Ryan: Good afternoon, and thank you for joining us today. We would like to welcome you to the fourth quarter 2013 webcast for the FPA Paramount Fund. My name is Ryan Leggio, and I'm a Senior Vice President here at FPA. The audio and visual replay of today's webcast will be made available on our website, fpafunds.com. In just a moment, you will hear from Greg Herr and Pierre Py, the Portfolio Managers of this Strategy.

Today's call will cover a few areas. First, we will provide a brief overview of the Strategy. The team will then review performance, detail certain aspects of the current portfolio, and spend some time to review some holdings in the portfolio. Lastly we will turn to the Q&A session.

Before we begin, we would like to highlight the key Fund attributes for those of you who may be listening in for the first time. I will quickly mention a few of these attributes. First, the Strategy is run with an absolute value philosophy. The team seeks genuine bargains in the equity markets rather than relatively attractive ones.

Second, the Fund has a broad benchmark-agnostic mandate. By broad, we mean that the team can invest in equities in both developed and emerging markets, and across sectors. The team can invest in companies with a market cap as small as $2 billion and as large as $300 billion plus. By benchmark-agnostic, we mean that the team's starting position is cash rather than the MSCI All Country World Index's geography or sector or market cap weightings. For example, the fact that the index's largest sector weighting is in financials has little impact on the Strategy's investment process.

Finally, the Fund is relatively concentrated, as the team focuses on only high-quality companies that trade at a significant discount to the team's estimate of intrinsic value. It is important to note that the Fund can be more concentrated than most other world equity strategies given its non-diversified status, which allows the team to concentrate the Fund's assets in their most compelling opportunities.

We believe the Fund's company research and valuation process, its focus on high-quality companies, its broad benchmark-agnostic mandate, and its ability to concentrate on the team's best ideas are some of the Strategy's structural competitive advantages, which we believe should enable it to outperform the MSCI All Country World Index over a full market cycle. For more detailed information regarding the Strategy, we strongly encourage you to read the Strategy's policy statement available at fpafunds.com.

At this time it is my pleasure to introduce Greg Herr. Greg, over to you.

Greg: Thanks, Ryan, and thanks everyone very much for joining us today on the call. Before we begin our Fund update, I'd like to briefly review the history of the last two years for those of you on the call who aren't familiar with it. In August 2011, the Fund adopted a more global approach in order to take advantage of a broader opportunity set and to continue FPA's tradition of benchmark-agnostic investing. As part of that process, Pierre and I were named portfolio managers of the Fund. If we now fast-forward two years to 2013, FPA announced that on September 1st the Fund would become part of the new FPA Global Value Strategy, and that Pierre and I would serve as lead managers.

So with that preamble explaining what's brought us to this point, we'd like to provide an update on the process we've undertaken and the resulting portfolio developments. On our last webcast we discussed the first step in our process, which we completed by the end of September. This involved analyzing the Fund's existing holdings to reevaluate their fundamental characteristics and valuations. Based on our updated fundamental assessments, the companies remaining in the Fund at that point all possessed the quality attributes we look for. In many cases however, their stock prices that have performed well over the past few years were no longer priced at a significant discount to intrinsic value. Based on valuation, those companies were candidates for sale.

Now the second step involved completing the work on new investment ideas. Companies must meet our fundamental quality criteria and offer a significant discount to our estimate of intrinsic value in order for us to purchase them. Assessing business quality begins by discussing business operations, strategy, capital allocation with the various management teams. We also interview competitors, suppliers, and customers to understand the industry value chain and market forces. At the same time we're reviewing the long history of annual reports, conference call transcripts—basically any public reports for both the companies themselves and other industry participants. All of these conversations and readings are used to help us assess the normal economics of the business and to estimate the present value of its future cash flows.

When we're convinced about a business's quality and its stock trades at a significant discount to our estimate of intrinsic value, it becomes a candidate for purchase. As a result of this two-step process, we exited 17 positions and we added 10 U.S. and 10 international companies to the Fund. At the same time, we adjusted all the portfolio weightings of the existing positions and the new additions based on our assessment of their relative discounts to intrinsic value.

Pierre, do you want to say a few things about some of the specific international names that were bought and sold?

