



Auxier REPORT

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AUXIER FOCUS FUND PERFORMANCE UPDATE December 31, 2009

AUXIFX RETURNS VS. S&P 500 INDEX

	<u>Auxier Focus Fund</u>	<u>S&P 500 Index</u>	<u>Difference*</u>
09/30/09 – 12/31/09	4.53%	6.04%	-1.51
12/31/08 – 12/31/09	24.76%	26.46%	-1.70
12/31/07 – 12/31/08	-24.52%	-37.00%	12.48
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	83.67%	-4.27%	87.94

* in percentage points

Average Annual Returns for the period ended 12/31/09	1 Year	3 Year	5 Year	10 Year	Since Inception
Auxier Focus Fund (Investor Shares)	24.76%	(0.15)%	3.08%	5.96%	5.97% (7/9/99)
S&P 500 Index	26.46%	(5.63)%	0.42%	(0.95)	(0.42)%

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 1.25%. The Fund's adviser has contractually agreed to maintain annual operating expenses at 1.25%, which is in effect until October 31, 2010. 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.

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. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.

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.

Year End 2009

Market Commentary

Auxier Focus Fund (Fund) ended the fourth quarter 2009 with a return of 4.53%, versus 6.04 % for the Standard and Poor's 500 Index (S&P). For the full year the Fund returned 24.76%, versus 26.46% for the S&P. The Fund's stock market exposure for the year averaged between 70-75%, with the balance in corporate bonds and cash. The equity component of the Fund was up over 28%. Long term, the Fund outperformed the S&P by 87 percentage points since our 1999 launch. The Fund's Morningstar ratings and rankings are as follows:

Morningstar awards us its Morningstar Overall Rating of five stars in the Large Value category as of 12/31/09. The Fund received 5 stars in the 3, 5 and 10 year periods and was rated among 1104, 912 and 459 funds, respectively. *The Overall Rating is derived from a weighted average of the risk adjusted performance figure associated with its 3, 5 and 10 year Morningstar Rating metrics.*

The Fund beat over 98% of its peers over the past three years. *As of 12/31/09, the Fund's 10, 5, 3 and 1 year Morningstar rankings are, respectively, 15 out of 459 funds; 46 out of 912 funds; 19 out of 1104 funds; and, 509 out of 1272 funds. Morningstar rankings are based on a fund's total return performance. Past performance is not an indicator of future results.*

Our goal is to materially outperform in down markets and match up markets. We are mindful that a 50% decline requires a 100% recovery to break even. A 90% decline requires a 1000% recovery. We strive to adhere to a disciplined, systematic, low-risk approach based on highly favorable odds. We also believe investors need to be well-compensated for the risk taken.

In 2009, massive U.S. government stimulus (four times greater than in all post-war recessions combined) led to rapid narrowing of credit spreads. As we commented in the last letter, the liquidity crisis presented us with unprecedented bargains in corporate debt—especially in the higher risk names. That play is largely over, as spreads on the highest risk bonds narrowed from a high of 21% to under 7% recently. That's the benefit of being a business analyst and studying the entire capital structure of enterprises. Our years of dedicated research and cumulative balance sheet knowledge provide huge advantages in times of distress because we are prepared for bargains as they unfold. It is necessary to stick with a game plan to enjoy the fruits of compounding. We have found that investors need a proven, understandable approach to stay the course during challenging markets. To win, you must first finish.

Profiting on Fears of Nationalizations

Recall how in early 2009 stock markets were hitting lows in the face of shrinking liquidity and rising fears of bank nationalizations. Free markets detest government takeovers of private industry. The threat of nationalized healthcare further added to the gloom. Back in 1994, when Hillary Clinton proposed government-run healthcare, we loaded up on the industry's stocks as they got pummeled in anticipation of the worst-case scenario. Those bargains provided us with material outperformance for the following three years. Similarly, this past year we were able to buy both the stocks and bonds of health insurers below the cost of liquidation. We like to invest when prices are discounting "horrible." The move to just a "bad" outlook can be extremely rewarding. Buying when the outlook is "good" and hoping for "great" is usually too expensive. Ironically, prices resulting from hopelessness can be safer than those from euphoria, which can be deadly. The Nasdaq Composite Index over the past ten years is down 45% starting from the point of extreme elation. Optimistic price levels also contributed to the worst ten-year returns for the Standard and Poor's 500 in over 200 years. Price and value do matter more than people think.

