SHAREHOLDER LETTER

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

SMEAD value fund

877.701.2883 | SMEADCAP.COM

4TH QUARTER 2020 (12/31/20)

Performance

Average Annualized Total Returns as of December 31, 2020

	ONE MONTH	QTR	YTD	ONE YEAR	THREE YEAR	FIVE YEAR	TEN YEAR	ANNUALIZED SINCE INCEPTION 1/2/2008
SVFFX	3.17%	12.53%	1.94%	1.94%	7.21%	9.85%	13.22%	8.64%
SVFAX (w/ load)	-2.77%	5.98%	-4.16%	-4.16%	4.86%	8.31%	12.18%	7.79%
SVFAX (w/o load)	3.16%	12.44%	1.68%	1.68%	6.94%	9.60%	12.85%	8.28%
SMVLX	3.17%	12.48%	1.70%	1.70%	6.93%	9.56%	12.93%	8.40%
SVFCX	3.11%	12.29%	1.64%	1.64%	6.91%	9.55%	12.92%	8.40%
RUSSELL 1000 VALUE	3.83%	16.25%	2.80%	2.80%	6.07%	9.74%	10.50%	6.86%
S&P 500 TR INDEX	3.84%	12.15%	18.40%	18.40%	14.18%	15.22%	13.88%	9.78%

Investor Shares Gross Expense Ratio 1.26%
A Shares Gross Expense Ratio 1.26%
I1 Shares Gross Expense Ratio 0.99%
C Shares Gross Expense Ratio 1.87%

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 18 months 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

If you had told me on April 1, 2020, when we were about 40% below where we started the year, we would have told you that you were crazy to think that we could get the money we'd lost back inside of a year. In the fourth quarter the Smead Value Fund (SMVLX) gained 12.48% to finish with a gain of 1.70% for the year. We started the year as economic optimists, and this was easily the worst year to be an economic optimist relative to an economic pessimist since the year 2008.

For the year, the S&P 500 Index gained 18.40% and the Russell 1000 Value gained 2.80%. It was a miserable year on a relative basis, but we were ecstatic to get our money back. The history of our strategy is that bright days came after prior torturous circumstances. As you will see below, we move away from crowds and expect stormy weather.

For the quarter, we had a healthy gain of 12.48%. We underperformed the Russell 1000 Index, which gained 16.25% for the quarter. However, we did beat the S&P 500 Index, which had a gain of 12.15%. This was the third consecutive quarter of beating the S&P 500 following the complete meltdown in stocks and optimism in the COVID 19 panic circumstances of February through April this year. We called it "going to Hell and back."

For the fourth quarter, Discovery Inc. (DISCA), Macerich (MAC) and American Express (AXP) led our gainers. Discovery woke up in anticipation of starting their streaming business. Their cable shows are wildly popular, and their international footprint is real. Macerich started what we hope is a long comeback as reopening will trigger people to want to do things which they couldn't do prior to herd immunity or a vaccination. American Express is the single most simple way to play a rebound in all forms of travel, including business travel.

Our poorest performers in the fourth quarter were a product of prior year success. Amgen (AMGN) pulled back from big gains earlier in the year, as did Lennar (LEN) and DR Horton (DHI). In our opinion, investors are being totally foolish to treat the homebuilders as a COVID-19 temporary phenomenon. You will hear and see a great deal more about the history of home building since 1960 and how it is affected by demographics and population growth.

We can thank Jeff Bezos and Tim Cook for our biggest annual gainers, Target (TGT) and Qualcomm (QCOM). We bought Target shortly after Amazon entered the grocery business and Qualcomm in the middle of fighting lawsuits over their intellectual property with Apple. We have tripled our money in both stocks from our original purchase prices and a big chunk of that came in 2020. Lennar was one of our biggest gainers for the year, even though the media and momentum investors consider the home market dominant companies in home building to be a cyclical one-time wonder.

Our biggest losers were Occidental Petroleum (OXY), Macerich (MAC) and Wells Fargo (WFC). We tax-swapped OXY and took our loss on Wells Fargo. This contributed to terrific tax efficiency in 2020, even though our turnover was dramatically higher at 40% than our 17% historical norm. Macerich is the only stock we ended the year with an unrealized loss, and you can imagine what our optimism is for it to not take the tax loss and get immediate gratification.

