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February 26, 2024

## Form ADV PART 2A: (the “Brochure”)

This Brochure provides information about the qualifications and business practices of Smead Capital Management, Inc. (“SCM” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 602-889-3660. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SCM is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an Investment Adviser does not imply any level of skill or training.

Additional information about SCM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Our most recent update to Part 2A of Form ADV was made March 21, 2023. SCM's business activities have not changed materially since the time of that update; however certain clarifying amendments and general updates have been incorporated into this brochure dated February 26, 2024.

We will further provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Steve LeMire, Chief Compliance Officer at 602-889-3660 or [steve@smeadcap.com](mailto:steve@smeadcap.com). Our Brochure is also available on our website at [www.smeadcap.com](http://www.smeadcap.com), free of charge.

Additional information about SCM is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with SCM who are registered, or are required to be registered, as investment adviser representatives of SCM.

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#### Item 4 – Advisory Business

- A. Smead Capital Management, Inc. (“SCM” or the “Firm”) is a Securities Exchange Commission (“SEC”) registered investment adviser providing investment management services to separate accounts, and mutual funds (collectively the “Clients”) for advisors, family offices and institutions. SCM is a Sub-S corporation with William W. Smead being the only shareholder that holds greater than 25% of the Firm’s shares. SCM was established in July of 2007.
- B. SCM provides investment advisory services for securities such as exchange-listed securities, securities traded over-the-counter, certificates of deposit, mutual fund shares, and US government securities.
- C. SCM’s separately managed account investment strategy is Capital Appreciation. SCM provides investment advisory services to the Smead Value Fund (the “Value Fund”) and the Smead International Value Fund (the “International Value Fund”) both non-diversified series of Smead Funds Trust, a Delaware statutory trust registered with the SEC as an open-end management investment company. SCM also provides investment advisory services to a non-U.S. investor fund (the “Smead US Value UCITS Fund”) an investment company authorized and regulated by the *Commission de Surveillance du Secteur Financier* pursuant to Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as amended or supplemented from time to time. The Smead Value Fund, Smead International Value Fund and Smead US Value UCITS Fund are all managed to the Capital Appreciation strategy. Clients may impose individual restrictions on investing in certain securities or types of securities by including these restrictions in writing on their investment guideline form.
- D. SCM has one wrap fee arrangement: Morgan Stanley, “Morgan Stanley Fiduciary Services”. These are fee-based, discretionary investment advisory services. The Clients instruct the wrap sponsor to accept orders from SCM, their investment manager. The wrap sponsor does not have discretionary authority over the assets in these accounts. The wrap accounts are managed to the Capital Appreciation Strategy. SCM receives a portion of the wrap fee for our services.
- E. SCM provides model delivery services to unified managed accounts (“UMA Accounts”).
- F. As of December 31, 2023, SCM managed \$5,914,231,152 of assets on a discretionary basis and \$158,101,116 of assets on a non-discretionary basis.

#### Item 5 – Fees and Compensation

- A. In the event the Client determines to engage SCM to provide investment management services, SCM shall charge an annual fee based upon a percentage of the market value of the assets being managed by SCM. The following fee schedules are negotiable.

##### **FEE SCHEDULES:**

## **All Managed Equity Accounts**

0.85% of the account's market value

SCM generally imposes a minimum portfolio value for its investment management services. SCM, in its sole discretion, may negotiate to waive its stated account minimum or charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing Client, account retention, pro bono activities, etc.).

- B. The Client management fee is generally deducted from the account by the custodian. Through the Discretionary Investment Advisory Agreement (the "Agreement"), the Client gives us authorization to instruct the custodian to deduct the agreed upon fee schedule from one or more of their accounts. The Client may request that we invoice them directly. SCM's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets as valued by our internal portfolio accounting system (this may differ slightly from the custodial statement). SCM has written policies and procedures designed to accurately value client holdings and calculate fees in accordance with agreed-upon rates and methodologies.
- C. SCM's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Client. However, SCM shall not receive any portion of these commissions, fees, and costs. Clients may incur certain charges imposed by the Financial Institution(s) and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange traded fund ("ETF") in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, Clients may incur brokerage commissions, including commissions to third-party traders not affiliated with SCM, and transaction fees. Such charges, fees and commissions are exclusive of and in addition to SCM fee. SCM utilizes the brokerage and clearing services of a qualified custodian for investment management accounts. SCM will work with the custodian of the Client's choice.
- D. All fees are paid in advance. For the initial quarter of investment management services, the first quarter's fee shall be calculated on a pro rata basis. The Agreement between SCM and the Client will continue in effect until terminated by either party pursuant to the terms of the Agreement. SCM's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the Client, as appropriate, in a timely manner.

