FPA
investors first

FPA International Value Fund
Third Quarter 2015 Commentary

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, sales 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 September 30, 2015

	QTR	YTD	1 Year	3 Years**	Since Inception**
FPA International Value Fund	-3.51 %	-4.23 %	-7.50 %	3.52 %	6.80 %
MSCI ACWI ex US	-4.64 %	-8.63 %	-12.16 %	2.34 %	4.18 %

**Annualized. Inception of FPA International Value Fund is December 1, 2011.
A redemption fee of 2.00% will be imposed on redemptions of certain shares within 90 days. Expense ratio calculated as of the date of the most recent prospectus is 1.13%.

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 MSCI ACWI ex-USA Index (Net) is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. 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.

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. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks.

The Fund is non-diversified and may hold fewer securities than a diversified fund because it is permitted to invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the Fund could go down because of the poor performance of a single investment.

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

Dear fellow shareholders,

During the third quarter of 2015, the Fund returned a negative 10.23% (all in U.S. currency), compared to a 12.17% decline in the MSCI All Country World Index's (ex-U.S.) (Net) (the "Index"). Since the beginning of the year, the Fund declined 4.23% versus an 8.63% loss for the Index. Most importantly, the Fund has appreciated by an annualized 6.80% since inception on December 1, 2011, versus 4.18% for the Index.

At the end of the period, the Fund was close to 70% invested (up from a little over 60% as of June 30, 2015), with the percentage having continued to increase steadily. Since inception, the Fund's cash exposure has fluctuated along with the opportunity set from the low teens to in excess of 40%, and averaged just under 35%.

Key performers

Our worst performing holding this quarter was **Hypermarcas**. Based in Brazil, Hypermarcas is the second largest consumer goods company in the country (behind Unilever), and the third largest pharmaceutical company. We originally invested in the company during the third quarter of 2014, but had to substantially reduce our holding as the share price ran up to the end of the second quarter of 2015. Since then, the business has suffered from continued weakness in the domestic economy, including in its pharma division. Free cash flow generation has lagged, and with added negative impact from currency, the balance sheet has not improved as expected. More importantly, the group departed from its stated strategy by chasing volumes at the expense of margins, rather than increasing focus on core activities, extracting efficiency gains, and generating free cash flow in order to reduce leverage. Hypermarcas now portrays this departure as a misreaction to the economic downturn, and vows to reverse course. While we bought back some of the shares previously sold, we have yet to fully reweight the position according to the widened discount to intrinsic value, as we placed the company under review. We need to trust, based on further conversations with management, that the old discipline will prevail. Otherwise, we will have to rethink our investment.

Our best performing holding in the quarter was a recent addition to the portfolio which we had preferred to keep confidential while building the position. Unfortunately, others took interest, thus limiting our ability to give it a more meaningful weight. Our second best performing holding was **Adidas**. Based in Germany, Adidas is one of the world's leading producers of sport shoes, apparel, and equipment. We invested in the company in the third quarter of 2014, as the group was experiencing one of the worst performing years in its history, with a perfect storm of accelerated decline in the golf category, increased competition in the U.S., instability in Russia (an important market for Adidas), and a broad re-organization involving several key executive replacements. Longer-term, we expected the transformation to drive better performance, and the brand to benefit from the continued global strength in demand for sport and sport-inspired products, as well as improving business conditions in Europe. While we have meaningfully reduced our investment in the company in light of the strong share price performance in the past year, we continue to view Adidas as a high quality company, and remain interested in being invested in the business, so long as the share price offers an appropriate margin of safety.

Portfolio activity

We made several new purchases in the later part of the quarter, as several of the businesses we had been following saw their share prices cross our discount thresholds. There were five open orders and ultimately four new additions to the portfolio in the period, including **Totvs**, **Shawcor**, **Ansell**, and one undisclosed holding discussed in the previous paragraph. Based in Brazil, Totvs is a leading provider of

enterprise software solutions, primarily to local small and medium size businesses. Based in Canada, Shawcor is the world's leading player in the field of coating and weld solutions for pipes and pipelines primarily directed towards oil and gas applications. Based in Australia, Ansell is a leading global manufacturer of gloves and other body protection solutions, as well as condoms and sexual wellness products. While Totvs and Ansell are both companies we have a long history with, Shawcor is a new addition to our "Best-of-Breed" List, in part as a function of their recent acquisition of the other dominant player, Socotherm. Together, these new positions accounted for close to 8% of the Fund's assets at the end of the quarter, and represented a redeployment of about 20% of the cash we held at June 30, 2015, as we took as much advantage as we could of the recent market correction.

