



Auxier REPORT

15668 NE Eilers Rd, Aurora, OR 97002 • Phone 503.885.8807 • 800.835.9556 • Fax 503.885.8607 • Email info@auxierasset.com

Summer 2022 Market Commentary

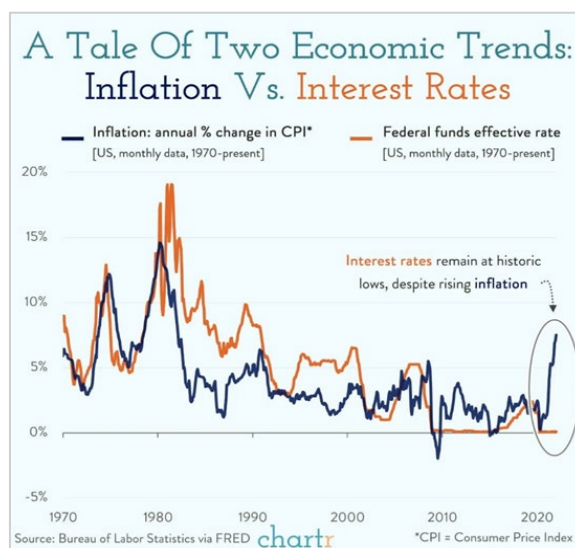
The S&P 500 experienced the worst first half in 52 years and second worst half since its inception as the market declined 16% for the quarter and 20.1% year-to-date. Rising rates in response to surging inflation compressed valuations. The bond market as measured by intermediate 10-year treasuries had its worst six month decline since 1788, down 11%. Long duration, money-losing growth stocks were hit hard. The tech-heavy Nasdaq Composite lost 22.3% for the quarter. The Morningstar US Growth Index lost 25.3%, its biggest decline since the 2008 financial crisis. The Morningstar Large Growth Index was down 29.6%, which was its worst since Q4 2000. The best performing sectors were consumer staples, healthcare, utilities and energy. This was only the second time in the last 40 years where both bonds and stocks recorded losses for two straight quarters. The S&P Global Bond Index fell 8.51% in Q2. The labor market remained tight with a 3.6% unemployment rate and jobless claims consistently fell during the quarter. At the end of April there were nearly two job openings for every unemployed person. Inflation creates a whole new challenge increasing the importance of valuation, enduring business models and sustainable cash flows.

The blistering pace of new initial public offerings (IPOs) has slowed now that rising rates and growing inflation have elevated the risk of betting on money-losing companies at any cost. 2021 was a record year for IPOs with over 1,000 new listings in the US, up from 471 in 2020 and 242 in 2019. 59% of these offerings were done through special purpose acquisition companies (SPACs). Around 80% of the IPOs in 2021 had operating losses. US IPO volume is down 95% in the first six months of 2022 compared to 2021. Biotech IPOs have also slowed, and the second quarter was the slowest for new offerings since 2009. Only about 10% of the 111 biotech IPOs in 2021 are trading at or above their offering price. Investors have been turning their eyes to companies with established business models and positive cash flows. Companies with negative cash flows are underperforming companies with positive cash flows for the first time in five years. Furthermore, we see the bubble in venture funding bursting. Venture funding hit \$342 billion in 2021, up from \$130 billion in 2020. This compares to \$124 billion in the last mania peak in 2000. *Grant's Interest Rate Observer*