We enter the new year with a forward-P/E multiple at a huge discount to the S&P 500 Index and a forward dividend yield about 0.70% greater than the index. To appreciate where we are, continue reading below.

Outlook 2021: "Frenzy" is the Opposite of Bull Market Stew

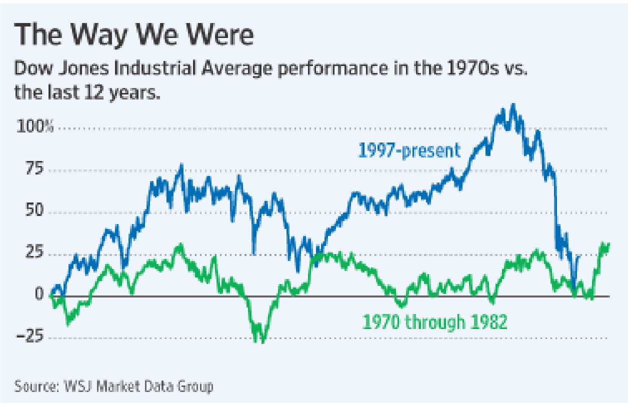
Our outlook for 2021 is formed by the need to get away from the crowd and to expect some very stormy weather in the U.S. stock market. We are not afraid of drowning. Therefore, we will review the circumstances at the bottom of the market in 2009 with today's market to see where the crowd is and where we need to go to avoid the coming storm.

At the bottom of the stock market in early 2009, we worked off the premise that long-term bull markets get their fertilization from the ashes of the prior debacle. In other words, if you wanted bull market stew, you had to have certain ingredients. Recently, the venerable Charlie Munger (of Berkshire Hathaway fame), shared that he thought the stock market is in a "frenzy." This "frenzy" has caused a huge crowd to form around the most popular stocks and the most popular ways of accessing those popular stocks. To us, this appears to be a nearly complete opposite to 2009. You can almost smell the upcoming stock market failure!

> "Again Jesus began to teach by the lake. The crowd that gathered around him was so large that he got into a boat and sat in it out on the lake, while all the people were along the shore at the water's edge." (Mark 4:1)

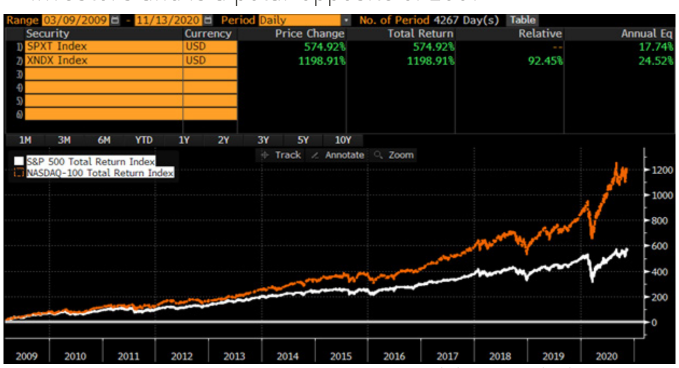
> "That day when evening came, he said to his disciples, 'Let us go over to the other side.' Leaving the crowd behind, they took him along, just as he was, in the boat. There were also other boats with him. A furious squall came up, and the waves broke over the boat, so that it was nearly swamped. Jesus was in the stern, sleeping on a cushion. The disciples woke him and said to him, 'Teacher, don't you care if we drown?'" (Mark 4:35-38)

Stocks did very poorly in the prior ten years



Source: WSJ Market Data Group. Data for the time periods 1/1/1970 – 12/31/1982 and 1/1/1997 - 3/31/2009.

Today, the look-back numbers are as positive as they ever get. This provides no margin of safety to S&P 500 Index investors and is a polar opposite of 2009.



Source: Bloomberg. Data for the time period 3/9/2009 – 11/13/2020.

This ranks among the three best stretches for the S&P 500 Index since 1924. Munger calls it a "frenzy," which, by definition, is worse than a mania or a euphoria because it is closer to rage and insanity.

Historically depressed stock prices, especially among the traditionally most admired companies

Then (at the market bottom in 1982)...

BRK.A		**MRK**			**DIS**		
Berkshire Hathaway		Merck			Disney		
Avg Price in 1982	$667.5	Avg Price	$2.24		Avg Price	$1.22	
		Dividends	$0.08		Divdends	$0.03	
		Div Yield	3.48%		Div Yield	2.06%	

Data for the time period 1/1/1982-12/31/1982.

