A SHARE CLASS - **SVFAX**
INVESTOR SHARE CLASS - **SMVLX**
INSTITUTIONAL SHARE CLASS - **SMVMX**

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1ST QUARTER 2014 (3/31/14)

Performance

Average Annualized Total Returns as of March 31, 2014

	QTR	YTD	ONE YEAR	THREE YEAR	FIVE YEAR	ANNUALIZED SINCE INCEPTION 1/2/2008
SVFAX (w/ load)	2.59%	2.59%	23.32%	21.69%	24.70%	7.66%
SVFAX (w/o load)	3.35%	3.35%	23.32%	21.69%	24.70%	7.66%
SMVLX	3.34%	3.34%	23.54%	21.96%	25.00%	7.91%
SMVMX	3.40%	3.40%	23.83%	22.24%	25.25%	8.04%
RUSSELL 1000 VALUE	3.02%	3.02%	21.57%	14.80%	21.75%	5.84%
S&P 500 INDEX	1.81%	1.81%	21.86%	14.66%	21.16%	6.54%

A Shares Gross Expense Ratio 1.54%
Investor Shares Gross Expense Ratio 1.29%
Institutional Shares Gross Expense Ratio 1.04%

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. Institutional Class shares of the Fund commenced operations on December 18, 2009. Performance shown for Institutional 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 first quarter of 2014 was very much like what we had expected at the beginning of the year. The Smead Value Fund had a gain of 3.34% as compared to a gain of 1.81% for the S&P 500 Index and a gain of 3.02% for the Russell 1000 Value index. Factors which investors chose to ignore last year like international turmoil, higher oil prices and a temporary lull in residential real estate, started to bite into enthusiasm for stocks.

Our best performers in the quarter were names like Walgreen, Merck and Mylan. This represents a popularity associated with healthcare and pharmaceutical companies. We sold the last of our stake in Mylan during the quarter as enthusiasm for it became maniacal and we became concerned about them matching up with two of our eight criteria.

Gannett, Aflac and Franklin Resources were our poorest performers in the quarter and mostly suffered from the prior year's success or suffered fear original to the company. Aflac's investor disinterest can be attributed to the weakness in the Japanese Yen, as they still get 75% of their earnings in Japan. We anticipate good growth for AFLAC from their great branding in the US to help people fill holes as their health insurance deductibles are raised in the future. Franklin Resources is a powerhouse in bond

mutual funds and in emerging markets via their Templeton brand. Those markets have made investors nervous lately.

During the quarter, we practiced our usual trading pattern (lethargy bordering on sloth—Warren Buffett). Our slight changes included selling the last of Mylan and the last of Bristol-Myers Squibb. We also trimmed Walgreens and Disney. Fast-growing small bio techs and improvement in under-valued pharmaceutical stocks brought out the "animal spirits" among investors. We equate these spirits with mania and sell our winners only if they look maniacal or if the violate our eight criteria. On the buy side, we initiated a position in Chubb. They are a major insurer of homes, cars and commercial structures. We think all three of those areas will flourish the next ten years. We also added to our position in Berkshire Hathaway. At 1.3 times book value, it looks to us like a great way to potentially enjoy any long-term comeback on Main Street. For our international owners, the strength we see coming in the US economy the next ten years should bode well for the US dollar. It appears very under-valued to us, every time we travel to Europe and the Far East.

The stock market success of 2012 and 2013 and a proclivity on the part of investors to be confident about some of the riskiest small-cap and conceptual tech stocks, makes us cautious. We remind you that we compare this time period with the 1983-84 US stock markets. US small-caps ran wild from 1978 to 1983 and fast-growing young company shares like Genentech, Apple and MCI Communications were all the rage until June 30, 1983. In a high-inflation era, fast growth was deemed to be worth a big premium and slow and consistent growth was a curse. Then someone flipped the light switch and the following correction was harsh to riskier fast growers and ushered in a four-year 50% outperformance of the S&P 500 index as compared to the Russell 2000 index.

Ironically, with inflation running around 1.5% currently and deflation being the number one economic concern, investors appear super excited about sales growth again. Whether the great young tech giants of today will ever bring large dollars to the bottom line and generate generous levels of free cash flow remains to be seen. We prefer to bet on continued economic recovery in the US and a big comeback on Main Street. Therefore, we like domestic earnings versus foreign and large-caps versus small-caps. Nothing that happened in the first quarter did anything to disturb our view that the current conditions of correcting excesses in the market lay terrific groundwork for what we see as a bright future. Investing is about having faith in someone and something and ours is invested in the companies which meet our eight criteria.

