We hope that investors will find FPA commentaries helpful to understand application of the same investment discipline in various markets, and can refer to particular items that interest them.

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 this Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at www.fpafunds.com, by email at crm@fpafunds.com, toll-free by calling 1-800-982-4372 or by contacting the Fund in writing.

Average Annual Total Returns

As of December 31, 2013

Fund/Index	MTD	YTD	1 Year	3 Years**	5 Years**	10 Years**	15 Years**	20 Years**	Since 7/1/84**
FPA Capital	2.10 %	22.85 %	22.85 %	10.78 %	21.04 %	8.85 %	10.96 %	13.10 %	14.90 %
Russell 2500	2.54 %	36.80 %	36.80 %	16.28 %	21.77 %	9.81 %	9.67 %	10.77 %	12.08 %

** Annualized.

Inception for FPA Management was July 11, 1984. Return information for period July 1-July 10, 1984 reflects performance by a manager other than FPA. A benchmark comparison is not available based on the Fund's inception date therefore a comparison using July 1, 1984 is used.

A redemption fee of 2.00% will be imposed on redemptions within 90 days. Expense ratio calculated as of the date of the most recent prospectus is 0.83%.

Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. 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. Current month-end performance data may be obtained by calling toll-free, 1-800-982-4372.

To view portfolio holdings from the most recent quarter end, please refer to the end of this document or at www.fpafunds.com.

Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Funds, Advisor or Distributor.

The views expressed and any forward-looking statements are as of the date of the publication and are those of the portfolio managers and/or the Advisor. 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. The accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

The Russell 2500 Index consist of the 2,500 smallest companies in the Russell 3000 total capitalization universe offers investors access to the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book-ratios and lower forecasted growth values.

Indices are unmanaged and investors cannot invest directly in an index. These indices do not reflect any commissions or fees which would be incurred by an investor purchasing the stocks they represent. The performance of the Fund and of the Averages is computed on a total return basis which includes reinvestment of all distributions. S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The index focuses on the large-cap segment of the market, with over 80% coverage of U.S. equities, but is also considered a proxy for the total market.

Fund Risks

Investments in mutual funds carry risks and investors may lose principal value. Stock 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. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

The FPA Funds are distributed by UMB Distribution Services, LLC, 803 W. Michigan Street, Milwaukee, WI, 53233.

Introduction

Who said thirteen was an unlucky number? It must have been an equity short seller because the thirteenth year of the new millennium was an incredible year for shareholders of U.S. publicly-traded companies. The Dow Jones Industrial Average gained 26.5%, the S&P 500 appreciated more than 32%, and the Russell 2500 outdid them both by gaining over 36%. The Russell 2500's performance was its third best showing since we started managing the FPA Capital Fund in 1984 (only eclipsed by the performance in 1991 and 2003). To put that 36% into perspective, if one were to invest $46,200 and achieve a 36% annual compounded return, one would become a newly minted member of America's millionaire club in just ten years. Or, one could merely start with $100,000 and thirty years later be a billionaire, if one were to realize a 36% annual compounded return.

Market Commentary

We begin this section with further analysis on the Russell 2500 index. In our opinion, this index most closely (while not exactly) represents companies which could be investment opportunities for our strategy. The ability for the Russell 2500 to repeat recent returns, in our opinion, is highly unlikely. Here is why:

At the end of 2013, the Russell 2500's Price-to-Earnings ratio (P/E)[1] was 27.8x, and this is with near record highs in corporate profit margins. If you recall, the S&P 500 traded at approximately 30x earnings in the year 2000 and then collapsed nearly 50% between the years 2000 and 2002.

To see how challenging it would be for the Russell 2500 to produce a 36% compounded annual return over the next ten years, let alone the next thirty years, let's assume earnings will grow 10% each year for the next decade, despite the fact that earnings for the market have grown less than 7% annually since the year 2000 and roughly 7% annually over the past eighty years. Thus, the Russell 2500's P/E ratio in ten years would be over 230x if that index were to achieve an annual compounded return of 36% for the next decade and earnings were to grow 10% annually. We do not believe there are enough "supporters" who could keep that enormous bubble afloat, but the Pols in Washington are a determined group that continually prove folly has no boundaries.

