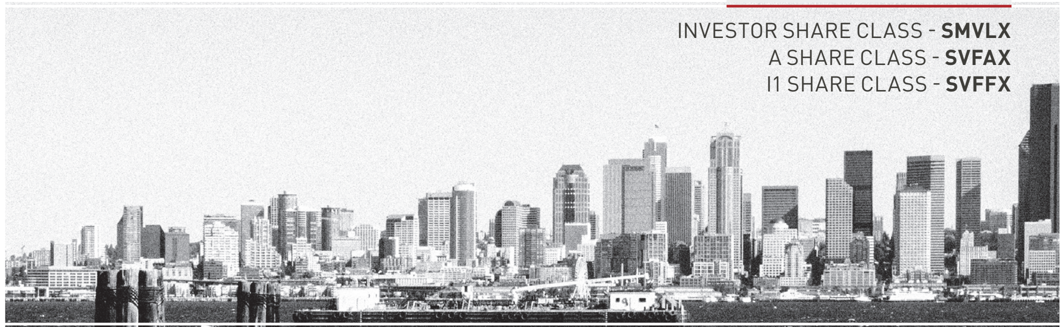
INVESTOR SHARE CLASS - **SMVLX**
A SHARE CLASS - **SVFAX**
I1 SHARE CLASS - **SVFFX**



SMEAD
value fund

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1ST QUARTER 2015 (03/31/15)

Performance

Average Annualized Total Returns as of March 31, 2015

	QTR	YTD	ONE YEAR	THREE YEAR	FIVE YEAR	ANNUALIZED SINCE INCEPTION 1/2/2008
SMVLX	1.80%	1.80%	12.72%	21.57%	17.62%	8.56%
SVFAX (w/ load)	-4.08%	-4.08%	6.14%	18.98%	16.00%	7.45%
SVFAX (w/o load)	1.77%	1.77%	12.61%	21.36%	17.37%	8.33%
SVFFX	1.85%	1.85%	13.03%	21.86%	17.90%	8.76%
RUSSELL 1000 VALUE	-0.72%	-0.72%	9.33%	16.44%	13.75%	6.12%
S&P 500 INDEX	0.95%	0.95%	12.72%	16.11%	14.46%	7.15%

Investor Shares Gross Expense Ratio 1.46%
A Shares Gross Expense Ratio 1.46%
I1 Shares Gross Expense Ratio 1.19%

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 does not reflect maximum sales charge of 5.75%. If reflected, the load would reduce the performance amount quoted. SVFAX imposes a 1.00% redemption fee on purchases of $1,000,000 or more that are redeemed within 18months of purchases. Performance data does not reflect the redemption fee. 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.

Dear Shareholder

The Smead Value Fund continued to fly below the radar of the investment community in the first quarter of 2015. The fund gained 1.80% in its oldest form (SMVLX) and 1.85% in the institutional form (SVFFX). This baffled many market experts who are convinced that stock picking is a dead art. The S&P 500 Index gained 0.95%, while the Russell 1000 Value Index lost 0.72%. It was not a good quarter for those of us who believe that valuation matters dearly, as growth investors and the more aggressive (and expensive) small-cap indexes outperformed.

Our best performing stocks for the first quarter were Gannett (GCI), Starbucks (SBUX) and Pfizer (PFE). The shares which attributed the most to our positive return were Gannett, Pfizer and Disney (DIS). All these names point to the benefit of patiently owning companies for a long time.

Our poorest performers in price action were Bank of America (BAC), Abbvie (ABBV) and SLM (SLM). Since two of those are among our smallest positions, our winners made more difference and led us to a positive return. From an attribution standpoint, Bank of America, Franklin Resources (BEN) and Berkshire Hathaway (BRK.B) were the biggest detractors to our price gains. Financial companies continue to be among the most contentious in the stock market and investors are losing patience with many of them. We are happy to hold them through to the time when their results are determined by operating profits and not by fines and penalties tied to sins committed nine or ten years ago.