Inflation Driving Recession Risks and Repricing Valuations

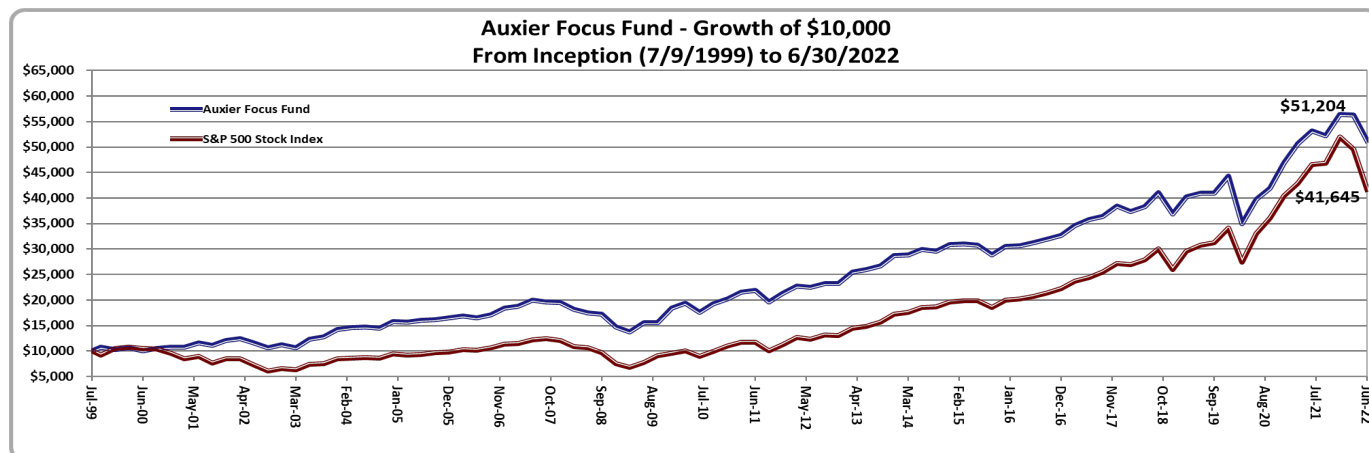
Inflation is a top concern for consumers, and many are cutting back on nonessentials. The consumer discretionary segment was the worst performing sector in the S&P 500 during the quarter. Inflation rose 9.1% in June, up 1.3% from May and the largest year-over-year increase since 1981. The Fed has been accelerating their rate increases in an effort to curb inflation hiking rates by 50 basis points in May and 75 basis points in June. This was the first 75 basis point hike since 1994.

The hope is that these aggressive measures will lead to a soft landing for the economy, but with such a wide gap between inflation and the federal funds rate that appears difficult. Since the Fed started in 1913, 90% of attempts at monetary tightening led to hard landings. Economists at Bank of America believe that the rapid push for decarbonization and green energy could also fuel inflation due to the high costs of infrastructure investments that will be required and the increase in energy consumption due to electric vehicle (EV) growth. The International



Energy Agency (IEA) estimates that their net zero energy transition will cost about \$116T globally over the next 28 years. Housing costs continue to rise and represent about one third of CPI. According to the Bureau of Labor Statistics the average American is spending about 35% of their income on shelter. In May median rents surpassed \$2,000 for the first time ever. Average rents as of June increased 14.1% year-to-date according to Redfin. In our local market we are seeing renters paying about 40% more than they were last year. The reshoring of supply chains could also contribute to higher inflation going forward.

Second Quarter 2022 Performance Update



Auxier Focus Fund's Investor Class returned -9.11% in the second quarter and -9.17% YTD through June 30. For the quarter the cap-weighted S&P 500 Index declined 16.1% while the DJIA lost -10.78%. Small stocks as measured by the Russell 2000 returned -17.2%. The MSCI Emerging Markets Index shed -11.45%. Stocks in the Fund comprised 89.3% of the portfolio. The equity breakdown was 80.5% domestic and 8.8% foreign, with 10.7% in cash and short-term debt instruments. A hypothetical \$10,000 investment in the Fund since inception on July 9, 1999 to June 30, 2022 is now worth \$51,204 vs \$41,645 for the S&P 500. The equities in the Fund (entire portfolio, not share class specific) have had a cumulative return of 699.92%. The Fund had an average exposure to the market of 81.50% over the entire period. Our results are unleveraged.

