



PO Box 701
Milwaukee, WI 53201-0701

March 31, 2010

Dear Shareholder:

A Contrarian Nature: Holding Periods, Price and Duration

As the first quarter of 2010 ends we are hit by what we at the Smead Value Fund consider *watershed* news. Starbucks' announced a 10 cent quarterly dividend and significantly increased their stock buyback. US non-financial corporations are sitting on the highest of levels of cash to total assets in 35 years and cost cutting has caused free cash flow levels to gush. The populist political rhetoric and press coverage concerning executive pay lay the groundwork for executives to increase their income and shareholder income simultaneously by paying or raising dividends. Many of our companies have massive cash hordes earning little interest and generate impressive cash flow. We believe we can look for more announcements like the one from Starbucks in other companies we own.

Performance Investor Class SMVLX			
Average Annual Total Returns as of 3/31/2010			
	First Qtr 2010	1 Year	Annualized Since Inception 1/2/2008
Smead Value Fund	7.03%	52.81%	-9.18%
S&P 500	5.39%	49.77%	-6.90%
Russell 1000 Value	6.78%	53.56%	-8.55%

Gross Expense Ratio: 1.92%

Net Expense Ratio: 1.41%*

*The Adviser has contractually agreed to waive its fees and/or absorb expenses of the Fund to ensure that Total Annual Operating Expenses do not exceed 1.40% of the Fund's average net assets, through 3/31/11.

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 1-877-807-4122. Investment performance reflects fee waivers. In the absence of such waivers, total returns would be reduced.

We have had a very profitable quarter and a market beating one as well. Our consumer discretionary stocks like Nordstrom, Starbucks and Cabelas led the way. We view Ebay as a retailer and financial service company. It participated with the discretionary stocks to the upside. Our weak spot has been our telecom stocks (AT&T and Verizon). We are continually reanalyzing these names to determine if their moat in the cell phone business has been weakened or if it is merely the market not putting a premium on the consistency of their businesses.

On the longer-term perspective, Morningstar did some neat fund flow analysis recently which was picked up by a column written by Mark Hulbert on MarketWatch called, "Active vs. Passive". In it, he described how fund flows had moved toward passive or index investing among US equity funds and away from active managers in the last ten years. The amount of US equity assets which are indexed grew from 12% to 22% of the total pie. Theoretically the more that investors or their advisors index, the more likely active managers would be to gain the upper hand over passive investments in the S&P 500 Index (scarcity creates value). Unfortunately for the active managers, this was not the case as only 20% of active managers beat the market over the ten years. In the article, Hulbert concluded that all the added advantage that active managers might have received from greater passive participation was dissipated or offset by the increased portfolio activity (turnover) of stock mutual fund managers. At Smead Capital Management, we think these results and information are important to contemplate because it sheds light on what it means to be a wise contrarian investor in early 2010 and in the future.

The S&P 500 Index has obvious built-in advantages over active funds. As a benchmark it has no management fee. Therefore, throughout the year the index will gain the advantage of not paying a management fee of .50%-1.00%. The active managers automatically have to overcome this difference through better performance. Second, there are no operational costs associated with the index. In the actively managed US equity fund universe this adds up to an average of 1.31% per year including the management fee. Third, the index has very low turnover historically. This means that trading costs and bid and asked spreads do little to reduce the returns of the index. Lastly, the S&P 500 Index is a market-capitalization weighted index. It means that the S&P 500 Index holds its winners to a fault while allowing the duds (like General Motors) to run their stock price into the ground. At SCM, we believe this is one of the index's biggest built in advantages over active managers. The math is that you have the potential to make 10 times your money on a big winner, but you can never lose more than 100% of your money on a stock going bankrupt.

Academic research has shown repeatedly that long time periods allow value to get recognized in the marketplace. Eugene Fama's work on efficient markets at the University of Chicago focused on low price to book value. Others like Bauman, Conover and Miller as well as David Dreman have shown clearly that buying the lowest P/E ratio stocks has soundly beaten the market averages if measured over a ten-year or longer time frame. This shows that long durations have the potential to produce better results for both passive and active investors.

Ben Inker, research director at Grantham, Mayo and Van Otterloo (GMO), exposed what is wrong with the high level of activity and portfolio turnover at the average actively managed fund. His work shows that 75 per cent of the current intrinsic value of a stock comes from cash flows earned more than 11 years from now. Why are short term business prospects receiving most of the professional investor attention when company durational success should be their focus? Ironically, in 2009 the average holding period for a stock on the New York Stock Exchange dropped below a year for the first time in 70 plus years. Not only have fund managers been more impatient, but individual and institutional investors have been as well! On top of all this is the fact that dividends and dividend increases make up a substantial part of long-term returns produced by participating in US equity investments. The average investor doesn't stay around long enough to collect an entire year of dividend payments.

Let's put this wonderful band of players together and see what we come up with. When stocks do poorly for a decade, investors are motivated to try to compact duration or holdings periods on stocks in an attempt to gain an advantage. In the process they may cede success to the S&P 500 Index. And by being impatient and too active they may fail to take advantage of the kinds of under valuations provided by cheap stocks. We believe these advantages include dividends, dividend growth and companies with long duration business characteristics (wide moats and strong balance sheets).

It appears that good stock selection, with an eye on low PE's and long duration business characteristics could be very successful for the patient US equity fund manager. This is the opportunity that we believe lies ahead of us. It also appears to be quite contrary to the popular view and methodology of active managers in 2010. At Smead Capital Management we like where the Smead Value Fund and all of us as shareholders stack up in the coming environment.

Warm Regards,



William Smead



Tony Scherrer

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 Smead Value Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1- 877-807-4122, or visiting www.smeadfunds.com. Read it carefully before investing.

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.

As of 3/31/10 the fund held 4.9% of Starbucks, 4.0% of Nordstrom, 3.3% of Cabelas, 5.9% of Ebay, 2.1% of AT&T and 2.1% of Verizon. Fund holdings are subject to change at any time and should not be considered recommendations to buy or sell any security.

The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. 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. You cannot invest directly in an index.

The Price to Earnings (P/E) Ratio is calculated by dividing current price of the stock by the company's trailing 12 months' earnings per share. Free cash flow is revenue less operating expenses including interest expenses and maintenance capital spending. It is the discretionary cash that a company has after all expenses and is available for purposes such as dividend payments, investing back into the business or share repurchases. The Price to Book (P/B) Ratio is calculated by dividing the current price of the stock by the company's book value per share.

The Smead Value Fund is distributed by Quasar Distributors, LLC.