Some people might ask, why are we so fixated on the P/E ratio? The answer is simple. If one were to invert the P/E ratio (E/P), one would get the cash-on-cash return of that investment if one were to acquire the entire company. For our illustrations, we are ignoring the accounting timing differences for working capital and assuming depreciation equals capital expenditures. Therefore, net income, or earnings per share, equals free cash flow in our example. Thus, with the Russell 2500 trading at 27.8x, investors are currently realizing just a 3.6% return on their invested capital. A P/E of 230x equates to a cash-on-cash return of 0.4%, or four-tenths of one percent. At that valuation, one might want to consider playing the Powerball lottery and buying Mega Million tickets for a better return, instead of endeavoring to become the next Warren Buffet.

When we explain this simple math to people they intuitively understand it is better to buy equities with a lower P/E because the cash-on-cash return is higher. The problem everyone has, including us, is that nobody knows with 100% confidence what earnings will look like next year, in three years, or in five years or longer. The stock market cares about future earnings, not last years or prior year earnings.

While we do not pretend to have a crystal ball that gives us perfect insight into future earnings, we can make some educated assumptions about how to think about future earnings. In recent letters, we mentioned that we were expecting very modest economic and earnings growth. This outlook was predicated on a myriad of factors, but sluggish wage growth and high debt levels were material factors. Our modest outlook for earnings growth proved correct in 2013, with earnings growing roughly 4.5% for the Russell 2500, despite the index appreciating more than 36% last year. In other words, nearly 90% of

[1] Price-to-Earnings ratio (P/E) is the price of a stock divided by its earnings per share.

the Russell 2500's gain last year was due to P/E multiple expansion, not earnings growth. That is OK if one were expecting a huge increase in future earnings, but we do not share that expectation.

We can, however, envision several scenarios for how the market will deal with the currently high P/E ratios. Before we articulate a few of those potential scenarios, we need to cite that P/E ratios are mean-reverting. In other words, over the long-run, P/E ratios have tended to trend toward a normalized level between 14-16x. If one were to take the midpoint and state the long-term mean P/E is 15x, then the cash-on-cash return for the market would be 6.67% (1/15). When coupled with a long-term dividend yield of approximately 3%, the total return from equities, in this case would be nearly 10%.

Over the past one hundred years or so, this expected 10% annual return has provided a large enough equity premium over high-grade bonds to entice investors to own shares in publicly-traded U.S. companies. The equity return premium provides the necessary cushion for shareholders taking on greater risk to owning equities than a security high up on the capital structure. Let's now evaluate some plausible scenarios.

The first scenario that we can see playing out for the Russell 2500, and one most investors hope is the case, is that earnings continue to grow in the mid-single digits range and P/Es remain elevated or perhaps push higher. With a current dividend yield of less than 2%, faster earnings growth or P/E multiple expansion, or both concurrently, will need to provide the vast majority of the improvement, if one expects equities to achieve a 10% return or greater.

The concern we have with this scenario, and frankly why we are concerned about current valuations for the Russell 2500, is that earnings growth will need to rapidly accelerate over the next five years should the Russell 2500 P/E ratio move back toward a more normal level. If earnings do not accelerate and P/E ratios trend toward the mean over the next five years, investors will incur negative returns. For instance, if we assume in five years the Russell 2500's P/E will trade back toward the long-term market mean and earnings grow at an annual rate of 4.5%, the Russell 2500 will produce a cumulative negative 27.5% total return over the next five years. If earnings accelerate and grow at their long-term rate of 7%, the Russell 2500 would still produce a negative total return of 16%.

That is the problem with high P/Es. If earnings do not grow rapidly and P/Es trend back toward more normal levels, similar to what has transpired in every other high P/E cycle over the past one hundred years, investors will experience negative returns.

The second scenario we can envision is earnings growth decelerates and the P/E multiple remains steady. In this scenario, the total return for the Russell 2500 would be in the low-to-mid single digits. Essentially, the returns would come from a modest 1.3% dividend yield plus the nominal growth rate in earnings. This scenario implies a low growth economic environment, which likely means the Federal Reserve would continue to provide ample liquidity to the financial sector. That liquidity might support elevated P/Es.

A third scenario is where P/E multiples and profit margins contract. Clearly, this is a negative case for investors, but one that we cannot rule out. The reason why this scenario is possible is that profit margins are near post World War II highs and the P/E ratio for the Russell 2500 is very close to being near a high, especially when considering the currently strong corporate profit margins. Both profit margins and P/Es tend to track toward normal levels over various cycles, and they do not stay high for long periods of time.

