



Auxier REPORT

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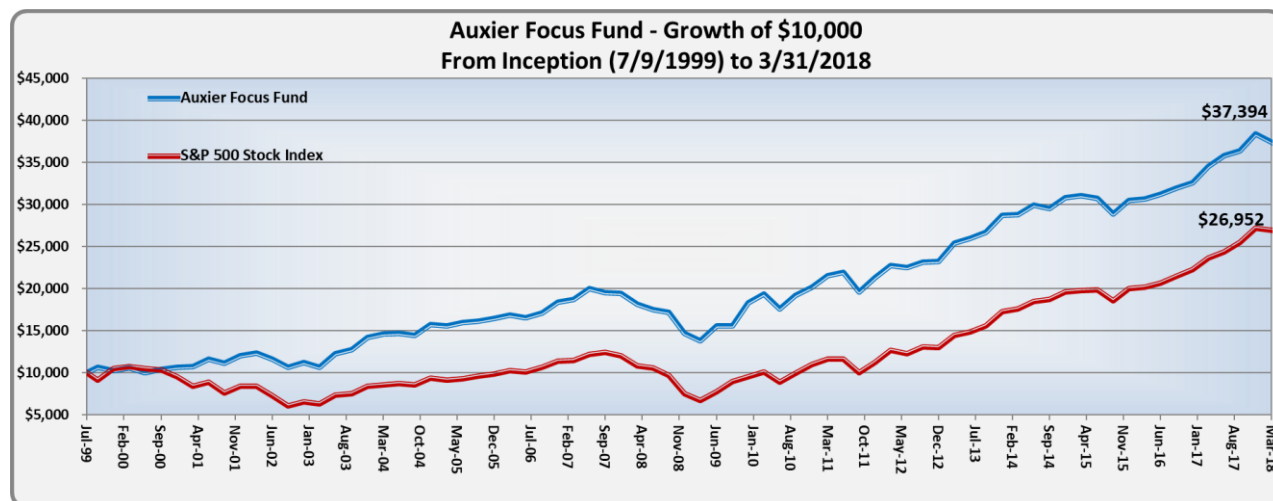
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Spring 2018 Market Commentary

The first quarter of 2018 brought back more normal volatility which has been rare in this recent era of artificially low interest rates. We are seeing a long overdue, much needed correction to help purge excesses in the global markets. Speculation has been boiling in the cryptocurrencies, along with pre-public technology stocks and can also be seen with record margin debt used to buy stocks. The excitement in January over lower tax rates, deregulation and strong corporate earnings has been replaced with concerns of higher commodity prices (oil up over 30%), wage pressures, transportation costs and rising interest rates which can threaten profit margins. Aggressive trade rhetoric between the US and China has fueled fears of global trade wars. With the growth of online shipping and driver regulation, there is a meaningful shortage in both trucks and truck drivers leading to an unprecedented rise in logistics costs often climbing over 20% this past year. Amazon's recent shipping costs are up over 35%. Housing prices are still showing gains in excess of 6% year over year, driven in part by a strong job market and millennial demand which now exceeds baby boomer demand. Housing inventory is down 12% this past year. Seattle has seen housing prices appreciate 45% the past three years (*Zillow*). Higher inflation and interest rates tend to compress price-to-earnings ratios making high expectation, highly valued companies vulnerable to steep declines as there tends to be a reversion to the mean.

We are currently amidst the longest stretch in history where growth has outperformed value. Price and value have taken a back seat to momentum and the rate of change in earnings and sales. However, according to the Wall Street Journal, from 1926 through the end of 2017 value outearned growth stocks by an average of 3.1 percentage points annually. Higher interest rates in time tend to alter behavior and punish the "buy at any price mentality," especially stocks sporting exciting stories that lack healthy cash flows. Digital disruption and the "Amazon effect" have negatively impacted share prices in numerous industries like grocers, media, healthcare, and logistics companies like FedEx, creating selective opportunities resulting from material misappraisals. The massive inflows to pooled vehicles with little transparency and "skin in the game" has increased the risk of emotional and irrational behavior via the "electronic herd." It is easy to sell when you don't know what you own. Much like the 2008 crash, where bundles of low-quality mortgages were all the rage, compiling a group of overpriced stocks may have the same effect on those investing in pools based on upward momentum without adequate due diligence. We believe we are entering a time where cumulative knowledge of managements, business models and the supply/demand characteristics of industries is critical to mitigate risk.

