



Smead Value Fund

1st Quarter 2021 Webcast

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Opinions are subject to change, are not guaranteed, and should not be considered recommendations to buy or sell any security.

Today's Agenda

- ❑ **Performance, Characteristics and Top 10 Holdings**

Cole Smead, CFA, Portfolio Manager

- ❑ **Featured Stock: Merck & Co., Inc. (MRK)**

Tony A. Scherrer, CFA, Portfolio Manager

- ❑ **Winning the Peace**

Bill Smead, Lead Portfolio Manager

Quarter-End Performance

Total Returns (%) as of March 31, 2021

	Qtr	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Smead Value Fund Investor Class (SMVLX)	20.22%	20.22%	79.86%	15.26%	14.43%	14.49%	9.75%
Smead Value Fund A Share w/ load (SVFAX)	13.32%	13.32%	69.47%	13.03%	13.12%	13.74%	9.15%
Smead Value Fund A Share w/o load (SVFAX)	20.24%	20.24%	79.83%	15.28%	14.47%	14.42%	9.64%
Smead Value Fund I1 Share Class (SVFFX)*	20.29%	20.29%	80.28%	15.56%	14.74%	14.78%	9.99%
Smead Value Fund C Share Class (SVFCX)	20.08%	20.08%	79.55%	15.20%	14.39%	14.47%	9.74%
Russell 1000 Value Index	11.26%	11.26%	56.09%	10.96%	11.74%	10.99%	7.59%
S&P 500 Index	6.18%	6.18%	56.35%	16.78%	16.29%	13.91%	10.09%

*Institutional Shares were renamed I1 shares on 11/21/2014 with a new ticker SVFFX

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 1.85%

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 applies a maximum Deferred Sales Charge on Class A shares only to purchases of \$1,000,000 or more that are redeemed within 18 months of purchase. 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.

3 Performance data is annualized for periods longer than one year. Performance data is cumulative for periods shorter than one year.



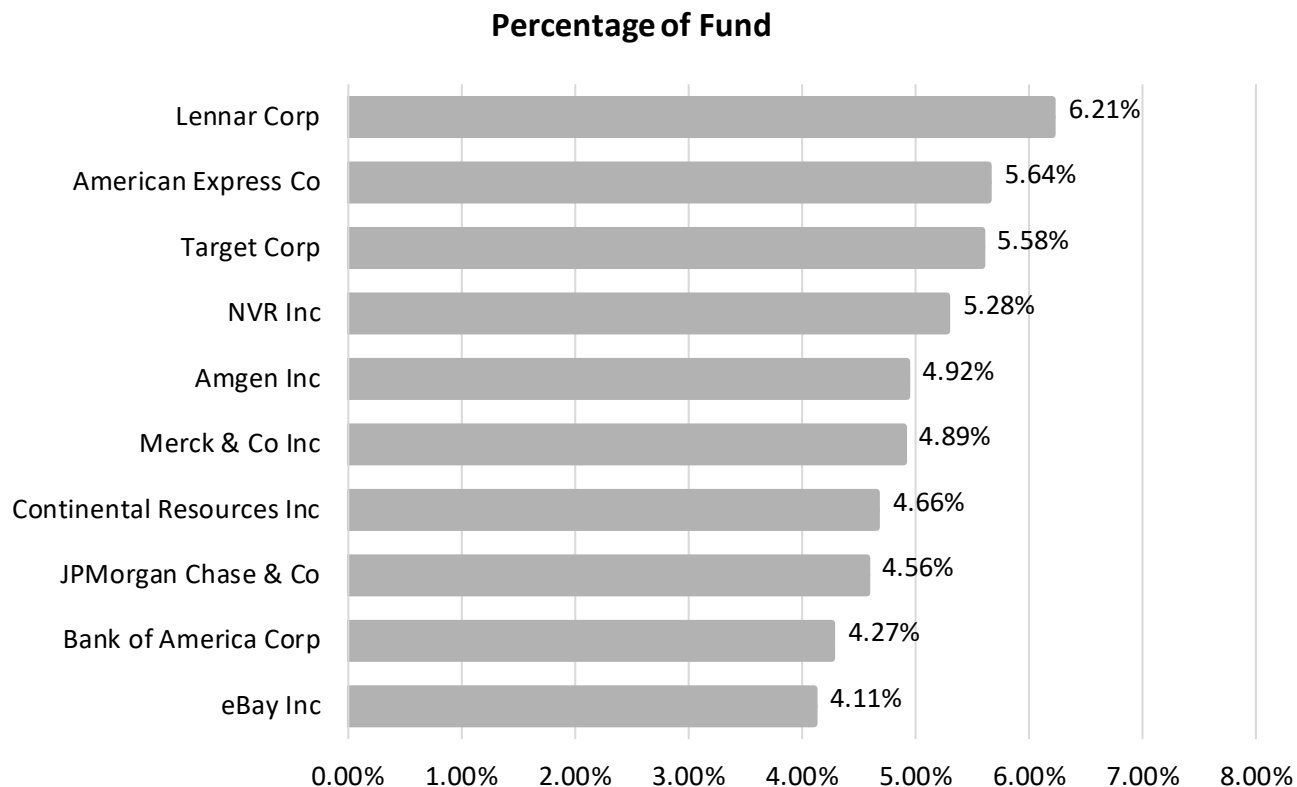
Smead Value Fund

Key Facts and Characteristics as of March 31, 2021

	\$ Average Market Cap (Bil) <u>3/31/21</u>	Price to Earnings (P/E) Trailing <u>4 Qtrs</u>	Price to Cash Flow	Revenue 5 YR Hist <u>Growth Rate</u>	Earnings 5 YR Hist <u>Growth Rate</u>	% of Long-Term Debt to <u>Capital</u>	Last 12 Month Net Profit <u>Margin</u>	Return on <u>Equity</u>
Smead Value Fund	\$136 Bn	19.4x	12.7x	6%	8%	47%	10.3%	22.2%
S&P 500 Index	\$465 Bn	29.5x	16.9x	10%	18%	45%	14.8%	23.1%
Russell 1000 Value Index	\$145 Bn	23.5x	12.3x	5%	8%	45%	9.7%	10.5%

Smead Value Fund

Top Ten Holdings as of March 31, 2021



Portfolio Additions / Deletions

First Quarter 2021

> **New positions:**

- Discovery Inc Series C (DISCK)
- Walgreens Boots Alliance Inc. (WBA)

> **Adds to position weightings:**

- Amgen Inc. (AMGN)
- Continental Resources Inc. (CLR)
- ConocoPhillips (COP)
- Chevron Corp. (CVX)
- D. R. Horton Inc. (DHI)
- Discovery Inc Series C (DISCK)
- Macerich Co. (MAC)
- Merck & Co., Inc. (MRK)
- Simon Property Group Inc. (SPG)
- Viatris Inc. (VTRS)
- Walgreens Boots Alliance Inc. (WBA)

> **Trims to position weightings:**

- Accenture (ACN)
- Walt Disney Co. (DIS)
- Discovery Communications Inc. (DISCA)
- Home Depot Inc. (HD)
- Macerich Co. (MAC)
- NVR Inc. (NVR)
- Qualcomm Inc. (QCOM)
- Starbucks Corp. (SBUX)
- Target Corp. (TGT)

> **Sells:**

- Viatris Inc. (VTRS)

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- **Winning the Peace**

Bill Smead, Lead Portfolio Manager

Featured Stock: Merck & Co., Inc. (MRK)

Our Eight Criteria

Required over entire holding period

1. Meets an economic need
2. Strong competitive advantage (wide moats or barriers to entry)
3. Long history of profitability and strong operating metrics
4. Generates high levels of free cash flow (FCF)
5. Available at a low price in relation to intrinsic value



Favored, but not required

6. Management's history of shareholder friendliness
7. Strong balance sheet

For companies that don't meet one of these, we believe our required criteria will ultimately correct or overwhelm.

8. Strong insider ownership (preferably with recent purchases)

May also relate to timing/portfolio weighting

Featured Stock: Merck & Co., Inc. (MRK)

Meets an Economic Need

Premier science-driven biopharmaceutical company

**AFTER MORE THAN
125 YEARS, OUR
MISSION REMAINS AS
CRITICAL AS EVER**

**To discover, develop and
provide innovative products
and services that save and
improve lives around the world**

2020 Revenue

\$48.0 billion

2020 Revenues

(by geographic area, including
pharmaceutical and animal health
revenue)

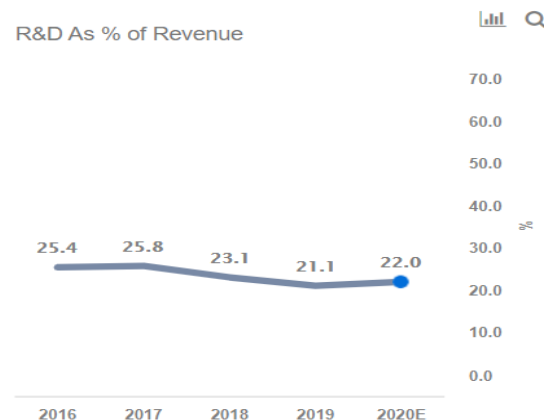
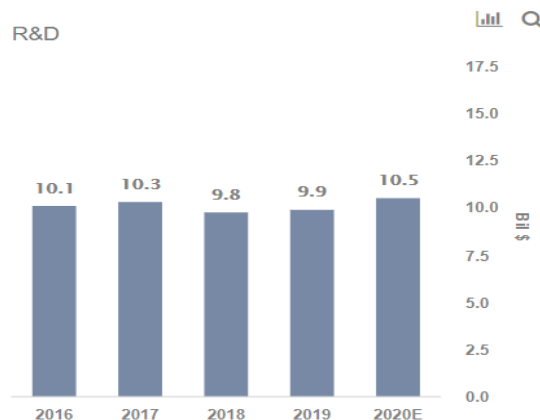
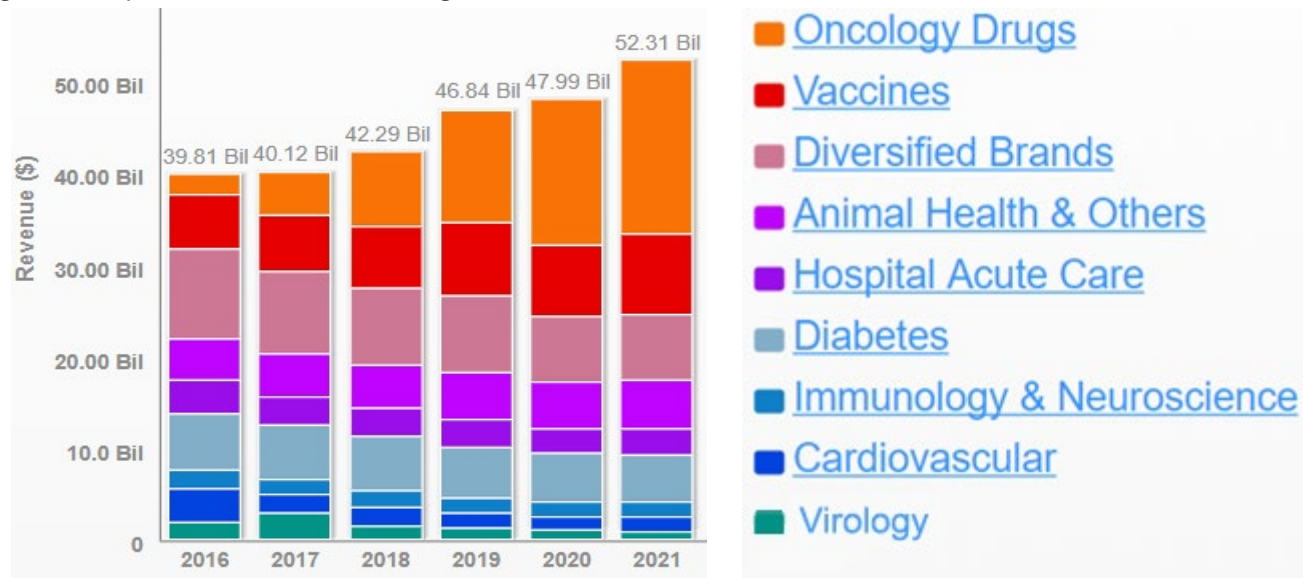
\$21.0 B	United States
\$13.6 B	Europe, Middle East and Africa
\$ 3.6 B	China
\$ 3.4 B	Japan
\$ 2.9 B	Asia Pacific (other than Japan and China)
\$ 2.3 B	Latin America
\$ 1.2 B	Other