Corporate profit margins are currently about 350 to 400 basis points above their normalized levels. If margins decline merely 200 basis points over the next five years, corporate revenues grow a couple of percent annually, and the P/E ratio for the Russell 2500 contracts to 15x, then the index could collapse 50% over the next five years. The striking part of this outcome is that it is not the worst case scenario.

Lastly, the worst case would be where margins decline below their normalized level, corporate revenues decline, and P/Es contract to 10x or less. How much the index would collapse in that scenario is a function of how much each of these components declined. Fortunately, we believe this scenario is the least likely of the above scenarios.

The point in analyzing these scenarios is to objectively evaluate the viable outcomes, based on a set of relevant input factors. Our team does this with stocks all of the time to gauge the base case, downside case, and upside case for individual securities that go into the portfolios we manage. This rigorous and quantitative analysis helps us frame the risks and return opportunities for an investment. We applied this analysis to the Russell 2500 merely to illustrate the plausible market scenarios so our investors and shareholders have a better understanding of the market risks. It is important to note that we are bottoms up investors and put very little weight on the macro factors, especially when we can invest in market-leading companies at very cheap absolute valuations.

Portfolio Commentary

Speaking of bottoms up analysis, the companies in the portfolio performed very well in 2013. More than 50% of the companies in the portfolio appreciated 42% or more during the year, and 40% of the stocks rose double digits in the fourth quarter. There was one disappointment in the portfolio that we will discuss later, but even that company performed well operationally.

There were no thematic winners or losers last year. Our best performing stock was a technology company, but our worst performer was a technology stock as well. Our second best performer was an energy company, but our second worst performer was also an energy company. Our retailers performed well, as did our education and industrial companies.

The good news from a shareholder's perspective is that the management teams for all of the portfolio companies displayed sound capital allocation discipline. For instance, dividends were increased or initiated for roughly half of the stocks in the portfolio. A number of companies also continue to repurchase their shares rather than make an egregiously dilutive acquisition. We take comfort in knowing that the management teams for the portfolio investments are acting in a diligent and prudent manner.

While the stock market was soaring to new heights and Twitter (TWTR) was making many Silicon Valley engineers new millionaires; we kept our collective noses to the grind stone and placed four new investments into the portfolio during the year. We, and other deep value investors, lamented the lack of volatility last year and expensive merchandise on Wall Street, but we did not wallow in our own self-righteousness and ignore the bargains that were available to us.

One of America's greatest attributes is that for those who are willing to work hard and persevere, there are generally very interesting opportunities to deploy one's capital and buy undervalued assets. At the same time, we recognize that there will be periods when there is a dearth of opportunity, and at other periods so much opportunity that we will feel like Peyton Manning after he had played a high school football team.

For our strategy, we believe Apollo Education Group (APOL), Centene Corp. (CNC), Aaron's Inc. (AAN), and Titan International (TWI) were four beaten down stocks with good upside potential to warrant us taking a new position in these companies during 2013.

Aaron's and Titan are too new in the portfolio – we invested in them in September and November of 2013, respectively, so we will save discussing them to future letters.

APOL, which appreciated 47% in 2013, and CNC, which rose 31% last year[2], have been in the portfolio for nearly a year now and we can better judge whether our investment thesis is correct or misplaced. Centene is a Medicaid managed care services company, and its stock priced was depressed in the second half of 2012 and early 2013, when we initiated a position, because of large medical losses in the state of Kentucky. Our thesis on CNC was that the company would not only effectively deal with its losses in Kentucky but would also continue to grow its profitable divisions in other states.

[2] Both based on appreciation of the stock price over our holding period, since January 2013 for APOL and March 2013 for CNC, through 12/31/2013.

Importantly, we like the industry in which Centene competes. Some of our investors might recall that one of our prior investments, Amerigroup, was acquired in 2012 by Wellpoint at a valuation that allowed us to achieve a return on investment of greater than 100% over the roughly one-year time period that we owned the shares. Medicaid managed care companies not only save states money but also offer better service; therefore, more states are letting managed care companies run their Medicaid programs. To that end, states are expanding both the geographies carved out to managed care companies and the types of programs. The next phase of growth will come from the dual-eligible population. Duals (or dual-eligible population) are 8.3mm[3] people in the U.S. that are eligible to receive both Medicare and Medicaid benefits (mainly low-income seniors). According to the Kaiser Foundation, Duals accounted for almost 40% of Medicaid spending although they made up only 15% of the Medicaid population. We believe there are ample growth opportunities for CNC and other companies to meet the challenges of managing these disparate Medicaid members for the foreseeable future.