The Client may make additions to and withdrawals from the account at any time, subject to SCM's right to terminate an account. If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with

respect to such Assets will not be adjusted or prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to SCM, subject to the usual and customary securities settlement procedures. SCM designs its portfolios as long-term investments and assets withdrawn may impair the achievement of a Client's investment objectives.

Additions may be in cash or securities provided that SCM reserves the right to liquidate any transferred securities, or decline to accept particular securities into a Client's account. SCM may consult with its Clients about the options and ramifications of transferring securities. However, Clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

- E. None of SCM's employees accepts compensation for the sale of securities or other investment products.
- F. SCM provides investment advisory services to the Smead Value Fund and the Smead International Fund. SCM receives investment advisory fees for its services typically paid monthly in arrears based on the average daily net assets of the Fund at annual rates described in the Smead Value Fund's Prospectus and Statement of Additional Information. Similarly, SCM receives investment advisory fees for its services to the Smead US Value UCITS Fund, which fees accrue daily and are calculated and payable monthly in arrears at annual rates as described in the Smead US Value UCITS Fund's Prospectus and Supplement.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

SCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client).

## **Item 7 – Types of Clients**

SCM generally provides portfolio management services to individuals, mutual funds for advisors, family offices and institutions globally who invest with the firm through its mutual funds, separate accounts, and other investment vehicles.

**Important Information for Residents of Canada:** SCM currently advises clients in Ontario, Canada. Clients and prospective clients of SCM that are residents in Canada are advised that SCM operates under the International Adviser Exemption in Canada pursuant to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("NI 31-103"). Such clients should be aware that:

- SCM is not registered as an investment adviser in any Canadian province or territory to provide advice described in NI 31-103;

- SCM is not subject to the full regulatory requirements otherwise applicable under the securities legislation of any Canadian province or territory;
- SCM's head office and principal place of business is located in the United States of America at 2502 East Camelback Road, Suite 210 in Phoenix, Arizona 85016;
- All or substantially all of SCM's assets may be situated outside of Canada; and
- There may be difficulty enforcing legal rights against SCM because of the above.

Because SCM operates under exemptions from the investment adviser registration requirements under applicable Canadian securities law, clients should be aware that SCM is restricted from acting as an investment adviser in respect of securities of Canadian issuers.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

SCM's process involves asking the question of how strongly the candidate meets and passes through SCM's eight investment criteria.

Five of these eight criteria are required over entire holding period:

- Meets an economic need;
- Strong competitive advantage (wide moats or barriers to entry);
- Long history of profitability and strong operating metrics;
- Generates high levels of free cash flow; and
- Available at a low price in relation to intrinsic value.

Three of the eight criteria are favored, but not required:

- Management's history of shareholder friendliness;
- Strong balance sheet; and
- Strong insider ownership (preferably with recent purchases).

Successful investments that have grown towards a sustained 8-10% weighting, or whose valuations have become maniacal, are likely to be trimmed or sold as a risk management measure. Additionally, a company may be trimmed or sold if fundamentals have changed such that it violates SCM's eight criteria. Lastly, as a downside protection measure, if a security falls 15-20% from initial purchase price nominally, or against a peer group, a formal review is put into place that may lead towards increasing the weighting of a security, or disposition of the name.

Clients should be aware that investing in securities may result in not achieving desired investing goals, or losing money. This may include the risk that the Adviser's results may not perform equal or better than other investment choices. Investments

made by Clients into the Strategies managed by SCM should not be made if Clients are not prepared to bear these risks.

## B. Material Risks

Before investing in the Capital Appreciation strategy managed by SCM, you should carefully consider your own investment goals, the amount of time you are willing to leave your money invested and the amount of risk you are willing to take. Remember, in addition to possibly not achieving your investment goals, you could lose money by investing in equity securities. The principal risks of investing are:

**Management Risk:** The ability of the Strategies to meet its investment objective is directly related to the Adviser's investment management of the Strategies. The value of your investment in the Strategies may vary with the effectiveness of the Adviser's research, analysis and asset allocation among portfolio securities. If the Adviser's investment strategies do not produce the expected results, your investment could be diminished or even lost.

