



Litman Gregory Special Webinar Series: Absolute Return

Featuring Steven Romick of FPA

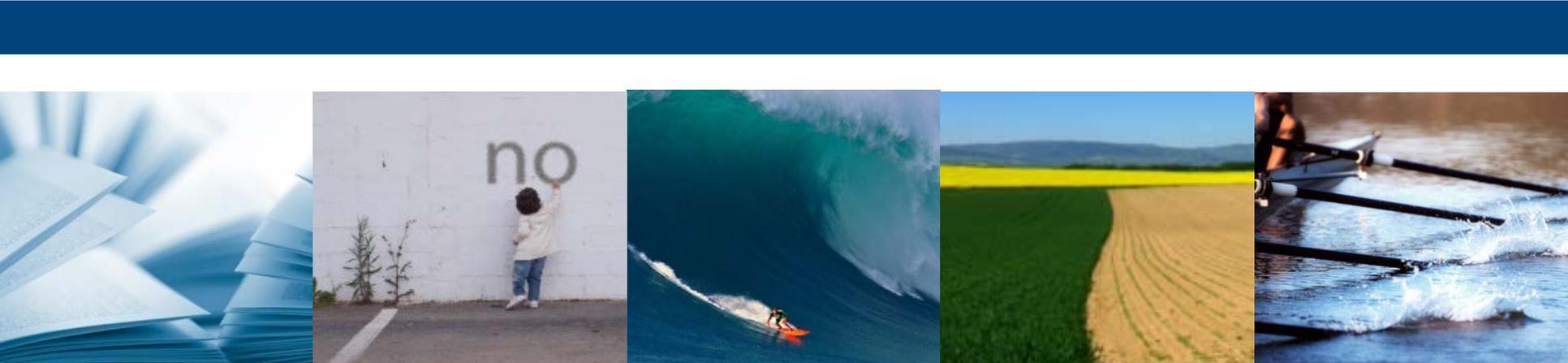
Speakers on Today's Webinar



Jeremy DeGroot
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Steven Romick
FPA
Managing Partner,
Portfolio Manager



FPA Contrarian Value

Steven Romick

First Pacific Advisors, Managing Partner & Portfolio Manager

May 4, 2020

US stocks still aren't cheap

US Shiller P/E



Chart data through April 13, 2020.

Source: Robert Shiller, <http://www.econ.yale.edu/~shiller/data.htm>. The Shiller P/E ratio is calculated by dividing the current price of the S&P 500 by ten-year average earnings and adjusting for inflation. CAPE = cyclically adjusted price-to-earnings ratio, and is also commonly known as the Shiller P/E ratio or P/E 10 ratio.

Int'l stocks have underperformed US by 34%

Cumulative Performance of US Stocks and International Stocks
Since March 8, 2016 (When Divergence Became More Significant)



