



Auxier REPORT

5000 SW Meadows Road, Suite 410, Lake Oswego, OR 97035 Phone 503.885.8807 1.800.835.9556 Fax 503.885.8607 Email info@auxierasset.com

J. Jeffrey Auxier

AUXIER FOCUS FUND PERFORMANCE UPDATE March 31, 2008

AUXFX RETURNS VS. S&P 500 INDEX

| | <u>Auxier Focus Fund</u> | <u>S&P 500 Index</u> | <u>Difference*</u> |
|------------------------|--------------------------|--------------------------|--------------------|
| 12/31/07 – 03/31/08 | -6.88% | -9.44% | 2.56 |
| 12/31/06 – 12/31/07 | 5.71% | 5.49% | 0.22 |
| 12/31/05 – 12/31/06 | 11.75% | 15.79% | -4.04 |
| 12/31/04 – 12/31/05 | 4.58% | 4.91% | -0.33 |
| 12/31/03 – 12/31/04 | 10.73% | 10.87% | -0.14 |
| 12/31/02 – 12/31/03 | 26.75% | 28.69% | -1.94 |
| 12/31/01 – 12/31/02 | -6.79% | -22.10% | 15.31 |
| 12/31/00 – 12/31/01 | 12.67% | -11.88% | 24.55 |
| 12/31/99 – 12/31/00 | 4.05% | -9.10% | 13.15 |
| Since Inception 7/9/99 | 81.73% | 8.81% | 72.92 |

* in percentage points

| Average Annual Returns for the period ended 03/31/08 | 1 Year | 3 Year | 5 Year | Since Inception |
|---|---------|--------|--------|-------------------|
| Auxier Focus Fund (Investor Shares) | (3.23)% | 5.15% | 11.29% | 7.08% (7/9/99) |
| S&P 500 Index | (5.08)% | 5.85% | 11.32% | 0.97% |

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. As stated in the current prospectus, the Fund's annual operating expense ratio (gross) is 1.36%. However, the Fund's adviser has agreed to contractually waive a portion of its fees and/or reimburse expenses such that total operating expenses do not exceed 1.35% which is in effect until October 31, 2008. The Fund charges a 2.0% redemption fee on shares redeemed within six months of purchase. For the most recent month-end performance, please call (877)328-9437 or visit the Fund's website at www.auxierasset.com.

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by calling (877) 328-9437 or visiting the Fund's website. Please read the prospectus carefully before you invest.

Fund returns (i) assume the reinvestment of all dividends and capital gain distributions and (ii) would have been lower during the period if certain fees and expenses had not been waived. Performance shown is for the Fund's Investor Class shares; returns for other share classes will vary. Performance for Investor Class shares for periods prior to December 10, 2004 reflects performance of the applicable share class of Auxier Focus Fund, a series of Unified Series Trust (the "Predecessor Fund"). Prior to January 3, 2003, the Predecessor Fund was a series of Ameriprime Funds. The performance of the Fund's Investor Class shares for the period prior to December 10, 2004 reflects the expenses of the Predecessor Fund.

The Fund may invest in value and/or growth stocks. Investments in value stocks are subject to risk that their intrinsic value may never be realized and investments in growth stocks may be susceptible to rapid price swings, especially during periods of economic uncertainty. In addition, the Fund may invest in smaller companies which generally carry greater risk than is customarily associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock. Moreover, if the Fund's portfolio is overweighted in a sector, any negative development affecting that sector will have a greater impact on the Fund than a fund that is not overweighted in that sector. Foreside Fund Services, LLC, distributor.

Market Commentary

The Auxier Focus Fund declined to negative 6.88% in the first quarter of 2008, vs. a negative 9.44% return for Standard and Poor's 500 Index (S&P). The average diversified US stock fund declined 10.11%¹, while most foreign markets suffered far worse double-digit setbacks. The value of having cash and market agnostic (insensitive) positions in the Fund became more apparent during this time of market duress.

The Pain of Extreme Leverage

Borrowed money works wonders when assets are appreciating. But it can permanently take you out of the game when prices slide. Bear Stearns found out the hard way. What may be categorized as a 100-year storm in the credit markets has hit. This forced the Federal Reserve (the "Fed") to take aggressive, unprecedented action by extending their safety net to non-depository brokerage firms. Concern centered on the "counterparty risk" of institutions active in credit default swaps—derivative instruments used to sell off credit risk. Such swaps have grown to \$62 trillion from less than \$900 billion seven years ago. Bear Stearns was a major force in this highly interconnected network. Bear's leverage was over 32 to 1², while borrowing short-term for long-term assets. This equates to putting down \$31,250 on a \$1 million purchase and borrowing \$968,750 on a short-term, floating rate basis. To further compound the risk, many of Bear's hedge fund customers had over 30 to 1² leverage as well. The Fed had to step in to avert a domino-like chain reaction in an unregulated area of the credit markets that relies on over-the-counter clearing and questionable disclosure and accounting. According to J.P. Morgan, revenues from the unregulated banking activities exceeded the regulated portion this last year. Companies that were most aggressive in "gaming the system" or disguising true borrowings have been hammered hard in this downturn. Last year, the market put very little value on balance sheet strength. Now, it is a necessity to survive.

Other examples of extreme "off-the chart" borrowing took place in housing markets of Nevada (Las Vegas), Florida, California and Arizona. Leverage ratios of 30 or 50 to 1 were common. This contributed to the glut of unsold homes and condos (recently 9.9 months inventory and growing). Supply and demand are such critical elements to investing. Extended periods of investor excitement and easy money can lead to an excess of supply. Too much debt applied to any asset greatly increases the risk of that asset. The excesses will take time to unwind and may ultimately lead to tremendous bargains for the strong, disciplined operators who refused to compromise their financial strength.

