FPA U.S. Value Fund, Inc.
Fourth Quarter 2015 Commentary

As of December 31, 2015

Fund/Index Returns	QTR	Since 9/1/15	1 Year	5 Years	10 Years
FPA U.S. Value Fund	6.14%	-0.25%	-3.68%	10.10%	7.33%
S&P 500	7.04%	-4.39%	1.38%	12.57%	7.31%
Morningstar Large Blend Average	5.56%	2.30%	-1.07%	10.75%	6.44%

Periods greater than one year are annualized. Performance shown is net of fees. On September 1, 2015, the Fund changed its name to FPA U.S. Value Fund, Inc., and the current portfolio manager assumed management of the Fund on that date. Contemporaneous with this change, the Fund transitioned to its current investment strategy. Performance prior to September 1, 2015, reflects the performance of the prior portfolio manager and investment strategy. Performance prior to September 1, 2015 is not indicative of performance for any subsequent periods. The transition took place during time period from September 1, 2015-September 30, 2015. A redemption fee of 2.00% will be imposed on redemptions of shares within 90 days. Expense ratio as of most recent prospectus is 0.85%.

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 http://fpafunds.com/docs/funf-holdings/u-s-value-fund-12-15-for-website.pdf?sfvrsn=2.

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 S&P 500 Index is an index of 500 companies with large market capitalization.

Morningstar Large Blend Average consists of portfolios that invest in a variety of large US stocks. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. The blend style is assigned to funds where neither growth nor value characteristics predominate.

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. Small and mid-cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

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

Dear fellow shareholders,

Unless they had "FANGs" (Facebook, Amazon, Netflix and Google), most investors in the U.S. stock market spent 2015 gritting their teeth over poor performance. While the S&P 500's total return for the year was 1.38%, excluding FANG's weighted average return of 65.07%, the rest of the S&P 500 was down 2.77%. FANG's momentum from the first nine months of the year continued into the fourth quarter, delivering an impressive weighted average return of 24.31%. While making up just 6.1% of the index's weighting, FANG represented 21.1% of the index's return in the fourth quarter of 2015.

In 2015, large-cap growth funds trounced value ones by over 760 bps. Morningstar's large cap growth category returned -2.98% compared to -8.38% for large cap value for the first nine months of the year. In the fourth quarter of 2015, growth still reigned supreme. Large-cap growth was up 6.74% compared to 4.70% for large-cap value[1].

It has been difficult for most value investors to invest in FANG or the like for at least the past year. While many investors would agree that FANG are high-quality businesses, the valuations of these companies have gone from rich to richer as their future expected growth rates decelerate.

The Fund's primary objective is long-term growth of capital while current income is a secondary consideration. Over any full market cycle, my goal is to provide above-average returns compared to the S&P 500 while minimizing the risk of permanent capital impairment. In any given quarter or year, my style of value investing may not be in vogue. But being a patient, long-term investor in high-quality businesses, purchased at discounts to our assessment of intrinsic value, should increase the likelihood that the Fund could produce good results over time.

The S&P 500 booked a total return of 7.04% in the fourth quarter. Despite not having any FANG or its dearly valued, super growth brethren in the portfolio—as well as holding 10% or more of cash and equivalents throughout the quarter—the FPA U.S. Value Fund was up 6.14%. This performance compares favorably to the large-blend category's return of 5.56%, which Morningstar has chosen for the Fund as its peer group. The Fund's cash-on-cash returns were generally in-line with the S&P 500's total return.

	2015 Q4
FPA U.S. Value Fund[2]	6.14%
S&P 500	7.04%
Morningstar Large Blend Fund Average[2]	5.56%

[1] Source: Morningstar
[2] Performance shown is net of fees. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown.

Key Performers

Winners	Losers
CBS	Time Warner
Bayerische Motoren Werke	Cummins
Amgen	Whirlpool

On a gross return basis[3], U.S. Value's top three winners contributed approximately 2.58% while its losers cost the Fund 0.80%.

