

# Annual Report

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**November 30, 2011**

## **Investment Adviser**

**Smead Capital Management, Inc.**  
1420 Fifth Avenue  
Suite 2625  
Seattle, Washington 98101

**Phone: 877-807-4122**

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Dear Shareholders:

After two years of sizable gains in 2009 and 2010, stocks struggled between gains and losses in the last twelve months. The Smead Value Fund eked out a small gain despite numerous macro-economic headwinds and an unwillingness of US and international investors to accept the fact that China's economy is slowing significantly, in our view. For the one year period ended November 30, 2011, the Investor class shares of our Fund returned +5.19% versus a return of +7.83% for the S&P 500 Index and versus a return of +6.17% for the Russell 1000 Value Index, which we choose to compare our results with.

The biggest drag on our returns for the year ended November 30, 2011 was our investments in financial stocks. Franklin Resources, Goldman Sachs and Bank of New York/Mellon all finished significantly lower in price than they started the year. Fears about the economic problems in Europe and the ramifications of counter-party risk with European banks spooked US investors in US banks. We find this quite ironic. Our biggest bank investment, Wells Fargo, has no meaningful business outside the US. We have used the weakness in our financial stocks to add to our positions. Over-weighting financial stocks in 2011 became a career risk for money managers of US equity funds. Our experience tells us that when managers are being ridiculed for owning fine companies due to stock price declines, it is time to increase our weighting.

This year's report is similar to the 2009 report in that Starbucks, Nordstrom and EBay were among our best performing stocks. These companies all play to US consumers and are seeing sizable sales growth. We believe most investors around the world are underestimating the improvement that US households have made in their income statements as evidenced by the Federal Reserve Board's Household Debt Service Ratio. We believe there is massive pent up demand for products, services and experiences which were postponed in 2008-2011 to repair balance sheets and income statements.

### **Bifurcation**

Our Fund is positioned for what we like to call a bifurcated environment going forward. We believe the slowdown in China will become more obvious and commodity markets will begin to reflect dramatically lower prices during 2012. This will likely serve as an economic growth catalyst to the US and should be a big downer for emerging market and BRIC-trade oriented cyclical stock investments. This means the potential for underperformance for energy, basic material and heavy industrial stocks. Therefore, we see a portion of S&P 500 sectors in a bear market in 2012, while the remaining sectors may enjoy more sales, confidence and higher profit margins. We own no companies in the sectors mentioned.

We believe this will break the high correlations which have existed the last three years among stock sectors and force money managers to focus on which companies to own rather than betting on the market's direction. Once the marketplace begins to reward stock picking, most of today's participants could be at a huge disadvantage, because the last ten years performance and adulation has mostly been about market timing.

Warmest Regards,

**SMEAD CAPITAL MANAGEMENT**

Please see the following page for important information.

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 individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund.**

Fund holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. Please refer to the Schedule of Investments in this report for a complete list of fund holdings. 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 those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.

# SMEAD VALUE FUND

## Expense Example

(Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, and (2) ongoing costs, including advisory fees, distribution fees and other fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund, and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (6/1/11 - 11/30/11).

### Actual Expenses

The first line of the following table provides information about actual account values and actual expenses. In addition, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Fund's transfer agent. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of ETFs or other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the example. The example includes, but is not limited to, advisory fees, fund administration and accounting, custody and transfer agent fees. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

**SMEAD VALUE FUND**  
**Expense Example (Continued)**

(Unaudited)

	<b>Investor Class</b>		
	<b>Beginning Account Value June 1, 2011</b>	<b>Ending Account Value November 30, 2011</b>	<b>Expenses Paid During Period June 1, 2011 - November 30, 2011*</b>
Actual . . . . .	\$1,000.00	\$ 946.40	\$6.83
Hypothetical (5% return before expenses) . . . . .	\$1,000.00	\$1,018.05	\$7.08

\* Expenses are equal to the Fund's annualized expense ratio of 1.40%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

	<b>Institutional Class</b>		
	<b>Beginning Account Value June 1, 2011</b>	<b>Ending Account Value November 30, 2011</b>	<b>Expenses Paid During Period June 1, 2011 - November 30, 2011*</b>
Actual . . . . .	\$1,000.00	\$ 947.30	\$5.61
Hypothetical (5% return before expenses) . . . . .	\$1,000.00	\$1,019.30	\$5.82

\* Expenses are equal to the Fund's annualized expense ratio of 1.15%, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

# SMEAD VALUE FUND

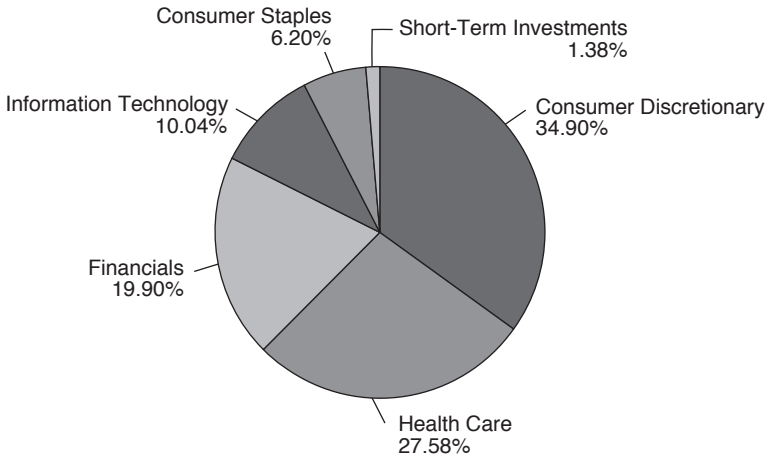
## Investment Highlights

(Unaudited)

The Fund will seek long-term capital appreciation through concentrated positions. Therefore, the Fund will maintain approximately 25-30 companies in its portfolio. The Fund will invest in U.S. large capitalization companies through ownership of common stock.

### Sector Breakdown

(% of Investments)



*Continued*

# SMEAD VALUE FUND

## Investment Highlights (Continued)

(Unaudited)

### Average Annual Total Returns as of November 30, 2011

	One Year	Three Years	Since Inception (1/2/2008)
Investor Class Shares .....	5.19%	14.70%	(4.09)%
S&P 500 Index (Total Return) .....	7.83%	14.13%	(1.57)%
Russell 1000 Value Index .....	6.17%	11.32%	(3.47)%

