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Auxier REPORT

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Spring 2017 Market Commentary

The excitement surrounding the Trump agenda died down as political gridlock dramatically slowed proposed policy changes. The priorities of job creation and economic growth with pro-business policies favoring deregulation helps to incentivize small business growth and the overall economy, but it cannot happen overnight. New proposed changes in the tax code including a lower tax on "pass-through" entities will provide tremendous incentives to start up a business. I remember investing in 1986 after oil prices dropped over 60%, then tax rates were slashed under the Tax Reform Act of 1986 which was the largest simplification of the US tax code in history. The country added over two million businesses during the decade. The economy surged, earnings and sales improved overall and longer-term interest jumped over 2.75% in less than 18 months. Our quality, cash-rich franchises enjoyed strong performance with double play returns—earnings acceleration and price earnings expansion. Although the booming share prices suffered a setback—specifically, the severe crash in the fall of 1987—the underlying economy remained solid. Thoughtful deregulation also tends to be a positive to new business formation as heavy regulation negatively impacts small businesses disproportionately. In 1996, deregulation of the telecom industry unleashed many new companies which helped to drive the economy and entrepreneurial spirit. Going forward, the price of free markets tends to be greater volatility—both up and down. As Peter Lynch would say, the key organ to successful investing is the stomach, which is needed to endure painful downturns.

The Great Equity Shrink

So far, publicly traded stock supply has continued to decline through a combination of corporate stock buybacks fueled by cheap debt, leveraged buyouts and mergers. The potential for repatriation of $2.5-3 trillion in foreign cash could lead to further buybacks. Goldman Sachs estimates that if the repatriation goes through, buybacks in the S&P 500 could increase by 30% or $150 billion up from the projected $780 billion this year. However, a robust initial public offering (IPO) market could change that positive supply/demand dynamic. Back in 1999 we saw a flood of over 400 new IPOs at extremely overpriced levels which ultimately contributed to an 80% decline in the NASDAQ.

There is good news for energy independence in the US. The energy sector from oil, natural gas, wind and solar continues developing at a vigorous pace leading to ample supplies. With improved data analytics, companies are becoming more efficient and lowering breakeven points. In the Permian Basin, one of the largest producing regions in the world, companies like Pioneer Natural Resources and EOG are profitable under $40 a barrel, so production continues to put pressure on prices. Refinery capacity out of Asia has been growing as well, which opens up the potential for a gas tax to help fund road repair with the surge in online deliveries. Commodities generally will revert back to the cost of production. Low energy prices are good for service-based economies, and the US enjoys a material global cost advantage in natural gas. Historically, parabolic upward moves in energy have compressed price-to-earnings ratios for stocks while crashing energy has led to multiple expansion.

A long period of low rates (currently $10 trillion in negative bond yields globally) has led to record corporate bond issuance, not only in the developed countries but also in emerging markets. Brazil has invested heavily in grain capacity and is looking to develop an additional 150 million acres over the next twenty years. Easy money and aggressive borrowing in China has led to an oversupply in steel and charges of "dumping" in many export markets. This could fuel the flames of protectionism. The Great Depression of the 1930s was partly the result of the improved technology of the time creating surpluses in crop production which then led to the Smoot-Hawley Tariff Act—protectionist legislation that was designed to save farmers who were swimming in excess supply (Hawley grew up 30 minutes from our office).

Restructuring in Retail

In the US, owing to a combination of cheap financing and advances in mobile and online technology, we are over-stored and the industry is now undergoing a massive distribution restructuring. We are seeing over 3,000 store closures so far in 2017 and 50 retail bankruptcies projected for the full year, more than double the last recession. This is the result of an expansion in per capita retail space to 23.5 square feet per person, or 6-8 times greater than in Europe or Asia. In 2016 shoppers in the US enjoyed a 1.3% decline in the price for staples like eggs and meat. Federal data shows this to be the steepest drop since 1959. Contrast that with socialist Venezuela where shoppers are only able to buy food one day a week and a carton of eggs now goes for $150. Inflation is projected to run over 1200% in 2017.

One area that continues to enjoy good pricing and employment opportunity is skilled labor, especially in construction-related fields. According to Adecco, 62% of firms said they were struggling to hire skilled workers in trades. In San Francisco, a starting journeyman electrician makes $128,000 per year working a 40-hour work week.

As wage pressures increase, this can be a problem with businesses that have high mandatory capital spending. When inflation picks up, cost overruns can severely impact free cash flow for the capital-intensive business. In the 1980s, utility shareholders were crushed as huge nuclear power plant construction led to cost overruns because of high inflation in the late 1970s.

Home prices rose 5.7% for the year ending in February, which supports a bright spot in retail spending. Home improvement, maintenance and renovation spending have been strong. However, the average down payment in today's market is a mere 7%. The problems can add up in carrying the house after purchase, especially if the work has to be hired, or if the furnace goes out. If you are looking for an investment that drowns in cash, don't look at a house at current prices.

