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# Auxier Focus Fund

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## Semi-Annual Report

December 31, 2017  
(Unaudited)

### **Fund Adviser:**

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### **Year-End 2017 Market Commentary**

Major tax legislation signed into law in December of 2017, the Tax Cuts and Jobs Act, has been a powerful positive for US companies. This together with meaningful reforms in onerous regulations has energized and created attractive incentives to start new businesses. Earnings growth in 2018 for the S&P 500 Index could exceed 16% after a similar gain in 2017 (Standard & Poor's). I remember investing after the 1986 Reagan tax cuts and witnessing strong new business formations, which were very stimulative. Corporate earnings accelerated even with a dramatic increase in interest rates. Partly due to a rollback in regulation, *American Banker* estimates that the top ten banks in America now have enough excess capital to retire one-third of their outstanding shares. A drop in corporate rates from 35% to 21% together with repatriation of foreign earnings could add further to stock buybacks, dividend increases and mergers. 100% expensing of depreciable property should enhance capital spending and could add up to half a percent to GDP growth. Many foreign manufacturers are locating to the US due to the lower tax burden and low natural gas prices. Private equity buying power adds another \$1 trillion in demand (*Fortune*) just as public stock in the US has dropped by over 50% since 1997 (*Economist*). We watch the initial public offering ("IPO") market closely for signs of oversupply. While both the Reagan tax cuts in 1986 and the Kennedy tax cuts (Revenue Act of 1964) added firepower to the economy they also contributed to higher interest rates, hurting holders of bonds. Today, the tax stimulus combined with a low 4.1% unemployment rate could lead to much higher interest rates. Companies with poor balance sheets or those dependent on debt funding like real estate investment trusts ("REITs") and utilities suffered in the past. We have learned it is critically important to study the tax code as the changes in 1986 really hurt commercial real estate, ultimately contributing to the thrift crisis. This time ultra-high-end housing along with municipal bonds look vulnerable.

Globally, a movement toward free market solutions and efforts to clean up corruption contributed to huge moves in cheaper emerging markets. Argentina was the number one performing market in the world for 2017, returning over 76%, as represented by the Merval Index, due largely to free market reforms. Brazil has targeted corruption while privatizing many industries. China continues to add to market solutions as well. The internet is creating greater financial transparency, exposing and cleaning up bad behavior. Companies that are executing and have proven platforms are enjoying almost monopolistic market power. As an investor, it is so important to tune out crazy news headlines and relentlessly focus on facts and fundamentals pertaining to company cash flows, revenues and execution. We have learned over many years the importance of exceptional management, integrity and private property rights. Companies that are operationally efficient with a network effect on the right side of digitization can enjoy enormous premium valuations. While fear is the friend of the fundamentalist, euphoria is the enemy of the diligent capital allocator. Recently, bullish sentiment has reached extremes which can often portend a short-term correction. Bad loans and most mergers are made in good times, often at bad prices that fail to compensate for the risk taken.

### **Entry Housing**

The average age for first time home buyers is 31. According to the *Wall Street Journal*, home ownership hit a 50-year low in 2016, at 62.9%. In 2017, the rate increased for the first time in 13 years. While fundamentals look good for low-end housing, the high-end has been hit hard by the limits to the deductibility of interest and property taxes. The millennials now outnumber baby boomers.

### **Bigger is Not Necessarily Better**

According to the outstanding investor Joel Tillinghast of Fidelity Investments, if you continuously invested in the single largest S&P 500 stock by market value between 1972 and 2016, your compounded return would have been less than 4% while the index earned over 10%. General Electric in October of 2000 was one of the most highly valued companies in the world at \$60. Today it is under \$20. It is so important through diligent research to identify risks and strive to mitigate them. Overpaying for complex investments in times of euphoria can lead to problems that threaten to interrupt the compounding process. Price-earnings ratios do matter. In the four decades through 2015, in years

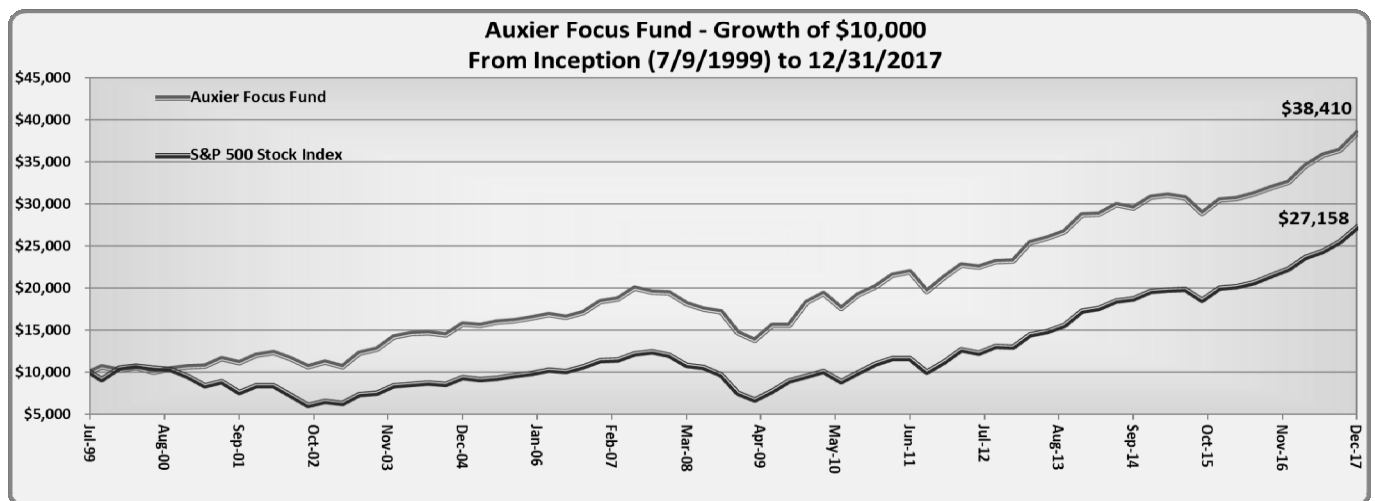
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where the S&P 500 earnings growth was the fastest, P/Es contracted. Sky high valuations can torpedo a portfolio if price-earnings ratios compress. I can remember buying food stocks at a bargain six times earnings in the 1980s after high inflation in the 1970s.

**Infrastructure**

The president has deep experience in construction in New York City. He was skilled in fighting the permit process. Look for the streamlining of permitting for roads, bridges, water systems, waterways, etc. With manufacturing unemployment running under 2.5%, healthy wage growth should follow.

**Year-End 2017 Performance Update**



Auxier Focus Fund’s Investor Class returned 5.67% in fourth quarter vs. 6.64% for the S&P 500 Index. For the year ended 12/31/2017 the Fund returned 17.71% vs. 21.83%. The stocks in the Fund returned 6.24% for the quarter and 20.35% for the year. Domestic stocks comprised 79% and foreign 15%, with cash and “workouts” 6%. Since inception at the top of the market in 1999, a hypothetical \$10,000 investment in the Fund has grown to \$38,410, with an average equity exposure of 78% compared to \$27,158 for the fully invested S&P 500.

**Contributors to the period:**

Kroger Co. (KR)

After a rough start to the year, Kroger delivered a net earnings increase of 1.5% vs. an earnings decline of 56% year over year. This improvement was driven by their record-setting Black Friday results for general merchandise and record sales at Fred Meyer. Digital revenue was up 109% from the continued positive response to Kroger’s online-grocery ordering service. Recently the company has been in discussions with Chinese online powerhouse Alibaba. We have been very impressed with Kroger’s use of data analytics. With a nationwide shortage of both trucks and drivers, shipping costs are up over 18% this past year.