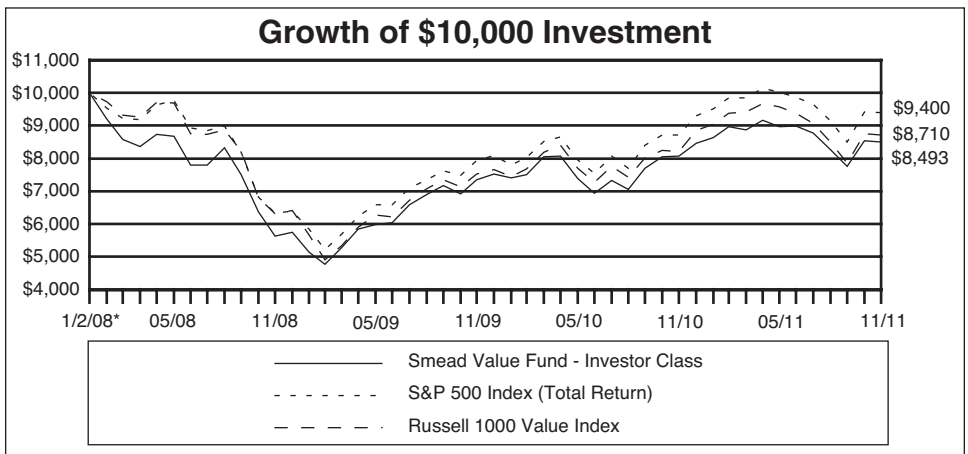
**Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 877-807-4122.**

Investment performance reflects fee waivers in effect. In the absence of such waivers, total returns would be reduced.

The returns shown assume reinvestment of Fund distributions and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The following graph illustrates performance of a hypothetical investment made in the Fund and a broad-based securities index on the Fund's inception date. The graph does not reflect any future performance.

The S&P 500 Index includes 500 common stocks, most of which are listed on the New York Stock Exchange. The Index is a market capitalization-weighted index representing approximately two-thirds of the total market value of all domestic common stocks. The Russell 1000 Value Index measures the performance of those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

One cannot invest directly in an index.



\* Inception Date

*Continued*

# SMEAD VALUE FUND

## Investment Highlights (Continued)

(Unaudited)

### Average Annual Total Returns as of November 30, 2011

	One Year	Since Inception (12/18/2009)
<b>Institutional Class Shares</b> .....	5.46%	7.09%
S&P 500 Index (Total Return) .....	7.83%	8.72%
Russell 1000 Value Index .....	6.17%	7.27%

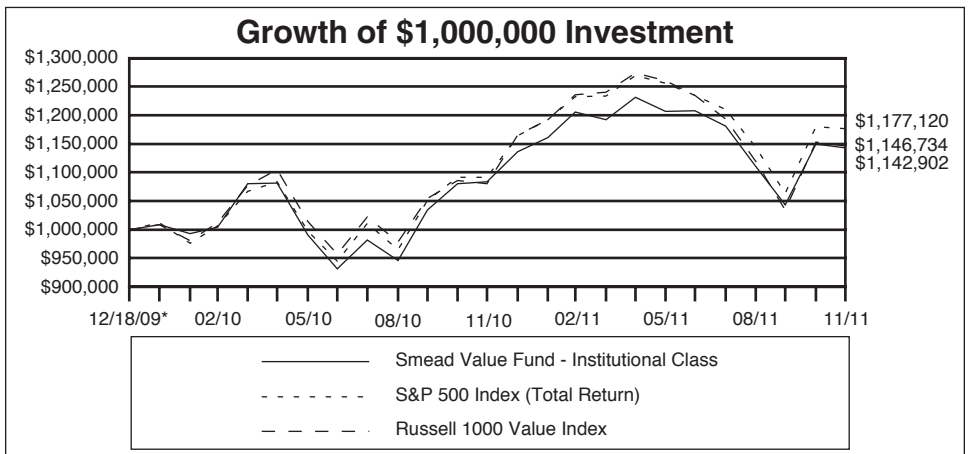
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\* Inception Date

# SMEAD VALUE FUND

## Schedule of Investments

November 30, 2011

	<u>Shares</u>	<u>Value</u>
<b>COMMON STOCKS 98.60%</b>		
<b>Banks 4.43%</b>		
Wells Fargo & Co. ....	85,263	\$ 2,204,901
<b>Consumer Services 12.64%</b>		
H&R Block, Inc. ....	66,375	1,044,079
McDonald's Corp. ....	15,818	1,510,935
Starbucks Corp. ....	85,985	3,738,628
		<u>6,293,642</u>
<b>Diversified Financials 7.20%</b>		
Bank of New York Mellon Corp. ....	38,327	745,844
Franklin Resources, Inc. ....	18,715	1,886,846
Goldman Sachs Group, Inc. ....	9,958	954,574
		<u>3,587,264</u>
<b>Food &amp; Staples Retailing 6.19%</b>		
Walgreen Co. ....	60,206	2,030,146
Wal-Mart Stores, Inc. ....	17,941	1,056,725
		<u>3,086,871</u>
<b>Health Care Equipment &amp; Services 2.72%</b>		
Medtronic, Inc. ....	37,135	1,352,828
<b>Insurance 8.26%</b>		
Aflac, Inc. ....	49,008	2,128,908
Berkshire Hathaway, Inc. – Class B (a) ....	25,227	1,986,878
		<u>4,115,786</u>
<b>Media 9.49%</b>		
Comcast Corp. – Class A ....	67,385	1,506,729
Gannett Co., Inc. ....	101,611	1,103,495
Walt Disney Co. ....	58,971	2,114,110
		<u>4,724,334</u>
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences 24.85%</b>		
Abbott Laboratories ....	35,422	1,932,270
Amgen, Inc. ....	33,327	1,929,966
Bristol-Myers Squibb Co. ....	58,348	1,909,147
Johnson & Johnson ....	18,277	1,182,888
Merck & Co., Inc. ....	52,491	1,876,553
Mylan, Inc. (a) ....	85,162	1,663,214

The accompanying notes are an integral part of these financial statements.

# SMEAD VALUE FUND

## Schedule of Investments (Continued)

November 30, 2011

	<u>Shares</u>	<u>Value</u>
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences 24.85% (Continued)</b>		
Pfizer, Inc. ....	94,063	\$ 1,887,845
		<u>12,381,883</u>
<b>Retailing 12.78%</b>		
Cabela's, Inc. – Class A (a) .....	90,943	2,143,527
Home Depot, Inc. ....	53,745	2,107,879
Nordstrom, Inc. ....	46,688	2,114,033
		<u>6,365,439</u>
<b>Software &amp; Services 10.04%</b>		
Accenture PLC – Class A .....	33,220	1,924,435
eBay, Inc. (a) .....	103,921	3,075,022
		<u>4,999,457</u>
<b>TOTAL COMMON STOCKS (Cost \$40,228,715) .....</b>		<u>49,112,405</u>
<b>SHORT-TERM INVESTMENTS 1.34%</b>		
<b>Money Market Funds 1.34%</b>		
Dreyfus Cash Management, 0.05% (b) .....	666,719	666,719
<b>TOTAL SHORT-TERM INVESTMENTS (Cost \$666,719) .....</b>		<u>666,719</u>
<b>TOTAL INVESTMENTS (Cost \$40,895,434) 99.94% .....</b>		49,779,124
Other Assets in Excess of Liabilities 0.06% .....		28,257
<b>TOTAL NET ASSETS 100.00% .....</b>		<u>\$49,807,381</u>

(a) Non-income producing security.

