



Auxier REPORT

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AUXIER FOCUS FUND PERFORMANCE UPDATE September 30, 2012

ANNUALIZED

	Inception *	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	6.56%	8.05%	3.41%	9.65%	17.91%
S&P 500 Index	2.06%	8.01%	1.05%	13.20%	30.20%

CUMULATIVE

	Inception *	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	131.68%	116.93%	18.27%	31.85%	17.91%
S&P 500 Index	30.97%	116.15%	5.37%	45.07%	30.20%

* 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 1.32%. The Fund's adviser has contractually agreed to reduce a portion of its fee and reimburse Fund expenses to limit total annual operating expenses at 1.25%, which is in effect until October 31, 2015. 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 Fund's website at www.auxierasset.com.

Fall 2012 Market Commentary

Auxier Focus Fund returned 2.73% in third quarter 2012. The Fund's stock holdings (roughly three quarters of assets) gained 3.82%, compared with 6.35% for Standard & Poor's 500 stock index (S&P). For the first nine months of 2012, the Fund returned 8.52% versus 16.44% for the S&P. One reason for our underperformance is that the Fund doesn't own red-hot stocks like Apple, which appreciated over 75% in the past 12 months and represents 5% of the S&P's capitalization. Price and fundamentals matter most to us. So we will lag a strong momentum market rather than violate our price disciplines. For the past few months the evidence has pointed to a definite slowdown in corporate revenue and earnings, a trend that is inconsistent with the market's strong move.

Where Are the Bond Vigilantes?

The Federal Reserve has unleashed unlimited quantitative easing (QE3) in response to sluggish economic conditions. This printing of money adds a powerful short-term tailwind for asset prices, encourages greater risk taking and helps lift investors' animal spirits. But it should not be viewed as a bankable solution, given high structural debt levels, or a free market phenomenon. In 2011 the Fed purchased over three quarters of all debt issued by the U.S. Treasury. So-called bond vigilantes normally would respond to such balance sheet deterioration by demanding higher interest rates to compensate

Top Holdings on 9/30/12	% Assets
Pepsico Inc.	3.5%
Tesco PLC ADR	3.0%
Molson Coors Brewing Co	2.7%
Philip Morris International	2.2%
Merck & Co.Inc. New	2.2%
BP p.l.c.	2.1%
Procter & Gamble Co.	2.0%
Wal Mart Stores	1.8%
Microsoft Corp.	1.7%
Medtronic Inc.	1.7%

them for assuming higher risk. QE3 has artificially repressed that time-honored pricing mechanism. In fact, long-term bonds typically are almost as volatile as stocks. That volatility has been squelched.

Would you lend your neighbor Bob your money at 3% for a 30-year home mortgage knowing that, if house prices slump, Bob is likely to walk? Today, just a three percentage point rise in interest rates would mean principal losses in excess of 30% for long term bonds. This Fed intervention has distorted the normal supply-demand relationship, setting up bond investors for some challenging times when government stimulus ceases. Such easy money policies over the past 12 years have helped inflate successive bubbles in technology stocks, housing, commodities and now the bond market itself. In the past 100 years, the U.S. stock market has declined over 40% on five occasions, with two such occurrences in the past 11 years. These declines were largely the bursting of asset bubbles caused by lax lending standards and extremely easy money. Consider one of Warren Buffett's most valuable quips, one that has helped keep us out of harm's way for 30 years: "When money is easy, grab your wallet and run the other way."

The Fed seems oblivious to history and the dangers of easy money. Our central bank has engaged in a massive money printing campaign, while in essence nationalizing the government bond market. This removes the urgency to deal with underlying fiscal imbalances. A key to maintaining the compounding of your hard earned money is to identify bubble conditions ahead of time and avoid participating in the folly. All bubbles sport high prices in relation to the underlying cash flow of the asset. They all end the same—with crushing price declines. Technology, housing, commodities and now bonds are areas that have attracted powerful flows of capital over the past 12 years, driving prices to unsustainable levels in relation to the underlying earning power of the asset. For those who ignore history or violate the laws of economics, the consequences to your investment returns can be devastating. Human nature is very bankable. People, through ego and emotion, continually make the same mistakes. High prices are a magnet for speculation. Recall the market peak in 1973, when the top 50 growth stocks, dubbed the "Nifty Fifty", traded up to 80 times earnings based on the belief that only one decision was required—buy and hold. They subsequently crashed to 9 times earnings. In 1999, a year before the tech stock bubble imploded, index funds were trading at 32 times earnings, a historic high, as was capital flow into stock funds. Internet stocks peaked in 2000 at over 100 times earnings.

