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# Smead Funds

## 1st Quarter 2026 Webcast

This material is provided for informational purposes only and should not be construed as investment advice. Forecasts and opinions reflect the personal judgments of the presenter and may not reflect those of Smead Capital Management. Statements and opinions are subject to change.

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Opinions expressed are those of Smead Capital Management, are subject to change, are not guaranteed, and should not be considered recommendations to buy or sell any security.



# Agenda

- **Performance, Characteristics and Top 10 Holdings**

Seamus Sullivan

Senior Analyst

- **Featured Stock: Lennar Corporation (LEN)**

Cole Smead, CFA

CEO & Portfolio Manager

- **Permanently Higher Plateau**

Bill Smead

Chairman & Chief Investment Officer

# Smead Value Fund

AS OF MARCH 31, 2026

## QUARTER-END PERFORMANCE

	Q1 2026	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	15 YEAR	SINCE INCEPTION (1/2/2008)
<b>SMVLX</b> Investor Share Class	8.47%	8.47%	17.55%	11.73%	9.96%	12.17%	12.96%	9.81%
<b>SVFAX</b> A Share Class (w/ load)	2.23%	2.23%	10.84%	9.59%	8.68%	11.54%	12.47%	9.37%
<b>SVFAX</b> A Share Class (w/o load)	8.47%	8.47%	17.60%	11.78%	9.98%	12.20%	12.92%	9.73%
<b>SVFCX</b> C Share Class	8.30%	8.30%	16.88%	11.07%	9.31%	11.82%	12.72%	9.62%
<b>SVFFX</b> I1 Share Class*	8.52%	8.52%	17.89%	12.06%	10.27%	12.48%	13.26%	10.07%
<b>Russell 1000 Value Index</b>	2.10%	2.10%	15.87%	14.31%	9.43%	10.58%	10.47%	8.18%
<b>S&amp;P 500 TR Index</b>	-4.33%	-4.33%	17.80%	18.32%	12.06%	14.16%	13.29%	10.72%

\*Institutional Shares were renamed I1 shares on 11/21/2014 with a new ticker SVFFX

Investor Shares Gross Expense Ratio 1.23%  
 A Shares Gross Expense Ratio 1.23%  
 I1 Shares Gross Expense Ratio 0.96%  
 C Shares Gross Expense Ratio 1.82%

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 applies a maximum Deferred Sales Charge on Class A shares only to purchases of \$1,000,000 or more that are redeemed within 18 months of purchase. Performance data does not reflect the redemption fee. 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.

Performance data is annualized for periods longer than one year. Performance data is cumulative for periods shorter than one year.



# Contributors & Detractors

AS OF MARCH 31, 2026

- **Contributors:**

- Occidental Petroleum (OXY)
- Cenovus Energy (CVE)
- APA Corp. (APA)

- **Detractors:**

- American Express (AXP)
- Qualcomm (QCOM)
- Lennar Corp. (LEN)

**Mutual fund investing involves risk. Principal loss is possible.** The securities identified above do not represent all of the securities within the Fund. Fund holdings and sector allocation and asset allocations are subject to change and are not recommendations to buy or sell any security. This information is for illustrative purposes only and should not be construed as investment advice. Attribution analysis is used to explain and analyze the Fund's performance against its benchmarks.



## PORTFOLIO ADDITIONS / DELETIONS

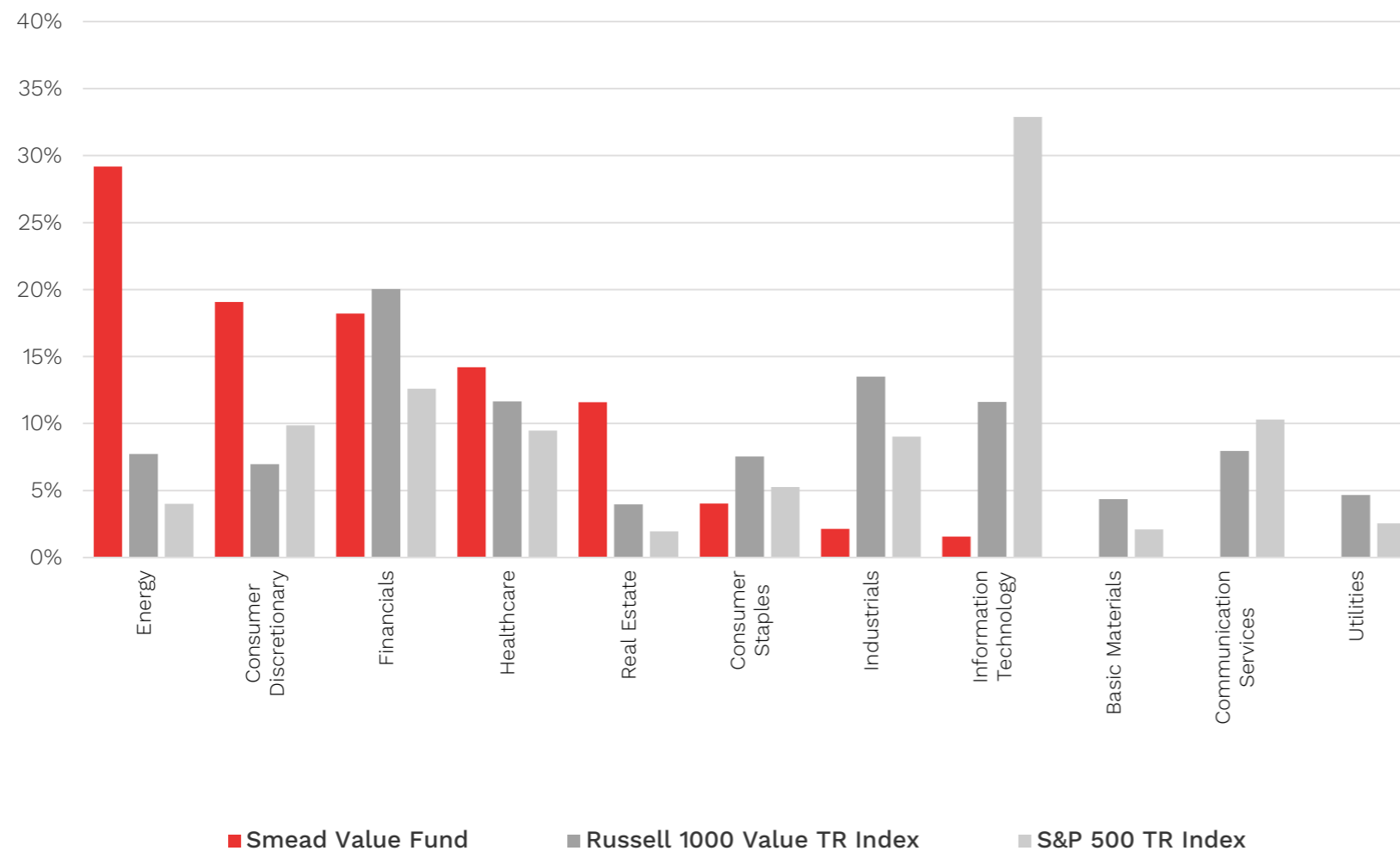
- **New positions:**
  - None
- **Adds to position weightings:**
  - Credit Acceptance Corp. (CACC)
  - UnitedHealth Group Inc. (UNH)
- **Trims to position weightings:**
  - American Express Co. (AXP)
  - JPMorgan Chase & Co. (JPM)
- **Sells:**
  - None



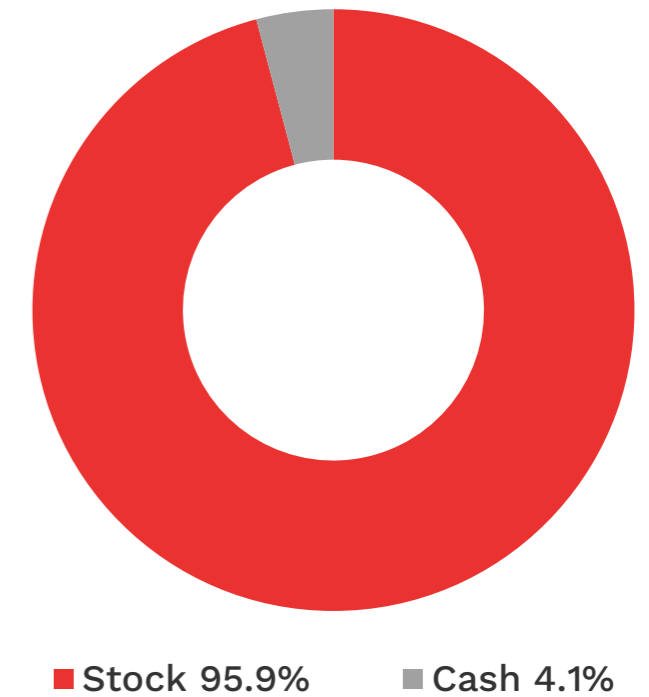
# Sector Weighting and Asset Allocation

AS OF MARCH 31, 2026

## SECTOR WEIGHTINGS



## ASSET ALLOCATION



Past performance is no guarantee of future results. Fund holdings, sector allocations and asset allocations are subject to change and are not recommendations to buy or sell any security. Sector Weightings are calculated as a percentage of net assets and exclude cash or cash equivalents. Mutual fund investing involves risk. Principal loss is possible.