Businesses

Pharmaceuticals
Vaccines
Animal Health

Featured Stock: Merck & Co., Inc. (MRK)

Strong Competitive Advantage



Featured Stock: Merck & Co., Inc. (MRK)

Strong Competitive Advantage

Exhibit 3: MRK "innovative growth" products 2020E to 2025E – increasing to 86% of total revenue by 2025

Therapeutic area / drug	2020	% total (MRK)		2025 revenue	% total (MRK)	5-year CAGR	Comments
Oncology							
Keytruda	14,090	28%	➔	21,600	37%	9%	Continues to drive most growth in \$ overall
Alliance revenue - Lynparza	580	1%		1,325	2%	18%	Collaboration with AZN
Alliance revenue - Lenvima	508	1%		1,235	2%	19%	Collaboration with Eisai
Other	252	1%		72	0%	(22%)	
Total	15,429	31%		24,231	42%	9%	
Vaccines							
Gardasil/Gardasil 9	4,329	9%		6,015	10%	7%	Capacity constraints until 2023 muting growth
ProQuad/M-M-R II/Varivax	2,355	5%	➔	2,549	4%	2%	
Other	1,950	4%		1,953	3%	0%	
Total	8,634	17%		10,517	18%	4%	
Animal Health Segment							
Livestock	2,861	6%		3,652	6%	5%	Growth above-corporate average
Companion Animals	1,738	4%	➔	2,370	4%	6%	Augmented by Antelq deal
Total	4,599	9%		6,022	10%	6%	
Other - new pipeline							
Total	5,570	11%		8,965	15%	10%	
SUBTOTAL	34,233	69%		49,736	86%	8%	Total of "growth" businesses

Source: Company filings, RBC Capital Markets estimates

Comprehensive KEYTRUDA development program



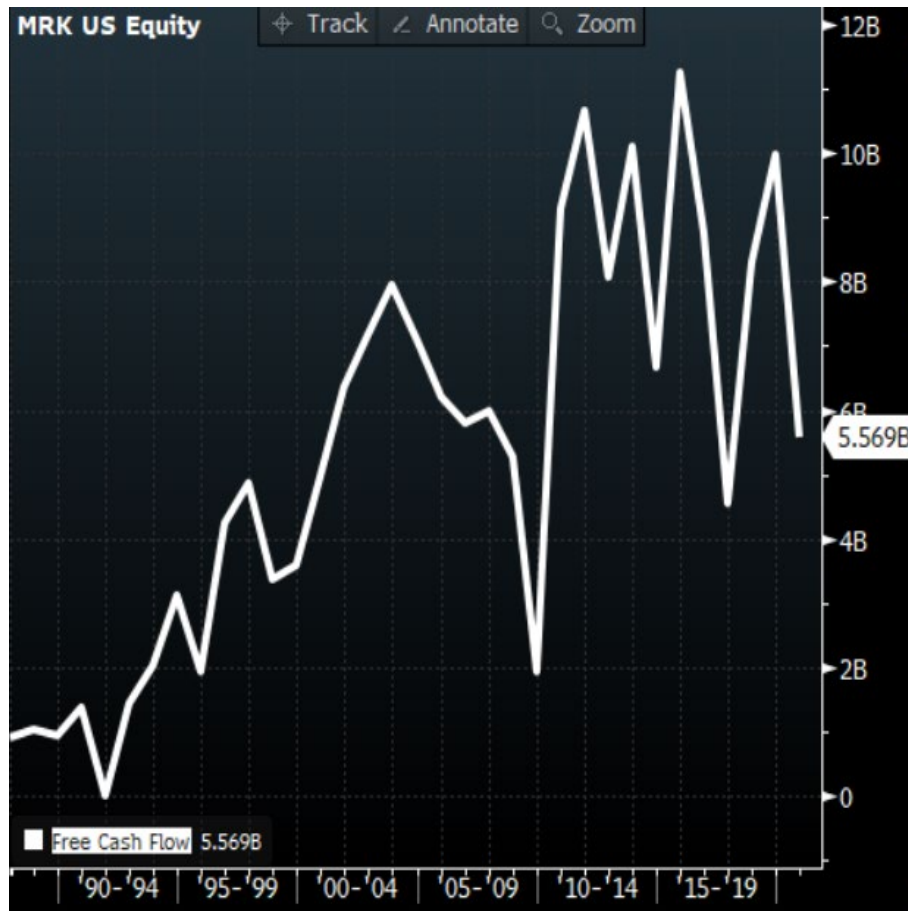
Featured Stock: Merck & Co., Inc. (MRK)

Long History of Profitability & Operating Metrics



Featured Stock: Merck & Co., Inc. (MRK)

High Levels of Free Cash Flow



Featured Stock: Merck & Co., Inc. (MRK)

Low Price in Relation to Intrinsic Value



Featured Stock: Merck & Co., Inc. (MRK)

History of Shareholder Friendliness

Year Range	Div Change	Share Repurchases (\$Mil)	Historical Mkt Cap	Repu as % of Mkt Cap
2021		609	\$90,744	0.7%
2020		1221.61	\$55,835	2.2%
2019		1524.7	\$36,849	4.1%
2018		1866.07	\$39,516	4.7%
2017		1861.37	\$35,427	5.3%
5yr Gr Rt (Ann):	4.4%			
10yr Gr Rt (Ann):	12.3%			
15yr Gr Rt (Ann):	14.3%			
20yr Gr Rt (Ann):	13.6%			



Featured Stock: Merck & Co., Inc. (MRK)

Strong Balance Sheet

Strong Balance Sheet

Data as of 12/31/2020

\$8.8 Bn in Cash & Cash-Equiv

Debt/Equity ratio: 105%

\$26.7 Bn in Long-Term Debt

Debt/Total Cap ratio: 51%

\$33.5 Bn in TOTAL Debt

Net Cash (Debt) ps: -\$9.72

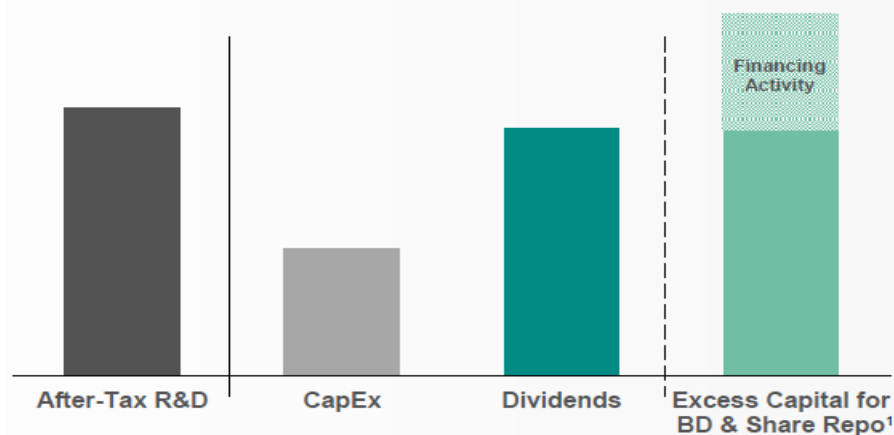
\$25.4 Bn in Equity

Interest Coverage Ratio of 9.5x

(\$2.4) Pension over (under) Funding as of 12/31/2020

5-Yr CDS Spread 25 bp (1-Yr Default Likelihood 0%); S&P LT Credit Rating AA- *-; Moody's LT Credit Rating A1

Capital allocation priorities over the next 5 years



¹Assumes financing consistent with A1 rating

Featured Stock: Merck & Co., Inc. (MRK)

Insider Ownership

Top Insider Holders	% held	Value	Latest Change
Frazier Kenneth	0.02%	\$45.7 Mil	175281 sh / \$13.6 Mil / 42.2%
Davis Robert	0.01%	\$16.8 Mil	46641 sh / \$3.6 Mil / 27.3%
Perlmutter Roger	0.01%	\$16.6 Mil	631 sh / \$0 Mil / 0.3%
Deluca Richard	0.01%	\$8.9 Mil	26551 sh / \$2.1 Mil / 30%
Clyburn Frank	0.00%	\$7.3 Mil	10082 sh / \$0.8 Mil / 12%
Chattopadhyay Sanat	0.00%	\$7.2 Mil	25772 sh / \$2 Mil / 38.3%
Gerberding Julie	0.00%	\$3 Mil	12584 sh / \$1 Mil / 47.3%