As we alluded to above, CNC incurred some unusual expenses in 2012 due to a bad contract in the state of Kentucky. Thus, in 2012, CNC barely earned any money for the year, but we believed that was a temporary situation. Sure enough, CNC exited the Kentucky market and should earn close to $3.00 per share in 2013 once it reports its fourth quarter's earnings in early February. Our base case estimate has CNC earning $4.30 over the next couple years, and significantly more over the longer term, so it appears that management and the company are well on their way to achieving that metric.

Unfortunately, we only have a small position in CNC as the stock took off as we were trying to accumulate our position. Nonetheless, should CNC have a hiccup and the stock decline to a more attractive valuation, we have the financial wherewithal to substantially add to our position.

As for Apollo Education Group, the situation is different than Centene's in that the For-Profit Education industry is currently experiencing a declining enrollment environment, versus the large growth in new members for Medicaid services. However, despite all of the negative news on the education industry in general, and Apollo specifically, we are highly encouraged with APOL's current profit level and its ability to generate abundant free cash flow.

Long-term investors will recall that we highlighted the education services sector as the worst performing industry group in the US in 2012. Nevertheless, we ended up investing in two companies in that industry: Apollo and DeVry. Both of these companies pass our criteria of investing in market leading companies with a history of profitability and pristine balance sheets that are run by capable management teams. The main question to answer is a simple one: will we need education in the future? If yes, who will deliver this education and how will it be delivered.

APOL operates the online school called the University of Phoenix (UoP) as well as several international schools. UoP generates more than 90% of Apollo's revenue but 100% of its operating earnings. That is, the international schools are losing money, which we estimate was roughly $60 million in 2013. With a new management team now running the international schools, we could envision this division potentially earning $50 million in operating profits over the next few years. This would be a swing of approximately $1.00 per share in operating profits should the turnaround occur. To put that into perspective, APOL earned nearly $3 a share in fiscal 2013, before considering restructuring charges.

The core operation for Apollo is UoP, which is the largest independent online university in the US. UoP was the first For-Profit company to offer online degrees over thirty years ago. The University of Phoenix is a well-known brand, but one that is in the process of being upgraded. The company has embarked on a new determination to be more selective in choosing students who enroll at UoP. The main goal is to find students who will persist through every semester until they graduate rather than to fill the classroom every semester just to find a replacement when that student drops out.

Most investors, analysts, media, and government officials say this should always be the goal, and they are right. However, UoP's typical students are not the eighteen year olds graduating from high school figuring out whether they should attend a private or public university. UoP's typical student is single, twenty-eight years old, a minority single-mother, first in her family to attend college, and someone who is

[3] Centers for Medicare & Medicaid Services (CMS) via WellCare Health Plans, Inc.2012 Annual Report on Form 10-K

trying to improve her career skills and compete in today's fierce labor market. Among the biggest obstacles for this cohort is keeping their child, or children, healthy and in school so they can finish school themselves.

The company has re-invested a tremendous amount of capital into superior software programs not only to educate students, but also to provide a more timely feedback loop to professors who are teaching classes. The company is also spending more money per student on student advisors, to intervene earlier and provide help when a student is in danger of withdrawing from the program.

APOL is also aggressively courting businesses not just to place their graduates in a well-paying job, but to partner with them and tailor a certificate program, for example, that provides students with skills specific to an individual company or industry. Many CEOs will tell you that there is not a jobs problem in America but a skills problem. That is, many traditional, not-for-profit universities in America are not educating students and imbuing them with skills for the 21st century global labor marketplace. APOL is now working with hundreds of companies to deliver graduates, whether they are fully credentialed students or students with a narrower certificate degree, to businesses that are looking to hire qualified people.

These initiatives will take time to fully implement and for shareholders to see tangible benefits. In the meantime, APOL management is cutting expenses to reflect the lower enrollment numbers, like marketing and recruiting, to maintain healthy profits and free cash flow at the company. On the most recent quarterly conference call, APOL's CEO announced that the company upped its total fixed costs cuts to a minimum of $675 million, $350 million of which has already been cut from the budget.