Now: Biggest Hedge Fund Ownership

Hedge Fund VIPs

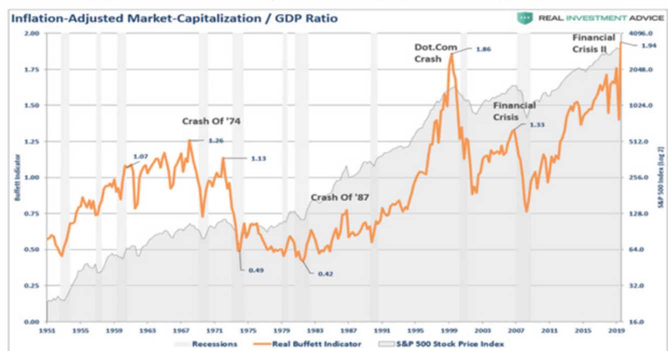
Company	Ticker	Number of HFs With Top-10 Holding	Average Portfolio Weight
Amazon.com	AMZN	113	7%
Facebook	FB	87	7%
Microsoft	MSFT	82	6%
Alibaba Group Holding	BABA	56	7%
Alphabet	GOOGL	53	6%
Visa	V	37	6%
PayPal Holdings	PYPL	34	6%
Apple	AAPL	33	9%
Mastercard	MA	31	8%
Charter Communications	CHTR	28	7%

Hedge Fund VIPs

Company	Ticker	Number of HFs With Top-10 Holding	Average Portfolio Weight
Fiserv	FISV	25	6%
Salesforce.com	CRM	25	7%
T-Mobile US	TMUS	25	5%
Uber Technologies	UBER	25	7%
Fidelity National Information Services	FIS	24	5%
Booking Holdings	BKNG	23	6%
Sea	SE	23	7%
Berkshire Hathaway	BRK.B	21	11%
IAC/InterActiveCorp	IAC	21	8%
Walt Disney	DIS	21	5%

Source: Barron's. Data as of 9/30/2020.

...and Now (Broad Market, Buffett's Favorite Measurement)



Source: Seeking Alpha. Data for the time period 1/1/1951 – 12/31/2019.

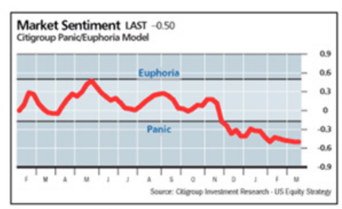
Pick any measurement of your liking and this present set of circumstances is near the top of every measuring yardstick. Price-to-earnings (P/E), price-to sales (P/S) and price-to-book value (P/B) are all at 94-year extremes.

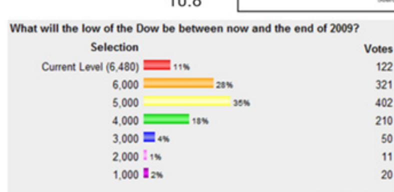
Massive negative psychology among individual and professional investors

Then...

AAII Index – March 5th, 2009

Bullish	18.9%
Bearish	70.3
Neutral	10.8

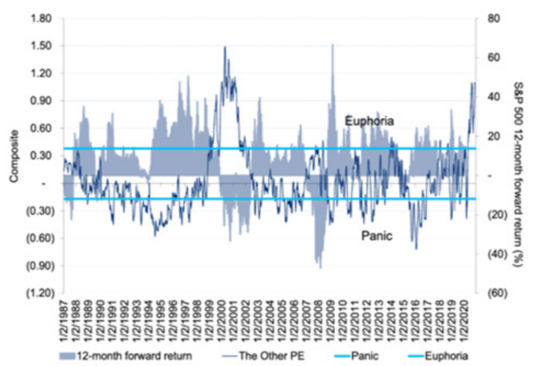




Source: Barron's & Bespoke Investment Group. Data as of 3/5/2009.

Think how crazy bearish investors were in 2009 near the bottom. Eighty-nine percent of them thought the market would go down and 61% of them thought it would go down a great deal at the bottom.

Now



Source: Cypress Capital Sept 9, 2020. Data for the time period 1/1/1987 – 9/30/2020.

Today, untested initial public offerings (IPOs) and special purpose acquisition companies (SPACs) are sprouting up everywhere and being bid through the roof. Investors ignore very real antitrust threats to the biggest and most glamorous tech companies. It is like it is getting closer to midnight and these Cinderella investors don't have a clock or watch to know when the time strikes midnight. Then everything caught in the frenzy will turn to "pumpkins and mice."