33 of 39 transactions shown

Ticker	Name	6-month As Of	Rating	Relation	Transaction Detail				Form	6-month Return	Insider Activity Summary			
					Date	Type	Shares	Avg. Price			Net Traded		Holdings	
-Type								Value			Shares	Mkt Val	Ending	% Chng
MRK	Chattopadhyay Sanat			VP	2/26/21	Vesting	25,772	-	-	4	7.4% \uparrow	25,772	\$1.9M	93,145 38.3%
MRK	Clyburn Frank			VP	2/26/21	Vesting	9,432	-	-	4	7.4% \uparrow	9,432	\$685.0K	94,242 11.1%
MRK	Davis Robert M			CFO	2/26/21	Vesting	46,641	-	-	4	7.4% \uparrow	46,641	\$3.4M	217,697 27.3%
MRK	Deluca Richard R			VP	2/26/21	Vesting	25,510	-	-	4	7.4% \uparrow	25,510	\$1.9M	115,180 28.4%
MRK	Fleming Michael			VP	2/26/21	Vesting	3,437	-	-	4	7.4% \uparrow	3,437	\$249.6K	10,283 50.2%
MRK	Frazier Kenneth C			Chmn	2/26/21	Vesting	175,249	-	-	4	7.4% \uparrow	175,249	\$12.7M	591,036 42.1%
MRK	Gerberding Julie L			VP	2/26/21	Vesting	12,585	-	-	4	7.4% \uparrow	12,585	\$913.9K	39,162 47.4%
MRK	Karachun Rita A			VP	2/26/21	Vesting	6,052	-	-	4	7.4% \uparrow	6,052	\$439.5K	33,836 21.8%
MRK	Li Dean Y			VP	2/26/21	Vesting	3,485	-	-	4	7.4% \uparrow	3,485	\$253.1K	10,655 48.6%
MRK	Mizell Steven C			VP	2/26/21	Vesting	17,830	-	-	4	7.4% \uparrow	17,830	\$1.3M	23,181 333.2%
MRK	Nally Michael			VP	2/26/21	Vesting	7,127	-	-	4	7.4% \uparrow	7,127	\$517.6K	21,390 50.0%
MRK	Williams David Mich...			VP	2/26/21	Vesting	2,090	-	-	4	7.4% \uparrow	2,090	\$151.8K	4,583 83.8%
MRK	Zachary Jennifer			VP	2/26/21	Vesting	24,199	-	-	4	7.4% \uparrow	24,199	\$1.8M	30,947 358.6%
MRK	Vanguard Group Inc			>5% Own	2/10/21	Ben. Ownership (13D/G)	-	-	-	13G/A	n/a	-	-	n/a
MRK	BlackRock Inc			>5% Own	2/5/21	Ben. Ownership (13D/G)	-	-	-	13G/A	n/a	-	-	n/a
MRK	Frazier Kenneth C		2/14	Chmn	11/9/20	Sale	280,000	\$81.42	\$22.8M	4	3.5% \uparrow	(280,000)	\$22.8M	415,754 (40.2%)
MRK	Clyburn Frank			VP	10/30/20	Vesting	2,287	-	-	4	3.6% \uparrow	1,150	\$87.3K	84,160 1.4%
					10/30/20	Partial Surr. Post Vesting	1,137	\$75.89	\$86.3K					
MRK	Frazier Kenneth C			Chmn	10/30/20	Gift	64,073	-	-	5	-4.5% \uparrow	(64,073)	\$4.8M	415,754 (13.4%)
MRK	Mizell Steven C			VP	10/30/20	Vesting	4,574	-	-	4	3.6% \uparrow	2,301	\$174.6K	5,351 75.4%
					10/30/20	Partial Surr. Post Vesting	2,273	\$75.89	\$172.5K					
MRK	Nally Michael			VP	10/30/20	Vesting	2,287	-	-	4	3.6% \uparrow	1,292	\$98.0K	14,154 10.0%
					10/30/20	Partial Surr. Post Vesting	995	\$75.89	\$75.5K					

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Bill Smead, Lead Portfolio Manager



Winning the Peace

Presented by:
Bill Smead
Lead Portfolio Manager

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Agenda

- ☐ **Who Won the War?**
- ☐ **Who Wins the Peace?**
- ☐ **Where to Invest for the Peace?**

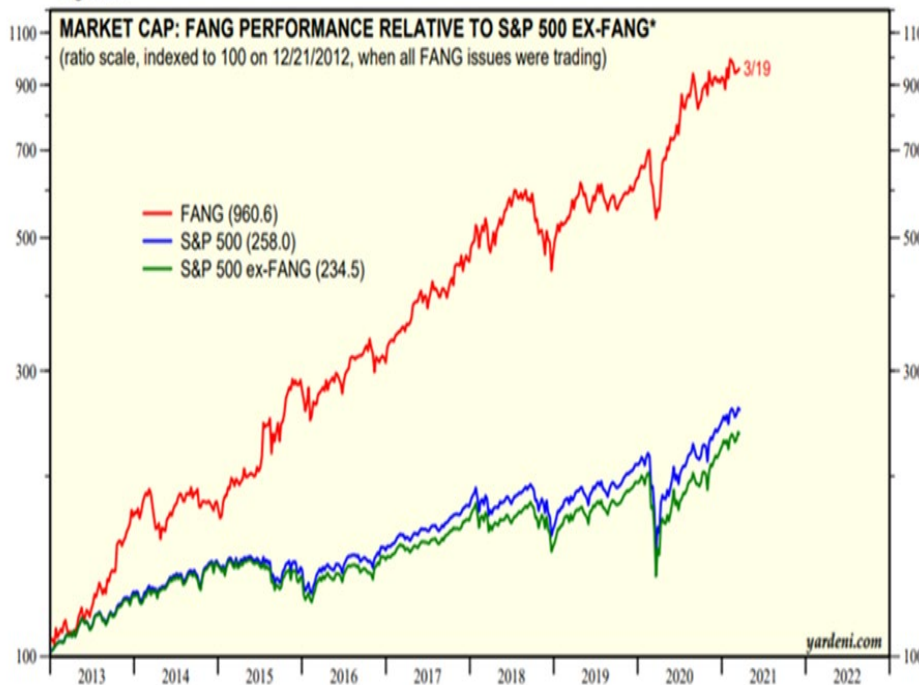
Winning the Peace

Who Won the War?

Stay At Home Stocks

FANG Performance & Share of S&P 500

Figure 1.



* FANG stocks include Facebook, Amazon, Netflix, and Google (Alphabet).
Market cap includes both classes of Alphabet.
Source: Standard & Poor's and Yardeni Research Inc.

Tech as a percent of Global Market Cap is above the dot-com era.

Chart 5: Tech/FAANG peaking at 33% of global equity market cap in Q1
Technology as a share of global equity market cap



Source: BofA Global Investment Strategy, Bloomberg, Datastream; note includes ACWI IT + Media & Entertainment + Alibaba (beginning in 10/2018) + Amazon
BofA GLOBAL RESEARCH

Winning the Peace

Who Won the War?

Work From Home Stocks

Security	Trailing Price/Sales Ratio
DOCUSIGN INC	26.0x
ZOOM VIDEO COMMUNICATIONS-A	34.9x
PELOTON INTERACTIVE INC-A	11.0x
TELADOC HEALTH INC	15.1x
SHOPIFY INC - CLASS A	45.4x
Average	26.5x

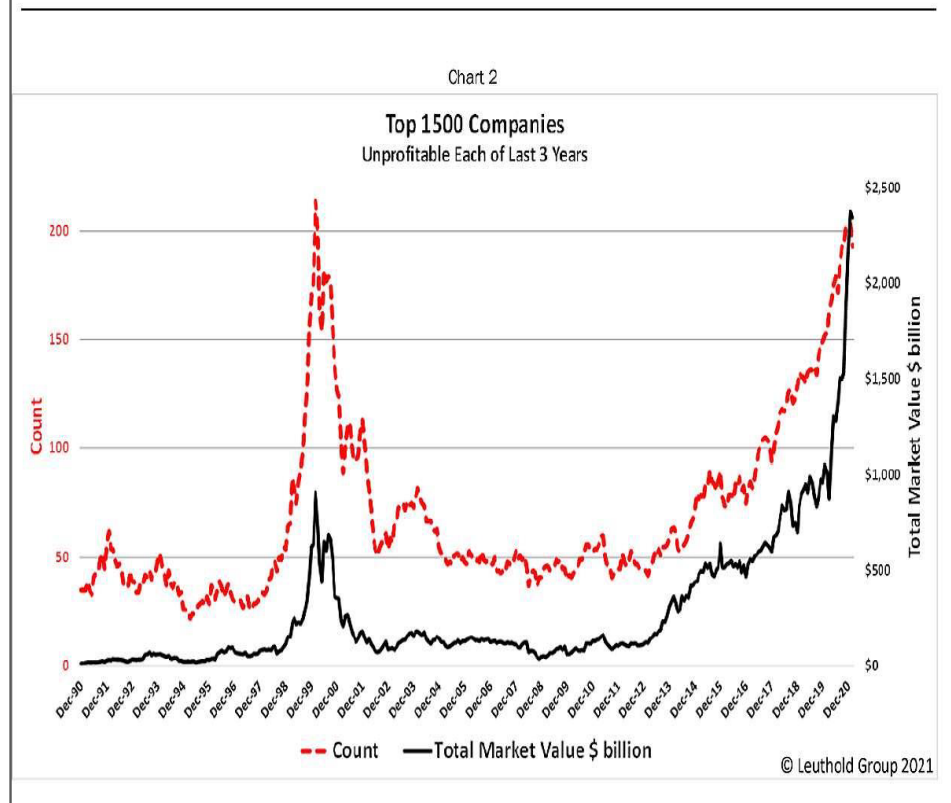
Source: Bloomberg.

Winning the Peace

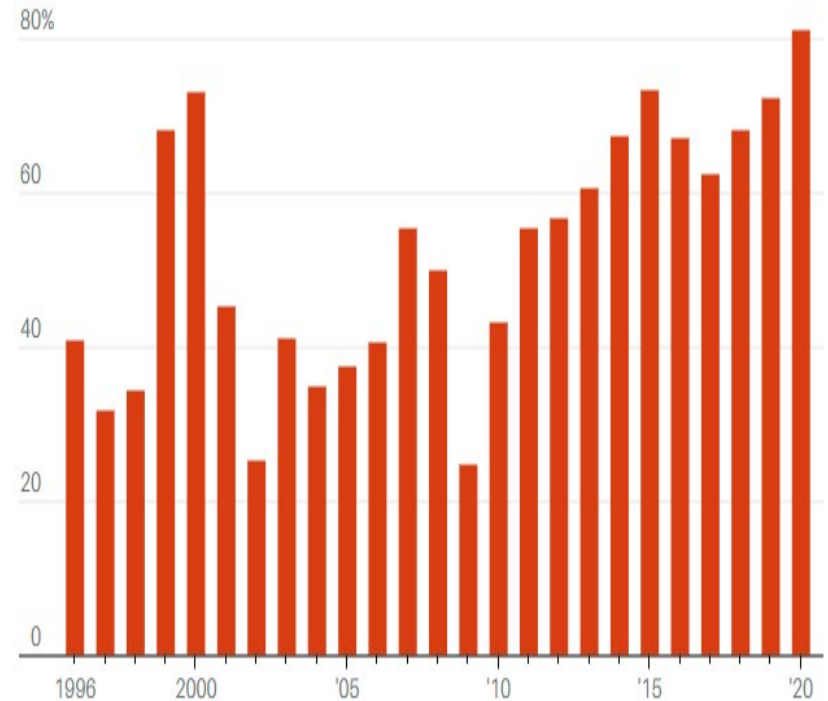
Who Won the War?

