SMEAD FUNDS

Shareholder Letter

SMEAD INTERNATIONAL VALUE FUND — 2ND QUARTER 2023 (6/30/2023)

Dear Shareholder

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

Smead Capital Management focuses on the long-term pendulum, and we believe that the movement in stocks to more historical valuations has only just begun.

For the 2023 second quarter, Smead International Value Fund (SVXLX) had an absolute return of 1.65% and on a relative basis underperformed the MSCI EAFE Index, which gained 2.95%.

Our biggest contributors to performance for the quarter were UniCredit (UCG IM), BMW AG (BMW GR), and West Fraser Timber (WFG CN). Our holdings in IWG PLC (IWG LN), Universal Music Group (UMG NA), and Occidental Petroleum (OXY) were the largest detractors in the quarter. During the quarter we saw the market's short-term pendulum oscillate back to its peak in bullish sentiment as AI, Federal Reserve easing, and companies like Nvidia made their last-ditch effort at cementing the FOMO (Fear Of Missing Out) heuristic in the markets. Smead Capital Management focuses on the long-term pendulum, and we believe that the movement in stocks to more historical valuations has only just begun.

The valuations during the quarter did provide us with the opportunity to increase exposure to new and existing companies that we feel are well-positioned to compound wealth for our investors. We are blessed to sit side by side with you as shareholders in these investments.

No Stock Market for Old Men

One of the strangest things we have seen among investors is the willingness of older retirees in today's stock market. On July 6, 2023, Anne Tergesen wrote an article in *The Wall Street Journal* on this exact subject titled "Older Americans Invest Like 30-Year-Olds". She opens the article by writing, "Older Americans keep rolling the dice in the stock market, ignoring the conventional wisdom to protect their nest eggs by shifting more of their investments to bonds." Retired investors were practicing this because, until more recently, they were receiving poor income from the bond market. They also feared what inflation could do to bonds.

PERFORMANCE — Average Annualized Total Returns as of June 30, 2023

	One Month	QTR	YTD	One Year	Three Year	Five Year	Since Inception (1/12/2015)
SVXAX A Share Class (w/ load)	2.69%	-4.22%	2.50%	6.90%	27.10%	9.59%	8.04%
SVXAX A Share Class (w/o load)	8.95%	1.63%	8.76%	13.44%	29.64%	10.90%	8.80%
SVXLX Investor Class	8.93%	1.65%	8.84%	13.64%	29.85%	11.07%	8.97%
SVXCX C Share Class	7.88%	0.46%	7.44%	12.86%	28.92%	10.26%	8.17%
SVXFX I1 Share Class	8.95%	1.68%	8.88%	13.77%	29.99%	11.20%	9.10%
SVXYX Y Share Class	8.97%	1.72%	8.97%	14.00%	30.19%	11.37%	9.24%
MSCI EAFE NR INDEX	4.55%	2.95%	11.67%	18.77%	8.93%	4.39%	5.27%
MSCI ACWI EX-US NR INDEX	4.49%	2.44%	9.47%	12.72%	7.22%	3.52%	4.61%

A Shares Gross Expense Ratio 1.56% C Shares Gross Expense Ratio 2.16% I1 Shares Gross Expense Ratio 1.29% Y Shares Gross Expense Ratio 1.15% Investor Gross Expense Ratio 1.42%

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, 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.

No Stock Market for Old Men

Ultimately, they have bought into the cult of stock ownership or what we would argue is Jeremy Seigel's *Stocks for the Long Run* camp. The idea is that inflation won't affect stocks because companies can raise prices in a way bond investments can't. Therefore, you voluntarily take more risks in stocks.

Anne provided interesting stats to understand the risk level they are taking.

> *Nearly half of Vanguard 401(k) investors actively managing their money and over age 55 held more than 70% of their portfolios in stocks. In 2011, 38% did so. At Fidelity Investments, nearly four in 10 investors ages 65 to 69 hold about two-thirds or more of their portfolios in stocks.*

She went on to say, "And it isn't just baby boomers. In taxable brokerage accounts at Vanguard, one-fifth of investors 85 or older have nearly all their money in stocks, up from 16% in 2012. The same is true of almost a quarter of those ages 75 to 84."

