SMEAD FUNDS

Shareholder Letter

SMEAD VALUE FUND — 1ST QUARTER 2022 (3/31/2022)

Dear Shareholder

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

After having the best year in the 14-year history of our firm last year, we were pleased to make money in what proved to be a very difficult quarter.

In the first quarter of 2022, the Smead Value Fund (SMVLX) earned a return of 0.48% versus a loss of -4.60% in the S&P 500 Index and a loss -0.74% in the Russell 1000 Value index. After having the best year in the 14-year history of our firm last year, we were pleased to make money in what proved to be a very difficult quarter. The stock market appears to us to be in the twilight of an interest rate-driven bull market. We continue to warn investors of how narrow the advances are and how much damage is being done to formerly glamorous growth stocks.

Our best performers were the oil stocks led by Continental Resources (CLR), Occidental Petroleum (OXY) and ConocoPhillips (COP). The big money investors are firing a hose into a teacup as they attempt to catch up to the future fundamentals of an industry left for dead one year ago. As you read further, we explain our belief that these stocks have a huge large margin of safety because the share prices have lagged far behind the profitability of created by permanently higher oil and gas prices. It looks like a mid-morning sunrise in the industry.

On the downside, we got clobbered on the homebuilder stocks. This is part of our job since we hold our winners to a fault and are very optimistic about how they will do in the next five to ten years. Lennar (LEN), D.R. Horton (DHI) and NVR (NVR) moved to the downside as interest rates moved up very swiftly when the Federal Reserve Board admitted that they have underestimated "wolverine" inflation. We believe the fewer decisions we make, the smarter we are. The stock market has not yet recognized that homeownership is one way for most Americans to insulate themselves from inflation by being their own landlord.

PERFORMANCE — Average Annualized Total Returns as of March 31, 2022

	One Month	QTR	YTD	One Year	Three Year	Five Year	Ten Year	Since Inception (1/2/2008)
SVFAX A Share Class (w/ load)	-4.14%	-5.30%	-5.30%	12.24%	17.02%	14.02%	14.29%	9.82%
SVFAX A Share Class (w/o load)	1.71%	0.48%	0.48%	19.09%	19.35%	15.37%	14.97%	10.27%
SMVLX Investor Class	1.71%	0.48%	0.48%	19.10%	19.36%	15.35%	15.01%	10.39%
SVFCX C Share Class	1.66%	0.33%	0.33%	18.43%	19.07%	15.18%	14.93%	10.33%
SVFFX I1 Share Class	1.72%	0.53%	0.53%	19.42%	19.67%	15.65%	15.31%	10.63%
SVFYX Y Share Class	1.72%	0.56%	0.56%	19.51%	19.80%	15.80%	15.37%	10.63%
RUSSELL 1000 VALUE	2.82%	-0.74%	-0.74%	11.67%	13.02%	10.29%	11.70%	7.88%
S&P 500 TR INDEX	3.71%	-4.60%	-4.60%	15.65%	18.92%	15.99%	14.64%	10.47%

A Shares Gross Expense Ratio 1.26% C Shares Gross Expense Ratio 1.84% I1 Shares Gross Expense Ratio 0.99% Y Shares Gross Expense Ratio 0.84% 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.

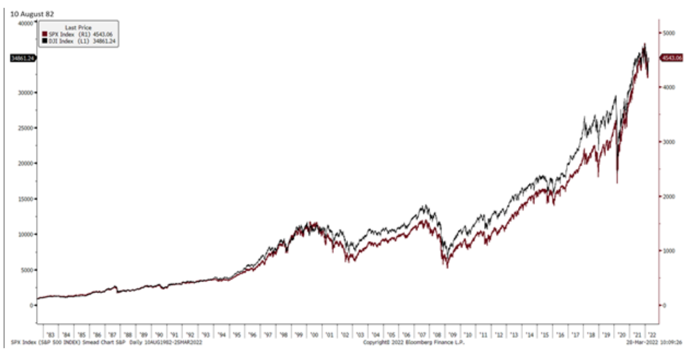
Smead Capital Management, Inc., The Advisor, has agreed to waive its fees and/or absorb expenses of the Fund to ensure that Total Annual Operating Expenses do not exceed 1.26% for Class A shares, 1.26% for Investor Class shares, 1.84% for Class C shares, 0.99% for Class I1 shares and 0.84% for Class Y shares respectively, through March 31, 2023. 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 Twilight Zone

