



September 30, 2009

## Bond Attraction - Gross Reality

Dear Shareholders:

Marilyn Monroe was a physically beautiful woman who figured out early in her career that coloring her hair blonde would draw attention. Not only did it further her career, but it led her to make a movie called “Gentlemen Prefer Blondes”. The Portfolio Managers of the Smead Value Fund are sure that women, who are intelligent and beautiful without being blonde, are dumbfounded by the attraction men have to platinum hair. It doesn’t surprise us, however, because we have been seeing the same kind of visual and emotional attraction work in the investment markets over the last 29 years. As we look out into the future for our shareholders, we will look at one of those eye-catchers today because “Gentlemen Prefer Bonds”.

### Average Annual Total Returns as of 9/30/09

	Third Qtr 2009	YTD 2009	1 Year	Annualized Since Inception 1/2/2008
<b>Smead Value Fund</b>	18.66%	24.51%	-4.51%	-17.39%
<i>S&amp;P 500</i>	15.61%	19.26%	-6.91%	-14.41%
<i>Russell 1000 Value</i>	18.24%	14.85%	-10.62%	-16.15%

Gross Expense Ratio: 2.08%

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, for at least three years and for an indefinite period thereafter.

*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 1-800-998-3190. Investment performance reflects fee waivers. In the absence of such waivers, total returns would be reduced.*

In 1984, Treasury Bonds that matured in 5, 10 and 30 years were yielding 14% despite a trailing 12-month inflation rate of 4%. Investors had done so poorly over the prior 30 years in their bond investments that they wanted little to do with some of the best rates of return that anyone had ever seen from the least risky credit issuer in the world. Treasury interest rates had started at 2 to 3% in the early 1950’s and had risen inexorably during that 30-year period

and folks had spent that time seeing their bonds depreciate. In Smead Value Fund terms, bonds going down in price became a “Well Known Fact”. Everyone knew that bond prices went down over the prior twenty years and everyone had acted on their belief.

We have now reversed the interest rates and the circumstance. As of this writing, the 5, 10 and 30-year Treasury Bonds pay 2.42%, 3.44% and 4.19%, respectively. As interest rates have fallen, investors have basked in years of profits as bond prices have risen. One of the most popular money managers of today and the most respected in many ways is Bill Gross. He runs the largest bond fund, PIMCO Total Return, and his company dominates bond investing. They run such large amounts of money that they can move the markets all by themselves, much like Warren Buffett’s new stock purchases moved investors in the 1980’s and 1990’s. His monthly letter is anticipated and widely disseminated when it hits the internet at the beginning of each month. Bill Gross and Pimco are to bonds what Marilyn Monroe was to movie goers in the 1950’s and early 1960’s. Mark Hulbert, a long time follower of investment advisors and newsletter writers, pointed out that investors had put net inflows of \$214 billion into bond mutual funds since the beginning of March 2009 and just \$10.5 billion into equity mutual funds as of September 18 of 2009. This is despite the fact the stock markets have had one of their best six-month runs in over 60 years!

Therefore, we believe that the Bull Market in U.S. stocks, which started in March of 2009, could last until stocks attain some of the popularity that bonds have received. Our fund has performed quite well despite the fact that we are over-weighted in two of the three worst performing sectors of the S & P 500 index (Telecom and Healthcare/Drugs). When the individual investors who have been scared out of stocks slowly return to equity mutual funds, we can envision a great deal of interest in companies which fit our Eight Criteria. Many thanks for your capital, patience and trust.

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. [Click here for a prospectus](#). 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.**

## *Smead Value Fund*

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.

References to other mutual funds should not to be interpreted as an offer of these securities.

Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

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