FPA Crescent Fund

Quarterly Commentary

2nd Quarter

June 30, 2012

Dear Shareholders:

Overview

FPA Crescent declined 2.9% in the second quarter amidst global market weakness, but increased 3.5% for the first half. We continue to maintain our conservative posture given our cautious outlook that we lay out in the commentary below.

The top individual contributors and detractors from our quarterly performance are as follows:

Winners	Losers
Q2	Q2
Wal-Mart	Cisco Systems
Petsmart	Canadian Natural Resources
Anheuser-Busch INB	Western Digital

Our top losers marginally offset the gains of our top winners. The three companies in the winner circle have been contributing to profitability for some time. The losers are a bit different. Cisco is just below our cost. Western Digital is still in the money, having given up much of our gains in the second quarter and, Canadian Natural Resources (CNQ) continues to perform poorly. In Q1, it was operating issues that plagued CNQ, during Q2, it was more general weakness in energy stocks that placed CNQ in the top 3 losers for two quarters running. As we stated in our Q1 commentary, we believe that CNQ will prove a profitable investment over time.

We confess to a lack of conviction over the short term, but that's nothing new. We have a lot of fear about the economy longer-term, so we continue to maintain liquidity with the expectation that we will be able to commit that capital in the future. As of quarter-end, your portfolio had 69.0% exposure to risk assets, with the following composition:

Risk Asset	Exposure
Common stock, long	66.3%
Common stock, short	3.4%
Corporate debt, long	3.5%
Mortgages (whole loans)	1.6%
Other	1.0%

We argue (or is it "beg?") for more value before committing additional capital. We carry with us our fear- of inflation and wonder where we will be in three years. We continue to preach caution. We find stocks neither particularly cheap, nor unusually expensive, so we sit in purgatory – waiting.

Economy

As bottoms-up value investors – but not to the point of being blind to the 30,000-foot view – we believe one ignores the macro at great peril. Therefore, in this letter we will share some of the big-picture considerations that are integral to our investment process. We're left with the view that the world will continue to see bouts of high volatility and that the level of economic growth in developed economies will probably be less than most expect. We do not believe the markets have priced such expectations adequately.

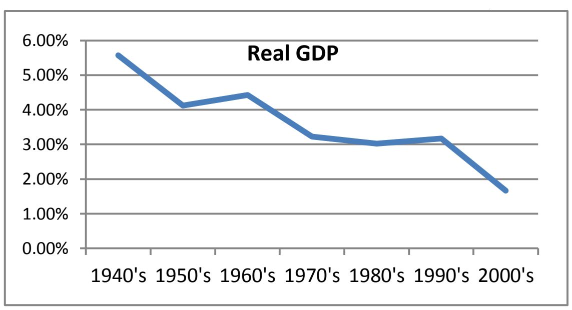
We have a tendency to be appropriately fearful, when we have cause, but usually too early. We wrote of the whimsical valuations of Internet stocks in 1998-99, the perilous use of credit default swaps in 2002, irresponsible sub-prime lending in 2005, and the opacity and risk of the investment banks in 2006. We were early in each instance, and as a result, we had to accept some underperformance for a time. Presently, we're concerned about a disastrous ending to this grand experiment of money printing and government debt proliferation. That is combined with aggressive government spending in some countries, and forced austerity in others – as if anyone ever saved his way to prosperity. We believe the reasons for our unease are sound, but we're fairly confident that our timing will be off once again.

Our comments are more of a collection of observations that, when taken together, form a picture for us – like a mosaic. Seen up close, it's just a bunch of colored tiles, but when we stand back, the image is clear – and it's disconcerting.

Slowing growth in this country is not new. Real U.S. economic growth has, in fact, been decelerating for decades. Growth was 5.6% in the 1940s, then it fell to 4% and change in the '50s and '60s, then to the low 3% range in the '70s, '80s and '90s. The most recent decade came in at less than 2%.

Slowing Trajectory of U.S. Economic Growth

	Nominal GDP	% Change GDP Deflator	Real GDP
1930's	-1.2%	-2.1%	0.9%
1940's	11.2%	5.4%	5.6%
1950's	6.6%	2.4%	4.1%
1960's	6.9%	2.3%	4.4%
1970's	10.0%	6.6%	3.2%
1980's	7.9%	4.7%	3.0%
1990's	5.5%	2.2%	3.2%
2000's	4.1%	2.4%	1.7%
2010's	?	?	?

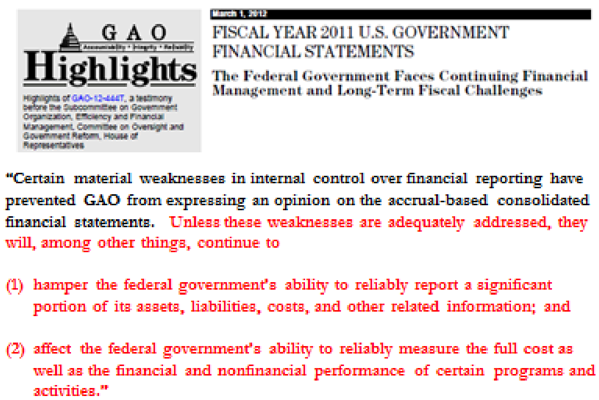


*Nominal growth minus GDP deflator won't always tie to real growth due to the effects of compounding. Source: Bureau of Economic Analysis.

