AAM AUXIER•ASSET MANAGEMENT LLC

Auxier REPORT

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Spring 2016 Market Commentary

After an 11% decline in the first six weeks of 2016, the benchmark Standard & Poor's 500-stock index recovered to gain 1% for the first quarter. Stocks rebounded in the face of a sharp cutback in energy capital spending, slowing world growth and wildly volatile currency swings that weighed on export volumes. These setbacks largely offset the positive material savings from declining prices in natural gas, heating oil, diesel and gasoline. Regions with heavy in-migration like the Pacific Northwest are showing very strong economic growth, while those tied to coal and oil are suffering. Historically, sharp drops in energy inputs have led to strong growth (1986 and 1998) as our economy is 85% service oriented. Indeed, my recent visits with executives in construction trades—both housing and commercial—suggest there are serious ongoing shortages in welding, plumbing, electrical framing—you name it, especially in the West.

The quality businesses we favor have typically enjoyed price/earnings multiple expansion in times of sharp commodity and energy crashes. Conversely, when energy prices tripled during the 1970s, price-to-earnings ratios compressed to a rock-bottom 10 times earnings or less. Today, the US is being hampered by higher domestic debt (over 300% of GDP) as US nonfinancial debt rose 3.5 times faster than GDP last year. Therefore, we have continued to seek out and hold businesses that have consistently strong demand, nominal mandatory capital spending and ample cash flow to fuel expansion. Earnings and revenue growth have been challenging as many industries are faced with supply gluts. An example: too many physical retail stores as online commerce grows. We try to closely monitor the long term supply/demand relationship in each industry before investing. We want enduring franchises with moral leadership that will survive the harshest economic challenges. Growth in free cash flow—not stated dividends—is a critical metric that allows for the financial flexibility necessary to flourish during challenging environments. If a company's cash flow is higher ten years out, that company's share value should track.

Albert Einstein once said the most powerful force in the universe is compound interest. I am amazed at the "return free risk" people take. When the focus is on compounding, quantifying and reducing risk becomes the priority. If market indexes are too highly valued and don't offer adequate compensation for the risk, we will have less exposure via holdings of either cash or market agnostic positions. Our mission is to compound returns and to avoid areas of euphoria and mindless imitation (the institutional imperative) that can lead to permanent capital loss. Money managers' obsession with beating overpriced indexes will invariably lead to disappointment as the cash flows of the businesses will determine the ultimate compounded rate of return. Industry leaders SunEdison (solar panels) and Peabody Energy (coal) are two recent ego-crushing bankruptcies that resulted from managements overpaying and over borrowing while aggressively participating in commodity bubbles that burst. Consider that only one in five firms in America make it over 15 years. For the record, we've been in business for twice that (32 years), surviving a series of crashes, panics and recessions. Each has given me a healthy respect for markets and the irrational behavior that can take place. And the importance of a relentless research effort seeking facts, fundamentals and truth.

We try hard to identify potential problems that can interrupt the compounding process—for instance, technology innovation that can render companies' products obsolete. At present microscopic interest rate levels, the margin of safety for most fixed income is not attractive. Reason: the purchasing power of currency-based investments is virtually guaranteed to go down over time. At the recent Berkshire Hathaway shareholder's meeting, Warren Buffett shared how he would rather sit on $20 to $60 billion of investable funds than risk buying overpriced fixed income securities that he views as "dangerous" over the long term (due to the loss of purchasing power). Such distortions in capital allocation result whenever pricing is dictated by a government entity (the Federal Reserve) and not a competitive market mechanism. Banks around the world have suffered with low rates as net interest margins continue to compress and regulations restrict profitability. Also suffering are insurers, money funds, pensions and all savers, especially retirees. Artificially low rates are making it very difficult for younger households to get ahead financially by inflating college, auto and home prices. This may be a contributing factor to the rise in popularity of socialism among the younger generation as they are being "priced out." It is estimated that negative interest rates globally are costing savers $24 billion a year in lost interest.

Recently I had the opportunity to speak in Omaha at the Value Investor Conference hosted by Robert P. Miles, the author of *The Warren Buffett CEO* in conjunction with the University of Nebraska Omaha. This event is dedicated to mastering the principles of proper capital allocation. It reaffirmed some of the timeless investment tenets that have the potential to help investors survive and thrive over the long term:

- Too much borrowed money can take you out of the game. Focus on a strong balance sheet.
- Overpaying and over borrowing can torpedo any company, public or private.
- Management without high ethics can't endure in a world of internet transparency.
- Be rational and disciplined when allocating capital.
- Negative macroeconomic forecasts often distract us from research and investing in superior businesses with exceptional management.
- Stick with the "specific" and "knowable" facts.
- Companies that execute for their customers have been more likely to achieve outstanding returns.
- Be a business analyst, not a market analyst.
- Swear by the importance of the "rule of law," especially when investing internationally.
- Be relentless in pursuing facts, fundamentals and truth.
- Identify ahead of time what you want to own and wait for the market to come to your price.
- Compounding knowledge is critical to managing risk.
- Tom Murphy, former CEO of Cap Cities, who Warren Buffett considers the best operating manager in history, shares his views on retirement: *The best time of your life is when you are in the game and winning. The second best is when you are in the game and losing. The worst is when you are out of the game.*
- When interest rates are artificially low, don't stretch for yield.
- Warren Buffett on efficient markets: "I'd be a bum on the street with a tin cup if the markets were always efficient."