<u>Normally successful and admired money managers called out on the carpet and in some ways humiliated (preferably on the front page of *The Wall Street Journal*)</u>

Then...

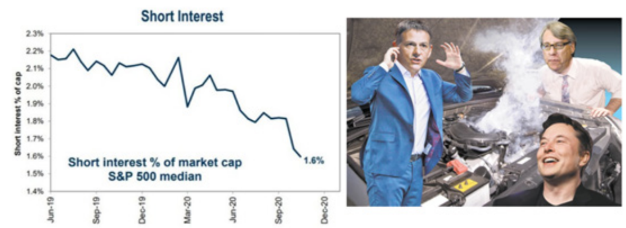
- "A Recent Filing With Securities and Exchange Commission says the trustees of DWS Dreman High Return Equity (KDHRX) voted last June to remove the fund's manager after a 20-year run."

  "The manager, 72-year-old David Dreman of Dreman Value Management, led the fund to a 47% loss in the past year, admittedly a bad year for all, placing it in the bottom 3% of its peers, according Bloomberg data."

- "In a surprise move, First Pacific Advisors said that its well-known chief executive, Robert Rodriguez, will leave for a one-year sabbatical starting in January."

  "Mr. Rodriguez has been frustrated with the world of professional investing in the past year. He correctly predicted the credit crunch and subsequent economic downturn but has struggled to deliver strong stock returns."

Today...

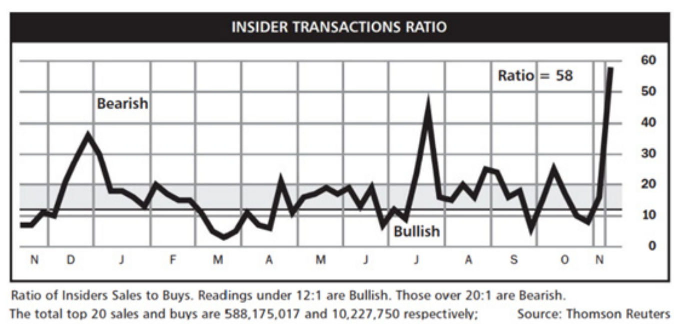


Source: Bloomberg. Data for the time period 1/1/2019 – 10/31/2020.

The ridicule in December 2020 is reserved for respected managers who both go long and short in stocks. They have been clobbered by short positions gone wild. Back in 1999, we remember one of the clients of the firm I worked at was short eBay and got destroyed!

Source: Bloomberg. Data for the time period 2/27/2015 – 11/30/2020.

Anyone shorting over-valued securities has been crushed in the last two years.



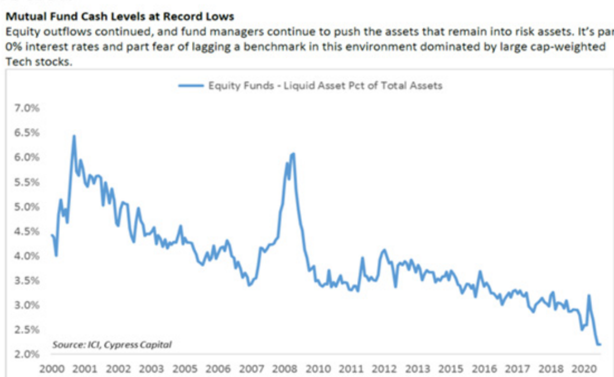
Source: Thomson Reuters. Data for the time period 11/1/2019 – 11/30/2020.

While the short sellers get crushed, the insiders at these firms are dumping shares like there is no tomorrow.

Buy and hold investing viewed as an idea that is no longer useful

Then...

...and Now



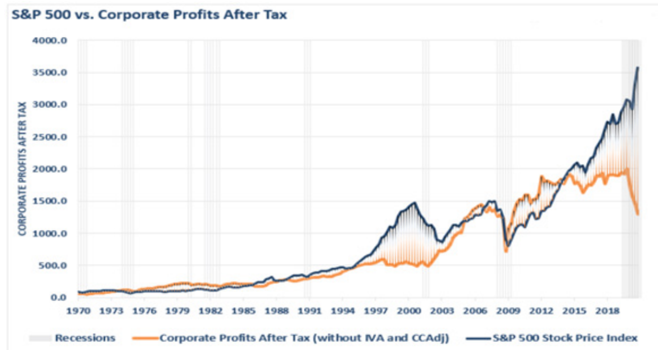
Source: Cypress Capital October 2, 2020. Data for the time period 1/1/2000 – 9/30/2020.

