Fund Risks

Investments in mutual funds carry risks and investors may lose principal value. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The Fund may purchase foreign securities, including American Depository Receipts (ADRs) and other depository receipts, which are subject to interest rate, currency exchange rate, economic and political risks; this may be enhanced when investing in emerging markets. Small and mid cap stocks involve greater risks and they can fluctuate in price more than larger company stocks. Groups of stocks, such as value and growth, go in and out of favor which may cause certain funds to underperform other equity funds.

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

Introduction

After three quarters of underperformance, we are pleased we were able to stem the negative comparisons and outperform both the Russell 2500 and Russell 2500 value, which had -0.34% and -1.27% results, respectively, for the June quarter. More encouraging was our energy investments which produced a positive return, in aggregate, during the June quarter.

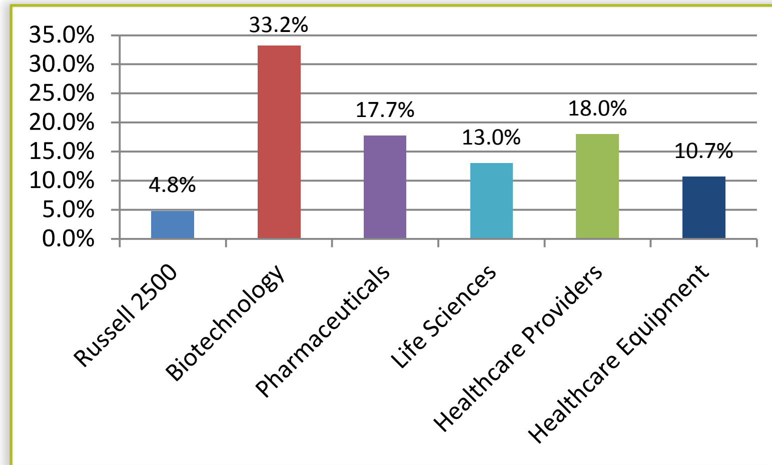
There are a number of risks investors are worried about today that could explain the market's flat to negative results in the second quarter, but Greece and China are two areas where the media has focused a lot of attention. From our perspective, it is important to understand what is happening in those two regions, but if the USA Today newspaper is running headline stories about the problems these countries have it is very likely that the market has largely discounted much of the concerns.

In our opinion, the biggest risks remain the high valuations in the stock market and the large federal budget deficits being financed with ten-year treasuries yielding 2.3% and three-month bills at 0.02% interest rates. While FPA Capital has a modest valuation of approximately 13x weighted price-to-earnings, the P/E for the Russell 2500 is 29x and for the Russell 2000 it is a striking 35x[1]. The counter argument could be that the profits for these companies are growing fast, but that is not the case. The growth in net income over the past year for the Russell 2000 was just 3.02%. For the Russell 2500 and S&P 500, the growth rate was negative 2.48% and negative 3.11%, respectively.

A slow-growing or declining earnings environment, with ever-increasing multiples, is not a recipe for investment success. At the end of the quarter, we ran a quick analysis and looked at what type of companies have accounted for Russell 2500's outperformance relative to other benchmarks. The results were fascinating: In the first six months of the year, almost 150 companies experienced stock price increases of more than 50%. 60% of these companies were biotech, pharmaceutical, or other healthcare. When we looked at this subset, we were shocked to learn that 80% of them were unprofitable and they, in aggregate, accounted for $145b of market capitalization and more than $3b of cumulative net losses.

[1] Source: S&P Capital IQ

YTD Performance from December 31, 2014 to June 30, 2015



Clearly, it hard for us to see how the weak earnings growth for these companies can justify paying “nose-bleeding” valuations. When we talk with other investors about these high valuations, the justification seems to be a resigned “where else are you going to put your money?” Certainly not Chinese or Greek stocks, not paltry-paying government debt, maybe real estate, but a resounding thumbs-up for U.S. stocks because they only go up in price –at least over the past six-and-a-half years. Investors are not the only constituency that is plowing money into stocks. In May 2015, $141b of new stock buybacks and $243b of M&A were announced – both all-time monthly records[2].