On the other hand, we sold out of our investments in **Accenture**, **Christian Dior**, and **GUD Holdings**. Having performed well since the original purchases, all three of these holdings were no longer offering adequate margins of safety relative to our estimates of intrinsic values. Throughout the quarter, we have also continuously rebalanced existing holdings based on relative discounts to intrinsic values.

Portfolio profile

Net of these transactions, our portfolio remained relatively concentrated as at the end of the period. We held 30 investments, with the top 10 accounting for more than 40% of the Fund's assets, and the top 5, including **ALS**, **Fenner**, **KSB**, and **LSL,** for around 25%. At September 30, 2015, the weighted average discount to intrinsic value of our holdings was about 37%, up from around 30% at the end of last quarter.

Overall, the general profile of the portfolio remained relatively unchanged with a reasonable balance in terms of market capitalizations, even though we find that smaller, overlooked companies tend to be the ones still offering potentially compelling discounts in the current environment. We do not consider this to be very meaningful however, as our approach is agnostic to size, as it is to geography or sectors.

The main geographic features of the portfolio were also broadly similar to what they were at the end of the second quarter, with dominant exposure to companies based out of Europe and no exposure to Japan. The two areas of increased exposure were Emerging Markets, where we have seen some dramatic price dislocations, and North America, primarily as a function of our investment in Shawcor, which is based in Canada, although it operates globally.

From a sector standpoint, the portfolio remained geared towards Industrials. We still have no investments in banks, with Financials exposure only reflecting our holdings of **LSL** and **Countrywide**. The new weight towards Healthcare is also somewhat misleading, as **Ansell** is primarily an industrial and consumer good driven business. Similarly, **Shawcor** is more of a provider of industrial solutions, rather than an energy company. However, this investment reflects our continued efforts to take advantage of the massive downturn many commodity related businesses are experiencing, and the subsequent severe correction in their share prices. Beyond that, the Fund is still fairly diversified, while geared toward businesses that are cash generative and not very capital intensive. These primarily include service type businesses and consumer goods companies. We also continue to have meaningful investments in ERP software providers, which now include **Totvs**, and have added to our overall Information Technology exposure with our undisclosed new holding.

As always, we thank you for your confidence and look forward to continue serving your interests as shareholders of the FPA International Value Fund.

Respectfully submitted,

The International Value Team

Pierre O. Py
Portfolio Manager

Jason Dempsey
Analyst

September 30, 2015

Dear fellow shareholders,

We mentioned in our third quarter 2015 letter that the market, and to a lesser degree the Fund, have experienced meaningful negative returns in the past couple of months. While reporting on uninspiring numbers should be no cause for celebration, we can't help but feel enthused about recent developments.

As we discussed on past occasions, being inclined to hold cash when opportunities are scarce does not mean we sit on our hands waiting for the markets to turn, quite the contrary. Not only do we spend a considerable amount of time on the road looking for companies which may have fallen through the cracks, but we also conduct a lot of preparatory research in order to line-up companies that could soon hit our threshold, and be ready to act if they did. I have used the analogy of the Formula One car racing starting grid on occasions to illustrate the work that goes on in the background at times like these.

Now it seems the flag has finally been waved, and we have been able to put some of our excess cash to work in a handful of new ideas, in addition to continuing to add to some of our existing positions. As we pointed out in the third quarter letter, the move has been material in the past few weeks. At such a rate, we can once again dream of a more fully invested portfolio in the foreseeable future. Nothing would make us happier after the past couple of years of generally high valuations, but for this to happen, markets will have to continue to cooperate and present us with more opportunities to invest in good, well run, financially strong businesses trading at compelling discounts.

More than the recent price correction however, what is giving us greater cause for encouragement as bottom-up investors, is that fundamentals may be starting to put some expectations to the test. We often hear that monetary policy is what dictates the future of market prices, but for us, whether or not businesses can ultimately deliver the expected cash flows embedded in market valuations is far more important. Multiples may have expanded as a function of low interest rates in recent years, but forecasts of continued profit growth also appear to have moved ahead of what businesses can sustainably deliver.