Here is Jim Cramer's explanation of the current frenzied appreciation for glam tech stocks:

> *Jim said that, "Tesla is the stock that broke how we view stocks. It's a totally unconventional way to look at stocks, and younger people look at a company that can make a battery and they dream dreams. They don't go with the spreadsheet. They see things that we don't see." But, dreams don't survive very long without spreadsheets.*

Seemingly unsolvable economic problems as part of a deep recession

"The 40 years ending in 1941 included the stock market panic of 1907, which drove down the Dow Jones Industrial Average nearly 38 percent; the World War I Era, where the period between 1910 and 1919 was one of the worst ever for stocks; AND, oh yes, the Great Depression. Finally, icing on the 40-year cake, the Japanese bombed Pearl Harbor on December 7, 1941." (O'Shaughnessy Asset Management)

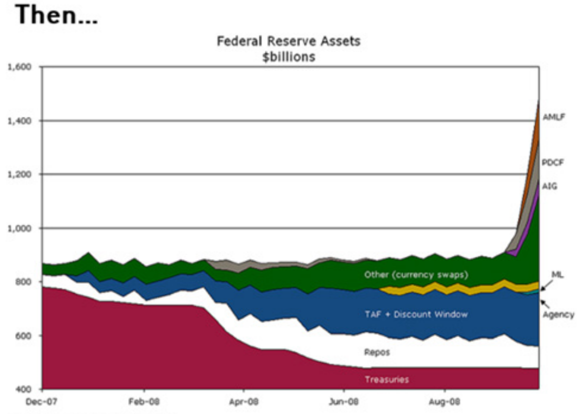


Source: Cypress Capital. Data for the time period 1/1/1970 – 12/31/2019.

The nice thing about economics is its lack of biases. We think that the Federal Government throwing borrowed money at the economy and the Federal Reserve Board printing money will solve our economic problems. History would say it could cause an inflationary boom and a mad dash for inflation beneficiary stocks like real estate, housing and oil.

Accommodative Federal Reserve Monetary Policies and stimulative fiscal policies from the U.S. Government

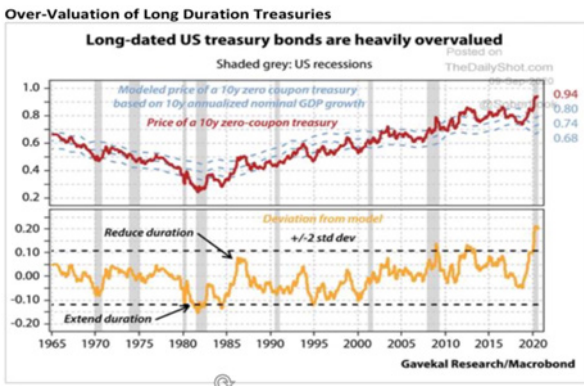
Then...



Source: frbatlanta.org. Data for the time period 12/1/2007 – 12/31/2008.

The picture paints 1,000 words. In 2009, the table was set for tasty stew.

...and Now



Source: Cypress Capital. Data for the time period 1/1/1965 – 6/30/2020.

Today the table is set for major bond market misery.

Public short selling had hit record levels

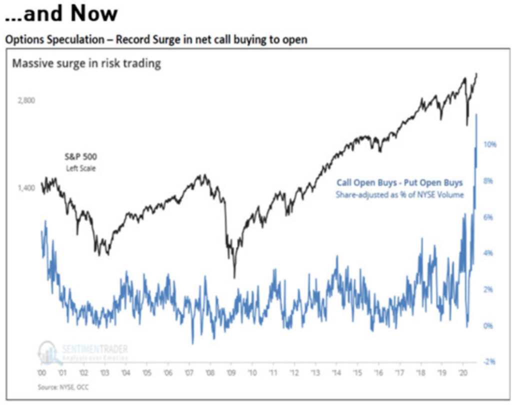
Then...