Perhaps the market’s lackluster second quarter results portend a change in the six-year bull market. On the other hand, we have seen the equity markets pause a couple of times since the great recession ended in 2009, and this may be just another period when equity investors catch their breath before resuming their appetite to take on more risk.

Market Commentary

We normally do not discuss what is happening in the credit markets, as our fixed income colleagues do a more than credible job elucidating on the comings and goings of that enormous market. However, we feel compelled to scribe a few thoughts for equity investors to chew on. To start off, for the first time in our collective memories creditors had to pay borrowers interest income for the right to use the lender’s money for a certain period of time. This insane fact is a result of the European Central Bank’s (ECB) new Quantitative Easing (QE) policy. In Europe, there are floating rate European bonds tied to the Euribor reference rate. This is the interest rate European banks lend to each other for a specified period of time –generally from one week to one year.

Well, as it turns out, it is not uncommon for European asset-backed loans to be priced at the Euribor rate. For example, an automobile debt issuer may issue an asset-backed security tied to the Euribor rate minus 50 basis points, or 0.50%. When the Euribor went below 0% (the current three-month Euribor is negative 6 basis points or -0.06%), any asset-backed security that did not specify a floor, had the weird situation where the investor not only did not receive his interest

[2] http://wolfstreet.com/2015/06/02/last-two-times-this-happened-stocks-crashed-record-m-a-boom-share-buyback-boom/

but also where he may have had to pay the borrower money. This is the equivalent of a landlord paying a tenant to rent his apartment.

Volkswagen and other auto debt issuers are now inserting clauses into their deal documents to protect creditors from having to pay if interest rates on their investment fall below zero. We are sure investors love reading the quote from Stefan Rolf, head of asset-backed securities at Volkswagen Financial Services AG in Braunschweig, Germany. Herr Rolf said "we want to give investors comfort about what's going to happen, which is why we included a clause for the first time to make clear that we will never ask investors to pay us interest."[3] That is indeed comforting. Rolf did not comment about the credit quality of the 0% interest rate loans being made to people who otherwise might not have been able to afford the purchase a new car without the financial inducement.

Regarding residential mortgages, Spain's Banco Popular Espanol asset-backed bondholders were not asked to a make a coupon payment this past April after rates dropped below zero. Whew! On the other hand, in May, Stockholm-based Nordea Bank said it planned to charge investors on some new mortgages should rates drop below zero.[4] We are not sure if we should be more stunned by the audacity of Nordea or the foolishness of investors who would buy those securities. Nevertheless, the ECB's extraordinary QE policy is not only confounding investors it is also warping credit markets.

While fixed income investors are gnashing their teeth about when central banks eventually will move away from their zero-percent interest rate policy (ZIRP), equity investors continue to jump for joy at all the free money. Since the ECB announced its QE policy, stocks in Germany are up over 20% during the past six months. In Japan, stocks are up nearly 130% since the Bank of Japan (BOJ) embarked on its own version of QE over two years ago. However, in the U.S., the Federal Reserve has hinted that it will raise rates sometime later this year after nearly seven years of unprecedented monetary stimulus, but stocks have shrugged off those concerns and seemingly continue to hit record highs every day.

With Puerto Rico nearing a default and Greece defaulting on its debt obligations, perhaps central bankers will continue their QE and ultra-low interest rate policies a bit longer than many are expecting. Central bankers, in our opinion, are well aware of the massive government leverage countries have assumed–particularly Japan, Italy, and Portugal- and may be reluctant to raise rates at this time. Greece is not setting a good example for other countries to follow, and central banks are still concerned about some level of contagion spilling over to other countries.

Over four years ago, we wrote about the enormous government debt in the Southern European countries, and it is striking how many levers politicians have to pull to defer the inevitable. The recent Greek referendum was just another attempt by politicians to increase their negotiating position with creditors. Unfortunately for Greece, the creditors were not amused by this ploy and it backfired and made the situation worse.