One of the Fund's biggest losers in the quarter was Cummins, the world's largest designer and manufacturer of diesel and natural gas engines used in trucks. Upon concluding that the earnings power of its businesses over the foreseeable future was going to decline meaningfully because of macroeconomic trends, I sold the position for a loss, believing the company was not a better value proposition in spite of the price decline. Since the sale, the stock price has declined even further. I continue to believe Cummins is a best-in-class operator with competitive advantages. While Cummins continues to grow its global market share, this growth was no longer enough to offset the tough economic headwinds it is currently facing. As a result, Cummins is on my watch list and will be considered for future investment.

One of the Fund's biggest winners in the fourth quarter was CBS. I explained my investment thesis in great detail in a Special Presentation from the third quarter of 2015. For more information, please refer to it on FPA's website (fpafunds.com) under the FPA U.S. Value section.

Portfolio Activity

"I taketh what the market giveth"—and throughout the fourth quarter of 2015, the market's volatility and relative strength and weakness in certain sectors presented opportunities. Despite this being my first complete quarter managing the Fund after transitioning the portfolio to the new strategy in September, I would expect typical future, quarterly portfolio activity to be less than that in the fourth quarter of 2015.

Every day, I picture I have a blank slate to put together the best portfolio possible. That causes me to trim or sell successful investments, as I did in the fourth quarter, if the projected IRR[4] of those companies declines below a level that is compelling enough to remain invested to the same degree or even at all.

For example, let's say "Company A" in the portfolio as of 9/30/15 provided an estimated total return of 50% to my base case over the next three years, which equates to a 14.5% IRR. In October, Company A's stock price increased 15% while the total expected return did not change. Therefore, the future expected IRR over the next 35 months declined to 9.5%.

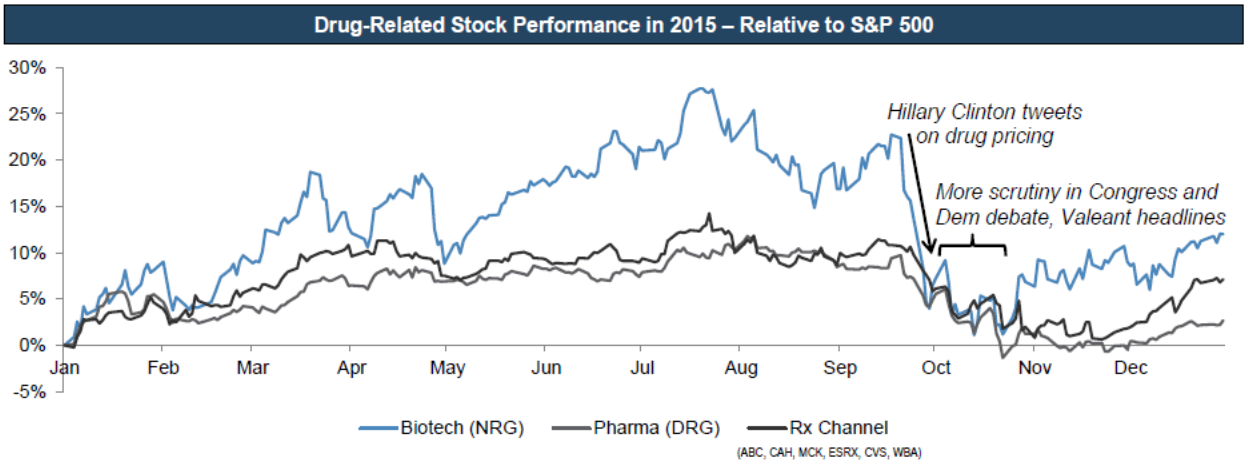
During the first half of the fourth quarter, the media sector along with various consumer discretionary holdings strengthened while healthcare weakened. I reduced the portfolio's media exposure from approximately 20% to 16% throughout October and November—but as the media sector weakened in December, I brought the Fund's exposure back up to approximately 19%. Overall consumer discretionary exposure came down a bit from 41.7% to 39.0%. Richemont and Ralph Lauren were sold while 21st Century Fox, CBS, and BMW

[3]Gross returns are before fees and expenses

[4] Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. Internal rate of return is used to evaluate the attractiveness of a project or investment.

position sizes were reduced—all done with nice gains. Additionally, I made an investment in Whirlpool, the largest U.S. appliance manufacturer.

