



Auxier REPORT

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AUXIER FOCUS FUND PERFORMANCE UPDATE December 31, 2013

ANNUALIZED

	Inception *	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	7.56%	7.26%	14.32%	12.43%	23.81%
S&P 500 Index	3.85%	7.41%	17.94%	16.18%	32.39%

CUMULATIVE

	Inception *	Ten Year	Five Year	Three Year	One Year
Auxier Focus Fund Investor Class Shares	187.41%	101.61%	95.23%	42.13%	23.81%
S&P 500 Index	72.74%	104.30%	128.19%	56.82%	32.39%

* 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 1.28%. 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 to 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 Advisor'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.

Year End 2013 Commentary

Auxier Focus Fund returned 7.63% in fourth quarter 2013 and 23.81% for the year. The Standard & Poor's 500 Stock Index gained 10.51% for the quarter and 32.39% for the year. As of December 31, 2013 the Fund was positioned in 74% U.S. equities, 2% fixed income, 14% foreign stocks and 10% cash. Since the Fund's founding (July 9, 1999), a hypothetical \$10,000 investment would have grown to \$28,741 vs. just \$17,274 for the S&P 500. That's a 159% performance advantage over the period. We continue to view the power of compounding as our most important focus. We designed the Fund to have a wide and flexible investment mandate in seeking compelling value for the portfolio.

Profiting From Powerful Tailwinds

The fourth quarter saw continued economic strength in autos, housing, energy production and energy exports. Improved consumer confidence helped fuel the fastest increase in consumer spending in three years. The boom in energy exports is materially adding to the strength of the U.S. economy (1% to GDP). A key to market valuations is the inflation rate, which for the full year still registered less than 2% at both the producer and consumer level. Corporate earnings advanced less than 7% for 2013. But a combination of factors encouraged investors to pay higher multiples of earnings overall in the equity markets. The factors include the Federal Reserve's accommodative monetary policy, low inflation, lower commodity costs, and moderate capital spending. Reflecting this low inflation environment, the price of gold fell 28% and Treasury Inflation-Protected

Securities (TIPS) slipped 8.6%. In peace time we often have had deflation, in part because advances in technology and free markets have helped to keep a lid on prices. On a recent agriculture research trip, I was amazed at new innovation including drones, driverless tractors and GPS. The output is impressive. In a free functioning economy, there is more risk in productivity gluts—not shortages.

We are constantly monitoring the supply and demand, the cause and effect in different markets. The U.S. Federal Reserve purchased some \$1 trillion in net assets in 2013. In addition, corporate stock buybacks were close to \$500 billion (much with borrowed money). That amount is second only to 2007 when \$589 billion was retired. The combined \$1.5 trillion in buying power can meaningfully move markets. Unfortunately, there are no guarantees that these actions by the Fed and corporations are necessarily wise moves. After the 2007 record buyback, stocks plummeted over 40%. Remember, everyone looks like a financial genius using leverage in an up market.

Portfolio Highlights

Healthcare stocks in the Fund had a strong fourth quarter and year. CVS's 26% performance for the quarter is reflective of the fact that 10,000 Americans turn 65 every day and will for the next 15 years. Businesses that are able to serve this growing segment with improving service, innovation, technology, product quality and value should continue to win. Many of the healthcare names that we “planted” a couple of years ago in the height of panic have been returning to favor. Abbott Labs, Johnson & Johnson and Merck are a few examples of the value added by a “shrink to grow” managerial behavior. MasterCard and Visa are enjoying the trend away from cash and toward digital payments—although they are now looking more fully priced. Split offs and spin offs in the energy sector led to exciting returns as Valero rose 48% for the quarter while spinning off CST Brands. Companies like ConocoPhillips and British Petroleum have been breaking up, pruning low returning assets and returning the proceeds to shareholders in the form of higher dividends and buybacks. Such “event driven” investments are very important when prices are high as the returns are less dependent on the overall supply and demand of the market. Fund performance has been negatively impacted by turnarounds like global supermarket operator Tesco PLC. Retailers in general, even world-class operators, are suffering from a glut of stores fostered by a rapid transformation to online and mobile shopping. While we don't see much more downside, the execution has been disappointing—slower than expected. Over the long term this approach to buying high-quality assets during distressed times has been a winner. It is often difficult to gauge the timeline.

Top Holdings on 12/31/2013	% Assets
Molson Coors Brewing	3.8
Tesco	3.2
Pepsico	3.1
Bank of New York Mellon	2.6
BP (British Petroleum)	2.2
America Movil	2.2
Philip Morris	2.1
Telefonica	2.0
Merck	2.0
Microsoft	1.9

Exciting returns as Valero rose 48% for the quarter while spinning off CST Brands. Companies like ConocoPhillips and British Petroleum have been breaking up, pruning low returning assets and returning the proceeds to shareholders in the form of higher dividends and buybacks. Such “event driven” investments are very important when prices are high as the returns are less dependent on the overall supply and demand of the market. Fund performance has been negatively impacted by turnarounds like global supermarket operator Tesco PLC. Retailers in general, even world-class operators, are suffering from a glut of stores fostered by a rapid transformation to online and mobile shopping. While we don't see much more downside, the execution has been disappointing—slower than expected. Over the long term this approach to buying high-quality assets during distressed times has been a winner. It is often difficult to gauge the timeline.