# Portfolio Valuation

AS OF MARCH 31, 2026

	<b>Avg Mkt Cap (\$b)</b>	<b>P/E Trailing 4 Qtrs</b>	<b>Price/ Cash Flow</b>	<b>Revenue 5 YR Hist Growth</b>	<b>Earnings 5 YR Hist Growth</b>	<b>% of LT Debt to Capital</b>	<b>LTM Net Profit Margin</b>	<b>LTM Return on Equity</b>
Smead US Value Fund	\$117 Bn	17.6x	10.8x	13.6%	14.5%	39.7%	10.5%	14.7%
S&P 500 Index	\$1,229 Bn	25.5x	20.1x	16.3%	27.0%	34.2%	11.9%	18.9%
Russell 1000 Value Index	\$371 Bn	20.8x	16.2x	9.6%	18.0%	36.2%	9.0%	12.9%

Portfolio has only traded at this discount three times in the past decade: 2015, 2020, & 2022.

- From 2015 to 2018, the Smead Value Fund was up 30% and outperformed the benchmark by 14%.
- From 2020 to 2022, the Smead Value Fund was up 46% and outperformed the benchmark by 27%.
- From 2022 to 2023, the Smead Value Fund was up 16% and outperformed the benchmark by 13%.

**Past performance is no guarantee of future results.**

Source: Bloomberg. The benchmark quoted above is the Russell 1000 Value. The Price-to-Earnings (P/E) Ratio is the most common measure of how expensive a stock is. Price-to-Cash Flow (P/CF) is defined as a stock's capitalization divided by its cash flow. The Price-to-Book (P/B) Ratio is a stock's capitalization divided by its book value.

The volatility of the indices may be materially different from the individual performance attained by a specific investor. In addition, Adviser's/Fund's holdings may differ significantly from the securities that comprise the indices. The indices have not been selected to represent an appropriate benchmark to compare an investor's performance, but rather are disclosed to allow for comparison of the investor's performance to that of certain well-known and widely recognized indices. You cannot invest directly in an index. Please see important disclosures at the back of this presentation.



# Smead International Value Fund

AS OF MARCH 31, 2026

## QUARTER-END PERFORMANCE

	Q1 2026	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEARS	SINCE INCEPTION (1/12/2015)
<b>SVXLX</b> Investor Share Class	14.39%	14.39%	50.53%	21.48%	17.42%	13.66%	12.23%
<b>SVXAX</b> A Share Class (w/ load)	7.77%	7.77%	41.65%	18.92%	15.85%	12.82%	11.47%
<b>SVXAX</b> A Share Class (w/o load)	14.35%	14.35%	50.29%	21.29%	17.23%	13.49%	12.06%
<b>SVXCX</b> C Share Class	14.17%	14.17%	49.41%	20.57%	16.56%	12.84%	11.41%
<b>SVAFX</b> I1 Share Class	14.43%	14.43%	50.75%	21.62%	17.55%	13.81%	12.37%
<b>MSCI EAFE NR Index</b>	-1.24%	-1.24%	21.27%	13.62%	7.91%	8.38%	7.29%
<b>MSCI ACWI ex-US NR Index</b>	-0.71%	-0.71%	24.92%	14.49%	7.02%	8.38%	7.04%

\*The since inception date is that of the Predecessor Fund, which commenced operations on January 12, 2015.

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.

Investor Shares (SVXLX) Gross Expense Ratio 2.83%, A Shares (SVXAX) Gross Expense Ratio 1.47%, C Shares (SVXCX) Gross Expense Ratio 2.28%, I1 Shares (SVAFX) Gross Expense Ratio 1.20%.

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 Predecessor Fund did not have multiple share classes. The performance of each Fund share class presented below represents the performance of the Predecessor Fund as a whole restated to account for sales charges (if any) applicable to that share class. Once the Fund commences operations, the performance of each class of shares will differ as a result of different levels of fees and expenses applicable to each class of shares. Class I1 shares are not subject to any sales charges or distribution (12b-1 fees). The bar charts and the best and worst performance quarters shown below do not reflect sales charges or distribution (12b-1 fees) applicable to certain classes of Fund shares. Further, while Class I1 shares are subject to a shareholder servicing fee, some classes of Fund shares are not. Returns of different Fund share classes will differ depending on the sales charges, distribution (12b-1 fees) and/or shareholder servicing fees applicable to each class (if any). Class I1 shares fees and expenses are lower than those of Investor Class shares, Class A shares and Class C shares. As a result, the performance for the Investor Class shares, Class A shares and Class C shares would be lower than the performance shown for Class I1 shares. For the remaining two share classes - Class 12 and Class Y - because the fees and expenses for these share classes are lower than those of the Class I1 shares, the performance for the Class 12 and Class Y shares would be higher than the performance shown for Class I1.

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 June 30, 2027. This operating expense limitation agreement can be terminated only by, or with the consent of, the Board of Trustees. The net expense ratio is applicable to investors. See the prospectus for additional details.



# Contributors & Detractors

AS OF MARCH 31, 2026

- **Contributors:**

- Frontline (FRO US)
- Strathcona Resources Ltd (SCR CN)
- Cenovus Energy Inc. (CVE CN)

- **Detractors:**

- Pandora A/S (PNDORA DC)
- Barclays (BARC LN)
- Unicredit (UCG IM)

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## PORTFOLIO ADDITIONS / DELETIONS

- **New positions:**

- Autotrader Group plc (AUTO LN)
- International Petroleum Corp. (IPCO CT)

- **Adds to position weightings:**

- Burberry Group plc (BRBY LN)
- West Fraser Timber Co. Ltd. (WFG CT)

- **Trims to position weightings:**

- BAWAG Group AG (BG AV)
- Cenovus Energy Inc. (CVE CT)
- Occidental Petroleum Corp. (OXY CN)
- Pandora A/S (PNDORA DC)
- UniCredit S.p.A. (UCG IM)

- **Sells:**

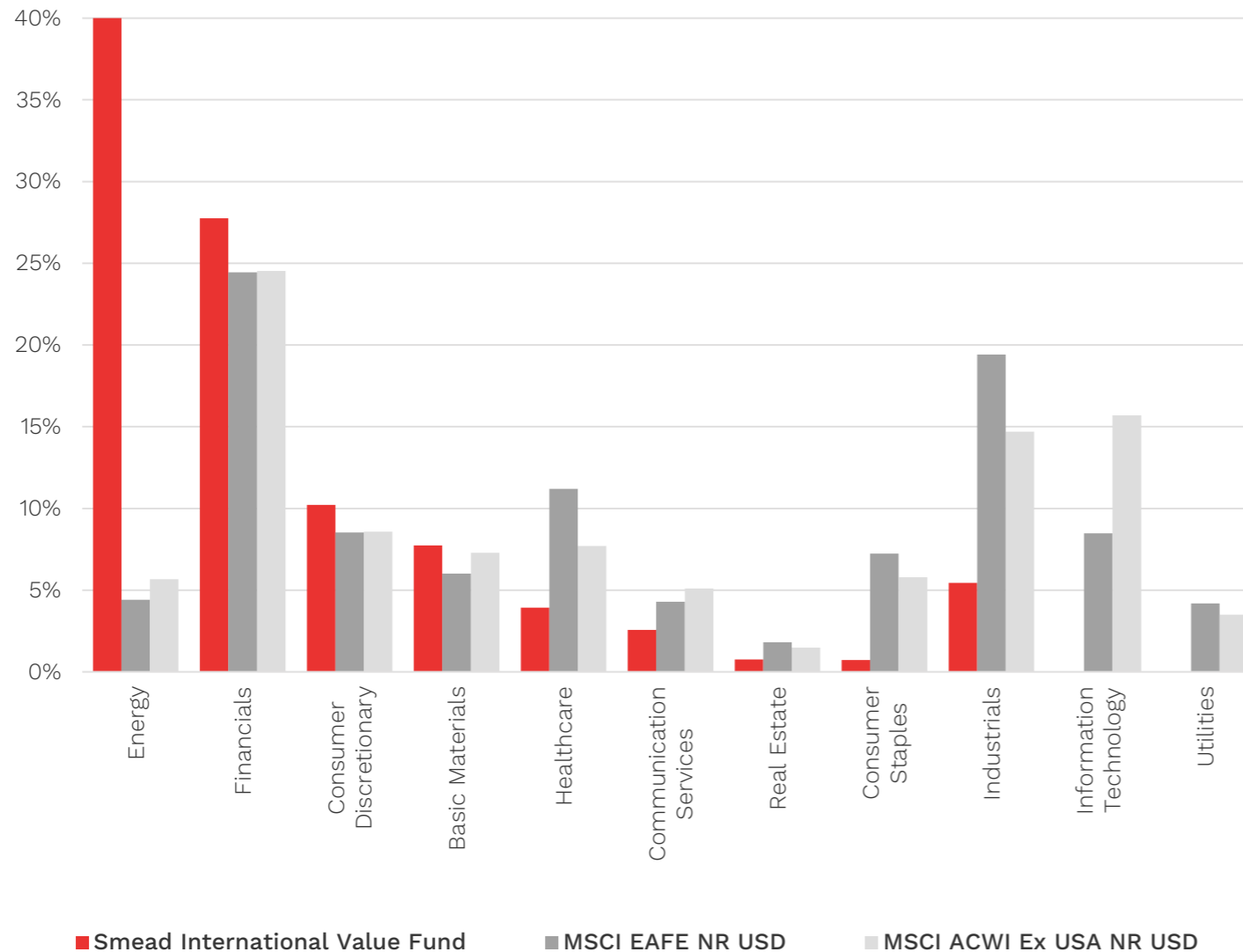
- Porsche AG (P911 GY)



