees or other fees and expenses that would reduce performance for an investor. Indices have limitations when used for comparative purposes because they may have volatility, credit, or other material characteristics that are different from the referenced fund. For example, the referenced fund may hold underlying securities that are not included in any index used for comparative purposes and FPA makes no representation that the referenced fund is comparable to any such index in composition or element of risk involved. Any comparisons herein of the investment performance of a referenced fund to an index are qualified as follows: (i) the volatility of such index may be materially different from that of the referenced fund; (ii) such index may employ different investment guidelines and criteria than the referenced fund and, therefore, holdings in such fund may differ significantly from holdings of the securities that comprise such index; and (iii) the performance of such index may not necessarily have been selected to represent an appropriate index to compare to the performance of the referenced fund, but rather, is disclosed to allow for comparison of the referenced fund's performance (or the performance of the assets held by such fund) to that of a well-known index. Indexes should not be relied upon as a fully accurate measure of comparison. No representation is made as to the risk profile of any index relative to the risk profile of the referenced fund. It is not possible to invest directly in an index.

Bloomberg Barclays Aggregate 1-3 Year Index provides a measure of the performance of the US investment grade bonds market, which includes investment grade US Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have a remaining maturity of 1 to 3 years. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable.

Bloomberg Barclays U.S. Aggregate Bond Index provides a measure of the performance of the US investment grade bonds market, which includes investment grade US Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States. The securities in the Index must have at least 1-year remaining in maturity. In addition, the securities must be denominated in US dollars and must be fixed rate, nonconvertible, and taxable.

Bloomberg Barclays U.S. High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

Bloomberg Barclays U.S. IG Corporate Bond Index measures the investment-grade, fixed-rate, taxable corporate bond market.

Credit Suisse Liquid US Corporate Index (LUCI) is a composite universe that is designed to track the liquid, tradable, US dollar-denominated investment-grade corporate

bond market.

Credit Suisse Liquid HY Index reflects a trader-priced portfolio constructed to mirror the global high-yield debt market.

Credit Suisse Leverage Loan Index represents tradable, senior-secured, U.S.-dollar-denominated non-investment-grade loans.

Credit Suisse U.S. Treasury Index represents US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Consumer Price Index ("CPI") is an unmanaged index representing the rate of the inflation of U.S. consumer prices as determined by the U.S. Department of Labor Statistics. The CPI is presented to illustrate the Fund's purchasing power against changes in the prices of goods as opposed to a benchmark, which is used to compare the Fund's performance. There can be no guarantee that the CPI will reflect the exact level of inflation at any given time.

CPI + 100 bps measure of the CPI plus an additional 100 basis points.

ICE BofAML US Corporate BBB is a subset of the ICE BofAML US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a given investment grade rating BBB.

S&P 500 Index: An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Important Disclosures (continued)

Morningstar Bond Categories

The Nontraditional Bond category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond fund universe. Many funds in this group describe themselves as "absolute return" portfolios, which seek to avoid losses and produce returns uncorrelated with the overall bond market; they employ a variety of methods to achieve those aims. Another large subset are self described "unconstrained" portfolios that have more flexibility to invest tactically across a wide swath of individual sectors, including high yield and foreign debt, and typically with very large allocations. Funds in the latter group typically have broad freedom to manage interest rate sensitivity, but attempt to tactically manage those exposures in order to minimize volatility. The category is also home to a subset of portfolios that attempt to minimize volatility by maintaining short or ultra short duration portfolios, but explicitly court significant credit and foreign bond market risk in order to generate high returns. Funds within this category often will use credit default swaps and other fixed income derivatives to a significant level within their portfolios.

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade US fixed-income issues and typically have durations of 3.5 to 6.0 years. These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Intermediate-term is defined as 75% to 125% of the three-year average effective duration of the MCBI.

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and typically have durations of 1.0 to 3.5 years. These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations. Morningstar calculates monthly breakpoints using the effective duration of the Morningstar Core Bond Index in determining duration assignment. Short-term is defined as 25% to 75% of the three-year average effective duration of the MCBI.

High-yield bond portfolios concentrate on lower-quality bonds, which are riskier than those of higher-quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk. These portfolios primarily invest in US high-income debt securities where at least 65% or more of bond assets are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

Morningstar does not adjust total return for sales charges or for redemption fees.

Glossary of Terms appears on the following pages

Glossary of terms

ABS (Asset Backed Securities): financial securities backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.

Average Life (years) is the average length of time that each dollar of unpaid principal on a loan, a mortgage or an amortizing bond remains outstanding.

Credit ratings range from AAA (highest) to D (lowest). Securities rated BBB or above are considered investment grade. Securities rated BB and below are lower-rated securities (junk bonds). High-yielding, non- investment grade bonds (junk bonds) involve higher risks than investment grade bonds.

Bps (Basis Points): a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

CMBS (Commercial Mortgage Backed Security): a mortgage-backed security backed by commercial mortgages rather than residential mortgages.

CMO (Collateralized Mortgage Obligation): a mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes.

Coupon: The interest rate stated on a bond when it's issued. The coupon is typically paid semiannually.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

Effective Duration: the duration calculation for bonds with embedded options. Effective duration takes into account that expected cash flows will fluctuate as interest rates change.

Exchange traded fund (ETF) is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange.

Forward price to earnings (forward P/E) is a measure of the price-to-earnings (P/E) ratio using forecasted earnings for the P/E calculation. While the earnings used are just an estimate and are not as reliable as current earnings data, there is still benefit in estimated P/E analysis. The forecasted earnings used in the formula can either be for the next 12 months or for the next full-year fiscal period.

GNMA: Government National Mortgage Association

High Yield (HY) bond is a high paying bond with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

Investment Grade (IG) is a rating that indicates that a municipal or corporate bond has a relatively low risk of default.

Maturity: The period of time for which a financial instrument remains outstanding.

Mortgage Pass-Through: a security representing a direct interest in a pool of mortgage loans.

MV (Market Value): the price an asset would fetch in the marketplace. For publicly traded companies it is obtained by multiplying the number of its outstanding shares by the current share price.

Glossary of terms (continued)

The net debt to earnings before interest depreciation and amortization (EBITDA) ratio is a measurement of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA

Nominal Spread: the spread, expressed in percent or basis points, that when added to the yield at one point on the Treasury yield curve equals the discount factor that will make a security's cash flows equal to its current market price.

OAS (Option Adjusted Spread) is a measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

Real yield is the nominal yield of a bond minus the rate of inflation.

Risk-free rate of return is the theoretical rate of return of an investment with zero risk. The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

RMBS (Residential Mortgage Backed Securities): mortgage-backed securities backed by residential mortgages.

Sharpe Ratio measures risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate - such as that of the 10-year U.S. Treasury bond - from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Sortino Ratio differentiates between good and bad volatility in the Sharpe ratio. This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund's performance without penalizing it for upward price changes.

Standard deviation is a measure of the dispersion of a set of data from its mean; more spread-apart data has a higher deviation.

Turnover Ratio is the percentage of a mutual fund or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

Spread-to-Worst: the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities.

Stripped Mortgage-Backed Securities: a trust comprised of mortgage-backed securities which are split into principal-only strips and interest-only strips.

Weighted Average Life: the average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding.

Yield to Maturity: the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate. The YTM calculation takes into account the bond's current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield.

Yield to Worst: the lowest amount that an investor will make from a bond, computed by using the lower of the yield to maturity and the yield to call on every call date.