Time-Honored Observations and Lessons

It is good to look back over the past 18 months and revisit some investing basics:

- One decision investing—buy and forget—can be costly. Investing is never easy. Autopilot does not work.
- This time is not different; we have seen it before. Human nature does not change. There are no new eras. All bubbles end the same way: in disaster.
- Over the long run, businesses that are nurtured return the favor. One dollar invested in stocks in 1871 is now worth over \$10,000, thanks to reinvestment of dividends (adjusted for inflation).
- Borrowing short term to fund long term asset purchases can be fatal in a credit crunch.
- Every class of investment needs to be aggressively monitored as to fundamentals and price. This is even more important in a competitive global economy.
- Compounding is the priority. Imploding bubbles act to torpedo the portfolio. Popularity must be pruned.
- Larger funds are not safer, because they are less nimble in down markets. In fact, index funds give the greatest weighting to the most popular (*and typically overpriced*) companies.
- There are no easy shortcuts or formulas. Day-to-day homework is critical as is the ability to think and reason independently. A skeptical contrarian nature is needed.
- Understanding history and psychology is critical in navigating emotional auction markets.
- A free market system works; socialism does not. Contrasting Brazil with Venezuela, one sees the benefits of a free market vs. a socialistic leadership. Venezuela, which has nationalized industries such as oil, steel and cement, is looking at 45% inflation for 2010.

Perception vs. Reality on Debt Defaults

Investors generally view government and municipal bonds as low risk. Many, until recently, also thought houses only went up in value. The reality? Solvency of government entities is threatened by growth in government unions and excessive borrowings in the face of lower income, property and sales taxes. Indeed, sovereign debt default is extremely common in world history; only a handful of countries have consistently honored their obligations. Greece is currently making such headlines, which are hardly new. From 1800 until well after World War II, Greece found itself in continual default (*This Time is Different: Eight Centuries of Financial Folly*). Given the current free-spending leadership in Congress and the White House (only 7% of Obama's cabinet has worked in the private sector), the United States could easily find itself facing credit downgrades if not careful. The result would be much higher financing costs.

Uncle Sam's Exposure to Housing

The U.S. government has shifted the sub-prime mortgage problem from the banking sector to the Federal Housing Authority (FHA), where 3.5% down payments are still allowed. No skin in the game is a recipe for disaster. Over 85% of home loans originated over the past seven months have been FHA loans. The agency is allowed to have an absurdly low capital level—less than 2% of assets—that pales only in comparison with the 80-to-1 leverage ratios at Fannie Mae and Freddie Mac. Such leverage has distorted the housing market while materially inflating Federal debt loads and bad assets. Fannie Mae's balance

sheet is exploding because it now must add back off-balance sheet loans. There's still a shadow inventory of 1.7 million homes in some stage of foreclosure—45% more than the official 3.75 million burden with which banks are wrestling (*American Banker*). Government involvement has gummed up the clearing mechanism needed to start the recovery process.

Looking back over the past century, adjusted for inflation, it becomes apparent how the easy financing craze contributed to house appreciation. Between 1996 and 2006, the cumulative real price increase in housing was 92%—more than three times the 27% comparable real return from 1890 to 1996 (*This Time is Different: Eight Centuries of Financial Folly*).