(b) Variable rate security; the rate shown represents the rate at November 30, 2011.

The Schedule of Investments incorporates the Global Industry Classification Standard (GICS®). GICS was developed by and/or is the exclusive property of MSCI, Inc. ("MSCI") and Standard & Poors Financial Services LLC ("S&P"). GICS is a service mark of MSCI and S&P and has been licensed for use by Smead Capital Management, Inc.

*The accompanying notes are an integral part of these financial statements.*

# SMEAD VALUE FUND

## Statement of Assets and Liabilities

November 30, 2011

### Assets

Investments, at value (cost \$40,895,434) .....	\$49,779,124
Dividends and interest receivable .....	134,043
Other assets .....	14,937
<b>Total Assets</b> .....	<u>49,928,104</u>

### Liabilities

Payable to affiliates .....	45,901
Payable for Fund shares redeemed .....	17,293
Payable for distribution fees .....	3,942
Payable to Adviser .....	18,678
Accrued expenses and other liabilities .....	34,909
<b>Total Liabilities</b> .....	<u>120,723</u>

**Net Assets** .....

	<u>\$49,807,381</u>
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### Net Assets Consist Of:

Paid-in capital .....	\$41,353,521
Undistributed net investment income .....	298,406
Accumulated net realized loss from investments .....	(728,236)
Net unrealized appreciation on investments .....	8,883,690

**Net Assets** .....

	<u>\$49,807,381</u>
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### Investor Class Shares

Net assets .....	15,644,050
Shares of beneficial interest outstanding (unlimited number of shares authorized, \$0.001 par value) .....	750,923
Net asset value, offering price and redemption price per share .....	<u>\$ 20.83</u>

### Institutional Class Shares

Net assets .....	34,163,331
Shares of beneficial interest outstanding (unlimited number of shares authorized, \$0.001 par value) .....	1,638,936
Net asset value, offering price and redemption price per share .....	<u>\$ 20.84</u>

*The accompanying notes are an integral part of these financial statements.*

# SMEAD VALUE FUND

## Statement of Operations

For the Year Ended November 30, 2011

### Investment Income

Dividend income	\$ 922,645
Interest income	538
<b>Total Investment Income</b>	<u>923,183</u>

### Expenses

Advisory fees	374,158
Transfer agent fees and expenses	70,591
Administration fees	77,853
Fund accounting fees	43,855
Distribution fees – Investor Class	39,428
Federal and state registration fees	25,435
Audit and tax fees	18,498
Legal fees	14,186
Chief Compliance Officer fees and expenses	10,111
Custody fees	5,682
Reports to shareholders	5,980
Trustees' fees and related expenses	4,922
Other expenses	6,602
<b>Total Expenses</b>	697,301
Less waivers and reimbursement by Adviser (Note 4)	(84,165)
<b>Net Expenses</b>	<u>613,136</u>

<b>Net Investment Income</b>	<u>310,047</u>
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### Realized and Unrealized Gain on Investments

Net realized gain from investments	743,110
Change in net unrealized appreciation on investments	1,471,696
<b>Net Realized and Unrealized Gain on Investments</b>	<u>2,214,806</u>
<b>Net Increase in Net Assets from Operations</b>	<u>\$2,524,853</u>

*The accompanying notes are an integral part of these financial statements.*

# SMEAD VALUE FUND

## Statements of Changes in Net Assets

	Year Ended November 30, 2011	Year Ended November 30, 2010
<b>From Operations</b>		
Net investment income . . . . .	\$ 310,047	\$ 218,580
Net realized gain from investments . . . . .	743,110	556,022
Change in net unrealized appreciation on investments . . . . .	<u>1,471,696</u>	<u>3,241,892</u>
Net increase in net assets from operations . . . . .	<u>2,524,853</u>	<u>4,016,494</u>
<b>From Distributions</b>		
Net investment income – Investor Class . . . . .	(14,638)	(143,215)
Net investment income – Institutional Class . . . . .	<u>(151,044)</u>	<u>(8,753)</u>
Net decrease in net assets resulting from distributions paid . . . . .	<u>(165,682)</u>	<u>(151,968)</u>
<b>From Capital Share Transactions</b>		
Proceeds from shares sold – Investor Class . . . . .	3,709,087	3,629,052
Proceeds from shares sold – Institutional Class . . . . .	3,468,457	32,104,155
Net asset value of shares issued to shareholders in payment of distributions declared – Investor Class . . . . .	14,262	141,758
Net asset value of shares issued to shareholders in payment of distributions declared – Institutional Class . . . . .	151,044	8,753
Payments for shares redeemed – Investor Class . . . . .	(2,624,865)	(17,973,726)
Payments for shares redeemed – Institutional Class . . . . .	<u>(3,524,474)</u>	<u>(2,648,249)</u>
Net increase in net assets from capital share transactions . . . . .	<u>1,193,511</u>	<u>15,261,743</u>
<b>Total Increase in Net Assets</b> . . . . .	3,552,682	19,126,269
<b>Net Assets</b>		
Beginning of year . . . . .	46,254,699	27,128,430
End of year . . . . .	<u>\$49,807,381</u>	<u>\$46,254,699</u>
<b>Undistributed Net Investment Income</b> . . . . .	<u>\$ 298,406</u>	<u>\$ 154,041</u>

*The accompanying notes are an integral part of these financial statements.*

# SMEAD VALUE FUND – INVESTOR SHARE CLASS

## Financial Highlights

Per Share Data for a Share Outstanding Throughout Each Period

	Year Ended November 30,			Period Ended
	2011	2010	2009	November 30, 2008 <sup>(1)</sup>
<b>Net Asset Value,</b>				
<b>Beginning of Period</b> . . . . .	<u>\$19.82</u>	<u>\$18.13</u>	<u>\$14.07</u>	<u>\$25.00</u>
<b>Income (loss) from</b>				
<b>investment operations:</b>				
Net investment income . . . . .	0.09	0.14	0.10	0.14
Net realized and unrealized gain (loss) on investments . . . . .	<u>0.94</u>	<u>1.65</u>	<u>4.14</u>	<u>(11.07)</u>
Total from Investment Operations . . . . .	<u>1.03</u>	<u>1.79</u>	<u>4.24</u>	<u>(10.93)</u>
<b>Less distributions paid:</b>				
From net investment income . . . . .	<u>(0.02)</u>	<u>(0.10)</u>	<u>(0.18)</u>	<u>—</u>
Total distributions paid . . . . .	<u>(0.02)</u>	<u>(0.10)</u>	<u>(0.18)</u>	<u>—</u>
<b>Net Asset Value,</b>				
<b>End of Period</b> . . . . .	<u>\$20.83</u>	<u>\$19.82</u>	<u>\$18.13</u>	<u>\$14.07</u>
<b>Total Return<sup>(2)(3)</sup></b> . . . . .	<u>5.19%</u>	<u>9.88%</u>	<u>30.55%</u>	<u>(43.72)%</u>
<b>Supplemental Data and Ratios:</b>				
Net assets at end of period (000's) . . . . .	\$15,644	\$13,855	\$27,128	\$5,170
Ratio of expenses to average net assets:				
Before waiver and expense reimbursement <sup>(4)</sup> . . . . .	1.60%	1.66%	1.91%	3.51%
After waiver and expense reimbursement <sup>(4)</sup> . . . . .	1.40%	1.40%	1.40%	1.40%
Ratio of net investment income (loss) to average net assets:				
Before waiver and expense reimbursement <sup>(4)</sup> . . . . .	0.25%	0.29%	0.27%	(1.00)%
After waiver and expense reimbursement <sup>(4)</sup> . . . . .	0.45%	0.55%	0.78%	1.11%
Portfolio turnover rate <sup>(3)</sup> . . . . .	15.98%	13.73%	14.28%	57.59%

(1) The Investor share class commenced operations on January 2, 2008.