Today, millennials demographically outnumber baby boomers. However, debt levels are very high by historical standards, over 250% of GDP. Excessive debt robs future supply. The problem: people buy based on payment levels, rather than on the price of the asset. Student loan debt is $1.3 trillion, auto debt over $1.2 trillion, and credit card debt over $1 trillion. Generally, the public does not understand how excessive debt—especially when applied to a depreciating asset—can take you out of the game in an economic downturn. We see high debt levels as a significant impediment to strong growth.

Be Careful Extrapolating Returns in Technology-related Businesses

Back in the 1990s it was difficult to find an investment that was performing as well as Intel, which was in our backyard. At the height of euphoria it peaked at a market capitalization in excess of $500 billion in 2000. This blue chip then corrected to $91 billion—down over 80% by October 4, 2002. (Source: *The High-Tech Strategist*). After 17 years, the stock is still down by half. The world's largest tech companies at the time lost $6.5 trillion or over 81% from the high in 1999-2000 through October 2002. Interestingly, today technology comprises approximately 23% of the Standard and Poor's 500 index. The tech telecom boom lasted 114 months, similar to the housing boom. That is why a diligent daily research effort is so important in mitigating risk; you can better assess how late the cycle has run and take measures to protect against devastating losses.

Spring 2017 Performance Update

March 31, 2017

ANNUALIZED

	Inception *	15 Year	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	7.24%	7.09%	6.29%	8.70%	6.24%	12.76%
S&P 500 Index	4.97%	7.09%	7.51%	13.30%	10.37%	17.17%

CUMULATIVE

	Inception *	15 Year	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	245.54%	179.21%	84.00%	51.74%	19.92%	12.76%
S&P 500 Index	136.44%	179.54%	106.27%	86.71%	34.45%	17.17%

* 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 1.10%. 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 0.98%, which is in effect until October 31, 2017. 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 5.90% in first quarter, while the S&P 500 Index rose 6.07%. The stocks in the Fund returned 6.5% with a mix of 80% US, 12% foreign, and the balance in cash or "work outs." Since inception at the all-time market peak in 1999, a hypothetical $10,000 investment in the Fund has grown to $34,526 vs. $23,723 for the S&P 500 and $28,276 for the Dow Jones Industrial Average. Although much higher today, the average equity exposure in the Fund over the entire period has been 76.4%. Foreign domiciled companies in the Fund have been a drag but are finally seeing an improvement in fundamentals and price performance. A number of high quality biotech businesses

Top Holdings on 3/31/2017	% of Assets
Bank of New York Mellon Corp	3.9%
Philip Morris International	3.8%
Pepsico Inc.	3.7%
UnitedHealth Group Inc.	3.3%
Medtronic plc	3.1%
Johnson & Johnson	3.0%
Microsoft Corp.	3.0%
Merck & Co.Inc. New	2.6%
Kroger Co.	2.5%
Mastercard Inc.	2.4%

with breakthrough technologies have corrected to price levels which provide attractive high free cash flow yields.

Contributors to the quarter:

Unilever

Unilever is a major player in consumer goods, especially in emerging markets with leading brands like Lipton Tea, Dove, skin products company Dollar Shave Club, and Best Foods. Kraft Heinz made an offer to buy the company for $143 billion. Although it was rejected, it motivated the company to aggressively restructure, benefiting shareholders.

Medtronic plc

Medtronic is a leader in implantable biomedical devices. Back in 2001 the stock traded at 37.5 times earnings and this past quarter traded down to 13 times earnings with a fortress balance sheet and a 7% free cash flow yield. They continue to be a leader in medical technology as their world's smallest pacemaker, Micra, accelerates US sales driving pacemaker market growth. They generate over $5 billion in free cash flow annually.

Zimmer Biomet Holdings

Zimmer Biomet has a leading musculoskeletal portfolio and is the global market share leader in knees and hips. Zimmer is also predicting $2B in annual free cash flow by 2020. At year end the stock traded down to a steep discount to the market, an attractive 12 times earnings. The demographics favor hips and knees as the peak year is age 68—about the average age for baby boomers. According to the Pew Research Center, roughly 10,000 Americans turn 65 every day. Pain is a good motivator for action.

PepsiCo, Inc.

PepsiCo was the single largest contributor to US retail food and beverage growth in 2016 for the third straight year. They also announced their 45th consecutive annualized dividend increase in 2017 and are driving 3.7% organic revenue growth through healthier products.

Philip Morris International

Philip Morris is working on transforming from a cigarette company to focusing on meeting the growing demand of reduced risk, smoke-free tobacco products. They estimate that about 1.4 million adults quit smoking cigarettes in 2016 and switched to their IQOS product that heats tobacco rather than burns it, and annual production capacity will grow from 7 billion units to more than 32 billion units in 2017.

Corning Inc.

Corning is engaged in the manufacturing of specialty glass. They expect their gas particulate filters to become a significant business in China following the finalization of emission-related regulations in December 2016. Corning recently made a deal to provide Gorilla Glass for moderately priced smartphones that are within the reach of many of India's customers—the second largest smartphone market in the world.