The healthcare sector was particularly weak throughout the first half of the fourth quarter. In my opinion, a combination of Hillary Clinton's tweets regarding pharmaceutical pricing and Valeant's issues were key factors impacting the sector's performance.



Source: J.P. Morgan

In my opinion, there were several proverbial babies being thrown out with the bathwater. I increased the Fund's investment in McKesson, the largest U.S. pharmaceutical drug distributor and took a position in Cardinal Health, the third largest U.S. drug distributor. I also increased the Fund's investment in Allergan PLC prior to its announced merger with Pfizer. Finally, I added Anthem and AbbVie to the portfolio. The Fund's healthcare exposure has increased from 14.3% at the end of the third quarter to 25.3%.

I continue to have a favorable view towards healthcare. America's aging demographics and growing number of citizens with insurance coverage are tailwinds that should increase utilization. The greatest risk to investing in the sector is the country's ability to afford increasing costs that are well in excess of inflation. That trend could impact pricing as well as volume growth. Given that concern, I aim to find attractively valued companies that improve healthcare outcomes while lowering the total cost of care. The added benefit of increased exposure to the healthcare sector is that it is less economically sensitive, which helps protect the portfolio's downside from a recessionary environment.

The Fund's industrial exposure increased modestly from 10.5% to 10.8%, but the composition of the sector exposure changed meaningfully. As mentioned, Cummins was sold for a loss while Ingersoll-Rand was trimmed by over 50% for a nice gain.

The rest of the industrial exposure is made up of Spirit Airlines, Delta Airlines and FedEx. Historically, the airline sector has delivered poor investment results. But I think it is important to recognize the structural changes that have taken place in the industry over the past number of years. These companies largely operate as duopolies or oligopolies within a majority of their routes. Valuations are undemanding, EPS[5] is growing nicely and return on capital continues to improve. That being said, I will continue to monitor the competitive dynamics within each company's markets to ensure that the industry construct remains favorable.

[5] **EPS** (Earnings Per Share) is the portion of a company's profit allocated to each outstanding share of common stock. It serves as an indicator of a company's profitability

Exposure to financials was reduced from 18.1% to 11.4%. This was done, in large part, to help increase exposure to healthcare. BlackRock was sold for a gain as the future projected IRR declined below a level that was compelling enough to remain invested in the company. Meanwhile, KKR was sold for a loss. KKR's stock price suffered from management's new, fixed and generally lower dividend distribution policy. While this does not change my estimate of KKR's intrinsic value, it does affect how the market will value the company. As a result, KKR is on my watch list to be considered for future investment. Lastly, the Federal Reserve's recent 0.25% rate hike and potential future rate hikes should benefit Ameriprise, a top 10 holding.

The Fund is not invested in certain sectors, such as Consumer Staples and Energy, because I have been unable to find well-managed, high-quality companies at attractive valuations.

Portfolio Profile

At the end of the quarter, the Fund had 24 disclosed positions, up from 21 at the end of the third quarter. Since I continue to find the most value in large cap companies, the weighted average market capitalization of the Fund's disclosed holdings was approximately $44 billion compared to $40 billion at the end of the third quarter. The top 10 positions accounted for approximately 47% of the portfolio. Cash and equivalents made up about 10%.

Based on consensus estimates for 2016, at the end of the fourth quarter, the portfolio had a forward weighted average P/E[6] of 12.7x and an expected EPS growth rate of 12.4% over the next two years. The portfolio was priced at an approximate 27% discount to my estimate of its intrinsic value compared to a 29% discount at the end of the third quarter.

Investment Philosophy

Time is the friend of a good, competitively-advantaged company whose value can compound at an above-average rate over a multi-year period.

Equally important is that such a company operates in a growing industry that has a favorable supply/demand balance and competitors who are acting rationally. This generally means pricing, volume growth, and operating margins can be fairly predictable.

I prefer to invest in quality companies that are well managed. However, the quality of the business and valuation trump the capability of management. That is because absent any structural impediment, poor managers can be replaced.