While we are pleased we were able to accumulate a full position below the $19 level, pleased that APOL appreciated nearly 50% in 2013, and pleased the stock is up another 25% during the first three weeks of 2014, we believe there is still a lot of upside potential in the stock should the company ever be able to monetize its software investment.

Currently, the Department of Education does not allow universities to share Title IV funding revenue dollars. Title IV funding is essentially the government guaranteed loans students use to finance their education. If this restriction is removed, APOL would be in a very strong position to forge relationships with the thousands of universities and colleges in the U.S. and effectively become the on-line outsource partner for these schools. The long-term trend in education is toward more distance or on-line learning, and APOL has the some of the best technology to deliver the highest quality service to millions of potential students. Today, this software technology is an inexpensive call option for shareholders, but one that could be worth a lot of money down the road should this archaic restriction be eliminated.

The most disappointing investment in the portfolio for 2013 was InterDigital (IDCC). This stock declined approximately 28% during the year, despite posting roughly 25% operating margins. Our thesis on IDCC is that the company should benefit from its wireless technology patents as more smartphones and mobile tablets are connected to the internet. IDCC creates wireless technology, applies for patents for the technology it creates, and then licenses its technology to manufacturers who produce the aforementioned products. In the past, Nokia, Samsung, Apple, LG, and many other manufacturers have licensed the company's technology to use in their products and paid IDCC royalties.

Typically, in the past, IDCC would receive royalty payments fixed for a certain period of time, for example four years, and then its customers would renew its license for another period of time and likely with some additional patents thrown into the agreement. However, as IDCC switched to receiving a royalty on a per unit sold basis and the number of smart phone units sold worldwide has exploded to the upside over the past couple of years, some of the company's traditional customers have chosen not to sign new license agreements and pay IDCC. The failure to pay, but still use IDCC's essential patents in the manufacturer's products has prompted IDCC to sue some of its largest customers.

Suing your customers is not an ideal business strategy, but one, unfortunately, that is all too commonly deployed in the technology industry. These lawsuits are not only expensive, but also can drag on for years as the suits wind their way through both the International Trade Commission and the Federal

Circuit. At the end of the day, IDCC has prevailed in prior lawsuits and won large judgments or settled with the likes of Nokia and Samsung. Most investors do not have the patience to withstand all of the ups and downs of the legal process. When there are temporary setbacks to IDCC's legal process, investors sell their stock, and this is what we believe largely transpired in 2013.

However, we do not view the prospects of a legal victory as the only means to the success of IDCC. In fact, the company can monetize its patent portfolio by selling non-core patents to other companies. For example, in 2012, Intel paid IDCC $375 million for a couple of hundred patents, out of a portfolio of over 20,000 patents. IDCC can also enter into joint venture agreements, such as the agreement signed with Sony in 2013, to generate value for shareholders. Instead of suing its potential licensees, IDCC can enter into binding arbitration with manufacturers.

Moreover, IDCC has not ruled out eventually developing products employing its patents, and then selling these products to its customers rather than licensing them the technology. Thus, there are multiple ways for IDCC to get paid for the value it creates, and it does not have to be a binary situation as some ill-informed investors might believe.

The one risk that we need to watch closely in the coming months and quarters is the political risk. There is some discussion is Washington about the merits of patents in our fast-changing, technologically-advanced society. Some people will argue that patents do not have as much value today as in the past. Their reasoning is that product life cycles are much faster today and new things are always being created to replace the older generation of products. However, perhaps the life cycle of products is shortening because there is payoff to those who create the technology in the first place. If inventors and scientists are not paid for the stuff they create, what is the incentive to create the new technology?

Our view is that inventors, musicians, writers, and scientists should have their new ideas and products protected from being copied for a reasonable period of time, and get paid a royalty should someone or a company want to use their creation. However, we need to be cognizant that our opinion could be refuted in a political environment that has a different agenda. While the risk of a massive overhaul of our patent laws is small, we cannot fully discount it occurring.

Thus, we will be diligent in adding to our IDCC position and ask for an extra discount before buying more shares. The company's balance sheet remains exceptionally strong with about half of the company's market value consisting of its net cash position. The management team has also been very good stewards of shareholders capital, and the market for smart phones, tablets and other mobile devices connecting to the internet remains very robust.

In light of the above, we remain ever vigilant of valuations across those companies that meet our business criteria and will continue to aggressively deploy capital when valuations meet our targeted entry levels. While there is currently a dearth of opportunities, we have exhibited an ability to find a few gems and look forward to uncovering more over the months to come.

