SMEAD FUNDS

Shareholder Letter

SMEAD VALUE FUND — 1ST QUARTER 2023 (3/31/2023)

Dear Shareholder

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

We believe that Q1 2023 probably included the first bear market rally in the current long-term bear market.

We never like to underperform the S&P 500 Index or the Russell 1000 Value, but the corrections which come are just as much a part of our success as our best quarterly performances. The Smead Value Fund returned -0.02% versus a gain of 7.50% for the S&P 500 and a gain of 1.01% in the Russell 1000 Value. We believe that Q1 2023 probably included the first bear market rally in the current long-term bear market. This current bear market is the one that follows what we and Charlie Munger believe is the biggest financial euphoria episode of our careers.

Our best-performing stocks in the quarter were Warner Discovery (WBD), NVR (NVR) and Lennar (LEN). Warner was our worst performer in Q4 2022 and bounced back from tax selling. The home builders fooled everyone by growing their market share and making good money in the violent Fed tightening of 2022-2023.

Our biggest detractors were mainly a function of the decline in oil and gas prices. Ovintiv (OVV), which absorbed some of our Continental Resources proceeds and Conoco Phillips (COP), declined the most. Bank of America (BAC) got hammered by the Silicon Valley Bank meltdown and fears about our financial system. We've owned BAC for over ten years and it has outperformed the rest of our portfolio.

As our regular readers know, we run our portfolio to maximize long-term returns in a concentrated list of stocks. Nothing that happened in this year's first quarter appears to be any interruption of our future success and risk avoidance. Our future returns could be closely tied to whether inflation proves persistent or transitory.

PERFORMANCE — Average Annualized Total Returns as of March 31, 2023

	One Month	QTR	YTD	One Year	Three Year	Five Year	Ten Year	Fifteen Year	Since Inception (1/2/2008)
SVFAX A Share Class (w/ load)	-7.21%	-5.77%	-5.77%	-8.82%	24.99%	10.71%	11.07%	10.36%	8.91%
SVFAX A Share Class (w/o load)	-1.55%	-0.01%	-0.01%	-3.26%	27.48%	12.03%	11.73%	10.80%	9.33%
SMVLX Investor Class	-1.55%	-0.02%	-0.02%	-3.25%	27.50%	12.03%	11.75%	10.90%	9.44%
SVFCX C Share Class	-1.60%	-0.15%	-0.15%	-3.82%	26.94%	11.73%	11.60%	10.81%	9.34%
SVFFX I1 Share Class	-1.53%	0.04%	0.04%	-3.01%	27.82%	12.32%	12.04%	11.15%	9.68%
SVFYX Y Share Class	-1.52%	0.09%	0.09%	-2.91%	27.95%	12.45%	12.14%	11.16%	9.69%
RUSSELL 1000 VALUE	-0.46%	1.01%	1.01%	-5.91%	17.93%	7.50%	9.13%	7.68%	7.01%
S&P 500 TR INDEX	3.67%	7.50%	7.50%	-7.73%	18.60%	11.19%	12.24%	10.06%	9.28%

A Shares Gross Expense Ratio 1.25%   C Shares Gross Expense Ratio 1.84%   I1 Shares Gross Expense Ratio 0.98%   Y Shares Gross Expense Ratio 0.83% 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 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, 2024. 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.

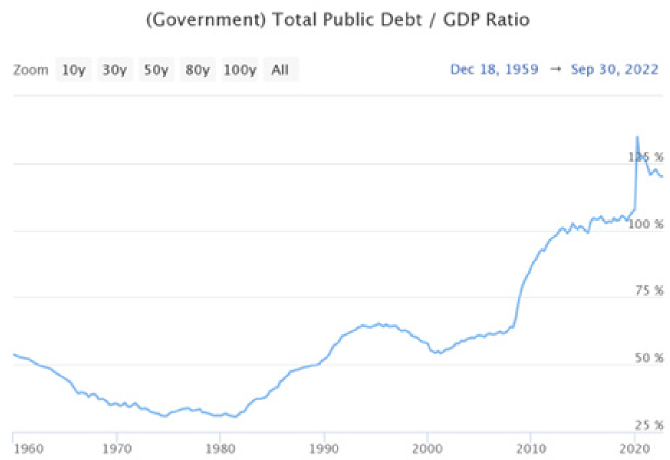
Picking Among Poisons: Rich-cession or Recession

To be, or not to be, that is the question:
Whether 'tis nobler in the mind to suffer
The slings and arrows of outrageous fortune,
Or to take arms against a sea of troubles
And by opposing end them. To die—to sleep,
No more; and by a sleep to say we end
The heart-ache and the thousand natural shocks
That flesh is heir to: 'tis a consummation
Devoutly to be wish'd.

As we end the first quarter of 2023, the Federal Reserve Board is trying to decide whether "to be or not to be" the inflation fighter. The stock market is struggling with an effort by the Federal Reserve Board to strangle inflation with tight monetary policy. This is in response to their ignoring inflation 18 months ago by calling it "transitory." As James Grant said recently on *Bloomberg*, "They were in consensus that it was transitory and now they are in consensus that they need to tighten." In other words, should we suffer from "outrageous" inflation or "take arms against a sea of (economic) troubles."