Value Line – December 26, 2008
% of total NYSE short sales by:

	Week Ending 12/10	Week Ending 12/17
Public:	72	74
NYSE Specialists:	7	6
Other NYSE Members:	21	20

Source: Value Line. Data as of 12/26/2008.

...and Now

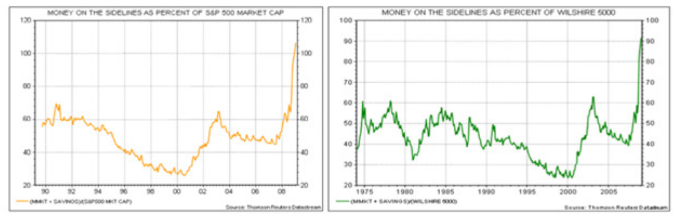


Source: Cypress Capital Sept 9, 2020. Data for the time period 1/1/2000 – 6/30/2020.

Public call buying and small Robinhood investors have gone gaga over stocks.

Cash in Money Market Funds at record levels in relation to stock market capitalization and paying low interest rates

Then...



Source: Hays Advisory. Data for the time perios 1/1/1990 – 12/31/2009 (left); 1/1/1974 – 12/31/2010 (right).

...and Now

Source: Cypress Capital. Data for the time period 1/1/1974 – 9/31/2020.

Very intelligent and credible economists and analysts explaining clearly and logically how terrible things are going to be for many years

Then...

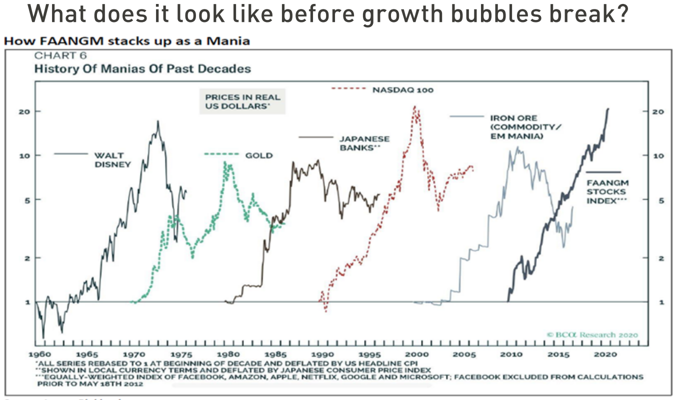
Nouriel Roubini
Professor at NYU

...and Now

Source: Bespoke. Data for the time period 1/1/1990 – 6/30/2020 (right).

When the leaders of the most successful tech companies dress up like homeless people to go on television, you get the sense that their arrogance is reaching the outer limits. We believe the capital destruction following this "frenzy" could be legendary and rank with the dismantling of the "Nifty Fifty" stocks of 1972 and the tech bubble stocks of 1999.

What does it look like before growth bubbles break?



Source: Cypress Capital Sept 9, 2020. Data fore the time period 1/1/1960 – 6/30/2020.

The four most expensive words in the English language are "this time it's different."
—Sir John Templeton

The opportunities for investors in 2021 could be found in the economy outperforming the stock market, with investors pursuing inflation beneficiaries and companies which are semi-protected from inflation. They could find it in the necessities demanded by 90 million millennials having kids, needing houses, cars and everything that goes with them.

We expect the seeds we planted during the terrible storm in the stock market in 2020 to pay off handsomely if inflation rears its ugly head. It could be one of the few ways to prevent stock market failure. We thank you for your ongoing confidence in our stock picking discipline and believe that the rewards available from avoiding the crowd and surviving the storm could be substantial.

William Smead
Portfolio Manager

Tony Scherrer, CFA
Co-Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

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. Margin of safety is the difference between the intrinsic value of a stock and its market price. 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. FAANG is an acronym for the market's five most popular and best-performing tech stocks, namely Facebook, Apple, Amazon, Netflix and Alphabet's Google. 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. Momentum is the rate of acceleration of a security's price or volume. 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 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.

SMEAD
value fund

Mutual fund investing involves risk. Principal loss is possible.

The following were the top ten holdings in the Fund as of 12/31/2020: Target Corp. 7.11%, Discovery Inc. Class A 6.46%, NVR Inc. 5.95%, American Express Co. 5.86%, Lennar Corp. 5.67%, Amgen Inc. 5.12%, JPMorgan Chase & Co. 4.65%, eBay Inc. 4.16%, Bank of America Corp. 4.07% and The Home Depot Inc. 3.82%. 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.

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