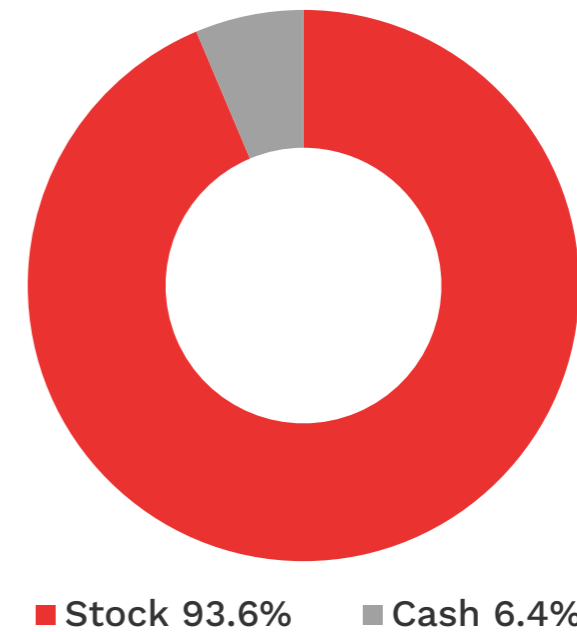
# Sector Weighting and Asset Allocation

AS OF MARCH 31, 2026

## SECTOR WEIGHTINGS



## ASSET ALLOCATION



## TOP FIVE COUNTRY WEIGHTINGS

Canada	38.14%
United Kingdom	18.85%
Austria	8.16%
Italy	7.30%
Norway	5.10%

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# Portfolio Valuation

AS OF MARCH 31, 2026

	<b>Avg Mkt Cap (\$b)</b>	<b>P/E Trailing 4 Qtrs</b>	<b>Price/ Cash Flow</b>	<b>Revenue 5 YR Hist Growth</b>	<b>Earnings 5 YR Hist Growth</b>	<b>% of LT Debt to Capital</b>	<b>LTM Net Profit Margin</b>	<b>LTM Return on Equity</b>
Smead International Value Fund	\$46 Bn	16.9x	8.3x	16.5%	24.3%	38.3%	8.0%	10.8%
MSCI EAFE	\$108 Bn	18.5x	10.3x	7.8%	18.8%	30.3%	9.0%	11.9%



P/E: Price to earnings ratio. Source: Bloomberg.

Past performance is no guarantee of future results.

# A Book With Legs

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A Book With Legs?

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# Agenda

- ✓ **Performance, Characteristics and Top 10 Holdings**

Seamus Sullivan  
Senior Analyst

- **Featured Stock: Lennar Corporation (LEN)**

Cole Smead, CFA  
CEO & Portfolio Manager

- **Permanently Higher Plateau**

Bill Smead  
Chairman & Chief Investment Officer

# Lennar Corporation (LEN)

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## OUR EIGHT CRITERIA

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Required over the entire holding period

1. Meets an economic need
2. Strong competitive advantage (wide moats or barriers to entry)
3. Long history of profitability and strong operating metrics
4. Generates high levels of free cash flow
5. Available at a low price in relation to intrinsic value

Favored, but not required

6. Management's history of shareholder friendliness
7. Strong balance sheet
8. Strong insider ownership  
(preferably with recent purchases)

**Every company we own must satisfy the required criteria. For companies that do not also meet the favored criteria, we believe these short-term conditions will be ultimately corrected or overwhelmed by the required criteria.**

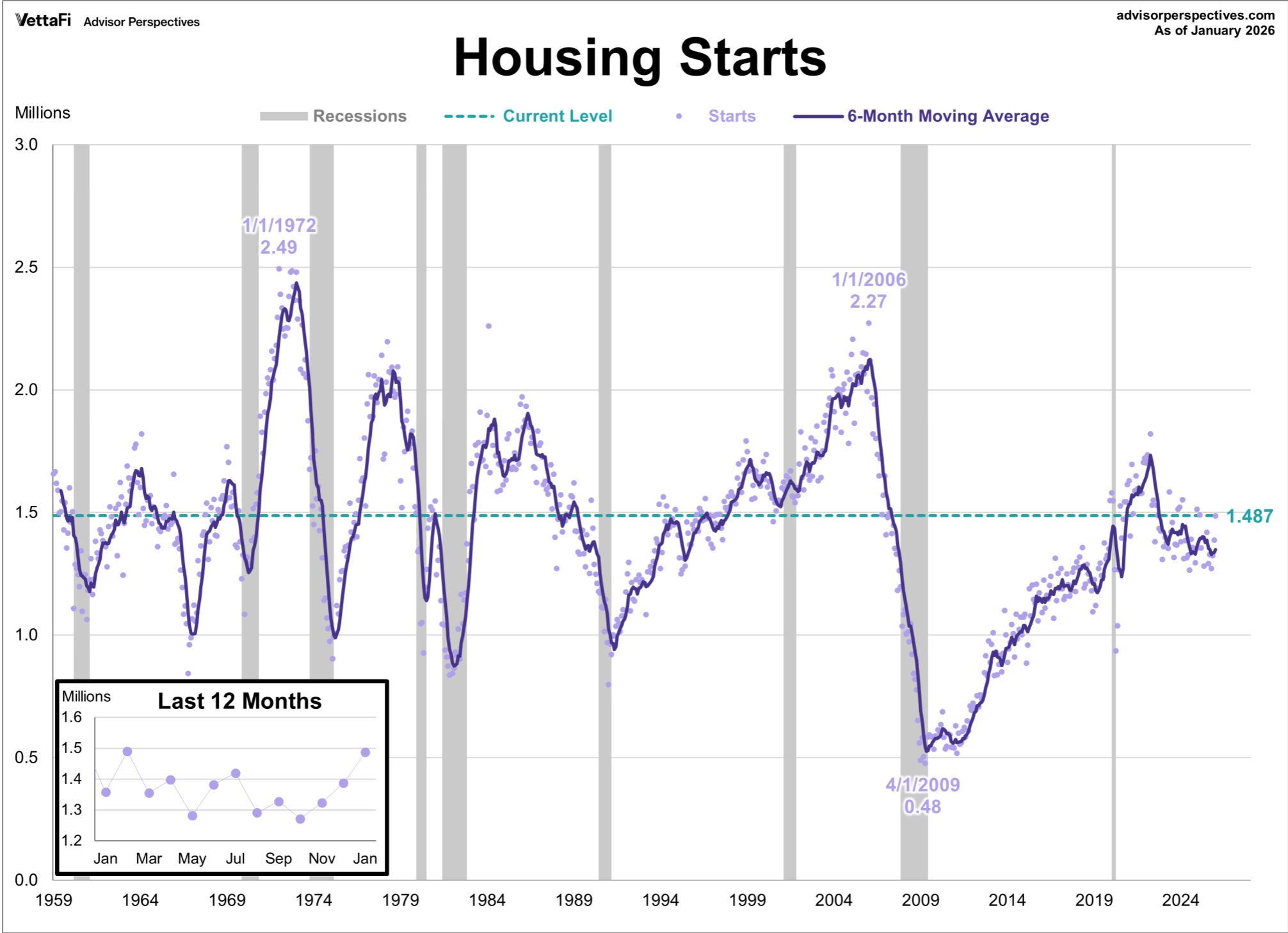


Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

**Past performance is no guarantee of future results.**

# Lennar Corporation (LEN)

## MEETS AN ECONOMIC NEED



Source: VettaFi.

Past performance is no guarantee of future results.



# Lennar Corporation (LEN)

## COMPETITIVE ADVANTAGE

Lennar Corp	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	20-YR Average
Operating Margin	11.5%	10.6%	10.4%	11.1%	14.2%	18.8%	20.1%	15.8%	13.7%	8.3%	7.7%
ROIC	6.8%	6.0%	8.1%	7.5%	9.8%	14.7%	18.7%	13.6%	11.4%	7.2%	5.4%



Source: Bloomberg, Company Website.

