

# FPA Short Duration Government ETF

## 4Q 2025 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, charges, and other matters of interest to a prospective investor. Please read the Prospectus carefully before investing. The Prospectus may be obtained by visiting the website at [fpa.com](http://fpa.com), by email at [crm@fpa.com](mailto:crm@fpa.com), toll-free by calling 1-800-982-4372 or by contacting the Fund in writing. Not authorized for distribution unless preceded or accompanied by a current prospectus.

### Average Annual Total Returns (%)

As of December 31, 2025	Since Inception	1 Yr	YTD	QTD
FPA Short Duration Government ETF – NAV	5.57	6.84	6.84	1.05
FPA Short Duration Government ETF – Market Price	5.89	7.15	7.15	1.13
Bloomberg U.S. Treasury 1-5 Year	5.24	5.84	5.84	1.15

Fund Inception Date: October 31, 2024.

*Past performance is no guarantee, nor is it indicative, of future results. 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, which may be lower or higher than the performance data quoted, may be obtained by calling toll-free, 1-800-982-4372.*

Periods greater than one year are annualized. FPA Short Duration Government ETF ("Fund") performance is shown net of all fees and expenses. Fund performance is calculated on a total return basis which includes reinvestment of all distributions. Fund performance does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares, which would lower these figures. Fund NAV represents the closing price of underlying securities. Market Price is the price which investors buy and sell ETF shares in the market. The Market Price returns in the table were calculated using the closing price as of the period ends noted.

Comparison to any index is for illustrative purposes only. The Fund does not include outperformance of any index or benchmark in its investment objectives. An investor cannot invest directly in an index. The Bloomberg U.S. Treasury 1-5 Year Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. To be included in the index, securities must have at least one and up to, but not including, five years to maturity.

The Fund's Total Annual Fund Operating Expense is 8.90% (as of the most recent prospectus). The Fund's investment adviser has contractually agreed to limit Total Annual Fund Operating Expenses (excluding any leverage expense, brokerage fees and commissions, acquired fund fees and expenses, borrowing costs (such as interest and dividend expense on securities sold short), taxes, and extraordinary expenses, such as litigation expenses), to 0.09% of the Fund's average daily net assets through October 31, 2027. The Fund's investment adviser may recoup any operating expenses in excess of these limits from the Fund within three years if such recoupment can be achieved within the lesser of the foregoing expense limits and the expense limits in place at the time of recoupment. This agreement may only be terminated before its expiration date by the Board of Trustees of Investment Managers Series Trust III.

*Please see important disclosures at the end of this commentary.*

**Dear Shareholder:**

FPA Short Duration Government ETF (the “Fund”) returned 1.05% in fourth quarter of 2025 and 6.84% for the year ended December 31, 2025.

	12/31/2025
Yield-to-worst <sup>1</sup>	3.66%
Effective Duration	4.20 years
Spread Duration	N/A
High Quality Exposure <sup>2</sup>	100%
Credit Exposure <sup>3</sup>	0%

**4Q 2025 Top and Bottom Contributors<sup>4</sup>**

▲ Top contributors	Notable drivers of performance
Treasuries	<ul style="list-style-type: none"> <li>Interest income and price increase due to lower benchmark yields</li> </ul>

▼ Bottom contributors  
 There were no detractors.

**Calendar Year 2025 Top and Bottom Contributors<sup>4</sup>**

▲ Top contributors	Notable drivers of performance
Treasuries	<ul style="list-style-type: none"> <li>Interest income and price increase due to lower benchmark yields</li> </ul>

▼ Bottom contributors  
 There were no detractors.

<sup>1</sup> As of December 31, 2025, the Fund’s subsidized/unsubsidized 30-day SEC standardized yield (“SEC Yield”) was 3.65%/0.59% respectively. The SEC Yield calculation is an annualized measure of the Fund’s dividend and interest payments for the last 30 days, less the Fund expenses. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. The SEC Yield calculation shows investors what they would earn in yield over the course of a 12-month period if the fund continued earning the same rate for the rest of the year.

**Yield-to-worst (“YTW”)** is presented gross of fees and reflects the lowest potential yield that can be received on a debt investment without the issuer defaulting. YTW considers the impact of expected prepayments, calls and/or sinking funds, among other things. Average YTW is based on the weighted average YTW of the investments held in the Fund’s portfolio. YTW may not represent the yield an investor should expect to receive.