We thank you for your continued trust and confidence in our strategy.

FPA Capital Fund, Inc.

Portfolio Holdings

12/31/13

CUSIP	TICKER	SHARES / PRINCIPAL	SECURITY	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
002535300	AAN	444,500	AARON'S INC	29.40	$ 13,068,300.00	1.04%
037604105	APOL	1,780,700	APOLLO GROUP INC.- CLASS A	27.32	48,648,724.00	3.86%
04269Q100	ARRS	1,444,000	ARRIS GROUP	24.36	35,175,840.00	2.79%
042735100	ARW	1,515,500	ARROW ELECTRONICS	54.25	82,215,875.00	6.52%
050095108	ATW	719,606	ATWOOD OCEANICS	53.39	38,419,764.34	3.05%
053807103	AVT	1,772,400	AVNET	44.11	78,180,564.00	6.20%
057224107	BHI	428,772	BAKER HUGHES	55.26	23,693,940.72	1.88%
127097103	COG	80,800	CABOT OIL & GAS	38.76	3,131,808.00	0.25%
15135B101	CNC	138,200	CENTENE CORPORATION	58.95	8,146,890.00	0.65%
171798101	XEC	184,100	CIMAREX ENERGY	104.91	19,313,931.00	1.53%
251893103	DV	1,090,508	DEVRY, INC.	35.50	38,713,034.00	3.07%
29358Q109	ESV	730,600	ENSCO PLC	57.18	41,775,708.00	3.31%
314211103	FII	554,943	FEDERATED INVESTORS INC- CLASS B	28.80	15,982,358.40	1.27%
344849104	FL	648,300	FOOT LOCKER	41.44	26,865,552.00	2.13%
423452101	HP	197,400	HELMERICH & PAYNE INC.	84.08	16,597,392.00	1.32%
45867G101	IDCC	1,060,800	INTERDIGITAL, INC.	29.49	31,282,992.00	2.48%
651290108	NFX	757,700	NEWFIELD EXPLORATION	24.63	18,662,151.00	1.48%
688239201	OSK	695,500	OSHKOSH TRUCK CORPORATION	50.38	35,039,290.00	2.78%
703481101	PTEN	803,600	PATTERSON-UTI ENERGY	25.32	20,347,152.00	1.61%
759509102	RS	209,908	RELIANCE STEEL & ALUMINIUM	75.84	15,919,422.72	1.26%
777779307	ROSE	1,058,702	ROSETTA RESOURCES	48.04	50,860,044.08	4.03%
779382100	RDC	2,065,700	ROWAN COMPANIES	35.36	73,043,152.00	5.79%
78454L100	SM	304,600	ST. MARY LAND & EXPLORATION	83.11	25,315,306.00	2.01%
G81276100	SIG	163,800	SIGNET JEWELERS	78.70	12,891,060.00	1.02%
88830M102	TWI	408,000	TITAN INTERNATIONAL	17.98	7,335,840.00	0.58%
896522109	TRN	287,000	TRINITY INDUSTRIES	54.52	15,647,240.00	1.24%
922417100	VECO	317,500	VEECO	32.91	10,448,925.00	0.83%
958102105	WDC	647,600	WESTERN DIGITAL	83.90	54,333,640.00	4.31%
			TOTAL EQUITIES:		**861,055,896.26**	**68.27%**
912828SL5		50,000,000	US TREASURY NOTE 0.250% 03/31/2014	100.04	50,019,530.00	3.97%
912828KV1		85,000,000	US TREASURY NOTE 2.250% 05/31/2014	100.87	85,743,197.50	6.80%
912828QU7		85,000,000	US TREASURY NOTE 0.625% 07/15/2014	100.28	85,235,739.00	6.76%
			TOTAL US GOVT AND AGENCIES:		**220,998,466.50**	**17.52%**
			CASH & EQUIVALENTS (NET OF LIABILITIES):		**179,281,036.31**	**14.21%**
			TOTAL NET ASSETS:		**$ 1,261,335,399.07**	**100.00%**
			NO. OF EQUITY POSITIONS		**28**	

Portfolio Holding Submission Disclosure

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

Investments in mutual funds carry risks and investors may lose principal value. Stock 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. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

Portfolio composition will change due to ongoing management of the fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Funds, Advisor or Distributor.

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