SMEAD FUNDS

Shareholder Letter

SMEAD VALUE FUND **4TH QUARTER 2021 12 31 2021**

Dear Shareholder

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

In 2021, our investors gained the full benefit of the best year we have had in the 14-year history of our firm.

Last year we told you how pleased we were to get our money back from the severe losses of the early COVID-19 pandemic circumstances. In 2021, our investors gained the full benefit of the best year we have had in the 14-year history of our firm. The Smead Value Fund (the Fund; SMVLX) gained 42.50% versus a gain of 28.71% in the S&P 500 Index and a gain of 25.16% in the Russell 1000 Value Index. We are extremely pleased to reassert our performance against both growth and value-oriented portfolios.

For the fourth quarter, the Fund was up 8.30% versus the gain 11.03% in the S&P 500 Index and the Russell 1000 Value Net Index of 7.77%. There never seems to be an end to the willingness of investors to trust in the passive methodology to participate in the U.S. stock market. We believe the next bear market in stocks could be especially damning if it disturbs investor faith in index investing.

The strength in our portfolio is closely tied to the courage we showed last year to pivot the portfolio toward land and commodity companies. In the fourth quarter our portfolio was led by Lennar (LEN), NVR (NVR) and Simon Property Group (SPG). Despite the onset of the Omicron variant, home building and in-store shopping continued to charge forward.

Our duds in the fourth quarter were barely duds. We lost ground on shares of Discovery Inc. (DISCK) in the second half of the year after selling out 5% of the “A” shares at an average of $59.58. We started buying those shares back in relatively cheaper “C” shares, which have the same economic interest as the “A” shares. Those buy back prices look good compared to $59.58, but not the low $20s where the merger with Warner Media has taken the stock.

PERFORMANCE — **Average Annualized Total Returns as of December 31, 2021**

	One Month	QTR	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception 1 2 2008
SVFAX A Share Class (w/ load)	-2.49%	2.07%	34.31%	34.31%	19.91%	15.49%	15.73%	9.96%
SVFAX A Share Class (w/o load)	3.45%	8.30%	42.51 %	42.51%	22.30%	16.87%	16.42%	10.43%
SMVLX Investor Class	3.46%	8.30%	42.50%	42.50%	22.32%	16.84%	16.47%	10.54%
SVFCX C Share Class	3.45%	8.17%	41.75%	41.75%	22.08%	16.70%	16.40%	10.49%
SVFFX I1 Share Class	3.50%	8.38%	42.89%	42.89%	22.63%	17.15%	16.77%	10.78%
SVFYX Y Share Class	3.49%	8.35%	43.03%	43.03%	22.78%	17.30%	16.83%	10.78%
RUSSELL 1000 VALUE	6.31%	7.77%	25.16%	25.16%	17.64%	11.16%	12.97%	8.08%
S P 500 TR INDEX	4.48%	11.03%	28.71%	28.71%	26.07%	18.47%	16.55%	11.04%

A Shares 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% Investor Gross Expense Ratio 1.26%

*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.

The other poor performers were shares of eBay (EBAY), as early year explosive gains were corrected and Comcast (CMCSA), which fell victim to doubts about benefitting from wireless connections offsetting loss of cable subscribers.

For the full year, Continental Resources (CLR) topped the hit parade with a gain of 177.95%. Discovery Inc. (DISCA) followed because of the well-timed sales in February and Simon Property Group (SPG) rounded out the warm and fuzzy list.

As those who follow us closely and read our writing regularly know, we are not optimistic about the returns available over the next ten years from the S&P 500 Index or growth investments popularized in the last five years. However, we believe we are entering an unusual era of better economic growth in the U.S. and a bull market in commodities and land which will rival the 1970s. We are optimistic that non-U.S. investors could benefit from participating with us in the discipline we practice.

In addition, we want to make our shareholders aware that as of December 31, 2021, Tony Scherrer is no longer a co-portfolio manager of the Fund. When the firm relocated to Arizona in July 2020, Tony made the deeply personal decision, along with his family, not to make the move. We consider Tony to be part of the Smead Capital Hall of Fame. We wish him all the best, wherever God takes him in the next stage of life.