(2) Total return in the above table represents the rate that the investor would have earned or (lost) on an investment in the Fund, assuming reinvestment of dividends.

(3) Not annualized for periods less than one year.

(4) Annualized for periods less than one year.

*The accompanying notes are an integral part of these financial statements.*

# SMEAD VALUE FUND – INSTITUTIONAL SHARE CLASS

## Financial Highlights

### Per Share Data for a Share Outstanding Throughout Each Period

	Year Ended November 30, 2011	Period Ended November 30, 2010 <sup>(1)</sup>
<b>Net Asset Value, Beginning of Period</b> .....	<u>\$19.85</u>	<u>\$18.42</u>
<b>Income from investment operations:</b>		
Net investment income .....	0.14	0.16
Net realized and unrealized gain on investments .....	<u>0.94</u>	<u>1.38</u>
Total from Investment Operations .....	<u>1.08</u>	<u>1.54</u>
<b>Less distributions paid:</b>		
From net investment income .....	<u>(0.09)</u>	<u>(0.11)</u>
Total distributions paid .....	<u>(0.09)</u>	<u>(0.11)</u>
<b>Net Asset Value, End of Period</b> .....	<u>\$20.84</u>	<u>\$19.85</u>
<b>Total Return</b> <sup>(2)(3)</sup> .....	<u>5.46%</u>	<u>8.38%</u>
<b>Supplemental Data and Ratios:</b>		
Net assets at end of period (000's) .....	\$34,163	\$32,400
Ratio of expenses to average net assets:		
Before waiver and expense reimbursement <sup>(4)</sup> .....	1.31%	1.42%
After waiver and expense reimbursement <sup>(4)</sup> .....	1.15%	1.15%
Ratio of net investment income to average net assets:		
Before waiver and expense reimbursement <sup>(4)</sup> .....	0.54%	0.40%
After waiver and expense reimbursement <sup>(4)</sup> .....	0.70%	0.67%
Portfolio turnover rate <sup>(3)</sup> .....	15.98%	13.73%

(1) The Institutional share class commenced operations on December 18, 2009.

(2) Total return in the above table represents the rate that the investor would have earned on an investment in the Fund, assuming reinvestment of dividends.

(3) Not annualized.

(4) Annualized.

*The accompanying notes are an integral part of these financial statements.*

# SMEAD VALUE FUND

## Notes to Financial Statements

November 30, 2011

### (1) Organization

Trust for Professional Managers (the “Trust”) was organized as a Delaware statutory trust under a Declaration of Trust dated May 29, 2001. The Trust is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Smead Value Fund (the “Fund”) represents a distinct, non-diversified series with its own investment objectives and policies within the Trust. The investment objective of the Fund is long-term capital appreciation. The Trust may issue an unlimited number of shares of beneficial interest at \$0.001 par value. The assets of the Fund are segregated, and a shareholder’s interest is limited to the Fund in which shares are held. The Fund currently offers two classes of shares, the Investor Class and the Institutional Class. Effective September 29, 2009, the Fund renamed the existing class as Investor class shares. The Investor share class is subject to a 0.25% distribution fee. Effective December 7, 2009, the Fund issued a new class of shares, Institutional class shares, which commenced operations on December 18, 2009. Each class of shares has identical rights and privileges except with respect to the distribution fees, and voting rights on matters affecting a single class of shares. The classes differ principally in their respective distribution expenses. Costs incurred by the Fund in connection with the organization, registration and the initial public offering of shares were paid by Smead Capital Management, Inc. (the “Adviser”).

### (2) Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements. These policies are in conformity with generally accepted accounting principles in the United States of America (“GAAP”).

#### (a) *Investment Valuation*

Each security owned by the Fund that is listed on a securities exchange is valued at its last sale price on that exchange on the date as of which assets are valued. When the security is listed on more than one exchange, the Fund will use the price of the exchange that the Fund generally considers to be the principal exchange on which the stock is traded.

Fund securities listed on the NASDAQ Stock Market, Inc. (“NASDAQ”) will be valued at the NASDAQ Official Closing Price (“NOCP”), which may not necessarily represent the last sale price. If the NOCP is not available, such securities shall be valued at the last sale price on the day of valuation. If there has been no sale on such exchange or on NASDAQ on such day, the security is valued at the mean between the bid and asked prices on such day.

Debt securities other than short-term instruments are valued at the mean between the closing bid and asked prices provided by a pricing service (“Pricing Service”). If the closing bid and asked prices are not readily available, the Pricing Service may provide a price determined by a matrix pricing method or other analytical pricing models. Short-term debt securities, such as commercial paper, bankers acceptances

# SMEAD VALUE FUND

## Notes to Financial Statements (Continued)

November 30, 2011

and U.S. Treasury Bills, having a maturity of less than 60 days are valued at amortized cost. If a short-term debt security has a maturity of greater than 60 days, it is valued at market price.

When market quotations are not readily available, any security or other asset is valued at its fair value as determined under procedures approved by the Trust's Board of Trustees (the "Board of Trustees"). These fair value procedures will also be used to price a security when corporate events, events in the securities market and/or world events cause the Adviser to believe that a security's last sale price may not reflect its actual market value. The intended effect of using fair value pricing procedures is to ensure that the Fund is accurately priced.

Redeemable securities issued by open-end, registered investment companies, including money market funds, are valued at the net asset value ("NAV") of such companies for purchase and/or redemption orders placed on that day.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification, "Fair Value Measurements and Disclosures" Topic 820 ("ASC 820"), establishes an authoritative definition of fair value and sets out a hierarchy for measuring fair value. ASC 820 requires an entity to evaluate certain factors to determine whether there has been a significant decrease in volume and level of activity for the security such that recent transactions and quoted prices may not be determinative of fair value and further analysis and adjustment may be necessary to estimate fair value. ASC 820 also requires enhanced disclosures regarding the inputs and valuation techniques used to measure fair value in those instances as well as expanded disclosure of valuation levels for each class of investments. These inputs are summarized in the three broad levels listed below:

Level 1—Quoted prices in active markets for identical securities.