We continue to believe future growth will be slower than in the past. We don't see another path. The United States is a bigger ship now than it was 50 years ago, and it just won't move as fast – especially since consumers have maxed out their balance sheets and governments are in the process of maxing out theirs. We've already had the secular benefit of households shifting from one to two incomes. Interest rates have already declined to generational lows. And the regulatory environment has become even more stifling.

We have to offer a disclaimer, though: It's hard to have conviction in analyzing the data when the government information we're given is flawed. To make matters even more challenging, our elected and appointed officials presumably use government statistics and projections for policy-making that is, sadly, already dangerously skewed toward the short-term view. The federal Government Accountability Office, ostensibly the auditor of our nation's financial statements, recognizes the problem and has published qualified statements of our government's financials for many years. The GAO wrote in 2010, "The federal government did not maintain adequate systems or have sufficient, reliable evidence to support certain material information reported in the U.S. government's … financial statements." The recently released 2011 GAO statement offered more severe language (as shown below). We depend on government data for GDP, CPI and a host of other metrics, so one should not take government statistics at face value.


Source: http://www.circadee.com


March 1, 2012

GAO
Accountability • Integrity • Reliability
Highlights

Highlights of GAO-12-444T, a testimony before the Subcommittee on Government Organization, Efficiency and Financial Management, Committee on Oversight and Government Reform, House of Representatives

FISCAL YEAR 2011 U.S. GOVERNMENT FINANCIAL STATEMENTS

The Federal Government Faces Continuing Financial Management and Long-Term Fiscal Challenges

"Certain material weaknesses in internal control over financial reporting have prevented GAO from expressing an opinion on the accrual-based consolidated financial statements. Unless these weaknesses are adequately addressed, they will, among other things, continue to

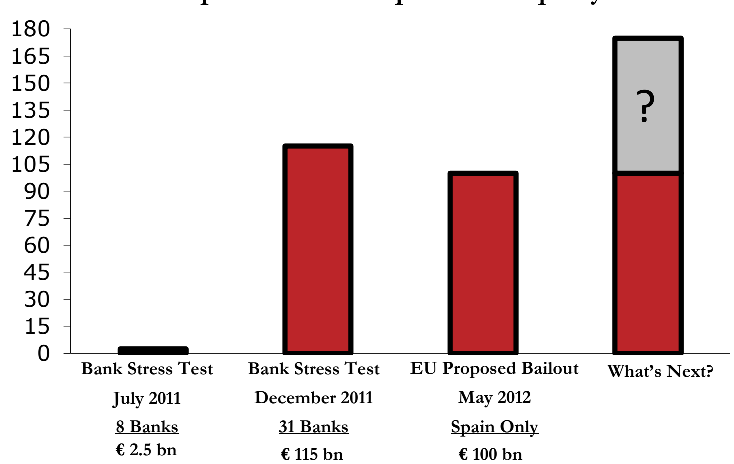
(1) hamper the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; and

(2) affect the federal government's ability to reliably measure the full cost as well as the financial and nonfinancial performance of certain programs and activities."

Source: http://www.gao.gov/new.items/d11363t.pdf.

The European Union isn't much better, having seriously misjudged the depth of its financial crisis. In July 2011, the results of bank stress tests showed that eight banks required €2.5 billion. By December, it had grown to 31 banks needing €115 billion, and in May, the EU proposed a €100 billion bailout of Spain just to shore up that country's banks. Citigroup projects that the European banking system needs another €350 billion to be solvent.

European Banks: Capital Inadequacy



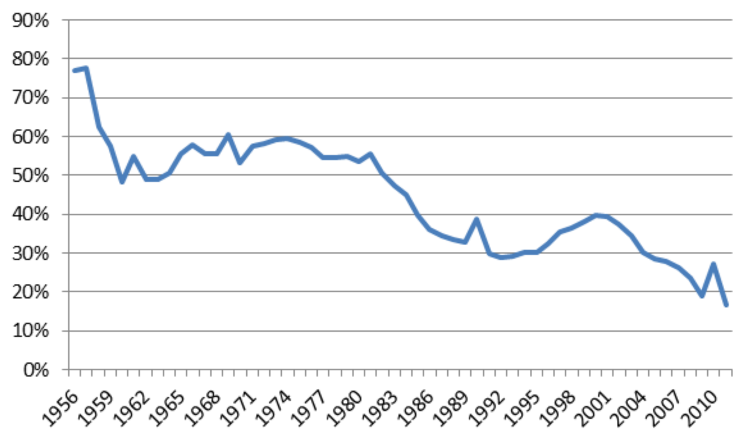
Source: http://www.eba.europa.eu/EU-wide-stress-testing/2011/2011-EU-wide-stress-test-results.aspx.

And then there's China, which is, by some accounts, a kleptocracy. Who knows what the real numbers are there? One can't have confidence in the integrity of the data. The *China Daily* opined, "Public skepticism has been directed chiefly at the statistical arm of the government, which has been ridiculed for releasing data contradicting basic commonsense assumptions. Local officials too have been castigated for concocting statistics that win approbation from superiors bent upon boosting GDP numbers."[1]

So we don't trust the numbers – numbers that are more important now that we have morphed from laissez faire capitalism to more of a government managed capitalism. But governments can't cure every ill. We would be better off if assets were to drop in value to the point where a sensible buyer could come in at a natural clearing price. Money can't be spent or printed just to move markets or to keep people shopping in stores. And we can't just keep borrowing money and spending it foolishly.