Every Portfolio Has Faith

At Smead Capital Management, we believe that everyone who invests has faith in someone or something. We also believe that who and what you put your faith into is greatly influenced by the time period involved. As we look out into the rest of 2014 and beyond, we would like to consider the kind of faith required by the largest pools of investment dollars in the US. This includes looking at who they are trusting, what they are trusting in, and what time frames they are operating under.

Institutional investors are pretty easy to track because of the National Association of College and Business Officers (NACUBO) study of the common fund of college endowments. Also, endowments are not adverse to the kind of long holding periods that can be conducive to investment success. The NACUBO study includes the largest endowments like Harvard and Yale and totals over $1 trillion of institutional investment dollars. At the end of 2002, 52% of their dollar-weighted portfolios were in long-only US equities despite the fact that we were at the end of a 40% decline in the S&P 500 Index. This dwarfed fixed-income investments and the total of every other asset class in which they participated. They trusted the US stock market to meet their long-term investment goals.

Since the prior years had been dominated by large-cap outperformance, we assume that more than 70% of the 52% may have been in large-cap equity.[1] This would mean that north of 36.4% of all the money held in college endowments may have been in large-cap US long-only investments. Passive investments have been reported to be 13% of total equity investments back then, so we can assume that 78% of the large-cap money was likely with

[1] Bryant, Alfred S., and Kalis, David P. 2001. The Mid Cap Gap: "Filling in the Missing Piece of the Asset Allocation Pie." Segal Bryant & Hamill Investment Counsel.

active managers. We interpret this to mean that institutions trusted active managers and what they trusted was the historical outperformance of US long-only common stock ownership.

In the most recent NACUBO study, those same institutions had 15% of their portfolio in US long-only equity. Since small and mid-cap indexes have dramatically outperformed the large-cap S&P 500 index over the last 14 years, we assume that large-cap may be the smallest part of their US long-only portfolio in the history of modern US institutional investing! We assume it could be somewhere between 5 to 7% of their portfolios. Perhaps, ironically, small and mid-cap strategies make up a smaller portion of these institutional investors' portfolios than they did before they had outperformed. We take this to mean that these institutions don't have faith in the ability of US long-only common stock portfolios to meet their long-term investment needs. Secondly, indexing in the large-cap space makes up as much as 40% of the 5 to 7% total. It appears then that active managers are only trusted with 3 to 4% of the portfolios of the largest pools of money in the US. Our view: they don't have faith in large-cap stocks and don't have faith in active large-cap managers.

We think high-net-worth individual investors in the US have made a similar adjustment in where they place their faith and what they trust. At the end of 1999, it seemed to us that US investors had never been more exposed or concentrated with their investments. They not only owned more in US common stocks as a percentage of their net worth as they had ever had, but most of that was concentrated in the 50 largest technology stocks. They trusted a "new era" of technological innovation and acted on it via large-cap growth stock investing. The spillover created a drowning waterfall of cash into large growth funds and even inflated the P/E ratios of other non-tech growth stocks. As Warren Buffett pointed out in Sun Valley in 1999, the Fortune 500 companies looked frothy. You only had to look at price of the S&P 500 Index, which was trading at a record setting 31 P/E.

The brutal clobbering that was handed out to institutional and individual investors in the 2000-2002 bear market was especially hard on technology and growth stocks. Between the end of 2002 and the end of 2008, these two largest investment pools reacted by morphing into wide-asset-allocation investors. Individual investors in the US went from as concentrated in one sector of the S&P 500 index and as concentrated in one asset class as they had ever been at the end of 1999, to being as widely spread out among assets classes as ever. This included major introductions to commodity indexes, emerging market equities and bonds, gold, and alternative strategies like hedge funds and private equity. We view this as proof that they decided to trust asset allocation strategists and what they decided to trust was diversification.

Warren Buffett likes to say, "What the wise man does in the beginning, the fool does at the end." We think the investment business is no different than any other industry. When too many people are participating in the same industry, profit margins are damaged. By the summer of 2011, it seemed to us that asset allocation strategists were treated like gods because of the trust placed in them and diversification became an end in itself, because of the faith placed in it. Many of these newly popular asset classes are not of the same size and scope of the largest companies in the US and quickly became crowded trades. From our view, most emerging markets are a pimple on the face of American humanity from a size standpoint, and there are only so many companies out there at valuations worthy of being taken private by leverage buy-out firms drowning in institutional capital. Here is how the CIO, Jane Mendillo, of Harvard's endowment explained today's private equity climate in Barron's recently:

Private equity is a much more crowded place than it was 10 or 20 years ago. So you need to be choosy and pick the right managers and opportunities. It has been estimated there is a trillion dollars of dry powder in the private-equity industry today.

