SMEAD FUNDS

Shareholder Letter

SMEAD VALUE FUND — 3RD QUARTER 2023 (9/30/2023)

Dear Shareholder

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

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Reality began to set into the stock market during the third quarter of 2023 and we were affected by it. In the third quarter, the Smead Value Fund (the Fund) declined -1.02%, while the S&P 500 Index dropped -3.27% and the Russell 1000 Value Index fell -3.17%. Our long-time owners know that we sit through corrections in our holdings despite the intra-year volatility that comes with our concentrated portfolio discipline.

Through the first nine months of the year, we had a gain of 2.10%. The S&P 500 had a gain of 13.07% and the Russell 1000 Value had a gain of 1.79%. The stock market realized markedly higher riskless US Treasury interest rates had their effect on the stock market as it began to reassert what Warren Buffett calls the "gravitational pull" on price-to-earnings ratios (P/E).

In the third quarter, our best-performing stocks were Amgen (AMGN), Ovintiv (OVV) and Occidental Petroleum (OXY). This is no surprise as oil stocks rebounded and defensive names ruled the quarter. On the downside, American Express (AXP), D.R. Horton (DHI) and Lennar (LEN) were the worst performers. Investors lost confidence in the economy as the Federal Reserve Board continued to tighten credit. Consumer-oriented companies were hit the hardest and investors decided to take profit on our home builders.

For the year to date, our home builders were the best performers despite the third quarter correction. Lennar (LEN), NVR (NVR) and D.R. Horton (DHI) hit a trifecta for us. Other than oil and gas stocks, home builders are our second largest position. On the downside, Target (TGT), Bank of America (BAC) and Pfizer (PFE) detracted the

PERFORMANCE — Average Annualized Total Returns as of September 30, 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)	-9.41%	-6.72%	-3.77%	9.44%	14.45%	9.03%	10.30%	11.34%	8.76%
SVFAX A Share Class (w/o load)	-3.88%	-1.02%	2.11%	16.12%	16.73%	10.33%	10.96%	11.78%	9.17%
SMVLX Investor Class	-3.88%	-1.02%	2.10%	16.11%	16.74%	10.36%	10.95%	11.87%	9.27%
SVFCX C Share Class	-3.94%	-1.17%	1.67%	15.44%	16.08%	10.01%	10.78%	11.75%	9.16%
SVFFX I1 Share Class	-3.86%	-0.95%	2.31%	16.42%	17.05%	10.62%	11.25%	12.14%	9.51%
SVFYX Y Share Class	-3.86%	-0.94%	2.43%	16.51%	17.17%	10.75%	11.37%	12.15%	9.53%
RUSSELL 1000 VALUE	-3.86%	-3.17%	1.79%	14.44%	11.05%	6.23%	8.45%	8.59%	6.83%
S&P 500 TR INDEX	-4.77%	-3.27%	13.07%	21.62%	10.15%	9.92%	11.91%	11.28%	9.32%

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.

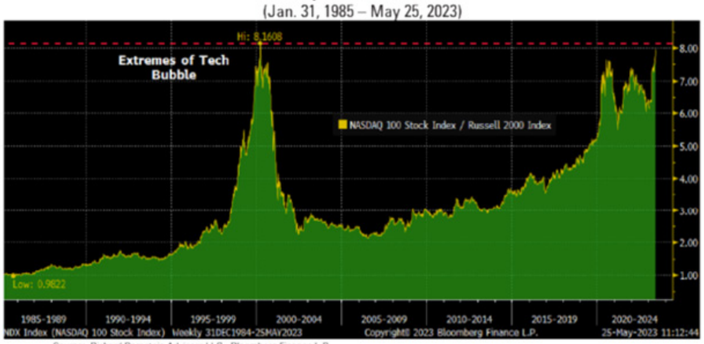
most in the first nine months of the year. Target is suffering from self-inflicted wounds by forgetting who their best customers are (Moms). Inverted yield curves are historically lousy for the banks, so the weak performance for BAC is no surprise. Pfizer (PFE) is suffering from a fall-off in Covid-19 vaccinations and we are trying to figure out what to do with it as a small holding.