Pierre: We can either do that now, or we can… maybe if there are some questions at the end of the call… so how about I do that after the prepared remarks?

Greg: Okay. In the future, the portfolio will continuously evolve based on market opportunities, but it's unlikely to experience the changes of such magnitude as we implemented since September 1st of last year. It's also important to note that we have no preconceived amount of time for a company to remain in the portfolio. We're waiting for the discount to intrinsic value to close, and we typically expect that to happen on average over a five-year period. In some instances however, we've seen the time it takes for the market to fully recognize a company's value can be much shorter. In that case, the holding periods would obviously be less.

Finally, turning to tax considerations for the Fund, we expect no further exceptional distributions from large unrealized capital gains. After the December 19th and the January 9th distributions, the total unrealized and undistributed gains make up just a little more than 2% of Fund net asset value.

And now let's turn to performance. During the fourth quarter 2013, the Fund rose 5.32% compared to the MSCI All Country World Index gain of 7.31%. We don't view this as a representative period for the Fund under the Global Value Strategy since the portfolio positions were changing and cash balances were elevated. But for the full year, the Fund rose 27.75% versus the index, which gained 22.8%. In 2012 the Fund returned 15.97% versus 16.13% for the index. Since the fourth quarter of 2011, which was the first full period when we were both named managers, the Fund has appreciated 27.52% versus 20.75% for the index.

We're showing longer annualized periods of performance here based on reporting requirements, but they provide we think limited comparability because the Fund had a domestic focus over those periods, and we were not managers during those historical results.

Now in response to an investor question, we'd like to mention that we chose the MSCI All Country World Index, or MSCI ACWI, as a benchmark because the Fund had a broad flexible universe, meaning we can invest across developed and emerging markets. We also have the FPA International Value Fund utilizing the MSCI ACWI ex-U.S., which covers both developed and emerging markets outside the U.S. So based on the Paramount Fund’s broad purview and a philosophy and process which is similar to International Value, we thought it made sense for us to use the ACWI.

Finally as a general comment on performance, we think it’s our job to vet and purchase high-quality companies when they’re selling at attractive discounts to our estimates of their fair value. We’re benchmark-agnostic, and we build the portfolio so that our best ideas get weighted accordingly. There will inevitably be market environments when our approach will lag the benchmark. But recently equity multiples have been broadly expanding, while meaningful improvements in long-term cash flow prospects seem limited for many companies. It’s possible that, if stock prices begin to rise again, based on those trends, we could suffer in terms of short-term performance.

Through the disciplined application of our approach along with clear communication about what we’re doing and why we’re doing it, we’re trying to attract investors who look at the world the same way we do. Like us, we hope they evaluate investment performance over a long time horizon and try to understand the risks that are being taken to achieve that performance. To expand on that last point and to paraphrase Warren

Buffet, we hope that in the current environment they consider which swimmers are wearing bathing suits when the tide is coming in, not just when it's going to be going out.

Pierre, I'll turn it over to you to discuss portfolio metrics.

Pierre: Thank you, Greg. So just looking at these portfolio metrics, as you'd expect, the general profile of the portfolio on the selected valuation of financial metrics is not very different from what you can see when you look at the International Value Fund, which we discussed on the International Value call yesterday.

On a P/E basis, our companies are trading somewhat ahead of the index, but we would point out, as we did for International, that P/E is not a very meaningful metric to us (1) because of how much distortion there can be between the accounting earnings and the unencumbered free cash flows that a business generates, and (2) because the index includes businesses that typically trade at lower multiples into which we have little exposure, such as financials, materials, or energy stocks.

On an equal footing, we actually think our companies would in fact appear cheaper than the market even on a P/E basis. More importantly we think they have greater staying power, stronger earning generation power per dollar invested, and superior management teams. These types of businesses tend to generate industry-leading margins, high free cash flows, and attractive returns. In addition, high-quality managers can also consistently allocate capital in a way that creates value for shareholders in the long run. And that's the reason why our portfolio holdings can generate a return on equity of on average almost 22% versus only 16% for the index.

Now on top of this, these businesses manage to achieve these high returns with much less financial leverage, so without the incremental risk… the financial risk that comes with that. In fact the weighted average debt to equity ratio of our holding is 0.5 time versus 0.9 time for the index.