**Non-Diversification Risk:** The strategy may invest a large percentage of its assets in securities issued by or representing a small number of issuers. As a result, performance may depend on the performance of a small number of issuers.

**General Market Risk:** The market value of a security may move up or down, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. The fixed income markets can experience substantially lower valuations, reduced liquidity, price volatility, credit downgrades, and increased likelihood of default and valuation difficulties. Equity and fixed income markets are now global in nature. Therefore, international concerns can affect domestic security prices. This can happen despite little or no apparent degradation in the financial conditions or prospects of that company. Exogenous events may have adverse effects on the strategies.

**Equity Market Risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, their issuers change. These investor perceptions are based on various and unpredictable factors including expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises. If you held common stocks of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer because common shareholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred shareholders, bondholders and other creditors of such issuers.



**ETF Risk:** ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Clients could invest in an ETF to gain exposure to a portion of the U.S. or foreign market. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations for the ETF.

**Large-Cap Company Risk:** Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Also, large-cap companies are unlikely to attain high growth rates of sales and earnings.

**Value Style Risk:** Undervalued stocks may not realize their perceived value for extended periods of time or may never realize their perceived value. Value stocks may respond differently to market and other developments than other types of stocks. Value-oriented funds will typically underperform when growth investing is in favor.

**Sector Weightings Risk:** Market conditions, interest rates, and economic, regulatory, or financial developments could significantly affect a single sector. If the Fund invests in only a few sectors, it will have more exposure to the price movements of those sectors.

**Non-U.S. Securities:** The Smead International Value Fund may invest in securities of non-U.S. securities. The investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad). Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the assets denominated in that currency and thereby impact the total return on such assets. SCM may utilize currency hedging transactions to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective. Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not

subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies.

**Currency Contracts:** The Smead International Value Fund utilizes futures and forward contracts to seek to hedge against declines in the values of its portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging against a decline in the value of positions does not eliminate fluctuations in the values of positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions' value. Such hedging transactions may also limit the opportunity for gain if the value of the hedged position should increase. It may not be possible for SCM, on behalf of its clients, to hedge against a change or event at a price sufficient to protect its assets from the decline in value of the positions anticipated as a result of such a change. In some cases, SCM may incorrectly assess the appropriate hedge. In addition, it may not be possible to hedge against certain changes or events at all or that SCM may not anticipate the occurrence of a particular risk. While SCM is not obligated to enter into hedging transactions, the non-occurrence of the events being hedged against may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions.

**Tax Risk.** The Smead International Value Fund is the successor to the portfolio of the predecessor fund, and has taken the position that it has succeeded to the tax basis of the assets acquired from the predecessor fund. Accordingly, shareholders should be aware that as the Fund sells portfolio securities that were acquired from the predecessor fund, any unrealized gain inherent in such securities at the time the Fund acquired such securities, along with any appreciation that occurred while the Fund held such securities, may be recognized by the Fund, and any such recognized gain will be distributed to Fund shareholders and will be taxable to them for federal income tax purposes. As a result, a shareholder of the Fund may be taxed on appreciation that occurred before the shareholder purchased shares of such Fund, including appreciation that occurred prior to such Fund's acquisition of portfolio securities from the predecessor fund.

**Foreign Tax Risk.** Investing in foreign countries presents risks that the Smead International Value Fund or its investments may be subject to taxes that may adversely affect the Fund's investment performance. Such taxes may be imposed suddenly or in an unpredictable manner, or pursuant to new interpretations. Dividends payable on the foreign securities contained in the portfolio may be subject to foreign withholding taxes, thus reducing income.

**Company Risk.** There is a risk that an issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the security's value over short or extended periods of time.

**Mid-Capitalization and Small-Capitalization Companies.** The Smead International Value Fund's investments in mid-capitalization companies, or in small-capitalization

companies that SCM expects could become well-capitalized in the coming decades, involve greater risk and portfolio price volatility than investments in larger capitalization stocks. Among the reasons for greater price volatility of these investments are the less certain growth prospects of mid-sized or small firms and the lower degree of liquidity in the markets for such securities. Mid-capitalization or small-capitalization companies may be thinly traded and may have to be sold at a discount from current market prices or in small lots over an extended period of time. Mid-capitalization or small capitalization companies include “unseasoned” issuers that do not have an established financial history; often have limited product lines, markets or financial resources; may depend on or use a few key personnel for management; and may be susceptible to losses and risks of bankruptcy. Transaction costs for these investments are often higher than those of large capitalization companies. Investments in mid-capitalization or small-capitalization companies may be more difficult to price precisely than other types of securities because of their characteristics and lower trading volumes.