*Auxier Focus Fund – Investor Class  
 Average Annual Total Returns (12/31/2017)  
 Since Inception (07/09/1999) 7.55%  
 10-year 7.01%  
 5-year 10.60%  
 1-year 17.71%  
 3-month 5.67%*

*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 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. 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.*

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This will pressure margins for the online delivery model. Companies like Kroger with a vast store base should have an advantage. Additionally, 2017 saw some of the biggest price declines in food since 1950. Recently those price fundamentals show signs of improving.

**UnitedHealth Group Inc. (UNH)**

UnitedHealth's data and technology platform, Optum, had another quarter and now full year of double-digit percentage earnings growth in all of its segments. Due to positive results, UnitedHealth raised their 2018 adjusted earnings guidance by 16% at the midpoint to \$12.45 per share. CEO David Wichmann expects Corporate Tax Reform to boost earnings and cash flows by \$1.7B in 2018.

**Microsoft Corp. (MSFT)**

In 2012 the company's cloud revenue totaled \$700 million. Today, Microsoft has quarterly cloud revenues exceeding \$5 billion with 55% margins. Driven by Azure's revenue growth of 90%, revenue in Microsoft's Intelligent Cloud segment increased 14% to \$6.9B with commercial cloud annual recurring revenue exceeding \$20B. Total revenue grew 12% as their Productivity and Business Processes and Intelligent Cloud segments made up for the stalling Personal Computing.

**Bank of America Corp. (BAC)**

Loan and deposit growth of 3.3% and 3.8% along with higher interest rates led to net interest income growth of 11% to \$11.5B in the quarter

After a \$2.9B charge related to the Tax Cuts and Jobs Act, Bank of America plans to benefit from more rational regulation and lower tax rates.

**Anthem, Inc. (ANTM)**

Anthem's three reportable segments all had operating revenue growth in the most recent quarter while cutting total expenses by 5%. After ongoing accusations of Express Scripts overcharging by billions of dollars, Anthem announced its plan to set up its own pharmacy benefits management unit called IngenioRx and secured a five-year agreement with CVS Health Corp. that will go into effect at the end of 2019.

**PepsiCo Inc. (PEP)**

PepsiCo saw overall organic revenue growth of 1.7% despite its North American Beverages sector revenues decline for the first time in two years. Latin America and ESSA had operating profit growth of 14% and 12% respectively to pick up the slack. By 2025, PepsiCo plans to have at least two-thirds of their beverages contain 100 calories or less per serving. PepsiCo continues to expect \$7B in free cash flow for the full fiscal year.

**Express Scripts Inc. (ESRX)**

Express Scripts recently acquired eviCore Healthcare, an industry leader in evidence-based medical benefit management services. EviCore helps manage medical benefits for 100 million people, and Express Scripts expects the acquisition to be accretive to adjusted diluted earnings per share in 2018, which they now estimate in the range of \$7.67 to \$7.87. At a P/E of 12 times 2018 the stock seems very cheap.

**Johnson & Johnson (JNJ)**

Johnson & Johnson saw a 10.3% growth in net sales as their Pharmaceutical segment—which represents 49% of overall sales—jumped 15% in the quarter. This has been due in part to the consistently growing sales of their lymphoma treatment, Imbruvica, increasing 46.7% year over year as additional implications continue to be approved by the FDA.

**Mastercard Inc. (MA)**

Mastercard had a record-setting quarter, increasing revenues by 18% and growing net income by 21% to \$1.4B. This year, Mastercard will be Costco's exclusive co-brand partner in Japan as they continue to focus on international growth opportunities. On the innovation front, Mastercard continues to push forward providing payment options on smartphones, workspace connected communities, and virtual reality. They have recently landed large retailers Kroger and Cabela's.

Top Holdings	% Assets
Bank of New York Mellon Corp	4.1
UnitedHealth Group Inc.	4.1
Pepsico Inc.	3.5
Philip Morris International	3.5
Johnson & Johnson	3.1
Mastercard Inc.	3.1
Microsoft Corp.	3.0
Medtronic PLC	3.0
Bank of America Corp	2.4
DowDuPont Inc.	2.4

**BP plc (BP)**

BP had a productive quarter as group oil and gas production averaged 3.6M barrels of oil equivalent a day, a 14% increase over last year, while downstream underlying quarterly earnings were the highest in five years growing almost 67%. All seven of the major projects they expected to start this year are online, including starting production in three major upstream projects in Australia, Trinidad, and Oman. BP re-entered the solar power market with the purchase of a 43% stake in Lightsource Renewable Energy Ltd. for \$200M. Aggressive cost cutting is finally paying off as oil prices have improved by over 25% in four months.

**Wal-Mart Stores Inc. (WMT)**

Walmart's continued effort to strengthen their online offerings to compete with Amazon is gaining more traction as eCommerce sales grew 50% in the quarter. As a result, 63 Sam's Clubs are slated to close and approximately 12 will be converted to online fulfillment centers while scaling back Walmart brick-and-mortar growth in the US.

**Corning Inc. (GLW)**

Corning is edging their way into the medical field with Valor Glass. Working with Merck and Pfizer, Corning is developing a damage-resistant glass for vials that will reduce flaking, contamination, and breaking while being more efficient to manufacture. Corning's Gorilla Glass continues to be a big seller as Apple, Samsung, and other phone manufacturers use it on their flagship devices. Specialty Materials net earnings were up 71% over last year helping the decline of LCD screen prices in Display Technologies.

**The Travelers Companies Inc. (TRV)**

The Travelers Co. had record-setting net written premiums of \$6.6B and growth in all segments as retention remained at historic highs in Commercial Businesses. Hurricane Harvey, Irma, and Maria are estimated to have damages exceeding \$250B causing Travelers' net income to be impacted by \$455M of catastrophe losses. The pricing for many property and casualty products is showing signs of firming going into 2018.

**LyondellBasell Industries N.V. (LYB)**

LyondellBasell was able to deliver double digit revenue and earnings growth despite Hurricane Harvey affecting each of their major US Gulf Coast sites. Even after the impact of increasing feedstock prices and production outages, they were able to produce 13% more ethylene across their global system compared to the previous year. LyondellBasell also plans to build the world's largest propylene oxide and tertiary butyl alcohol plant in Houston in the second half of 2018.

**Detractors to the period:**

**Merck & Co. Inc. (MRK)**

Merck & Co. had a challenging fourth quarter as total sales declined 2% due to a temporary production shutdown from a cyber-attack. Merck's Pharmaceutical segment—making up 89% of sales—fell 3% as they lost market exclusivity for two of their top cholesterol treatments and are facing increasing pricing pressure on their top-selling drug. On a positive note, the outlook for cancer-fighting immunotherapy Keytruda is very encouraging.

**Philip Morris International (PM)**

Philip Morris's reduced risk, heated tobacco product IQOS accounted for 40% of shipments to Japan in the quarter, surpassing combustible cigarettes for the first time in that market. Although it has seen impressive growth in the Japanese market, it is still waiting for FDA approval in the US. We believe it will be approved.

**Unilever (UN)**

Turnover headwinds from a stronger euro and overall weak market demand led to a challenging quarter for Unilever. Underlying sales growth of 2.6% was driven by their emerging markets' 6.3% growth while developed markets declined 2.3% in the quarter.

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**Cerner Corporation (CERN)**

Although revenues were up 8%, they came in below analysts' expectations. Bookings were down 22.5% year over year due to several large contracts being delayed, causing it to come in below the company's guidance. However, it could lead to all-time high levels of bookings once these deals are signed.

**America Movil (AMX)**

Natural disasters in Mexico and Puerto Rico along with a costly Colombian arbitration panel ruling led to a net loss of 9.5B pesos vs. a net income of 2.1B pesos year over year. America Movil is working on rolling out a 4.5G network which is expected to be 7x faster than 4G in parts of Mexico, and gearing up for 5G by 2020.