As of March 31, 2020

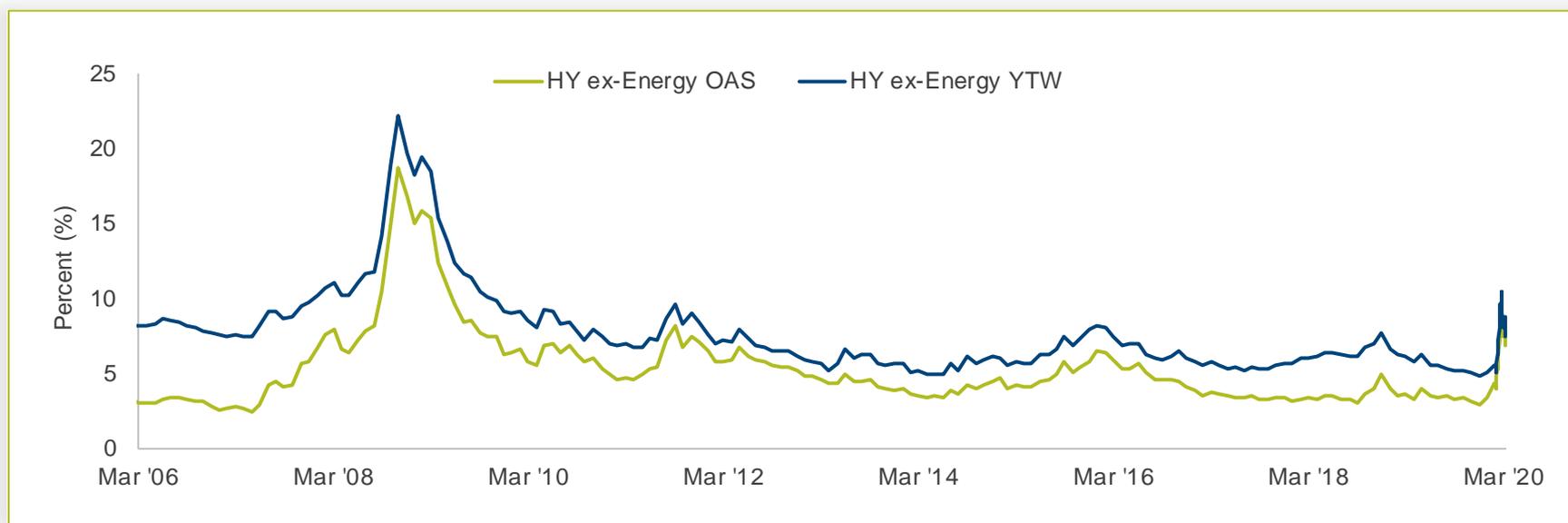
Source: Bloomberg

March 8, 2016 represents the date from which the dispersion in cumulative performance between S&P 500 and MSCI EAFE became more significant than historically.

Past results are no guarantee, nor are they indicative, of future results. Please see the end of this presentation for important disclosures.

Fed's debt purchase program reduced high-yield opportunity

US High-Yield ex Energy Yield To Worst and Option-Adjusted Spread



	12/31/2019	2/19/2020	3/23/2020	3/31/2020	4/9/2020
Spread (bps)	295	289	973	749	684
YTW	4.77%	4.55%	10.40%	8.12%	7.48%

Chart data through March 31, 2020.

Source: Bloomberg. US High Yield ex Energy is represented by the Bloomberg Barclays US High Yield ex-Energy Index. Yield to worst reflects the lowest possible yield on a callable bond without the issuer defaulting. It does not represent the yield an investor should expect to receive. The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option.