***Correlation Risk.*** U.S. and non-U.S. markets often rise and fall at different times or by different amounts due to economic or other developments particular to a given country or region. Thus investing in both U.S.-listed securities (albeit for companies that derive a majority of their revenue from products, investment or services outside the U.S.) and non-U.S. listed securities may lower the portfolio volatility. Sometimes, however, global events will cause the U.S. and non-U.S. markets to move in the same direction, reducing or eliminating the benefit of such diversification.

***Volatility Risk.*** The value of the Smead International Value Fund’s assets may fluctuate significantly over a short period of time. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods. Changes in the degree of volatility of the market from SCM’s expectations may produce material losses.

***Trading Suspensions Risk.*** The United States, other governments, and U.S. and non-U.S. securities exchanges retain the right to suspend or limit trading in securities. Such a suspension might render it impossible for SCM to liquidate certain positions promptly and, accordingly, could expose investors to losses.

***Access to Information Risk.*** SCM, particularly in the context of international stocks, is not in a position to confirm the completeness, genuineness or accuracy of the information and data it considers in making investment decisions, and in some cases, complete and accurate information is not available because certain information may be considered proprietary or otherwise confidential. These difficulties make it more difficult for investments to be evaluated and for the value of securities to be accurately determined.

***Dark Pools:*** SCM, on behalf of its Clients, may utilize so-called “dark pools” and other private trading venues to execute trades of securities. In a dark pool, buyers and sellers do not reveal their identities and often reveal very little, if anything, about

their order sizes, as opposed to a traditional exchange, where orders are transparent. There are a number of different types of non-displayed liquidity providers, including electronic communications networks ("ECNs"), broker-sponsored dark pools, crossing networks and broker-led consortium dark pools. Dark pools and other anonymous venues may provide price improvement and the ability to protect trade orders from others in the market that would take advantage of information revealed during a trade. Dark pools and other private trading venues generally look to traditional exchanges to get their pricing information. However, if more and more trades are conducted through dark pools and other private trading venues, the prices used in dark pool trades might not be as reliable and up-to-date as they should be. Moreover, the use of dark pools means that firms cannot take advantage of changes in prices because the market cannot react immediately to transactions occurring in dark pools. Furthermore, different entities in a dark pool cannot see each other and therefore do not have a sense of what each other's strategies and motives are. In addition, the prices charged by dark pools may be higher than those charged by traditional exchanges. The prices charged by dark pools and independently operated crossing networks also may cover execution only and not investment research and other services and may also be used to fund contributions to commission-sharing arrangements.

**Cybersecurity:** SCM and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. A cybersecurity breach could expose both SCM and the Clients it manages to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from Client accounts. While SCM has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, and policies and procedures, including the possibility that certain risks have not been identified. Furthermore, SCM, and its Clients cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to its Clients and/or the issuers in which its Clients invest.

**Financial Institution Risk; Distress Events:** An investment in a Smead Fund is subject to the risk that one of the Smead Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each,

a “Financial Institution”) fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a “Distress Event”). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, SCM, the Smead Funds may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation (“FDIC”), in the case of banks, or the Securities Investor Protection Corporation (“SIPC”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on SCM’s ability to manage the Smead Funds and their investments, and on the ability of Smead and any Smead Fund to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses could potentially: (i) cause a Smead Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise); and/or (ii) result in a Smead Fund being unable to acquire or dispose of investments at prices that SCM believes reflect the fair value of such investments. Although SCM expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that SCM and/or the relevant Smead Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institutions, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although SCM seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Smead Funds, SCM is under no obligation to use a minimum number of Financial Institutions with respect to any Smead Fund, or to maintain account balances at or below the relevant insured amounts.