**American International Group (AIG)**

After a year of catastrophic events leading to aggregate pre-tax catastrophe losses of \$3.0B in the quarter, American International Group's CEO is looking forward to 2018 as "The Year of the Underwriter." AIG will be focusing on commercial underwriting, enhancing underwriter tools, and their talent base to position themselves for long-term growth. With over \$130B in insured losses for 2017, the industry pricing environment is firming on projected 2018 renewals. In the past, we have enjoyed solid returns with the new AIG CEO Brian Duperreault when he successfully turned around a troubled Marsh & McLennan.

**Oracle Corp. (ORCL)**

Oracle's cloud revenue growth of 44% drove performance for the quarter. They will soon deliver the Oracle Autonomous Database in the Oracle Cloud claiming it to be 10x faster at less than half the cost of running a database in the Amazon Cloud. The fully-autonomous database will not require any human labor for administration, will detect security vulnerabilities and patch itself immediately while running, and will reduce planned and unplanned downtime to less than thirty minutes per year.

**Closing Thoughts**

Policies out of Washington DC this past year have reduced taxes and regulations while reinforcing property rights and the rule of law. This has enhanced business fundamentals and encouraged risk taking. Global economies have been improving as well. On the downside, we are now seeing signs of increased digital speculation in the form of cryptocurrencies, pre-public technology companies and extreme readings of bullish sentiment. In times of easy money, price momentum can overtake fundamental cash flow analysis. We are long overdue for a correction which is both needed and healthy. Over the past century the general US stock market has averaged a 10% correction about every 18 months.

This year the New England Patriots played their eighth Super Bowl with Tom Brady and Bill Belichick at the helm. This dynasty will go down as the best of all time. Yes, they tend to outwork their opponents, but their true advantage may be the fierce discipline in adhering to their proven strategy. In the new documentary "Tom vs Time" Brady explains his mindset for getting ready for the Super Bowl, saying, "You have to put all the noise and hype aside and focus on what you have to do." In a time where there are so many distracting headlines and speculations, we see the need to zero in on implementing a proven enduring investment approach to the markets by drilling down daily on the fundamental drivers of intrinsic value.

We appreciate your trust.

Jeff Auxier

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**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.

*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 Merval Index (MERCado de VALores, literally Stock Market) is the most important index of the Buenos Aires Stock Exchange. It is a price-weighted index, calculated as the market value of a portfolio of stocks selected based on their market share, number of transactions and quotation price. 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.*

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**SCHEDULE OF INVESTMENTS**  
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Shares	Security Description	Value	Shares	Security Description	Value
<b>Common Stock - 95.9%</b>			209,799	Bank of America Corp.	\$ 6,193,266
<b>Communications - 3.6%</b>			16,415	Berkshire Hathaway, Inc., Class B <sup>(a)</sup>	3,253,781
255,625	America Movil SAB de CV, ADR	\$ 4,383,969	69,374	Central Pacific Financial Corp.	2,069,426
25,569	Cisco Systems, Inc.	979,292	25,975	Citigroup, Inc.	1,932,800
219,738	Telefonica SA, ADR	2,127,064	5,616	Colliers International Group, Inc.	338,926
125	The Walt Disney Co.	13,439	132,268	Credit Suisse Group AG, ADR	2,360,984
33,860	Twenty-First Century Fox, Inc., Class A	1,169,186	5,616	FirstService Corp.	392,671
11,845	Viacom, Inc., Class B	364,944	66,368	Franklin Resources, Inc.	2,875,725
		<u>9,037,894</u>	14,500	Legg Mason, Inc.	608,710
<b>Consumer Discretionary - 5.9%</b>			4,525	Marsh & McLennan Cos., Inc.	368,290
27,700	Arcos Dorados Holdings, Inc., Class A <sup>(a)</sup>	286,695	51,550	Mastercard, Inc., Class A	7,802,608
34,000	Becle SAB de CV <sup>(a)</sup>	55,420	1,100	PayPal Holdings, Inc. <sup>(a)</sup>	80,982
54,160	Comcast Corp., Class A	2,169,108	195,050	The Bank of New York Mellon Corp.	10,505,393
9,990	CVS Health Corp.	724,275	27,418	The Travelers Cos., Inc.	3,718,977
114,077	Discovery Communications, Inc., Class A <sup>(a)</sup>	2,553,043	7,350	U.S. Bancorp	393,813
4,641	Discovery Communications, Inc., Class C <sup>(a)</sup>	98,250	15,249	Unim Group	837,018
16,250	General Motors Co.	666,088	31,600	Visa, Inc., Class A	3,603,032
38,712	H&R Block, Inc.	1,015,029	20,000	Waddell & Reed Financial, Inc., Class A	446,800
200,905	Lincoln Educational Services Corp. <sup>(a)</sup>	405,828	1,775	Wells Fargo & Co.	107,689
18,550	Lowe's Cos., Inc.	1,724,037			<u>54,860,069</u>
6,656	McDonald's Corp.	1,145,631	<b>Health Care - 24.4%</b>		
310	Red Robin Gourmet Burgers, Inc. <sup>(a)</sup>	17,484	48,051	Abbott Laboratories	2,742,271
18,300	Sally Beauty Holdings, Inc. <sup>(a)</sup>	343,308	2,900	Alkermes PLC <sup>(a)</sup>	158,717
1,176	The Andersons, Inc.	36,632	5,145	Allergan PLC	841,619
4,725	The Home Depot, Inc.	895,529	175	Amgen, Inc.	30,432
4,635	Vitamin Shoppe, Inc. <sup>(a)</sup>	20,394	18,981	Anthem, Inc.	4,270,915
20,150	Wal-Mart Stores, Inc.	1,989,812	16,200	Becton Dickinson and Co.	3,467,772
7,050	Yum China Holdings, Inc.	282,141	13,940	Biogen, Inc. <sup>(a)</sup>	4,440,866
7,050	Yum! Brands, Inc.	575,351	7,765	Bioverativ, Inc. <sup>(a)</sup>	418,689
		<u>15,004,055</u>	55,424	Express Scripts Holding Co. <sup>(a)</sup>	4,136,847
<b>Consumer Staples - 20.9%</b>			1,780	Gilead Sciences, Inc.	127,519
62,500	Altria Group, Inc.	4,463,125	26,000	GlaxoSmithKline PLC, ADR	922,220
30,200	British American Tobacco PLC, ADR	2,023,098	56,240	Johnson & Johnson	7,857,853
13,200	Coca-Cola HBC AG, ADR <sup>(a)</sup>	433,884	95,003	Medtronic PLC	7,671,492
12,990	Conagra Brands, Inc.	489,333	102,059	Merck & Co., Inc.	5,742,860
8,785	Diageo PLC, ADR	1,282,873	10,082	Pfizer, Inc.	365,170
22,850	Dr. Pepper Snapple Group, Inc.	2,217,821	25,337	Quest Diagnostics, Inc.	2,495,441
18,600	Kelly Services, Inc., Class A	507,222	1,303	Shire PLC, ADR	202,121
15,378	Lamb Weston Holdings, Inc.	868,088	8,000	Synergy Pharmaceuticals, Inc. <sup>(a)</sup>	17,840
50,327	Molson Coors Brewing Co., Class B	4,130,337	47,523	UnitedHealth Group, Inc.	10,476,921
35,300	Monster Beverage Corp. <sup>(a)</sup>	2,234,137	47,400	Zimmer Biomet Holdings, Inc.	5,719,758
74,820	PepsiCo, Inc.	8,972,414			<u>62,107,323</u>
83,220	Philip Morris International, Inc.	8,792,193	<b>Industrials - 4.2%</b>		
173,783	Tesco PLC, ADR	1,475,418	625	AGCO Corp.	44,644
62,300	The Coca-Cola Co.	2,858,324	175,141	Corning, Inc.	5,602,761
2,845	The J.M. Smucker Co.	353,463	88,671	Manitex International, Inc. <sup>(a)</sup>	851,242
203,368	The Kroger Co.	5,582,452	12,500	Raytheon Co.	2,348,125
20,525	The Procter & Gamble Co.	1,885,837	7,375	Textainer Group Holdings, Ltd. <sup>(a)</sup>	158,562
1,307	The Western Union Co.	24,846	2,350	The Boeing Co.	693,038
80,550	Unilever NV, ADR	4,536,576	8,515	United Parcel Service, Inc., Class B	1,014,562
		<u>53,131,441</u>			<u>10,712,934</u>
<b>Energy - 4.1%</b>			<b>Information Technology - 6.2%</b>		
144,810	BP PLC, ADR	6,086,364	43,910	Cerner Corp. <sup>(a)</sup>	2,959,095
10,130	Chevron Corp.	1,268,175	16,675	Cognizant Technology Solutions Corp., Class A	1,184,258
15,600	ConocoPhillips	856,284	90,247	Microsoft Corp.	7,719,728
7,800	Phillips 66	788,970	82,320	Oracle Corp.	3,892,090
15,340	Valero Energy Corp.	1,409,899			<u>15,755,171</u>
		<u>10,409,692</u>	<b>Materials - 4.5%</b>		
<b>Financials - 21.6%</b>			14,225	Celanese Corp., Class A	1,523,213
44,370	Aflac, Inc.	3,894,799	85,626	DowDuPont, Inc.	6,098,284
47,960	American International Group, Inc.	2,857,457	26,505	LyondellBasell Industries NV, Class A	2,924,032
1,280	Ameriprise Financial, Inc.	216,922			