Debt has been going up faster than the returns on that debt. If you consider not just the U.S. government, but also U.S. corporate and household debt, our return on investment has steadily declined for decades. For the years since 1956, we've compared the change in GDP to the change in debt. You can see from the chart below that we are getting a lower return for each incremental dollar borrowed.

Diminishing Productivity of Debt

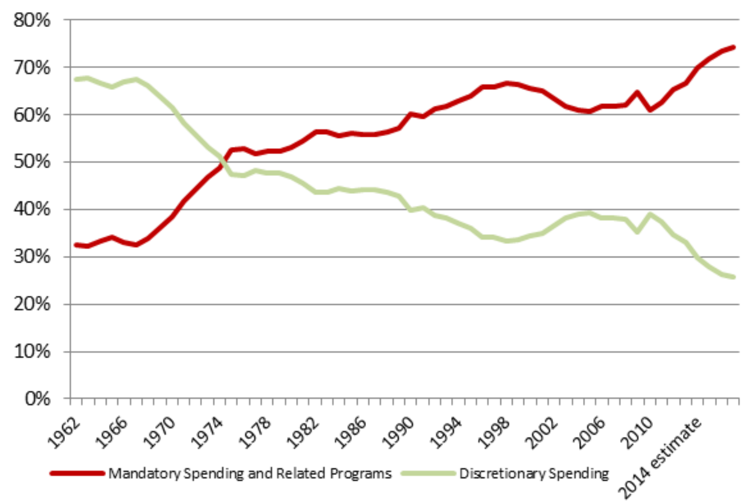


Source: Bureau of Economic Analysis and US Census Bureau. As of December 31, 2011.

This is not to say we shouldn't borrow. But it certainly means that, if we do, we "sure as hell" better spend the money wisely. People shouldn't be buying cars and homes they can't afford. Companies shouldn't allocate capital just because they have the cash or borrow because they can. They should do so because they can achieve a respectable return on investment. We'd all be better off if the government spent more on things that can pay dividends in the future, like education, infrastructure, and scientific research. Instead, we get pandering earmarks. We spend as if the well has no bottom, and given our penchant for printing money, perhaps that is technically true. But the well narrows as you go more deeply, further limiting our already decreasing fiscal flexibility.

[1] http://www.chinadaily.com.cn/opinion/2010-06/04/content_9933090.htm.

Mandatory vs. Discretionary Spending (% of Total Spending)



Source: Data derived from the Office of Management and Budget.

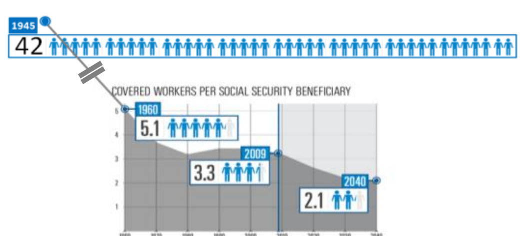
Mandatory spending, the part of the federal budget that has been legally mandated outside of the budget process, has increased to an all-time high of 64%. This includes Social Security, Medicare, a plethora of other government programs, and of course, interest expense.

As these expenses have grown, our discretionary spending has declined commensurately. Government agencies bear the brunt of the squeeze, with many suffering budget cuts of 10% to 30%.

The risk to the global growth scenario is ill-considered spending. Here are a few examples:

At its birth in 1935, Social Security had close to 50 workers supporting every beneficiary. Citizens could collect benefits at age 65, but the average life expectancy then was just 62. Brilliant, really – people couldn't collect until three years after they died. Since then, the number of beneficiaries has increased 17-fold, and now there are just three workers supporting each recipient. Retirees can now collect at age 67, and (thankfully for most) they can expect to live to 78. Those eleven years of subsidized retirement are uneconomic. We believe this underutilized human capital could be deployed more wisely, thus enhancing productivity.

Social Security Dilemma



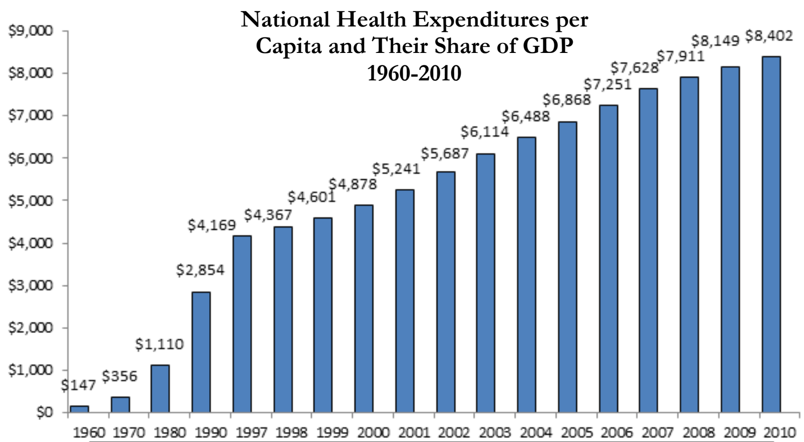
	1935	2009
Average Life Expectancy	**62**	**78**
Retirement Age	**65**	**67**
% of Population Receiving Social Security	**1%**	**17%**
# of Workers Supporting Each Beneficiary	**> 42**	**3**

You used to be able to collect three years after you died.
Now, you get eleven years of subsidized retirement.