And now I'll pass it over to Greg for the key performers during the quarter.

Greg: So our holding with the best quarterly performance this quarter was CVS Caremark, which was up 26.51% in U.S. dollars. The holding with the worst performance was Laboratory Corporation of America, which was down 7.84% in U.S. currency. Since both of those are new positions to the portfolio and they did little to impact Fund performance in the quarter, we'd actually like to discuss two other companies that have been in the Fund for a more meaningful period of time.

The first is Zebra Technologies, which was up 18.70% in U.S. dollars, which designs and manufactures thermal printers used by businesses to produce barcodes and other tracking systems. We estimate that its share in this niche global market is 3.5 times larger than the next competitor. Zebra is nicely profitable, averaging high teens EBITA multiples with limited capital needs, and it produces strong free cash flow. The balance sheet is debt-free, and over time management has proven to be a good steward of the cash generated by the business. It's channeled most of the cash into share repurchases. We're pleased to maintain our position in Zebra subject to our valuation discipline.

The second company we wanted to mention was Maxim Integrated Products, which was down 5.58% in U.S. dollars. The company designs and manufactures high-performance analog semiconductors. The shares were under pressure in the fourth quarter because of weakness in the consumer segment, particularly at Maxim's largest customer, which is Samsung. And we believe this is a transitory issue, with the accompanying inventory correction largely completed.

There are many attributes that attract us to Maxim. The combination of top engineering talent and a broad product catalog places Maxim in a leadership role in each of the main analog markets. The company utilizes these positions to produce even margins that are average in the low 20% range over the course of a cycle. Cash conversion rates are high, and the balance sheet has no net debt. We continue to remain interested in owning this high-quality business consistent with our valuation discipline.

Now, Pierre, let me turn it back to you to talk about portfolio positioning.

Pierre: Thank you, Greg. In terms of the portfolio's general profile as of the end of the year, the Fund exposure to cash was around 17%. We would like to point out that this is still not a highly relevant level of cash for the Fund and still at this stage more of a function of some of the recent portfolio developments. We're also mindful beyond some of the discussions that we were able to have with some of them of how our investors might respond to what we have been doing with the portfolio. As we continue to move ahead though, we would expect to see further reduction in the Fund's cash exposure, and ultimately it was decided that we would set a guideline that under normal circumstances the Fund will not have more than 10% in cash. In line with what I believe we had tentatively guided for in prior reports, non-U.S.-based companies accounted for around 67% of the Fund's equity exposure as of the end of the quarter.

In terms of number of names, we had a total of 29 disclosed positions in the portfolio at the end of the period, out of which 16 were international companies—all but three of which we also held in the International Value Fund. Now this is towards the lower end of the range that we provided in terms of number of holdings. We said that we would expect to have typically 25–50 holdings at any given point in time, which we think allows for an overlap with International Value portfolio of 25–35 holdings at any given point in time, as well as for meaningful U.S. exposure.

Similar to the International Value Strategy, the Global Value Strategy is run through a non-diversified investment vehicle so that, consistent with our value discipline, we can concentrate on our best ideas. And we had more than 45% of our assets invested in the portfolio stock positions at year-end.

In terms of market cap, the portfolio's weighted average was $53 billion at year-end, and the median market cap was about $17 billion. This, too, is consistent with what we said we anticipated in past reports. Based on Greg's knowledge of the U.S. small and mid cap market, together with the research that we have been conducting on larger cap names in the U.S., as well as the combined experience that the team had accumulated working on global strategies in the past, we found such companies… larger cap type companies who offer the most compelling opportunities for the Fund. Our holdings ran from a market cap of $2 billion to as high as $300 billion, which is in part a function of our generally agnostic approach to market cap and in part a function of having set a floor of $2 billion market cap for investments in the Fund.

With respect to our geographic exposure on the international side, as we commented on the International Value webcast, we remain primarily geared towards companies that are domiciled in Europe, and that is a reflection of where we find compelling value opportunities. We continue to have no exposure to firms based in Japan where valuations, despite the more recent correction, have inflated from levels we consider to be unattractive and where we find that management teams still typically lack the type of financial discipline that we look for.