If you'd like to know more, please refer to the Fund's investment policy statement for a more detailed explanation at http://fpafunds.com/docs/fpa-us-value-fund-information/investment-policy-statement_us-value.pdf?sfvrsn=2.

Conclusion

There are various global macroeconomic and geopolitical risks that may pose a threat to the market's earnings over the coming years. Our portfolio companies are not immune to them. However, compared to the market, I believe our portfolio is higher in quality, possesses better potential for earnings growth and is less financially levered. Even better, our portfolio's securities in the aggregate trade at a material discount to the market and my estimate of its intrinsic value.

[6] **P/E** (Price-to-Earnings Ratio) is a ratio for valuing a company that measures its current share price relative to its per-share earnings.

I continue to be very enthusiastic about the Fund's investments. So much so that during the fourth quarter I increased my personal investment in the Fund and now have over $1 million invested in FPA U.S. Value. I like to eat my own cooking and plan to have more helpings in 2016.

I look forward to delivering value for shareholders over the coming years. Your confidence and continued support is truly appreciated.

Respectfully submitted,

Gregory R. Nathan
Portfolio Manager

January 2016

FPA U.S. Value Fund, Inc.

Portfolio Holdings

12/31/15

TICKER	SHARES	SECURITY	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
ABBV	75,500	ABBVIE INC	59.24	4,472,620.00	2.68%
AGN	24,100	ALLERGAN PLC	312.50	7,531,250.00	4.52%
AXP	47,500	AMERICAN EXPRESS CO	69.55	3,303,625.00	1.98%
AMP	78,500	AMERIPRISE FINANCIAL INC	106.42	8,353,970.00	5.01%
AMGN	35,640	AMGEN INC	162.33	5,785,441.20	3.47%
ANTM	41,560	ANTHEM INC	139.44	5,795,126.40	3.48%
BMW GY	61,900	BAYERISCHE MOTOREN WERKE AG*	106.10	6,567,551.82	3.94%
CAH	55,740	CARDINAL HEALTH INC	89.27	4,975,909.80	2.99%
CBS	178,100	CBS CORP CLASS B	47.13	8,393,853.00	5.04%
DAI GY	78,350	DAIMLER AG REGISTERED SHARES*	84.31	6,605,692.40	3.96%
DAL	87,200	DELTA AIR LINES INC	50.69	4,420,168.00	2.65%
DISCK	198,870	DISCOVERY COMMUNICATIONS	25.22	5,015,501.40	3.01%
ESRX	56,680	EXPRESS SCRIPTS HOLDING CO	87.41	4,954,398.80	2.97%
FDX	28,300	FEDEX CORP	148.99	4,216,417.00	2.53%
HMHC	400,785	HOUGHTON MIFFLIN HARCOURT CO	21.78	8,729,097.30	5.24%
IR	79,050	INGERSOLL RAND PLC	55.29	4,370,674.50	2.62%
IVZ	216,900	INVESCO LTD	33.48	7,261,812.00	4.36%
MSG	26,293	MADISON SQUARE GARDEN CO	161.80	4,254,207.40	2.55%
MCK	43,865	MCKESSON CORP	197.23	8,651,493.95	5.19%
MSGN	98,490	MSG NETWORKS INC A	20.80	2,048,592.00	1.23%
		OTHER		6,734,265.10	4.04%
SAVE	126,760	SPIRIT AIRLINES INC	39.85	5,051,386.00	3.03%
TWX	129,350	TIME WARNER INC	64.67	8,365,064.50	5.02%
FOXA	307,900	TWENTY FIRST CENTURY FOX A	27.16	8,362,564.00	5.02%
WHR	45,350	WHIRLPOOL CORP	146.87	6,660,554.50	4.00%
		TOTAL EQUITIES:		**150,881,236.07**	**90.53%**
		CASH & EQUIVALENTS (NET OF LIABILITIES):		**15,754,351.85**	**9.47%**
		TOTAL NET ASSETS:		**$ 166,635,587.92**	**100.00%**
		NO. OF EQUITY POSITIONS:		**24**	

* Indicates Foreign Security

Portfolio Holding Submission Disclosure

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.

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Please consult your tax advisor regarding higher capital gains distributions due to a change in portfolio strategy.

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