Source: USA Inc., Social Security Administration.

At double the OECD average, our nation's health care costs are another example of unrestrained spending.[2] What's more, our care isn't notably better, and is even worse in some cases. The Affordable Care Act, Obamacare, won't be bringing costs down, since it focuses more on the broad delivery of healthcare than it does on reducing the fat in the system.

U.S. Health Care Costs



Health Care Costs as % of GDP:
U.S. – 17.9% vs. OECD countries – 9% average

Source: http://www.cms.hhs.gov/NationalHealthExpendData/ (see Historical; NHE summary including share of GDP, CY 1960-2010.

The White House's federal budget takes into account all the spending, projecting a $6.7 trillion cumulative deficit over the next decade. At this point, I'd have to take the over on that, but let's just use their numbers. If that comes to pass, debt held by the public will increase by $8 trillion. The Administration projects that this will cause interest expense to rise from $223 billion to $915 billion – and that conveniently ignores the existing $5 trillion in intragovernmental debt and its associated interest cost.[3] About 6% of government spending is dedicated to interest expense – thanks to a larger federal budget and a lower cost of debt, that's less than the 1970 number of 7% – but the future won't be as kind. The White House estimates that our nation's financing costs as a percent of outlays will rise to 12.6% in five years, and to 15.7% in 10 years.

2012 Budget as Prepared by the OMB

(in billions)	2012	2017	2022
Outlays	$3,796	$4,532	$5,820
Deficit	$1,327	$612	$704
Debt held by public	$11,578	$15,713	$19,486
Cost of debt held by public	2.0%	3.7%	4.8%
Interest expense	$223	$570	$915
Interest expense as percent of Outlays	5.9%	12.6%	15.7%

Source: http://www.whitehouse.gov/omb/budget/Overview

We highly doubt that interest rates can be sustained at such a low level forever (despite the help with LIBOR thanks to Barclays et al.). If federal interest expense quadruples as the White House anticipates, then certain government spending is going to be crowded out. To put the almost $700 billion increase in perspective,

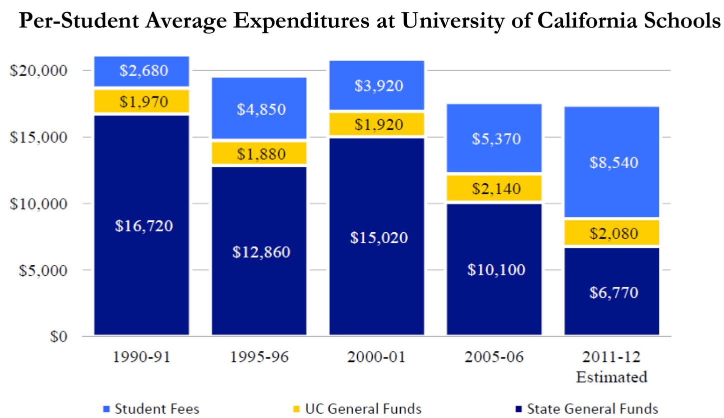
[2] Organisation for Economic Co-operation and Development.
[3] According to the Office of Management and Budget, the White House anticipates that the cost of money will increase from 2% in 2012 to almost 5% in 2022.

that's about equal to what we spend on defense today. What programs will we see cut? What will the economic cost be? What about the social cost? Will the deficit be larger than the Office of Management and Budget estimates? Will the outstanding debt be greater than expected? Will the cost of debt be higher? These are just a few of the questions that keep us awake at night.

Certain government spending will get cut. It's already happening. Here in Los Angeles, we have a smaller police force per capita, fire stations have closed, some state workers receive unpaid furloughs certain days of the month, and various state agencies have shortened their hours

With more spending elsewhere, there's less for education. The University of California system receives $10,000 less per student from the State General Fund than it did two decades ago. Fees have tripled for students, making that public education more like semi-private. As a result, the UC system is now taking more full-pay foreign and out-of-state students. There's only so much money, even with control of the printing press, so something has to give. Education is one of those things, not just here in California, but across the country.

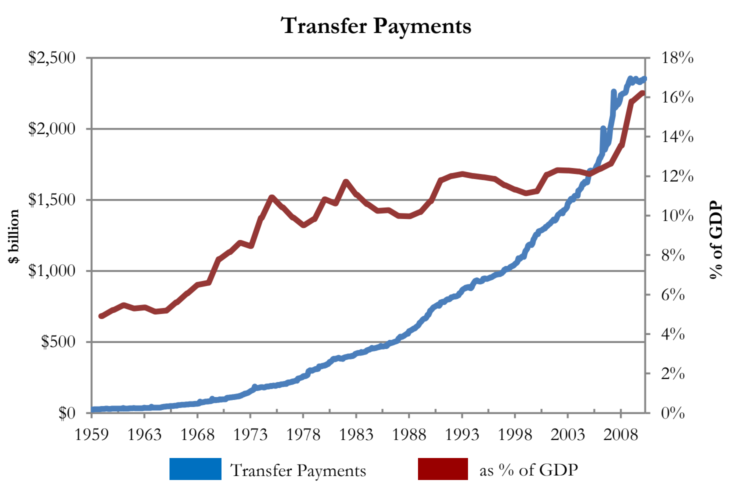
Education Gets Crowded Out



Source: University of California Office of the President, September 2011.