Market participants are being trained to believe that long-duration stock picking and wealth creation can only happen by accepting a low-cost way to get average performance via an index like the S&P 500. We dig into that discussion below and believe that you should be more worried about the popularity of our discipline, not whether it works. Our next difficult stretch as a fund will most likely be driven by too many investors agreeing with us and adulation springing from our long-term performance. We haven't seen that yet and don't assume we will see those things happening anytime soon.

Eliminating the Confusion about Active Equity Management

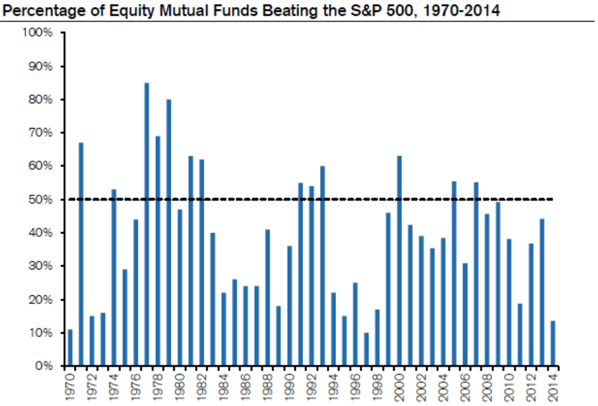
There are a great number of bright mathematicians out there who can explain almost everything in common stock selection and portfolio management. One well-known student of the arena is Michael Mauboussin, a Managing Director at Credit Suisse, who recently published a challenging piece of research seeking to explain how difficult it was last year (2014) for mutual funds to beat the S&P 500 Index. In reviewing his analysis, we are reminded that calling stock picking and portfolio management "active management" has done the investment marketplace a huge disservice.

Mr. Mauboussin is not alone. Other well-known industry experts and pundits have weighed in on the current woes of active management as practiced by U.S. equity fund managers. Jeff Sommer of the *New York Times*, recently wrote about research from S&P Dow Jones Indices. Their work shows that very few equity managers beat the index consistently over a four to five-year stretch.

In contrast to Mauboussin and Sommer, Warren Buffett weighed in on the matter at great length in his Berkshire Hathaway Annual Letter and 50-year Anniversary letter on this subject. Mr. Buffett's conclusion (and ours) is that those who are examining managers use the wrong definition of risk and that active managers are way too active.

Let's start with a frequently used chart showing the underperformance of mutual funds compared to the S&P 500 Index:

Exhibit 1: Percentage of Equity Mutual Funds Beating the S&P 500, 1970-2014



Source: John C. Bogle (1970-1999) and "SPIVA® U.S. Scorecard: Year End 2014," S&P Dow Jones Indices Research (2000-2014).
Note: U.S. general equity funds (1970-1999) and U.S. large capitalization equity funds (2000-2014).

With the chart in mind, Mr. Mauboussin writes the following:

> *In the quest for market-beating returns, investors seek money managers who are skillful. But what if skill isn't the only key to success? … The point of this report is that all of the skill in the world is for naught if you don't have attractive opportunities.*[1]

Mauboussin identifies three ways that a person might be more skillful than other investors: market timing, security selection, and portfolio construction. We at Smead Capital Management would challenge the idea that market timing is open to skill. There have been

[1] Michael, J. Mouboussin and Dan Callahan. "Min(d)ing the Opportunity: Excess Returns Require the Chance to Apply Skill," Credit Suisse, March 17, 2015, p. 2, Accessed March 25, 2015. http://www.valuewalk.com/2015/03/michael-mauboussin-excess-returns-require-the-chance-to-apply-skill/.

piles of academic and industry research that refute any claim of merit for market timers, and my anecdotal observations from 35 years in the investment business would only add to that conviction. Cull the list of billionaires in Forbes latest edition and you'll be hard pressed to find a market timer. Therefore, why include it in the analysis?