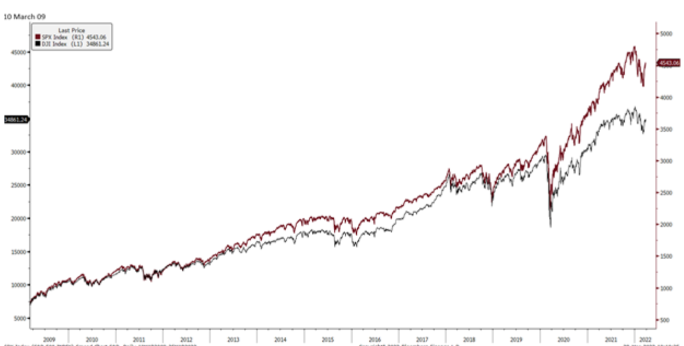
"A situation or state of mind seemingly between reality and fantasy."

Depending on your age, the bull market in stocks started in 1982, with stocks trading at six-times earnings and the U.S. Treasury Bonds paying 15% interest, or in 2009 at the bottom of the financial crisis. Either way, the combination of the Federal Reserve Board's liquidity and the popularity/stock market domination of technology stocks have entered us into what we will call "The Twilight Zone."

Backward-looking returns indicate that these two periods have produced some of the most spectacular successes of the last 100 years:

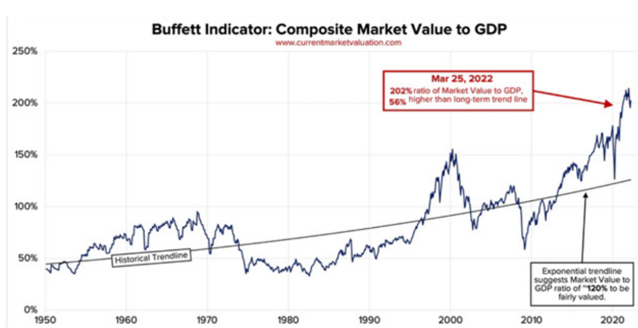


Source: Bloomberg. Data for the time period 8/10/1982 - 3/31/2022.



Source: Bloomberg. Data for the time period 3/10/2009 - 3/31/2022.

Where does this leave us? First, the U.S. stock market is incredibly expensive from a historical perspective as measured by Warren Buffett's favorite measuring tool, household equity ownership and price-to-earnings (P/E) ratios.

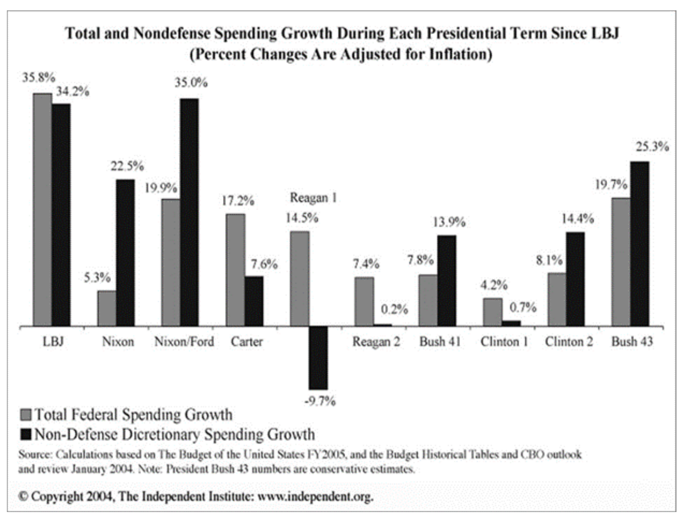


Source: CurrentMarketValuation.com. Data from 1/1/1950 – 6/30/2020.