Spring 2016 Performance Update

AUXIER FOCUS FUND
March 31, 2016

ANNUALIZED

	Inception *	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	6.92%	6.14%	7.30%	6.41%	-1.34%
S&P 500 Index	4.29%	7.01%	11.58%	11.82%	1.78%

CUMULATIVE

	Inception *	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	206.44%	81.54%	42.25%	20.49%	-1.34%
S&P 500 Index	101.79%	96.87%	72.95%	39.82%	1.78%

* Fund inception: July 9, 1999

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 Investor Class Share's annual operating expense ratio (gross) is 1.27%. The Fund's adviser has contractually agreed to waive a portion of its fee and/or reimburse Fund expenses to limit total annual operating expenses at 1.14%, which is in effect until October 31, 2016. Other share classes may vary. 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 Advisor's website at www.auxierasset.com. The recent growth rate in the stock market has helped to produce short-term returns that are not typical and may not continue in the future.

Portfolio Highlights

Auxier Focus Fund's Investor Class returned 0.57% in first quarter. The stocks in the Fund returned 1.45% and cash/workouts comprised roughly 14% of the portfolio. The S&P 500 Index rose 1%. It's worth noting that over the life of the Fund we have never been fully invested in equities. Yet the equity component of the portfolio has returned over 330% since inception. That's roughly triple the corresponding 102% gain in the fully invested S&P 500. Investing through numerous crashes and recessions, we have a healthy respect for markets and are mindful of our clients' pain threshold. It is difficult to stay in the game if the downside volatility is extreme. We will not participate fully when the majority of stocks are overpriced, euphoria is rampant and we see numerous land mines that can interrupt the compounding process. On December 29, 1989, Japan was firing on all cylinders and the NIKKEI Index hit 38,957. By March 10, 2009 it closed at 7,054, down over 81%. The "buy, hold and forget approach" did not work so well the past 27 years in Japan. This past quarter the NYSE Arca Biotechnology Index corrected 22.37%. This is creating opportunities in high quality industry leaders like Biogen. Bargains abound in bank stocks with the KBW Bank Index declining 11.59%. We have found the best way to reduce risk is through cumulative knowledge of markets, industries, companies and management. Current favorites are companies along the food chain. Residing on an operating farm, we see some powerful trends in pricing. Consumers are willing to pay more for better, healthier ingredients in both food and beverage products.

Top Holdings on 3/31/2016	% Assets
Pepsico	3.7
Philip Morris International	3.2
Bank of New York Mellon	3.2
UnitedHealth Group	3.1
Kroger	3.1
Molson Coors Brewing	3.1
Medtronic	2.8
Johnson & Johnson	2.6
Microsoft	2.5
Mastercard	2.3

Global protein demand remains strong with nuts, meats, eggs and portable products like beef jerky leading the way. According to Hershey's, their KRAVE jerky is growing faster than chocolate. In fact, meat snacks are growing over 20% annually. We see nutrition and healthcare becoming more closely intertwined. Consumers are demanding better sourcing transparency. Cancer cures are coming from enhancing the immune system and many autoimmune disorders are being traced to mineral deficiencies. Organic food is projected to grow at a compounded rate of 16% through 2020.

In closing, the Fund is positioned predominantly in quality businesses that have enjoyed high returns on invested capital with growing high free cash flow yields. That advantage becomes more important as debt levels around the world escalate. We continue to focus aggressively on the fundamentals with a steadfast attention to risk management.

We appreciate your trust.

Jeff Auxier

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 mid-sized companies which generally carry greater risk than is customarily associated with larger companies. 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. An increase in interest rates typically causes a fall in the value of a debt security (Fixed-Income Securities Risk) with corresponding changes to the Fund's value.

Foreside Fund Services, LLC, distributor.

The S&P 500 Index is a broad-based, unmanaged measurement of changes in stock market conditions based on 500 widely held common stocks. Nikkei is short for The Nikkei 225, a price-weighted equity index, which consists of 225 stocks in the 1st section of the Tokyo Stock Exchange. The NYSE Arca Biotechnology Index is an equal dollar weighted index designed to measure the performance of a cross section of companies in the biotechnology industry that are primarily involved in the use of biological processes to develop products or provide services. KBW Bank Index is an economic index consisting of the stocks of 24 banking companies. This index serves as a benchmark of the banking sector. One cannot invest directly in an index or average.

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.