Outlook 2022: Polar Opposites

There are three pillars of investing for us at Smead Capital Management. First, we must know the history of the stock market. Second, we must understand the mathematics of the stock market. Third, we must understand the psychology of the stock market. As we enter the year 2022, we believe the S&P 500 Index and the oil/gas Industry are at polar extremes on all three pillars.

North Pole

The table below reports the latest values of the eight indicators reported each month by Mark Hulbert from Marketwatch.com. These are the eight ways of measuring ten-year forward return which have been statistically meaningful, according to his research. These regression modules have the best long-term records predicting the stock market's 10-year returns. As you can see, it's not just the average household's equity allocation that is bearish about the stock market's longer-term prospects.

	Latest	Month ago	Beginning of year	Percentile since 2000 (100 most bearish)	Percentile since 1970 (100 most bearish)	Percentile since 1950 (100 most bearish)
P/E ratio	26.51	26.04	39.90	75%	85%	89%
CAPE ratio	39.28	38.08	33.76	100%	96%	97%
P/Dividend ratio	1.33%	1.30%	1.58%	96%	94%	96%
P/Sales ratio	3.18	3.12	2.76	100%	100%	100%
P/Book ratio	4.79	4.71	4.05	99%	98%	98%
Q ratio	2.36	2.31	1.98	99%	100%	100%
Buffett ratio (Market cap/GDP)	2.06	2.00	1.82	100%	100%	100%
Average household equity allocation	50.5%	50.9%	47.6%	99%	98%	99%

Source: Mark Hulbert - MarketWatch

Out of eight shots which demonstrate future 10-year returns, only a wild-eyed optimist below 40 years of age with a Robinhood trading account and a savings account loaded with "stimmy" checks would want to fight this statistical battle.

Largest Companies Globally by Market Cap

	1980		1990		2000		2010		2020	
Rank	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return
1	IBM	10%	Nippon Telegraph & Telephone	(1%)	Microsoft	5%	PetroChina	(10%)	Apple	?
2	AT&T	16%	Bank of Tokyo-Mitsubishi	(5%)	General Electric	(6%)	Exxon Mobil	(2%)	Saudi Aramco	?
3	Exxon	18%	Industrial Bank of Japan (1)	(12%)	NTT DoCoMo	(8%)	Microsoft	26%	Microsoft	?
4	Standard Oil	10%	Sumitomo Mitsui Banking	(5%)	Cisco	(6%)	ICBC	4%	Amazon	?
5	Schlumberger	(0%)	Toyota Motors	10%	Walmart	2%	Walmart	13%	Alphabet	?
6	Shell	16%	Fuji Bank (1)	(10%)	Intel	(2%)	China Construction Bank	4%	Facebook	?
7	Mobil	11%	Dai-Ichi Kangyo Bank (1)	(8%)	Nippon Telegraph & Telephone	(6%)	BHP Billiton	3%	Tencent	?
8	Atlantic Richfield	13%	IBM	14%	Exxon Mobil	8%	HSBC	(1%)	Tesla	?
9	General Electric	18%	UFJ Bank	(8%)	Lucent	(28%)	Petrobras	1%	Alibaba	?
10	Eastman Kodak	8%	Exxon	17%	Deutsche Telekom	(7%)	Apple	30%	Berkshire Hathaway	?
	Top 10 average	*12%*	*Top 10 average*	*(1%)*	*Top 10 average*	*(5%)*	*Top 10 average*	*7%*		
	S&P 500	*14%*	*S&P 500*	*17%*	*S&P 500*	*1%*	*S&P 500*	*14%*		

Source: @CharlieBilello, Bloomberg.
(1) Return for Industrial Bank of Japan, Fuji Bank and Dai-Ichi Kangyo Bank is 12/31/1990 to 9/21/2000 (on 9/21/2000, these three banks merged to create Mizuho Financial Group).

Source: Bloomberg.

As you can see above, even if the regression analysis was in your favor, like in 1980, 1990 and 2010, owning the ten-largest-cap companies in the S&P 500 Index was a ticket to underperformance, and in many cases, stock market failure.