In this age of exchange traded funds (ETFs) we continue to price each individual portfolio security by hand every day. We start with a deep study of the balance sheet of each holding. Famed physicist Albert Einstein said, “compound interest was not only man's greatest invention, but it was the most powerful force on earth.” We don't want to leave our results to chance. Warren Buffett has said, risk management is too important to be left to a committee, and risk is not knowing what you are doing. Just as “velocity banking” led to a misunderstanding of risk, I fear the mentality of “velocity investing” through the proliferation of financial products could end badly because the process of price discovery is very difficult. That may be a fair characterization of a great percentage of market participants today. We want to work to maintain high odds of success through dedicated research on each holding over years, not days.

We have been attracted in the past couple of years by stock prices in the UK, as well as the leadership of Prime Minister David Cameron. He has moved toward privatizations (e.g., post office), cutting of taxes and reducing regulations. We see opportunity in the consolidation of the European cable and phone industries. Mexico is embarking on some hugely positive policies, unleashing new competition into industries like energy, education, and telecommunications.

Benefiting From Global Insecurity

The dangers of poor economic leadership are much more visible today in countries like Argentina and Venezuela that have moved away from free markets and toward policies favoring government control. The result: shortages, currency devaluations and surging inflation. *Grants Interest Rate Observer* (1/24/2014) recently did an excellent job highlighting the problems of a Chinese command economy, where the mandate was rapid growth in Chinese lending.

Writes Grants: “The world has never seen the likes of China’s credit frenzy. From year-end 2008 through the third quarter of 2013, assets on the balance sheets of Chinese banks grew by \$15.1 trillion to \$24.3 trillion. That growth in assets is greater than today’s \$14.6 trillion stock assets at America’s commercial banks. For further perspective, China’s GDP is reported to sum to \$8.9 trillion, America’s to \$16.7 trillion (U.S. national income data should be taken with a grain of salt; for China’s, empty the cellar). China’s bank footings represent 33.1% of world GDP, though China’s economic output amounts to just 12.2% of world GDP. In 1994, when Japan had the world on a string, Japanese output peaked at 17.9% of global production; in the same year, Japanese banking assets topped out at 27.3% of world GDP. Nineteen years later, Japan’s share of earthly GDP has shrunk to 6.8%, its banking assets to 11.8% of that all-in figure.”

We may be in a period like 1995. Recall that the U.S. was perceived to be a stronger and safer bet, blessed with our rule of law and business ethics, after the economic downturn in Japan and the 50% Mexican Peso devaluation in 1994. As the Fed withdraws stimulus, more emerging market devaluations could follow, leading investors to favor high-quality U.S. based corporations. In addition, the U.S. has a large but unpublicized peace dividend with the winding down of two wars. One must not underestimate the dramatic positive effect of North American energy independence. In fact, since 1976 the U.S. has committed over \$7 trillion in resources related to defending Middle East oil. That is a lot of capex! The new technology in energy production (hydraulic fracking, horizontal drilling, and alternatives) should greatly diminish the need for such massive spending in the Middle East going forward. This in turn can be reinvested in more jobs, creating apprenticeships, etc.

Outlook

On a short term basis, the U.S. market is long overdue for a correction. Bullish sentiment has reached extremes (61.6%, according to *Investors Intelligence*) and margin debt has reached peak levels. With companies like Twitter selling over sixty times sales and 400 days without a meaningful correction, a pullback is needed and healthy. We are mindful of the “electronic herd,” having navigated through numerous crashes in the past thirty years. Easy money has always led to misallocations of capital. As the Fed returns to a more normalized posture, the unwinding of carry trades across the globe will take place leading to market disruptions as the market purges excesses. Whenever investors forget about “price” and allocate funds based on “momentum,” the margin of safety diminishes, especially when combined with borrowed money. It is helpful to revisit the March 2000 NASDAQ peak of 5048 and the subsequent drop to 1114 by the end of 2002, a decline of 78%. More recently the safety of gold has been questioned with a 28% drop—the worst in thirty years. The mindless stretch for extra yield is another killer of the compounded return. Whenever an asset class becomes popular, and thus overpriced, it is no longer safe. The math on compounding demands investors focus on the downside, as a 50% drop requires a 100% gain just to break even. There are exciting transformations taking place in the United States. Innovation-driven entrepreneurship is leading to what MIT researchers are calling a “second industrial revolution.” However, we prefer to fish among mundane, well nurtured businesses that utilize cutting edge technology to sell everyday products but are not magnets for fast moving capital. Those with a focus on execution, enhancing the customer experience and building intrinsic shareholder value should do well in this period of heightened global transparency.

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. 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.