In total, we ended the quarter almost exactly where we were at the start of 2022. Since we believe a bear market started in 2022, we are working on holding on to our capital until this financial euphoria episode is over.

Honesty is the Policy

If you are a regular reader or have met with us in the last couple of years, you are aware that we have a very dour view of how the US stock market will be impacted by the unwinding of the financial euphoria episode which initially peaked in late 2021. As you can see in the chart below, there has been a triple top in the NASDAQ 100 relative to the S&P 500 Index:

Nasdaq 100® vs. Russell 2000
(Jan. 31, 1985 – May 25, 2023)



Source: Richard Bernstein Advisors LLC., Bloomberg Finance L.P.

Source: Richard Bernstein Advisors, Bloomberg. Data for the time period 1/1/1985 – 5/25/2023.

In our conversations with investors, we are pointing out the "totality" of this financial euphoria episode. Due to incredibly low interest rates for a long time, we think the history books will look back at this time period as a combination of the 1636 Tulip Mania in Amsterdam and the South Sea Bubble of 1720 combined. Crypto, meme stocks, IPOs and SPACs are representative of the Tulip Mania. The popularity of the Magnificent 7 growth stocks and the addition of the artificial intelligence (AI) mania has added the 1720s growth stock mania to the party. The concentration in the S&P 500 Index among popular tech stocks is breaking all records.

2023 is setting a record for top-heavy performance in the cap-weighted S&P 500.

Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

Year	Top 10 as % of Total	S&P 500 % Perf.
2023 YTD	96.5%	11.7%
2007	78.7%	3.5%
2020	58.9%	16.3%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%
1995	22.3%	34.1%
2014	22.2%	11.4%
2004	21.1%	9.0%
2005	20.5%	3.0%
2010	19.6%	12.8%
2012	19.2%	13.4%
1997	19.1%	31.0%
2013	17.6%	29.6%
2009	15.5%	23.5%
1992	14.9%	4.5%
1993	12.2%	7.1%

Source: @jessefelder, @nateGeraci, @Todd_Sohn

Source: Cypress Capital. Data as of 9/30/2023.

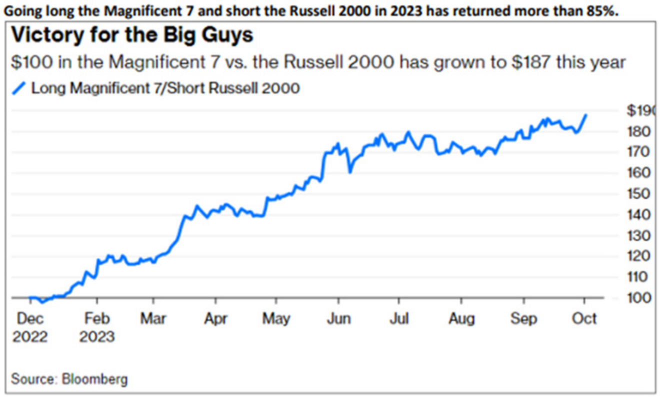
We did a presentation in March of 2009 called "Bull Market Stew." Our argument was that if you wanted to cook up a good long-term bull market in stocks there were ten ingredients you would throw into the pot.

1. One or more major Bear Market declines in the prior ten years, preferably with a decline of more than 40% and overall poor multi-year stock market performance.
2. Historically depressed stock prices, especially among the traditionally most admired companies.
3. Massive negative psychology among individual and professional investors.
4. Normally successful and admired money managers are called out on the carpet and in some ways humiliated.
5. Buy-and-hold investing is viewed as an idea that is no longer useful.
6. Seemingly unsolvable economic problems as part of a deep recession.
7. Accommodative Federal Reserve Monetary Policy and fiscally stimulative measures from the US Government.
8. The public doing 80% of New York Stock Exchange short sales
9. Cash in money market funds at record levels in relation to stock market capitalization and paying low-interest rates.
10. Very intelligent and credible economists and analysts are explaining clearly and logically how terrible things are going to be for many years.