Source: Federal Reserve Data, Bloomberg. Data from 1/1/1952 – 10/31/2021.

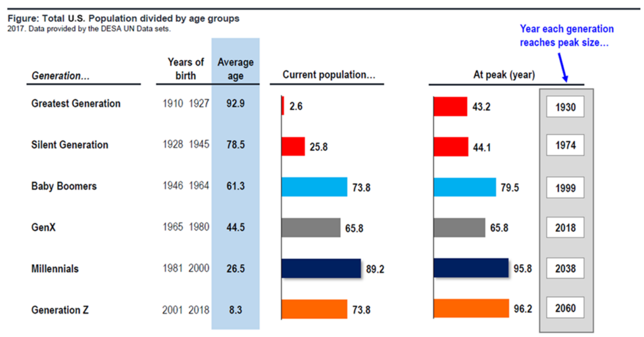
Source: Bloomberg. Data from 12/31/1999 – 12/31/2009.

None of this was a problem until the bond market began to correct and the Fed Chairman, Jerome Powell, recognized that inflation is what we call a "wolverine" and is not "transitory." The four preconditions of the 1970s inflation were the Vietnam War, Johnson's Great Society legislation, the size of the baby boomer demographic group on a relative basis and the Arab Oil Embargo of 1973-1974.

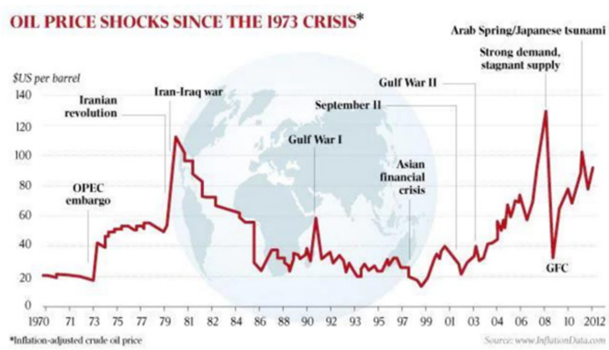


Source: Bloomberg. Data from 12/31/1928 – 12/31/1938.

The Twilight Zone



Source: Fundstrat.

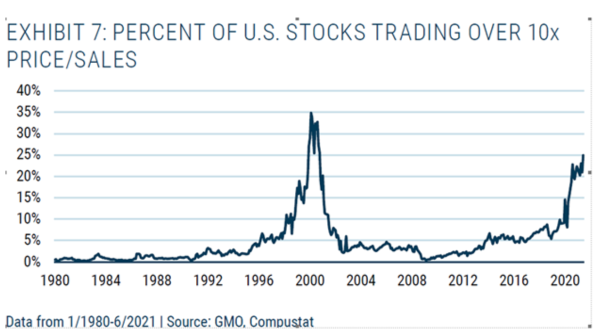


Source: Inflationdata.com. Data from 1/1/1970 – 12/31/2012..

As the sun is possibly setting on the great bull market of the last 40 years, we can just substitute the Pandemic War, the Trump-Biden Federal Government spending to combat the lockdowns, the size of the Millennial demographic relative to Gen X and the Arab Spring castration of U.S. oil production in 2020 to hear the "rhyme!"

Warren Buffett and Charlie Munger have said many great things in our time in the stock-picking business. Buffett has explained recently that interest rates serve as a form of "investment gravity." He argued that low interest rates elevate stock prices and the move from 1982 to today has been more about higher stock prices via gravity. Economic growth was much higher from 1964-1981 than it was from either 1981-1999 or 2009-2019. They also have argued the Aesop was the guy who started investment logic when he said, "A bird in the hand is worth two in the bush."