Our prescription for fixing Greece's problems four years ago remain the same today. That is, Greece needs to reduce its pension and welfare benefits, reduce their job-killing regulations, reduce its tax rates that few Greeks even pay attention to let alone actually obey, sell off government assets and companies, and deregulate their labor market. In return for these practical and economic growth reforms, creditors should write down Greece's debt to a level the

[3] http://www.bloomberg.com/news/articles/2015-05-26/negative-rates-in-europe-prompt-demand-for-investment-safeguards
[4] http://www.bloomberg.com/news/articles/2015-07-01/sacre-bleu-bondholders-pay-issuers-in-france-s-credit-market

country truly has the ability to eventually payoff. Similar to four years ago, we are skeptical that any of these reforms will be permanently implemented.

Moving onto the oil market, per our first quarter communications, we believe prices are starting to recover after the large decline from the middle of 2014 through the first quarter of 2015. WTI[5] oil prices touched a low in March around the $42 level and subsequently rose to approximately $60 a barrel during the second quarter. This rise is not due to OPEC, and specifically Saudi Arabia, cutting back on production. On the contrary, Saudi Arabia has increased its production by more than 500,000 barrels per day since late last year to approximately 10.45 million per a day. Rather, the rise in prices is due to increasing global demand.

At the beginning of this year, the International Energy Agency (IEA) forecasted that 2015 oil demand would increase 700,000 barrels per day versus 2014's average. In June, the IEA updated their 2015 global demand forecast to an average of roughly 94 million barrels per day, or a 1.4 million per day increase over 2014's average. This new forecast is essentially a double from their original forecast earlier this year. Interestingly, the IEA's 2015 exit rate in Q42015 is for global oil demand of 95 million barrels per day versus 93 million barrels/day consumed in the second quarter. [6]

Given that Saudi Arabia has the "pedal to the metal" in terms of their production and the U.S. land rig count is down over 50% from the middle of last year, other oil-producing countries will need to step up to meet the IEA's new demand forecast. However, non-OPEC and non-U.S. global oil production was declining when oil prices were above $100 a barrel. With oil prices now 50% lower, it will be a challenge for oil production to increase in the rest of the world. We expect the Iranian oil export restrictions will be lifted soon and the country will increase its oil exports by 600,000 barrels per day by the end of this year and by 1,000,000 barrels/day by the second half of 2016.

If one assumes the IEA's demand forecast is correct and the Iranian oil export restrictions are removed, global oil inventories could decline nearly 200 million barrels in the second half of 2015 –unless production materially increases in either North America or in the OPEC region. To put this inventory issue into perspective, the U.S. has approximately 465 million barrels of inventory today and there is about 60 million barrels of oil in the ARA (Amsterdam, Rotterdam, and Antwerp) hub in Europe. The midpoint of the U.S. 5-year average for inventory storage is 365 million barrels, and the ARA's inventory is about 10 million above its typical level.

Hence, if the U.S. and European oil storage numbers revert back to normal levels by the end of this year, roughly 55% of the potential second-half shortfall in supply can be met with existing inventories. In that scenario, global oil production would still need to accelerate about 500,000 barrels/day starting on July 1st, in order to meet the IEA demand forecast. Remember, this assumes Iran's exports increase by 600,000 barrels/day by the beginning of October, and the U.S. & OPEC's combined output increases by additional 250,000 barrels/day in the second half of 2015 versus their second quarter exit production rate

It is entirely possible the IEA's demand forecast for the second half of 2015 will be wrong. However, if the IEA forecast is close to the actual results, at a minimum, oil prices should remain stable. Longer term, we expect oil prices to move back toward the marginal cost of production, which is roughly $80/barrel. Beyond the fundamentals of supply & demand, oil prices are sensitive to the Euro/dollar exchange rate, macro-economic risks like Greece

[5] **West Texas Intermediate** (**WTI**), also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing.
[6] http://www.vanguardngr.com/2015/04/iea-forecasts-higher-2015-global-oil-demand/

defaulting on its debts, and geo-political events. Therefore, in the short term it is very difficult to predict the price of any commodity, but over the long term oil and other commodities prices generally revert back towards the marginal cost of production –which is approximately $80/barrel for oil. Our expectation is that oil prices will move in fits and starts over the next year toward the marginal cost of production, and the price move will not be in a simple linear direction.

