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July 1st, 2008

Dear Fellow Shareholders:

While the media is bombarding us with negative economic news and the stock market continues to be as difficult as I've seen it in a 28-year investment career, we will use this as an opportunity to talk about why we think the fund should perform well over the longer-term.

The U.S. stock market is an anticipatory vehicle, typically looking one year ahead of where we are currently. It is made up of the shares of public companies and most of these shares are traded on either the New York Stock Exchange or on the computerized exchange called the NASDAQ. Most of the shares of common stock are owned by institutional investors like pension plans and endowments, mutual funds (owned by individuals and retirement plans), officers and directors of the public companies (Insiders) and individual U.S. Households. They own them because they are liquid and have the potential to produce better non-leveraged returns than other asset classes with either less risk (CDs, Treasury Bonds, etc.) or less liquidity (real estate, gold, commodities, alternative investments, etc.).

At Smead Capital Management, we believe we are at a historical extreme in the U.S. stock market. Institutional investors own the smallest percentage of their portfolios in U.S. common stocks as they have had since the market's low point in 1982. On June 16, 2008, we visited the University of Washington Endowment investment folks and as of our visit they had only 12% of the endowment in U.S. stocks and only 5 of that 12% was in the kind of large capitalization stocks we like to own! Although UW is an extreme example, we believe it's fair to say that U.S. Institutional Investors appear the least committed to U.S. large cap stocks as at anytime since the early 1980s.

Mutual fund investing is currently dominated by international stock and bond investments, companies which benefit from rising commodity prices like energy, basic materials and heavy industrial and bond investments whose purpose is not to succeed but to stay out of the way. To paraphrase Will Rogers, there will come a day when people will be more interested in the return of their money than in the return on their money.

Insiders generally own a good-sized chunk of their own company shares because their sales are restricted and they work at the company for long stretches of time on average. Insiders have been adding to their share ownership at prodigious rates since January of this year, the only one of our investor groups which hasn't been a net seller.

Lastly, U.S. households have only 8.8% of their net worth invested in directly owned common stock, a virtual tie with the end of 1981 and a 32-year low. If Americans continue at the pace they have been selling their stocks at over the last year, they won't own any by 2011.

Individual investment sentiment has rung up some of the lowest readings (This is a very bullish or positive sign historically) in the last 26 years and we all know that consumer sentiment is breaking

records on the downside (Another historically bullish sign).

So why are we so optimistic? It's because these circumstances are incredibly similar to what existed at the start of the best five-year stretch we've ever seen the market have back in 1982-1987.

Everything we mentioned so far was true then and here are the clinching statistics in our view. We find that when Americans prefer holding risk-less savings deposits and money market funds; it is generally prudent to buy stocks. Similarly, we believe that when they prefer stocks in a ridiculous way, it makes more sense to buy money market funds and stick money under the mattress.

Year	1972	1981	1999	2008
Total Deposits (in billions)	\$697.2	\$1,731.7	\$4,028.2	\$7,588.3
Total Directly-Held Equities (in billions)	\$921.4	\$905.2	\$9,891.7	\$4,898.3

Source: Federal Reserve Flow of Funds Report (Z-1)

This brings us to how folks did who sat through the abuse back in 1981-1982 on their investment in companies similar to what we own today in the fund. We've picked two that we own now, Disney and General Electric, to look at back then. If you bought them at the market low of 1982 and held for five years, here is how you did:

	Price on 8/12/1982 (market trough)	Price on 8/25/1987 (market peak)	~5 year Return
Disney	\$1.06	\$6.83	6.4x your money
GE	\$1.31	\$5.47	4.2x your money

From the trough on August 12, 1982 to the August 25, 1987 high, the Dow Jones Industrial Average rose from 776.92 to 2,722.42, equating to a cumulative 250% return. A hypothetical \$500,000 portfolio invested in the Dow at the market low would have grown to over \$1,750,000 during that timeframe. By the way, at the time of writing this newsletter (July 16th, 2008) GE is around \$28 and Disney is around \$30. Don't you wish you bought them back then and stayed put for 26 years?

Finally, we are over-weighted in consumer discretionary stocks (Disney, Nordstrom's, Ebay, Walmart, etc.) in the Smead Value Fund, because they bottom (historically) on low consumer sentiment. Drugs stocks are as inexpensive on an absolute basis and are as undervalued relative to the market as we've ever seen, so we are overweighting our investments in them. We own some strong financial companies because they haven't been this cheap in relation to energy and basic material producers in over 50 years.

Thank you for your continued confidence.



William Smead



Tony Scherrer, CFA

The information provided 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.

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

*Consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The Prospectus contains this and other information about the Fund and is available at [www.smeadfunds.com](http://www.smeadfunds.com) or by calling 1-877-807-4122. Read the Prospectus carefully before investing.*

The Fund Held the following percentage of assets in the securities mentioned in this letter as of 6/30/08:

Disney (DIS) 4.7%  
Nordstrom (JWN) 3.4%  
Ebay (EBAY) 4.0%  
Walmart (WMT) 3.8%

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

The Dow Jones Industrial Average is an unmanaged index of common stocks comprised of major industrial companies and assumes reinvestment of dividends. It is not possible to invest directly in an index.