Past performance is no guarantee of future results.

# Lennar Corporation (LEN)

## LONG HISTORY OF PROFITABILITY & OPERATING METRICS

Lennar Corp	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	20-YR Average
Operating Margin	11.5%	10.6%	10.4%	11.1%	14.2%	18.8%	20.1%	15.8%	13.7%	8.3%	7.7%
ROIC	6.8%	6.0%	8.1%	7.5%	9.8%	14.7%	18.7%	13.6%	11.4%	7.2%	5.4%



Source: Bloomberg, Company Website.

Past performance is no guarantee of future results.

# Lennar Corporation (LEN)

## HIGH LEVELS OF FREE CASH FLOW

Lennar Corp	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	20-YR Cumulative
FCF	\$431	\$871	\$1,561	\$1,396	\$4,118	\$2,468	\$3,208	\$5,080	\$2,232	\$28	
Net Income	\$803	\$912	\$810	\$1,696	\$1,849	\$2,465	\$4,430	\$4,614	\$3,939	\$3,933	
FCF Conversion	54%	95%	193%	82%	223%	100%	72%	110%	57%	1%	82%



Source: Bloomberg, Company Website.  
Past performance is no guarantee of future results.

# Lennar Corporation (LEN)

## LOW PRICE IN RELATION TO INTRINSIC VALUE

Lennar Corp	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	20-YR Average
P/E	11.3x	16.4x	8.1x	10.5x	9.5x	8.4x	4.5x	9.0x	12.5x	17.1x	35.9x
P/IC	0.8x	1.1x	0.6x	0.7x	1.0x	1.2x	0.9x	1.4x	1.6x	1.5x	0.9x



Source: Bloomberg, Company Website.

Past performance is no guarantee of future results.

# Lennar Corporation (LEN)

## HISTORY OF SHAREHOLDER FRIENDLINESS

Lennar Corp	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	20-YR Cumulative
FCF	\$431	\$871	\$1,561	\$1,396	\$4,118	\$2,468	\$3,208	\$5,080	\$2,232	\$28	
Dividends Paid	-\$35	-\$38	-\$49	-\$51	-\$195	-\$310	-\$438	-\$431	-\$549	-\$521	
Share Repurchases	\$7	-\$24	-\$297	-\$523	-\$322	-\$1,430	-\$1,039	-\$1,183	-\$2,256	-\$1,808	
% of FCF Returned	7%	7%	22%	41%	13%	71%	46%	32%	126%	8265%	53%



Source: Bloomberg, Company Website.

Past performance is no guarantee of future results.

# Lennar Corporation (LEN)

## STRONG BALANCE SHEET

<b>Lennar Corp</b>			
Cash	\$3,756	Debt-to-Equity Ratio	20%
Total Debt	\$4,349	Debt-to-Total Capital	16%
Net Debt	\$593	Interest Coverage Ratio	8.7x
Equity	\$22,141	Net Debt-to-EBITDA	0.3x
Pension Funding Status	\$0	Credit Rating (S&P)	BBB

Source: Bloomberg. The interest coverage ratio is a financial metric that measures a company's ability to cover its interest expenses with its earnings. The net debt to EBITDA ratio is a financial metric that assesses a company's ability to pay off its debt using its earnings before interest, taxes, depreciation, and amortization (EBITDA). Bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade. To be considered an investment grade issue, the company must be rated at 'BBB' or higher by Standard and Poor's or Moody's.



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# Lennar Corporation (LEN)

## INSIDER OWNERSHIP

Named insiders own a combined economic interest in the business worth \$2.3B, the majority of which is owned by Chairman and CEO Stuart Miller, who owns 70% of the Class B supervoting shares worth \$2B.

Name	Class A Common Stock		Class B Common Stock	
	Number of Shares Beneficially Owned <sup>(1)</sup>	Percent Of Class	Number of Shares Beneficially Owned <sup>(2)</sup>	Percent Of Class
<b>Amy Banse</b>	14,788	*	0	*
<b>Diane Bessette</b>	345,818	*	7,022	*
<b>David Collins</b>	52,630	*	3,537	*
<b>Tig Gilliam</b>	34,484	*	432	*
<b>Sherrill W. Hudson</b>	35,954	*	5,650	*
<b>Jonathan M. Jaffe<sup>(4)</sup></b>	1,314,187	*	25,225	*
<b>Katherine Lee Martin</b>	59,566	*	0	*
<b>Teri P. McClure</b>	29,659	*	275	*
<b>Stuart Miller<sup>(3)</sup></b>	2,395,462	*	21,851,560	70.2%
<b>Armando Olivera</b>	19,571	*	142	*
<b>Dacona Smith</b>	3,938	*	0	*
<b>Jeffrey Sonnenfeld</b>	24,931	*	591	*
<b>Mark Sustana<sup>(5)</sup></b>	0	*	3,514	*
<b>Serena Wolfe</b>	4,008	*	0	*
<b>All current directors and executive officers as a group (12 persons)</b>	3,020,809	1.4%	21,869,209	70.3%



# Agenda

- ✓ **Performance, Characteristics and Top 10 Holdings**

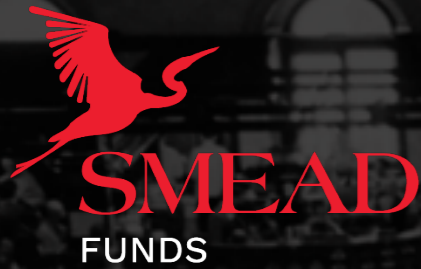
Seamus Sullivan  
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Cole Smead, CFA  
CEO & Portfolio Manager

- **Permanently Higher Plateau**

Bill Smead  
Chairman & Chief Investment Officer



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# Permanently Higher Plateau

**Presented by:**

**Bill Smead  
Chairman & Chief Investment Officer**

[www.smeadcap.com](http://www.smeadcap.com)

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# Agenda

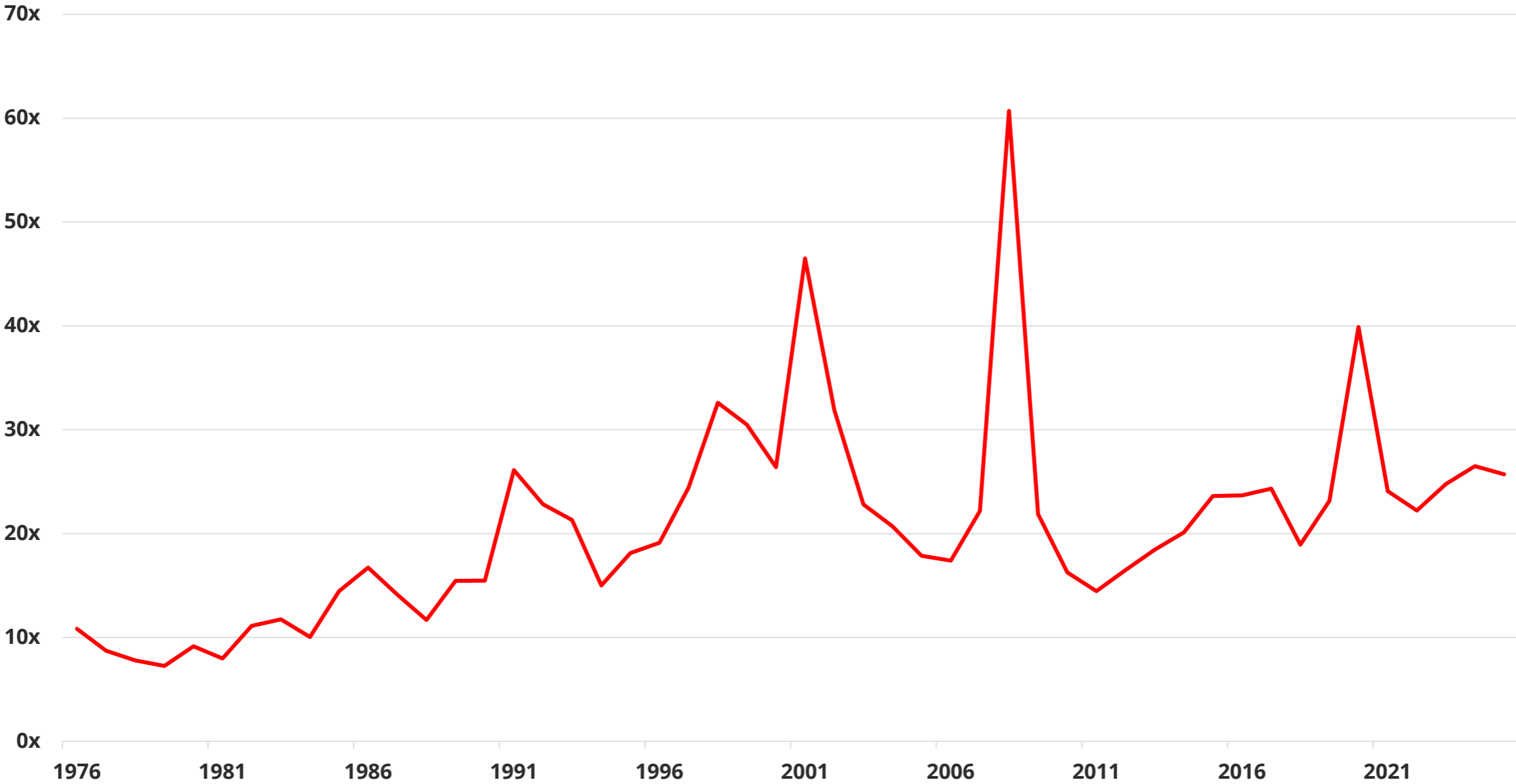
- **History of Valuations**
- **Psychology of Valuations**
- **Math of Valuations**
- **Economics of Valuations**



# History of Valuations

## VALUATIONS DRIFTING HIGHER

S&P 500 Trailing P/E Ratio, 1976-2025



Source: Birinyi Associates.

