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SMEAD value fund

Shareholder Letter

SMEAD VALUE FUND — 2ND QUARTER 2021 (6/30/2021)

A SHARE CLASS - SVFAX   INVESTOR CLASS - SMVLX   C SHARE CLASS - SVFCX   I1 SHARE CLASS - SVFFX   Y SHARE CLASS - SVFYX

Performance

Average Annualized Total Returns as of June 30, 2021

	One Month	QTR	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception (1/2/2008)
SVFAX A Share Class (w/ load)	-2.74%	2.70%	23.49%	51.59%	15.40%	15.25%	14.59%	9.67%
SVFAX A Share Class (w/o load)	3.19%	8.97%	31.03%	60.84%	17.71%	16.63%	15.27%	10.15%
SMVLX Investor Class	3.18%	8.97%	31.00%	60.83%	17.71%	16.59%	15.33%	10.27%
SVFCX C Share Class	3.15%	8.83%	30.69%	59.95%	17.60%	16.52%	15.29%	10.24%
SVFFX I1 Share Class	3.22%	9.07%	31.20%	61.29%	18.01%	16.90%	15.63%	10.51%
SVFYX Y Share Class	3.22%	9.09%	31.30%	61.47%	18.16%	17.06%	15.67%	10.50%
RUSSELL 1000 VALUE	-1.15%	5.21%	17.05%	43.68%	12.42%	11.87%	11.61%	7.85%
S&P 500 TR INDEX	2.33%	8.55%	15.25%	40.79%	18.67%	17.65%	14.84%	10.56%

A Shares Gross Expense Ratio 1.26%   Investor Gross Expense Ratio 1.26%   C Shares Gross Expense Ratio 1.85%   I1 Shares Gross Expense Ratio 0.99%   Y Shares Gross Expense Ratio 0.88%

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling **877-807-4122**. Performance for SVFAX (w/load) reflects maximum sales charge of 5.75%. Performance for SVFAX (w/o load) does not reflect maximum sales charge of 5.75%. If reflected, the load would reduce the performance amount quoted. SVFAX imposes a 1.00% deferred sales charge on purchases of $1,000,000 or more that are redeemed within 18 months of purchases. Performance data does not reflect the deferred sales charge. If it had, returns would be reduced.*

Investor Class shares of the Fund commenced operations on January 2, 2008. I1 Class shares of the Fund commenced operations on December 18, 2009. Performance shown for I1 Class shares prior to its inception reflects the performance of Investor Class shares. Class A shares of the Fund commenced operations on January 24, 2014. Performance shown for Class A shares prior to its inception reflects the performance of Investor Class shares, adjusted to reflect Class A expenses.

Smead Capital Management, Inc., The Advisor, has agreed to waive its fees and/or absorb expenses of the Fund to ensure that Total Annual Operating Expenses do not exceed 1.26% for Class A shares, 1.26% for Investor Class shares, 1.85% for Class C shares, 0.99% for Class I1 shares and 0.88% for Class Y shares respectively, through March 31, 2022. This operating expense limitation agreement can be terminated only by, or with the consent of, the Board of Trustees. See the prospectus for additional details.

Dear Shareholder

We did a few things we weren't supposed to be able to do in the post-stock picking world of the 2nd quarter of 2021. The Smead Value Fund (SMVLX) gained 8.97% versus a gain of 8.55% in the S&P 500 Index and a gain of 5.21% in the Russell 1000 Value Index. This followed very strong results in the first quarter to give us a 31.00% gain for the first half of the 2021 year. These results far outstripped the S&P 500 (+15.25%) and the Russell 1000 Value (+17.05%).

Our gains were led by Continental Resources (CLR), Macerich (MAC) and Target (TGT). Oil prices rose consistently in the second quarter, as most states reopened their economic activity by lifting COVID-19 restrictions. Socially-deprived shoppers went to Macerich malls and to Target stores, fooling the scoffers who believe in the do-nothing world being molded by the premier tech companies.

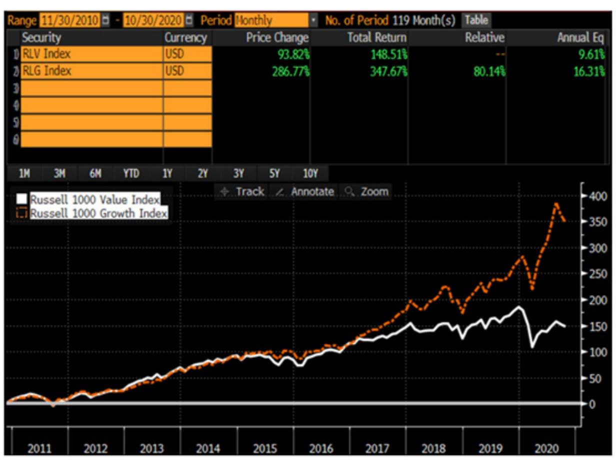
We were most negatively affected by Discovery's (DISCK) stock backing off from their meme-stock fame of the first quarter. Their share price then weakened further by announcing a merger with Warner Media to aggregate the best of unscripted TV shows with the best of sports and scripted TV and movies. AMERCO (UHAL) backed off from terrific 12-month performance. Let them know if you'd like to rent a vehicle to go to Los Angeles from Phoenix. It only costs $189 to go to LA, but it cost $1,200 to rent the same vehicle in LA and drive it to Phoenix. Lastly, Lennar (LEN) had a burner first quarter stock performance and leveled off in the second quarter.

These results can be directly tied to holding shares which are heavily under-owned by most institutions and professionals. Many of our companies are under-followed or downright disrespected by the analysts which are paid to research them. We hope we are still in an era where stock picking can shine.

