AAM AUXIER•ASSET MANAGEMENT LLC

Auxier REPORT

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

Spring 2024 Market Commentary

Strong employment trends together with an economy boosted by generous fiscal spending and a massive Artificial Intelligence (AI) investment cycle helped to propel the US market as measured by the S&P 500 to a 10.6% gain for the quarter. Top US tech firms are ramping up capital spending into AI infrastructure toward the $200 billion mark for 2024. This has benefited hardware firms like Nvidia, Micron, ASML and Taiwan Semiconductor who are integral to the backbone of AI. The government Inflation Reduction Act and the semiconductor CHIPS and Science Act are just starting to kick in, helping a myriad of construction suppliers as well. Through our travels to four different states, we have seen this phenomenon firsthand. All this stimulus and the anticipation of a Fed pivot with 6 to 7 rate cuts helped drive speculation in riskier assets. On the downside, bonds declined in most maturities. Travel spending has been improving since the pandemic, even with global uncertainties surrounding the economy this year. The World Travel & Tourism Council expects the travel industry to produce $11.1 trillion in 2024. An all-time high for the industry since it generated $10 trillion in 2019. Aerospace suppliers are a beneficiary of these travel trends. With the upcoming Olympics and elections, the fundamentals for digital advertising are very strong.

AI, Cloud and digital advertising are dominated by Meta, Alphabet and Amazon who are disrupting the entertainment industry as well. Strong earnings from the largest companies in the S&P 500 are expected to drive record levels of share repurchases this year and next. Goldman Sachs has increased their estimates for S&P 500 buybacks and now expects $924 billion in 2024 and $1.08 trillion in 2025. This would represent about a 13% increase in 2024 and 16% in 2025. The top seven largest S&P 500 companies are still expected to drive much of the index's buyback with $215 billion authorized for repurchase as of Q4 2023. In addition to driving the market's buybacks, the Magnificent 7 recently reached an all-time high weight in the S&P 500. These names– Alphabet, Microsoft, Nvidia, Amazon.com, Meta Platforms, Apple and Tesla, accounted for 29.9% of the index as of April 12. This is the highest level of concentration that US stocks have seen since the early 1970s, resulting in the P/E of the S&P 500 being well above its historical median. Data from wealth management firm Creative Planning LLC found that the trailing 12-month P/E ratio for the S&P 500 had moved up to 24.4 in the first quarter which is nearly 32% above the median P/E of 18.5 since 1988. With the astronomical rise of names like Nvidia, some investors fear the return of excessive market valuations like those seen during the dot-com bubble with companies like Cisco. Cisco is seen as a warning to investors about runaway valuations on the back of exciting new technologies and some liken the AI boom to what the market saw at the onset of the internet era. Nvidia has seen significant price appreciation, but their valuation has not yet reached the heights of the dot-com era where Cisco was valued at 150 times their forward earnings in March 2000. At the end of the first quarter, Nvidia was valued at 39.5 times their forward earnings for their fiscal 2025. So far, the rapid growth in prices for the largest tech names like Nvidia have been accompanied by strong earnings growth, but it will be important to monitor developments in the AI space to ensure that excitement for the technology does not overshadow fundamentals like it did in 2000. We have followed NVDA since 1998, whose founder attended Aloha high school in Oregon then Oregon State University. From 1999-2002 the stock gained over 16-fold then dropped over 85% (*High Tech Strategist*). It is so important to do in-depth research and uncover the exceptional founder CEOs who are passionate about work and their business. Without thorough research it is easy to get flushed out of a good company in bad markets and lose out on high compounded returns over the long run.

Bonds and Stocks Continue to Move in Opposite Directions

While the stock market has largely ignored rising inflation and recession fears, the bond market has moved in the other direction with analysts from Bank of America calling it the greatest bond bear market of all time. According to data collected by Creative Planning LLC, the US bond market has been in a bear market for 44 months. The next longest downdraw was in 1980 and 1981 which lasted for 16 months. Global bonds were also weighed down by a strengthening US dollar with the Morningstar Global Core Bond Index down 2.1% during the quarter.

AI Buildout and Electrification – Inflationary?