Past performance is no guarantee of future results.

# History of Valuations

## HOUSEHOLD EQUITY ALLOCATIONS

Exhibit 12 - **Households have more net worth in stocks than in Real Estate**

*US Household allocations to equities and real estate as a % of total net worth*



Source: Wells Fargo Securities, LLC, Bloomberg

\*Household equity allocation includes stocks directly held, mutual fund equity shares, and equities in insurance and pensions



# Agenda

- ✓ History of Valuations
- Psychology of Valuations
- Math of Valuations
- Economics of Valuations



# Psychology of Valuations

## SYMMETRY



Source: *Time* Magazine.  
Past performance is no guarantee of future results.

# Psychology of Valuations

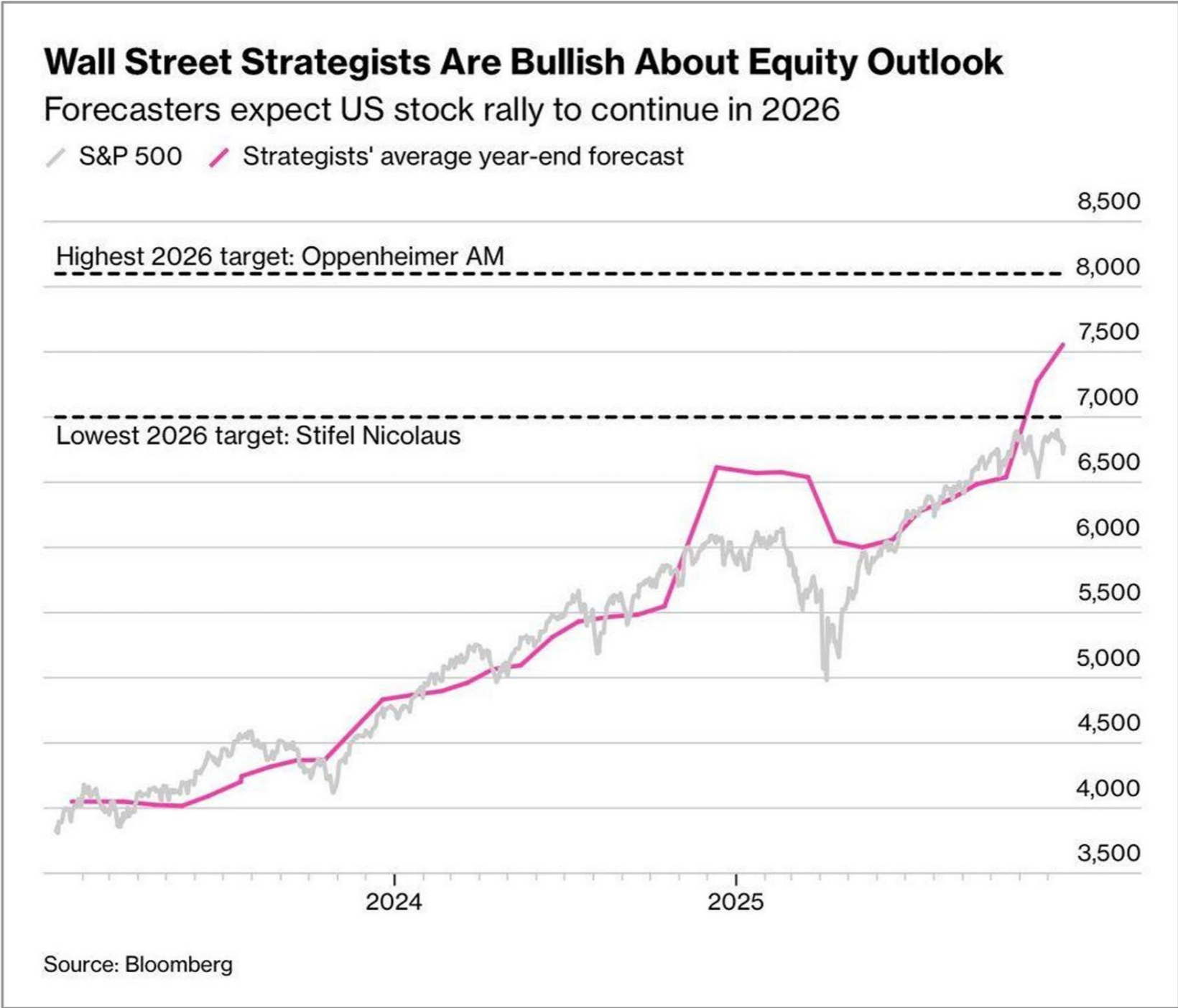
## MOMENTUM



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# Psychology of Valuations

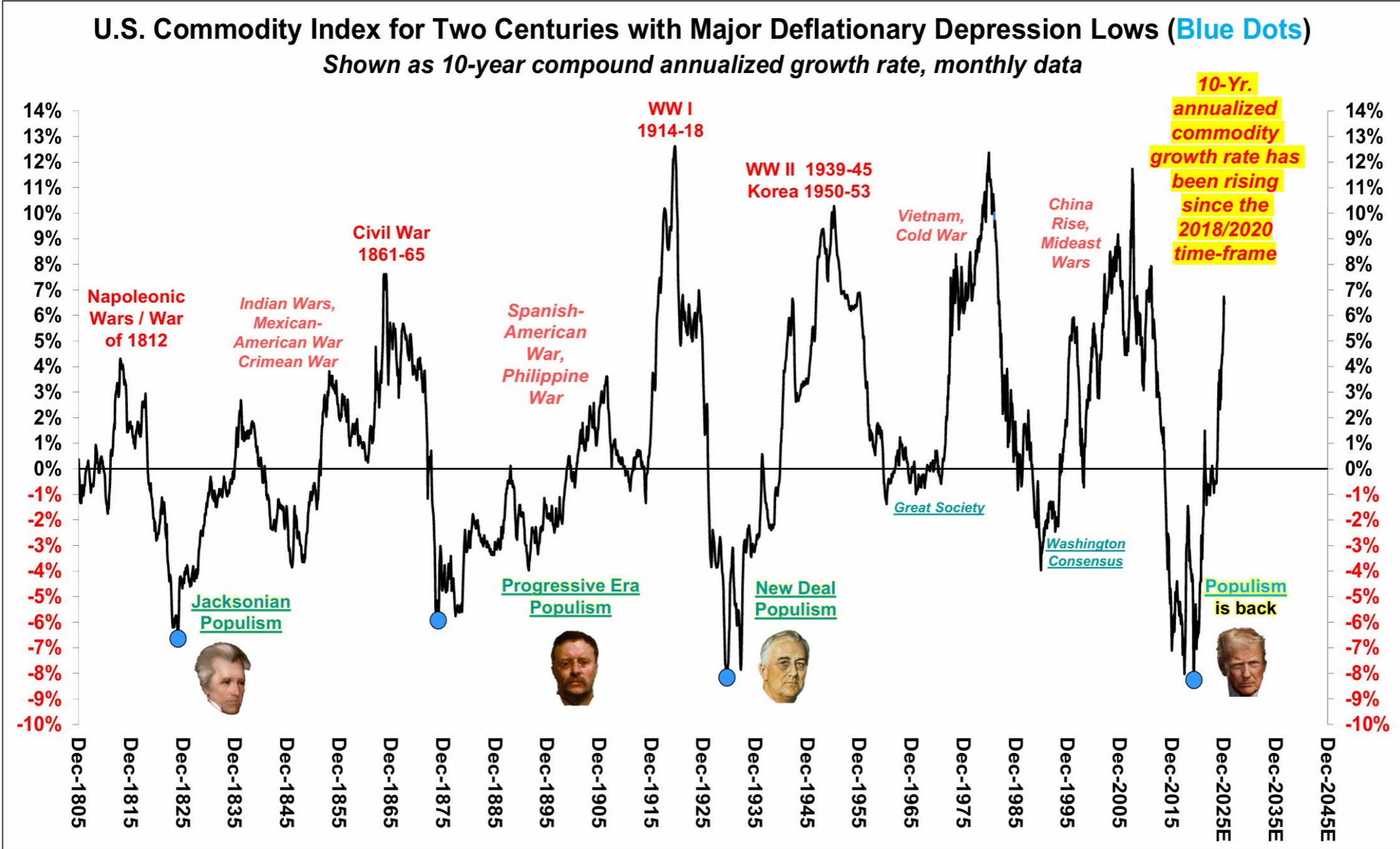
## CONSENSUS BULLISH OUTLOOK



Past performance is no guarantee of future results.