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Shares	Security Description	Value
32,055	The Mosaic Co.	\$ 822,531
		<u>11,368,060</u>
<b>Telecommunications - 0.3%</b>		
25,775	CenturyLink, Inc.	429,927
5,335	Verizon Communications, Inc.	282,382
		<u>712,309</u>
<b>Transportation - 0.2%</b>		
2,550	Delta Air Lines, Inc.	142,800
3,160	Union Pacific Corp.	423,756
		<u>566,556</u>

Total Common Stock  
(Cost \$130,412,483) 243,665,504

Principal	Security Description	Rate	Value
<b>Fixed Income Securities - 0.8%</b>			
<b>Corporate Non-Convertible Bonds - 0.4%</b>			
<b>Financials - 0.4%</b>			
\$500,000	Citigroup, Inc.(USD 3Month LIBOR +3.47%), (callable at 100 beginning 05/15/23) <sup>(b)(c)</sup>	5.35%	511,875
500,000	Fifth Third Bancorp (USD 3Month LIBOR +3.03%), (callable at 100 beginning 06/30/23) <sup>(b)(c)</sup>	5.10	<u>508,750</u>
			<u>1,020,625</u>
Total Corporate Non-Convertible Bonds (Cost \$998,800)			<u>1,020,625</u>

	Maturity	Value
<b>U.S. Government &amp; Agency Obligations - 0.4%</b>		
<b>U.S. Treasury Securities - 0.4%</b>		
1,000,000	U.S. Treasury Bill (Cost \$999,665) <sup>(d)</sup>	1.21 01/11/18
		<u>999,707</u>

**Total Fixed Income Securities**  
(Cost \$1,998,465) 2,020,332

**Investments, at value- 96.7%**  
(Cost \$132,410,948) \$ 245,685,836

**Other Assets & Liabilities, Net - 3.3%**  
8,449,864

**Net Assets - 100.0%**  
\$ 254,135,700

ADR American Depositary Receipt  
LIBOR London Interbank Offering Rate  
PLC Public Limited Company  
(a) Non-income producing security.  
(b) Floating rate security. Rate presented is as of December 31, 2017.  
(c) Perpetual maturity security.  
(d) Rate presented is yield to maturity.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2017.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the table below, please refer to the Security Valuation section in Note 2 of the accompanying Notes to Financial Statements.

	Level 1	Level 2	Level 3	Total
<b>Investments At Value</b>				
Common Stock				
Communications	\$ 9,037,894	\$ -	\$ -	\$ 9,037,894
Consumer Discretionary	15,004,055	-	-	15,004,055
Consumer Staples	53,131,441	-	-	53,131,441
Energy	10,409,692	-	-	10,409,692
Financials	54,860,069	-	-	54,860,069
Health Care	62,107,323	-	-	62,107,323
Industrials	10,712,934	-	-	10,712,934
Information Technology	15,755,171	-	-	15,755,171
Materials	11,368,060	-	-	11,368,060
Telecommunications	712,309	-	-	712,309
Transportation	566,556	-	-	566,556
Corporate Non-Convertible Bonds				
Bonds	-	1,020,625	-	1,020,625
U.S. Government & Agency Obligations				
Agency Obligations	-	999,707	-	999,707
<b>Total Assets</b>	<u>\$243,665,504</u>	<u>\$2,020,332</u>	<u>\$ -</u>	<u>\$245,685,836</u>

The Fund utilizes the end of period methodology when determining transfers. There were no transfers among Level 1, Level 2 and Level 3 for the period ended December 31, 2017.

**PORTFOLIO HOLDINGS**

% of Net Assets	
Common Stock	95.9%
Corporate Non-Convertible Bonds	0.4%
U.S. Government & Agency Obligations	0.4%
Cash and Other Net Assets	3.3%
	<u>100.0%</u>

**AUXIER FOCUS FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2017**

**ASSETS**

Investments, at value (Cost \$132,410,948)	\$ 245,685,836
Cash	8,130,035
Receivables:	
Fund shares sold	485,626
Investment securities sold	119,462
Dividends and interest	404,964
Prepaid expenses	19,649
<b>Total Assets</b>	<b>254,845,572</b>

**LIABILITIES**

Payables:	
Fund shares redeemed	403,714
Distributions payable	111,721
Accrued Liabilities:	
Investment adviser fees	143,809
Trustees' fees and expenses	455
Fund services fees	27,643
Other expenses	22,530
<b>Total Liabilities</b>	<b>709,872</b>

**NET ASSETS**

**\$ 254,135,700**

**COMPONENTS OF NET ASSETS**

Paid-in capital	\$ 140,451,007
Undistributed net investment income	112,370
Accumulated net realized gain	297,435
Net unrealized appreciation	113,274,888

**NET ASSETS**

**\$ 254,135,700**

**SHARES OF BENEFICIAL INTEREST AT NO PAR VALUE (UNLIMITED SHARES AUTHORIZED)**

Investor Shares	8,194,405
A Shares	130,834
Institutional Shares	3,004,437

**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE\***

Investor Shares (based on net assets of \$182,932,600)	\$ 22.32
A Shares (based on net assets of \$2,965,666)	\$ 22.67
A Shares Maximum Public Offering Price Per Share (net asset value per share/(100%-5.75%))	\$ 24.05
Institutional Shares (based on net assets of \$68,237,434)	\$ 22.71

\* Shares redeemed or exchanged within 180 days of purchase are charged a 2.00% redemption fee.