Portfolio Commentary

Q2 2015 Contributors	Q2 2015 Detractors
Rosetta Resources	Apollo Group
Rowan	Western Digital
Aaron's	Arrow Electronics
Interdigital	Avnet
Arris	DeVry

While one quarter does not make a trend, we are pleased that among our largest-weighted investments two energy stocks, Rosetta Resources (ROSE) and Rowan Drilling (RDC), were the top positive contributors for the second quarter (make sure this is accurate for all SMAV accounts). We will discuss both of these companies in greater detail later in the letter. In aggregate, the energy stocks were net positive contributors during the quarter, which reversed three quarters of negative performance. We took advantage of the higher energy stock prices and reduced the share position for most of the energy investments.

In terms of negative contribution, Apollo Education (APOL) and Western Digital (WDC) detracted the most from the portfolio's performance. WDC is a stock the Fund has owned for a decade and one which we have reduced by almost 75% due to the stock's substantial appreciation over the years. The Fund initiated its holding in APOL approximately two-and-a-half years ago, when it was trading in the high teens, subsequently reduced the share count by roughly 30% during Q4 2014 when the stock was trading in the low-to-mid $30s, and resumed our purchases after the Company's uninspiring performance. Again, we will discuss APOL and WDC in more depth later in the letter. (make sure this is accurate for all SMAV accounts).

We eliminated two holdings during the quarter. First, we eliminated Trinity Industries (TRN) after the Fund's many years of owning the stock. TRN has several business units, but the vast majority of its profits are derived from either manufacturing and selling or leasing rail cars. Trinity is the dominant supplier of rail cars in the U.S. and has a record backlog of rail cars customers have ordered. However, we believe Trinity's backlog is very near a peak and the rail car industry could soon experience declining orders. Prior to the second quarter, we had reduced the TRN position by more than 90% as the stock rose substantially over the past several years. We felt it was prudent to eliminate the remainder of the TRN position given the risk to the stock price if our conclusions are correct about the rail car cycle during down in the subsequent quarters.

We also eliminated Centene (CNC), which the Fund has owned for the past two-and-a-half years. Centene is a Medicaid managed-care company that has profitably expanded not only in the existing states where they do business, but also in new states where they had no prior presence. CNC was among the Fund's best performing stocks during the time in which we owned it. Centene's operating income more than tripled over our holding period, but the stock

performed materially better than the profit growth. Therefore, the stock became too rich, at 25x this year's and over 20x 2016's earnings expectations, for the Fund to continue its ownership.

We added one new security, a specialty retailer, to the portfolio during the quarter. Given the less than 25 basis-point position in the stock, we will write more about this investment in subsequent letters.

Before we discuss a couple of stocks that performed well in the quarter, let's address two stocks that performed poorly. First, Apollo Education group declined 31.14% in the June quarter due to reporting lower than expected profits and new student enrollment. APOL is in the midst of repositioning the University of Phoenix (UoP) as a more selective university. Going forward, UoP will require prospective students to take diagnostic tests to determine their capability to complete their degree, rather than having essentially an open-enrollment policy. In the short term this means fewer students will enroll in UoP, but in the long run more students will persist all the way through to graduation. The objective is to graduate more students who are less likely to drop out and not be able to pay off their student loans.

In today's highly competitive education industry, more and more students, and businesses looking to hire graduating students, are looking at colleges that have a laser-like focus on educating students and endowing them with the knowledge and skills required to compete in the 21st century. With this in mind, a year ago APOL hired Tim Slottow to be the President of UoP. Mr. Slottow was formerly a top administrator at the University of Michigan. Mr. Slottow is imposing more discipline around which students are selected to attend UoP and pushing down more accountability to the deans of the individual colleges within the UoP organizations.

