SMEAD Value Fund

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Statistical Outliers

Dear Shareholder:

The first quarter of 2011 was a bit of a Dr. Jekyll and Mr. Hyde in the US stock market. The nice gains of the early part of the quarter were quickly extinguished by the panic selling in the aftermath of the Japanese earthquake and tsunami. We came into the year predicting that there were two big risks this year and one of them was trouble from the Far East. However, we expected the real trouble for investors to come from the inevitable slowdown in China's economy, not from an exogenous event like the natural disaster in Japan.

We have wrestled back and forth with the S&P 500 for supremacy this quarter and finished with a gain of 4.82% versus a gain for the Russell 1000 Value at 6.46%. Our gains were led by Starbucks shares in the first two months of the quarter and dominated by the pullback across the board in the month of March. For your portfolio managers, the most disappointing thing about this correction is not that it happened. Anyone could have expected a temporary correction after such a strong move up in the second half of 2010. What has been disappointing is that the market jumped back into its high correlation trading. This is the risk on/risk off nature of the last few years where the trading of stocks on down days makes no effort to differentiate between the quality of a company's future or its economic sensitivity. Big picture economic themes are still very popular and as all popular themes ultimately do, this one will get replaced by another "well known fact" soon enough.

Performance *Investor Class SMVLX*
Average Annual Total Returns as of 03/31/2011

	First Qtr 2011	1 Year	3 Years	Annualized Since Inception 1/2/2008
Smead Value Fund	4.82%	10.06%	1.94%	-3.64%
S&P 500	*5.92%*	*15.65%*	*2.35%*	*-0.46%*
Russell 1000 Value	*6.46%*	*15.15%*	*0.60%*	*-1.82%*

Gross Expense Ratio: 1.67%
Net Expense Ratio: 1.40%*
*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 8/31/12.

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 believe the US economy is healing itself quite nicely. To track it we watch the Federal Reserve's statistics on the Household Debt Service Ratio. This tells you what percentage of household income is required to make debt service payments. It peaked around 14% at record levels in 2007 late in the year and was down to 11.75% by the end of 2010. Another year of debt reduction, saving and prudent spending could bring it below the 11% level. The last thirty years have shown that long-term, job-creating economic growth can occur from levels below 11**%.**

Portfolio management is a mixture of art and science. For us at Smead Value Fund, the art comes from intangibles and intellectual property. The science comes from accounting, economics and statistics. We would like to discuss statistics with a view toward the pendulum-like nature of investment markets. Some call this tendency of markets, "reversion to the mean". If the stock market index has averaged a price-to-earnings (PE) multiple of 15 over an extended time period, then statisticians believe it will revert to a 15 PE multiple after bouts of extreme pessimism or maniacal optimism. At the end of the first quarter of 2011, it appears to us that an above average number of asset classes, stock sectors and industry groups were trading as statistical outliers. To be a statistical outlier, in our opinion, the market or sector or industry in question must be in statistical territory in which it has spent less than 5% of the previous 30 years.

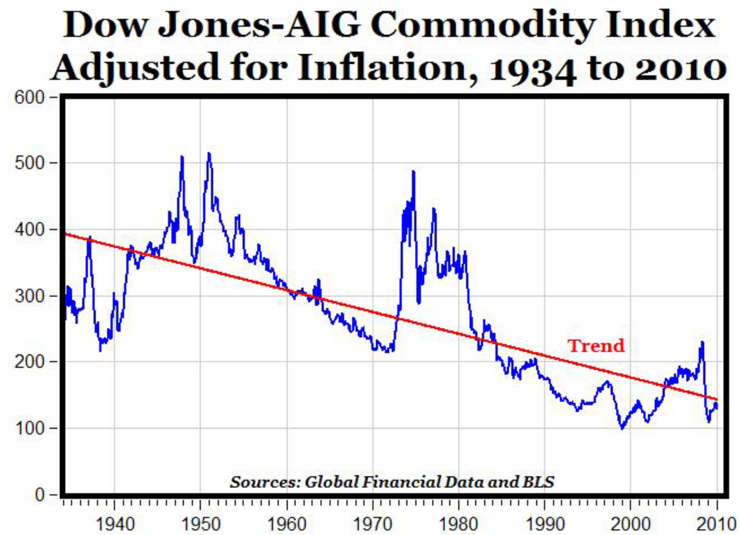
Seven Statistical Outliers

1. In the last 110 years, Treasury Bonds averaged an interest rate of 4.9%. The rate is even higher during the last 50 years. Investors poured billions into bond funds in 2009 and 2010 and the in-flows were at record levels. The current interest rate is around 3.3% on the Ten-Year Treasury Bond.

2. The US economy was the most successful "emerging market" economy in history. It grew 4.13% per year on a real basis from 1800 to 1900. It did this despite 15 recessions and four depressions and a massive Civil War which took the lives of one out of every twenty American males. These economic contractions served to clean the system of business fraud and over-leverage and promoted a healthy frugality in the US. China has embarked on elements of capitalism for 30 years and many believe will usurp the US as the largest economy in the world in the next twenty to forty years. We computed that the economy of China has grown from $189.4 billion to $4.9 trillion from 1980 to 2009. This was a nominal growth rate of 11.5%. Where are the recessions and depressions?