<sup>2</sup> High Quality is defined as investments rated A or higher, Treasuries, and cash and equivalents.

<sup>3</sup> Credit is defined as investments rated BBB or lower, including non-rated investments.

<sup>4</sup> This information is not a recommendation for a specific security or sector and these securities/sectors may not be in the Fund at the time you receive this report. The information provided does not reflect all positions purchased, sold or recommended by FPA during the quarter or calendar year. The portfolio holdings as of the most recent quarter-end may be obtained at fpa.com.

## Portfolio Activity<sup>5</sup>

The table below shows the portfolio's exposures as of December 31, 2025 and September 30, 2025:

	12/31/2025	9/30/2025
<b>Sector Exposure (% of portfolio)</b>		
U.S. Treasury	98.7	98.9
Cash and equivalents	1.3	1.1
Total	100.0	100.0
	12/31/2025	9/30/2025
<b>Characteristics</b>		
Yield-to-worst <sup>6</sup>	3.66%	3.69%
Effective Duration	4.20 years	4.41 years
Average Life	4.66 years	4.87 years

In general, the Fund's holdings will be repositioned each quarter such that the effective duration is in line with our 100 bps Stress Test (described below), subject to the following conditions:

- Treasury holdings will be repositioned if the duration identified by the 100 bps Stress Test is at least 0.25 years greater than or less than the duration of the holdings prior to the reposition.
- Holdings other than Treasuries may or may not be adjusted each quarter and may be adjusted more frequently. In addition to considering the 100 bps Stress Test, adjustments will consider other factors such as spread, convexity, credit risk, etc. with the objective of maximizing long-term returns.
- The Fund's duration will be managed to remain in compliance with the Morningstar Short Government category which limits the duration to a range of approximately 1.5 years to 4.5 years.<sup>7</sup>

Consistent with the framework described above, we did not adjust the duration of the Fund's Treasury holdings during the quarter.

<sup>5</sup> Portfolio composition will change due to ongoing management of the Fund.

<sup>6</sup> As of December 31, 2025, the Fund's subsidized/unsubsidized 30-day SEC standardized yield ("SEC Yield") was 3.65%/0.59% respectively. The SEC Yield calculation is an annualized measure of the Fund's dividend and interest payments for the last 30 days, less the Fund expenses. Subsidized yield reflects fee waivers and/or expense reimbursements during the period. Without waivers and/or reimbursements, yields would be reduced. Unsubsidized yield does not adjust for any fee waivers and/or expense reimbursements in effect. The SEC Yield calculation shows investors what they would earn in yield over the course of a 12-month period if the Fund continued earning the same rate for the rest of the year.

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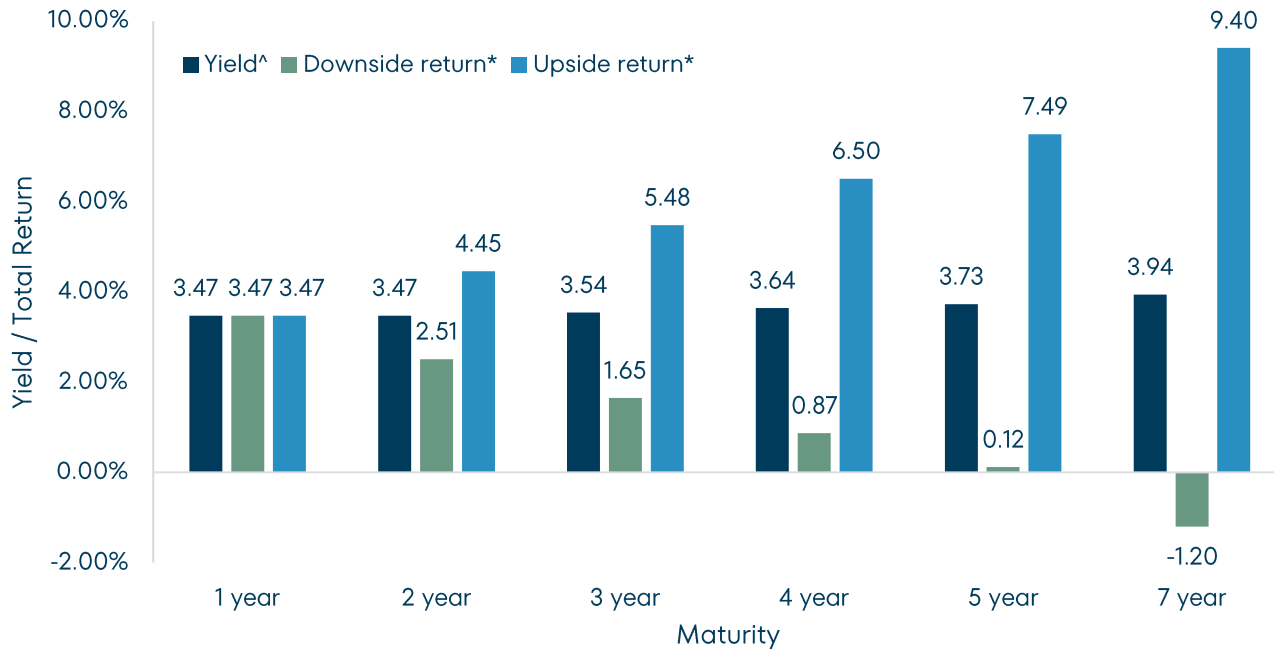
<sup>7</sup> The Fund is assigned by Morningstar to the Short Government category.

