INVESTMENT PERFORMANCE (%) as of June 30, 2020

	Total Return				Annualized Return
	Inception	Quarter	YTD	1 Year	Since Inception
Palm Valley Capital Fund	**4/30/19**	**10.74%**	**11.62%**	**12.41%**	**11.18%**
S&P Small Cap 600 Index		**21.94%**	**-17.86%**	**-11.31%**	**-11.25%**
Morningstar Small Cap Index		**25.47%**	**-14.16%**	**-8.38%**	**-8.27%**

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be higher or lower than the performance quoted. Performance of the Fund current to the most recent quarter-end can be obtained by calling 904-747-2345.

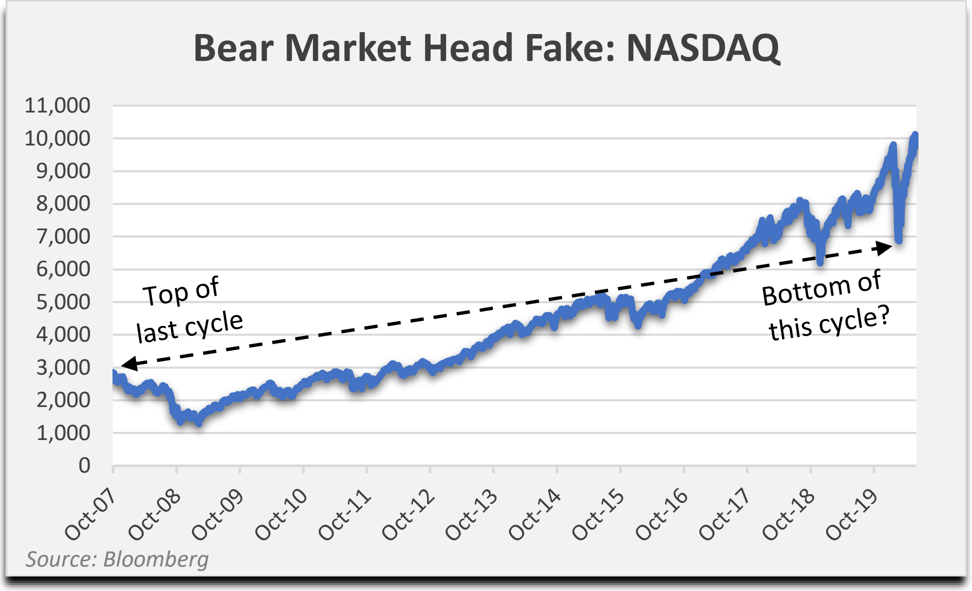
As of the most recent prospectus, the Fund's gross expense ratio is 7.27% and the net expense ratio is 1.27%. Palm Valley Capital Management has contractually agreed to waive its management fees and reimburse Fund operating expenses through at least April 30, 2021.

The More You Know

July 1, 2020

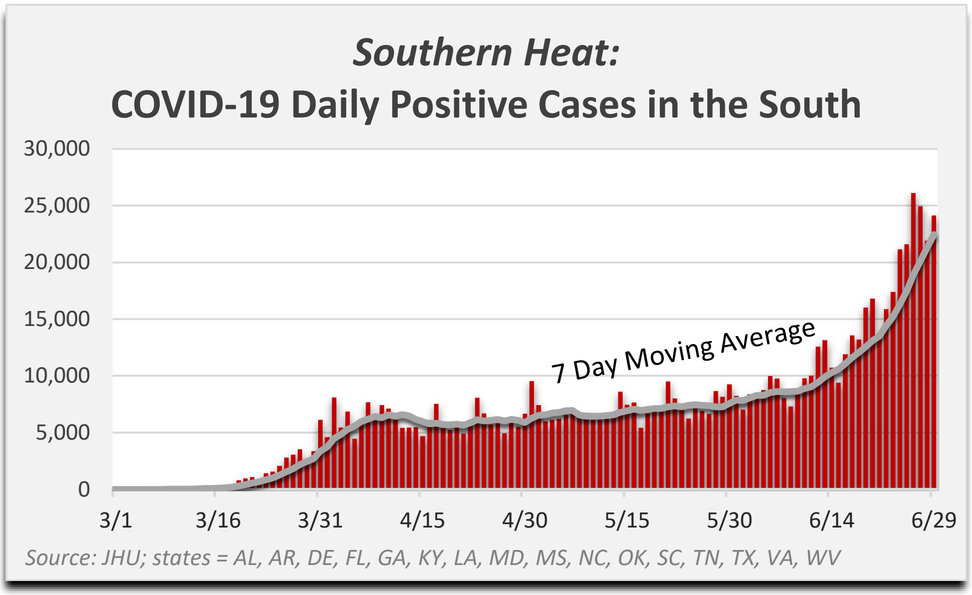
Dear Fellow Shareholders,

They say bull markets don't die of old age. Apparently, neither do they perish from worldwide respiratory pandemics that cause the worst global GDP decline since World War II. In last quarter's letter, we noted the end date of history's longest bull run. We're issuing a retraction. There was no bear market. While stocks briefly fell more than the conventional 20% bear market threshold, there wasn't real enduring pain for investors. Equities never became broadly cheap. At its March 23, 2020, trough, the S&P 500 had unwound over three years of gains but was still 43% above the prior bull market *peak*. For the NASDAQ, the March bottom was 140% above its 2007 top from the prior market cycle.



The market's rebound was almost as swift as its drop. It took three months for the S&P to return to year-to-date gains in 2020. The recovery period during the credit crisis was six *years*. For the tech bubble, it was seven years. Small cap stocks (Russell 2000 Index) surged almost 25% over 17 trading days in May and June—a near record only eclipsed by the late 2008 bear market rally. The NASDAQ is at new highs, and its top five companies are up 24% year-to-date on a capitalization-weighted basis (Amazon is +50%!). Investors are embracing the economic reopening. Road traffic is up. Most restaurants and retailers are back in business. Summer is here, and with it, a bullish fever.