Stock Picking is Dead

Halfway through the year 2021, we must be reminded to "not confuse brains with a bull market." These are the words we were taught back in the 1980's. When all boats float, don't think you are a genius because your boat floated. Investors in the S&P 500 Index, mega-cap tech stocks, momentum disruption stocks and a wide variety of success stories the last five years floated. The former kings of the stock market (active stock pickers) were pronounced dead. Goodbye Warren Buffett, John Templeton, Peter Lynch and all the others who were declared kings of stock picking.

The death pronouncements were in money flows, on magazine covers and all over the media which covers Wall Street daily. Stock picking was officially dead, and no brand of stock picking was deader than value stock picking. Look at the chart below to get a ten-year feel for how growth trounced value and notice how the spread in results exploded the last four years:



Source: Bloomberg. Data for the time period 11/30/2010 - 10/30/2020.

This has left us with an S&P 500 Index which is the most tilted toward growth stocks since the dotcom bubble in 1999-2000 and the most concentrated in the largest of these companies ever.

One of the beautiful things about the laws of economics and statistical mean reversion is the pendulum that governs long-duration common stock performance. When growth stocks get on fire, we believe they almost guarantee poor forward results over the following ten years. Look at how this went from January 1, 1973 to August 9, 1982 and from March 9, 2000 to March 9, 2010:

Source: Bloomberg. Data for the time period 8/9/1972 - 8/9/1982.

Source: Bloomberg. Data for the time period 8/9/2000 - 8/9/2010.

When does stock picking work? It works best when the competition is the lowest and confidence in its usefulness doesn't exist. Buffett and Munger say the key to investing success is "weak competition." If investors take away the money from active stock pickers, and especially from value stock pickers, those who might compete with you to buy today's bargains are diminished in numbers.

Second, the four main ways of generating alpha are enhanced by these circumstances. Stock selection becomes easier as value is starved of capital, negative sentiment improves future results, concentration is easier (because the opportunity cost gets eliminated) and long holding periods are more tolerable. This is because you don't have to worry about money being made easily by all boats floating.

Confidence in Value

Why are we so confident that value stock picking will have an extended period of success? First, we believe the demographics of 90 million millennials forming households means that economic growth will almost certainly be much higher in the 2020s than in the 2010s. We like to explain that the anemic economic growth in the 2010s was simply a function of the Gen-X group being much smaller than the baby boomers.

Second, necessity spending crowds out spending on discretionary items. House and car payments, soccer shoes and insurance suck up disposable income. Out goes Seth Rogen movies, craft beer and Apple devices. Third, stronger economic growth puts interest rates on an upward path and price-to-earnings (P/E) ratios on a downward path. Growth stock investors thrive on an ever upward path of P/E ratio expansion.

Fourth, stock price success gets more closely tied to Main Street economics. Whoever is growing their earnings through economic activity and higher asset valuations ends up receiving capital, even as capital becomes more and more dear. Simultaneously, labor gets more expensive as Main Street outperforms both Wall Street and Sand Hill Road. As we wrote this, the head of the Teamsters Union was on CNBC making that case.

In all of this, someone must pick stocks well, rather than just participate to succeed as we go forward. To us, growth portfolios and expensive indexes like the S&P 500 look like they did in the charts in 1972 and 1999. It means they may offer an inordinately good chance for stock market failure. Thank you for your confidence and ongoing participation in our discipline.

William Smead
Lead Portfolio Manager

Tony Scherrer, CFA
Co-Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

SMEAD
capital management

SMEAD CAPITAL MANAGEMENT

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Mutual fund investing involves risk. Principal loss is possible.

The recent growth in the stock market has helped to produce short-term returns for some asset classes that are not typical and may not continue in the future. The price-earnings ratio (P/E Ratio or P/E Multiple) measures a company's current share price relative to its per-share earnings. Alpha is a measure of performance on a risk-adjusted basis. Beta is a measure of the volatility of a security or a portfolio in comparison to the market. Growth investing is focused on the growth of an investor's capital. Leverage is using borrowed money to increase the potential return of an investment. The earnings yield refers to the earnings per share for the most recent 12-month period divided by the current market price per share. Profit margin is calculated by dividing net profits by net sales. Quality is assessed based on soft (e.g. management credibility) and hard criteria (e.g. balance sheet stability). Value is an investment tactic where stocks are selected which appear to trade for less than their intrinsic values. The dividend yield is the ratio of a company's annual dividend compared to its share price.

The Smead Value Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and it may be obtained by calling 877-807-4122, or visiting www.smeadfunds.com Read it carefully before investing.

The information contained herein represents the opinion of Smead Capital Management and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

The following were the top ten holdings in the Fund as of 6/30/2021: Continental Resources Inc 7.07%, Target Corp 6.24%, American Express Co 5.93%, Lennar Corp 5.60%, NVR Inc 5.12%, Macerich Co 5.07%, eBay Inc 4.63%, Merck & Co Inc 4.53%, Amgen Inc 4.39% and JPMorgan Chase & Co 4.24%. Fund holdings are subject to change at any time and should not be considered recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk.

The S&P 500 Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. The Russell 1000 Value Index is an index of approximately 1,000 of the largest companies in the US equity markets; the Russell 1000 is a subset of the Russell 3000 Index. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. Information is provided for information purposes only and should not be considered tax advice. Please consult your tax advisor for further assistance.

Small- and Medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies.

Active investing generally has higher management fees because of the manager's increased level of involvement while passive investing generally has lower management and operating fees. Investing in both actively and passively managed funds involves risk, and principal loss is possible. Both actively and passively managed funds generally have daily liquidity. There are no guarantees regarding the performance of actively and passively managed funds. Actively managed mutual funds may have higher portfolio turnover than passively managed funds. Excessive turnover can limit returns and can incur capital gains.