Of the money that *is* there, more is being handed out to households. The government's $2.5 trillion in benefits now provides support to 49% of U.S. households, up from 30% in the early 1980s.

Government Largesse

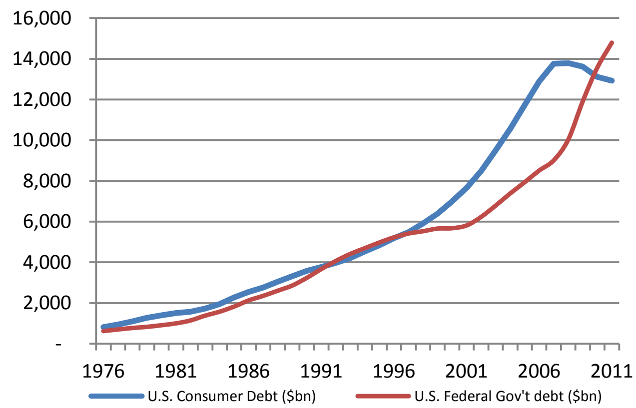


Source: US Bureau of Economic Analysis. Last data point April 2012. Federal Reserve Bank of St. Louis.

Household spending didn't change much as a result of the most recent recession. Households spent $11 trillion in 2007 and spent the same amount in 2010. Not bad, considering the job market shed 7.6 million jobs, causing unemployment to rise from 5% to 9.4%. To help ease the pain, U.S. government payments to households increased by $800 billion. Giving people so much and getting so little in return will not inure to the benefit of this country's long-term economic health.

When the consumer stumbled in 2008, the government became the growth engine – borrowing and spending in its stead. Ironically, what we couldn't afford to do individually, we somehow think, can be done collectively as a nation – and without repercussions. This argues for a Keynesian end point when governments can no longer engage in deficit spending alone to spur the economy. We can decide on our own, or the markets will decide for us – through rising rates, a buyers' strike on U.S. Treasuries, or a currency crisis. The issue for us, as investors, is what does an imminent Keynesian end point mean in the context of both risk and opportunity?

U.S. Consumer and Government Debt



Source: www.treasury.gov, Federal Reserve
Notes: all years as of September 30, 2011. Consumer debt includes non-profit institutions

We admit we don't know Europe as well as the United States. But the problems in Europe – particularly in Southern Europe, where policy has also run amok – look similar to what is happening here at the federal, state, and local levels. They've reached their Keynesian end point and are now dependent on the kindness of their neighbors. The United States is just at an earlier stage.

We fear that the EU is worse than it looks, and there isn't a clear path to resolution. It never made sense to us to have independent fiscal fiefdoms that could act without regard to the policies of a central monetary authority. We don't know what will happen, but everyone appears to be counting on Germany. It reminds me of a Jewish curse my Rabbi once spoke of: May you be successful and the rest of your family poor. Germany is in the awkward position of having to choose whether to continue funding its irresponsible cousins, force them out of the EU, or leave the EU itself. A German exit would probably be as costly as reintegrating East and West Germany after the fall of the Berlin Wall. The new Deutschemark would certainly trade far richer than the Euro, hurting Germany's exports and possibly creating social unrest.

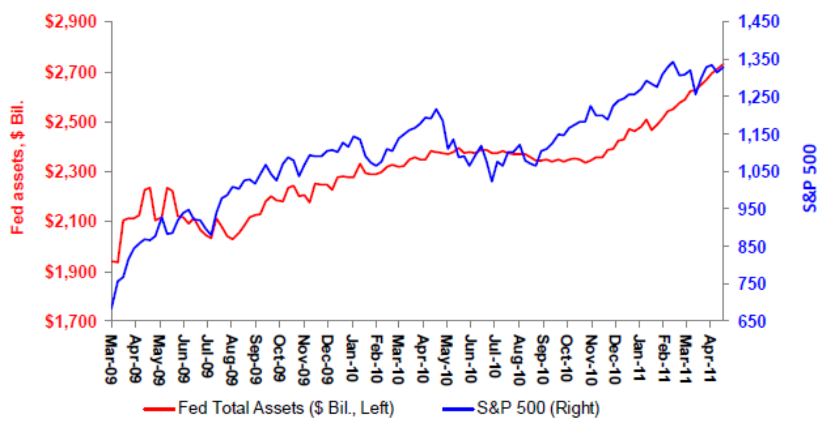
Source: The Economist.

Imagine a young German and a young Frenchman of the same age committing to share an apartment. They agree to split the rent and the utilities. That works fine for years, until one day the Frenchman tells the German, "I want to retire now that I'm 60. I understand that you want to work for seven more years, and you've saved a lot more than me because I've worked just 35 hours a week to your 40, and I've taken more vacation time. Since you have more money, why don't you shoulder a larger share of the rent?" If you're the German, you'd have to seriously consider living on your own. Germany's choice is not an easy one, and given the complexity of the circumstances and my uneducated view, we don't pretend to have the answer. But we raise the question nonetheless because it will affect many companies that we either own or may consider owning.