Contributors to the quarter: Our outlook on sectors and positions with a positive impact on the portfolio for the quarter ended 6/30/2022.

With the rising rate of inflation and borrowing consumers have been spending more on necessities with regard to goods. Inflation restricts many discretionary purchases. This past quarter stocks of insurers, food, beverage, energy and healthcare outperformed. Major retailers selling non-essentials like Target are suffering from excess inventories and material markdowns. Travel and spending on services and "experiences" has been strong as people are getting out of the house after being locked down for two years. Marriott sees 25% gains in revenue per available room

Auxier Focus Fund – Investor Class
 Average Annual Total Returns (6/30/2022)
 Since Inception (07/09/1999) 7.37%
 10-year 8.54%
 5-year 7.42%
 1-year -3.77%
 3-month -9.11%

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 (gross) is 1.09%. 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 0.92%, which is in effect until October 31, 2022. Other share classes may vary. The Fund charges a 2.0% redemption fee on shares redeemed within 180 days of purchase. For the most recent month-end performance, please call (877) 328-9437 or visit the Adviser's website at www.auxierasset.com.

(RevPAR). Pent-up demand for international travel is showing up in surging cross-border volumes for Mastercard, up 58% in the recent quarter. Energy-related stocks continue to do well given the favorable supply-demand imbalance globally. Natural gas prices are soaring as Russia is drastically reducing supplies into Europe. The US is now the number one exporter of liquified natural gas (LNG). Gasoline, diesel and jet fuel demand is firm with the resurgence of travel. This helps downstream operations of the major integrated oils and independent refiners like Valero. Aerospace and defense industries are showing improving fundamentals from the escalation of the war in Ukraine as well as positive air travel trends. The Marsh Global Insurance Market Index recently showed price increases of 9% year-over-year. Since going public in 1962, insurance broker Marsh & McLennan has grown earnings in all recessions. Insurance bills have to be paid.

The healthcare industry was a strong performer with a combination of low valuations and improving demographic demand. Health insurers like UnitedHealth, Elevance (formerly Anthem), CVS and Cigna have all maintained consistent top-line growth throughout the second quarter and through the entire pandemic. The Bureau of Labor Statistics projects that healthcare industry employment will grow 16% from 2020 to 2030, faster than the average for all other occupations. According to the Centers for Medicare & Medicaid Services, national health spending is expected to reach \$6.2 trillion by 2028.

Top Equity Holdings	
Security	% Assets
UnitedHealth Group Inc.	7.8
Microsoft Corp.	5.2
Mastercard Inc.	4.8
Kroger Co.	3.6
Elevance Health Inc.	3.5
Philip Morris International	3.3
Johnson & Johnson	2.9
Medtronic PLC	2.8
Pepsico Inc.	2.7
Merck & Co. Inc. New	2.6

Detractors to the quarter: Our outlook on sectors and positions with a negative impact on the portfolio for the quarter ended 6/30/2022.

Late in the quarter fears of a recession permeated the market. Economically sensitive stocks tied to advertising, industrials, many commodities and banks suffered meaningful corrections. Margin pressure due to surging costs and supply chain interruptions continues to be a challenge for most companies. Major banks tied to the capital markets saw a sharp decrease in investment fees from less underwriting of IPOs. Added reserves may be needed in areas of private equity and hedge fund lending going forward.

In Closing

The results for the first six months show that momentum-based investment strategies in long duration (money-losing) assets that work in a world of free and easy money struggle in an environment of higher rates of inflation and more restrictive central bank policies.

The speculative excesses and avarice driven by historically cheap money and record fiscal stimulus have been sharply correcting in 2022. Roger Lowenstein, author of “When Genius Failed: The Rise and Fall of Long-Term Capital Management” writes, “Finance is often poetically just; it punishes the reckless with special fervor.” Higher inflation and interest rates compress valuations leading to greater importance of individual business selection utilizing price, value and a margin of safety. We anticipate more headwinds and bond market volatility as the Fed reduces their massive \$8.9 trillion balance sheet.