Similarly we continue to have no exposure to the banks even though our approach once again is agnostic to sectors, or industry exposure for that matter. While they might make for a successful call on a European recovery, we don’t find that the banks are quite suitable for our bottom-up strategy, as many of these businesses generate mediocre returns on equity despite high levels of financial leverage.

Beyond that, we continue to be fairly diversified while naturally gravitating towards businesses that are highly free cash flow generative and less capital-intensive. This includes many companies involved in distribution or service type businesses, as well as strong consumer staples in discretionary names. We also find that proven robust industrial companies often offer the type of long-term sustainability that we seek.

As hinted at last quarter, we have found compelling opportunities on the U.S. side… found only more typically in larger caps but also in the technology sector. And with our positions in SAP and the recent additional of Taiwan Semiconductor Manufacturing company on the international side, that means that our total exposure to technology is notable, although not as meaningful as GICS would suggest, as the numbers on this slide also include such companies as Accenture, for instance, which is more of a provider of business services than a technology company.

In any case, these technology investments reflect the strengths of the companies' business models rather than any calls on underlying technology developments or market cycles. And in general we find that these new technology-driven companies are very difficult to value, as we struggle to handicap the risk of disruption and the true long-term sustainability of their business models.

Greg: We'd like to turn now to a case study, and today we'd like to talk about WABCO Holdings, which produces safety and efficiency systems for heavy duty truck and bus manufacturers. The company operates as part of an attractive industry structure, with its global market share above 40% and only one other principal competitor. This limited oligopoly shields the business from significant pricing pressure.

WABCO has had a long history of innovation and technology leadership. If we go back in time, it's credited with being the first to market in many of the industry's most important products, such anti-lock brakes, electronic stability control systems, automated manual transmissions, and braking systems that automatically activate without driver assistance to avoid collisions.

Growth in the business comes from market share gains and stricter government regulations, which typically put more emphasis on safety and fuel efficiency. Based on limited competition and technology leadership, WABCO on average has outgrown the industry by 8% a year over the last five years. The business produces attractive normalized profitability. Returns on capital employed have averaged 20% over the last cycle.

We find the company management extremely astute both in the way they operate the business and allocate capital. The balance sheet is conservatively managed, and they do a good job converting reported income into cash flow. In 2013 WABCO had a total excess return of 41%. We remain interested in owning this high-quality business, consistent with our valuation discipline.

Now, Pierre, let me turn it back to you for a summary.

Pierre: All right. Well, just to conclude, like we do and will continue to do on all of these quarterly webcasts, we'd like to reiterate the key tenets of our investment philosophy and how that applies to the Global Value Strategy. We're long-term value investors with a strong bias towards quality. We look for well run, financially strong, high-quality businesses whose stocks we think we can purchase at a significant discount to our estimate of their intrinsic value.

Now with that, we have no further prepared remarks, and we would like to open it up for questions.

Ryan: Thank you, Pierre and Greg. For those on the call, please feel free to submit your questions right now. We're going to pause for just a few moments as we compile the questions that you've submitted. Please stand by.

First question that we received: how much was the 2014 capital gains distribution?

Greg: Ryan, I don't have the exact dollar and cents amount in front of me. What I would suggest is, if you go back to the time when we took over managing the portfolio, September 1st of last year, long-term unrealized capital gains represented about a third of the Fund's NAV at the time. And as I said in the prepared remarks, after the second distribution that was paid on January 9th, that amount was roughly 2%—little more than 2% of Fund NAV. So the combination of what was paid in December as well as in January represented a little over 30% of Fund NAV.

Ryan: Thanks, Greg. The next question we received is: what is the overlap between the non-U.S. portion of FPA Paramount and the FPA International Value Fund?

Pierre: Okay, so if you look at the portfolio at the end of the year, as I mentioned earlier, we had 29 disclosed positions, which included 16 international names, and all of these names, with the exceptions of three, are names that you will find in the International Value Strategy. Just to make your life easier, the three that are not in the International Value Fund are Nestlé, Pernod, and SKF.

Ryan: Great. Thanks, Pierre. The next question that we received is: discuss the philosophy of the 10% cash maximum stake in FPA Paramount and the current 40% or roughly 40% cash allocation in the International Value Fund.

