SMEADCAP.COM
Shareholder Services 877.807.4122
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SMEAD FUNDS

Shareholder Letter

SMEAD VALUE FUND — 3RD QUARTER 2021 (9/30/2021)

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

Performance

Average Annualized Total Returns as of September 30, 2021

	One Month	QTR	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception (1/2/2008)
SVFAX A Share Class (w/ load)	-7.24%	-5.35%	24.02%	39.45%	12.75%	14.58%	16.34%	9.51%
SVFAX A Share Class (w/o load)	-1.58%	0.43%	31.59%	47.96%	15.00%	15.95%	17.03%	9.99%
SMVLX Investor Class	-1.57%	0.44%	31.57%	47.99%	15.04%	15.92%	17.09%	10.10%
SVFCX C Share Class	-1.63%	0.28%	31.05%	47.16%	14.87%	15.81%	17.03%	10.07%
SVFFX I1 Share Class	-1.55%	0.48%	31.84%	48.36%	15.30%	16.22%	17.39%	10.34%
SVFYX Y Share Class	-1.53%	0.54%	32.01%	48.56%	15.46%	16.39%	17.44%	10.34%
RUSSELL 1000 VALUE	-3.48%	-0.78%	16.14%	35.01%	10.07%	10.94%	13.51%	7.64%
S&P 500 TR INDEX	-4.65%	0.58%	15.92%	30.01%	15.99%	16.90%	16.63%	10.41%

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

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

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

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

Dear Shareholder

In the third quarter of 2021, the stock market went sideways, and we went sideways with it. The Smead Value Fund (SMVLX) gained 0.44% versus a gain of 0.58% for the S&P 500 Index and a loss of 0.78% for the Russell 1000 Value Index. It took a horrendous day for value stocks on September 30th for the S&P 500 to beat us for the quarter. In the first nine months of the year, the fund gained 31.57% versus a gain 16.14% for the S&P 500 Index and a gain of 15.92% for the Russell 1000 Value Index. Let's be honest, we loved writing that sentence!

Oil stocks dominated our winners for the quarter. Continental Resources (CLR) rose 21.82% as the stock market had to reprice future cash flows on higher energy prices. Conoco rose 12.15% and paid our recent accumulations well. We showed that we have unlimited ability to tempt fate by buying into Occidental Petroleum (OXY) this year after it was our biggest loser of 2020. It gained 16.64% during the third quarter.

Our poor performers for the quarter were quite eclectic. Amgen (AMGN) suffered a 12% decline from the Delta variant of COVID-19 retarding doctor visits and reducing new prescriptions. Discovery (DISCA, DISCK) fell 16.25% and was in merger purgatory as investors are forced to wait six months for their merger with Warner Media to be completed. Macerich (MAC) dropped 7.55% for the quarter and most of that loss was on September 30, 2021.

Ironically, some of our best nine-month performers were Q3 losers. Continental has risen 185% in the first nine months of the year. If you think that is overdone, realize that it trades way below where it traded in 2018 with oil prices lower than at the end of Q3 2021. Discovery A shares were sold in Q1 at an average of $62.50 per share and took second place. Macerich (MAC) gained 61.81% through the end of the quarter and took third place.

Discovery C shares led the quarterly decliners with a loss of 30.89%. We bought back DISCK shares on the way down because they have the same economic interest as the A shares. Qualcomm (QCOM), a big winner since we bought it, corrected 14.09%. Viatris (VTRS), a stock dividend from Pfizer, was sold after falling 27.48%. Since it was given to us, the proceeds of the sale were actually a gain for the fund on a year-to-date basis.

There is a great deal of debate about whether value stocks outperforming growth is a sustainable possibility. We expect that to be true and think that common stock success over the next ten years will be determined by how courageous investors are with value. To understand why, read below about why inflation is a hard animal to handle once it gets out of its pen.

Inflation is a Wolverine

The media and the economics profession are treating inflation like it is a friendly puppy dog. They think you can take it out of its pen and play with it for a while. The popular theory is that you bring it out in a severe dip in economic activity and when the economy gets back on its feet, you kindly ask inflation to crawl back into its pen like any good puppy dog would do.

Unfortunately, most economists aren't old enough to have been conscious of the inflation of the 1970s. It was a wolverine, which was let out of its den in the late 1960s and the early 1970s. We believe that those circumstances from 40 years ago are being repeated.