**Epidemics and Pandemics:** Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, COVID-19 (commonly known as the “Coronavirus”). The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally,

together with any resulting restrictions on travel, transportation or production of goods or quarantines imposed, could have a negative impact on the national, regional or global economy and business activity in any of the countries in which SCM may invest (some economists have warned that global economic growth could be cut by more than half and that countries and the global economy could be plunged into recession) and thereby adversely affect the performance of Client investments. While the economic impact of the ongoing global outbreak of the Coronavirus is presently uncertain, such outbreak and any future outbreak of an infectious disease or any other serious public health concern in a country, region or globally could materially harm Client investments. In addition, the Coronavirus has led to significant volatility in the securities markets and the Coronavirus and any future outbreak of an infectious disease or any other serious public health concern may lead to additional volatility and illiquidity of the Client investments. Furthermore, the Coronavirus and any future outbreak of an infectious disease or any other serious public health concern may lead to significant interruption in normal business activity of SCM and the Clients' other service providers which could negatively affect the performance of Client accounts.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SCM or the integrity of SCM's management. SCM has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliates**

SCM manages the Smead Value Fund and Smead International Value Fund, which are non-diversified series of Smead Funds Trust. Therefore, certain key management employees are registered representatives of UMB Distribution Services, LLC., a broker-dealer. In addition, as noted in Item 4 and 5, SCM provides investment advisory services to the Smead US Value UCITS Fund and serves as the Global Distributor. SCM does not receive additional remuneration for its services as Global Distributor from the Fund. The Global Distributor receives a part of the Management Fee for its services as Investment Manager.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

SCM has adopted a Code of Ethics which sets forth the ethical and fiduciary principles and related compliance requirements under which SCM operates and the procedures for effecting those principles. SCM's Code of Ethics includes provisions that:

- Requires SCM and employees to comply with the federal securities laws;



- Requires employees act with competence, dignity, integrity, and in an ethical manner when dealing with Clients, the public, prospects, third-party service providers and fellow employees;
- Requires employees to use reasonable care and exercise independent professional judgement when conducting investment analysis, making investment recommendations, trading, promoting SCM's services, and engaging in other professional activities;
- Requires employees to adhere to the highest standards with respect to potential conflicts of interest with Clients;
- Requires SCM to act in its Clients' best interests;
- Requires employees to report violations of SCM's Code of Ethics;
- Requires employees to execute all personal trades in a manner consistent with SCM's fiduciary obligations to Clients;
- Prohibits employees from timing their personal trades to precede orders placed for Clients;
- Prohibits employees from trading excessively as to conflict with the employee's ability to fulfill their job responsibilities; and
- Requires SCM to closely monitor employees' personal trading and holdings for compliance with the Company's Code of Ethics.

All employees at SCM must acknowledge that they have received, understand, and agree to comply with SCM's Code of Ethics upon commencement of employment, annually, and upon any material change.

SCM's Code of Ethics requires employees to pre-clear certain personal securities transactions; report personal securities transactions on at least a quarterly basis; and provide SCM with a detailed summary of certain holdings (initially upon starting employment and annually thereafter). Limited exceptions to this policy may be granted by SCM's Chief Compliance Officer.

SCM will not approve employee personal securities transactions on the same day that the Company is implementing a transaction or considering a transaction in a client account. Client directed transactions resulting from additions or withdrawals to a client's account are not considered when determining whether to pre-clear an employee transaction.

In addition to adopting its Code of Ethics, SCM has adopted a compliance manual that includes, among other things, compliance policies and procedures governing insider trading, gifts and entertainment, and outside business activities.

SCM's Clients or prospective Clients may request a copy of the Firm's Code of Ethics by contacting Steve LeMire, Chief Compliance Officer.

## B. Participation or Interest in Client Transactions and Personal Trading

If appropriate, SCM may recommend a Client invest in an investment that the Firm sponsors and manages. SCM benefits from clients investing in the accounts that it sponsors and manages since it receives an asset-based investment management fee for such investment.

Some employees (or members of their families) of SCM hold interests in Client accounts, specifically Smead International Value Fund and the Smead Value Fund. This creates an incentive for SCM to allocate desirable investment opportunities to client accounts in which employees have a personal interest. To address this conflict, SCM has adopted allocation policies and procedures designed to treat Clients in a fair and equitable manner. Please see Item 12 below for more information about SCM's allocation policies.

SCM does not engage in principal transactions with Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client.

## **Item 12 – Brokerage Practices**

### **Selecting Broker-Dealers**

Generally, SCM will seek to execute portfolio transactions with broker-dealers who, in its opinion, provide the best combination of price and execution (including brokerage commissions). SCM may have an incentive to select or recommend a broker-dealer based on the interest of receiving research products and services, rather than the client's interest in receiving the most favorable execution.