Outlook 2022: Polar Opposites

Prior Euphoria Episodes with difficult 10-year Regression Numbers

Here are the index results from prior financial euphoria episodes with regression numbers similar to today:

Roaring 1920s

Source: Bloomberg. Bloomberg. Data from 12/31/1928 – 12/31/1938.

The Nifty-Fifty Stocks of 1972

Source: Bloomberg. Bloomberg. Data from 12/31/1968 – 12/31/1978.

The DotCom Bubble of 1999

Source: Bloomberg. Bloomberg. Data from 12/31/1999 – 12/31/2009.

While the Index appears to be at an extreme on all three of these pillars, how does this guide us as value investors? Can you make money in an elongated stretch of poor index performance? How can you be optimistic about energy when the crowd is bending over backwards to invest in every ESG initiative known to man and portfolio managers are embarrassed or ridiculed into avoiding the energy sector? To answer these questions, let's go to the evidence.

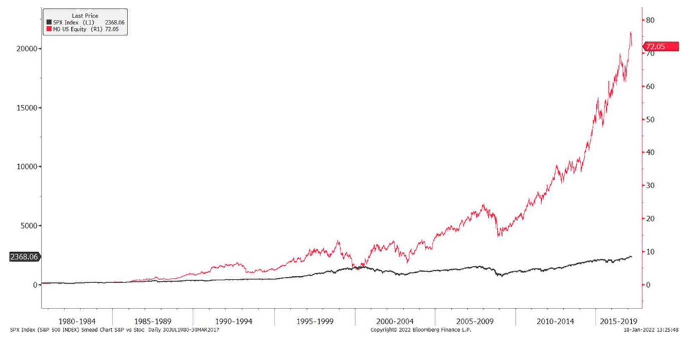
History of ESG Investing

Nixon Signs Bill Banning Radio-TV Cigarette Ads: April 2, 1970

The way we view it, this was the beginning of ESG investing. The government intervened in the free market and mandated that it was not good for our society to advertise cigarettes on radio and television. This led to consistent divestment of tobacco stocks by portfolio managers over the following decades.

Phillip Morris: The best performing stock in the entire NYSE

As you can see below, Phillip Morris (MO) was the single company which was to be the most negatively impacted by the government intervening in the cigarette industry. Ironically, it was the best performing stock of the next forty years and this chart shows its run from 1980 to 2017.



Source: Bloomberg. Bloomberg. Data from 12/31/1968 – 12/31/1978.

Mathematics of ESG Investing

Here is a list of the largest cap stocks in the iShares Global Clean Energy ETF which appear to give investors participation in the seeming ESG gold mine:

Company Name	Weight	Market Cap	2022 Forward P/E	P/CF
IShares Global Clean Energy ETF	**100.00%**	**662,161M**	**43.7x**	**20.1x**
Enphase Energy	8.54%	25,149M	60.7x	72.6x
Consolidated Edison	6.75%	30,132M	18.9x	11.5x
Vestas Wind Systems	6.63%	30,733M	46.2x	28.7x
Orsted	5.67%	53,425M	33.4x	15.8x
Plug Power	5.07%	16,622M	-	-
Solaredge Technologies	5.02%	14,829M	41.7x	97.5x
Iberdrola	4.58%	74,986M	16.3x	8.0x
EDP - Energias De Portugal	4.11%	21,709M	20.6x	17.9x
SSE	3.98%	23,765M	17.4x	9.8x
First Solar	2.96%	9,361M	41.9x	24.0x

Source: Bloomberg. Bloomberg. As of 12/31/2021..

When you sit down to play poker, if you can't figure out who the sucker is at the table, you are the sucker! Why does anyone believe that they can figure out who will win this game?

