



PO Box 701
Milwaukee, WI 53201-0701

This Diamond Ring

Dear Shareholder:

If you like a good thrill ride 2011 may have been one of your favorite years. The volatility and high correlations among S&P 500 sectors and stocks reminded us a little of the Keystone Cops. After everything was said and done, the Smead Value Fund ended with a return for the one year period ending 12/31/2011 of 4.67% versus 2.11% for the S&P 500 Index and a return of 0.39% for the Russell 1000 Value Index (our large cap value benchmark).

Performance <i>Investor Class SMVLX</i> Average Annual Total Returns as of 12/31/2011				
	Fourth Qtr 2011	1 Year	3 Years	Annualized Since Inception 1/2/2008
Smead Value Fund	14.19%	4.67 %	15.45 %	-3.00 %
Russell 1000 Value	13.11%	0.39 %	11.55%	-2.91 %
S&P 500	11.82 %	2.11 %	14.11 %	-1.28 %

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.

On October 10th of 2011, stock correlations in the S&P 500 Index hit a 25-year high at 86%. This is higher than in the 1987 crash or the big declines of 2008. Therefore, it is statistically likely that correlations will subside and those who oversee wealth will be forced to consider which stocks to own rather than just which direction markets are heading. We are a stock picking organization first and foremost and we relish the idea that statistical reversion could be a huge wind behind our back over the next five years.

Since we mentioned statistical reversion, let's be reminded that commodities, as measured by the PPI for All Commodities from 1795 – 1956 and the CRB Futures Index from 1957 – Present, have never done better in 205 years, over the prior ten years, than in the ten years ended May of 2011. This comes within two years of US stocks hitting historical lows on horrendous performance on a ten-year look back. For this reason and for reasons associated with our proprietary eight criteria for selecting stocks, we are avoiding energy, basic material and heavy industrial stocks. We are over-weighted consumer discretionary, healthcare and financial service stocks.

Our best performing stocks were Starbucks (SBUX), H&R Block (HRB), Bristol Myers (BMY) and McDonalds (MCD). The US consumer is obviously not dead if this list is true. Financial stocks dominated our worst performers. The negative price performance list was dominated by Goldman Sachs (GS), Bank of New York/Mellon (BK) and Aflac (AFL). Aflac was a big winner last year, but financials are now deeply out of favor. We have used the weakness in financial stock prices to add to our positions.

Lastly, we would be remiss to not mention that as of this writing 22 of our 27 companies raised their dividend this year. These dividend increases caused the dividend on our overall portfolio to be up 26% year over year. We are very pleased because we feel that the dividend growth over the next ten years should be a big driver of stock appreciation, especially among baby boomer stockholders.

Gary Lewis and the Playboys had a huge hit record in 1965 with the song, "This Diamond Ring". We believe that the lyrics are analogous to the most important thing that is currently happening in the stock, bond and commodity markets around the world. The diamond ring we are referring to is the belief in the emerging market secular growth story. In our opinion, how that story plays out will determine who wins and who loses in the stock market as we look out to the year 2012.

*Who wants to buy this diamond ring?
She took it off her finger, now it doesn't mean a thing
This diamond ring doesn't shine for me anymore
And this diamond ring doesn't mean what it meant before
So if you've got someone whose love is true
Let it shine for you*

In 1999, when US common stocks were the most popular asset class in the world and technology stock interest triggered a huge bubble, most other asset classes were very cheap. Everything from energy, gold, small caps, emerging markets, bonds (both domestic and international) and soft commodities were starved for capital. The diamond ring that people wore was a belief that technology had taken us into a "new era". The diamond ring needed on their finger in 1999 was the belief that China and other first tier emerging markets would grow in an immense and uninterrupted way for the next 12 years. This ring would have led investors to a serious overweighting in energy, basic materials and heavy industrial companies, which fed off of the massive infrastructure build out which occurs when an emerging market catches fire. The diamond ring shined.

Unfortunately, this diamond ring looks as if it is being taken off of the finger of worldwide investors. China's internal stock market, the Shanghai Composite Index, has been in a vicious bear market since early October 2007 as it has lost 60% of its peak value through year-end 2011. Long after that decline was evident, American and international investors got sucked into buying US listed shares of Chinese companies via initial public offerings at exorbitant prices. These mostly high tech offerings spent 2011 separating investors from part of their net worth. We specifically mentioned that risk in December of 2010 in a missive called Dang Dang!