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**AUXIER FOCUS FUND**  
**STATEMENT OF OPERATIONS**  
**SIX MONTHS ENDED DECEMBER 31, 2017**

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**INVESTMENT INCOME**

Dividend income (Net of foreign withholding taxes of \$22,583)	\$ 2,534,481
Interest income	<u>51,365</u>
Total Investment Income	<u>2,585,846</u>

**EXPENSES**

Investment adviser fees	1,004,185
Fund services fees	165,314
Transfer agent fees:	
Investor Shares	29,737
A Shares	551
Institutional Shares	2,443
Distribution fees:	
A Shares	3,601
Custodian fees	12,866
Registration fees:	
Investor Shares	9,592
A Shares	1,614
Institutional Shares	8,182
Professional fees	25,858
Trustees' fees and expenses	10,994
Other expenses	<u>100,311</u>
Total Expenses	1,375,248
Fees waived and expenses reimbursed	<u>(200,249)</u>
Net Expenses	<u>1,174,999</u>

**NET INVESTMENT INCOME**

1,410,847

**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain on investments	1,291,477
Net change in unrealized appreciation (depreciation) on investments	<u>15,029,283</u>
<b>NET REALIZED AND UNREALIZED GAIN</b>	<u>16,320,760</u>

**INCREASE IN NET ASSETS RESULTING FROM OPERATIONS**

\$ 17,731,607

**AUXIER FOCUS FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

	<u>For the Six Months Ended December 31, 2017</u>		<u>For the Year Ended June 30, 2017</u>	
		<u>Shares</u>		<u>Shares</u>
<b>OPERATIONS</b>				
Net investment income	\$ 1,410,847		\$ 2,873,195	
Net realized gain	1,291,477		10,382,605	
Net change in unrealized appreciation (depreciation)	<u>15,029,283</u>		<u>20,893,874</u>	
Increase in Net Assets Resulting from Operations		<u>17,731,607</u>		<u>34,149,674</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>				
Net investment income:				
Investor Shares	(1,989,916)		(2,228,585)	
A Shares	(22,503)		(18,288)	
Institutional Shares	(741,116)		(573,352)	
Net realized gain:				
Investor Shares	(7,701,459)		(3,141,650)	
A Shares	(122,901)		(41,172)	
Institutional Shares	<u>(2,835,592)</u>		<u>(803,916)</u>	
Total Distributions to Shareholders		<u>(13,413,487)</u>		<u>(6,806,963)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>				
Sale of shares:				
Investor Shares	5,470,289	243,908	13,833,788	675,235
A Shares	38,306	1,629	25,047	1,169
Institutional Shares	6,011,909	261,367	11,678,690	564,828
Reinvestment of distributions:				
Investor Shares	9,332,848	415,331	5,165,360	255,391
A Shares	140,941	6,189	59,012	2,879
Institutional Shares	3,423,369	149,752	1,306,095	63,637
Redemption of shares:				
Investor Shares	(20,485,569)	(910,454)	(58,720,531)	(2,840,659)
A Shares	(65,671)	(2,820)	(283,606)	(13,793)
Institutional Shares	(1,739,957)	(76,584)	(2,325,115)	(111,073)
Redemption fees				
Investor Shares	9,322	-	6,978	-
A Shares	150	-	91	-
Institutional Shares	<u>3,403</u>	<u>-</u>	<u>1,835</u>	<u>-</u>
Increase (Decrease) in Net Assets from Capital Share Transactions	<u>2,139,340</u>	<u>88,318</u>	<u>(29,252,356)</u>	<u>(1,402,386)</u>
Increase (Decrease) in Net Assets	<u>6,457,460</u>		<u>(1,909,645)</u>	
<b>NET ASSETS</b>				
Beginning of Period	<u>247,678,240</u>		<u>249,587,885</u>	
End of Period (Including line (a))	<u>\$ 254,135,700</u>		<u>\$ 247,678,240</u>	
(a) Undistributed net investment income	<u>\$ 112,370</u>		<u>\$ 1,455,058</u>	

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**AUXIER FOCUS FUND**  
**FINANCIAL HIGHLIGHTS**


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These financial highlights reflect selected data for a share outstanding throughout each period.

	For the Six Months Ended	For the Year Ended June 30,				
	December 31, 2017	2017	2016	2015	2014	2013
<b>INVESTOR SHARES</b>						
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 21.95	\$ 19.69	\$ 20.50	\$ 20.75	\$ 18.59	\$ 16.49
<b>INVESTMENT OPERATIONS</b>						
Net investment income (a)	0.12	0.23	0.21	0.17	0.20	0.21
Net realized and unrealized gain	1.49	2.59	0.08	0.38	2.63	2.23
Total from Investment Operations	1.61	2.82	0.29	0.55	2.83	2.44
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net investment income	(0.25)	(0.23)	(0.20)	(0.20)	(0.22)	(0.22)
Net realized gain	(0.99)	(0.33)	(0.90)	(0.60)	(0.45)	(0.12)
Total Distributions to Shareholders	(1.24)	(0.56)	(1.10)	(0.80)	(0.67)	(0.34)
<b>REDEMPTION FEES (a)</b>	—(b)	—(b)	—(b)	—(b)	—(b)	—(b)
<b>NET ASSET VALUE, End of Period</b>	<u>\$ 22.32</u>	<u>\$ 21.95</u>	<u>\$ 19.69</u>	<u>\$ 20.50</u>	<u>\$ 20.75</u>	<u>\$ 18.59</u>
<b>TOTAL RETURN</b>	7.31%(c)	14.55%	1.58%	2.69%	15.43%	15.06%
<b>RATIOS/SUPPLEMENTARY DATA</b>						
Net Assets at End of Period (000's omitted)	\$182,933	\$185,363	\$203,921	\$231,911	\$285,094	\$277,536
Ratios to Average Net Assets:						
Net investment income	1.08%(d)	1.11%	1.10%	0.83%	1.00%	1.22%
Net expenses	0.98%(d)	1.03%	1.14%	1.24%	1.24%	1.25%
Gross expenses (e)	1.09%(d)	1.16%	1.30%	1.27%	1.26%	1.28%
<b>PORTFOLIO TURNOVER RATE</b>	0%(c)	5%	6%	4%	9%	11%

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(a) Calculated based on average shares outstanding during each period.

(b) Less than \$0.01 per share.

(c) Not annualized.

(d) Annualized.

(e) Reflects the expense ratio excluding any waivers and/or reimbursements.

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**AUXIER FOCUS FUND**  
**FINANCIAL HIGHLIGHTS**


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These financial highlights reflect selected data for a share outstanding throughout each period.

A SHARES	For the Six Months	For the Year Ended June 30,				
	Ended	2017	2016	2015	2014	2013
<b>NET ASSET VALUE, Beginning of Period</b>	<b>December 31, 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	\$ 22.23	\$ 19.90	\$ 20.64	\$ 20.85	\$ 18.63	\$ 16.49
<b>INVESTMENT OPERATIONS</b>						
Net investment income (a)	0.09	0.19	0.19	0.18	0.20	0.21
Net realized and unrealized gain	1.51	2.61	0.09	0.36	2.64	2.24
Total from Investment Operations	1.60	2.80	0.28	0.54	2.84	2.45
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net investment income	(0.17)	(0.14)	(0.12)	(0.15)	(0.17)	(0.19)
Net realized gain	(0.99)	(0.33)	(0.90)	(0.60)	(0.45)	(0.12)
Total Distributions to Shareholders	(1.16)	(0.47)	(1.02)	(0.75)	(0.62)	(0.31)
<b>REDEMPTION FEES (a)</b>	—(b)	—(b)	—(b)	—(b)	—(b)	—(b)
<b>NET ASSET VALUE, End of Period</b>	<b>\$ 22.67</b>	<b>\$ 22.23</b>	<b>\$ 19.90</b>	<b>\$ 20.64</b>	<b>\$ 20.85</b>	<b>\$ 18.63</b>
<b>TOTAL RETURN (c)</b>	7.20%(d)	14.28%	1.49%	2.63%	15.45%	15.06%
<b>RATIOS/SUPPLEMENTARY DATA</b>						
Net Assets at End of						
Period (000's omitted)	\$2,966	\$2,797	\$2,698	\$5,541	\$5,108	\$2,158
Ratios to Average Net Assets:						
Net investment income	0.81%(e)	0.91%	0.94%	0.84%	1.02%	1.22%
Net expenses	1.25%(e)	1.25%	1.25%	1.25%	1.25%	1.25%
Gross expenses (f)	1.42%(e)	1.54%	1.61%	1.56%	1.62%	1.62%
<b>PORTFOLIO TURNOVER RATE</b>	0%(d)	5%	6%	4%	9%	11%

(a) Calculated based on average shares outstanding during each period.

(b) Less than \$0.01 per share.

(c) Total Return does not include the effect of front end sales charge or contingent deferred sales charge.

(d) Not annualized.

(e) Annualized.

(f) Reflects the expense ratio excluding any waivers and/or reimbursements.