The Unprofitable

Valuation Extremes: Here Be Dragons (continued)



Loss-Making IPOs



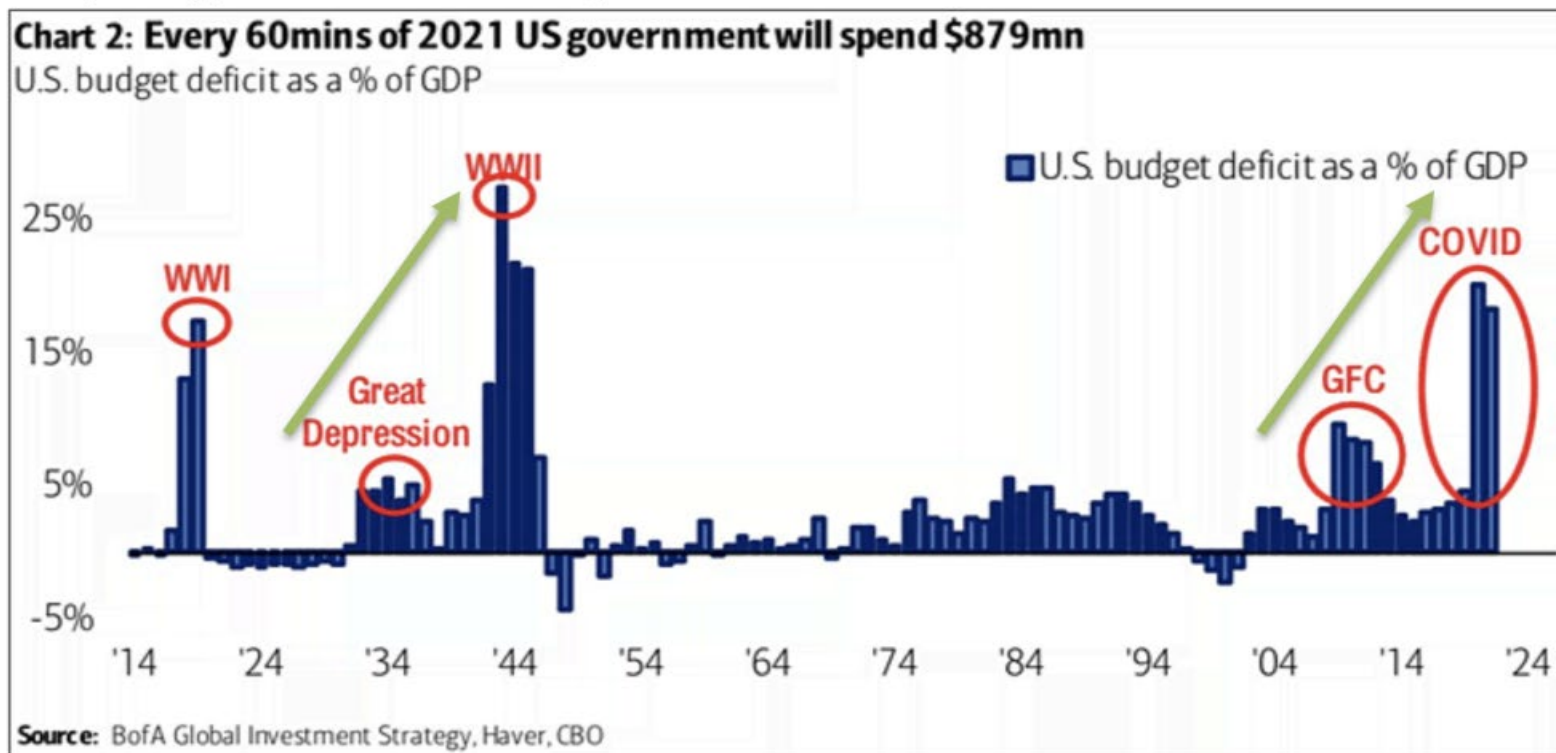
Source: Robert W. Baird

Winning the Peace

Who Won the War?

The Fed / Deficit Spending

US Deficit: The second surge in federal spending from WWII broke the Great Depression deflationary cycle.
The spending pattern looks similar today.



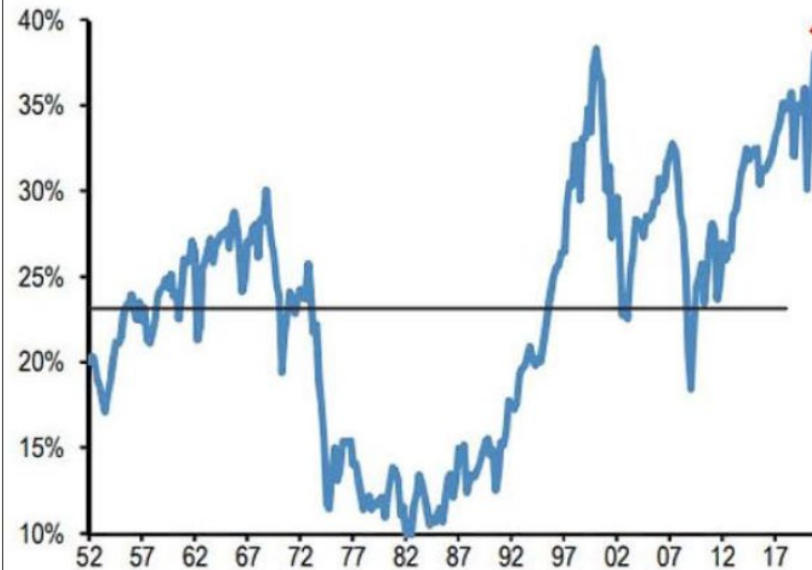
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Who Won the War?

Equity Enthusiasm

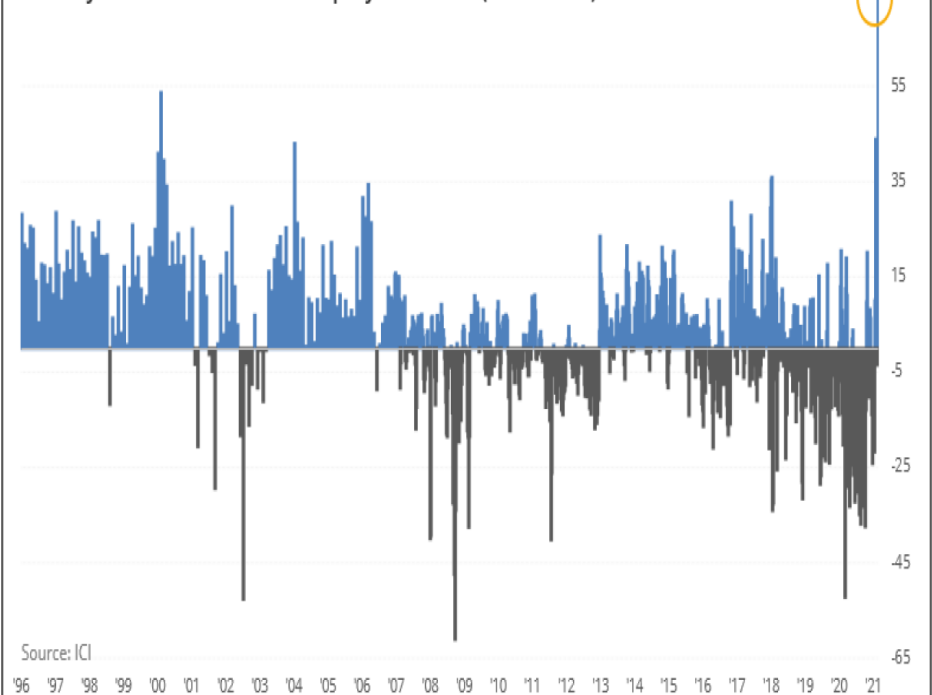
Equity Allocation of US Households breaks a record.

Figure 8: Equity allocation of the US household sector
Sum of equities held directly or via mutual fund shares or via Defined Contribution plans as % of total financial assets. HH equity allocation is up until Q4 2020 and extrapolated since then based on market price changes till March 11th 2021.



New Record in equity fund flows as “stimmy” is finding its way into the markets.

Monthly mutual fund and ETF equity fund flow (in \$ Billion)



Winning the Peace

Who Won the War?

Insane Speculation-SPACTACULAR



Spac listings boom in 2020

IPO value for each Spac, by month (\$bn)