While UoP's repositioning entails some short-term pain, in our opinion investors over-reacted negatively to these changes. It is true enrollments have materially declined over the past couple of years and should shrink further as the company deploys its diagnostic tests to select better qualified students. However, in the most recent reported quarter, UoP's new degreed enrollment was 29,400 students. To put this into perspective, that is the equivalent of two years of undergraduate enrollment for the Ivy League. In other words, in one three-month period, UoP enrolled more students than the combined undergraduate enrollment of all the Ivy League schools for the past two years. Moreover, the Higher Learning Commission (HLC), which is the accreditation organization that reviews the University of Phoenix, recently reaffirmed UoP's accreditation through 2022-2023. These metrics support UoP's long-term viability.

APOL, at the time this letter was written, is trading just 5.5x net earnings (net of excess cash and restructuring charges), 2.2x enterprise value-to-ebitda, and 6x free cash flow (net of excess cash). Furthermore, APOL has achieved an 8.33% operating income margin and 29.53% return on capital (net of excess cash) over the past year. Furthermore, these results contain no contribution from the Company's growing global business, which we expect to become cashflow positive in the second half of 2015.

We performed a quick search of the valuations for other U.S. companies that have achieved similar profit margins and returns on capital as APOL has over the past year. Two hundred and forty companies, out of roughly 9,500 publicly-traded companies, passed the screen. The average P/E for the 240 companies is 22.4x versus 5.5x for APOL, the average price-to-cash flow is 30.5x versus 3.8 for APOL, and the average EV/ebitda[7] was 11.6x versus 1.7x for APOL. This largely explains why we have been adding to APOL and it is now one of the largest positions in the portfolio.

[7] **EV/EBITDA** (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) is a valuation multiple to measure the value of a company.

Regarding WDC, we believe that the hard drive industry has become substantially more rational and, therefore, profitable than it was historically thanks to consolidation. While we acknowledge that end-demand will continue to fluctuate driven by macro factors, we expect the three remaining players to adjust capacity such that pricing doesn't become overly aggressive. In our view, the improved over-the-cycle profitability of the hard drive business justifies a higher multiple than the historical average. Additionally, we believe the market is giving the firm virtually no credit for the cost savings that could be achieved if Ministry of Commerce of the People's Republic of China (MOFCOM) approves the merging of the firm's Hitachi operations.

We value the firm using a multiple of net operating profit after tax (NOPAT) earnings and then adding the firm's ~$12/shr of net cash. Our upside case, which assumes that MOFCOM approves the full integration of the firm's Hitachi and WD operations, we estimate that WDC could generate up to $10.50/shr of NOPAT earnings. Attaching a 15x multiple to these earnings and layering on the firm's $12/shr of cash results in an upside valuation of $170/shr. In our downside case, we estimate NOPAT earnings of $6.50/shr and we use a lower 10x multiple, implying a valuation of about $65/shr and no credit for the excess cash.

For most of the quarter, the stock was trading in a relatively tight range around $100, where we had trimmed some of the position early in the quarter. Then in the final few days of June the stock began a steady march lower driven by fears that PC HDD (hard disk drive) demand was evaporating. While we acknowledge that lower PC HDD demand could negatively impact Western Digital's near-term results, we note that PCs are becoming an increasingly smaller share of the firm's overall output. Additionally, we continue to believe that there is substantial upside to the stock and would look to add to our position should the weakness continue.

Turning to a couple of stocks that positively contributed to the second quarter performance, we will first review Rosetta Resources (ROSE). If you recall, in our opinion ROSE has some of the lowest cost assets in the entire oil shale industry, and we believe the company has a variety of opportunities to make those assets even more productive. That thesis did not change during Q2'15 and was validated on May 11 when Noble Energy agreed to acquire them in an all-stock transaction. The stock rose 35.96% during Q2'15, from $17.02 to $23.14.

Unfortunately, Rosetta's management team got rattled by the low oil prices back in March, just before the Noble deal was reached, and diluted existing shareholders by 20% with a secondary stock offering at $17.20, slightly above the stock's 52 week low. We participated in the offering in proportion to our pre-existing ownership stake because of the compellingly low valuation. Recently, we learned that management's justification for the secondary partly rested on the dubious belief that it would make them a more credible negotiating partner, with a stronger balance sheet the secondary provided.