**AUXIER FOCUS FUND**  
**FINANCIAL HIGHLIGHTS**

These financial highlights reflect selected data for a share outstanding throughout each period.

	<b>For the Six Months Ended</b>	<b>For the Year Ended June 30,</b>				
	<b>December 31, 2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>INSTITUTIONAL SHARES</b>						
<b>NET ASSET VALUE, Beginning of Period</b>	\$ 22.29	\$ 19.96	\$ 20.74	\$ 20.91	\$ 18.66	\$ 16.50
<b>INVESTMENT OPERATIONS</b>						
Net investment income (a)	0.15	0.28	0.25	0.24	0.25	0.26
Net realized and unrealized gain	1.51	2.61	0.08	0.36	2.64	2.22
Total from Investment Operations	1.66	2.89	0.33	0.60	2.89	2.48
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>						
Net investment income	(0.25)	(0.23)	(0.21)	(0.17)	(0.19)	(0.20)
Net realized gain	(0.99)	(0.33)	(0.90)	(0.60)	(0.45)	(0.12)
Total Distributions to Shareholders	(1.24)	(0.56)	(1.11)	(0.77)	(0.64)	(0.32)
<b>REDEMPTION FEES (a)</b>	—(b)	—(b)	—	—(b)	—(b)	—(b)
<b>NET ASSET VALUE, End of Period</b>	\$ 22.71	\$ 22.29	\$ 19.96	\$ 20.74	\$ 20.91	\$ 18.66
<b>TOTAL RETURN</b>	7.44%(c)	14.72%	1.74%	2.93%	15.73%	15.28%
<b>RATIOS/SUPPLEMENTARY DATA</b>						
Net Assets at End of Period (000's omitted)	\$68,237	\$59,518	\$42,969	\$29,366	\$8,001	\$5,313
Ratios to Average Net Assets:						
Net investment income	1.27%(d)	1.32%	1.27%	1.13%	1.25%	1.48%
Net expenses	0.80%(d)	0.86%	1.00%	1.00%	1.00%	1.00%
Gross expenses (e)	1.10%(d)	1.16%	1.31%	1.36%	1.47%	1.55%
<b>PORTFOLIO TURNOVER RATE</b>	0%(c)	5%	6%	4%	9%	11%

(a) Calculated based on average shares outstanding during each period.

(b) Less than \$0.01 per share.

(c) Not annualized.

(d) Annualized.

(e) Reflects the expense ratio excluding any waivers and/or reimbursements.

### **Note 1. Organization**

The Auxier Focus Fund (the "Fund") is a diversified portfolio of Forum Funds (the "Trust"). The Trust is a Delaware statutory trust that is registered as an open-end, management investment company under the Investment Company Act of 1940, as amended (the "Act"). Under its Trust Instrument, the Trust is authorized to issue an unlimited number of the Fund's shares of beneficial interest without par value.

The Fund currently offers three classes of shares: Investor Shares, A Shares and Institutional Shares. A Shares are offered at net asset value plus a maximum sales charge of 5.75%. A Shares are also subject to contingent deferred sales charge ("CDSC") of 1.00% on purchases without an initial sales charge and redeemed less than one year after they are purchased. Investor Shares and Institutional Shares are not subject to a sales charge. Investor Shares, A Shares and Institutional Shares commenced operations on July 9, 1999, July 8, 2005 and May 9, 2012, respectively. The Fund's investment objective is to provide long-term capital appreciation.

### **Note 2. Summary of Significant Accounting Policies**

The Fund is an investment company and follows accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, "Financial Services-Investment Companies". These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of increases and decreases in net assets from operations during the fiscal period. Actual amounts could differ from those estimates. The following summarizes the significant accounting policies of the Fund:

**Security Valuation** – Securities are valued at market prices using the last quoted trade or official closing price from the principal exchange where the security is traded, as provided by independent pricing services on each Fund business day. In the absence of a last trade, securities are valued at the mean of the last bid and ask price provided by the pricing service. Debt securities may be valued at prices supplied by a fund's pricing agent based on broker or dealer supplied valuations or matrix pricing, a method of valuing securities by reference to the value of other securities with similar characteristics such as rating, interest rate and maturity. Shares of non-exchange-traded open-end mutual funds are valued at net asset value ("NAV"). Short-term investments that mature in sixty days or less may be valued at amortized cost.

The Fund values its investments at fair value pursuant to procedures adopted by the Trust's Board of Trustees (the "Board") if (1) market quotations are not readily available or (2) the Adviser, as defined in Note 4, believes that the values available are unreliable. The Trust's Valuation Committee, as defined in the Fund's registration statement, performs certain functions as they relate to the administration and oversight of the Fund's valuation procedures. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such investments and considers a number of factors, including valuation methodologies and significant unobservable inputs, when arriving at fair value.

The Valuation Committee may work with the Adviser to provide valuation inputs. In determining fair valuations, inputs may include market-based analytics that may consider related or comparable assets or liabilities, recent transactions, market multiples, book values and other relevant investment information. Adviser inputs may include an income-based approach in which the anticipated future cash flows of the investment are discounted in determining fair value. Discounts may also be applied based on the nature or duration of any restrictions on the disposition of the investments. The Valuation Committee performs regular reviews of valuation methodologies, key inputs and assumptions, disposition analysis and market activity.

Fair valuation is based on subjective factors and, as a result, the fair value price of an investment may differ from the security's market price and may not be the price at which the asset may be sold. Fair valuation could result in a different Net Asset Value ("NAV") than a NAV determined by using market quotes.

GAAP has a three-tier fair value hierarchy. The basis of the tiers is dependent upon the various "inputs" used to determine the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:



Level 1 — Quoted prices in active markets for identical assets and liabilities

Level 2 – Prices determined using significant other observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Short-term securities with maturities of sixty days or less are valued at amortized cost, which approximates market value, and are categorized as Level 2 in the hierarchy. Municipal securities, long-term U.S. government obligations and corporate debt securities are valued in accordance with the evaluated price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Other securities that are categorized as Level 2 in the hierarchy include, but are not limited to, warrants that do not trade on an exchange, securities valued at the mean between the last reported bid and ask quotation and international equity securities valued by an independent third party with adjustments for changes in value between the time of the securities respective local market closes and the close of the U.S. market.

Level 3 — Significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments)

The aggregate value by input level, as of December 31, 2017, for the Fund’s investments is included at the end of the Fund’s Schedule of Investments.

**Security Transactions, Investment Income and Realized Gain and Loss** – Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as possible after determining the existence of a dividend declaration after exercising reasonable due diligence. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable. Interest income is recorded on an accrual basis. Premium is amortized and discount is accreted using the effective interest method. Identified cost of investments sold is used to determine the gain and loss for both financial statement and federal income tax purposes.

**Foreign Currency Translations** – Foreign currency amounts are translated into U.S. dollars as follows: (1) assets and liabilities at the rate of exchange at the end of the respective period; and (2) purchases and sales of securities and income and expenses at the rate of exchange prevailing on the dates of such transactions. The portion of the results of operations arising from changes in the exchange rates and the portion due to fluctuations arising from changes in the market prices of securities are not isolated. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

**Distributions to Shareholders** – The Fund declares any dividends from net investment income and pays them annually. Any net capital gains realized by the Fund are distributed at least annually. Distributions to shareholders are recorded on the ex-dividend date. Distributions are based on amounts calculated in accordance with applicable federal income tax regulations, which may differ from GAAP. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund.

**Federal Taxes** – The Fund intends to continue to qualify each year as a regulated investment company under Subchapter M of Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as amended (“Code”), and to distribute all of its taxable income to shareholders. In addition, by distributing in each calendar year substantially all of its net investment income and capital gains, if any, the Fund will not be subject to a federal excise tax. Therefore, no federal income or excise tax provision is required. The Fund files a U.S. federal income and excise tax return as required. The Fund’s federal income tax returns are subject to examination by the Internal Revenue Service for a period of three fiscal years after they are filed. As of December 31, 2017, there are no uncertain tax positions that would require financial statement recognition, de-recognition or disclosure.