Level 2—Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3—Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments carried at fair value as of November 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Equity</b>				
Common Stocks <sup>(1)</sup>	\$49,112,405	\$ —	\$ —	\$49,112,405
<b>Total Equity</b>	49,112,405	—	—	49,112,405
<b>Short-Term Investments</b>	666,719	—	—	666,719
<b>Total Investments</b>				
<b>in Securities</b>	<u>\$49,779,124</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$49,779,124</u>

(1) See the Schedule of Investments for industry classifications.

# SMEAD VALUE FUND

## Notes to Financial Statements (Continued)

November 30, 2011

The Fund did not hold any investments during the reporting period with significant unobservable inputs which would be classified as Level 3. During the period ended November 30, 2011, there were no transfers between levels for the Fund. It is the Fund's policy to record transfers between levels as of the end of the reporting period. The Fund did not hold financial derivative instruments during the reporting period.

### (b) *Federal Income Taxes*

The Fund complies with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, necessary to qualify as a regulated investment company and makes the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all federal income taxes. Therefore, no federal income tax provision has been provided.

As of and during the year ended November 30, 2011, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. During the year ended November 30, 2011, the Fund did not incur any interest or penalties. The Fund is subject to examination by U.S. taxing authorities for the tax periods since the commencement of operations.

### (c) *Distributions to Shareholders*

The Fund will distribute any net investment income and any net realized long or short-term capital gains at least annually. Distributions from net realized gains for book purposes may include short-term capital gains. All short-term capital gains are included in ordinary income for tax purposes. Distributions to shareholders are recorded on the ex-dividend date. The Fund may also pay a special distribution at the end of the calendar year to comply with federal tax requirements. Income and capital gains distributions may differ from GAAP, primarily due to timing differences in the recognition of income, gains and losses by the Fund. GAAP requires that certain components of net assets relating to permanent differences be reclassified between the components of net assets. These reclassifications have no effect on net assets or net asset value per share. For the year ended November 30, 2011, there were no reclassifications made.

### (d) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### (e) *Share Valuation*

The NAV per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the New York Stock Exchange is closed for trading.

# SMEAD VALUE FUND

## Notes to Financial Statements (Continued)

November 30, 2011

### (f) *Allocation of Income, Expenses and Gains/Losses*

Income, expenses (other than those deemed attributable to a specific share class), and gains and losses of the Fund are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of the net assets of the Fund. Expenses deemed directly attributable to a class of shares are recorded by the specific class. Most Fund expenses are allocated by class based on relative net assets. 12b-1 fees are expensed at 0.25% of average daily net assets of the Investor class shares. Expenses associated with a specific fund in the Trust are charged to that fund. Common Trust expenses are typically allocated evenly between the funds of the Trusts, or by other equitable means.

### (g) *Other*

Investment transactions are recorded on the trade date. The Fund determines the gain or loss from investment transactions based on the first in, first out method. Dividend income, less foreign withholding tax, is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

## (3) Federal Tax Matters

The tax character of distributions paid during the years ended November 30, 2011 and November 30, 2010 were as follows:

	<u>November 30, 2011</u>	<u>November 30, 2010</u>
Ordinary Income . . . . .	\$ 165,682	\$151,968
Long-Term Capital Gain . . . . .	\$ —	\$ —

As of November 30, 2011, the components of accumulated earnings on a tax basis were as follows:

Cost basis of investments for federal income tax purposes . . . . .	<u>\$41,077,045</u>
Gross tax unrealized appreciation . . . . .	10,430,011
Gross tax unrealized depreciation . . . . .	(1,727,932)
Net tax unrealized appreciation . . . . .	<u>\$ 8,702,079</u>
Undistributed ordinary income . . . . .	298,406
Undistributed long-term capital gain . . . . .	—
Total distributable earnings . . . . .	<u>\$ 298,406</u>
Other accumulated losses . . . . .	<u>(546,625)</u>
Total accumulated gains . . . . .	<u>\$ 8,453,860</u>

The tax basis of investments for tax and financial reporting purposes differs principally due to the deferral of losses on wash sales.

The Fund utilized \$622,785 of capital loss carryforwards during the fiscal year ended November 30, 2011.

# SMEAD VALUE FUND

## Notes to Financial Statements (Continued)

November 30, 2011

At November 30, 2011, the Fund had capital loss carryforwards of \$546,625, which will expire November 30, 2017.

On December 28, 2011, the Fund declared and paid a distribution from ordinary income of \$79,503 and \$301,845 to the Investor and Institutional class respectively, to shareholders of record on December 27, 2011.

### (4) Investment Adviser

The Trust has an Investment Advisory Agreement (the "Agreement") with the Adviser to furnish investment advisory services to the Fund. Under the terms of the Agreement, the Fund compensates the Adviser for its management services at the annual rate of 0.75% of the Fund's average daily net assets.

The Adviser has contractually agreed to waive its management fee and/or reimburse the Fund's other expenses at least through March 30, 2013, at the discretion of the Adviser and the Board of Trustees, to the extent necessary to ensure that the Fund's operating expenses do not exceed 1.40% and 1.15% (the "Expense Limitation Cap") of the Fund's average daily net assets for the Investor Class and Institutional Class shares, respectively. For the year ended November 30, 2011, expenses of \$84,165 incurred by the Fund were waived by the Adviser. Any such waiver or reimbursement is subject to later adjustment to allow the Adviser to recoup amounts waived or reimbursed to the extent actual fees and expenses for a fiscal period are less than the Expense Limitation Cap in place at the time of waiver; provided, however, that the Adviser shall only be entitled to recoup such amounts over the following three fiscal years.

The following table shows the remaining waived or reimbursed expenses subject to potential recovery expiring:

	<u>Investor Class</u>	<u>Institutional Class</u>
November 30, 2012 .....	\$74,054	\$ —
November 30, 2013 .....	\$60,481	\$36,736
November 30, 2014 .....	\$31,076	\$53,089

### (5) Distribution Plan

The Trust has adopted a plan pursuant to Rule 12b-1 (the "12b-1 Plan"), on behalf of the Fund, which authorizes it to pay Quasar Distributors, LLC (the "Distributor") a distribution fee of 0.25% of the Fund's average daily net assets of Investor Class shares for services to prospective Fund shareholders and distribution of Fund shares. During the year ended November 30, 2011, the Fund accrued expenses of \$39,428 pursuant to the 12b-1 Plan. As of November 30, 2011, the Distributor was owed fees of \$3,942.

The 12b-1 Plan also authorizes payment of a shareholder servicing fee to the Distributor of 0.10% of the average daily net assets of the Institutional Class shares. As of the date of this report, the fee has not been implemented.