**Past performance is no guarantee, nor is it indicative, of future results.**

## 100 bps Stress Test

The following chart illustrates our 100 bps Stress Test:

### Hypothetical 12-month U.S. Treasury Returns



As of December 31, 2025. Source: Bloomberg. ^Yield-to-maturity is the annualized total return anticipated on a bond if the bond is held until it matures and assumes all payments are made as scheduled and are reinvested at the same yield. \* Downside return estimates the 12-month total return assuming yields increase by 100 bps over 12 months. Upside return estimates the 12-month total return assuming yields decline by 100 bps over 12 months. Return estimates assume gradual change in yield over 12 months. **The hypothetical stress test data provided herein is for illustrative and informational purposes only and is intended to demonstrate the mathematical impact of a hypothetical change in Treasury yields on Treasury returns. This data is not, and is not intended to be representative of, the Fund's returns. No representation is being made that any account, product or strategy will or is likely to achieve profits, losses, or results similar to those shown. Past performance is no guarantee, nor is it indicative, of future results. Please refer to the back of the commentary for important disclosures.**

The dark blue bars above show Treasury yields of various maturities as of December 31, 2025. The green bars show the results of our duration test and represent the potential short-term downside return for these bonds in a rising interest rate environment. For example, the 5-year Treasury purchased at a 3.73% yield was expected to return 0.12% over twelve months if its yield increased by 100 bps from 3.73% to 4.73% during that time. Because the expected short-term downside return was positive, the 5-year Treasury and other bonds with a similar duration were candidates for our portfolio. The 7-year Treasury was not a candidate for our portfolio at that time because it produced an expected short-term loss.

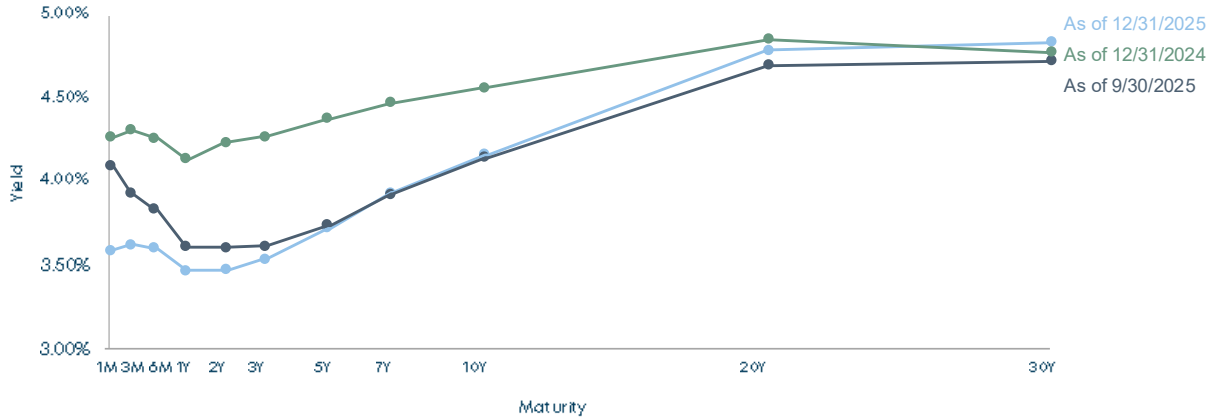
Our 100 bps test attempts to build into each of our investments some ability to preserve capital should interest rates rise because of higher inflation, stronger economic growth, loss of Federal Reserve independence, geopolitics-induced capital flight from the U.S., or fiscal concerns, just to name a few possible drivers of higher rates. On the other hand, weaker economic growth, increased productivity, disinflation, preservation of Federal Reserve independence, or geopolitical calm – again, just to name a few possibilities – could lead to lower interest rates. The