**Income and Expense Allocation** – The Trust accounts separately for the assets, liabilities and operations of each of its investment portfolios. Expenses that are directly attributable to more than one investment portfolio are allocated among the respective investment portfolios in an equitable manner.

The Fund’s class-specific expenses are charged to the operations of that class of shares. Income and expenses (other than expenses attributable to a specific class) and realized and unrealized gains or losses on investments are allocated to each class of shares based on the class’ respective net assets to the total net assets of the Fund.

**Redemption Fees** – A shareholder who redeems shares within 180 days of purchase will incur a redemption fee of 2.00% of the current net asset value of shares redeemed, subject to certain limitations. The fee is charged for the benefit of the remaining shareholders and will be paid to the Fund to help offset transaction costs. The fee is accounted for as an addition to paid-in capital. The Fund reserves the right to modify the terms of or terminate the fee at any time. There are limited exceptions to the imposition of the redemption fee.

**Commitments and Contingencies** – In the normal course of business, the Fund enters into contracts that provide general indemnifications by the Fund to the counterparty to the contract. The Fund’s maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote. The Fund has determined that none of these arrangements requires disclosure on the Fund’s balance sheet.

### **Note 3. Cash – Concentration in Uninsured Account**

For cash management purposes, the Fund may concentrate cash with the Fund’s custodian. This typically results in cash balances exceeding the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2017, the Fund had \$7,880,035 at MUFG Union Bank, N.A. that exceeded the FDIC insurance limit.

### **Note 4. Fees and Expenses**

**Investment Adviser** – Auxier Asset Management LLC (the “Adviser”) is the investment adviser to the Fund. Pursuant to an investment advisory agreement, the Adviser receives an advisory fee, payable monthly, from the Fund at an annual rate of 0.80% of the Fund’s average daily net assets.

**Distribution** – Foreside Fund Services, LLC serves as the Fund’s distributor (the “Distributor”). The Distributor is not affiliated with the Adviser or Atlantic Fund Administration, LLC (d/b/a Atlantic Fund Services) (“Atlantic”) or their affiliates. The Fund has adopted a Distribution Plan (the “Plan”) for A Shares of the Fund in accordance with Rule 12b-1 of the Act. Under the Plan, the Fund pays the Distributor and/or any other entity as authorized by the Board a fee of up to 0.25% of the average daily net assets of A Shares. The Distributor has no role in determining the investment policies or which securities are to be purchased or sold by the Trust or its Funds.

For the period ended December 31, 2017, there were \$1,400 in front-end sales charges assessed on the sale of A Shares and no contingent deferred sales charges were assessed on the sale of A Shares. The Distributor received \$294 of the total front-end sales charges. Such amounts are set aside by the Distributor and used solely for distribution-related expenses.

**Other Service Providers** – Atlantic provides fund accounting, fund administration, compliance and transfer agency services to the Fund. The fees related to these services are included in Fund services fees within the Statement of Operations. Atlantic also provides certain shareholder report production and EDGAR conversion and filing services. Atlantic provides a Principal Executive Officer, a Principal Financial Officer, a Chief Compliance Officer and an Anti-Money Laundering Officer to the Fund, as well as certain additional compliance support functions.

**Trustees and Officers** – Through December 31, 2017, the Trust paid each independent Trustee an annual retainer fee of \$50,000 for service to the Trust (\$66,000 for the Chairman), and the Audit Committee Chairman and Vice Chairman received an additional \$6,000 annually. Effective January 1, 2018, each independent Trustee’s annual retainer is \$31,000 (\$41,000 for the Chairman), and the Audit Committee Chairman receives an additional \$2,000 annually. The Trustees and Chairman may receive additional fees for special Board meetings. Each Trustee is also reimbursed for all reasonable out-of-pocket expenses incurred in connection with his duties as a Trustee, including travel and related expenses incurred in attending Board meetings. The amount of Trustees’ fees attributable to the Fund is disclosed in the Statement of Operations. Certain officers of the Trust are also officers or employees of the above named service providers, and during their terms of office received no compensation from the Fund.

**Note 5. Expense Reimbursements and Fees Waived**

The Adviser has contractually agreed to waive a portion of its fees and/or reimburse expenses through October 31, 2018, to the extent necessary to maintain the total operating expenses (excluding all taxes, interest, portfolio transaction expenses, dividend expenses on short sales, and extraordinary expenses) at 0.98%, 1.25% and 0.80% of average daily net assets of the Investor Shares, A Shares and Institutional Shares, respectively. These contractual waivers may only be raised or eliminated with consent of the Board. Other fund service providers have voluntarily agreed to waive a portion of their fees. These voluntary reductions may be reduced or eliminated at any time. For the period ended December 31, 2017, fees waived and expenses reimbursed were as follows:

<u>Investment Adviser Fees Waived</u>	<u>Investment Adviser Expenses Reimbursed</u>	<u>Other Waivers</u>	<u>Total Fees Waived</u>
\$ 96,196	\$ 60,224	\$ 43,829	\$ 200,249

The Adviser may be reimbursed by the Fund for fees waived and expenses reimbursed by the Adviser pursuant to the expense cap if such payment is made within three years of the fee waiver or expense reimbursement and does not cause the Total Annual Fund Operating Expenses After Fee Waiver and/or Expense Reimbursement to exceed the lesser of (i) the then-current expense cap, or (ii) the expense cap in place at the time the fees/expenses were waived/reimbursed. As of December 31, 2017, \$375,297 is subject to recapture by the Adviser. Other Waivers are not eligible for recoupment.

**Note 6. Security Transactions**

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments, during the period ended December 31, 2017 totaled \$1,023,594 and \$8,609,015, respectively.

**Note 7. Federal Income Tax**

As of December 31, 2017, cost for federal income tax purposes is substantially the same as for financial statement purposes and net unrealized appreciation consists of:

Gross Unrealized Appreciation	\$ 120,526,411
Gross Unrealized Depreciation	(7,251,523)
Net Unrealized Appreciation	<u>\$ 113,274,888</u>

As of June 30, 2017, distributable earnings (accumulated loss) on a tax basis were as follows:

Undistributed Ordinary Income	\$ 1,507,104
Undistributed Long-Term Gain	9,528,987
Unrealized Appreciation	98,330,482
Total	<u>\$ 109,366,573</u>

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales and equity return of capital.

**Note 8. Subsequent Events**

Subsequent events occurring after the date of this report through the date these financial statements were issued have been evaluated for potential impact, and the Fund has had no such events.

### **Investment Advisory Agreement Approval**

At the December 7, 2017 Board meeting, the Board, including the Independent Trustees, considered the approval of the continuance of the investment advisory agreement between the Adviser and the Trust pertaining to the Fund (the “Advisory Agreement”). In preparation for its deliberations, the Board requested and reviewed written responses from the Adviser to a due diligence questionnaire circulated on the Board's behalf concerning the services provided by the Adviser. The Board also discussed the materials with Fund counsel and, as necessary, with the Trust's administrator, Atlantic Fund Services. During its deliberations, the Board received an oral presentation from the Adviser, and was advised by Trustee counsel.

At the meeting, the Board reviewed, among other matters: (1) the nature, extent and quality of the services provided to the Fund by the Adviser, including information on the investment performance of the Fund and Adviser; (2) the costs of the services provided and profitability to the Adviser of its relationship with the Fund; (3) the advisory fee and total expense ratio of the Fund compared to a relevant peer group of funds; (4) the extent to which economies of scale may be realized as the Fund grows and whether the advisory fee enables the Fund's investors to share in the benefits of economies of scale; and (5) other benefits received by the Adviser from its relationship with the Fund. In addition, the Board recognized that the evaluation process with respect to the Adviser was an ongoing one and, in this regard, the Board considered information provided by the Adviser at regularly scheduled meetings during the past year.