Honesty is the Policy

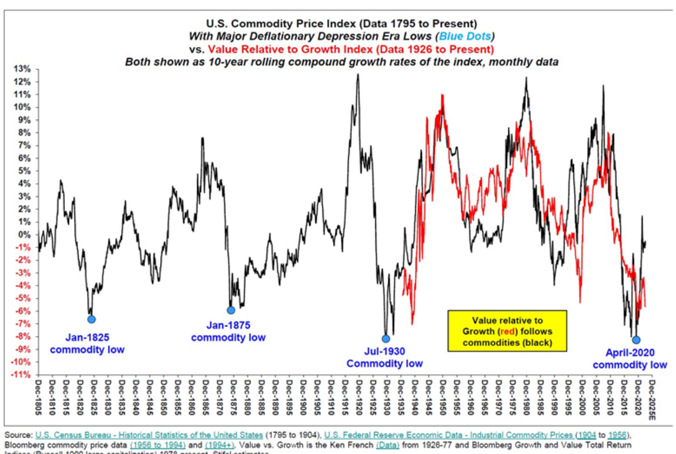
Where are we today on those ingredients? **To say we are at or nearly at the opposite extreme would be an understatement.** Here is one category that is at the opposite extreme.

Going long the Magnificent 7 and short the Russell 2000 in 2023 has returned more than 85%.



Source: Bloomberg. Data for the time period 12/31/2022 – 9/30/2023.

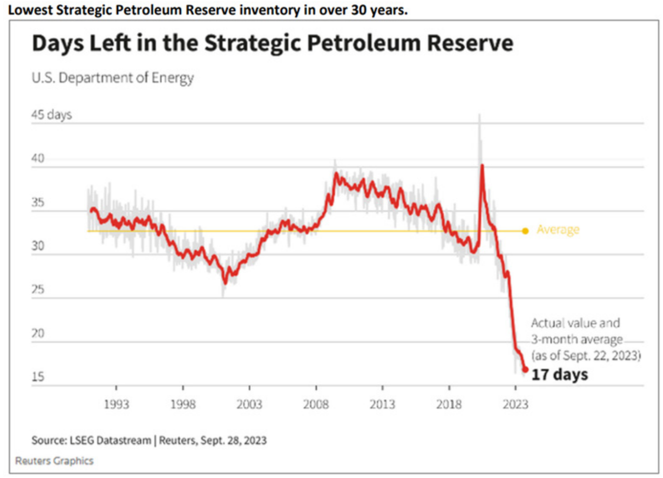
We believe this euphoria episode will end badly, but some part of the capital tied up in the episode will work its way into whatever investors gravitate toward in the future. Our job is to find good-performing stocks when it is difficult to make money. We appear to be in the early stages of a commodity super-cycle and believe there is a once-in-a-lifetime opportunity in oil and gas shares:



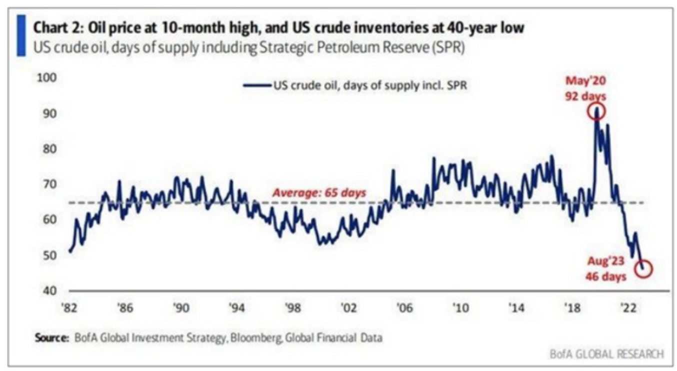
Second, oil and gas stocks have dramatically underperformed the price of oil this year and have created what we believe is an excellent short-term buying opportunity in the industry. This is exemplified by the announcement on Friday, October 6th that Exxon is in talks to buy Pioneer Natural Resources. We have made the case that with incredible political pressure to not drill for oil, that the major players in the industry that would like to extend the life of their company must drill for oil on the NYSE. We would not be shocked if in 10 years, 40% of the existing companies will have been merged into larger entities.