The deal closed on July 20, 2015 and we decided to hold the shares of Noble we received. We have spent considerable time studying the company and believe that Noble's existing shareholders, who are disappointed with the deal, do not appreciate how material Rosetta's assets can become to the pro forma enterprise. It appears we are swapping one mispriced security for another. Rosetta's assets were Tier 1 to begin with (Noble's assets are also highly attractive), and Noble's bigger balance sheet will allow it to pull forward the production value of ROSE's oil and drive down costs even further. The catalyst to correct this mispricing may be the analyst day Noble will hold this fall, where they will discuss their plans for Rosetta's assets in more detail than they have shared with investors thus far. Discussing those plans in too much detail right now risks highlighting what a good deal Noble Energy is getting, and may persuade more than enough ROSE's shareholders to vote no and block the deal.

NBL's management believes they can grow Rosetta's production from approximately 60,000 barrels of oil equivalent per day (boe/d) in 2015 to 100,000 boe/d in 2018 with minimal external financing. By that point, the company is expected to have ~500,000 boe/d of combined production. At Noble's current enterprise valuation of >$60,000 per boe/d (compared with an average of $92,000 per boe/d over the last two years) the stock would be worth $60 per share by YE2017, up more than 50% from the current price of $39. This valuation gives them no credit for three significant natural gas projects in the Mediterranean that could be worth $20 per share combined, assuming they are sanctioned. Although we are not enamored with the deal, we will not be foolish and sell the stock we receive until NBL's price better reflects its intrinsic value. Another energy stock that performed well in the second quarter was Rowan Drilling (RDC). The original thesis was that the company's newbuild drillship program would lead to substantial earnings growth, that the high-spec nature of the company's assets would allow them to maintain customer utilization through the cycle, that the company would initiate and grow a sustainable dividend, and that the company had several opportunities to streamline its cost structure. While oil prices have declined approximately 50% over the past year, RDC's revenues have increased approximately 45% year-over-year, its earnings per share increased over 200% over the past year, and its operating profit margin improved from around 15% to nearly 32%. However, should oil prices remain at the current level for the next couple years, RDC's earnings are expected to decline from today's results. The reason why is that most of the company's long-term contracts expire in the next two years and, therefore, its equipment rental rates will most likely be re-priced at lower rates.

The downward pressure on oil prices has led Rowan's E&P customers to slash their capital budgets. However, despite lower oil prices, substantial numbers of offshore wells will continue to be drilled. There is a large backlog of discoveries waiting to be developed that are currently earning zero return on the books of their leaseholders. With a few exceptions, offshore resources are the only opportunities with enough scale to allow supermajors, like Exxon, to replace and grow their depleting reserve bases. The offshore contract drilling industry will continue to exist, and as long as it does, Rowan is arguably one of the two best positioned companies in the space. At the beginning of Q2, the stock was priced at just 47% of tangible book value, compared with prior cycle lows of 47% during the Global Financial Crisis and 51% in 1987.

The stock rose 19.20% during Q2'15 (excluding dividends), from $17.71 to $21.11. Front month Brent oil futures rallied 15.4%, from $55.11/bbl to $63.59/bbl. We also saw a few green shoots in terms of tendering activity by E&P companies base after a period of several months during which there were no fixtures of note. We sold some shares during the quarter between $21.75 and $23.

We believe the stock remains cheap at 55% of tangible book value. The company will generate $2.30 of cumulative FCF[8] per share during 2015-17 in our Low Case and $11.60 in our Base Case, assuming capital expenditures fall to maintenance levels.

In closing, we remain confident about our Fund's future. Our concentrated portfolio is trading only at 13.5x P/E and 1.7x P/BV[9] compared to Russell 2500's 28.9x and 2.4x, respectively.

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[8] **Free Cash Flow** - A measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value.