We are in The Twilight Zone of this bull market because the bond market is dragging the P/E ratios of "two in the bush" companies down. The chart below shows how dominant the "two in the bush" stocks were in the S&P 500 Index:



Source: GMO, Compustat. Data from 1/1980 – 6/2021.

We are also in the Twilight Zone with the world's largest capitalization companies. At the end of each decade, here were the ten largest, including how they did over the next ten years:

Largest Companies Globally by Market Cap

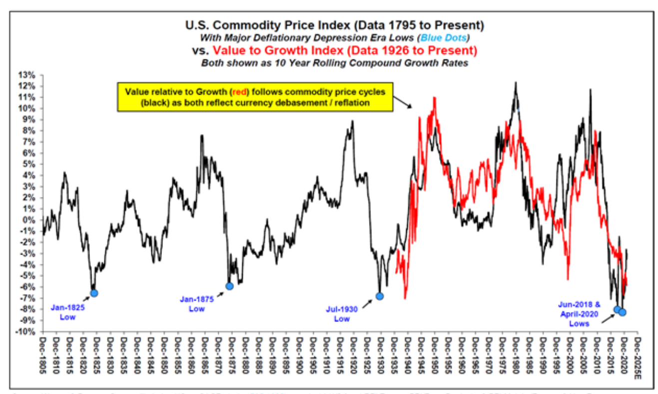
	1980		1990		2000		2010		2020	
Rank	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return	Company	10-Yr Fwd Return
1	IBM	10%	Nippon Telegraph &	-1%	Microsoft	5%	PetroChina	-10%	Apple	?
2	AT&T	16%	Bank of Tokyo-Mitsubishi	-5%	General Electric	-6%	Exxon Mobil	-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	4%	Facebook	?
7	Mobil	11%	Dai-ichi Kangyo Bank (1)	-8%	Nippon Telegraph &	-6%	BHP Billiton	3%	Tencent	?
8	Atlantic Richfield	13%	IBM	14%	Exxon Mobile	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	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: @CharlieBiello, 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).

Despite having Buffett's gravitational tailwind behind their P/E ratios, these lists underperformed the index four out of four times and lost money over the following ten years 50% of the time. Are those odds that you want stacked against you going forward?

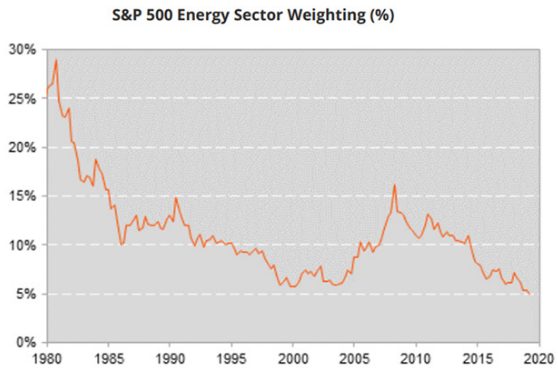
Now that you understand what investments are in the twilight of their bull market, let's talk about what investments do well when bond rates rise, and inflation expectations get intertwined with stock market capitalizations. In other words, what investments could be just seeing the sunrise.

Commodities started a bull market in mid-2020 that we believe may have legs for at least a decade. Oil stocks were at the core of the inflationary momentum popularity in the 1970s and dwarfed the representation in the S&P 500 Index when inflation mattered the most in 1981:



Source: Warren & Pearson Commodity Index (10-yr. CAGR starts 1795-1925), equal-wtd (1/3rd ea.) PPI Energy, PPI Farm Products, & PPI Metals (Ferrous & Non-Ferrous, excl.-precious metals) (1926-1956), Refinitiv Equal Weight (CCI) Index (1956-1994), and Refinitiv Core Commodity CRB Index Excess Return (CRY) Index (1994+), Bloomberg. Value vs. Growth links Fama/French (Dartmouth/Tuck hosted, details here, data here) from 1926-77 and the Russell 1000 Total Return Index 1978 to present.