Due to factors such as climate directives and growing demand for connected devices and AI technology, utilities are facing multibillion-dollar grid overhauls to replace ageing infrastructure and expand capacity. According to electricity sector consulting firm Grid Strategies, by 2028 demand is expected to be nearly 5% more than 2023 levels, almost twice the growth companies were expecting just a year ago. Last year, the Institute of Electrical and Electronics Engineers estimated the cost to upgrade and expand the grid would be $2.5 trillion by 2035. Consumers are largely the ones being asked to take on this burden through electric rate increases which led the electricity component of the CPI to see its third-highest growth in March. California's largest electric utility, PG&E, hiked residential bills by 13% in January. Pacific Power, Oregon's second-largest utility, recently proposed a 16.9% rate hike for residential customers in 2025. In addition to electricity services, inflation is persistent. The service component of the CPI advanced 5% in March, making it the second fastest growing component of the index. Service inflation has largely been driven by heavy investment into AI research and infrastructure by the biggest tech companies. Microsoft and OpenAI are working on a new data center and supercomputer project that could cost as much as $100 billion with some estimates as high as $115 billion. This would surpass the cost of some of the company's largest data centers by 100x. Spending on HyperCloud and AI data centers has reached dizzying levels with companies spending more in just one year than many of the largest tech firms spend over many years. Microsoft spent more on capex in 2023 than Oracle has spent in its entire history. Alphabet spent more on capex last year than IBM has over the last 10 years. High spending in the service industry on AI infrastructure could prove to be a long-term driver of inflation and complicate the Fed's path to a reasonably quick return to their 2% inflation target. Back in the 1999 tech telecom boom, euphoria engulfed the buildout of fiber optic and internet hosting led to dramatic overinvestment leading to overcapacity.

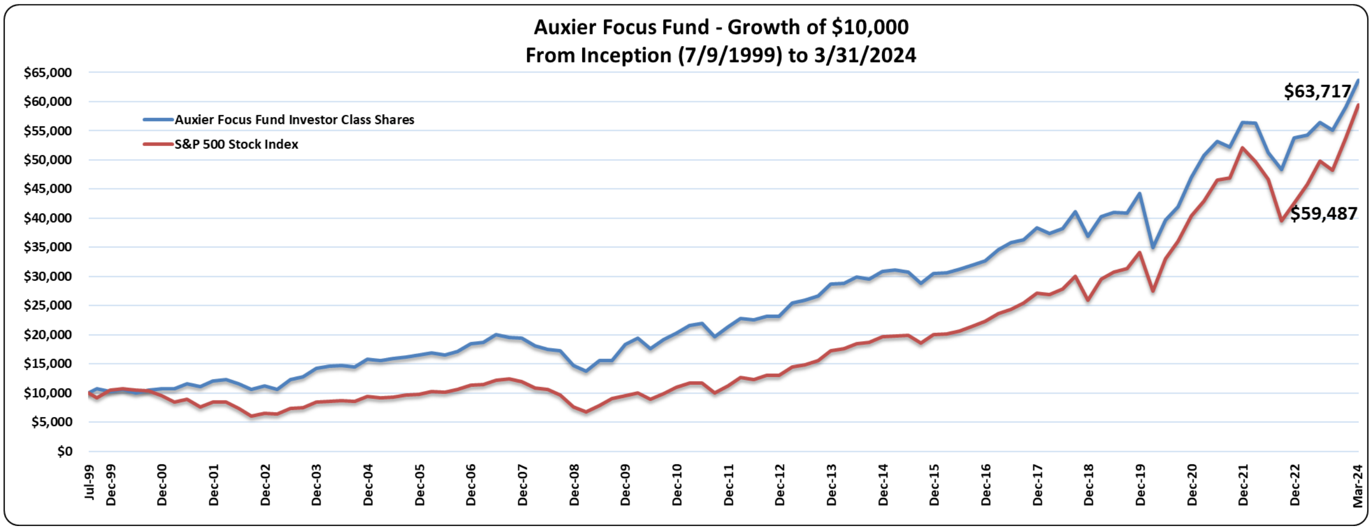
Contributors

The financial sector was the strongest performing sector during the first quarter. Financials have benefited from several factors such as a recovery in the banking sector compared to a year ago when the industry faced liquidity issues and stronger-than-expected consumer spending. Companies in the Fund such as Bank of America, Bank of New York Mellon, Central Pacific Financial, Citigroup and US Bancorp were deeply oversold after the collapse of Silicon Valley Bank and First Republic. During the first quarter, the big 5 US investment banks, which include Bank of America and Citigroup, reported a 27% increase in fees from mergers, takeovers and fundraising compared to the first quarter of 2023. Payment processors like Mastercard and Visa have enjoyed strong cross border spending. Private label sales have boosted retailers like Kroger and Walmart as consumers have been cutting back. Both are well-positioned to take advantage of artificial intelligence because of their valuable customer data. In the insurance industry, the hard market continues with strong pricing and higher yields that have continued to boost companies like Aflac, American International Group, Arch Capital, Berkshire Hathaway and The Travelers Companies. Swiss Re is forecasting a more favorable pricing environment in 2024 than in 2023 with premiums estimated to grow by 7% during the year.