# SMEAD VALUE FUND

## Notes to Financial Statements (Continued)

November 30, 2011

### (6) Related Party Transactions

A Trustee of the Trust is affiliated with U.S. Bancorp Fund Services, LLC (“USBFS”) and U.S. Bank, N.A., which provide accounting, administration, transfer agency and custodian services to the Fund. This same Trustee is an interested person of the Distributor. The Trust’s Chief Compliance Officer is also an employee of USBFS. For the year ended November 30, 2011, the Fund was allocated \$10,111 of the Trust’s Chief Compliance Officer fees and expenses.

### (7) Capital Share Transactions

Transactions in shares of the Fund were as follows:

#### Investor Class

	<u>Year Ended November 30, 2011</u>	<u>Year Ended November 30, 2010</u>
Shares sold .....	176,032	193,080
Shares issued to holders in reinvestment of distribution .....	685	7,601
Shares redeemed .....	<u>(124,950)</u>	<u>(997,881)</u>
Net increase (decrease) .....	<u>51,767</u>	<u>(797,200)</u>

#### Institutional Class

	<u>Year Ended November 30, 2011</u>	<u>Period Ended November 30, 2010<sup>(1)</sup></u>
Shares sold .....	167,606	1,777,432
Shares issued to holders in reinvestment of distribution .....	7,262	470
Shares redeemed .....	<u>(168,372)</u>	<u>(145,462)</u>
Net increase .....	<u>6,496</u>	<u>1,632,440</u>

<sup>(1)</sup> The Institutional Class shares commenced operations on December 18, 2009.

### (8) Investment Transactions

The aggregate purchases and sales of securities, excluding short-term investments, for the Fund for the year ended November 30, 2011, were \$9,507,687 and \$7,892,141, respectively. There were no purchases or sales of U.S. government securities for the Fund.

### (9) Beneficial Ownership

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under Section 2(a)(9) of the 1940 Act. At November 30, 2011, Charles Schwab & Co., Inc., for the benefit of its customers, held 59.5% and 99.0% of the outstanding shares of the Investor and Institutional Classes, respectively.

# **SMEAD VALUE FUND**

## **Notes to Financial Statements (Continued)**

November 30, 2011

### **(10) Recent Tax Law**

On December 22, 2010, The Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was signed into law. The Modernization Act is the first major piece of legislation affecting regulated investment companies ("RICs") since 1986 and it modernizes several of the federal income and excise tax provisions related to RICs. Some highlights of the enacted provisions are as follows:

New capital losses may now be carried forward indefinitely, and retain the character of the original loss. Under pre-enactment law, capital losses could be carried forward for eight years, and carried forward as short-term capital losses, irrespective of the character of the original loss.

The Modernization Act contains simplification provisions, which are aimed at preventing disqualification of a RIC for "inadvertent" failures of the asset diversification and/or qualifying income tests. Additionally, the Modernization Act exempts RICs from the preferential dividend rule, and repealed the 60-day designation requirement for certain types of pay-through income and gains.

Finally, the Modernization Act contains several provisions aimed at preserving the character of distributions made by a RIC during the portion of its taxable year ending after October 31 or December 31, reducing the circumstances under which a RIC might be required to file amended Forms 1099 to restate previously reported distributions.

The provisions related to the Modernization Act for qualification testing are effective for the November 30, 2011 taxable year. The effective date for changes in the treatment of capital losses is the November 30, 2012 taxable year.

# **SMEAD VALUE FUND**

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Trustees

Smead Value Fund

(Trust for Professional Managers)

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Smead Value Fund (the "Fund"), a series of the Trust for Professional Managers, as of November 30, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four periods in the period then ended. These financial statements and financial highlights are the responsibility of Fund management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of November 30, 2011, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Smead Value Fund as of November 30, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four periods in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cohen Fund Audit Services*

COHEN FUND AUDIT SERVICES, LTD.

Westlake, Ohio

January 27, 2012

# **SMEAD VALUE FUND**

## **Basis for Trustees' Approval of Investment Advisory Agreement (Unaudited)**

The Board of Trustees (the "Trustees") of Trust for Professional Managers (the "Trust") met on August 30, 2011 to consider the renewal of the Investment Advisory Agreement (the "Agreement") between the Trust, on behalf of the Smead Value Fund (the "Fund"), a series of the Trust, and Smead Capital Management, Inc., the Fund's investment adviser (the "Adviser"). In advance of the meeting, the Trustees requested and received materials to assist them in considering the renewal of the Agreement. The materials provided contained information with respect to the factors enumerated below, including a copy of the Agreement, a memorandum prepared by the Trust's outside legal counsel discussing in detail the Trustees' fiduciary obligations and the factors they should assess in considering the renewal of the Agreement, detailed comparative information relating to the Fund's performance, as well as the management fees and other expenses of the Fund, due diligence materials relating to the Adviser (including a due diligence questionnaire completed on behalf of the Fund by the Adviser, the Adviser's Form ADV, select financial statements of the Adviser, bibliographic information of the Adviser's key management and compliance personnel, comparative fee information for the Fund and the Adviser's other separately-managed accounts and a summary detailing key provisions of the Adviser's written compliance program, including its Code of Ethics) and other pertinent information. The Trustees also received information periodically throughout the year that was relevant to the Agreement renewal process, including performance, management fee and other expense information. Based on their evaluation of the information provided by the Adviser, in conjunction with the Fund's other service providers, the Trustees, by a unanimous vote (including a separate vote of the Trustees who are not "interested persons," as that term is defined in the Investment Company Act of 1940, as amended (the "Independent Trustees")), approved the continuation of the Agreement for an additional one-year term ending August 31, 2012.

### **DISCUSSION OF FACTORS CONSIDERED**

In considering the renewal of the Agreement and reaching their conclusions, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors enumerated below.

#### **1. NATURE, EXTENT AND QUALITY OF SERVICES PROVIDED TO THE FUND**

The Trustees considered the nature, extent and quality of services provided by the Adviser to the Fund and the amount of time devoted by the Adviser's staff to the Fund's operations. The Trustees considered the Adviser's specific responsibilities in all aspects of day-to-day management of the Fund, as well as the qualifications, experience and responsibilities of William W. Smead and Tony A. Scherrer, the Fund's portfolio managers, and other key personnel at the Adviser involved in the day-to-day activities of the Fund. The Trustees reviewed the structure of the Adviser's compliance program and the Adviser's marketing activities and goals and its continuing commitment to the growth of Fund assets. The Trustees noted that during the course of the prior year they had met with the Adviser in person to discuss various performance, marketing and compliance issues. The Trustees also noted any services that extended beyond portfolio management, and they considered the

# **SMEAD VALUE FUND**

## **Basis for Trustees' Approval of Investment Advisory Agreement (Unaudited) (Continued)**

trading capability of the Adviser. The Trustees discussed in detail the Adviser's handling of compliance matters, including the reports of the Trust's chief compliance officer to the Trustees on the effectiveness of the Adviser's compliance program. The Trustees concluded that the Adviser had sufficient quality and depth of personnel, resources, investment methods and compliance policies and procedures essential to performing its duties under the Agreement and that the nature, overall quality and extent of the management services to be provided to the Fund, as well as the Adviser's compliance program, were satisfactory and reliable.