With the deregulation of banking, terms like "velocity" and "originate and distribute" became popular as banks tried to generate loan volume to package into esoteric products and resell. The idea of lending based on measures like "character" and "skin in the game" fell out of favor. In many instances, due diligence was replaced by a dependence on credit-rating agencies. Like the Bertrand Russell comment made famous by Warren Buffett, "most men would rather die than think." Indeed, many financial institutions are on their death bed today for that very reason. If there is ever a need for thorough, fact-finding research of all assets, that time is now.

Lessons of History

I try to go back in history to compare crisis situations, the resulting government policy response, and time to recovery. After the Japanese bubble burst in the late 1980s, the policy response in

Japan was denial for the first few years, contributing to a 16-year period of declining real estate values. Conversely, our domestic savings & loan crisis in the late 1980s led to decisive actions by the government to fix the problem through the establishment of the Resolution Trust Corporation. That shortened the period of pain and led to a strong industry recovery. A word of caution: I can remember the original "shocking" estimates of thrift losses near \$30 billion in 1989. The final tab ended up over five times that figure. Based on the lax lending in a number of categories, I am afraid today's losses will exceed \$1 trillion before it is over. In the last thrift crisis we were able to buy many solid, clean vanilla lenders at less than 50% of book value. Some of the best bargains resulted when the regulators stepped in and mandated fire sales to help the industry come clean and build a foundation for recovery. The government was indifferent to prices; they just wanted the mess to be over. A potential signal to start adding to the quality financials should be when the regulators start to become more aggressive. Debt liquidations do lead to downturns. The level of borrowed money, outside the scope of regulators, means investors need to be extra vigilant and skeptical.

After studying 18 similar global banking/real estate crises, the extremes of this credit cycle suggest a longer than average period of purging. We try to anticipate and plan for the worst—especially when dealing with investors' hard-earned dollars.

Positive Fundamentals in Foreign Markets

Offsetting the US credit crisis (where 80% of the subprime problems exist) has been strength in Latin America, Asia and the Middle East. Many of the Fund's major holdings have benefited from exposure to these markets, either directly or through US based multinational corporations. Coke has commented that Latin America has the best fundamentals in 30 years. US exporters in agriculture, aerospace, beverage, tobacco, telecom, heavy equipment and necessities are a few of the bright spots. Partly due to global urbanization, it is estimated by Standard and Poor's that over \$30 trillion will be spent on global infrastructure over the next 20 years. Brazil's proven oil reserves could rise from 12 billion barrels to over 30 billion with their recent discoveries. Two to three billion new consumers moving up from earning \$1-\$2 a day represent a buying pool for multinational companies selling basic necessities. In Vietnam, economic output per capita is about \$800 per annum. This does not reflect the renewed spirit, energy and desire of the population. Vietnam's stock exchange is only seven years old. Valuations of many of the global markets have been hit hard and are looking much more reasonable. The China market has had some wild volatility (recently down 50% from a 12-month high). Italy, Germany and France are selling for price/earnings (P/E) ratios under 11 times projected 2008 earnings. We believe agriculture looks bright for a number of years as investment in farming has dropped 50% since 1990 in emerging economies. Underinvestment, together with a very long 20-year downtrend in food prices that ended in 2005, should lead to a sustained period of solid pricing. According to World Bank, evolving diets among a growing global middle class (especially in India and China) will double food consumption by 2030 – especially in meat and dairy products.

Positioning in High Quality Assets

De-leveraging is painful, especially when so much of the recent US domestic economic strength we have experienced has come from extracting home equity. Bank of America recently canceled over 380,000 equity lines. Even though the Fed has eased interest rates, the banks are tightening. This should continue as the regulators get serious and clamp down. It takes time to purge bad behavior, especially when it relates to real estate and the consumer's largest, most levered asset.

The strong should get stronger during this correction. The time to get serious about capital allocation is during these recessions and crashes. It just does not feel good, however. Putting all of one's assets in government bonds may feel comfortable, but as Pimco's Bill Gross recently was quoted, "I think Treasuries are the most overvalued asset in the world, bar none." It is far easier for politicians to spend money than cut spending—which translates into higher inflation. Historically, the more we have bailed out past mistakes, the higher the inflation bill. One of the best ways to stay ahead of inflation is to own businesses that have strong earnings power with low mandatory capital spending. Current conditions mandate an intense adherence to enduring fundamentals and a dogged research effort. One based on objective reasoning, and independent thought.

Your trust and support is appreciated.

Jeff Auxier

Price/Earnings ratio is the value of a company's stock price relative to company earnings. The S&P 500 Index is a broad-based unmanaged measurement of changes in the stock market conditions based on 500 widely held common stocks. One cannot invest directly in an index. As of 03/31/08, the Fund held those securities mentioned in the letter as follows: Bear Sterns (0.0%); Coke (1.7%) and Bank of America (1.2%)

¹ April 7, 2008 Barron's "Everything Looks Like Up From Here" Jack Willoughby

² According to Bloomberg, as of November 2007

The views in this shareholder letter were those of the Fund Manager as of the letter's publication date and may not reflect his views on the date this letter is first distributed or anytime thereafter. These views are intended to assist readers in understanding the Fund's investment methodology and do not constitute investment advice.