The Fed has inverted the yield curve and tightened credit into a "sea of troubles" banking crisis. Three large banks have been crippled by the interest rate inversion of higher short-term rates relative to longer-term interest rates. Even though these banks all catered to the most aggressive side of the U.S. economy (high net worth investors, private equity and venture capital), those problems have caused doubts about the entire banking system. This has led to a significant correction in companies that require any future enthusiasm about the economy. Therefore, we will remind our investors why we are economic optimists and stock market pessimists.

Favorable demographics make favorable economics. At the Allen and Co. summit in the summer of 1999, Warren Buffett walked through the following contrast: from 1964-1981 the economy of the U.S. grew 4.3% and the Dow Jones Industrial Average went pretty much nowhere. From 1981-1998 the economy grew at 2.7% and the stock market exploded. The 1964-1981 economy was strong because baby boomers were growing up, forming households and living life. Second, the economy was strong because President Johnson escalated the Vietnam War and expanded Federal Government expenditures through his "Great Society" legislation in answer to the race riots of the 1960s. Federal borrowing relative to GDP was very high as shown by the chart below:



Source: https://www.longtermtrends.net/us-debt-to-gdp/. Data for the time period 1/1/1960 – 9/30/2022.

The sheer number of new drivers, new homeowners and new families made numerous necessity goods scarce. In other words, too many people with too much money were chasing too few goods. When the Arab oil embargo of 1973-74 hit, inflation exploded to the upside and didn't completely get cured until the mid-1980s. As interest rates rose in the 1970s, Price-to-Earnings ratios (P/E) contracted and stock indexes performed very poorly.

Fast forward to today. There are 92 million millennials and as many folks below 25 years of age coming up through the pipeline. The COVID-19 quarantines and the $8 trillion of Federal Government borrowing have dwarfed President Johnson's "Great Society/Guns and Butter." On top of that, the Fed took rates to nearly zero for an extended period of time. Just imagine that they assumed that Dr. Rick will be wrong in the Progressive commercials as he argues that at age 55 the millennials will be "just like their parents." The fact that auto/home insurance companies are spending hundreds of millions of dollars to run their ads proves that we are headed to heavy necessity spending.

This time, the government borrowing is much higher as a percentage of GDP than it was in the prior inflation episode of the 1964-1981 period. Since that is the case, you must understand who benefits from inflation to understand where we are headed.

Inflation means that borrowers are paying back debts in inflated dollars. Let me give you a real-world example. In 1978, my dad (the consummate fisherman) was getting a new Bayliner fishing boat. Bayliner was offering an 8% interest rate on a four-year loan and my dad borrowed the money to buy the boat because inflation was rising much faster than 8% and was going to stay that way through the life of the loan. With the ability to deduct consumer interest expenditures against your income for tax purposes, he was going to be much better off than paying the cash that he could have paid at the beginning. In effect, he paid it back in much cheaper dollars.

The Federal Government is now in a position where the Fed tightening credit will threaten its ability to service the existing debts at much higher interest rates. As you can tell, this is a series of very difficult choices. Do you put the entire economy in the tank to solve the problem and get voted out of office, or do you accept the inflation that naturally comes with favorable demographics?

How does all of this affect our stock picking and portfolio management? We believe that we have entered an extended period of sticky inflation that will actually help the Federal Government solve its problem. They need the kind of solid economic growth of the 1964-1981 period and they need to pay their debts back in inflation-cheapened dollars. So, we want to own meritorious companies which provide the necessities to Dr. Rick's future 55-year-olds and take advantage of the scarcity of fossil fuels, attractive land, millennial home ownership and all the goods and services associated with being the most important drivers of our economy.

Therefore, we continue to like the oil and gas industry, home builders, mall REITs, major banks and retailers that cater to families. The current circumstances are the first major correction in our thesis and it is begging us to bend to the will of the Federal Reserve tightening as it squeezes out economic optimism. As Charlie Munger told Warren Buffett, "Warren, you are young and smart, but I'm right!" We believe in our vision for the next ten years and the last three years support that confidence.

The heart-ache and the thousand natural shocks
That flesh is heir to: 'tis a consummation
Devoutly to be wish'd.

As always, thank you for investing with us, and fear stock market failure.

Bill Smead
Lead Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

Invest With Us Today!

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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. 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 3/31/2023: Occidental Petroleum Corp (OXY) 8.35%, Merck & Co Inc (MRK) 6.26%, Lennar Corp Class A (LEN) 6.19%, American Express Co (AXP) 5.87%, NVR Inc (NVR) 5.81%, D.R. Horton Inc (DHI) 5.54%, Amgen Inc (AMGN) 5.43%, Simon Property Group Inc (SPG) 5.30%, ConocoPhillips (COP) 4.68% and Macerich Co (MAC) 4.36%. 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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