#### *Nature, Extent and Quality of Services*

Based on written materials received, a presentation from a senior representative of the Adviser, and a discussion with the Adviser about the Adviser's personnel, operations and financial condition, the Board considered the quality of services provided by the Adviser under the Advisory Agreement. In this regard, the Board considered information regarding the experience, qualifications and professional background of the portfolio manager at the Adviser with principal responsibility for the Fund, as well as the investment philosophy and decision-making process of the Adviser and the capability and integrity of the Adviser's senior management and staff.

The Board considered also the adequacy of the Adviser's resources. The Board noted the Adviser's representations that the firm is in stable financial condition, that the firm is able to meet its expense reimbursement obligations to the Fund, and that the Adviser has the operational capability and the necessary staffing and experience to continue providing high-quality investment advisory services to the Fund. Based on the presentation and the materials provided by the Adviser in connection with the Board's consideration of the renewal of the Advisory Agreement, among other relevant factors, the Board concluded that, overall, it was satisfied with the nature, extent and quality of services provided to the Fund under the Advisory Agreement.

#### *Performance*

In connection with a presentation by the Adviser regarding its approach to managing the Fund, the Board reviewed the performance of the Fund compared to its primary benchmark index, the S&P 500 Index. The Board observed that the Fund underperformed benchmark index for the one-, three-, five- and 10-year periods ended September 30, 2017 and outperformed the benchmark since the Fund's inception on July 9, 1999. The Board also considered the Fund's performance relative to an independent peer group of funds identified by Broadridge Financial Solutions, Inc. (“Broadridge”). The Board observed that the Fund underperformed the median of its Broadridge peer group for the one-, three-, and five-year periods ended September 30, 2017. The Board noted the Adviser's representation that the Fund's conservative investment approach is countercyclical, meaning it is designed to outperform the benchmark index in declining markets and lag or achieve parity with the benchmark index in rising markets. The Board also noted the Adviser's representation that the Fund seeks capital appreciation over the long-term and that the Fund had outperformed its benchmark index since its inception on both a cumulative and average annual basis. Based on the Adviser's investment style and the foregoing performance information, among other relevant factors, the Board determined that the Fund and its shareholders could benefit from the Adviser's continued management of the Fund.

### *Compensation*

The Board evaluated the Adviser's compensation for providing advisory services to the Fund and analyzed comparative information on actual advisory fee rates and actual total expenses of the Fund's Broadridge peer group. The Board noted that the Adviser's actual advisory fee rate was lower than the median of its Broadridge peer group and the Fund's actual total expenses were higher than the median of its Broadridge peer group. The Board considered that it had approved a reduction in the contractual advisory fee rate charged to the Fund in 2016, and, at the same time, the Adviser had agreed to a reduction in the expense cap for the Investor and Institutional Classes. Based on the foregoing and other relevant factors, the Board concluded that the Adviser's advisory fee rate charged to the Fund was not unreasonable.

### *Cost of Services and Profitability*

The Board considered information provided by the Adviser regarding the costs of services and its profitability with respect to the Fund. In this regard, the Board considered the Adviser's resources devoted to the Fund, as well as the Adviser's discussion of costs and profitability. The Board noted the Adviser's representation that its profit margin was reasonable in light of the services provided to the Fund and its shareholders and in consideration of the importance of the Adviser's long-term financial stability. The Board also noted the Adviser's representation that it had reduced the expense cap on the Fund's shares in 2016 and continued to cap the Fund's expenses to ensure that they remained at competitive levels. In that regard, the Board noted that the Fund was currently operating above the expense caps, resulting in the Adviser's partial subsidization of Fund expenses. Based on these and other applicable considerations, the Board concluded that the Adviser's profits attributable to management of the Fund were reasonable in the context of all factors considered.

### *Economies of Scale*

The Board considered whether the Fund would benefit from any economies of scale. In this respect, the Board noted the Adviser's representation that the Fund could benefit from economies of scale at higher asset levels, but that the Adviser had not identified economies of scale at current asset levels that would warrant proposing breakpoints in fees at this time. Based on the foregoing information and other applicable considerations, and in light of the size of the Fund, the Board concluded that economies of scale were not a material factor in approving the continuation of the Advisory Agreement.

### *Other Benefits*

The Board noted the Adviser's representation that, aside from its contractual advisory fees, it does not benefit in a material way from its relationship with the Fund. Based on the foregoing representation, the Board concluded that other benefits received by the Adviser from its relationship with the Fund were not a material factor in approving the continuation of the Advisory Agreement.

### *Conclusion*

The Board did not identify any single factor as being of paramount importance, and different Trustees may have given different weight to different factors. The Board reviewed a memorandum from Fund counsel discussing the legal standards applicable to its consideration of the Advisory Agreement. Based on its review, including consideration of each of the factors referenced above, the Board determined, in the exercise of its reasonable business judgment, that the advisory arrangement, as outlined in the Advisory Agreement, was fair and reasonable in light of the services performed, expenses incurred and such other matters as the Board considered relevant.

**Shareholder Proxy Vote**

At a special meeting of shareholders for all the Funds in the Trust, held on December 18, 2017, shares were voted as follows on the proposals presented to shareholders:

Matter	For	Against	Abstain
To elect David Tucker to the Board of Trustees of the Trust.	108,303,928.779	1,542,957.994	0
To elect Jennifer Brown-Strabley to the Board of Trustees of the Trust.	108,183,952.495	1,662,934.278	0
To elect Mark D. Moyer to the Board of Trustees of the Trust.	108,142,412.946	1,704,473.827	0
To elect Jessica Chase to the Board of Trustees of the Trust.	107,632,924.803	2,213,961.970	0
To elect Stacey E. Hong to the Board of Trustees of the Trust.	105,777,266.997	4,069,619.776	0

**Proxy Voting Information**

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund’s portfolio is available, without charge and upon request, by calling (877) 328-9437, on the Fund’s website at [www.auxierasset.com](http://www.auxierasset.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov). The Fund’s proxy voting record for the most recent twelve-month period ended June 30 is available, without charge and upon request, by calling (877) 328-9437 and on the SEC’s website at [www.sec.gov](http://www.sec.gov).

**Availability of Quarterly Portfolio Schedules**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. These filings are available, without charge and upon request on the SEC’s website at [www.sec.gov](http://www.sec.gov) or may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

**Shareholder Expense Example**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments on certain classes, redemption fees, exchange fees, and CDSC fees, and (2) ongoing costs, including management fees, 12b-1 fees, and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund, and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2017, through December 31, 2017.

**Actual Expenses** – The first line under each share class of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during the period.

**Hypothetical Example for Comparison Purposes** – The second line under each share class of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values

**AUXIER FOCUS FUND**  
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**DECEMBER 31, 2017**

and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) on purchase payments on certain classes, redemption fees, exchange fees, and CDSC fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<b>Beginning Account Value July 1, 2017</b>	<b>Ending Account Value December 31, 2017</b>	<b>Expenses Paid During Period*</b>	<b>Annualized Expense Ratio*</b>
<b>Investor Shares</b>				
Actual	\$ 1,000.00	\$ 1,073.08	\$ 5.12	0.98%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,020.27	\$ 4.99	0.98%
<b>A Shares</b>				
Actual	\$ 1,000.00	\$ 1,072.04	\$ 6.53	1.25%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,018.90	\$ 6.36	1.25%
<b>Institutional Shares</b>				
Actual	\$ 1,000.00	\$ 1,074.36	\$ 4.18	0.80%
Hypothetical (5% return before expenses)	\$ 1,000.00	\$ 1,021.17	\$ 4.08	0.80%

\* Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year (184) divided by 365 to reflect the half-year period.

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# Auxier Focus Fund

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## FOR MORE INFORMATION

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This report is submitted for the general information of the shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus, which includes information regarding the Fund's risks, objectives, fees and expenses, experience of its management, and other information.