The old adage for investors was that 100 minus your age should be your stock ownership. These folks are taking two to four times more equity risk than investors their age in the past. They are not thirty- or forty-year-old people. If you want to understand what it looks for someone to try to act younger, go see the new Indiana Jones movie, Indiana Jones and the Dial of Destiny. Harrison Ford acts in a scene where they've made him look much younger. For an action film, you find it very implausible for an actor that is in his 80s to do the stunts Mr. Ford does. You go along with it as a fan of Dr. Jones. Ford's character does almost die. Should investors fear a near-death experience in stocks as well?

Their children had their own tumult in the last three years as the meme/Reddit phenomenon played out. Millions of millennials used Robinhood and other brokerage firms to gamble in stocks, options and other wagers in security markets. They had to learn a hard lesson that stock investing is tough and few are cut out to produce large success.

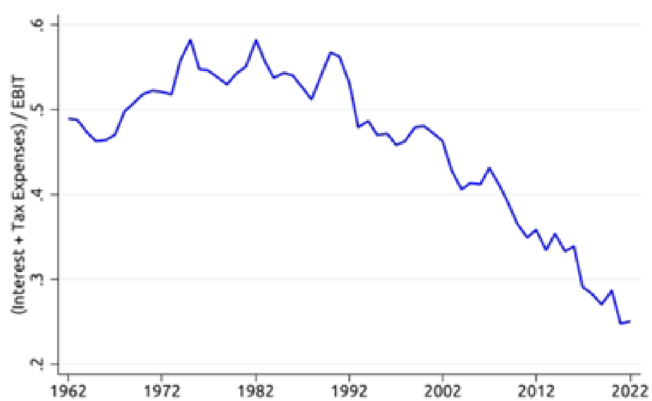
These things become self-fulfilling prophecies over shorter time periods. One baby boomer over-participates in stocks and tells their friends what they are doing. Their friends choose to practice that too and tell their other friends. This is how the over-ownership of stocks has continued among this cohort, particularly men.

We would argue this is similar to the over-ownership of stocks by this same group in the late 1990s, but they think they are taking way less risk today in the companies and the stock market they own. We find this all very damaging as these are not the people that can afford to have a big financial setback, but the stock market doesn't care. It's made to move money from weak hands to strong hands.

One way to look at the danger in the US stock market is a data point we have often shared with our investors over the last three years. It is equity ownership among US households. There is a negative relationship between household ownership and the S&P 500's forward returns. There is not much meat on the bone for the old men over-owning stocks, but they don't care as they hate bonds more.

The last point we will make is a possible longer-term issue for US common stocks. Corporate profits as a percentage of GDP have never been higher. Below is a chart looking at the total of interest and tax expenses divided by EBIT (earnings before interest and tax). The importance of this is that interest rates never get as low as they did in 2020, causing interest expense to be minimal. A massive headwind going forward in the capital structure of corporate America.

Figure 1: Interest and tax expenses as a share of EBIT



Note: Aggregate values for S&P 500 nonfinancial firms, 1962 to 2022.
Source: Compustat.

Second, the American corporate tax structure may possibly not hold the 21% corporate tax rate from the Trump tax cuts. Certain companies are already losing research and development costs that were offsetting their tax bill. This caused the tax bill to drift higher. The US government needs to find sources of funding for the stimulus it enacted during the pandemic. They might just take it from companies.

Rising interest expenses and higher corporate taxes would cause corporate profits to weaken. There is a strong correlation between corporate profits and valuation. Why are we explaining this to our fellow Smead International Value Fund investors who own non-US stocks? There may be a tailwind we haven't seen in non-US markets for a very long time as the opportunity cost of stock market investing, the S&P 500, could look significantly less attractive.

At a time when old men act young and corporations have never had it better, we would argue to sit back and allow time to take its toll. As George Gilder says, "Money is time". It's the scarcest asset in the world. It's the one thing old men should hold dearest. This fact reinforces that this is no US stock market for old men.

Fear stock market failure,

Cole Smead, CFA
Lead Portfolio Manager

Bill Smead
Co-Portfolio Manager

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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 6/30/2023: MEG Energy Corp 8.48%, Unicredit SpA 7.49%, Occidental Pete Corp Wt 7.18%, Occidental Petroleum Corp 6.60%, Cenovus Energy Inc 6.39%, West Fraser Timber 5.41%, Interfor Corp 5.29%, Frontline Plc 4.49%, Bawag Group Ag 4.44% and Porsche Auto 4.23%. 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.

Investments in securities of foreign companies involve additional risks, including less liquidity, currencyrate fluctuations, political and economic instability, differences in financial reporting standards and securities market regulation, and the imposition of foreign withholding taxes.

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