Oracle Corp.

Oracle's cloud revenue growth continues to expand reaching $1.2B in the most recent quarter, a growth of 62% year over year. Oracle is selling more enterprise SaaS than any cloud services provider in the world, and claims their new Gen2 IaaS is both faster and lower cost than Amazon web services.

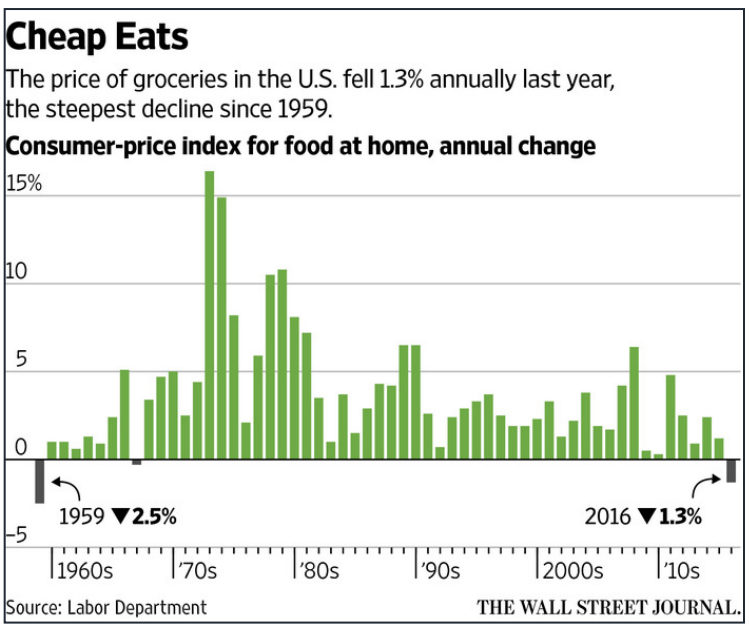
Merck & Co.
Merck's recent lung and skin cancer drug, Keytruda, continues to gain new approvals for more treatments as over 300 clinical studies are underway for 30 different tumor types.

Anthem, Inc.
Anthem is a leading managed care operator which operates under the Blue Cross/Blue Shield brand. Fourth quarter net income was up 103% year over year as medical enrollment increased 3.4%. They are expecting their operating cash flow to be greater than $3.5B in 2017.

Cerner Corp.
Cerner is a leading healthcare information technology company which provides critical software to help automate hospitals and other healthcare providers. The stock traded down to a multiyear low valuation at year end providing for an attractive entry point to this high-quality enterprise.

Visa
Visa dominates the global market for electronic payments handling over half of all credit card transactions globally. The trend toward digital payments and away from cash is strong and fundamentals for global commerce and spending have been improving. Their network processes over $8 trillion in transactions annually.

Detractors to the quarter:



Kroger Co.
Falling food prices and a grocery price war continue to impact results as Kroger pushes through the third deflationary cycle in the past 30 years. However, lower prices are making Kroger much more competitive with restaurants.

Chevron /ConocoPhillips/BP
Despite OPEC production cuts, major US shale activity and efficiency are leading to lower breakeven price levels. This has put renewed pressure on oil equities. We would expect to see increased consolidation in energy given the lower long term outlook for energy prices as a whole.

Bank of New York Mellon Corp.
Banks in general declined off euphoric post-election highs although Bank of New York still sells at a significant discount to the market and will benefit greatly if interest rates normalize.

After a difficult global earnings and revenue environment for over six quarters, we are seeing a pickup in sales and earnings for our core positions as many economies have seemed to stabilize. Domestically, the ISM services index still shows good improvement over 55%. We work hard at monitoring fundamentals to be able to catch the turn. While we are concerned with making good buys, it is also important to monitor highly valued "high expectation" stocks that can suffer painful drops when results fall short. We are looking for high integrity, dynamic management teams that can build value in any environment. We have learned over the years that having the cumulative knowledge of specific businesses, cash flows and balance sheets is far more important than being a market operator. When focusing on the power of compounding, it is critical to quantify and constantly assess risk through an in-depth knowledge of facts and valuation with a focus on the growth in underlying per share intrinsic value. At the core of mitigating risk is understanding the asset and the fundamentals. The problem with the proliferation of exchange traded funds is that nobody truly understands what they own as individual businesses. Most are following momentum. The real value added comes when markets drop and you really need to know the individual fundamentals at the height of panic. Many of the top Fund positions we have owned for 20-30 years. We want to be prepared daily and know ahead of time what we want to own. Then when the market drops we are ready to act. I love to study great coaches and in particular legendary UCLA basketball coach John Wooden who had preached that "the will to win is not nearly as important as the will to prepare to win." We see the will to grind out daily research as integral to prepare for difficult times and improve the odds of protecting our clients' life savings.

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. The Dow Jones Industrial Average consists of 30 stocks that are considered to be major factors in their industries and that are widely held by individuals and institutional investors. The ISM services index was created by the Institute for Supply Management Non-Manufacturing, using information collected from surveys from over 400 non-manufacturing companies. 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.