Deal status

- Announced
- Completed
- Searching
- Liquidated



Sources: Dealogic; IPOX Schuster LLC; FT research

© FT

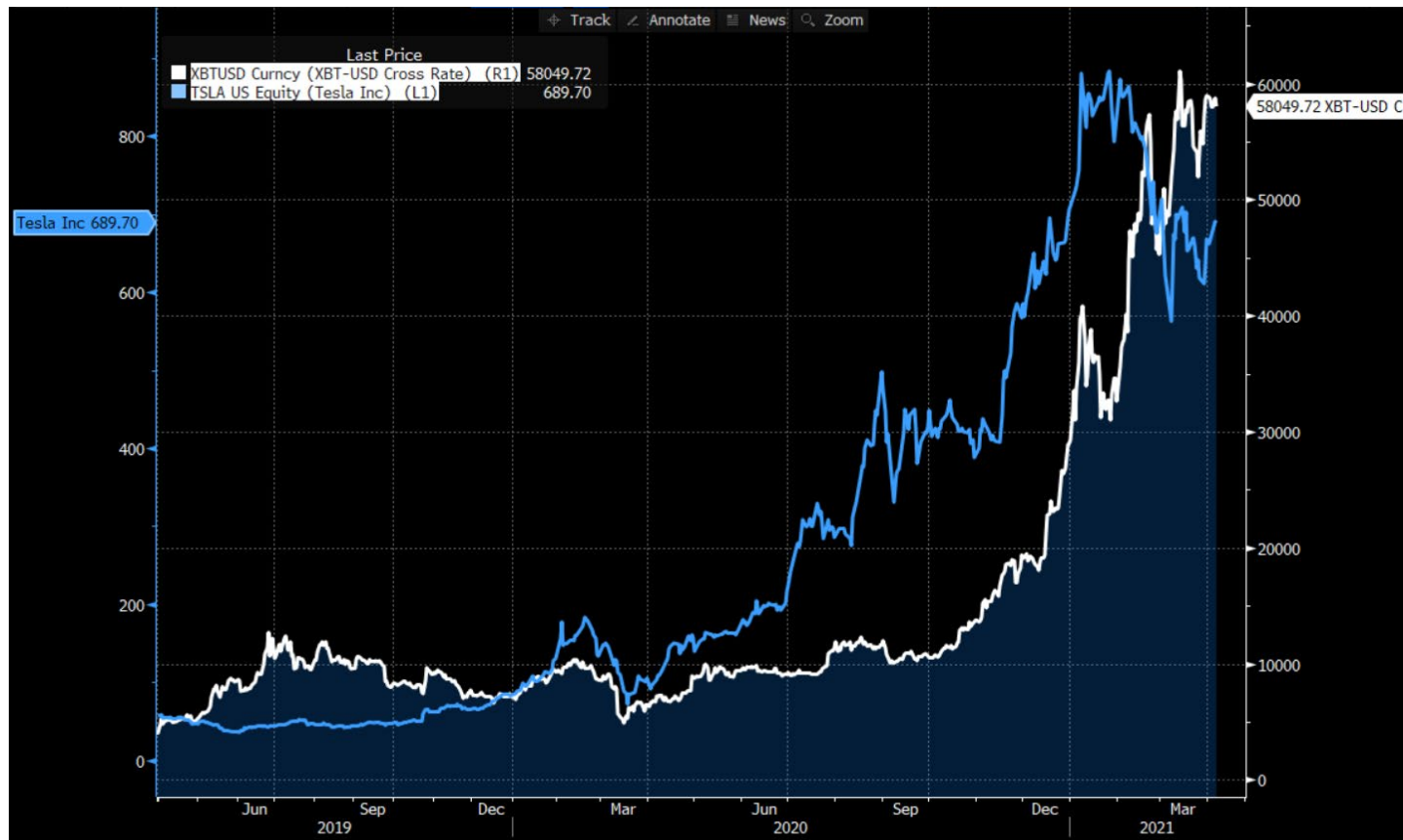


Past performance is no guarantee of future results. Source: Bloomberg; <https://www.ft.com/content/3258285a-00c2-445e-a318-3e760c298698>. A special purpose acquisition company (SPAC) is a company with no commercial operations that is formed strictly to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company.

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Who Won the War?

Fleas and Lice / Bitcoin and Tesla



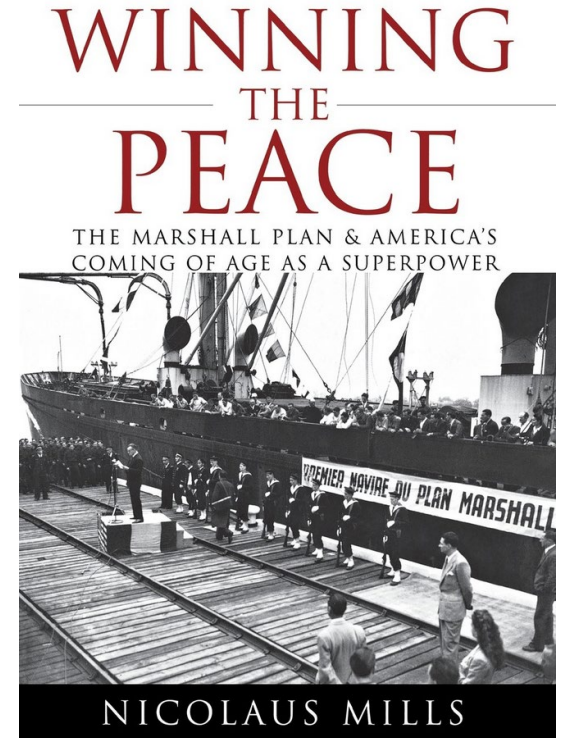
Agenda

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Winning the Peace

Who Wins the Peace?

The Importance of Winning the Peace: 1918 vs. 1945



Winning the Peace

Who Wins the Peace?

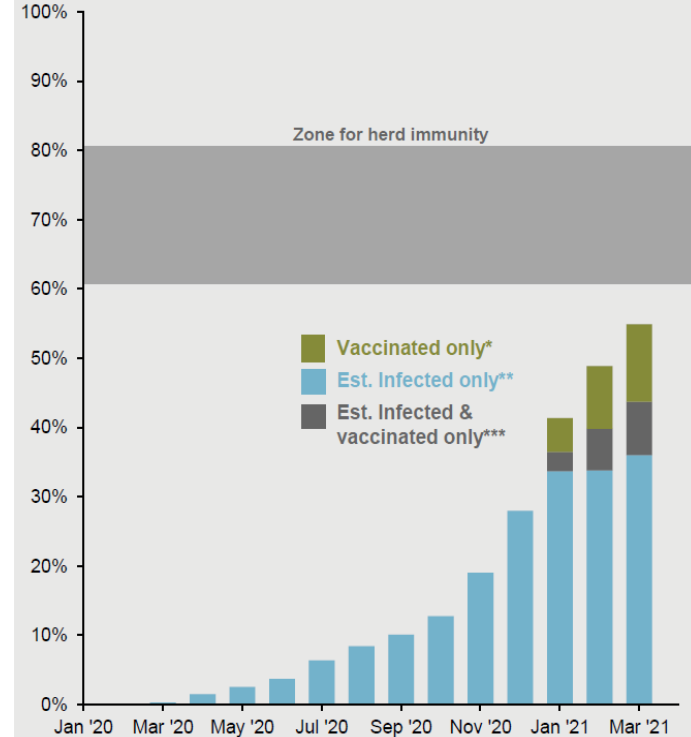
The Vaccine Army

45 states near
or above 60%

	(a)	(b)	X 4	(c)		(d)		(c) + (d)		
	COVID Infections				COVID Vaccinations				Combined	
		Total Infections per 1mm Residents (Detected x4)		ESTIMATED % Population Infected	# People with 1+ Doses	% Population with 1+ Doses	# People with 2 Doses	% Population with 2 Doses	% Population Infected or Vaccinated	
State	Population	Total Cases								
South Dakota	884,659	118,517		535,877	54%	334,829	37.8%	221,239	25.0%	91%
North Dakota	762,062	101,900		534,865	53%	264,001	34.6%	176,603	23.2%	88%
Rhode Island	1,059,361	139,422		526,438	53%	389,410	36.8%	263,821	24.9%	89%
Arizona	7,278,717	844,910		464,318	46%	2,353,075	32.3%	1,399,810	19.2%	79%
New Mexico	2,096,829	192,595		367,402	37%	864,510	41.2%	550,694	26.3%	78%
Oklahoma	3,956,971	440,022		444,807	44%	1,318,146	33.3%	812,570	20.5%	78%
Utah	3,205,958	387,514		483,492	48%	926,752	28.9%	442,327	13.8%	77%
Nebraska	1,934,408	211,958		438,290	44%	651,399	33.7%	408,483	21.1%	78%
Kansas	2,913,314	301,427		413,861	41%	990,012	34.0%	562,450	19.3%	75%
Wisconsin	5,822,434	580,184		398,585	40%	2,057,082	35.3%	1,244,042	21.4%	75%
Massachusetts	6,892,503	654,874		380,050	38%	2,654,349	38.5%	1,500,461	21.8%	77%
Tennessee	6,829,174	817,022		478,548	48%	1,873,046	27.4%	1,066,408	15.6%	75%
Illinois	12,671,821	1,258,736		397,334	40%	4,385,209	34.6%	2,357,970	18.6%	74%
Delaware	973,764	96,633		396,946	40%	339,803	34.9%	178,965	18.4%	75%
Connecticut	3,565,287	315,925		353,446	35%	1,389,383	39.0%	843,076	23.6%	74%
Montana	1,068,778	105,142		393,504	39%	355,446	33.3%	231,361	21.6%	73%
South Carolina	5,148,714	556,469		432,317	43%	1,507,527	29.3%	866,348	16.8%	73%
Kentucky	4,467,673	426,798		382,121	38%	1,497,649	33.5%	906,780	20.3%	72%
California	39,512,223	3,580,463		362,466	36%	#####	34.5%	7,249,897	18.3%	71%
New Jersey	8,882,190	817,464		368,136	37%	3,304,307	37.2%	1,948,426	21.9%	74%
Iowa	3,155,070	292,641		371,010	37%	1,071,526	34.0%	686,954	21.8%	71%
Minnesota	5,639,632	526,759		373,612	37%	1,965,827	34.9%	1,230,329	21.8%	72%
New York	19,453,561	1,897,003		390,058	39%	6,757,369	34.7%	4,151,808	21.3%	74%
Nevada	3,080,156	305,357		396,547	40%	927,099	30.1%	560,900	18.2%	70%
Indiana	6,732,219	690,650		410,355	41%	1,867,325	27.7%	1,252,763	18.6%	69%
Idaho	1,787,065	181,836		407,005	41%	505,495	28.3%	328,309	18.4%	69%
Wyoming	578,759	56,529		390,691	39%	168,771	29.2%	119,735	20.7%	68%
Florida	21,477,737	2,081,337		387,627	39%	6,610,164	30.8%	3,879,316	18.1%	70%
Alaska	731,545	61,401		335,733	34%	258,884	35.4%	179,359	24.5%	69%
Alabama	4,903,185	507,756		414,225	41%	1,267,859	25.9%	725,270	14.8%	67%
Mississippi	2,976,149	306,158		411,482	41%	774,420	26.0%	504,324	16.9%	67%
Ohio	11,689,100	1,013,929		346,966	35%	3,782,105	32.4%	2,248,836	19.2%	67%
Pennsylvania	12,801,989	1,045,400		326,637	33%	4,528,588	35.4%	2,448,811	19.1%	68%
Louisiana	4,648,794	441,384		379,784	38%	1,294,375	27.8%	855,231	18.4%	66%
New Hampshire	1,359,711	86,125		253,363	25%	570,870	42.0%	273,259	20.1%	67%
North Carolina	10,488,084	910,085		347,093	35%	3,274,838	31.2%	1,914,300	18.3%	66%
Colorado	5,758,736	468,988		325,578	33%	1,934,660	33.6%	1,131,482	19.6%	66%
Virginia	8,535,519	626,171		293,442	29%	3,003,013	35.2%	1,693,897	19.8%	65%
Arkansas	3,017,804	259,393		343,817	34%	867,707	28.8%	489,479	16.2%	63%
West Virginia	1,792,147	143,733		320,806	32%	572,432	31.9%	382,002	21.3%	64%
Maryland	6,045,680	418,188		276,686	28%	2,085,932	34.5%	1,222,748	20.2%	62%
Missouri	6,137,428	492,543		321,009	32%	1,753,880	28.6%	1,081,202	17.7%	61%
Texas	28,995,881	2,267,398		312,789	31%	8,370,495	28.9%	4,796,711	16.5%	60%
Georgia	10,617,423	856,340		322,617	32%	2,812,750	26.5%	1,421,747	13.4%	59%
Michigan	9,986,857	702,499		281,369	28%	3,154,400	31.6%	1,948,930	19.5%	60%
District of Columbia	705,749	45,112		255,683	26%	218,769	31.0%	113,268	16.0%	57%