# Psychology of Valuations

## ROTATIONAL COMMODITY BULL MARKET



Source: [Census - Historical Stats of U.S.](#) (1795-1904), [Fed - Ind'l. Commodities](#) (1904-1956), FTSE/CRB (1956-94, 1994+), White House museum, Stifel Research.



Past performance is no guarantee of future results.

# Agenda

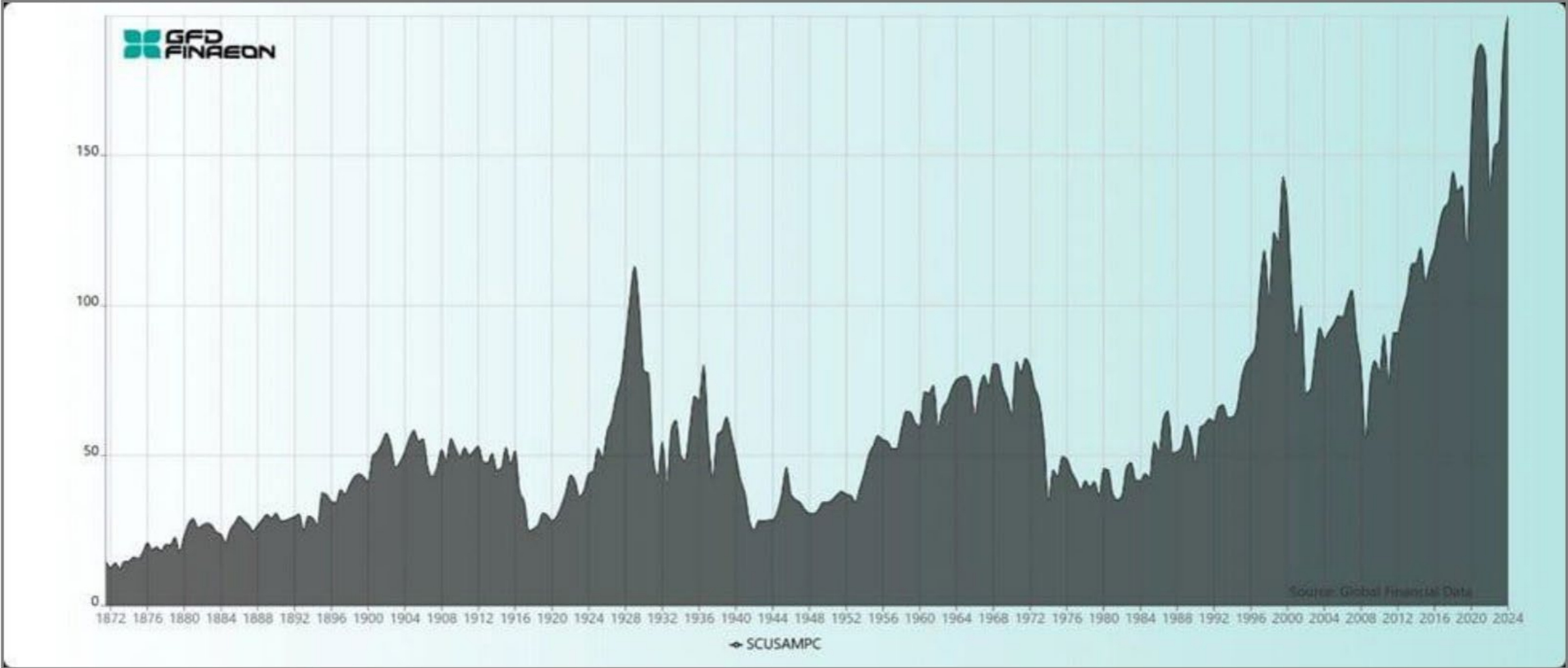
- ✓ History of Valuations
- ✓ Psychology of Valuations
- Math of Valuations
- Economics of Valuations



# The Math of Valuations

## BUFFETT INDICATOR

Buffett might be thinking: *Hold a lot of cash, I am!*



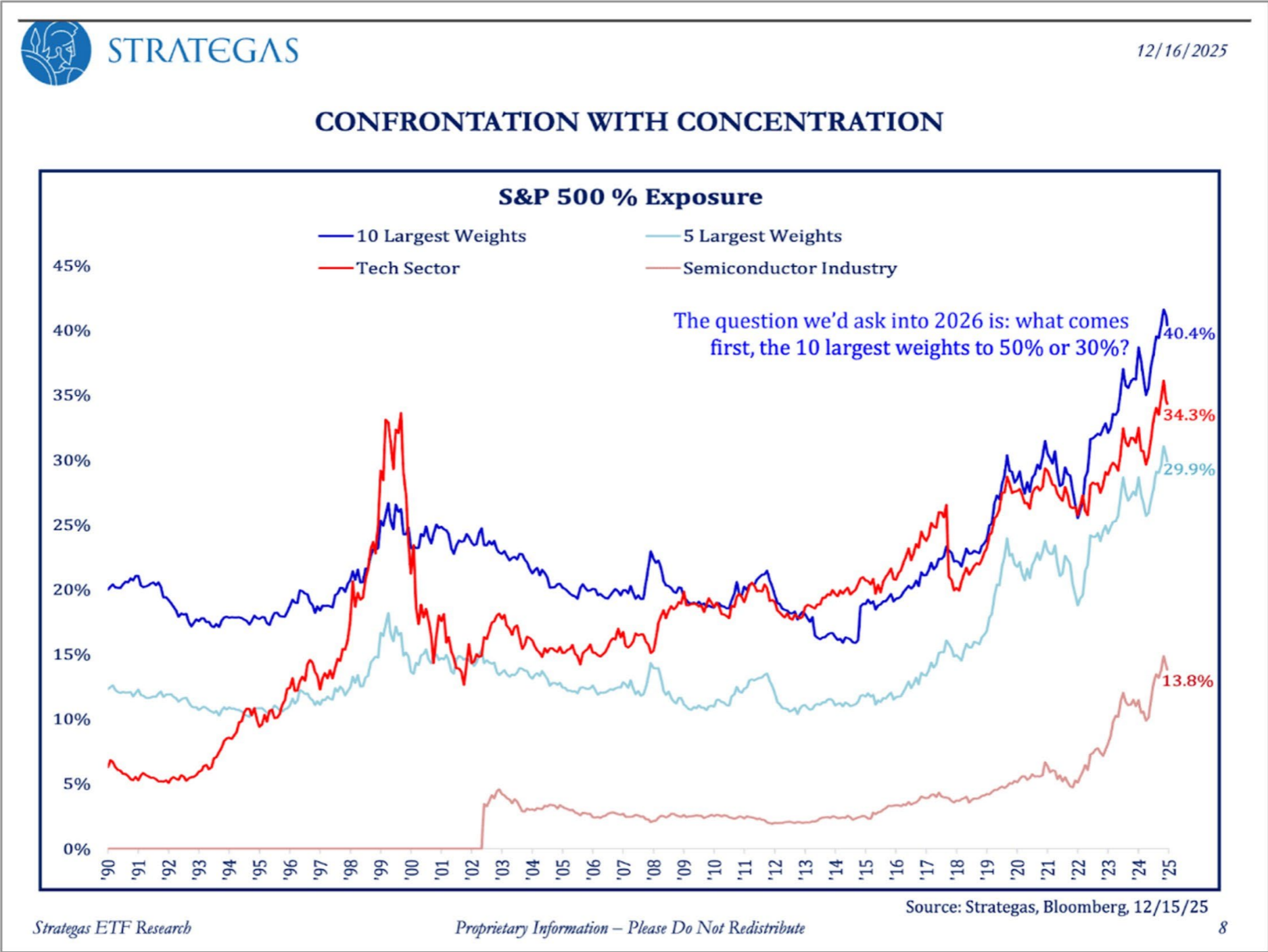
Source: Global Financial Database. Meb Faber



Past performance is no guarantee of future results.

# Math of Valuations

## CURRENT MARKET CONCENTRATION



Past performance is no guarantee of future results.

# Math of Valuations

## INVESTMENT EXCITEMENT RATIO

$$\frac{\text{Buffett Indicator} \times \text{Market Concentration}}{\text{CapEx-to-GDP}}$$

	1880s	2000s	2010s	2025
Buffett Indicator	50%	137%	96%	225%
Market Concentration	80%	29%	12%	26%
CapEx-to-Gross Domestic Product (GDP)	6.0%	1.2%	0.9%	1.2%
<b>Excitement Ratio</b>	<b>7x</b>	<b>34x</b>	<b>13x</b>	<b>48x</b>

Source: Bloomberg. Data as of 9/30/2025. The Buffett Indicator is a valuation metric that compares the total market capitalization of all publicly traded US stocks to the country's Gross Domestic Product (GDP). Proposed by Warren Buffett in 2001, it is used to assess if the market is overvalued or undervalued relative to the size of the economy.