What we observe from a business performance standpoint is that many companies are experiencing increased weakness in emerging markets, China and Brazil in particular. Not only is this limiting organic growth (aside from currency headwinds), but it is also challenging cost structures, as firms had invested in these regions (and as a function of business development at a corporate level as well), hoping to garner the fruits of their investments, through continued growth and the associated leverage. Furthermore, dampened emerging market prospects appear to be heightening competition in other parts of the world, and could have trickle-down effects. This situation is now challenging profit expectations, thus also putting pressure on management to find offsets, which can translate into poor capital allocation decisions, with high multiples being paid for often large, "strategic" acquisitions, and/or share repurchases. Such investments are likely to eventually further hurt returns, and quite possibly net cash flows. Another risk is that management, in its zeal to deliver the expected results, turns a blind eye to corporate practices which infringe sound ethical standards, or worse, laws and regulations.

In many cases, these developments will prove cyclical, yet markets are likely to respond to temporary weakness with their characteristic myopia. A subsequent pullback in prices would broaden and improve the range of value opportunities. Looking back over a couple of years, we have found ourselves more limited to situations where businesses have the ability to grow profits and at least maintain (if not improve) returns despite short-term challenges. Markets have failed to appreciate these situations, preferring to trust instead in the continued run-up in prices of franchise-type businesses, irrespective of valuations.

One example where we have found value is under-managed businesses which, often in combination with a change in governance and/or leadership, are going through major improvements in operations. This would be the case with **KSB** for instance. Another type involves companies with opportunities to consistently re-deploy capital in a value-creative manner, into places we cannot access as financial, public equity investors. **Countrywide** is a name which would fit this description. Relatively new business models enjoying continued strong increases in adoption of their products or services, thus generating sustained profitable growth, irrespective of the economic environment, can also prove attractive, as with our new undisclosed holding, which benefits from continued consumer migration to the online sales channel. One last group is well-run, sustainable yet cyclical businesses experiencing severe industry dislocation. At present, this primarily includes companies with exposure to commodities, the likes of **ALS** or **Fenner**.

It comes as no surprise that our value focus has pushed us towards these situations in recent months. Based on our analytical framework, the highest quality names we owned in the earlier years of the Strategy had come to offer little, if any, margin of safety. That is because our approach to valuation rests on cyclically adjusted long-term estimates, not extrapolations of short-term positive strength. If we were to experience broader short-term weakness in business performance, however, expectations could reset, and prices adjust accordingly. This could open up more opportunities for long-term fundamental investors like us, in particular amongst higher quality names. In the recent correction, we started to see some of that, as we were able to once again invest in such world-class companies as **Totvs**.

* * *

As market prices recently came down, and questions about sustainable operating performance started to arise, some of our clients, colleagues, and other acquaintances have asked what these developments meant for the Fund. We were surprised by some of their reactions to our responses, and concluded we needed to take advantage of our quarterly commentary to clarify a couple of important things. The first is that we are not running some type of market timing strategy. The second, which is related, is ultimately what it means to be a bottom-up investors, or how we think about macro versus micro.

Not a market timing strategy

We are pure bottom-up investors. That means we do not have any overarching views on where the general economy is going, how the macro environment might change, or what capital markets' reactions could be in the months to come. We also do not pick an arbitrary point in time and seek to deliver excess returns over that period either. Nor do we employ cash as a hedge against our equity holdings, or hope to take advantage of short-term market volatility by trading in and out of securities.

Instead, what we aspire to do is become long-term owners of businesses when we can buy them at a fraction of their worth. We look for sustainable, value-creative models, management teams we can trust, and balance sheets which will not expose us to unwarranted risks. We assess the intrinsic values of these businesses based on cyclically adjusted economics, and demand a defined margin of safety[1] to purchase their stocks. We sell them over time as the discounts unwind, if our original assessments prove erroneous, or if we can find better ideas.

[1] Margin of safety- Buying with a "margin of safety," is when a security is purchased for less than its estimated value. This helps protect against permanent capital loss in the case of an unexpected event or analytical mistake. A purchase made with a margin of safety does not guarantee the security will not decline in price.

As one of my personal investing mentors once put it: *"Valuing is the 'timing' element… There is never any need to look for a 'disappointment' or a catalyst. Let's always have the valuation be the 'timing' tool to use!"*[2].