Here is how Britannica describes a wolverine:

> *Wolverine [...] lives in cold northern latitudes, especially in timbered areas, around the world. It resembles a small, squat, broad bear [...]. The legs are short, somewhat bowed; the soles, hairy; the semi retractable claws, long and sharp; the ears, short; and the teeth, strong. The coarse, long-haired coat is blackish brown with a light brown stripe extending from each side of the neck along the body to the base of the tail. The animal has anal glands that secrete an unpleasant-smelling fluid.*

The wolverine has no natural predators, is among the meanest of animals and leaves a stench everywhere it goes. What triggered the last big episode of inflation in the 1960s and 1970s?

First, the U.S. government provided the kind of northern terrain that the inflation wolverine likes to live in. We fought a very expensive and unwinnable war in Vietnam with over 500,000 troops halfway around the world. We simultaneously expanded the Federal government's reach into assistance for low-income Americans via what was called President Johnson's "Great Society." Most of this was done with borrowed money and was dubbed "Guns and Butter."

Second, we saw the largest increase in the 25–45-year-old population in U.S. history as 79 million baby boomers replaced 44 million silent generation folks in that age bracket. The classic definition of inflation is too much money chasing too few goods. Wolverine inflation comes when too much money is in the hands of too many people who are chasing too few goods.

Third, the Organization of the Petroleum Exporting Countries (OPEC) decided to embargo oil to the U.S. The price of oil exploded to the upside, shortages developed quickly, and gasoline was rationed. The inflation wolverine was being fed by circumstances which exacerbated its damage to both the economy and the stock market.

There aren't too many things that are good about being 63 years old and 41 years in the investment business. In this case, we can tell you what went on back then firsthand. Bill Smead was 16 years old in 1974. He got his driver's license just in time for freeway speed limits to be lowered to 55 MPH from 70 MPH and to sit in gas lines for his parents to buy the 10-gallon gas limit on odd or even days as it was rationed. The inflation wolverine rocked our world and effectively threw gas onto the inflation fire.

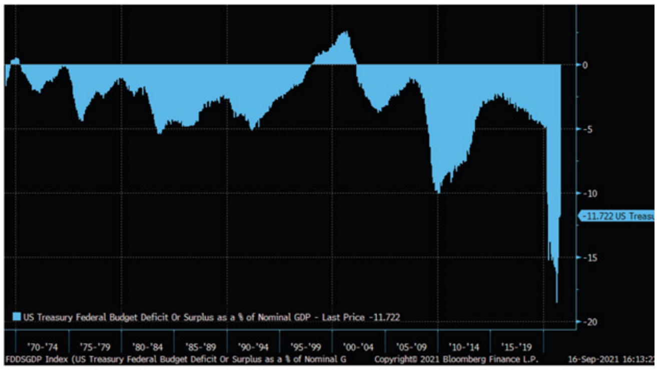
Lastly, policy makers made every attempt to put the inflation wolverine back in its cage. President Nixon tried wage and price controls. The Federal Reserve raised interest rates, then would quickly back off as economic activity sharply declined in those tight money episodes.

Back to Britannica:

> *The wolverine is noted for its strength, cunning, fearlessness, and voracity. It may follow traplines to cabins and devour food stocks or carry off portable items; its offensive odor permeates the invaded cabin. The wolverine is a solitary, nocturnal hunter, preying on all manner of game and not hesitating to attack sheep, deer, or small bears.*

What is laying the groundwork for this era's inflation wolverine?

We have been fighting the pandemic war against the COVID-19 virus and have expanded Federal government assistance to the masses (not just low-income Americans). You could call this "Vaccines and Butter." The butter in this case are "stimmy" checks, rent abatement, PPP loans, ultra-low interest rates, child tax credits and tax payment extensions.



Source: Bloomberg Finance L.P. Data for the time period 1/1/1969 - 9/16/2021.

The demographics show that 90 million millennials are replacing 65 million GenXers in the key 25–45-year-old age bracket. Savings accounts are at record high levels over the last 60 years. All the "food stocks" are in place for the inflation wolverine to devour and inflation is ready to leave its stench in the U.S. economy.