The Twilight Zone

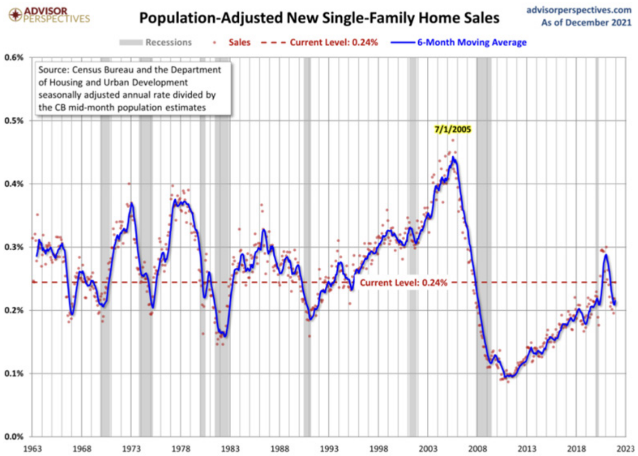


Energy sector share of the S&P 500 index by quarter from 1979 to 2019.
Source: PKVerleger

Our oil stocks, Occidental Petroleum (OXY) and Continental Resources (CLR), are lagging way behind the prevailing oil prices compared to 2014:

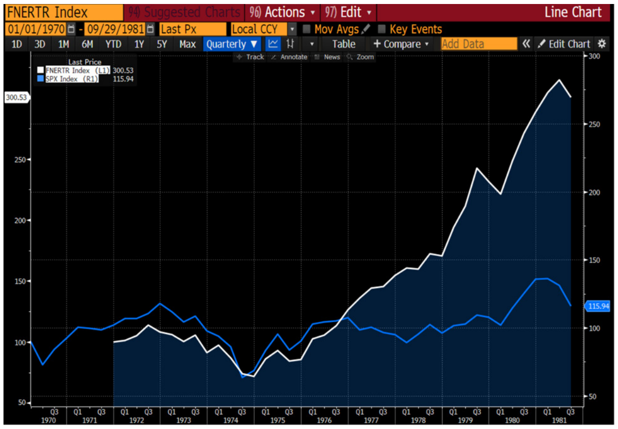
Source: Bloomberg. Data for the time period 3/31/2021 - 3/31/2022.

Houses are under-built, and we believe our home builders (DHI, LEN and NVR) have scale and very strong balance sheets to meet the economic need:



Source: Advisor Perspectives. Data for the time period 1/1/1963 - 3/31/2022.

REIT Class "A" malls get inflationary rent expansion via revenue sharing above base minimum rent and were good inflation beneficiaries in the 1970s.



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

Therefore, the question for investors is, do you want to squeeze blood out of a "Twilight Zone" turnip in the S&P 500 Index? Do you want to pick for a needle in the haystack among the vast cadre of growth stock investment choices? Or do you want to enjoy the potential sunrise stage in stocks that have historically gained popularity as investors chase "the bird in the hand" in more inflationary times?

Fear stock market failure!

Bill Smead
Lead Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

SMEAD FUNDS

Invest With Us Today!

Shareholder Services 877.807.4122 | **Sales Desk** 877.701.2883 | **smeadcap.com/invest**

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. Margin of safety is the difference between the intrinsic value of a stock and its market price. A correlation coefficient is a numerical measure of some type of correlation, meaning a statistical relationship between two variables.

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 3/31/2022: Continental Resources Inc 9.66%, Occidental Petroleum Corp 6.78%, American Express Co 6.16%, Amgen Inc 5.10%, Target Corp 4.97%, Simon Property Group Inc 4.92%, Macerich Co 4.58%, Merck & Co Inc 4.53%, NVR Inc 4.30% and Lennar Corp Class A 4.14%. 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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SMEAD FUNDS

smeadcap.com

2777 East Camelback Road
Suite 375
Phoenix, AZ 85016

Individual Investors - 877.807.4122
Advisors, Family Offices & Institutional Investors - 877.701.2883
info@smeadcap.com