Factors which SCM considers in selecting a broker-dealer for Client transactions include financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by a broker-dealer used by SCM may be higher or lower than those charged by other broker-dealers.

If a Client requests SCM to arrange for the execution of securities brokerage transactions for the Clients' account, SCM shall direct such transactions through broker-dealers that SCM reasonably believes will provide best execution. SCM refers to these arrangements as "Non-Directed Brokerage Arrangements." SCM will periodically and systematically review its



policies and procedures regarding recommending broker-dealers to Clients in light of its obligation to seek best execution.

A Client may direct SCM to use a particular broker-dealer to execute some or all transactions for the Client. SCM refers to these arrangements as “Directed Brokerage Arrangements.” For Directed Brokerage Arrangements, the Client will negotiate their arrangements for their account with that broker-dealer, and SCM will not seek better execution services or prices from other broker-dealers or “batch” Client transactions for execution through other broker-dealers with orders for other Client accounts managed by SCM (as described below). As a result, the Client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the Directed Brokerage Arrangement account than would otherwise be the case. Subject to its obligation to seek best execution, SCM may decline a Client’s request to set-up a Directed Brokerage Arrangement if, in SCM’s sole discretion, such Directed Brokerage Arrangement would result in additional operational difficulties.

It is SCM’s policy to place orders for Non-Directed Brokerage Arrangement Clients ahead of Directed Brokerage Arrangement Clients. However, at SCM’s discretion, SCM may begin placing orders for Directed Brokerage Arrangement Clients when it expects that there will be no impact to the market (i.e. security price).

SCM has entered into a relationship with a third-party investment adviser that specifies SCM only provide its investment model portfolio (“Model Delivery Client”). SCM is not responsible for the timing and the purchase/sale decisions implementing SCM’s recommendations. SCM provides the model portfolio targets or revised model portfolio targets to Model Delivery Clients at the same time it begins conducting non-directed trading accounts.

The commissions paid by SCM’s Clients shall comply with SCM’s obligation to seek “best execution”. However, a Client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction. This can occur when SCM determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services.

Transactions for each Client generally will be effected independently, unless SCM decides to purchase or sell the same securities for several Clients at approximately the same time. SCM may (but is not obligated to) combine or “batch” such orders in seeking to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among SCM’s Clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among SCM’s Clients on a pro-rata basis to the purchase and sale orders placed for each Client on any given day. To the extent SCM determines to aggregate Client orders for the purchase or sale of securities, SCM shall generally do so in accordance with applicable rules promulgated under the Adviser Act and no-action guidance provided by the staff of the SEC. SCM shall not receive any additional

compensation or remuneration as a result of the aggregation. In the event that SCM determines that a pro-rata allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guideline which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro-rata allocation of a potential execution would result in a de-minimus allocation in one or more accounts, SCM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

SCM utilizes the brokerage and execution services of Outset Global Trading Limited ("OGTL") for all Non-Directed Brokerage Arrangements. OGTL provides an outsourced trading solution to money managers by aggregating orders for a number of clients. OGTL will only place transactions with broker-dealers that SCM has approved, the following factors, among others, were originally, and are on an on-going basis, considered by SCM in its determination to enter into a trading relationship with OGTL:

- Increased liquidity;
- Ability to access a variety of market venues;
- Anonymity;
- Ability to obtain research from sell side broker-dealers with whom OGTL maintains trading relationships that SCM otherwise would not have access to; and
- The timeliness of executions.

The execution costs associated with transactions executed through OGTL are typically higher than Clients might otherwise pay due to the fact OGTL is interposed in the transaction and is compensated for working each order provided to it by SCM. SCM believes that the use of an agent in such instances is consistent with its duty of obtaining best execution for its Clients.

### **Research and Other Soft Dollar Benefits**

Consistent with obtaining best execution, brokerage transactions will be directed to certain broker-dealers in return for investment research products and/or services which assist SCM in its investment decision-making process. This practice is referred to as a "soft dollar" arrangement. Any such soft dollar arrangement that SCM enters into will be consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended. Client's should consider that these soft dollar arrangements create a potential conflict of interest between SCM and its Clients. The conflict of interest may be deemed to exist because:

- SCM's decision to use a particular broker-dealer may, in part, be based on the broker-dealer's ability and/or willingness to provide certain products and services, not merely on the broker-dealer's ability to provide the best trade execution for the best price; and
- When SCM obtains research services as a result of a soft dollar arrangement, the Firm receives a benefit because it does not have to produce or pay for the research services.