### **2. INVESTMENT PERFORMANCE OF THE FUND AND THE ADVISER**

The Trustees discussed the performance of the Investor Class shares of the Fund for the year-to-date, one-year and three-year periods ended July 31, 2011. In assessing the quality of the portfolio management services delivered by the Adviser, the Trustees also compared the short-term and long-term performance of the Fund on both an absolute basis and in comparison to benchmark indices, specifically the Russell 1000 Value Index and the S&P 500 Index, and in comparison to a peer group of U.S. open-end large blend funds, as constructed by data presented by Morningstar, Inc. The Trustees also reviewed information on the historical performance of other separately-managed accounts of the Adviser that were similar to the Fund in terms of investment strategy. The Trustees noted that the Fund outperformed the peer group average for the year-to-date, one-year and three-year periods ended July 31, 2011, with the Fund's performance falling in the second quartile for the year-to-date period and in the first quartile for each of the one-year and three-year periods. After considering all of the information, the Trustees concluded that the performance obtained by the Adviser for the Fund was satisfactory under current market conditions. Although past performance is not a guarantee or indication of future results, the Trustees determined that the Fund and its shareholders were likely to benefit from the Adviser's continued management.

### **3. COSTS OF SERVICES PROVIDED AND PROFITS REALIZED BY THE ADVISER**

The Trustees considered the cost of services and the structure of the Adviser's fees, including a review of the expense analyses and other pertinent material with respect to the Fund. The Trustees reviewed the related statistical information and other materials provided, including the comparative expenses, expense components and peer group selection. The Trustees considered the cost structure of the Fund relative to its peer group of U.S. open-end large blend funds, as constructed by data presented by Morningstar, Inc., and the Adviser's separately-managed accounts, as well as the fee waivers and expense reimbursements of the Adviser.

The Trustees also considered the overall profitability of the Adviser, reviewing the Adviser's financial information and noted that the Adviser had subsidized the Fund's operations following the Fund's inception and had not recouped those subsidies. The Trustees also examined the level of profits that could be expected to accrue to the Adviser from the fees payable under the Agreement and the expense subsidization undertaken by the Adviser, as well as the Fund's brokerage commissions and the use

## **SMEAD VALUE FUND**

### **Basis for Trustees' Approval of Investment Advisory Agreement (Unaudited) (Continued)**

of soft dollars by the Adviser. These considerations were based on materials requested by the Trustees and the Fund's administrator specifically for the August 30, 2011 meeting, as well as the presentations made by the Adviser over the course of the year.

The Trustees noted that the Fund's contractual management fee of 0.75% fell in the second quartile, and was less than the peer group average of 0.81%, which fell in the third quartile. The Trustees noted that the Fund's total expenses (net of fee waivers and expense reimbursements) was capped at 1.40% and 1.15% for the Fund's Investor Class shares and Institutional Class shares, respectively. The Trustees observed that the Fund's total expense ratio of 1.40% for Investor Class shares was equal to the peer group average, with each falling in the second quartile. The Trustees then compared the fees paid by the Fund to the fees paid by separately-managed accounts of the Adviser and noted that the Fund's management fee was lower than the fees paid by the separately-managed account clients.

The Trustees concluded that the Fund's expenses and the management fees paid to the Adviser were fair and reasonable in light of the comparative performance, expense and management fee information. The Trustees noted that the Adviser had not yet achieved a profit in acting as investment adviser to the Fund, but that the Adviser maintained adequate profit levels to support its services to the Fund from the revenues of its overall investment advisory business, despite its subsidies to support the Fund's operations.

#### **4. EXTENT OF ECONOMIES OF SCALE AS THE FUND GROWS**

The Trustees compared the Fund's expenses relative to its peer group and discussed realized and potential economies of scale. The Trustees also reviewed the structure of the Fund's management fee and whether the Fund was large enough to generate economies of scale for shareholders or whether economies of scale would be expected to be realized as Fund assets grow (and if so, how those economies of scale were being or would be shared with shareholders). The Trustees noted that the Fund's management fee structure did not contain any breakpoint reductions as the Fund's assets grow in size, but that the flexibility of incorporating breakpoints would continue to be reviewed on a regular basis. With respect to the Adviser's fee structure and any applicable expense waivers, the Trustees concluded that the current fee structure was reasonable and reflected a sharing of economies of scale between the Adviser and the Fund at the Fund's current asset level.

#### **5. BENEFITS DERIVED FROM THE RELATIONSHIP WITH THE FUND**

The Trustees considered the direct and indirect benefits that could be realized by the Adviser from its association with the Fund. The Trustees examined the brokerage and commissions of the Adviser with respect to the Fund. The Trustees concluded that the benefits the Adviser may receive, such as greater name recognition, growth in separate account management services or increased ability to obtain research or brokerage services, appear to be reasonable, and in many cases may benefit the Fund through growth in assets.

## **SMEAD VALUE FUND**

### **Basis for Trustees' Approval of Investment Advisory Agreement (Unaudited) (Continued)**

#### **CONCLUSIONS**

The Trustees considered all of the foregoing factors. In considering the renewal of the Agreement, the Trustees did not identify any one factor as all-important, but rather considered these factors collectively in light of the Fund's surrounding circumstances. Based on this review, the Trustees, including a majority of the Independent Trustees, approved the renewal of the Agreement as being in the best interests of the Fund and its shareholders.

# **SMEAD VALUE FUND**

## **Notice of Privacy Policy & Practices**

We collect non-public personal information about you from the following sources:

- information we receive about you on applications or other forms;
- information you give us orally; and
- information about your transactions with us or others.

We do not disclose any non-public personal information about our shareholders or former shareholders without the shareholder's authorization, except as permitted by law or in response to inquiries from governmental authorities. We may share information with affiliated parties and unaffiliated third parties with whom we have contracts for servicing the Fund. We will provide unaffiliated third parties with only the information necessary to carry out their assigned responsibility. All shareholder records will be disposed of in accordance with applicable law. We maintain physical, electronic and procedural safeguards to protect your non-public personal information and require third parties to treat your non-public personal information with the same high degree of confidentiality.

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with unaffiliated third parties.

# SMEAD VALUE FUND

## Additional Information

(Unaudited)

### Tax Information

The Fund designates 100% of its ordinary income distribution for the year ended November 30, 2011, as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For the year ended November 30, 2011, 100% of dividends paid from net ordinary income qualify for the dividends received deduction available to corporate shareholders.

### Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

### Information about Trustees

The business and affairs of the Trust are managed under the direction of the Board of Trustees. Information pertaining to the Trustees of the Trust is set forth below. The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request by calling 877-807-4122.