China has its share of challenges as well, including their own housing bubble and unsustainable infrastructure spending. Yet the picture that gets painted by the United States, Europe, and China is an optimistic one. They believe their economies will get over their respective hurdles and all will be fine. But that seems to contradict the unprecedented policy initiatives that have left us hoping that this Grand Experiment doesn't blow up the lab. Slower growth is causing this crazy behavior, which we believe just increases socio-economic risk.

The Fed's balance sheet has ballooned in an unprecedented fashion, taking risk assets along with it. The goal of these programs was, in part, to take markets higher, instilling confidence that would hopefully translate to the economy. They were successful in boosting the markets, but economic growth has barely budged. The Fed's been pushing hard on a string, only to end up with weak economic growth and the most anemic recovery most of us have ever seen. No one sees that with more clarity than our nation's elderly, who are now forced to live with less thanks to low interest rates.

Fed Asset Expansion Has Moved with Risk Assets



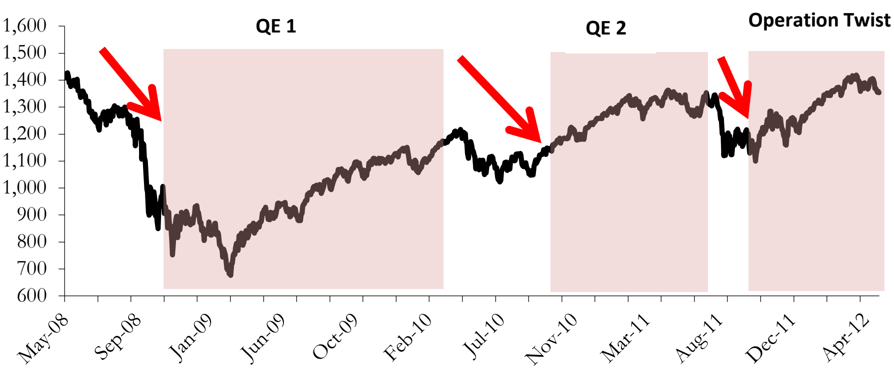
Sources: Stifel Nicolaus & Co., Federal Reserve, NBER, Factset.

Securities markets have become dependent on continued Fed action. The market has moved higher with each of the Fed's moves: QE, QE2, Operation Twist, and LTRO[4] in Europe. There was a point at which Quantitative Easing had to be explained to us. What was an emergency measure has become the base case. Now, it seems most people are praying for QE3. At some point, even hit movies stop having sequels. It's Red Bull economics. Drink it and get jacked up only to come down hard later.

Narrowly defined, however, these programs have been successful. Operation Twist, the Fed's most recent effort, has successfully moved Treasury maturities further out. In December, 41% of U.S. Treasury Debt matured inside of two years. Now, six months later, *just* 32% matures inside two years. We have recommended that our companies follow the government's lead and term out their debt at a fixed rate at the longest possible maturity.

[4] LTRO = longer-term refinancing operations.

QE Impact on Stock Market: Wash, Rinse, Repeat



Source: S&P, Capital IQ.

Doing the twist has the benefit of minimizing financing costs. With interest rates managed with such a heavy hand, the bond vigilantes are kept at bay and spending in Washington can continue unabated. This keeps us from recognizing the real problem. It's not debt. Debt is the manifestation. We have a spending problem. The fiscal cliff gets lots of press, as it should, but it's the symptom, not the problem.

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Given all of these different risks, questionable accounting, and inappropriate policy measures, many of which are conflicting, we have struggled with whether we will have inflation or deflation. It's an important debate, because optimal portfolio positioning in each case is diametrically opposed.

We certainly see the inflation tinder:

- In the extraordinary growth in our money supply.
- In the fact that certain industries below norm today will contribute to both growth and inflation when they eventually rebound.
  - Construction is one such industry running below norm, but that won't be forever. U.S. construction spending has averaged 15.2% of GDP for the past 20 years.[5] It is currently running just 12.4%.[6] Three quarters of that difference is residential home construction. Although we aren't likely to return to constructing two million new homes annually, we're not going to stay at 700,000 homes forever, either. We think 1.25 million to 1.4 million housing starts is a more normal range.[7]
  - Recovering U.S. auto sales are another potential inflation engine. We think the right range is 15.5 million to 17.0 million new cars sold annually, or 10% to 20% more than the current volume. A bump in auto sales may not be that far off, since the average age of our fleet is at 11 years – its oldest ever.