The two charts below show you how extreme the position that consumers and the US Federal Government have put themselves in when it comes to US crude inventories and days left in the strategic oil reserve.

Lowest Strategic Petroleum Reserve inventory in over 30 years.



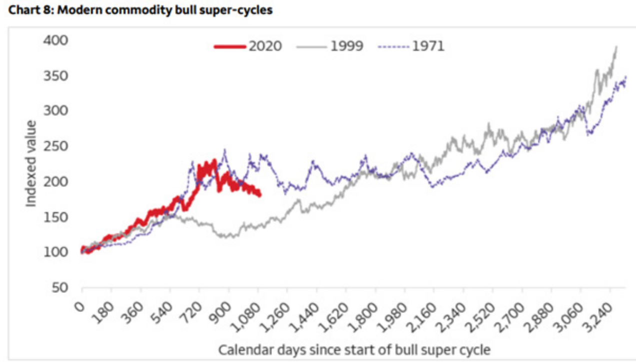
Source: BofA Global Research. Data for the time period 1/1/1982 – 12/31/2022.



Source: BofA Global Research. Data for the time period 1/1/1982 – 12/31/2022.

Third, if you are skeptical about whether inflation will cease to be a problem because of what the Federal Reserve Board has done with interest rates, look at the chart below. You can see how closely this commodity cycle appears to be tracking with the last two commodity super-cycles:

Chart 8: Modern commodity bull super-cycles



Sources: Bloomberg and Wells Fargo Investment Institute. Performance measured from October 4, 1971 – November 20, 1980; July 13, 1999 – July 2, 2008; and March 18, 2020 – March 13, 2023. Commodity performance measured by our Commodity Composite. See page 13 for Commodity Composite definition. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Source: Bloomberg and Wells Fargo Institute. Data for the time period 10/4/1971 – 3/13/2023.

Honesty is the Policy

We also see great opportunities in large-cap stocks in industries that benefit from the upcoming dominance of the Millennial age group (92 million strong). The inverted yield curve and the Fed tightening are scaring people away from economically sensitive businesses that should benefit the most from the fact that there are 40% more Millennials in the 27–42-year-old age group than the Gen Xers who preceded them. Any economic contraction that would bring interest rates down would kick in strong economic activity from this powerhouse population group.

US has built homes at a slower pace than the rest of the world.

Source: Cypress Capital. Data for the time period 1/1/1995 – 12/31/2020.

For this reason, we like home builders, financial institutions and retail-oriented companies that will feed off the Millennial move to the suburbs like D.R. Horton (DHI), American Express (AMEX) and U-Haul (UHAL). Our portfolio trades at a P/E ratio of 11.47, while the S&P 500 Index trades at 17.40 P/E based on 2024 analyst estimates. This era is providing us the opportunity to own high return-on-equity companies trading at very depressed prices relative to the average stock and at a huge discount to the shares dominating the S&P 500 Index. We thank our investors for their confidence and patience with our long-term discipline.

Fear stock market failure,

Bill Smead
Lead Portfolio Manager

Cole Smead, CFA
Co-Portfolio Manager

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 9/30/2023: Occidental Petroleum Corp. (OXY) 8.54%, Lennar Corp. Class A (LEN) 6.51%, D.R. Horton Inc (DHI) 6.00%, Merck & Co. Inc. (MRK) 5.97%, Amgen Inc. (AMGN) 5.94%, ConocoPhillips (COP) 5.56%, American Express Co. (AXP) 5.22%, Ovintiv Inc. (OVV) 5.22%, Simon Property Group Inc. (SPG) 5.03% and NVR Inc. (NVR) 4.64%. 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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