[9] **Price-to-Book Value (P/BV)** - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

Despite our outperformance in the second quarter, we are keenly aware that our performance over the prior three quarters was weak, which in turn made our long-term performance look subpar. We like to remind our investors that these numbers provide just a snapshot and are highly dependent on last twelve months results. As we discussed in detail in our last quarterly letter, this is not the first time our performance lagged the broader markets (recall the time leading to the dotcom bubble and the great recession of 2008). We take great comfort on how this Fund has not only made up for this underperformance but also surpassed it when the valuations finally declined to a more acceptable level. We would like to thank you for your patience and remind you that the past six years constitute only the "up" part of the market cycle not the whole cycle. Our existing portfolio is cheap, our pipeline of potential investments is robust, and we are patiently waiting for an opportune time to deploy more capital.

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

Respectfully submitted,

Dennis Bryan
Portfolio Manager

Arik Ahitov
Portfolio Manager

July 16, 2015

FPA investors first

FPA Capital Fund, Inc.

Portfolio Holdings

6/30/15

TICKER	SHARES / PRINCIPAL	SECURITY	MKT PRICE ($)	MKT VALUE ($)	% OF NET ASSET VALUE
AAN	851,096	AARON'S INC	36.21	$ 30,818,186.16	3.08%
AGCO	524,600	AGCO CORPORATION	56.78	29,786,788.00	2.98%
APOL	3,004,200	APOLLO GROUP INC.- CLASS A	12.88	38,694,096.00	3.87%
ARRS	1,881,963	ARRIS GROUP	30.6	57,588,067.80	5.76%
ARW	666,300	ARROW ELECTRONICS	55.8	37,179,540.00	3.72%
ATW	1,065,100	ATWOOD OCEANICS	26.44	28,161,244.00	2.81%
AVT	1,097,300	AVNET	41.11	45,110,003.00	4.51%
BWXT	711,400	BWX TECHNOLOGIES INC	32.8	23,333,920.00	2.33%
XEC	398,300	CIMAREX ENERGY	110.31	43,936,473.00	4.39%
CUB	272,700	CUBIC CORPORATION	47.58	12,975,066.00	1.30%
DAN	1,111,900	DANA HOLDING CORP	20.58	22,882,902.00	2.29%
DV	1,253,918	DEVRY, INC.	29.98	37,592,461.64	3.76%
FII	301,743	FEDERATED INVESTORS INC- CLASS B	33.49	10,105,373.07	1.01%
FL	225,200	FOOT LOCKER	67.01	15,090,652.00	1.51%
HP	556,235	HELMERICH + PAYNE	70.42	39,170,068.70	3.91%
IDCC	766,100	INTERDIGITAL, INC.	56.89	43,583,429.00	4.36%
OSK	416,400	OSHKOSH TRUCK CORPORATION	42.38	17,647,032.00	1.76%
		OTHER		10,645,469.01	1.05%
RS	186,608	RELIANCE STEEL & ALUMINIUM	60.48	11,286,051.84	1.13%
ROSE	1,900,302	ROSETTA RESOURCES	23.14	43,972,988.28	4.39%
RDC	1,984,600	ROWAN COMPANIES	21.11	41,894,906.00	4.19%
SM	281,191	SM ENERGY COMPANY	46.12	12,968,528.92	1.30%
VECO	357,427	VEECO	28.74	10,272,451.98	1.03%
WDC	540,100	WESTERN DIGITAL	78.42	42,354,642.00	4.23%
		TOTAL EQUITIES:		**$ 707,050,340.40**	**70.67%**
	50,000,000	US TREASURY BILL 07/23/2015	100.00	49,999,900.00	5.00%
	50,000,000	US TREASURY BILL 10/22/2015	100.00	49,997,640.00	5.00%
	85,000,000	US TREASURY NOTE 08/31/2015	100.05	85,042,746.50	8.50%
		TOTAL US GOVT AND AGENCIES:		**$ 185,040,286.50**	**18.49%**
		CASH & EQUIVALENTS (NET OF LIABILITIES):		**$ 108,452,167.40**	**10.84%**
		TOTAL NET ASSETS:		**$ 1,000,542,794.30**	**100.00%**
		NO. OF EQUITY POSITIONS		**23**	

Portfolio Holding Submission Disclosure

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

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