Progress to herd immunity

Percentage of population, end of month

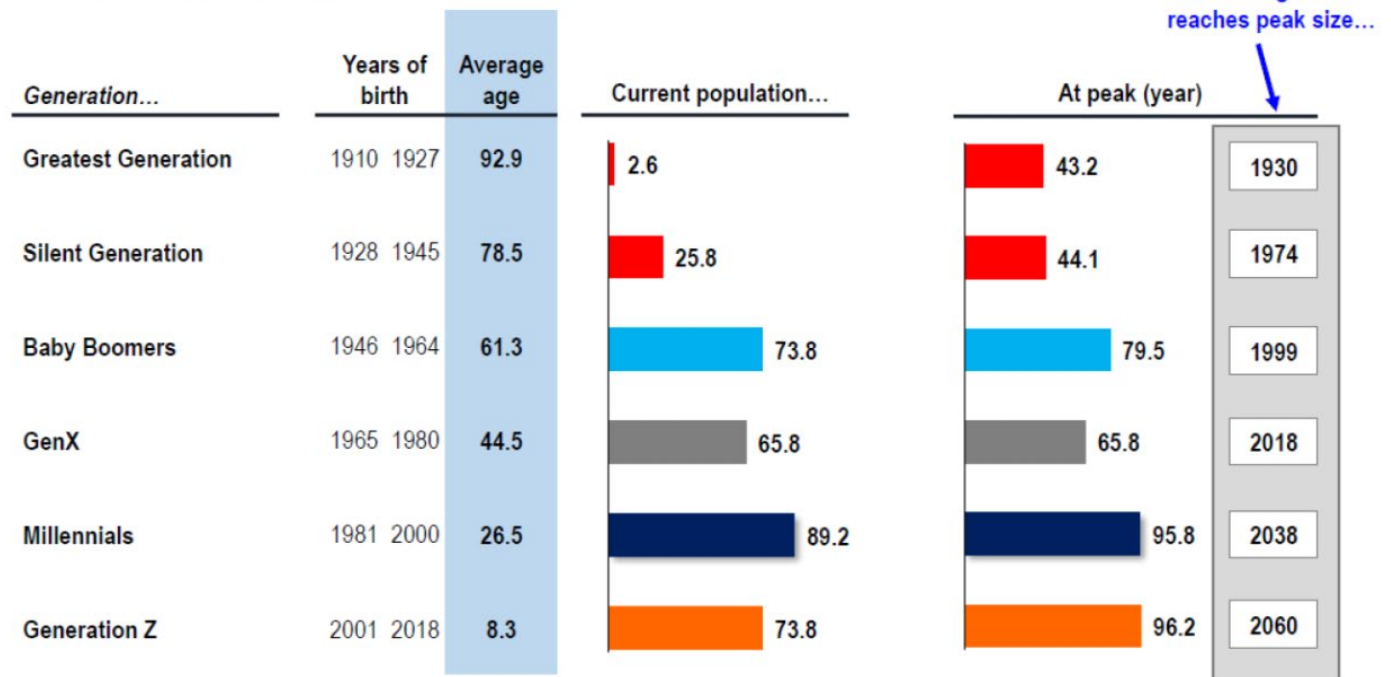


Winning the Peace

Who Wins the Peace?

The Demographic Pig Through the Python

Figure: Total U.S. Population divided by age groups
2017. Data provided by the DESA UN Data sets.














Source: Fundstrat. Peak population figures above include immigration. **Reduced immigration will lead to a smaller overall size of GenZ.

Winning the Peace

Who Wins the Peace?

Necessary Industries

Figure: Industries where Millennial may transform sectors as their spending dwarfs that of the Boomers 2018-2028

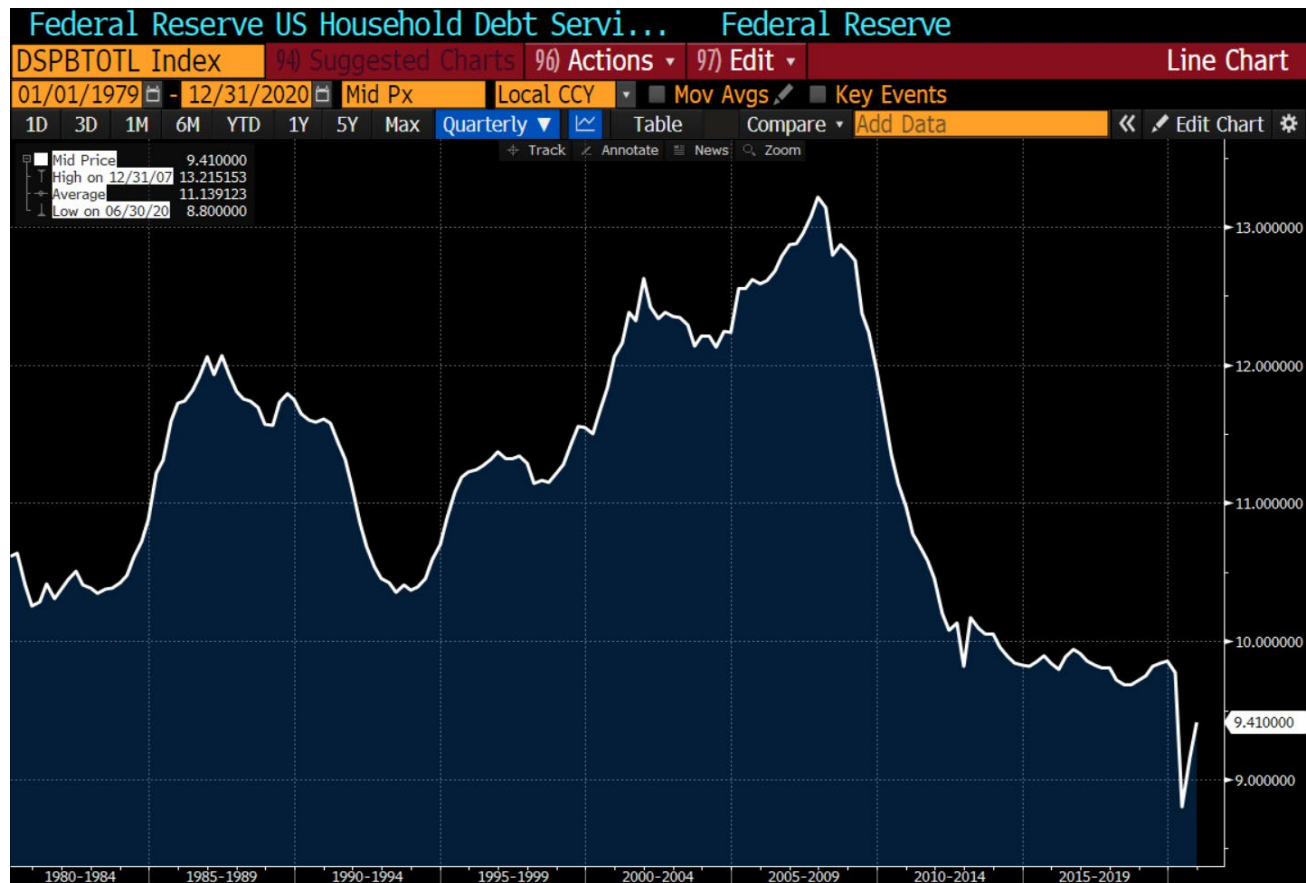
		Category	Millennials	Boomers	Total	Millennial share of Growth
Financial		 Mortgage interest and charges	163.4%	(32.4%)	43.9%	93%
		Kids Apparel	110.9%	(27.3%)	47.3%	87%
		Other apparel products and services	155.4%	(18.3%)	46.2%	86%
		Footwear	148.2%	(18.6%)	46.2%	85%
		Apparel and services	130.7%	(16.5%)	46.5%	77%
		Vehicle finance charges	106.3%	(28.5%)	44.9%	68%
		Other entertainment supplies, equipment, and services	124.6%	(34.7%)	42.8%	67%
		Furniture	116.4%	(16.9%)	46.2%	67%
		Toys, hobbies, and playground equipment	98.6%	(4.7%)	48.3%	66%
		Cellular phone service	105.2%	(18.9%)	46.1%	63%
		Gasoline and motor oil	107.6%	(9.0%)	47.5%	59%
		Household furnishings and equipment	126.9%	(3.9%)	48.2%	59%
		Tobacco products and smoking supplies	102.1%	(21.1%)	45.3%	58%
		Vehicle purchases (net outlay)	95.4%	(12.6%)	46.9%	56%
		Vehicle rental, leases, licenses, and other charges	102.5%	(12.0%)	46.9%	55%
		Maintenance and repairs	115.5%	(7.8%)	47.3%	55%
		Pets	125.4%	(9.8%)	47.3%	54%
		Alcoholic beverages	98.6%	(8.0%)	47.6%	52%
		Vehicle insurance	118.7%	(11.7%)	47.0%	51%
		Small appliances, miscellaneous housewares	101.3%	(12.7%)	47.1%	50%

Source: Fundstrat

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Who Wins the Peace?

Unlevered Personal Balance Sheets Ready to Go

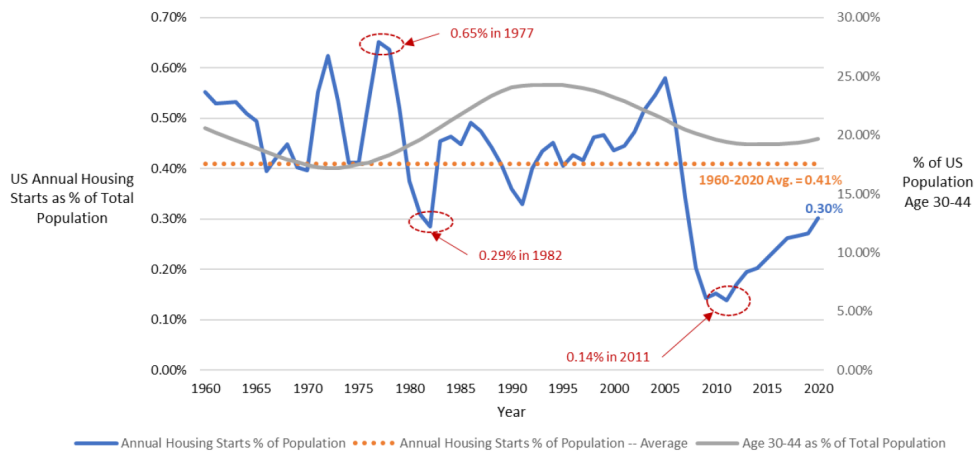


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Who Wins the Peace?