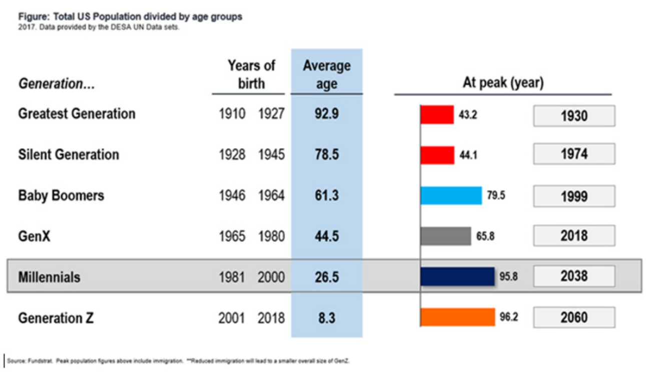
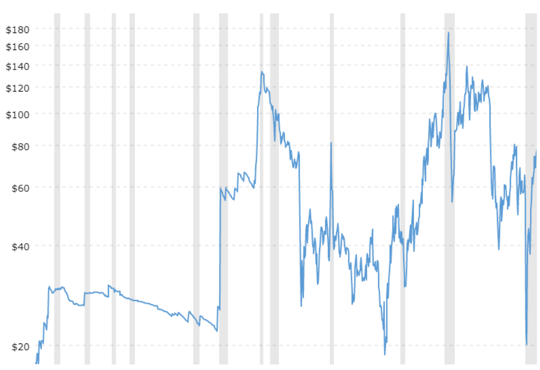


Figure: Total US Population divided by age groups
2017. Data provided by the DESA UN Data sets.

Generation...	Years of birth		Average age	At peak	(year)
Greatest Generation	1910	1927	92.9	43.2	1930
Silent Generation	1928	1945	78.5	44.1	1974
Baby Boomers	1946	1964	61.3	79.5	1999
GenX	1965	1980	44.5	65.8	2018
Millennials	1981	2000	26.5	95.8	2038
Generation Z	2001	2018	8.3	96.2	2060

Source: FundStrat. Data as of 12/31/2017.

Lastly, the "Arab Spring" torpedoed oil prices in March of 2020 and shutdown 40% of U.S. oil production. This was just in time for a political majority in Washington D.C., which would like to see dramatically higher energy prices drive behavior toward cleaner transportation fuels and less release of carbons. These policies effectively ration oil and gas.

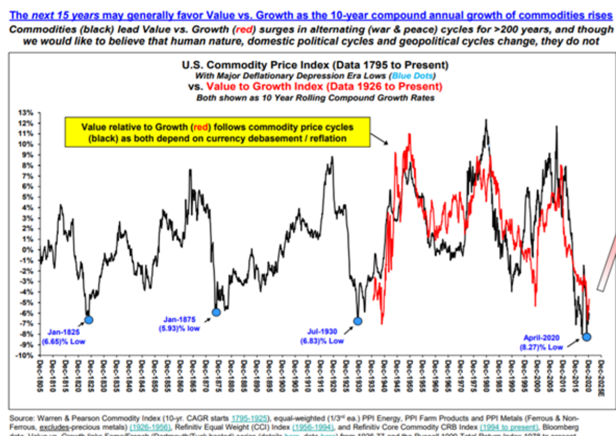


Source: macrotrends.net. Data for the time period 4/1/1946 - 9/30/2021.

Will policy makers get in the way of this mean-spirited predator? If today's reports are any indication, the current administration is doing more to feed the inflation wolverine than to get in its way. They are talking about raising interest rates and the Federal Reserve backing off of buying existing bonds, while the carcasses of financial animals are being prepared for the inflation wolverine to ravage them with lower price -to-earnings ratios (P/E) and stock market failure.

By virtue of being the largest owner of 10 to 20-year Treasury bonds, the Fed is in no position to preempt the inflation wolverine, because they own such a large part of total bonds outstanding. The Federal government is in a similar position to that of speculators when they try to corner the market in a commodity or set of securities. Those bonds would get crushed in price by higher interest rates.

Is it possible to make money when the inflation wolverine is dominating the economy?

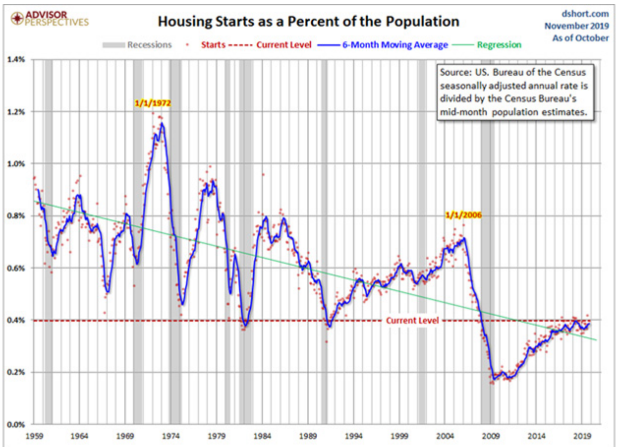


Source: Stifel, Macro & Portfolio Strategy, April 5, 2020. Dec. 1, 1805 - Dec. 31, 2019. Data for time period Dec. 1, 2020 - Dec. 31, 2025.