Banks as inexpensive as during the GFC

S&P 500 Banks Index Price/Book

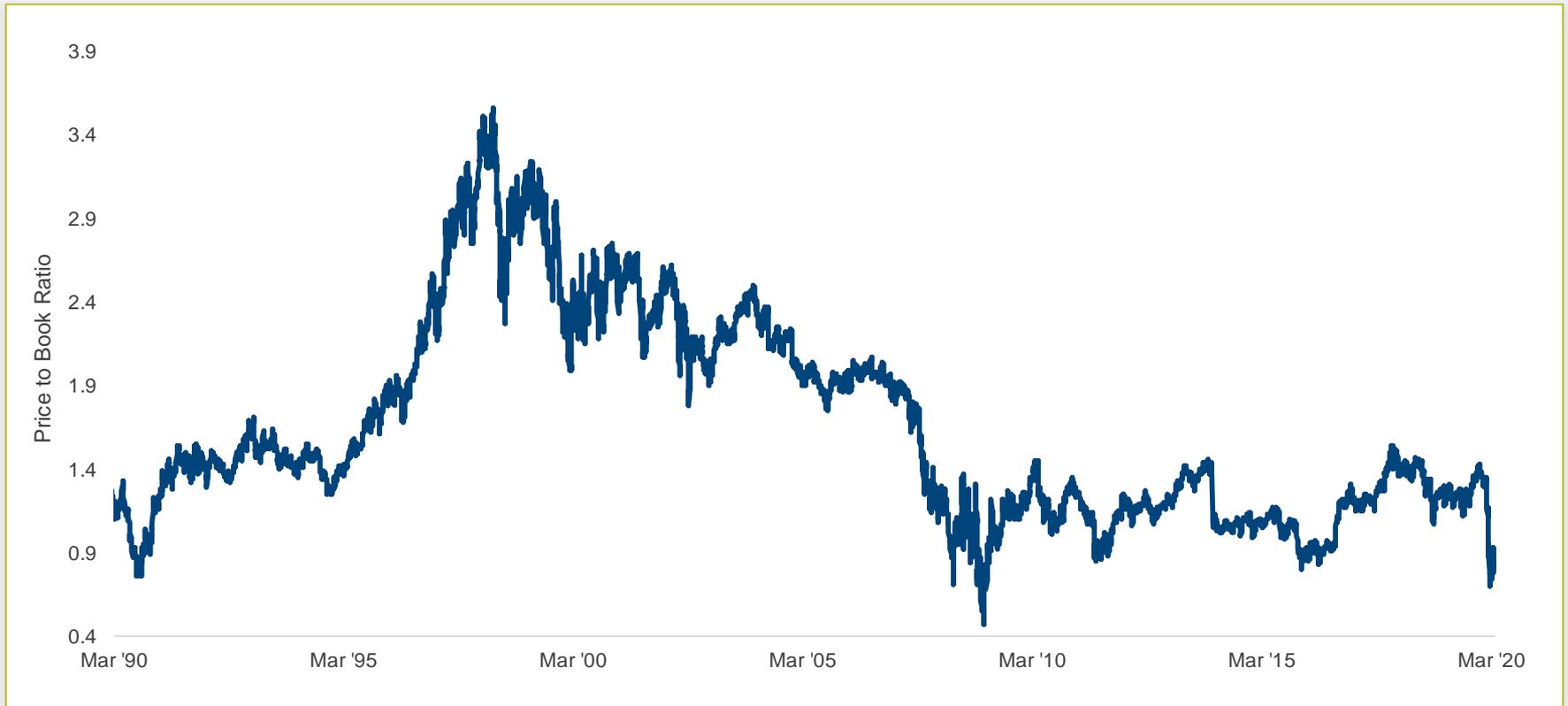


Chart data through April 24, 2020.

Source: Bloomberg. The Banks Index is represented by the S&P 500 Banks Industry Group GICS Level 2 Index. Price to book is calculated by dividing the company's stock price per share by its book value per share (BVPS). An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it netting the asset against its accumulated depreciation.

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

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Fund performance presented is calculated on a total return basis, which includes the reinvestment of all income, plus realized and unrealized gains/losses, if applicable. Unless otherwise indicated, performance results are presented on a net of fees basis and reflect the deduction of, among other things: management fees, brokerage commissions, operating and administrative expenses, and accrued performance fee/allocation, if applicable.

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. The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; 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. Short-selling involves increased risks and transaction costs. You risk paying more for a security than you received from its sale.

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 than higher rated bonds. **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. **Mortgage-backed securities and asset-backed securities** are subject to prepayment risk and the risk of default on the underlying mortgages or other assets.

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.

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

Important disclosures (continued)

Index / Benchmark / Category 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. The Fund does not include outperformance of any index in its investment objectives. It is not possible to invest directly in an index.

The **Standard & Poor's 500 Stock Index (S&P 500)** is a capitalization-weighted index which covers industrial, utility, transportation and financial service companies, and represents approximately 75% of the New York Stock Exchange (NYSE) capitalization and 30% of NYSE issues. The S&P 500 is considered a measure of large capitalization stock performance.

The **MSCI EAFE Index** is an equity index which captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the US and Canada. With 918 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays U.S. High Yield ex-Energy Index measures the high yield bond market excluding energy related bonds.

The **S&P 500 Banks Industry Group GICS Level 2 Index** represents a subset of the financial sector, specifically banks.

Other Definitions

CAPE ratio (cyclically adjusted price-to-earnings) is a valuation measure that uses real earnings per share (EPS) over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle.

Price to Book is calculated by dividing the company's stock price per share by its book value per share (BVPS). An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it netting the asset against its accumulated depreciation.

Price to Earnings is the ratio for valuing a company that measures its current share price relative to its EPS. The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Yield to worst reflects the lowest possible yield on a callable bond without the issuer defaulting. It does not represent the yield an investor should expect to receive.

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

Q&A

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Questions?

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