Outlook 2022: Polar Opposites

Lastly, the psychology of the moment looks to us like the cartoon below:

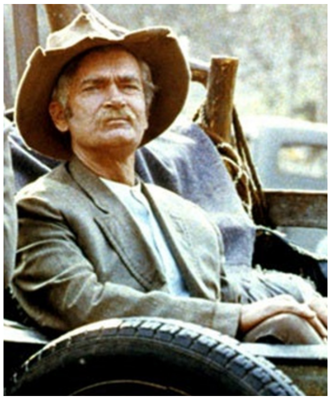
We are willing to bet a big part of our ranch that the ESG motive is like buying an effort to find needles in the haystack. Yes, someone will probably be successful out of the hundreds of money-losing companies trying to satisfy morally-arrogant investors. However, the totality of what they will accomplish will look like Geo Cities, Lucent and Sun Microsystems did in 2000-2010, in retrospect. Here is how Warren Buffett describes the logic of the moment:

> *"The key to investing is not assessing how much an industry is going to impact society, or how much it could grow, but rather, determining the competitive advantage of any given company and, above all, the durability of that advantage."*

It is enough to make us want to put all this in the Metaverse; which is an extremely heavy energy consumption electronic activity.

Outlook 2022

The best way to understand where we are going is to look at the evolution of the most popular TV shows. In 1962, the "Beverly Hillbillies" debuted and was an instant comedy hit. It was the story of some folks from the country who discovered oil on their property, struck it rich and moved to Los Angeles. The show topped the charts and spawned a series of comedy shows like "Petticoat Junction" and "Gilligan's Island."



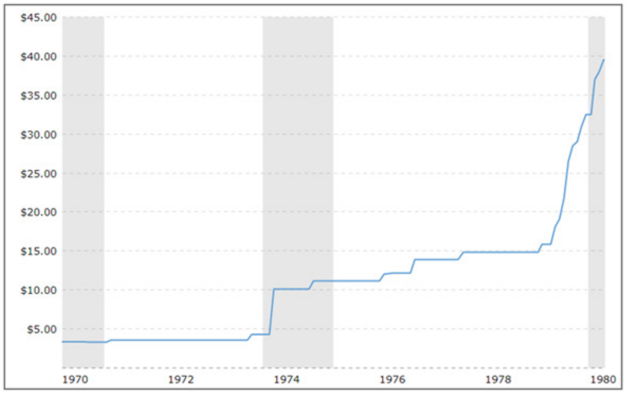
Jed Clampett, Source: Forbes

In 1981, the most popular broadcast television show of all time, "Dallas," was the story of a ruthless and mega-wealthy family (the Ewing family). The eldest son ran the business and was sleeping with women all over town. J.R. Ewing, played by the former astronaut in "I Dream of Jeannie" (Larry Hagman), was shot by someone and everyone had to tune in to find out who shot him. We believe it was the largest market share episode of TV prior to the advent of streaming.

JR Ewing, Source: TNT

You see, Americans were enamored and envious of oil people, because the oil business was the best way to get rich in the 1970s. See the oil price chart below:

WTI crude oil price per barrel from 1970 – 1980:



Source: MacroTrends.

Where are we now? There are no popular oil business TV shows and nobody wants to invest in the future of the business. Even most people who run oil and gas companies don't want to invest in future production or they are being brow-beaten into low levels of capital spending, while trying to please the ESG mafia.

Outlook 2022: Polar Opposites

Therefore, a massive amount of relatively inexpensive oil and gas is needed for auto transportation and to produce electricity for electric cars. Like Warren Buffett says, "The people who think we will make a quick transition away from carbon transportation and the people who think we will never transition away from carbon, are both crazy!"

The moral of the story for us is that we need to invest heavily in the attractive and unloved polar extreme of the oil and gas business. Second, we need to believe the overwhelming evidence that ten-year returns in an index, which is overloaded with what you should have bought ten years ago, is dismal. The companies which investors are most enamored with are Apple, Microsoft, Amazon, Alphabet, Facebook and Tesla. This reminds us of when the oil people had the most popular TV show. Remember this while you watch "Spiderman," "Billions," "Succession," and "Silicon Valley."

Thank you for investing with us and coming along for the ride. And, as always, fear stock market failure!

Bill Smead
Lead Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

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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 12/31/2021: Continental Resources Inc. 7.50%, Lennar Corp Class A 5.85%, NVR Inc. 5.59%, American Express Co. 5.38%, Simon Property Group Inc. 5.34%, Target Corp. 5.32%, D.R. Horton Inc. 4.70%, Amgen Inc. 4.69%, ConocoPhillips 4.46% and Macerich Co. 4.40%. 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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