SMEAD FUNDS

Shareholder Letter

SMEAD INTERNATIONAL VALUE FUND — 3RD QUARTER 2022 (9/30/2022)

Dear Shareholder

A SHARE CLASS	INVESTOR SHARE CLASS	C SHARE CLASS	I1 SHARE CLASS	Y SHARE CLASS
SVXAX	SVXLX	SVXCX	SVXFX	SVXYX

The stock market failure of 2022 continues with large economic fears of the impending global recession on the horizon.

During the third quarter of 2022, the Smead International Value Fund (SVXLX) declined 9.82% versus a decline of 9.36% in the MSCI EAFE Net Index and a 9.91% decline in the MSCI ACWI ex-US Net Index. We are frustrated along with shareholders at the results for the quarter. The stock market failure of 2022 continues with large economic fears of the impending global recession on the horizon. Our holdings in MEG Energy (MEG CN), Cenovus Energy (CVE CN) and IWG (IWG CN) were the largest detractors in the quarter. Frontline (FRO NO), Occidental Petroleum (OXY/WS US & OXY US) and Bawag Group (BG AV) were the biggest contributors to performance.

Humming All the Way to Reno

The investors in the Smead International Value Fund have asked our team at Smead Capital Management what looks attractive today. To help explain this conversation, we'd like to teach you about a personal story of mine that is a good allegory to explain this.

My direct family (wife, kids and myself) often get away on vacation to the Lake Tahoe/Reno area. Due to the rental car situation that followed the pandemic, we were paying an obscene price to rent cars. We did some math and figured out that we would be better off just purchasing a car for our trips there. We landed on a 2019 F-150 with

PERFORMANCE — Average Annualized Total Returns as of September 30, 2022

	One Month	QTR	YTD	One Year	Three Year	Five Year	Since Inception (1/12/2015)
SVXAX A Share Class (w/ load)	-19.51%	-15.08%	-16.67%	-10.94%	12.37%	5.15%	5.65%
SVXAX A Share Class (w/o load)	-14.60%	-9.89%	-11.58%	-5.50%	14.60%	6.40%	6.47%
SVXLX Investor Class	-14.59%	-9.82%	-11.44%	-5.31%	14.77%	6.55%	6.63%
SVXCX C Share Class	-14.65%	-10.01%	-11.93%	-6.01%	13.92%	5.77%	5.84%
SVXFX I1 Share Class	-14.58%	-9.82%	-11.40%	-5.24%	14.92%	6.69%	6.76%
SVXYX Y Share Class	-14.55%	-9.78%	-11.27%	-5.09%	15.03%	6.84%	6.89%
MSCI EAFE NR INDEX	-9.35%	-9.36%	-27.09%	-25.13%	-1.83%	-0.84%	2.20%
MSCI ACWI EX-US NR INDEX	-9.99%	-9.91%	-26.50%	-25.17%	-1.52%	-0.81%	2.05%

A Shares Gross Expense Ratio 1.42%   C Shares Gross Expense Ratio 2.00%   I1 Shares Gross Expense Ratio 1.15%   Y Shares Gross Expense Ratio 1.00% Investor Gross Expense Ratio 1.25%

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 SVXAX (w/load) reflects maximum sales charge of 5.75%. Performance for SVXAX (w/o load) does not reflect maximum sales charge of 5.75%. If reflected, the load would reduce the performance amount quoted. SVXAX 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.

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 1.42% for Class A shares, 2.00% for Class C shares, 1.15% for Class I1 shares and 1.00% 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.

Humming All the Way to Reno

double bench seats (which fits all six of us). Autos haven't often rewarded you to be an owner, but the truck wasn't the best part looking back. When we looked into the financing, a major bank was willing to provide us with a 72-month loan at 2.19%. We bought the truck with the financing, roughly one year ago now. Today, inflation continues to run across the economy causing rates to rise. This has me "humming all the way to Reno."