### Independent Trustees

<u>Name, Address and Age</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Number of Portfolios in Trust Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Dr. Michael D. Akers 615 E. Michigan St. Milwaukee, WI 53202 Age: 56	Trustee	Indefinite Term; Since August 22, 2001	Professor and Chair of Accounting, Marquette University (2004–present).	28	Independent Trustee, USA MUTUALS (an open-end investment company with two portfolios).
Gary A. Drska 615 E. Michigan St. Milwaukee, WI 53202 Age: 55	Trustee	Indefinite Term; Since August 22, 2001	Pilot, Frontier/ Midwest Airlines, Inc. (airline company) (1986–present).	28	Independent Trustee, USA MUTUALS (an open-end investment company with two portfolios).

# SMEAD VALUE FUND

## Additional Information (Continued)

(Unaudited)

<u>Name, Address and Age</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Number of Portfolios in Trust Overseen by Trustee</u>	<u>Other Directorships Held by Trustee</u>
Jonas B. Siegel 615 E. Michigan St. Milwaukee, WI 53202 Age: 68	Trustee	Indefinite Term; Since October 23, 2009	Managing Director, Chief Administrative Officer ("CAO") and Chief Compliance Officer ("CCO"), Granite Capital International Group, L.P. (an investment management firm) (1994–present); Vice President, Secretary, Treasurer and CCO of Granum Series Trust (an open-end investment company) (1997–2007); President, CAO and CCO, Granum Securities, LLC (a broker-dealer) (1997–2007).	28	Independent Trustee, Gottex Multi-Asset Endowment Fund complex (three closed- end investment companies); Independent Trustee, Gottex Multi- Alternatives Fund complex (three closed- end investment companies); Independent Trustee, Ramius IDF, LLC (a closed-end investment company).

### Interested Trustee and Officers

Joseph C. Neuberger <sup>(1)</sup> 615 E. Michigan St. Milwaukee, WI 53202 Age: 49	Chairperson, President and Trustee	Indefinite Term; Since August 22, 2001	Executive Vice President, U.S. Bancorp Fund Services, LLC (1994–present).	28	Trustee, Buffalo Funds (an open- end investment company with ten portfolios); Trustee, USA MUTUALS (an open-end investment company with two portfolios).
John Buckel 615 E. Michigan St. Milwaukee, WI 53202 Age: 54	Vice President, Treasurer and Principal Accounting Officer	Indefinite Term; Since January 10, 2008 (Vice President); Since September 10, 2008 (Treasurer)	Mutual Fund Administrator, U.S. Bancorp Fund Services, LLC (2004–present).	N/A	N/A

**SMEAD VALUE FUND**  
**Additional Information (Continued)**

(Unaudited)

<b>Name, Address and Age</b>	<b>Position(s) Held with the Trust</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During the Past Five Years</b>	<b>Number of Portfolios in Trust Overseen by Trustee</b>	<b>Other Directorships Held by Trustee</b>
Robert M. Slotky 615 E. Michigan St. Milwaukee, WI 53202 Age: 64	Vice President, Chief Compliance Officer and Anti-Money Laundering Officer	Indefinite Term; Since January 26, 2011	Senior Vice-President, U.S. Bancorp Fund Services, LLC (2001–present).	N/A	N/A
Rachel A. Spearo 615 E. Michigan St. Milwaukee, WI 53202 Age: 32	Secretary	Indefinite Term; Since November 15, 2005	Vice President and Legal Compliance Officer, U.S. Bancorp Fund Services, LLC (2004–present).	N/A	N/A
Jennifer A. Lima 615 E. Michigan St. Milwaukee, WI 53202 Age: 37	Assistant Treasurer	Indefinite Term; Since January 10, 2008	Mutual Fund Administrator; U.S. Bancorp Fund Services, LLC (2002–present).	N/A	N/A
Jesse J. Schmitting 615 E. Michigan St. Milwaukee, WI 53202 Age: 29	Assistant Treasurer	Indefinite Term; Since July 21, 2011	Mutual Fund Administrator; U.S. Bancorp Fund Services, LLC (2008–present).	N/A	N/A

(1) Mr. Neuberger is an “interested person” of the Trust as defined by the 1940 Act. Mr. Neuberger is an interested person of the Trust by virtue of the fact that he is an interested person of Quasar Distributors, LLC, the Fund’s principal underwriter.

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## **A NOTE ON FORWARD LOOKING STATEMENTS (Unaudited)**

Except for historical information contained in this report for the Fund, the matters discussed in this report may constitute forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These include any adviser or portfolio manager predictions, assessments, analyses or outlooks for individual securities, industries, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for the Fund in the current Prospectus, other factors bearing on this report include the accuracy of the Adviser's or portfolio managers' forecasts and predictions, and the appropriateness of the investment programs designed by the adviser or portfolio managers to implement their strategies efficiently and effectively. Any one or more of these factors, as well as other risks affecting the securities markets and investment instruments generally, could cause the actual results of the Fund to differ materially as compared to benchmarks associated with the Fund.

## **ADDITIONAL INFORMATION (Unaudited)**

The Fund has adopted proxy voting policies and procedures that delegate to the Adviser the authority to vote proxies. A description of the Fund's proxy voting policies and procedures is available without charge, upon request, by calling the Fund toll free at 877-807-4122. A description of these policies and procedures is also included in the Fund's Statement of Additional Information, which is available on the SEC's website at <http://www.sec.gov>.

The Fund's proxy voting record for the most recent 12-month period ended June 30 is available without charge, upon request, by calling, toll free, 877-807-4122, or by accessing the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC four times each fiscal year at quarter-ends. The Fund files the schedule of portfolio holdings with the SEC on Form N-CSR (second and fourth quarters) and on Form N-Q (first and third quarters). Shareholders may view the Fund's Forms N-CSR and N-Q on the SEC's website at [www.sec.gov](http://www.sec.gov). Forms N-CSR and N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the SEC's Public Reference Room may be obtained by calling 1-202-551-8090 (direct) or 1-800-SEC-0330 (general SEC number).

## **SMEAD VALUE FUND**

Investment Adviser

**Smead Capital Management, Inc.**  
1420 Fifth Avenue  
Suite 2625  
Seattle, Washington 98101

Legal Counsel

**Godfrey & Kahn, S.C.**  
780 North Water Street  
Milwaukee, Wisconsin 53202

Independent Registered Public  
Accounting Firm

**Cohen Fund Audit Services, Ltd.**  
800 Westpoint Parkway  
Suite 1100  
Westlake, Ohio 44145

Transfer Agent, Fund Accountant and  
Fund Administrator

**U.S. Bancorp Fund Services, LLC**  
615 East Michigan Street  
Milwaukee, Wisconsin 53202

Custodian

**U.S. Bank, N.A.**  
Custody Operations  
1555 North River Center Drive  
Milwaukee, Wisconsin 53212

Distributor

**Quasar Distributors, LLC**  
615 East Michigan Street  
Milwaukee, Wisconsin 53202

This report is intended for shareholders of the Fund and may not be used as sales literature unless preceded or accompanied by a current prospectus.