First Quarter 2018 Performance Update



Auxier Focus Fund’s Investor Class declined 2.64% in the first quarter vs. a decline of 0.76% for the S&P 500 Index. Domestic stocks comprised 78% and foreign 15%, with cash and “workouts” 7%. Since inception at the top of the market in 1999, a hypothetical \$10,000 investment in the Fund has grown to \$37,394, with an average equity exposure of 78% compared to \$26,952 for the fully invested S&P 500. Bonds as measured by the Bloomberg Barclays US Aggregate Bond Index declined 1.5%. The STOXX® Europe 600 declined 4%, and the FTSE 100 declined 8.2%. The foreign component detracted from Fund performance for the quarter.

Contributors to the quarter:

Mastercard Inc. (MA)

Mastercard ended their fiscal year with fourth quarter sales up 20% to \$3.31B benefitting from strong holiday spending. The continued

focus on international growth opportunities has paid off as there are now three times as many cards outstanding worldwide than in US markets. Vocalink, a payment system headquartered

Auxier Focus Fund – Investor Class
 Average Annual Total Returns (3/31/2018)
 Since Inception (07/09/1999) 7.30%
 10-year 7.48%
 5-year 8.01%
 1-year 8.22%
 3-month -2.64%

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, 2018. 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 Adviser'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.

in the UK, and Oltio, a mobile payments and banking technology company out of South Africa, along with other acquisitions contributed 3% to overall sales growth in the quarter.

Microsoft Corp. (MSFT)

Microsoft Corporation’s focus and investment in their Intelligent Cloud continues to be beneficial with overall segment revenue growth of 15% to \$7.8B. This was driven by Azure revenue growth of 98% with computer usage more than doubling year over year. Adjusting for the \$13.8B net charge related to the Tax Cuts and Jobs Act, net income grew 20% in the quarter to \$7.5B. Management has done an excellent job transforming the company to the cloud over the past three years.

Bank of America (BAC)

At the end of 2017, Bank of America had total loans and leases of \$936B and total deposits of \$1.3T. Given the large low-cost deposit base there is considerable positive leverage in a rising interest rate environment.

America Movil (AMX)

With around two-thirds of the wireless and broadband market controlled, the largest wireless carrier in Latin America is executing well. Industry growth is resulting from growing mobile data usage and low market penetration. AMX has a strong competitive position with family ownership, high returns on invested capital, a strong balance sheet and scale.

Top Equity Holdings	% Assets
Bank of New York Mellon Corp	3.9
UnitedHealth Group Inc.	3.7
Mastercard Inc.	3.6
Philip Morris International	3.4
Microsoft Corp.	3.3
Pepsico Inc.	3.2
Medtronic PLC	3.1
Johnson & Johnson	2.9
Bank of America Corp	2.5
BP p.l.c.	2.4

Raytheon Company (RTN)

The defense contractor’s stock spiked up this quarter due to increased defense spending set by the Trump administration. International sales, which account for 30% of revenue, are expected to increase due to greater political instability. Raytheon’s backlogs remain robust, although we worry that margins are peaking.

Visa (V)

Visa has a strong business model that is continuing to perform well. They are global leaders in electronic payments with their market share of digital transactions accounting for around 58% worldwide. Visa produced over \$8 billion in free cash flow in 2017, has been growing earnings at a double-digit pace, and has great room to increase their dividend.

Detractors to the quarter:

Johnson & Johnson (JNJ)

Despite beating Wall Street’s fourth quarter earnings and revenue expectations, Johnson & Johnson lost investor confidence on a projected 2018 operational revenue growth of 3.5% to 4.5%. J&J’s \$30B acquisition of Actelion last summer contributed 4.2% towards their Worldwide Pharmaceutical sales growth of 8.4% to \$36.3B in the quarter.