Greg: I think that the simplest way to think about the difference in the cash positions between the two funds is that the Paramount Fund is… we've limited ourselves to having at least 20% of Fund assets in U.S. companies, as well as at least 20% in international companies. And as a result of that, we have a broader opportunity set in which to deploy the capital that we have, and it also potentially allows us to have exposures that you wouldn't see clearly in the International Value Fund. So the combination of those factors leads us to believe that we're typically going to have less of a cash position overall. And we decided just to make it clear to investors and to anyone evaluating the Fund that 10% is where we typically expected the ceiling on the cash level to be.

Ryan: Thanks, Greg. The next question we have is: are you finding any values in select emerging market names?

Pierre: So we're finding… Maybe just to put a framework to begin with, when we think about value and when we explain the way we invest and define ourselves as value investors, we always put that in the context of the quality of the businesses that we are looking at. So the number one thing that we look at is whether the businesses are sustainable in the long run and can generate the type of economics—specifically the type of return and continuously improve their returns over the long run.

In emerging markets generally speaking, we do find a lot of these high-quality businesses, and we have on the international side a focus list of about 700 names and a best-of-breed list of close to 300 names. And on both these lists, you find a lot of emerging market domiciled companies, and we do spend a lot of time in these regions as well. Last year alone we went to Mexico, we went to Brazil, we went to Argentina, we went to China, we went to Hong Kong, we went to Korea, the Philippines, Indonesia, Taiwan, Singapore. So we are visiting a lot of these markets.

Unfortunately, a lot of these high-quality businesses in emerging markets often have one or two of the following issues. The first one is that when we think about quality, we also think of the quality of the management teams. And what we mean by that is not only a management team that has proven to operate the businesses well and to have done that through the cycle. And in some of these emerging markets, that is extremely difficult to assess because they haven't really experienced a cycle, and the management teams are fairly inexperienced in that respect.

And the other thing we look for is we look for management teams that think and act as owners—that deploy capital consistently in a way that creates value for shareholders. So we want them to understand the concept of the cost of that capital, how to generate the maximum amount of return on that capital, and to try and maximize the spread between return on capital and cost on capital when they make capital allocation decision. Unfortunately in a lot of the emerging market, we struggle a little bit with the quality of management as well.

And then the second issue that we have and the most important issue that we have had historically is that we're looking to buy into these high-quality, well run companies at a significant discount to what we think the intrinsic value of the business is. And the reality is that valuations have been at really high levels for quite some time in emerging markets, and that's the reason why we have not been able to find interesting opportunities in companies that are domiciled in emerging markets.

And I'm highlighting that point because, even though we haven't found any opportunities in companies that are domiciled in emerging markets, we have been able to get exposure to emerging markets through companies, for instance, domiciled in Europe—a company like Diageo, which generates about 40% of its revenue from high-growth markets.

So that's the reason why we're having very limited exposure as we stand to this company- to these regions. We do have one company in the Fund that we haven't disclosed that is actually domiciled in one of the emerging markets and generates 100% of its free cash flow locally. So we continue to look at these opportunities, especially as prices are coming down. And for some of these higher quality, well run companies, we think that we're starting to be maybe within 10–15% of the type of discounts that we would need to invest in them.

Ryan: Next question we have is: in terms of two of the holdings of the Fund, is the choice to own two competitors, SAP and Oracle, based on both can thrive or on how cheap the stocks are valued at?

Greg: So, well, I guess I'll start and, Pierre, if you have anything to add… There are several reasons why both companies are positions in the Fund, and it starts with what Pierre mentioned a few minutes ago about the fundamental qualities of both businesses. In both cases, they have very dominant market share positions in their respective niches. For SAP, it's ERP software; for Oracle, it's databases. And the maintenance revenue that both companies are able to collect from doing the work for the installed software that they have in both of those segments is very significant. It's highly profitable, and it's very much a recurring revenue stream. So the quality of both companies' business models is something we're attracted to.

The second piece of it is valuation, and there have been concerns in the marketplace that growth for these businesses potentially has not been as robust, particularly in the case of Oracle. And there's also been some concerns about what's happening with software-as-a-service and cloud software that potentially competes with both companies. And on that basis, the valuations have been under some pressure, and that's given us the opportunity to own these businesses at what we think are very attractive discounts to what they're worth.