We expect to have 25 to 35 positions meeting these investment criteria at any given point in time, but if we cannot find enough opportunities, we may end-up owning some level of cash as a result. As such, the Fund's cash exposure could fluctuate irrespective of how markets are trending, and simply as a function of our ability to unearth new investments. Cash is a residual output of our buying discipline, combined with how concentrated a portfolio we expect to have. The same philosophy and the same process could have supported being more invested, but this would require a lower discount threshold, and thus likely a higher number of holdings. With our Strategy, we have chosen differently.

The meaning of bottom-up investing

Having a bottom-up approach cannot mean that we choose to be oblivious to the macro environment. Ultimately, every business operates in a macro context which even a bottom-up investor needs to understand. That context however is cyclical by nature, whereas fundamentals, if strong, will command continued, growing cash flow generation on average through up and down cycles (things are hardly ever linear). There are also several layers of context, not all of which are always correlated. A business can be counter-cyclical, benefit from unique drivers, or have exposure only to a specific sector or geography with its own macro dynamics.

Our challenge is to determine first, whether a change in context merely has a temporary, cyclical impact, or if it implies a structural change to the business and its long-term ability to produce returns. If cyclical, we still need to assess what the path to normality will look like for the business, and what it means from a valuation standpoint. On that basis, we may invest in a business ahead of a looming cycle, so long as its share price more than accounts for the upcoming temporary weakness in operating performance, so that we are able to buy the stock at a discount well in excess of 30% to our intrinsic value estimate.

When considering such macro factors, we include not only economic developments, but also other external factors such as government policies and regulatory changes. Ultimately as we assess the intrinsic value of a business, we also have to look through things like geo-political risks, tax rates, inflation levels, and costs of funding. For long-term investors, these are cyclical variables too, which won't equally impact cash flow generation into perpetuity, and therefore, also have to be normalized.

In the end, what we do as bottom-up investors is carefully consider everything we believe may impact a business. Through research and analytical work, we try to factor it all in one assessment of intrinsic value. If we can't do that to a degree of reasonableness, we do not invest. We go as deep as we need and can, but of course, no one would be so naive as to think we have all the answers. This is not blind faith. Rather, it is a process and a discipline, which help us overcome the many daily biases that come to interfere with sound investment decisions. The inherent uncertainty is also why we employ the set of criteria that we have. It includes the high margin of safety, but also a strong balance sheet, so the business can weather a change in context; a good management, so it can adjust and possibly take advantage in a more challenging context; and structural strengths, so it can always extract its share of the value chain no matter the context.

As one great value investor (albeit not a mentor, per say) put it: *"Process is everything in investment … When investors worry about what a client will think rather than what they themselves think, the process is bad… When tempers flare, when recriminations abound, when second-guessing proliferates, the process*

2 David Herro, Herro Associates L.P.

cannot work... So it's crucial to have a sound process that will enable you to perform this difficult task [of investing] with intellectual honesty, rigor, creativity, and integrity."[3]

Said otherwise and in our own words, we try to be as diligent and true as we can every time we invest, and then we try to protect ourselves against mistakes as much as possible. Our belief is that in the long run, diligence and downside protection are most likely to translate into superior wealth creation.

Respectfully submitted,

Pierre O. Py
Portfolio Manager

September 30, 2015

---

[3] Seth Klarman, Baupost Group.

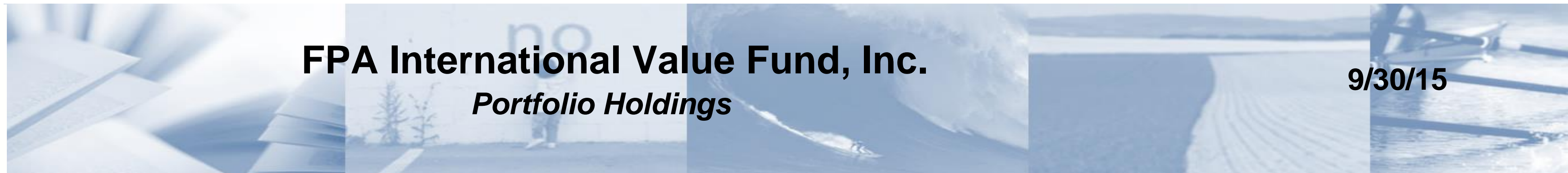
FPA
investors first

FPA International Value Fund, Inc.