Oil prices peaked in 2008 at around \$145 per barrel and commodity market participants have used an unusually large amount of effort to attempt to keep prices up while they still had the diamond ring on. The US appears now to be a net exporter of oil products; is using a great deal less gasoline than we used to and has an amazing number of companies poking holes to crack, frack and pump major amounts of new oil and gas. We believe that when the growing set of middle class drivers in China are disrupted by the fact that "this diamond ring doesn't shine for me anymore", oil prices may be in for a heap of trouble.

Soft commodities, such as coffee and wheat, whose most expensive input cost is energy and transportation, have been peaking in the last twelve months as the ring has been "taken off our finger". When China goes into a recession, we believe they won't be able to afford to buy as much exported grain or pork or cotton. The visions of secular and uninterrupted growth likely "won't mean a thing".

We have explained for a few decades that a “well known fact” quits shining for you as an investor regardless of whether it is true or not. The most obvious example is the fact that drove the tech bubble in the late nineties. The diamond ring in the late nineties was the fact that “the internet is going to change our lives”. Those who wore that diamond ring were doomed to lose as much as 80% of their capital in the 2000-2003 bear market in the US. The sad part of that diamond ring was that it came true. Once everyone knows the “well known fact” and has acted on their belief, the diamond ring often becomes a noose around the neck of the believer! We believe we have entered that phase with the current diamond ring.

*This stone is genuine like love should be
And if your baby's truer than my baby was to me
This diamond ring can mean something beautiful
And this diamond ring can mean dreams that are coming true
And then your heart won't have to break like mine did
If there's love behind it*

There is no rule that says to stay away from diamond rings. When it comes to investing it can be very profitable to be early and have a vision of what the dominant trend of the next ten years could be. With all the computers, information and very smart people out there today, we believe that is it easier to concentrate on what to stay away from and stick to a diamond ring that is much more “genuine” and is “truer” from a historical standpoint. History has proven that the ownership of high- quality large-cap common stocks of a more non-cyclical variety have proven over many decades to produce above average returns as compared to other areas of the stock market.¹

We feel this is especially true now. While commodities have never done better over ten years than they did the last ten year, large cap non-cyclical stocks have rarely done worse than they have done since 2000. We are avoiding anything commodity and BRIC (Brazil Russia India China) trade related. As of 12/31/2011, our companies trade at discounts to the average US stock, as measured by the S&P 500 Index and a huge discount to small cap stocks, as measured by the Russell 2000 Index. The dividend growth has been exploding as the executives and board members running large companies realize that stock prices could well be driven by dividend increases the next ten years. Baby boomers in the developed world own most of the money and they want income.

We believe that owning a diverse portfolio of wonderful companies over a longer period of time helps reduce the risk of “your heart having to break”. A very old and stale “well known fact” like the secular growth story in emerging markets (led by China) is, in our view, a “diamond ring” that needs to be taken off and moved to investments that are more likely to return the affection. “Who wants to buy this diamond ring?”

Thank you for your ongoing confidence and trust in our portfolio management services.

Warm Regards,



William Smead
Portfolio Manager



Tony Scherrer, CFA
Co-Portfolio Manager

¹ Source: GMO The Cash for Quality Whitepaper – March 2004

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 12/31/2011 the fund held 7.6% of Starbucks, 2.1% of H&R Block, 4.0% of Bristol Myers, 3.1% of McDonalds, 1.7% of Goldman Sachs, 1.5% of Bank of New York/Mellon, and 4.1% of Aflac. Fund holdings are subject to change at any time and should not be considered recommendations to buy or sell any security. **Current and future portfolio holdings are subject to risk.**

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 PPI Index is a weighted index of prices measured at the wholesale, or producer level. All of the physical goods-producing industries that make up the US economy are included, but imports are not. The CRB Futures Index is an un-weighted geometric average of 17 commodities such as energy, grains, industrials, livestock, precious metals and agricultures. The Shanghai Composite Index is made up of all the A-shares and B-shares that trade on the Shanghai Stock Exchange. A-shares are restricted to domestic investors, while B-shares are open to all investors. The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 US companies in the Russell 3000 Index, as ranked by market capitalization. You cannot invest directly in an index.

Correlation is the statistical measure of how two securities move in relation to each other.

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