In the case of Oracle, we think the valuation is roughly eight times the company's EBIT, and you're getting a high single digit free cash flow yield, 9%, 9.5%. And we think that's certainly worth us owning a meaningful position in Oracle at this point.

Pierre: I think the other thing to highlight is that these two positions are not the output of choice to own two competitors. That's not how the portfolio is built and managed. The way we operate is we look all over the world at all potential opportunities with the same lenses. It's not entirely surprising that doing that we end up finding that these two players are high-quality companies that both are trading at significant discounts to intrinsic value to their… to our estimate of their intrinsic value. But there's not a calculation of owning two competitors behind these two positions.

Greg: And maybe just one final point to make is it's certainly not a zero-sum game for these two companies. Both of them can continue to thrive and do very well with their specific niches. They do compete against each other in the ERP market, but it's not a situation where one company will succeed and the other one will necessarily fail. We think both will be quite strong and continue to be dominant in their specific niches.

Ryan: Thanks, Greg and Pierre. Next question we have is: why are there some positions in the Fund that are not disclosed?

Greg: The simple answer is we're in the process of buying them at the end of the quarter. And as the positions weren't fully purchased at that point, we have a policy where we tend to keep them disclosed [sic] so as not to show what we're doing with the transactions. Over time this is something where you'll see positions become larger parts of the Fund and then become disclosed in subsequent quarters.

Pierre: And another reason for that is, as we mentioned earlier, there's a bit of a different dynamic between the International Value Strategy and the Global Value Strategy. So they are names that we consider to be on the international side from a valuation standpoint suitable candidates for the

Global Value Strategy that are not suitable candidates for International Value. They are situations where we find names that are really close to potentially be investment in the International Value Strategy. And as a result of that, for these names that are sort of in the pipeline or on the radar screen for International Value and potentially would become names in the International… holding in the International portfolio over the coming weeks or months, we are keeping these names confidential.

Ryan: Thank you to everyone for submitting questions. I'll pause for just another moment just in case there are any other questions outstanding. Please feel free to submit those now.

Great. With no further questions, I think we're at the end of today's conference call. I'll mention two brief items. One is if you do have a question after the call that you have, please feel free to submit that to our Clients Relations Team at crm@fpafunds.com. Secondly, we understand that there may have been a viewing issue for some of you at the beginning of the presentation. All of the slides will be on our website for you to download in the next few days. So we apologize if there were some viewing issues on the first few slides.

Thank you to our listeners. We would like to thank you for your participation in FPA Paramount's fourth quarter webcast. We invite you, your colleagues, and clients to listen to the playback and view the slides from today's webcast, which will be available on our website, fpafunds.com within the next week or so. We urge you to visit the website for additional information on the Fund, such as complete portfolio holdings, historical returns, and after-tax returns.

Following today's webcast, you will have the opportunity to provide your feedback. We highly encourage you to complete this portion of the webcast. We do appreciate and review all of your comments.

Please visit fpafunds.com in the future for webcast information, including replays. We post the date and time of the prospective webcasts during the latter part of each quarter, and expect the calls will generally be held three to four weeks following each quarter's end. If you did not receive an invitation via email for today's webcast and would like to receive them, please email us at crm@fpafunds.com. We hope that our shareholder letters, commentaries, and these conference calls will help keep you, our investors, appropriately updated about the Fund.

We do want to make sure that you understand that the views expressed on this call are as of today, February 4th, 2014, and are subject to change based on market and other conditions. 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. Any mention of individual securities or sectors 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. The information provided does not constitute and should not be construed as an offer or solicitation with respect to any such securities, products, or services discussed.

Past performance is not a guarantee of future results. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the security examples discussed. Any statistics have been obtained from sources believed to be reliable, but the accuracy and completeness cannot be guaranteed.

You may request a prospectus directly from the Fund's distributor, UMB Distribution Services LLC, or from our website, fpafunds.com. Please read the prospectus and the Fund's Policy Statement carefully before investing. FPA Paramount Fund is offered by UMB Distribution Services LLC. Thank you again for your participation, and this concludes today's webcast.

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