Lately the electronic herd has stampeded into bonds and bond funds on the perceived "certainty" the Fed will keep rates low for the next few years. The only thing certain in free markets is uncertainty and change. From 1970 to 1978, then Fed chief Arthur Burns maintained an easy money policy targeting a 4% unemployment rate. Current chairman Ben Bernanke recently added the unemployment target to his policy agenda. Unfortunately, the Burn's policy led to disaster. Paul Volcker came in to clean up an inflationary mess. What a hangover. In the early 1980s, the 10-year Treasury shot up to 15% and the 30-year bond hit 13.20%. Yet the public was content to sit in 18% money market funds. We were buying tax-free municipal bonds yielding over 10%. Now the public is rushing in at the highest prices for bonds since the country was founded.

Reflections on 25 Years Since Crash of '87

It still seems like yesterday that I successfully navigated many portfolios through the market crash of 1987, which recently marked its 25th anniversary. The shock of a one-day market drop of 22% is something that is difficult to explain. Yet a large correction was not that surprising when you consider that long-term interest rates had climbed from 7% to 10% in the eight months preceding Black Monday. Here are some lessons I learned that helped us endure the Crash of '87 and other downturns:

- Always have some cash; markets are unpredictable and can drop at any time. In market panics, there tends to be a high correlation amongst asset classes on the downside.
- Be humble.
- Do your own homework. "See it with your own eyes."
- There are no short cuts to mitigating risk in a portfolio.
- A persistent, fact-finding research effort is critical.

- Stop loss orders or other options (portfolio insurance) are weak substitutes for intimate knowledge of your investments' operating realities.
- Navigating volatile auction markets demands the proper temperament, namely rational behavior devoid of emotion.
- Money is made by researching and understanding which businesses are executing at the top of their game. Then, when the market tumbles, you are emboldened to step in and buy the best businesses at fire sale prices.
- Run portfolios on fundamentals, not on momentum. Never violate the universal laws of economics. The investments we made during and immediately following the Crash of '87 led to a huge year in 1989.
- Base your activity level on price and value.
- Price is more important than outlook.
- Buy your stocks like your groceries, not perfume. Remember that great investors typically excel during price drops caused by panics, crashes, recessions, depressions.
- An exceptional business analyst is far better at generating great shareholder returns than an erudite economist.

Opportunities Looking Forward

Seven billion people globally have many daily needs. Thus we see encouraging prospects for high-quality enterprises committed to offering exceptional value selling everyday goods or services. Prime examples from our portfolio are Pepsico, Tesco and Unilever. Innovation, especially in seemingly dull, mundane businesses, can be quite exciting in terms of compound returns over time. Since the 1987 crash, one of the top performing U.S. stocks has been Fastenal, up over 38,400%, not including dividends. Fastenal sells nuts and bolts. It is a reminder of how costly it can be for investors to focus too much on macro news items instead of the fundamentals of businesses. Apple has done a phenomenal job and is the current rage among investors. But it is very difficult for a hot stock in a hot industry to endure over long periods. We prefer to focus on finding bargains among solid, high-return franchises that can benefit from lower energy, commodity and technology input costs. Looking forward, advances in technology are materially reducing the cost of both oil and natural gas in the United States. Dramatic innovations in gas-to-liquids processes can contribute to a rebirth in U.S. manufacturing as well as a reduction in unemployment. A slowdown in China's infrastructure boom should help ease the pressure of high commodity prices. Among emerging economies, aspirational envy is driving entire populations to live better and seek trustworthy products. Emerging market demand for necessities also has remained strong, underscoring our preference for companies that are great at selling low-ticket everyday items, as opposed to big ticket products that require heavy financing.

The economy continues to suffer from excessive indebtedness and weak revenue growth, a backdrop that favors the type of top-quality companies we own. We are seeking those investments that can manage well in a prolonged deleveraging period. Our conviction is that the best investment is a great business that is being nurtured and can be purchased at a bargain price. In general, if you are able to buy stellar businesses at close to 10 times earnings, no matter what the macro environment, you generally do well over time. It takes more work to find stocks blessed by traditional drivers of growth—population increases, new markets, industrial innovation, productivity improvement. Uncertainty and fear are the friend of the long-term investor searching for underpriced buys. The risk of the upcoming “fiscal cliff” obviously weighs on markets. But a bigger risk to investors is when asset prices reflect a euphoric overconfidence. The good news about the latest election season is that most problems are being aired out. Historically, transparency has never been this high. When issues are scrutinized continually, the forces of change are already in the works. It is the problems that are unpublicized that can hurt you.

On a more sober note, it often takes a crisis to effect change. We want to be well prepared for such a crisis. While market agnostic, we are working hard to make sure our portfolio is enduring and compelling on a risk / reward basis. We strive to be disciplined and well compensated for the risk taken.

Your trust and support is appreciated.

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.

Forside 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. 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.