Past performance is no guarantee of future results.



# Math of Valuations

## BERKSHIRE DURING THE LOST DECADE

### Berkshire Hathaway since May 1965

	BRK-A	S&P500 TR	Excess return pa (arith)
1960s	31.2%	4.2%	+27.0%
1970s	22.2%	5.9%	+16.4%
1980s	39.1%	17.6%	+21.5%
1990s	20.5%	18.2%	+2.3%
2000s	5.9%	-0.9%	+6.8%
2010s	13.1%	13.6%	-0.5%
2020s	13.9%	11.3%	+2.6%

(to end Aug 2023)

 wen analytics



Past performance is no guarantee of future results.

# The Math of Valuations

## THE BEST 40-YEAR LOOKBACK RETURNS OF THE S&P 500 INDEX

Year	40 Year Annualized	10 Year Forward
12/31/1998	8.07%	-3.03%
12/31/1999	8.33%	-2.72%
12/29/2000	8.12%	-0.48%
12/31/2025	9.07%	



Source: Birinyi Associates.

Past performance is no guarantee of future results.

# Agenda

- ✓ History of Valuations
- ✓ Psychology of Valuations
- ✓ Math of Valuations
- Economics of Valuations

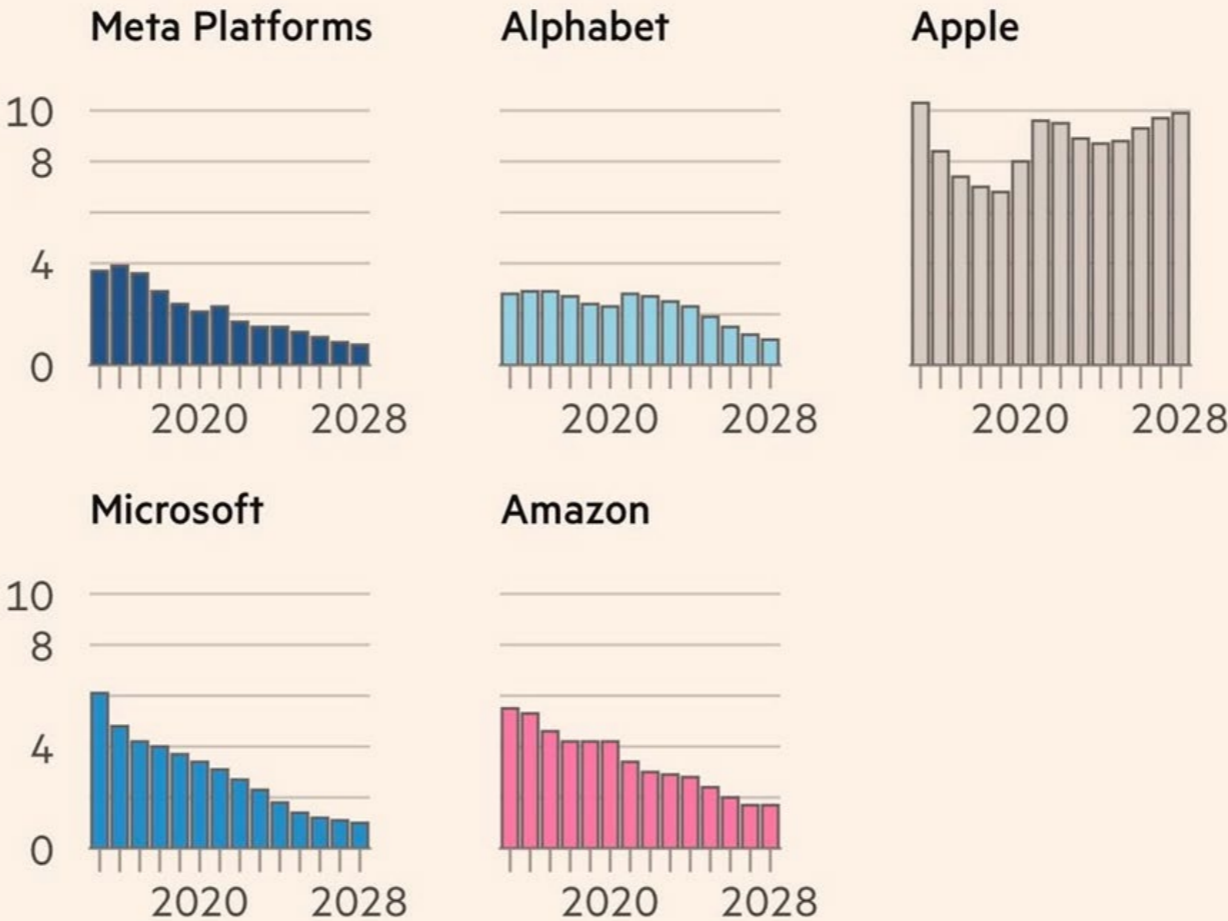


# Economics of Valuations

## RETURN ON FIXED ASSETS

Many unhappy returns

Revenue generated per dollar of fixed assets (\$)



FINANCIAL TIMES

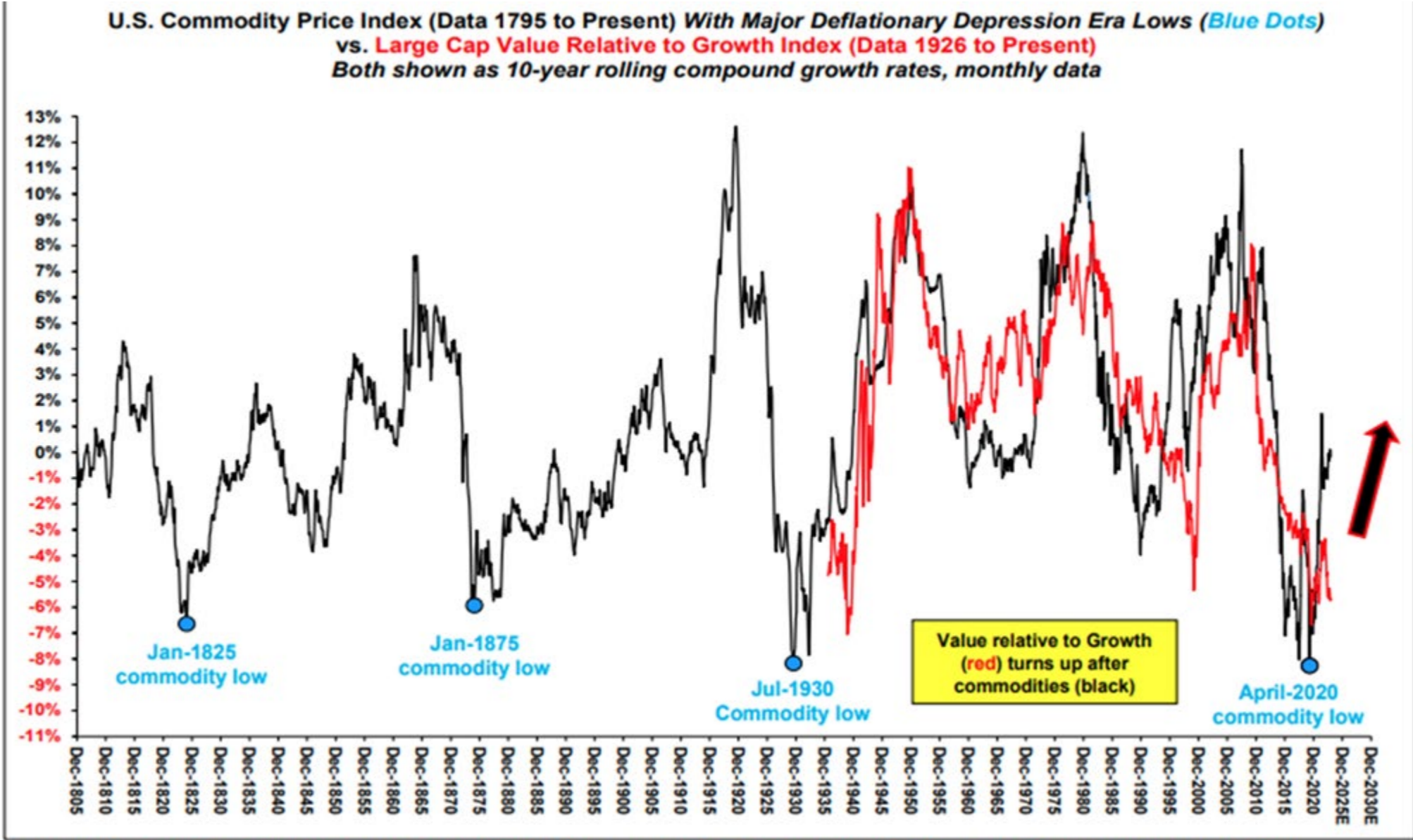
Sources: Visible Alpha, FT research • Consensus estimates for 2026 onwards



Past performance is no guarantee of future results.