Humming all the way to Reno
You've dusted the non believers
And challenged the laws of chance
Now, sweet
You were so sugar sweet
You may as well have had 'kick me'
Fastened on your sleeve

The Federal Reserve was providing money far too cheaply at that time. The inflation that is proving to be sticky has "dusted the non-believers and challenged the laws of chance." The fact that a person of creditworthiness could borrow money at a rate that one year later would make central bankers get jealous, exposes how peculiar today's markets have been. **We need to be thoughtful as investors about how we can profit from these oddities.**

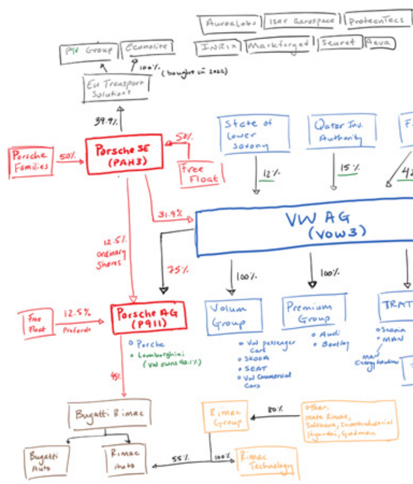
As macro-economic fears swirl globally, pundits and wall street analysts are telling everyone where they don't want to be in the impending recession. They are putting "kick me" signs on a myriad of our businesses. Examples of a few of these industries that we see in and outside of our portfolio include automakers, lumber companies, retailers, retail properties, and homebuilding. The non-staple businesses are being run away from. Interestingly, these businesses are capital-intensive or have had no new competition for quite a while due to the pandemic.

You know what you are
You're gonna be a star
You know what you are
You're gonna be a star

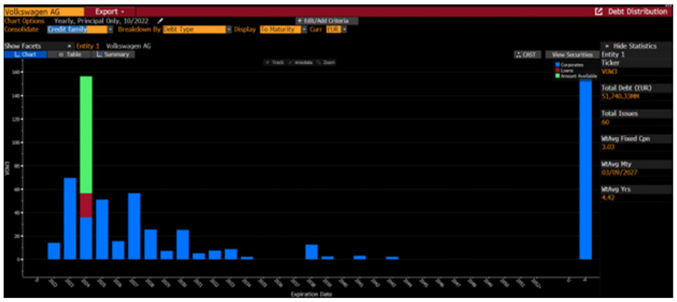
In our opinion, finding asset-rich businesses that are self-funding with low-cost capital structures (cheap debt) is the most interesting investment to make. You get the cover of macroeconomic fears as your discount tool to be the buyer. However, as the cost of capital rises and economic fears dissipate over the next few years, you are likely to have fewer competitors as operating costs and funding pressure keep new entrants out. We believe that this profile of stocks trading in international equity markets is "gonna be a star."

Wing is written on your feet
Your Achilles heel is a tendency to dream
But you've known that from the beginning
You didn't have to go so far
You didn't have to go

Our ownership in Volkswagen, Porsche SE and Porsche AG may be the perfect picture of this. First off, below is a diagram that my colleague Seamus Sullivan put together to look at the corporate structure of these entities.



We own the non-voting preference shares of VW AG (VOW3 GY), the non-voting preference shares of Porsche SE (PAH3 GY) and now the non-voting shares of Porsche AG (P911 GY). We do not directly own shares in Traton, which is publicly traded in the graphic above. There is a bevy of assets inside these corporate structures. Rather than looking at the assets, let's invert this and look at the liabilities.



Source: Bloomberg. Data from 7/10/2017 - 7/8/2022.

As you look at the funding of this structure from debt, you begin to see where hidden assets are. They have over $15 billion of callable, perpetual bonds. Outside of these, there is over $35 billion of debt with an average coupon of roughly 3% and a weighted average maturity of 4.42 years. What would we have to pay to borrow this money today?

Humming All the Way to Reno

As of the date of this letter, the US government is paying 4.27% on five-year notes. The UK government is paying 4.32% on five-year Gilts. If we tried to borrow money in a European investment-grade corporate structure today, we would be paying 4.73%. This means that if VW wanted to refinance this debt, the debt owners would pay us to get out of earning 3%. If you were to look at these bond prices, they would be below par. Therefore, VW bonds are trading at a lower price than what is shown on the balance sheet. This would imply we have more net worth (book value per share), though the balance sheet doesn't reflect that yet. We don't need to have "a tendency to dream" to fantasize about what the perpetual bonds are worth!

You know what you are
You're gonna be a star
You know what you are
You're gonna be a star

If Oliver Blume, the CEO of both VW AG and Porsche AG, called us up and asked us what we think of the position they are in. We would reply "You know what you are. You're gonna be a star." If thinking about liabilities as an actual asset doesn't wet your whistle, let's get to the brass tacks from the structure of the assets above. VW (VOW3) currently owns 75% of Porsche AG (P911). Half of the Porsche AG IPO is coming back to VW shareholders in a special dividend of roughly $9.25 billion. Porsche AG is currently valued at $77.3 billion.