Portfolio Holdings

9/30/15

TICKER	SHARES	SECURITY	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
ADS GR	126,500	ADIDAS AG*	80.46	10,178,688.96	2.49%
AGK LN	1,032,442	AGGREKO PLC*	14.39	14,852,965.93	3.64%
ALQ AU	5,247,139	ALS LIMITED*	3.23	16,941,652.02	4.15%
ANN AU	650,000	ANSELL LTD*	13.16	8,554,408.49	2.09%
ATEA NO	320,014	ATEA ASA*	9.19	2,941,443.35	0.72%
BXB AU	553,158	BRAMBLES LTD*	6.84	3,781,668.98	0.92%
CWD LN	1,456,208	COUNTRYWIDE PLC*	7.59	11,058,446.83	2.71%
BN FP	137,361	DANONE SA*	63.04	8,659,743.58	2.12%
DGE LN	252,879	DIAGEO PLC*	26.78	6,772,916.19	1.66%
FENR LN	9,775,347	FENNER PLC*	2.49	24,362,654.72	5.96%
FUR NA	883,403	FUGRO NV*	17.66	15,601,339.11	3.82%
GFS LN	2,420,827	G4S*	3.49	8,448,475.59	2.07%
HYPE3 BZ	1,952,650	HYPERMARCAS SA*	3.85	7,525,915.50	1.84%
IPL AU	832,129	INCITEC PIVOT*	2.74	2,277,878.84	0.56%
KSB3 GR	38,416	KSB AG VORZUG*	419.02	16,097,258.46	3.94%
LSL LN	4,159,199	LSL PROPERTY SERVICES PLC*	5.18	21,549,504.09	5.27%
MPI LN	863,035	MICHAEL PAGE INTERNATIONAL*	7.17	6,188,334.13	1.51%
ORCL	306,100	ORACLE CORP	36.12	11,056,332.00	2.71%
		OTHER		11,796,750.99	2.89%
1913 HK	3,432,600	PRADA SPA*	3.83	13,154,524.16	3.22%
PUB FP	13,060	PUBLICIS GROUPE*	68.14	889,895.69	0.22%
SAP GR	133,794	SAP AG*	64.75	8,663,603.84	2.12%
SCL CN	178,800	SHAWCOR LTD*	20.97	3,748,837.77	0.92%
SW FP	37,258	SODEXO*	82.69	3,080,773.46	0.75%
SUN SW	129,210	SULZER AG*	97.99	12,661,148.16	3.10%
TSM	110,700	TAIWAN SEMICONDUCTOR MFG LTD SPD ADR*	20.75	2,297,025.00	0.56%
TNTE NA	2,917,574	TNT EXPRESS NV*	7.62	22,227,334.42	5.44%
TOTS3 BZ	887,210	TOTVS SA*	7.60	6,744,989.13	1.65%
VSVS LN	165,614	VESUVIUS PLC*	5.33	882,876.49	0.23%
		TOTAL EQUITIES:	**$**	**282,997,385.88**	**69.28%**
	25,000,000	US TREASURY 2.375% 2016	101.08	25,270,507.50	6.19%
	25,000,000	US TREASURY 2.625% 2016	101.04	25,259,155.00	6.18%
		TOTAL US GOVT AND AGENCIES:	**$**	**50,529,662.50**	**12.37%**
		TOTAL DERIVATIVES/FUTURES		**364,140.77**	**0.09%**
		TOTAL MARKET VALUE:	**$**	**333,891,189.15**	**81.74%**
		CASH & EQUIVALENTS (NET OF LIABILITIES):		**74,610,632.84**	**18.26%**
		TOTAL NET ASSETS:		**$ 408,501,821.99**	**100.00%**



FPA International Value Fund, Inc.

Portfolio Holdings

9/30/15

TICKER	SHARES	SECURITY	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
		NO. OF EQUITY POSTIONS:		**28**	

Except for certain publicly available information incorporated herein, the information contained in these materials is our confidential and proprietary information and is being submitted to you for your confidential use with the express understanding that, without our prior written permission, you will not release these materials or discuss the information contained herein or make reproductions of or use these materials for any purpose other than evaluating a potential advisory relationship with First Pacific Advisors.

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, sales 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.

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. Foreign investments, especially those of companies in emerging markets, can be riskier, less liquid, harder to value, and more volatile than investments in the United States. Adverse political and economic developments or changes in the value of foreign currency can make it more difficult for the Fund to value the securities. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws, and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks.

The Fund is non-diversified and may hold fewer securities than a diversified fund because it is permitted to invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of the Fund could go down because of the poor performance of a single investment.

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