DowDuPont Inc. (DWDP)

Although DowDuPont recorded a \$1.1B benefit from the Tax Act, restructuring and goodwill impairment items of \$3.11B led to a reported pro forma loss of \$1.21B, or loss of \$0.52 per share, in the quarter. The plan to split into three different companies post-merger was originally anticipated to take up to two years but is now expected to take between 12 and 14 months. DowDuPont also increased its expected annual cost savings by 10% to \$3.3B. We really like the Chief Executive Edward Breen who has an exceptional capital allocation record and will oversee the split up of the company. Low natural gas inputs continue to be a material benefit to chemical producers.

Biogen Inc. (BIIB)

On February 15, 2018, Merck discontinued a phase 3 trial of their BACE1 inhibitor, verubecestat, adding the potential Alzheimer's treatment to a growing list of clinical failures from pharmaceutical companies. This shook investor confidence in Biogen who also has a BACE1 inhibitor currently in late-stage testing. However, Biogen's leading Alzheimer's candidate, aducanumab, takes a different approach than BACE1 inhibitors by reducing amyloid plaques in the brain vs. preventing the build-up. Biogen's expansion by 510 patients in aducanumab's late-stage study to confront the high variability in the primary endpoint has increased fears of another industry failure. With earnings over \$22 this year the stock seems very cheap.

PepsiCo (PEP)

The North American beverage unit has struggled but management is focusing on fixing the problem with innovative new offerings. Beverage companies in general have fallen out of favor in the market and lower prices could provide an attractive entry level for long-term investors.

Mergers and Acquisitions

On January 22, 2018, Sanofi announced the acquisition of Bioverativ for \$105 per share in cash, a 64% premium to their previous closing price. The cost basis in the Fund was \$41.14. Bioverativ is the hemophilia business unit that was spun-off from Biogen in 2017. Sanofi completed the \$11.6B takeover at the beginning of March adding Bioverativ's two hemophilia extended half-life therapies, Eloctate and Aprolix, which represented the first major treatment advancements in almost 20 years when launched in 2016. While most acquisitions destroy value, we like to see spinoffs as they generally energize management teams and enhance intrinsic value.

On January 29, 2018, Dr. Pepper Snapple Group and Keurig Green Mountain Inc. entered into a definitive merger agreement to create Keurig Dr. Pepper (KDP) for \$123 a share. The Fund's cost is \$15.23. We bought Dr. Pepper shortly after it was spun out of Cadbury Schweppes for less than ten times earnings. We discovered a highly focused and competent management team. The two companies will bring iconic brands such as 7 Up, A&W, Mott's and SunKist together with Green Mountain Coffee Roasters, Keurig's single serve coffee system, and more than 75 owned, licensed, and partner brands. Dr. Pepper Snapple shareholders will receive \$103.75 per share, or \$18.7B, in a special cash dividend and retain 13% of the combined company. KDP is

targeting \$600M in synergies on an annualized basis by 2021 and a dividend of \$0.60 per share at the close of the transition. Total net debt is expected to be approximately \$16.6B with a target net debt/EBIDTA ratio below 3.0x within two to three years after closing. KDP will have combined proforma 2017 annual revenues of approximately \$11B. This is another example of private equity firms buying our high free cash flow generating businesses—which has been a common occurrence in our portfolio over the years. Private equity firms have close to one trillion dollars in buying power and could be a material source for mergers, especially as prices correct and become more enticing.