SCM uses research obtained through soft dollars to benefit all of its Clients, not just the Client(s) for whom the order is being executed. Also, in instances where trading activity in a Client's account has generated soft dollars, SCM may not use all of the research obtained exclusively for that particular Client. There are Client accounts that do not generate any soft dollars, but benefit from those Client accounts that do.

In deciding whether to effect brokerage transactions for its Clients through broker-dealers who provide SCM with research services, SCM will determine in good faith that the amount of commission paid is reasonable in relation to the value of the research services received from such broker-dealer. The research services obtained may include a broad variety of financial and related information and services believed to assist SCM and its advisory functions and services. Such benefits may include: stock charts, research reports, company meetings, conference calls, company tours and management access, industry conferences, portfolio characteristics, receipt of duplicate Client confirmations and bundled duplicate statements, access to a trading desk that exclusively services the Institutional participants, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to Client accounts, and access to an electronic communications network for Client order entry and account information.

SCM maintains internal allocation procedures to identify those broker-dealers who have provided it with research and execution services that SCM considers useful to its investment decision-making process. These internal guidelines are based, in part, on the quality and usefulness of the research provided and its value to SCM.

### **Trade Errors**

From time to time, SCM may experience a trade error caused by SCM or an executing broker. In an event that a trade error occurs, SCM will ensure that a Client account is "made whole." Thus, trades are adjusted as needed in order to put the Client in such a position as if the error had never occurred at no cost to the Client. SCM also will not use future brokerage to compensate a broker either directly or indirectly for absorbing the cost of correcting an error in an earlier transaction.

SCM attempts to minimize trade errors by promptly reconciling confirmations with order tickets and intended orders, and by reviewing past trade errors to understand the internal control breakdown that caused the errors.

### **Item 13 – Review of Accounts**

- A. SCM monitors portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by a Portfolio Manager, Vice-President of Operations and members of the Investment Committee.
- B. All investment advisory Clients are encouraged to discuss their needs, goals, and objectives with SCM and to keep SCM informed of any changes thereto. SCM shall contact ongoing investment advisory Clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the Client's financial situation and/or investment objectives.
- C. Unless otherwise agreed upon, Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the Client accounts. Those Clients to whom SCM provides discretionary investment advisory services will also receive a report from SCM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. For those accounts that have a financial intermediary, SCM may choose to report to the financial intermediary directly instead of to the Client.

### **Item 14 – Client Referrals and Other Compensation**

SCM does not compensate for Client referrals.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains Client's investment assets. SCM urges its Clients to carefully review such statements and compare such official custodial records to the account statements that SCM provides to the Client. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

SCM receives discretionary authority to manage securities accounts on behalf of Clients. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, SCM observes the investment objectives, limitations and restrictions of the Clients for which it advises. For registered investment companies, SCM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to SCM in writing.

Neither SCM nor the Client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of SCM shall not be considered an assignment.

## **Item 17 – Voting Client Securities**

SCM may vote proxies on behalf of its Clients. SCM may utilize a third-party resource to assist it in this process, as this may help the voting process be efficient, timely, and scalable across all accounts where SCM has been assigned this task on behalf of its Clients. When SCM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its Clients. Absent special circumstances, which are fully described in SCM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in SCM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. SCM is permitted to abstain from voting proxies if voting would be costly or impractical or if we otherwise deem voting unnecessary or unwarranted in our reasonable discretion. At any time, Clients may contact SCM to request information about how SCM- voted proxies for that Client's securities or to get a copy of SCM's Proxy Voting Policies and Procedures. A brief summary of SCM's Proxy Voting Policies and Procedures is as follows:

- A. A member of SCM's Investment Committee is responsible for monitoring corporate actions, making voting decisions in the best interest of Clients, and ensuring that proxies are submitted in a timely manner.
- B. A member of SCM's Investment Committee will generally vote proxies according to SCM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decision for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- C. Although the Proxy Voting Guidelines are to be followed as a general policy, certain

issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, SCM shall devote an appropriate amount of time and resources to monitor these changes.

- D. In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that SCM maintains with persons having an interest in the outcome of certain votes, SCM will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its Clients and are not the product of such conflict.

### **Item 18 – Financial Information**

SCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.