Detractors

Defensive names tend to lag during investment booms. Healthcare and consumer staples were the weakest performing sectors in the quarter. Most of these companies have durable franchises with nominal mandatory capital needs and high free cash flow yields. They are boring but typically not magnets for torrents of investment capital that follow the excitement of new technologies. Health insurers like UnitedHealth have suffered as medical costs have been rising. However, UNH has been aggressively applying AI to help reduce costs in claims processing while streamlining administrative functions. Good data is critical to the effective use of AI and UnitedHealth has access to quality prescription and medical records.

First Quarter 2024 Performance Update



Auxier Focus Fund's Investor Class returned 7.85% in the first quarter 2024. The equity portion of the Fund gained over 8.6%. The S&P 500 cap-weighted index returned 10.56% for the first quarter, while the equal weight returned 7.91%. The Russell 1000 Value Index gained 8.99%. Fixed income investments as measured by the S&P Aggregate Bond Index and the IDC US Treasury 20+ Year Index (4PM) returned -0.56% and -3.60% respectively. Smaller stocks as measured by the Russell 2000 gained 5.18%. Stocks in the Fund comprised 92% of the portfolio. The equity breakdown was 83.3% domestic and 8.7% foreign, with 8% in cash and short-term debt instruments. A hypothetical $10,000 investment in the Fund since inception on July 9, 1999 to March 31, 2024 is now worth $63,717 vs $59,487 for the S&P 500 and $52,778 for the Russell 1000 Value Index. The equities in the Fund (entire portfolio, not share class specific) have had a gross cumulative return of 963.53 %. The Fund had an average exposure to the market of 82.0% over the entire period. Our results are unleveraged.

Auxier Focus Fund – Investor Class
Average Annual Total Returns (3/31/2024)
Since Inception (07/09/1999) 7.78%
10-year 8.26%
5-year 9.63%
1-year 17.54%
3-month 7.85%

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 1.10%. 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 0.92%, which is in effect until October 31, 2024. 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.

In Closing

We have seen a plethora of speculative-type investment products, like Zero-day options, that are accentuating short-term market volatility. In addition, with over 85% of trading comprised of mathematical algorithms, movements are often based on headlines, not in-depth research. So now more than ever it is imperative to know what you own in order to take advantage of these swings both on the upside and downside.

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. The Russell 1000 Value Index refers to a composite of large and mid-cap companies located in the United States that also exhibit a value probability. The Russell 1000 Value is published and maintained by FTSE Russell. The Russell 1000® Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. IDC US Treasury 20+ Year Index (4PM), is a 4pm pricing variant of the ICE US Treasury 20+ Year Index, which is market value weighted and is designed to measure the performance of U.S. dollar-denominated, fixed rate securities with minimum term to maturity greater than twenty years. 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. S&P US Aggregate Bond Index is designed to measure the performance of publicly issued U.S. dollar denominated investment-grade debt. Morningstar Global Core Bond Index measures the performance of the global fixed-rate investment grade debt market for securities with maturities greater than one year. One cannot invest directly in an index or average.

The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.

The Fed refers to The Federal Reserve System (FRS) and is the central bank of the United States.

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.

Zero-day options are options contracts that are set to expire before the end of the day. They are not special options contracts but rather regular options on their last day of existence.

As of 3/31/2024, the Fund's top equity holdings were: Microsoft Corp. (6.9%); Mastercard Inc. (5.2%); UnitedHealth Group Inc. (4.7%); Kroger Co. (3.8%); Merck & Co. Inc. New (3.1%); Elevance Health Inc. (3.0%); Philip Morris International (2.8%); Visa, Inc. (2.8%); Bank of New York Mellon Corp (2.8%); Bank of America Corp (2.6%).

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.