Aggressive Credit Growth in China

China's economic revolution is well known and popular. But their \$586 billion stimulus program may be the shaky foundation for another crisis down the road. Financial panics and collapses are usually preceded by acceleration in borrowed money. Debt fueled booms can provide false short-term confirmation of a government's policies. In 2009, the Chinese government mandated over \$1.4 trillion in bank lending, up 30%, and is looking at a further increase of 18% in 2010 (*Wall Street Journal*). One has to question the quality of loans at that frenetic pace. Can there be that many attractively priced opportunities to absorb such volume? This aggressive lending has driven up Chinese real estate as home prices are trading between 10-20 times the average annual household income. Another troubling development: Chinese banks have also discovered the wonders of "off balance sheet financing" to lever up further.

Perils of Overproduction

According to Trim Tabs¹, \$256 billion flowed into commodities in 2009. Commodities have historically traded close to the cost of production. Today's market is very confusing and risky. Oil, priced at \$75-\$80 a barrel, trades at double the cost of production. Yet wheat recently dropped in price to 200-year lows adjusted for inflation (*Progressive Farmer*). With technological advances, the risk in these areas is massive overproduction. Strong pricing is so rare that when times are good, forces of supply build much faster than in the past. Again, extremely easy money is distorting reality and can ultimately lead to sloppy capital allocation. Another example: just as interest rates dropped to the lowest levels in 40 years (highest bond prices), \$421 billion flowed into bonds while \$35 billion was withdrawn from domestic stocks.

Favorite Out of Favor Areas

Despite the recent rally, there are industries that are still unloved and represent potential rewarding investments.

- Many topnotch online education stocks are trading at their lowest valuations in a decade. Fears of government regulation and financing issues have hampered the group. Yet there is an increasing need for specialized education and retraining. Industries are constantly restructuring in today's competitive, knowledge-based global economy. The fundamentals for online education continue to be strong.
- The S&P Health Care Index is trading at a 19% discount to the market, again, in fear of a government takeover. Over time, the sector has traded at a premium. We think it will again.
- Many grocery chains have underperformed this past year. Wal-Mart is one of the worst performing stocks off the March 2009 lows. Deflation in food and gasoline negatively impacted the sector. Yet strong international franchises sell necessities into the growing global middle class. So there is unrecognized value in powerful distribution models that can reach the masses.

¹ Trim Tabs is an independent institutional research firm focused on equity market liquidity.

- About \$1.5 trillion of commercial real estate loans come due over the next 24 months at appraised values far lower than the original purchase price (*American Banker*). The uncertainty could lead, over the next year, to some compelling price points among downtrodden regional and community banks.
- Refiners have been pummeled by sluggish demand for gasoline and diesel plus increased global capacity. The near-term outlook is bleak, with prices below the marginal cost of production. The stocks sell at steep discounts to book value. Industry leader Valero has declined from a high of \$78 to a recent low near \$15. Forces are at work to reduce excess capacity, at the same time the economy is starting to show increased strength.
- Bonds of natural gas producers have been cheap because new shale discoveries are promising but expensive. Yet these bonds have potential for upgrades as equity investors and major oil companies are attracted to the industry.

Instead of trying to predict markets, we strive to identify businesses with the managerial ethics and drive to endure seemingly insurmountable economic conditions. We like managements that nurture business instead of rob it. From an investment standpoint, it is hard to beat a well-run business, purchased at a compelling bargain price, with the potential of exceptional long-term results. Even though markets have rallied, U.S. stocks had declined 57% off their 2007 highs. So a 50% increase off that base still means the market is down 35%. This is a good backdrop to deploy capital astutely, always vigilant to avoid euphoric bubble conditions.

Your trust and support is appreciated.

Jeff Auxier

As of 12/31/2009, the Fund held those securities mentioned in the letter as follows: Wal-Mart (2.6%); Valero (0.4%).

There can be no guarantee of success with any technique, strategy, or investment. All investing involves risk, including the loss of principal. 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 Nasdaq Composite Index is a market-value weighted index of all common stocks listed on Nasdaq. One cannot invest directly in an index.

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.

For the period ended 12/31/2009, the Fund's Overall Morningstar Rating was 5 stars. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Past performance is no guarantee of future results.

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