Mauboussin goes on:

> *Certainly, absolute skill in the investment industry continues to rise while relative skill continues to decline. In other words, it's harder to find markets or securities that are mispriced.*[2]

At this point, we wonder why he focuses on this information. First, every statistic shows that professional and amateur investors have dramatically increased their portfolio turnover in the last 40 years.[3] In the U.S. large-cap world the average portfolio turnover is 69% (our six-year average is 13%).[4] This means the average large-cap manager gets a brand new portfolio almost every 1.5 years! A study in the February 2013 *Financial Analysts Journal* showed that the turnover costs large-cap U.S. Equity funds 0.81% or 81 basis points per year. For this reason, the skill might be high, but it gets burned up in trading costs. It's like being a great husband and then dumping your wife for a new one every two years—not a good plan.

There is a very important second reason that being way too active may make stock pickers perform poorly in relation to stock indexes. All stock price performance falls onto a bell curve, like any other set of facts in life. All stocks which go to zero had to fall 30%, then 50% and more to go to zero. On the other hand, the best performing stocks over a twenty-year period can rise by ten times their original investment or more.

We as a firm believe that ownership of a great company can be the gift that keeps on giving. Today's high activity level begs portfolio managers to sell winners too soon and debilitates their long-term alpha in the process. We are sure that the index gains a great advantage from almost never getting in the way of their best performing stocks. The index never over-thinks its portfolio; whereas today's active management community is prone to do this by way of high turnover.

Since very few stock selectors take a long-duration view, it is highly unlikely that absolute skill or relative skill has gone up in long-term security analysis and stock picking. The statistics on increasing turnover appear to us to be screaming that we are right. We find no coincidence that the world's most successful investor, Warren Buffett, says that he and Charlie Munger's favorite holding period is "forever."

We believe that portfolio construction doesn't matter in long durations as much as it does in short durations. To get a handle on this part of the discussion we will turn to a recent New York Times article by Jeff Sommer titled, "How Many Mutual Funds Routinely Rout the Market? Zero." Sommer examines data from S & P Dow Jones Indices to show that a tiny percentage of active managers who did well one year beat the market consistently in the next four years. Here is how he wrote the core evidence:

> *It included 2,862 broad, actively managed domestic stock mutual funds that were in operation for the 12 months through 2010. The S.&P. Dow Jones team winnowed the funds based on performance. It selected the 25 percent of funds with the best returns over those 12 months — and then asked how many of those funds actually remained in the top quarter in each of the four succeeding 12-month periods through March 2014.*

[2] Mouboussin and Callahan. "Min(d)ing the Opportunity: Excess Returns Require the Chance to Apply Skill," p. 12.

[3] John C. Bogle, Common Sense on Mutual Funds (Hoboken, New Jersey: John Wiley & Sons, Inc., 2010), p. 35.

[4] Roger Edelen, Richard Evans, and Gregory Kadlec, "Shedding Light on "Invisible" Costs: Trading Costs and Mutual Fund Performance," Financial Analysts Journal, Vol. 69, No. 1, January/February 2013, p. 36.

The answer was remarkably low: two.[5]

Outlandishly, this thought is used to promote passive indexes against meritorious and mis-named active managers:

The study seemed to support the considerable body of evidence suggesting that most people shouldn't even try to beat the market: Just pick low-cost index funds, assemble a balanced and appropriate portfolio for your specific needs, and give up on active fund management.

The data in the study didn't prove that the mutual fund managers lacked talent or that you couldn't beat the market. But, as Keith Loggie, the senior director of global research and design at S.&P. Dow Jones Indices, said in an interview last week, the evidence certainly didn't bolster the case for investing with active fund managers.[6]

The purpose of stock selection and portfolio construction should be to create the most wealth over a ten to twenty-year time frame. Since there are very few talented people who practice long-duration research and stock picking, their absolute skill and relative skill has never been higher. We see nothing happening in the marketplace to show that any significant competition appears to be entering the fray!

