AAM
AUXIER•ASSET MANAGEMENT LLC

Auxier REPORT

5000 SW Meadows Road, Suite 410, Lake Oswego, OR 97035 Phone 503.885.8807 1.800.835.9556 Fax 503.885.8607 Email info@auxierasset.com
J. Jeffrey Auxier

AUXIER FOCUS FUND
PERFORMANCE UPDATE
MARCH 31, 2004

AUXFX RETURNS VS. S&P 500 INDEX

	AUXIER FOCUS FUND	S&P 500 INDEX	DIFFERENCE
year-to-date 3/31/04	2.55%	1.69%	0.86%
03/31/03 – 03/31/04	37.31%	35.12%	2.19%
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 Fund's inception 7/9/99	46.19%	-14.02%	60.21%

The performance quoted represents past performance, which does not guarantee future results. The performance of the Fund is computed on a total return basis, which includes reinvestment of all dividends. The Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.auxierasset.com or by calling 1-800-835-9556.

The S&P 500 Index is a widely recognized unmanaged index of common stock prices and is representative of a broader market and range of securities than is found in the Fund portfolio. Individuals cannot invest directly in the index. Performance figures reflect the change in value of the stocks in the index, and reinvestment of dividends. The index returns do not reflect expenses, which have been deducted from the Fund's return.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by visiting www.auxierasset.com or calling Unified Fund Services Inc. at (877) 3-AUXIER. Read it carefully before investing.

Distributed by Unified Financial Securities, Inc, 431 N. Pennsylvania St., Indianapolis, IN 46204. Member NASD.

Management Discussion

The General Stock Market

The Auxier Focus Fund ended the first quarter with a gain of 2.55%, while the market as measured by the S&P 500 gained 1.69%. Though we think the overall market valuation is uninspiring, there are pockets of individual businesses and industries that are still interesting. Demographic trends led by aging baby boomers are creating opportunities in service industries involved in obesity, health care, and financial services. We are also exploring plays on tort reform, outsourcing, and multinational export companies that benefit from a weak dollar.

Investment Approach

The ideal investment climate to allocate capital and identify significantly undervalued securities is one where the headlines are negative, fear and panic abound, and emotions are running high. Extreme volatility usually follows and can lead to exploitable misappraisals. As Bernard Beruch used to say, facts are facts even in the height of emotion. Often in these periods what is perceived to be risky is far safer than normal. Like John Train, author of "*The Money Masters*" has said, "The safe time to invest is when investors are discouraged and desperate." Conversely, the time to be cautious is when everyone is excited, news is good, and initial public offerings are flowing.

Big Picture on Inflation

After three years of very low inflation, bordering on deflation, the Federal Reserve's policy of reflating the economy is working. Last year's inflation as measured by the CPI was under 2%. Improvements in corporate pricing are being driven by a combination of very cheap money (1% Fed Funds rate), tax cuts, aggressive fiscal spending, and a weaker dollar. War spending in Iraq continues to run over $100 billion annually. This seems like a big number, but it is still only roughly 1% of GDP. By comparison, World War II spending represented over 125% of GDP; Vietnam was over 12%. This spending, along with over $400 billion for Medicare and $235 billion for highways, provides tremendous domestic stimulus.

According to a 32-state survey by the American Farm Bureau Federation, the retail price of a market basket of 16 basic grocery items jumped 10.5% in the first quarter from the previous year. It was the biggest first quarter increase since 1989. The Philadelphia Fed Prices Paid Index and Prices Received Index recently hit a nine-year high. Prices of oriented strand board, a substitute for plywood, have climbed from $200 per MSF to $520 per MSF. Gasoline prices are now over $2.00 per gallon in many parts of the country.

Fortunately, unit labor costs are still relatively benign thanks to international competition, outsourcing and Wal-Mart. This still represents the largest factor in overall inflation.

Where to invest if inflation and interest rates are rising

Investors do not appear to be fairly compensated for the risk of owning bonds. In 1994, following a recession, the first Gulf War, a "jobless recovery" and 17 months of low, stable interest rates, the Fed raised rates six times. Commodity prices were booming in part from a 60% jump in Chinese fixed investment. Interest rates climbed from 5.75% to 8% within six months, leading to the worst decline in the bond market since 1927. Today, given a much lower interest rate level, the risks are even greater for the bond investor. If interest rates moved up 2.25 percentage points like they did in 1994, the decline in bond prices would be even more dramatic.

Regarding stocks, the Fed has hiked rates in 22 cases since 1917. The Dow Jones Industrial Average rose an average of one, three, six and twelve months after the initial rate increase. Coming out of recessions, companies with lower quality earnings typically outperform higher quality issues as measured by stability and dividends. This happened last year. However, when earnings momentum decelerates and interest rates start to rise, higher quality defensive issues tend to outperform.

In general, we are looking for the following characteristics in companies when inflation is picking up. They typically will have:

- freedom to increase prices or build market share
- nominal mandatory capital spending requirements
- consistently high returns earned on invested capital
- a flood of free cash flow
- dynamic managements with exceptional capital allocation skills

Companies that have these attributes also are able to buy back stock or raise dividends to help offset inflationary pressures.

Trading Range Markets

History suggests that the general U.S. market may be range bound. This means investors will need to count on shrewd stock picking as opposed to a broad market upturn to make attractive returns. According to Ned Davis Research, certain background conditions are usually present in a sustained multi-year advance.

1. There should be a huge pent-up demand for goods and services. Unfortunately, over the past three years consumers have been addicted to cheap financing schemes by borrowing against real estate to fund discretionary spending. According to Bear Stearns, in 2003 homeowners pulled out over $491 billion in home equity. As equity levels are drawn down, the margin of safety diminishes in the event of a weak housing market. According to JD Power and Associates, 38% of new car buyers are upside down on their loans (car is worth less than the loan), up from 25% in 2001. Further, the average term of car loans has increased to 58 months from 53 months. Historically, from 1951 to 1995, housing prices generally matched or slightly exceeded inflation. Since 1995, home prices have exceeded inflation by 35%. In some markets like New York City and Southern California, homes are selling for 8 times annual income levels — the norm has been closer to 2.5 times. These facts don't support an environment for strong pent-up demand.

2. Total debt levels — government, business and consumer — should be historically low. At the bottom of the market in 1982, total debt to GDP was 158%. The average is 200%. Today it stands at 306%.

3. Money should be cheap and available. That exists today and has existed for the past three years.

4. Overall stocks should be cheap. In major bear markets stocks have traded for 10 times earnings or less. The current valuation is in excess of 17 times 2004 earnings, or 70% higher, as measured by First Call.

With this backdrop it is more important than ever to monitor fundamentals and make opportunistic buys where the odds favor an attractive risk/reward ratio. Counting on a prolonged bull market move for returns is too much to ask. Investors will need to be enterprising to take advantage of market inefficiencies as they arise.

Final Thoughts

It is always helpful to go back in time to study successful investors. In the 1930s, John Maynard Keynes made a reputation as a top economist. But ironically, his investment success had more to do with ignoring the economy and focusing on the facts of individual securities with regard to price and value.

"I am convinced that one is doing a fundamentally sound thing, that is to say, backing intrinsic values, enormously by excesses in the market price, which at some utterly predicable date will in due course bring the ship home."

We appreciate your trust and support.

Jeff Auxier