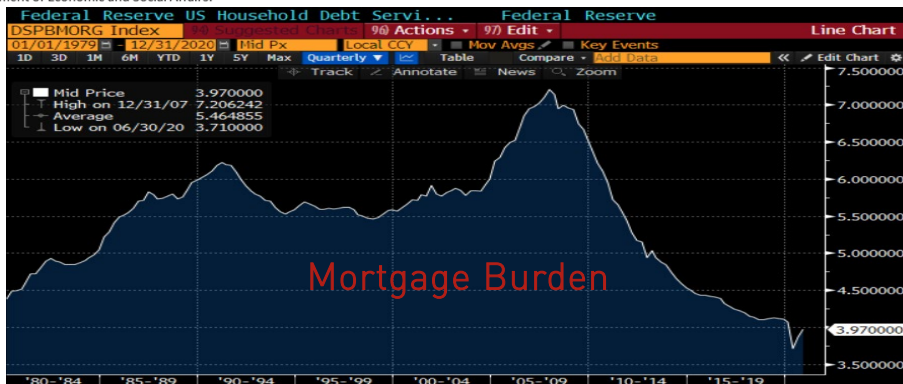
Main Street Economic Ability to take Risk

US Housing Starts Relative to Total Population (1960-2020)



Source: US Census Bureau, US Department of Housing and Urban Development, US Bureau of Economic Analysis, United Nations Department of Economic and Social Affairs.

30-year mortgage rates chart: Where are rates now?



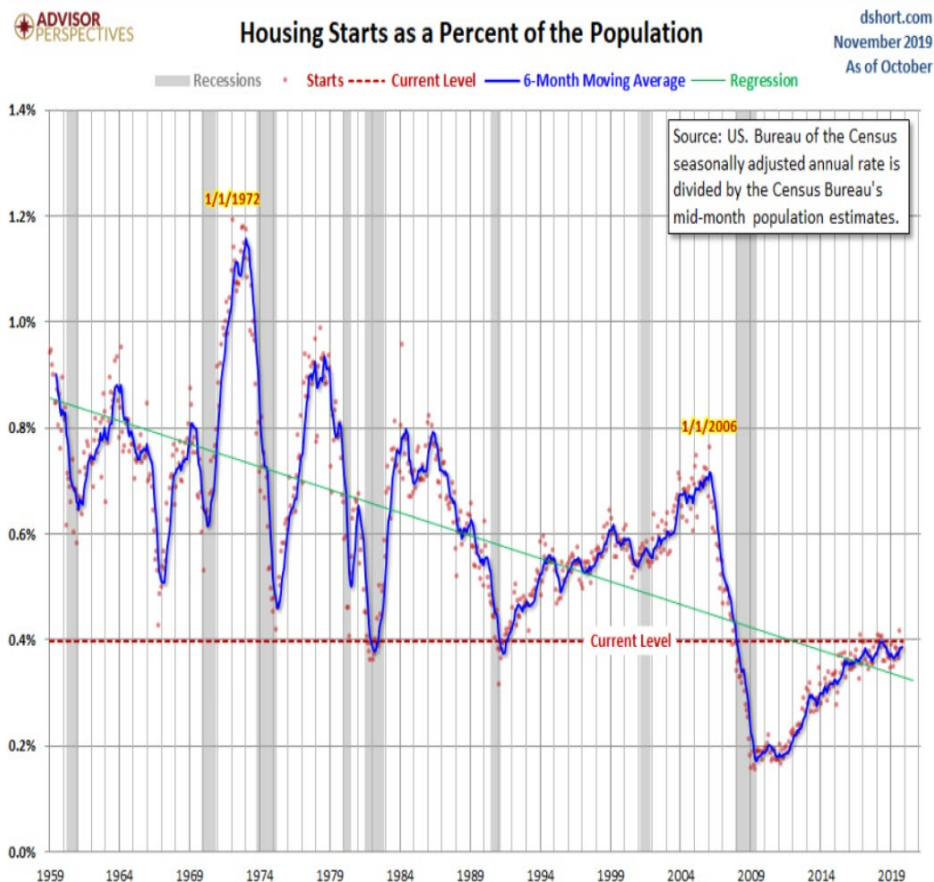
Agenda

- ✓ **Who Won the War?**
- ✓ **Who Wins the Peace?**
- ❑ **Where to Invest for the Peace?**

Winning the Peace

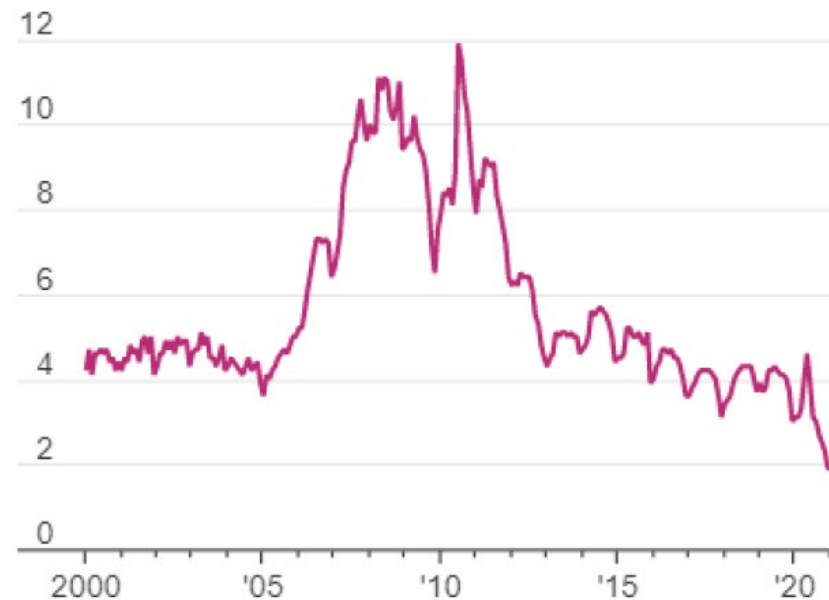
Where to Invest for the Peace?

Homebuilders



Number of months it would take to exhaust existing-home supply at current sales pace

14 months



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Where to Invest for the Peace?

Class A Mall REITS

NEWS

Revenge spending and vaccinations could bring millions of shoppers back to the mall – but will they stay?

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CORONAVIRUS

Revenge spending and vaccinations could bring millions of shoppers back to the mall – but will they stay?

Malls that survive the pandemic are expected to see a windfall from pent-up demand as shoppers flock back for in-person spending.



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Where to Invest for the Peace?

Banks

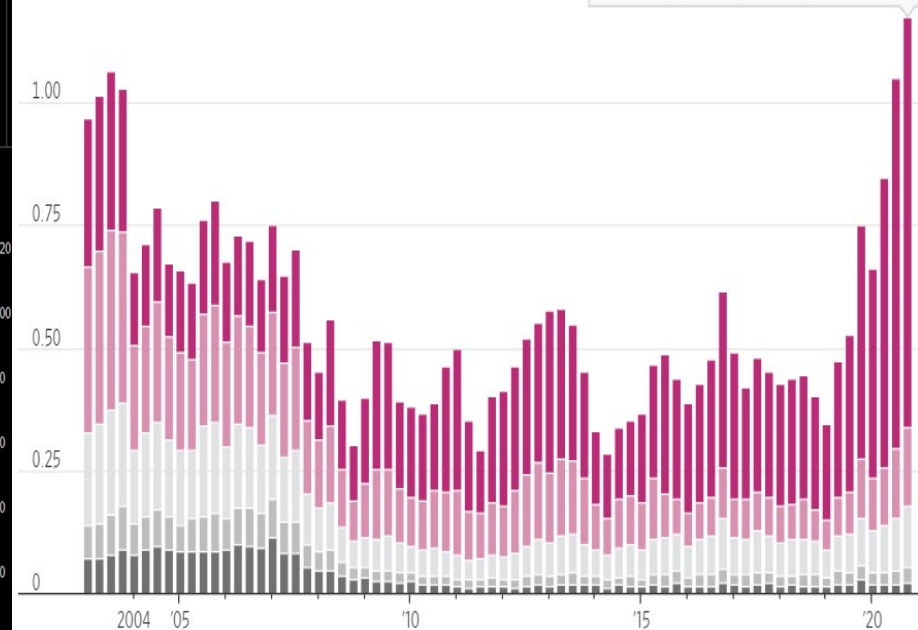


Mortgage originations by credit score

■ Less than 620 ■ 620-659 ■ 660-719 ■ 720-759 ■ 760 or higher

\$1.25 trillion

760 or higher 4Q 2020 \$0.84 trillion



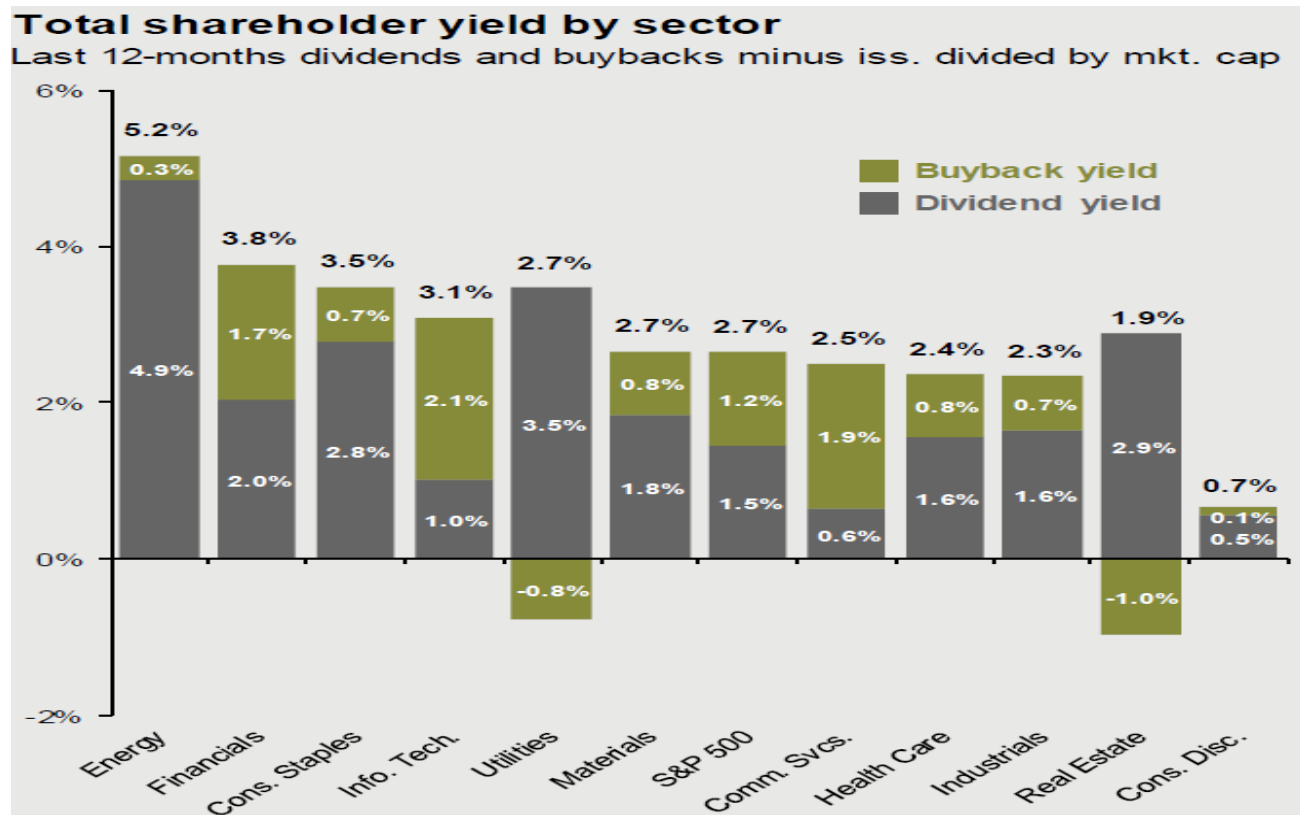
Note: Credit score is Equifax Risk Score 3.0; includes both purchase and refinance mortgages

Source: New York Fed Consumer Credit Panel/Equifax

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Where to Invest for the Peace?