We got a kick out of Warren Buffett's Berkshire Hathaway Annual Letter and Fiftieth-Anniversary letter. He was frustrated one week after it came out that more people didn't understand his points better. Below is an excerpt from the Annual Letter:

Over the long term, however, currency-denominated instruments are riskier investments – far riskier investments – than widely-diversified stock portfolios that are bought over time and that are owned in a manner invoking only token fees and commissions. That lesson has not customarily been taught in business schools, where volatility is almost universally used as a proxy for risk. Though this pedagogic assumption makes for easy teaching, it is dead wrong: Volatility is far from synonymous with risk. Popular formulas that equate the two terms lead students, investors and CEOs astray.

It is true, of course, that owning equities for a day or a week or a year is far riskier (in both nominal and purchasing-power terms) than leaving funds in cash-equivalents.[7]

Buffett directly refutes the usefulness of the issue Loggie raised. The S&P Dow Jones Indices' data provided to Loggie showed who could consistently beat the market every year and/or 75% of their peers. Buffett would argue this only matters if you measure risk via volatility. What Buffett is trying to say, and what marketplace participants don't understand, is that a lack of patience is killing active management and it deserves its misplaced name!

Buffett selected the Sequoia Fund in 1970 to send his partnership clients to for diversified common stock ownership. It verifies what Sommer and the research point out. In the first 44 years of existence, it only beat the market in 24 of the 44 calendar years. However, it turned each $10,000 in Sequoia Fund into almost $4 million, while the S&P 500 Index grew it to $965,000!

[5] Jeff Sommer. "How Many Mutual Funds Routinely Rout the Market? Zero." New York Times, March 14, 2015. Accessed March 25, 2015. http://www.nytimes.com/2015/03/15/your-money/how-many-mutual-funds-routinely-rout-the-market-zero.html?_r=0.

[6] Jeff Sommer. "How Many Mutual Funds Routinely Rout the Market? Zero."

[7] Berkshire Hathaway Inc., 2014 Annual Report, February 28, 2015, p18. Accessed on March 25, 2015. http://www.berkshirehathaway.com/2014ar/2014ar.pdf

The wealth creation of the Sequoia Fund was over four times the S&P 500 Index with much higher annual expenses included. The Sommer piece included accurate information, but it missed the whole point of investing and the value in selecting a long-duration stock-picking organization.

Let's sum this up very clearly for our readers: we believe a small percentage of active manager's limit their activity in a way that allows the wealth creating ability of the underlying companies to shine through their portfolio results. Mr. Mauboussin and other smart mathematicians are trying to see if someone can make constant changes and have a positive impact. In aggregate, it appears that they cannot.

Mr. Buffett argues that the commissions and fees eat up the benefit of most of today's active management stock selection skills. Mr. Sommer and the passive index/smart beta cheering squads have confused the ultimate goals of long-duration common stock ownership. Supposedly, the passive crowd doesn't care about the variability of returns or the volatility. They only seem to care when they can use it to criticize the active management community.

Here is a more important question to ask when hiring an active manager: can hiring this organization cause us to create more wealth in U.S. equity ownership than a comparable index can over the next ten years to twenty years? If the answer is yes, you could have something worthy.

William Smead
Portfolio Manager

Tony Scherrer, CFA
Co-Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

SMEAD
value fund

Mutual fund investing involves risk. Principal loss is possible.

As of 03/31/2015 the fund held, 7.25% of Gannett Co. Inc., 6.09% of eBay Inc., 4.99% of JPMorgan Chase & Co., 4.62% of Amgen Inc., 4.59% Cabela's Inc., 4.52% of Aflac Inc., 4.52% Berkshire Hathaway Inc. Class B, 4.38% of NVR Inc., 4.31% of Wells Fargo & Co., and 4.14% Bank of America Corporation. 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 U.S. 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. Price/Earnings (P/E) is the ratio of a firm's closing stock price & its trailing 12 months' earnings/share. Alpha is the excess return of a fund relative to the return of its benchmark. Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. Beta is used in the capital asset pricing model (CAPM), a model that calculates the expected return of an asset based on its beta and expected market returns. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.

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.

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