On March 8, 2018, Cigna entered into a definitive agreement to acquire Express Scripts Holding Company for \$67B, or \$92 per share. This buyout would broaden the portfolio of Cigna's specialty services and boost their focus on advanced analytics. Combining the companies' strengths will allow them to use a patient's medical history to improve treatments and lower costs while simplifying the healthcare supply chain. The merger consideration will consist of \$48.75 in cash and 0.2434 shares of stock of the combined company per ESRX share. Upon closing the transaction, Cigna shareholders will own approximately 64% of the company and Express Scripts shareholders will own 36%. Current CEO of Cigna, David Cordani, will lead the combined company with Tim Wentworth, current CEO of Express Scripts, transitioning to President of Express Scripts, Inc. The deal is being closely watched and scrutinized by the Department of Justice who recently asked both companies for additional information. The Justice Department successfully blocked both Aetna from buying Humana Inc. and Anthem Inc. from acquiring Cigna in 2017, but Cigna is still confident in their ability to gain regulatory approval and complete the acquisition by the end of 2018.

Opportunities

Negative headlines when detached from strong fundamentals create opportunities. Companies like FedEx and UPS recently hit attractive levels due to fears over global trade wars. Google and Facebook have suffered sharp declines due to the mishandling of personal data by Facebook and uncertainty over tightening regulation. However, both have strong underlying demand trends and powerful platforms driven by predictive data analytics, artificial intelligence and a network effect. As a group, industry leading biotechs have been trading at a very cheap 12 times 2018 earnings vs. 17 times for the S&P. Exciting research breakthroughs are leading to major advances against many diseases. Quality medtech firms like Medtronic and Zimmer trade at very reasonable valuations versus free cash flow. A good buy results when a powerful franchise suffers under horrible emotional headlines. Like John Train, author of *The Money Masters* has said, "The safe time to invest is when investors are discouraged and desperate." An example is our purchase of Visa and Mastercard. Back in 2010 they were under a cloud of negative headlines regarding interchange fees. The fundamental digital trends were strong. Our cost basis in Mastercard is \$22 and it recently traded above \$174. Our Visa basis is \$16, and it recently hit \$125. It can be so expensive to get caught up in news headlines and the emotion of markets if it detracts from focusing on facts underlying operating reality. As financier and Presidential advisor Bernard Baruch used to say, "Facts are facts even in the height of emotion." Strong sales, earnings and cash flows together with diligent managerial capital allocation will drive intrinsic value and ultimately stock returns. Consumer staples like beverages have been

declining in 2018 but we see private equity stepping in if prices remain weak as those businesses are enduring, generate attractive free cash and are better able to handle increased leverage.

Risks

Nearly a quarter of the S&P is weighted in technology stocks with a trailing price earnings of 33. Huge capital investments (over \$90 billion) are entering the industry via the likes of Softbank, a Japanese conglomerate dedicated to technology investment. Back in 2000, Softbank dropped over 90% due to enthusiastic purchases of inflated technology stocks. We are watching the IPO markets for even further supply. The cloud is so popular that it is attracting enormous capital spending, just like fiber optic in the late 1990s and more recently the farm sector and natural gas. Exuberance over exciting growth prospects can often lead to a flood of entrants and capital, leading to overinvestment and supply gluts.

We continue to see increasing volatility with headline risk. However, overall the fundamentals for US earnings look the best since 2011. The supply of public stocks is still down over 50% since 1998. Private equity has over \$1 trillion in buying power. Companies in the S&P 500 could retire an additional \$800 billion in stock this year via buybacks. In the first quarter corporate mergers and acquisitions are up 60%. The rule of law in the US is stronger this past year compared to Venezuela which has no rule of law and suffers annual inflation over 10,000%. After the Reagan tax cuts in 1986, I remember a period where earnings were so strong the market survived a three percent rise in long term interest rates before correcting in a major way in 1987.

In times of market turbulence and uncertainty we have found it is helpful to go back in history and study great, enduring investors. J. Paul Getty was one of the best during the 1930s. He writes, "The big profits go to the intelligent, careful and patient investor, not to the reckless and overeager speculator. The seasoned investor buys his stocks when they are priced low, holds them for the long-pull rise and takes in-between dips and slumps in stride."

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 Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. FTSE 100 Index, also called The Financial Times Stock Exchange 100 Index, FTSE 100 Index, FTSE 100, FTSE, or, informally, the "Footsie" /'fotsi/, is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. 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.