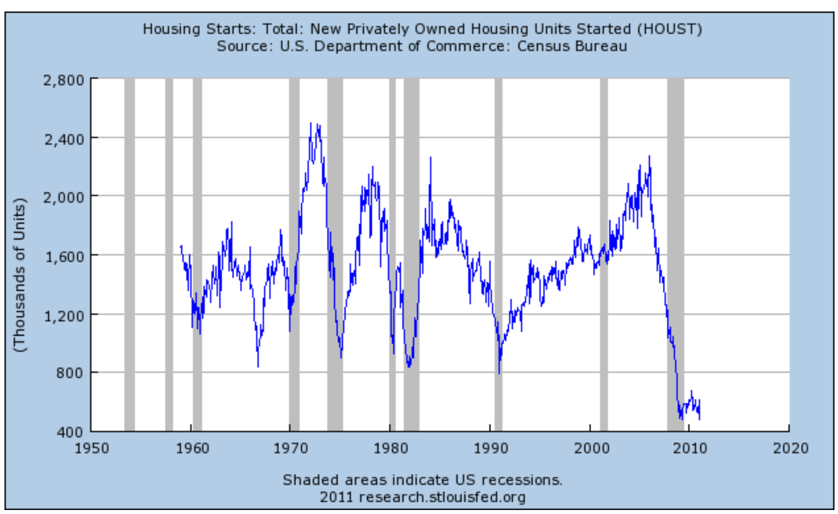
3. Bespoke Investment Research reported that Energy stocks rose more than 40% in the six month period ending Feb. 23, 2011. It was the sixth time it had happened in 70 years. Energy has dominated the S&P 500 Index from a performance standpoint since the market low in 2002. It is much like the strength in Oil stocks from 1973 to 1981.

4. The Dow Jones-AIG chart of inflation adjusted commodity prices shows that there has been a consistent downward bias to real commodity prices. There have been three counter-trend rallies in 70 years, including the one we are in.



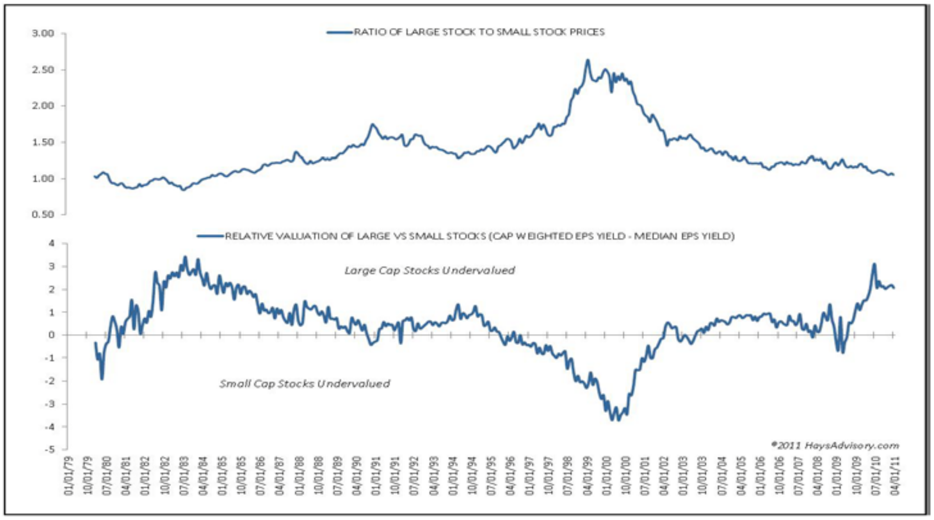
Source: mjperry.blogspot.com

5. Housing starts are the lowest they've been since 1960 as the chart below shows. Adjusted for population size this statistic appears almost off the charts low. Housing affordability tells the same kind of statistical story on a fifty-year basis as well.



Source: U.S. Department of Commerce: Census Bureau

6. The folks at Hays Advisory provided us with a chart comparing the S&P 500 Index of large-cap stocks to Russell 2000 index of smaller cap stocks going back thirty years. The last eleven years of outperformance by small-caps creates the kind of PE spread similar to the over-pricing of large cap stocks in 1999. It laid the groundwork for the current long-term outperformance by small-caps.



Source: Hays Advisory

7. Big Pharmaceutical stocks, as represented by Johnson & Johnson, Abbott Labs, Merck, Pfizer, Eli Lilly and Bristol Myers have comprised a weighting between 3.25% and 8.75% of the S&P 500 Index from 1982 through the end of 2008. These "medicine makers" have lagged the market rally since January 1, 2009 and by our calculations make up the smallest percentage of the index they've been since 1982.

If reversion to the mean occurs in the next five years, here is what we believe will happen:

1) Bond Prices will decline in the US
2) China will have a recession or depression
3) Oil stocks will perform poorly
4) Commodity prices will decline sharply
5) Housing will come back in the US
6) Large Cap US stocks would outperform small caps
7) Large Cap outperformance would be led by Big Pharmaceutical and Healthcare Company shares

We at SCM believe these things will happen and have built our portfolios using our eight proprietary criteria to avoid outlier over-popularity while investing in high quality companies in statistical outlier sectors and industries which are subject to extreme pessimism. We look forward to the remainder of 2011 and the coming decade.

Warm Regards,

William Smead
Portfolio Manager

Tony Scherrer, CFA
Co-Portfolio Manager

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 statutory and summary prospectuses contain 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 3/31/2011 the fund held 6.7% of Starbucks, 2.5% of Johnson & Johnson, 3.3% of Abbott Laboratories, 3.3% of Merck, 3.0% of Pfizer, 0.0% of Eli Lilly and 2.5% of Bristol Myers. 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. The Dow Jones AIG Commodity Index is a rolling commodities index composed of futures contracts on 19 physical commodities traded on U.S. exchanges. The index serves as a liquid and diversified benchmark for the commodities' asset class. The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. 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

P/E and Earnings Growth Rates are not a forecast of the funds future performance. Small-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies.

Correlation is a measure of the interdependence of two random variables.

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