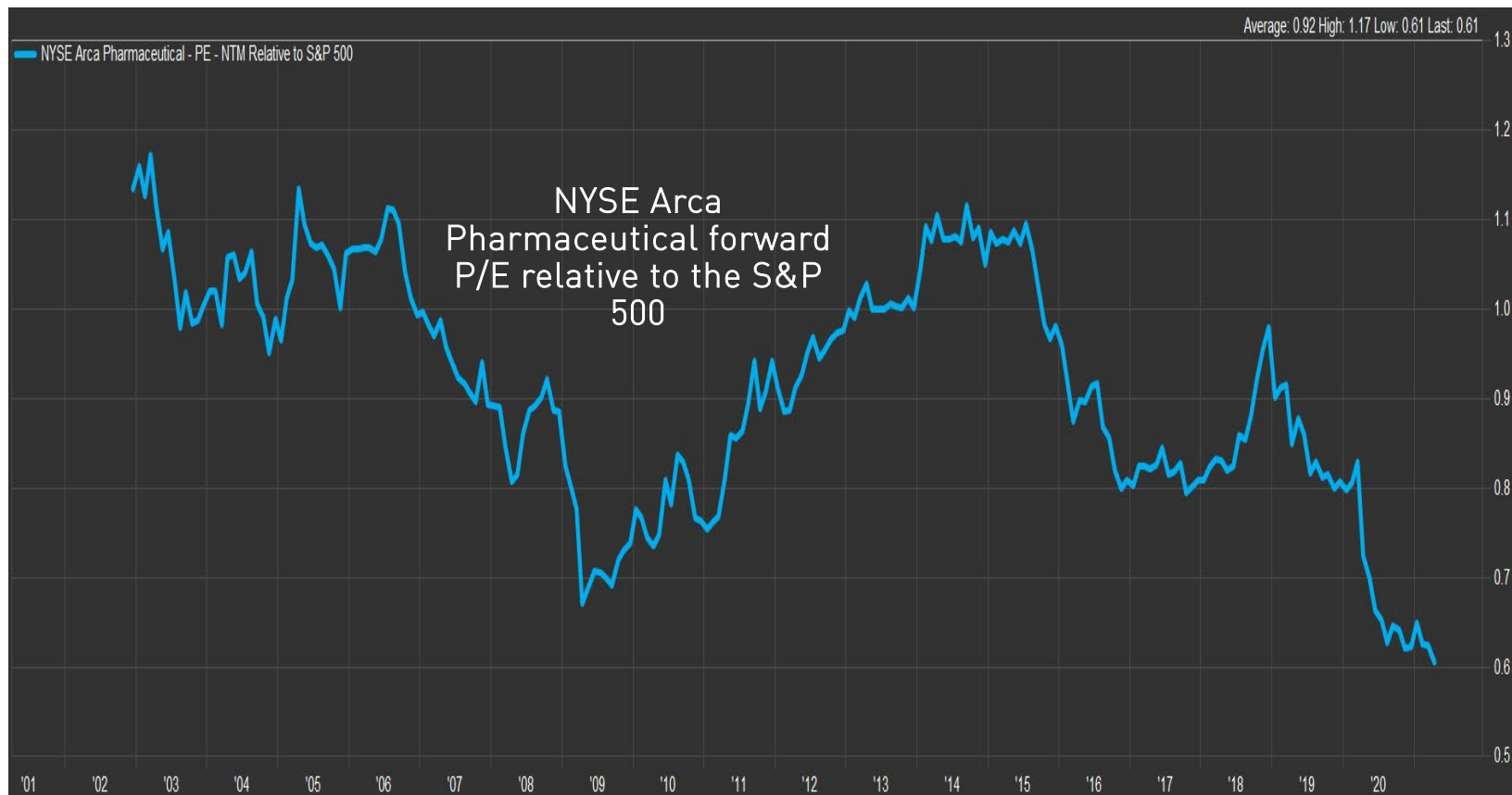
Energy



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Where to Invest for the Peace?

Drug/biotech blue chips



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Where to Invest for the Peace?

Dividends & Book Value

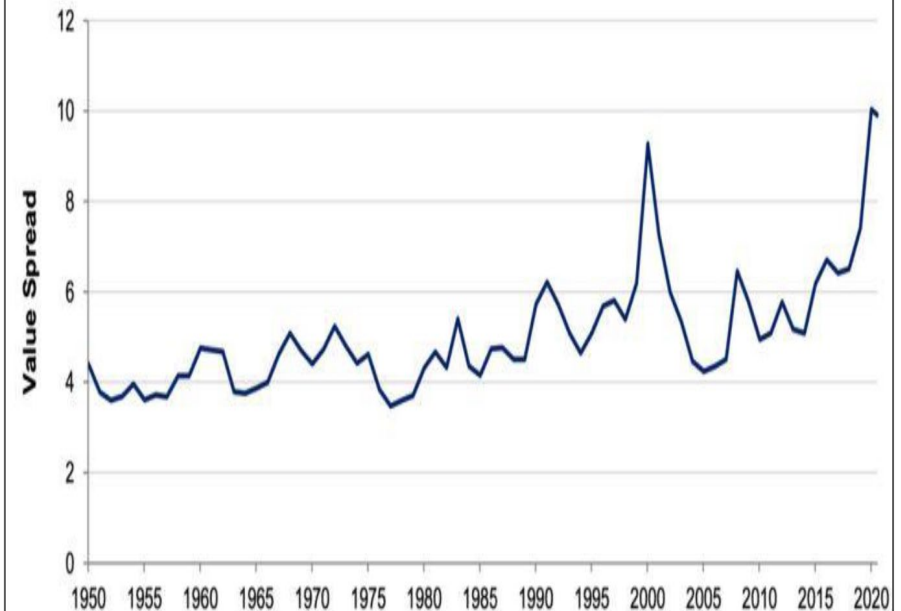
High Yielding stocks tend to outperform coming out of recessions.



Source: Financial Times, IsabelNet

Value Spread, Book-to-Price

June 30, 1950 – December 31, 2020



Source: AQR, XpressFeed. Using the HML (devil) B/P value spread. Please see the Appendix for more details on the construction. For illustrative purposes only and not representative of a portfolio AQR currently manages. Hypothetical data has inherent limitations, some of which are disclosed in the Appendix.

Agenda

- ✓ **Who Won the War?**
- ✓ **Who Wins the Peace?**
- ✓ **Where to Invest for the Peace?**

Today's Agenda

- ✓ **Performance, Characteristics and Top 10 Holdings**

Cole Smead, CFA, Portfolio Manager

- ✓ **Featured Stock: Merck & Co., Inc. (MRK)**

Tony A. Scherrer, CFA, Portfolio Manager

- ✓ **Winning the Peace**

Bill Smead, Lead Portfolio Manager

Definitions

Basis point: A basis point is one hundredth of one percent, used chiefly in expressing differences of interest rates.

Book Value: A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill.

Cash Flow: A revenue or expense stream that changes a cash account over a given period.

Debt/Equity: A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity.

Debt/Total Capital: A company's debt-to-capital ratio or D/C ratio is the ratio of its total debt to its total capital, its debt and equity combined.

Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

DSPBMORG Index is the Federal Reserve U.S. household debt service ratio mortgage obligations. It represents household debt service payments and financial obligations as a percentage of disposable personal income; seasonally adjusted.

Earnings before interest, tax, depreciation and amortization (EBITDA) is a measure of a company's operating performance.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock.

Free Cash flow: measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

Free cash flow per share is a measure of a company's financial flexibility that is determined by dividing free cash flow by the total number of shares outstanding.

Free cash flow to sales (FCF Sales) is a valuation ratio that measures a company's surplus cash flow against sales revenues.

Free cash flow yield is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share.

Gross margin: A company's total sales revenue minus its cost of goods sold (COGS), divided by total sales revenue.

Leverage: The relationship of debt to equity.

Mutual Fund Portfolio Turnover: A measure of the trading activity in the fund's portfolio of investments. In other words, how often securities are bought and sold.

Net profit margin is the ratio of net profits to revenues for a company or business segment.

Definitions

NASDAQ-100 is a stock market index made up of 104 equity securities issued by 100 of the largest non-financial companies listed on the NASDAQ. It is a modified capitalization-weighted index.

Nasdaq Composite Index is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange.

Nifty Fifty refers to the 50 popular large-cap stocks on the New York Stock Exchange in the 1960s and 1970s that were widely regarded as solid buy and hold growth stocks, or "Blue-chip" stocks.

Operating Cash Flow (OCF): refers to the amount of cash a company generates from the revenues it brings in, excluding costs associated with long-term investment on capital items or investment in securities

Operating margin: a margin ratio used to measure a company's pricing strategy and operating efficiency.

The price-to-cash-flow ratio is the ratio of a stock's price to its cash flow per share.

The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value.

Price/Earnings (P/E): the ratio of a firm's closing stock price & its trailing 12 months' earnings/share.

Price to tangible book value (PTBV) is a valuation ratio expressing the price of a security compared to its hard, or tangible, book value as reported in the company's balance sheet.

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets.

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity.

Return on total capital is a profitability ratio that measures profit earned by a company using both its debt and equity capital

Return on invested capital (ROIC) is a profitability ratio. It measures the return that an investment generates for those who have provided capital, i.e. bondholders and stockholders.

Russell 1000 Index is an index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index, which represents about 90% of the total market capitalization of that index.

Russell 1000 Growth Index refers to a composite that includes large and mid-cap companies located in the United States that also exhibit a growth probability.

Russell 1000 Value Index refers to a composite of large and mid-cap companies located in the United States that also exhibit a value probability.

S&P 500 Index: A market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation.

Standard deviation is a measure of the dispersion of a set of data from its mean.

The US 10 Year Treasury note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-year Treasury note pays interest at a fixed rate once every six months, and pays the face value to the holder at maturity.

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| Questions & Answers

Email info@smeadcap.com or call 877.701.2883

| **SMEAD CAPITAL MANAGEMENT**
2777 East Camelback Road, Suite 375
Phoenix, AZ 85016