Over the very long term it has been important to pay close attention to intrinsic value, earnings and cash flows with the performance advantage favoring smaller businesses. Currently we are seeing some of the best bargains in smaller businesses. Cumulative knowledge of sustainable business models and proven capital allocators is important. Managerial diligence becomes much more apparent in tough times. The old adage on Wall Street is that financial genius is “leverage in an up market.” We are now seeing the pain and downside of excessive leverage combined with overpriced assets. Going forward we are positioning for higher imbedded inflation given the reversal of globalization, growing acceptance of socialism, government interventions relating to pandemics and reshoring supply chains. Furthermore, the political decarbonization trend is expensive with high-cost construction and extraction which is prone to cost overruns.

Ideally in this climate, we look for undervalued businesses that earn high returns on equity, have freedom to price, and achieve growing free cash flow yields with nominal mandatory capital spending. We like low ticket products or services with high inventory turns that are deemed essential. It is important to make exceptional buys as historically the stock market indexes tend to be rangebound in a higher inflation environment. This requires a rigorous research effort to identify compelling opportunities. We see the next ten years as similar to 1999-2009, when the indexes were negative due to a plethora of overpriced stocks. Through careful security selection, patience and discipline the Fund outperformed the S&P 500 by 87.94 percentage points cumulative during that negative period.

Another valuable observation by Roger Lowenstein, “Investors long for steady waters, but paradoxically, the opportunities are richest when the markets turn turbulent.” Former US Treasury Secretary Larry Summers highlights the risk of blindly buying into indexes: “The efficient market hypothesis is the most remarkable error in the history of economic theory.” Looking back, some of the greatest bargains in quality companies took place when energy prices went parabolic in 1973-74 during the OPEC oil embargo and in 1979 during the Iranian revolution. In addition, some of our best returns followed price declines from financial panics and rising interest rate cycles. The 1987 crash, the 1990 thrift crisis and the 1994 rate cycle, to name a few. Bear markets tend to be brutal grinding affairs. To benefit from the ultimate bargains, we first look to protect and mitigate the risk on the downside as the market cleanses the excesses.

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.

Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

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 market-capitalization-weighted widely held common stocks. Morningstar US Growth Index measures the performance of US stocks that are expected to grow at a faster pace than the rest of the market as measured by

forward earnings, historical earnings, book value, cash flow and sales. Morningstar Large Growth Index measures the performance of US large-cap stocks that are expected to grow at a faster pace than the rest of the market as measured by forward earnings, historical earnings, book value, cash flow and sales. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. The Dow Jones Industrial Average is a price weighted index designed to represent the stock performance of large, well-known U.S. companies within the utilities industry. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. S&P Global Developed Aggregate (Ex-Collateralized) Bond Index (USD) seeks to track the performance of investment-grade debt publicly issued by sovereign, quasi-government, and investment-grade corporate entities, excluding collateralized/securitized bonds. The Nasdaq Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange. The Russell 2000 index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks. It is a market-cap weighted index. The Marsh Global Insurance Market Index is a proprietary measure of global commercial insurance premium pricing change at renewal, providing insights on the world's major insurance markets. One cannot invest directly in an index or average.

A basis point is one hundredth of one percent.

Cash flow is the net amount of cash and cash-equivalents being transferred into and out of a business.

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

Free cash flow yield is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share. The ratio is calculated by taking the free cash flow per share divided by the current share price

Long Duration Growth Stock - Although long-term is relative to an investor's time horizons and individual style, generally long-term growth means over a period of ten years or more.

Margin of safety is a principle of investing in which an investor only purchases securities when their market price is significantly below their intrinsic value. In other words, when the market price of a security is significantly below your estimation of its intrinsic value, the difference is the margin of safety.

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.

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.