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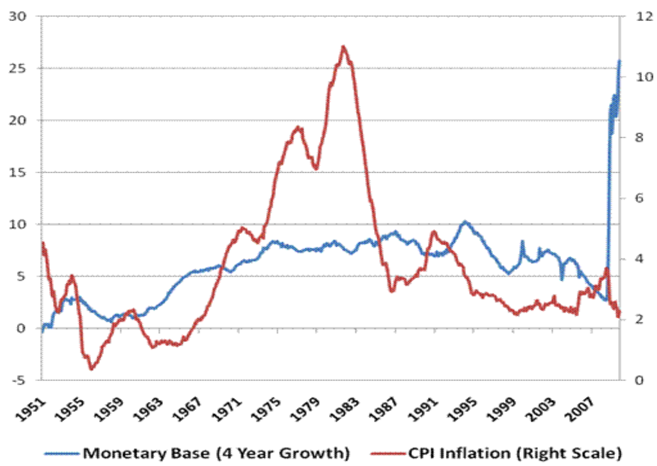
[5] At its peak in the last decade, construction represented 17.3% of GDP.
[6] Bureau of Economic Analysis.
[7] We have worked through a couple thousand sub-prime whole loans. We are seeing a bottom. Said another way, the loans we bought in 2011 have been better than those purchased in 2009 and 2010, and that's not just because we've gotten better on price.

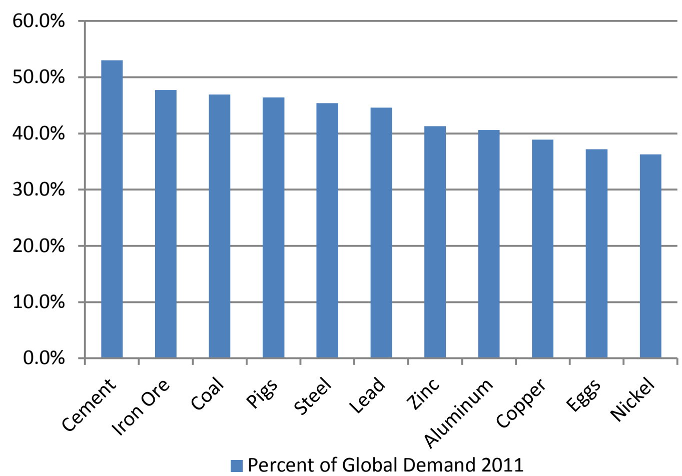
Inflation Tinder



Source: Federal Reserve, Bureau of Labor Statistics.

- In China's infrastructure spending, which is multiples higher than what is required for a developed society. The country accounts for only 9.4% of the global economy and 19% of the world's population, yet it consumes close to 50% of the world's cement, iron ore, coal, and steel, as well as prodigious amounts of many other commodities – all of which helps drive inflation higher.[8]

China Commodity Consumption



Source: Business Insider. http://articles.businessinsider.com/2011-05-05/markets/29982186_1_china-s-gdp-michael-pettis-global-economy

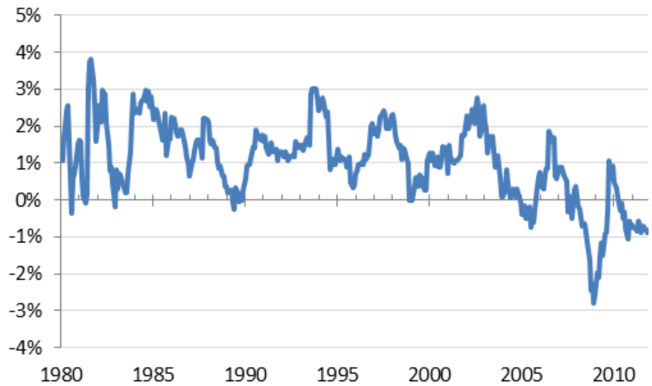
At present, we are witnessing deflation in certain parts of the U.S. economy – and it shows up on the slide below depicting CPI, net of PPI.[9] In addition, housing remains weak. We have more computing power for less money. And we now have a proven abundance of natural gas that lowers input costs for many products and gives us a modicum of energy independence. And while China has been an engine of inflation, it could push commodity prices the other direction if there's a slowdown in consumption triggered by an economic downturn, or by the country's realization that it can afford to moderate its infrastructure build.

[8] http://articles.businessinsider.com/2011-05-05/markets/29982186_1_china-s-gdp-michael-pettis-global-economy.

[9] CPI = Consumer Price Index; PPI = Producer Price Index.

Deflationary Pressures

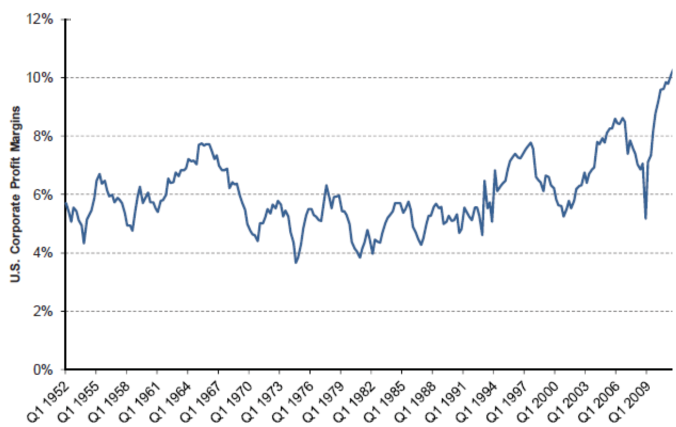
Core CPI y/y% minus Core PPI y/y%



Source: Federal Reserve Bank of St. Louis. Last data point May 2012.

The inflation/deflation debate is set against the backdrop of a U.S. stock market that is priced above average, and a European market that's priced below average. Valuation, though, is partially dependent on sustaining all-time high operating margins. After-tax margins have benefited from a number of inputs that have been in decline, and it begs the question: What happens to these variables prospectively?