This would imply that the rest of Volkswagen (that includes assets like Skoda, the remainder of Traton, Bentley, Lamborghini, Audi and Ducati) is worth less than $5 billion. To add insult to injury, Porsche SE is the largest owner and controller of VW. They trade at a discount to their VW and now Porsche AG ownership. It's a double discount compared to VW. The crystallization of value from the Porsche AG IPO has made these stocks "Now, sweet." As owners of Porsche SE and VW over the last four years, our investors would say that these "were so sugar sweet."

In a world where stock picking is treated with ill repute, all an investor can ask for is a cheap business that has great economics. That comes today in asset-rich, well-financed businesses like VW, Porsche SE and Porsche AG. With the Porsche and Piech families controlling these entities, we have the legacy of successful billionaires doing our bidding to allocate the capital. What would we want beyond a situation like this? Probably a cheap truck at 2.19% financing. If we have this, we will be "Humming all the way to Reno."

Fear stock market failure!

Cole Smead, CFA
Lead Portfolio Manager

Bill Smead
Co-Portfolio Manager

SMEAD FUNDS

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

Mutual fund investing involves risk. Principal loss is possible.

On 1/12/2022, the Smead International Value Fund (the "Fund") succeeded to substantially all of the assets of the Smead International Value Fund L.P. (the "Partnership"). The investment objectives, policies and restrictions of the Fund are materially equivalent to those of the Partnership, and the Partnership was managed at all times with full investment authority by the Investment Adviser. The performance information includes performance for the Partnership. The Partnership was not registered under the Investment Company Act of 1940 and, therefore, was not subject to certain investment or other restrictions or requirements imposed by the 1940 Act or the Internal Revenue Code. If the Partnership had been registered under the 1940 Act, the Partnership's performance might have been adversely affected.

The price-earnings ratio (P/E Ratio or P/E Multiple) measures a company's current share price relative to its per-share earnings. Margin of safety is the difference between the intrinsic value of a stock and its market price. Mean reversion is a theory that suggests that asset price volatility and historical returns eventually will revert to the long-run mean or average level of the entire dataset. A correlation coefficient is a numerical measure of some type of correlation, meaning a statistical relationship between two variables. The FTSE Developed Europe Index is an index of European stocks, part of the FTSE Global Equity Index Series. It is a subset of the FTSE Europe Index. The SGI Inflation Proxy Index is managed by Solactive AG and usually comprises 100 companies that meet certain criteria in order to survive in an environment of high inflation. The index strategy focuses on selected industries and controls stock selection through the use of predefined inflation indicators.

The 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.

Information provided does not constitute investment advice and no investment decisions should be made based on any information provided. Information reflects the views of Smead Capital Management as of a particular time. Such views are subject to change without notice. Information regarding holdings, allocations and other allocations are for illustrative purposes only and may not be representative of current or future investments or allocations. This information is not a recommendation to purchase or sell a security or follow any strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results may vary from any statements or forecasts. While Smead Capital Management has used reasonable efforts to obtain information from reliable sources, no representations or warranties are made as to the accuracy, reliability or completeness of third-party information presented in this material. This material is not to be duplicated or recreated without prior written consent of Smead Capital Management.

The following were the top ten holdings in the Fund as of 9/30/2022: Occidental Petroleum Corp CW27 9.43%, Occidental Petroleum Corp 8.46%, MEG Energy Corp 7.35%, Cenovus Energy Inc 7.24%, West Fraser Timber Co Ltd 6.52%, Interfor Corp 5.08%, BAWAG Group AG 4.59%, Frontline Ltd 4.27%, Volkswagen AG Pref 4.25% and Unicredit SpA 4.12%. 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 MSCI EAFE Index (Net) (Europe, Australasia, Far East) is a broad based, unmanaged equity market index designed to measure the equity market performance of 21 developed markets, excluding the US and Canada. An index cannot be invested in directly. This benchmark calculates reinvested dividends net of withholding taxes using Luxembourg tax rates. The MSCI ACWI ex-U.S. Index (Net) is a free float-adjusted market capitalization index that is designed to large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. This benchmark calculates reinvested dividends net of withholding taxes using Luxembourg tax rates. Information is provided for information purposes only and should not be considered tax advice. Please consult your tax advisor for further assistance.

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.

The Smead Funds are distributed by UMB Distribution Services, LLC. UMB Distribution Services, and Smead Capital Management are not affiliated.

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