# Economics of Valuations

## 220 YEAR CHART



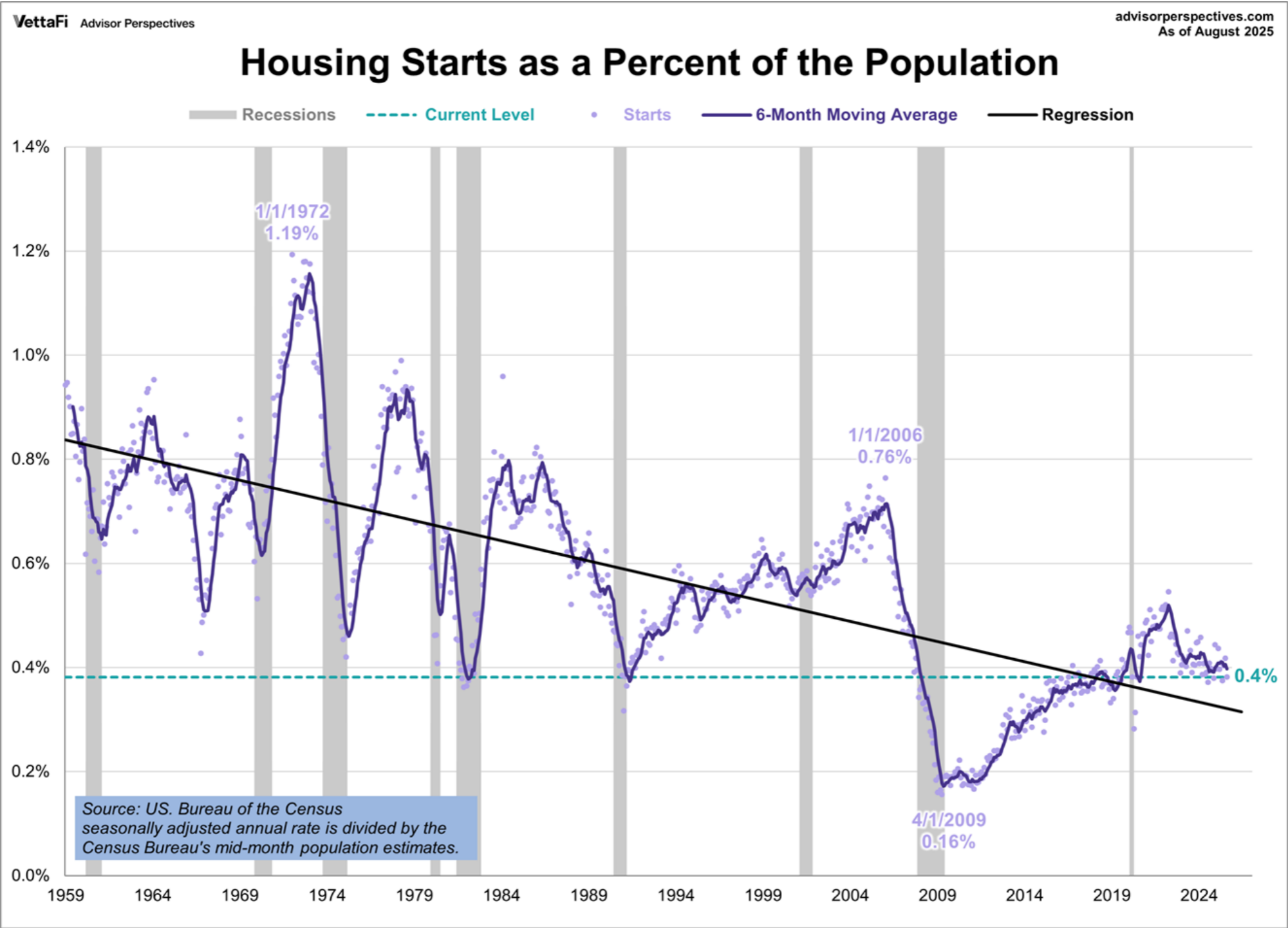
Source: [U.S. Census Bureau - Historical Statistics of the United States \(1795 to 1904\)](#), [U.S. Federal Reserve Economic Data - Industrial Commodity Prices \(1904 to 1956\)](#), Bloomberg commodity price data [\(1956 to 1994\)](#) and [\(1994+\)](#). Value vs. Growth is the Ken French [\(Data\)](#) from 1926-77 and Bloomberg Growth and Value Total Return



Past performance is no guarantee of future results.

# Economics of Valuations

## HOMEBUILDERS



Source: VettaFi.

Past performance is no guarantee of future results.

# Agenda

- ✓ History of Valuations
- ✓ Psychology of Valuations
- ✓ Math of Valuations
- ✓ Economics of Valuations





# Agenda

- ✓ **Performance, Characteristics and Top 10 Holdings**

Seamus Sullivan  
Senior Analyst

- ✓ **Featured Stock: Lennar Corporation (LEN)**

Cole Smead, CFA  
CEO & Portfolio Manager

- ✓ **Permanently Higher Plateau**

Bill Smead  
Chairman & Chief Investment Officer

# Important Information

**Arbitrage** is the concurrent purchase and sale of similar assets in different markets.

**Basis point:** A basis point is one hundredth of one percent, used chiefly in expressing differences of interest rates.

**Book Value:** A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill.

**CapEx** is a capital expenditure which is money a company uses to purchase, maintain, or expand fixed assets.

**Cash Flow:** A revenue or expense stream that changes a cash account over a given period.

**Debt/Equity:** A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity.

**Debt/Total Capital:** A company's debt-to-capital ratio or D/C ratio is the ratio of its total debt to its total capital, its debt and equity combined.

**Dividend yield** is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

**Earnings before interest, tax, depreciation and amortization (EBITDA)** is a measure of a company's operating performance.

**Earnings per share (EPS)** is the portion of a company's profit allocated to each outstanding share of common stock.

**Free Cash flow:** measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

**Free cash flow per share** is a measure of a company's financial flexibility that is determined by dividing free cash flow by the total number of shares outstanding.

**Free cash flow to sales (FCF Sales)** is a valuation ratio that measures a company's surplus cash flow against sales revenues.

**Free cash flow yield** is an overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share.

**Gross margin:** A company's total sales revenue minus its cost of goods sold (COGS), divided by total sales revenue.

**Leverage:** The relationship of debt to equity.

**Mutual Fund Portfolio Turnover:** A measure of the trading activity in the fund's portfolio of investments. In other words, how often securities are bought and sold.

**Net profit margin** is the ratio of net profits to revenues for a company or business segment.

**Nifty Fifty** refers to the 50 popular large-cap stocks on the New York Stock Exchange in the 1960s and 1970s that were widely regarded as solid buy and hold growth stocks, or "Blue-chip" stocks.

**Operating Cash Flow (OCF):** refers to the amount of cash a company generates from the revenues it brings in, excluding costs associated with long-term investment on capital items or investment in securities

**Operating margin:** a margin ratio used to measure a company's pricing strategy and operating efficiency.

**The price-to-cash-flow ratio** is the ratio of a stock's price to its cash flow per share.

**The price-to-book ratio (P/B Ratio)** is a ratio used to compare a stock's market value to its book value.

**Price/Earnings (P/E):** the ratio of a firm's closing stock price & its trailing 12 months' earnings/share.

**Price/Sales (P/S) ratio** shows how much investors are willing to pay per dollar of sales for a stock.

**Return on assets (ROA)** is an indicator of how profitable a company is relative to its total assets.

**Return on equity (ROE)** is the amount of net income returned as a percentage of shareholders equity.

**Return on total capital** is a profitability ratio that measures profit earned by a company using both its debt and equity capital

**Return on invested capital (ROIC)** is a profitability ratio. It measures the return that an investment generates for those who have provided capital, i.e. bondholders and stockholders.

**Russell 1000 Index** is an index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index, which represents about 90% of the total market capitalization of that index.

**Russell 1000 Value Index** refers to a composite of large and mid-cap companies located in the United States that also exhibit a value probability.

**S&P 500 Index:** A market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation.

**Standard deviation** is a measure of the dispersion of a set of data from its mean.

**Trailing price-to-earnings (P/E)** is a relative valuation multiple that is based on the last 12 months of actual earnings.





# Important Information

**Past performance is no guarantee of future results.**

**The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The summary and statutory 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](http://www.smeadfunds.com). Read it carefully before investing. Mutual fund investing involves risk. Principal loss is possible.**

**Mutual fund investing involves risk. Principal loss is possible.** The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the fund is more exposed to individual stock volatility than a diversified fund.

Investments in securities of foreign companies involve additional risks, including less liquidity, currency rate 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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# Questions & Answers

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