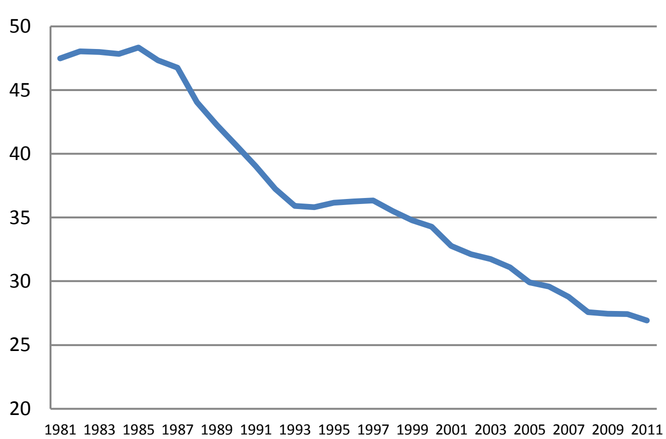
Corporate Margins at an All-Time High



Source: GMO (NIPA, Flow of Funds, September 30, 2011).

Corporate tax rates, for example, have helped push margins higher, having declined from 47.5% in 1981 to just 26.9% today. We guess one can always bet they'll decline further.

Average Corporate Tax Rates Worldwide



Labor costs and interest rates have also been key drivers in helping margins hit new highs. We think it's safe to say that we can't count on the similar declines in these variables in the future – and there's a good chance they'll be higher instead. Without some significant improvement in demand, the "E" part of the Price/Earnings equation may be overstated.

Investments

CareFusion

We recently made an investment in CareFusion (CFN), a leading medical technology company serving hospitals in the United States and abroad. In this country, it has dominant market positions in a majority of its businesses. CFN's products and services are particularly attractive because they help lower hospitals' operating costs. With new, highly motivated and experienced management at the helm, we believe CFN could improve its R&D productivity and grow international sales at a faster rate. This should translate into better long-term EPS growth. Management's actions to date should increase the company's operating margin to a level more commensurate with its strong share position and in line with similarly positioned medical device companies. The company is trading at ~10x cash earnings and it has minimal net debt leverage, so we find CFN to be an attractive investment.

High Yield / Distressed

We have been building an investment in a senior note issued by a domestic energy company that is currently under financial duress. The investment is a classic yield-to-workout story, where there is uncertainty surrounding the issuer's liquidity, but given the asset coverage of our claims, there appears to be low risk and reasonable upside in a restructuring. A reorganization would be welcome, because the company could then improve its asset value by using its cash to develop the asset base instead of paying interest on its debt. The Portfolio will either earn a yield-to-improved-credit when the company solves some of its current liquidity challenges, or it will hold the position through a restructuring. In both cases, the risk/reward and the presence of a contractual timetable make this an attractive investment.

Closing

As you would suspect given our fears, we remain conservatively postured, with not quite 70% in risk assets, and the balance in cash. If one had a strong view of inflation, he would construct a portfolio quite differently than the person who expects deflation. We have positioned our portfolio to be relatively robust in either scenario. In a world of deflation, not much besides our cash will do well. In a world of inflation, which is where we believe the Central Bankers and their respective administrations are leading us in the long term, we believe our stocks should at least perform nominally well. We continue to let price be our guide. If a business or asset is good and cheap – absolutely, not relatively – we'll buy it.

People don't change because they see the light. They change because they feel the heat. We expect some more heat, and then some change. Meanwhile, we prefer to prepare for the worst and hope for the best.

We added two people to our team during the quarter. Brandon Stranzl joins us after a number of years managing his own fund, and working at ESL and Third Avenue. Since Brian Selmo and Brandon have been good friends since their days at Third Avenue, we understood the high quality of his work and knew he would be a good fit philosophically. Greg Crouch recently joined us after spending 19 years in Europe as a journalist. Greg's success has been recognized internationally and includes a Pulitzer Prize nomination. The skills of an investigative journalist are integral to our investment process, and Greg takes our capabilities to a whole new level. The majority of our team was known to us prior to joining FPA. Greg is no exception, since he lived a few doors down from me in our freshman dorm at Northwestern. Both Brandon and Greg have already had an impact. Rik Ekstrand will no longer be contributing directly to the Contrarian Strategy; instead, he will be focusing solely on driving the performance of FPA's SMAV product, which he has co-managed since 2010. We thank Rik for his contributions and look forward to interacting with him on an ad-hoc basis in the future.

Respectfully submitted,

Steven Romick

President

July 18, 2012

The discussion of Fund investments represents the views of the Fund's managers at the time of this report and is subject to change without notice. References to individual securities are for informational purposes only and should not be construed as recommendations to purchase or sell individual securities.

FORWARD LOOKING STATEMENT DISCLOSURE

As mutual fund managers, one of our responsibilities is to communicate with shareholders in an open and direct manner. Insofar as some of our opinions and comments in our letters to shareholders are based on current management expectations, they are considered "forward-looking statements" which 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 materially from those we anticipate. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions when discussing prospects for particular portfolio holdings and/or the markets, generally. We cannot, however, 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. Further, information provided in this report should not be construed as a recommendation to purchase or sell any particular security.