light blue bars on the chart above indicate the short-term upside return potential over twelve months if rates decreased by 100 bps. In the example above, the 5-year Treasury offered a potential 12-month total return of 7.49%.

## Observations

During the quarter, Treasury yields decreased slightly for short to intermediate-maturity bonds and increased slightly for longer maturities. Over the past year, Treasury yields are lower across the yield curve:

## U.S. Treasury Yield Curve



Change in yield (bps)	Maturity							
	1Y	2Y	3Y	5Y	7Y	10Y	20Y	30Y
Q4 2025	-14	-14	-8	-2	1	2	9	11
Calendar year 2025	-67	-77	-73	-66	-54	-40	-7	6

Source: Bloomberg. As of December 31, 2025. Please refer to the end of the commentary for Important Disclosures and definitions of key terms.

Our views on the market can be found in our FPA New Income and FPA Flexible Fixed Income commentaries which can be found on our website (fpa.com).

Thank you for your confidence and continued support.

**Abhijeet Patwardhan**

Portfolio Manager

February 2026

### **Important Information**

This Commentary is for informational and discussion purposes only and does not constitute, and should not be construed as, an offer or solicitation for the purchase or sale of any securities, products or services discussed, and neither does it provide investment advice. Any such offer or solicitation shall only be made pursuant to the Fund's Prospectus, which supersedes the information contained herein in its entirety.

The views expressed herein and any forward-looking statements are as of the date of the publication and are those of the portfolio management team. 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, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data. You should not construe the contents of this document as legal, tax, accounting, investment or other advice or recommendations.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities or sectors are for informational purposes only and should not be construed as recommendations by the Fund, the portfolio manager, the Adviser, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security or sector examples discussed. The portfolio holdings as of the most recent quarter-end may be obtained at [fpa.com](https://fpa.com).

The views expressed herein and any forward-looking statements are highly speculative, current only as of the date of this publication and are those of the portfolio management team. Forward-looking statements can be identified by the use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue" or "believe" (or the negatives thereof) or other variations thereof. Due to various risks and uncertainties, actual events or results or actual performance may differ materially 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, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data. FPA does not undertake to update any forward-looking statement because of new information, future developments, or otherwise.

The Fund is new and has limited operating history. Investments carry risks and investors may lose principal value. Capital markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

The return of principal in a bond fund is not guaranteed. Bond funds have the same issuer, interest rate, inflation and credit risks that are associated with underlying bonds owned by the Fund. Lower rated bonds, convertible securities and other types of debt obligations involve greater risks than higher rated bonds.

Interest rate risk is the risk that when interest rates go up, the value of fixed income instruments, such as bonds, typically go down and investors may lose principal value. Credit risk is the risk of loss of principal due to the issuer's failure to repay a loan. Generally, the lower the quality rating of a fixed income instrument, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. If an issuer defaults, the fixed income instrument may lose some or all of its value.

The Fund's investments in U.S. government obligations such as Treasury Bills, Treasury Notes and bonds are backed by the full faith and credit of the United States. GNMA securities, like U.S. Treasuries, are guaranteed and backed by the full faith and credit of the U.S. government and generally are considered to be of the highest credit quality. Although U.S. government-sponsored enterprises such as the FHLMC may be chartered or sponsored by Congress, they are not funded by Congressional appropriations, and their securities are not issued by the U.S. Treasury nor supported by the full faith and credit of the U.S. government. There can be no assurance that the U.S. government would provide financial support to its agencies or instrumentalities (including government-sponsored enterprises) when it is not obligated to do so.