Experience has taught us that at the peak of popularity of every asset class, those who are over-committed to it claim to avoid the risk by having the best managers. We

remember "smart" investors in the tech sector back in the late 1990's, who avoided the most outlandish dot-com's and stuck to what they called the "pick-ax" companies like Cisco (CSCO) and Microsoft (MSFT). It kept their losses down to 50-80% in the 2000-2002 bear market, while the most egregious stocks disappeared completely.

Thanks to the largest pools of money in the world avoiding large-cap US stocks like the plague and the massive exodus of talented investment managers to the hedge fund industry, the competition in the stock picking division of the mutual fund industry dropped immensely. Like any other industry, the lack of competition has fattened profit margins for effective active managers. Why would someone talented in stock picking do it in a vehicle which charges .75% annually, when they can work for a hedge fund which charges investors 2% and gets 20% of the profits? We like to say that the hedge fund world is a compensation system looking for a client. It put a premium on well-compensated talent and caused folks in the hedge fund world to be in a hurry to get rich from what we call OPM (other people's money).

Who does Smead Capital Management ask people to put their faith in and what do we trust to meet the long-term investment needs of institutional and high-net-worth investors? First, we assume that US large-cap stocks will offer some of the highest returns among liquid asset classes, as they have in the past. We also assume these returns may come with a more tolerable ride for risk investors throughout the years. Near the end of 2008, we didn't know much, but we did know that all the government's efforts to turn things around were going to require the federal taxes paid by our companies. If they didn't survive and prosper, deposit insurance for a Certificate of Deposit wouldn't have mattered.

Second, we ask investors to share our belief that valuation matters dearly, that owning businesses for a long time is beneficial and that to own them for a long time you need a high quality set of companies. Numerous academic studies such as Fama-French, Bauman-Conover-Miller and Francis Nicholson show that cheaper stocks can outperform average or expensive ones.[2] Owning the same stocks for a long time cuts frictional trading costs significantly and takes away one of the passive indexes biggest advantages. Lastly, quality aspects like strong balance sheet and earnings consistency have proven to add alpha over the decades.

Third, we ask investors to have faith in the execution in our discipline of screening companies through our eight criteria for stock selection. We believe these criteria identify quality and search for bargains.

In ten years, we expect our investors to be really excited about the businesses we have owned. Who we trust currently are names like Gannett (GCI), Wells Fargo (WFC) and Merck (MRK). What we trust is that our relatively uninterrupted ownership of these businesses have the ability to produce returns exceeding the S&P 500 index and the Russell 1000 Value index. We also trust that our strategy can help meet the long-term investment needs of the institutional and individual investors we serve.

We are comforted by knowing that our view is a minority opinion, because only the lonely can play.

William Smead
Portfolio Manager

Tony Scherrer, CFA
Co-Portfolio Manager

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 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.

[2] Fama, Eugene F., and Kenneth R. French, 1998. "Value Versus Growth." Journal of Finance, vol. L[1], no. 6 (December): 1795- 1999; Bauman, Scott, Conover, Mitchell, and Miller, Robert. 1989. "Growth versus value and large-cap versus small-cap stocks in international markets." Financial Analysts Journal, vol. 54, no. 2 (March/April): 75-89; Nicholson, Francis Nicholson, 1968. Financial Analysts Journal. Vol. 24, No. 1 (January/February): 105-109

Mutual fund investing involves risk. Principal loss is possible.

As of 03/31/2014 the fund held 6.11% of Gannett, 4.92% of Merck & Co, 4.87% of Walgreen Co., 4.46% of Wells Fargo & Co, 4.45% of Aflac Inc., 4.42% of Berkshire Hathaway Inc., 4.2% of Walt Disney Co., 3.2% of Franklin Resources Inc., 2.1% of Chubb Corp., 0% of Bristol-Myers Squibb Company, 0% of Mylan Inc., 0% of Apple, 0% of Cisco, and 0% of Microsoft. 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 broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. 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 Dow Jones Industrial Average is an unmanaged comprised of major industrial companies and assumes reinvestment of dividends. It is not possible to invest directly in an index. Price/Earnings (P/E) is the ratio of a firm's closing stock price & its trailing 12 months' earnings/share. Book value is the net asset value of a company, calculated by subtracting total liabilities from total assets. Free cash flow is revenue less operating expenses including interest expenses and maintenance capital spending. It is the discretionary cash that a company has after all expenses and is available for purposes such as dividend payments, investing back into the business or share repurchases. Alpha is an annualized return measure of how much better or worse a fund's performance is relative to an index of funds in the same category, after allowing for differences in risk.

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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Diversification does not assure a profit nor protect against loss in a declining market.

Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio, usually computed using 36 monthly returns.

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