First, you bet that commodities will have an extended bull market and that the bull market in commodities will be led by oil stocks. Here is a picture of how oil stocks did when the wolverine was out in the 1970s:

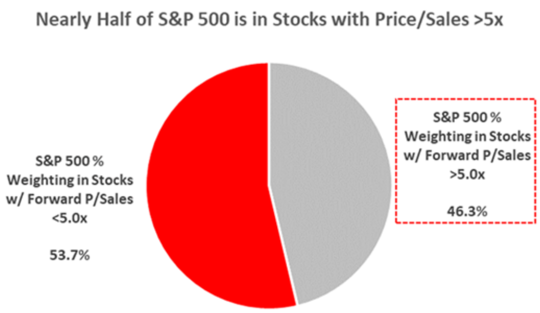
Source: Yahoo Finance. Data for the time period 1/1/1970 - 12/31/1980.

Second, bet that owning a home is one of the only ways that average households can defend themselves from inflation.



Source: Advisor Perspectives. Data for the time period 1/1/1959 - 11/30/2019.

Third, get away from expensive tech-related businesses, growth stock strategies and indexes loaded with high price-to-sales ratio stocks. In the first oil embargo in 1973-1974, growth stocks got destroyed and took the S&P 500 Index with them. They bottomed in 1982!



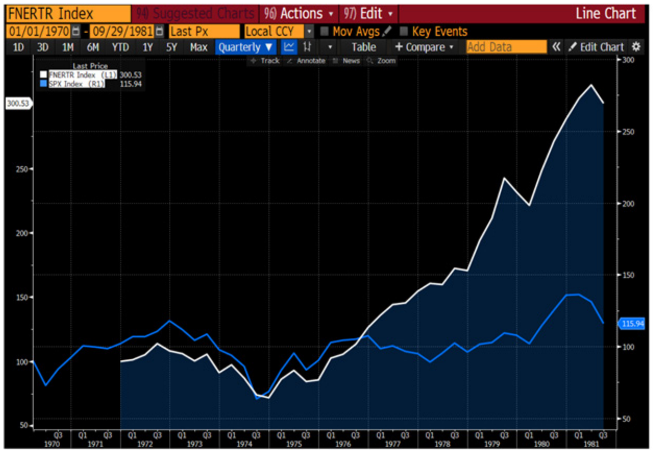
Note: As of 10/4/2021. Analysis based on holdings weight in iShares Core S&P 500 ETF (IVV).

Source: Bloomberg, iShares. Data as of 10/4/2021.

This is how the S&P 500 Index behaved as the wolverine inflation ravaged common stocks:

Source: Bloomberg. Data for the time period 1/1/1966 - 12/31/1974.

Lastly, when the wolverine inflation comes, bet on real estate. In the movie, *Gone with the Wind*, Scarlett O'Hara got in a heap of trouble during reconstruction after the Civil War in the South. She could hear her deceased father whispering, "Why, land is the only thing in the world worth workin' for, worth fightin' for, worth dyin' for, because it's the only thing that lasts." This is how the NAREIT Index did in the 1970s, because it was one of the only things that could withstand the wolverine inflation back then:



Source: Bloomberg. Data for the time period 1/1/1970 - 9/29/1981.

In conclusion, we are likely at a seminal moment in the stock market where many of the traditional ways of participating could lead to stock market failure. Wolverine-style inflation could dictate investment performance for many years. Thank you for your faith in our discipline via application of your capital and patience with our security selections.

William Smead
Lead Portfolio Manager

Tony Scherrer, CFA
Co-Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

SMEAD CAPITAL MANAGEMENT

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Mutual fund investing involves risk. Principal loss is possible.

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

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

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

The following were the top ten holdings in the Fund as of 9/30/2021: Continental Resources Inc. 8.53%, American Express Co. 5.97%, Target Corp. 5.81%, Lennar Corp. 5.20%, NVR Inc. 4.91%, Simon Property Group Inc. 4.71%, Macerich Co. 4.67%, ConocoPhillips 4.59%, eBay Inc. 4.55% and JPMorgan Chase & Co. 4.46%. 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.