Value style investing presents the risk that the holdings or securities may never reach their full market value because the market fails to recognize what the portfolio management team considers the true business value or because the portfolio management team has misjudged those values. In addition, value style investing may fall out of favor and underperform growth or other styles of investing during given periods.

The ratings agencies that provide ratings are Standard and Poor's ("S&P"), Fitch, Moody's, Kroll, DBRS, and any other nationally recognized statistical rating organization ("NRSRO"). Credit ratings range from AAA (highest) to D (lowest). Bonds rated BBB or above are considered investment grade. Credit ratings of BB and below are lower-rated securities (junk bonds). High-yielding, non-investment grade bonds (junk bonds) involve higher risks than investment grade bonds. Bonds with credit ratings of CCC/Caa or below have high default risk. Please refer to the Fund's Prospectus for a complete overview of the primary risks associated with the Fund.

Shares of the Fund are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Because ETFs trade like stocks, the Fund may trade at prices above or below the ETF's NAV. While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of market stress. Brokerage commissions and ETF expenses will reduce returns.

**The Fund is not authorized for distribution unless preceded or accompanied by a current prospectus. The prospectus for the Fund can be accessed at: <https://fpas.fpa.com>.**

### **Hypothetical Stress-Tested Results**

**The hypothetical and estimated data provided herein is for illustrative and informational purposes only.** No representation is being made that Fund or the securities used for the simulation will or is likely to achieve profits, losses, or results similar to those shown. Hypothetical and estimated results do not reflect trading in actual accounts, and do not reflect the impact that economic, market or other factors may have on the management of the account.

The hypothetical and estimated results as set forth in this commentary do not represent actual results; actual results may significantly differ from the theoretical data being presented. Hypothetical/estimated results have certain inherent limitations. Hypothetical models theoretically may be changed from time to time to obtain more favorable results. There may be sharp differences between simulated or estimated results and the actual results subsequently achieved by any particular security, account, product or strategy. In addition, simulated/estimated results cannot account for the impact of certain market risks such as a lack of liquidity or default risk. There are numerous other factors related to the markets in general or the implementation of any specific strategy which cannot be fully accounted for in the preparation of simulated or estimated results, all of which can adversely affect actual results.

A client's individual portfolio results may vary from any hypothetical or estimated results because of the timing of trades, deposits and withdrawals, the impact of management fees and taxes, market fluctuations, trading costs, cash flows, custodian fees, among other factors. Hypothetical results are not meant to be construed as a prediction of the future return of the Fund. **Past performance is no guarantee, nor is it indicative, of future results.**

### **Index and Morningstar Category Definitions**

Comparison to any index is for illustrative purposes only and should not be relied upon as a fully accurate measure of comparison. The Fund will be less diversified than the indices noted herein and may hold non-index securities or securities that are not comparable to those contained in an index. Indices will hold positions that are not within the Fund's investment strategy. Indices are unmanaged, do not reflect any commissions, fees or expenses which would be incurred by an investor purchasing the underlying securities. The Fund does not include outperformance of any index or benchmark in its investment objectives. Investors cannot invest directly in an index.

**Bloomberg U.S. Treasury 1-5 Year Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. To be included in the index, securities must have at least one and up to, but not including, five years to maturity.

**Morningstar Short Government** portfolios have at least 90% of their bond holdings in bonds backed by the U.S. government or by government-linked agencies. This backing minimizes the credit risk of these portfolios, as the U.S. government is unlikely to default on its debt. These portfolios have durations between one and 3.5 years (or, if duration is unavailable, average effective maturities between one and four years), so they have relatively less sensitivity to interest rates, and thus low risk potential. As of December 31, 2025, there were 79 funds in this category.

**Glossary of Terms**

**Average Life (years)** is the average length of time that each dollar of unpaid principal on a loan, a mortgage or an amortizing bond remains outstanding.

**Basis Point (bps)** is equal to one hundredth of one percent, or 0.01%. 100 basis points = 1%.

**Effective Duration** measures the sensitivity of the price to changes in interest rates, incorporating the impact of changes in interest rates on call options and expected cashflows. Calculations for the Fund exclude equity holdings.

**Yield to Maturity (YTM)** is the total return anticipated on a bond if the bond is held until it matures.

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