But…continuing unemployment claims remain stubbornly high. Corporate bankruptcies keep piling up. Airport travel is still 75% below year ago levels. And COVID-19 hasn't gone away. Daily case counts are skyrocketing in many states. Here in Florida, we're leading the pack. They're blaming the youth, who are getting sick but aren't dying in large numbers. Bars are closed again, per the governor's office. In our city, Jacksonville, restaurants are playing whack-a-mole as employees test positive for COVID: they shut down, "deep clean," and reopen. Many states and major cities now require face masks in public. In Orlando, a mandatory mask city, it was 98 degrees yesterday. Imagine wearing a mask for three straight days in July in the Florida sun at Disney World. Coronavirus is a punch to the gut of Florida's tourism sector. When kids go back to school in August, watch out—germ central.



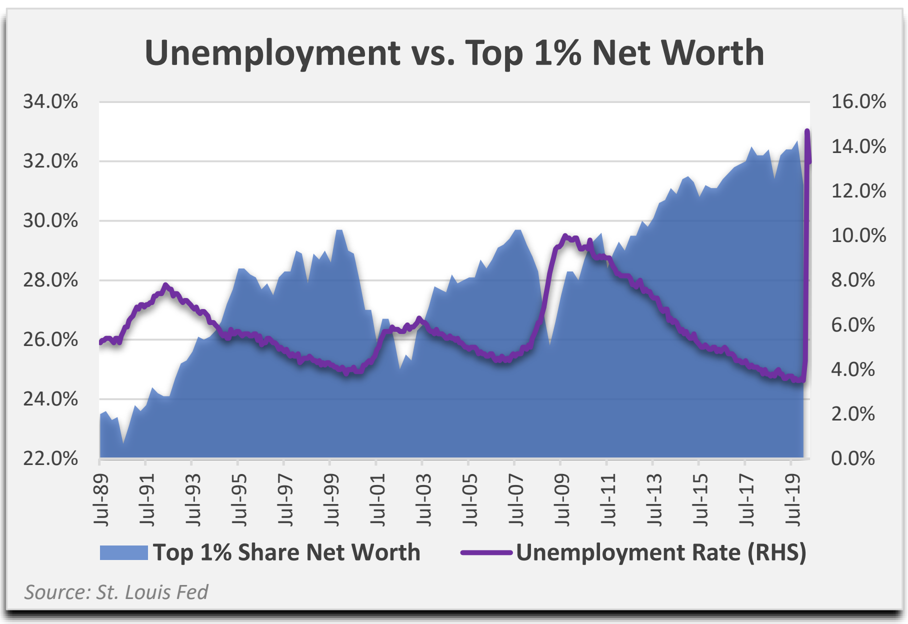
Unfortunately, deaths from COVID-19 have stopped falling in southern states. Given the lag between cases and fatalities, we will all be watching closely over the next couple of weeks. In any event, the chances of another national lockdown this year (ever?) are probably nil. However, the continued rise in cases could prompt more vulnerable populations to self-isolate, which would carry economic implications.

The lockdown ushered in a new generation of speculators. Sitting at home, bored out of their minds and with fresh stimulus funds, millions of Americans decided to open investment accounts. They bought the dip and were quickly rewarded. NASDAQ exchange trading volumes are near record levels, as is options trading activity. **More retail investors are piling into risky names than at any point since the tech bubble.** On Robinhood, the preferred trading platform for millennials, corporate bankruptcy announcements have been followed by a surge of buying from users looking for lottery tickets. Dave Portnoy, the founder of Barstool Sports and now a day-trader, has become one of Twitter's most colorful personalities with musings like, "I've figured out this market. Just buy and hold everything that has letters."

Thinking too hard about what makes a good investment has been a liability for over a decade. Just BUY for heaven's sake! More so than ever before, powerful people see the stock market as an instrument to achieve their economic goals and a report card on their job performance. After throwing the kitchen sink to arrest the market decline, and finally succeeding, Fed Chair Powell said on April 30th, "I think it's been good to see markets working again." Working = going up. A few weeks later, Powell said the Fed's money printing didn't raise financial stability or inflation concerns. Then, he suggested that Fed policies "absolutely" did not lead to more income inequality. He also dubiously claimed the Fed wasn't monetizing the government's debt, even though it's consuming most new Treasury issuance.

Last month, the Fed began buying large quantities of corporate bonds when the price of the investment grade index was near all-time highs. It's no wonder Fed policies are decried as socialism for the rich, with market losses backstopped by the public, while gains belong to private investors. Is there any other institution on the planet that has done more to facilitate debt growth and wealth disparity? History indicates there are limits to the Fed's ability to print money. Since the economy isn't signaling that we've reached those boundaries yet, why upset the apple cart? It's been over 30 years since a Fed Chair showed real courage instead of kowtowing to the stock market. *This* Fed certainly won't be taking away the punch bowl.

Class warfare may be the catalyst that ultimately diminishes the Federal Reserve. The bottom half of the U.S. population has about 1.5% of the country's total net worth, while the top 1% owns over 30%. Chairman Powell stated in June that the Fed would never withhold economic support because asset prices were too high, since it has a legal mandate to support maximum employment. We doubt he's that oblivious to the impact that the Fed's asset bubbles have on employment volatility and everything else.



Moreover, according to their required financial disclosure forms, Powell and every other Federal Reserve board member is a multimillionaire with significant equity holdings. The Fed Chair has between $10,000,000 and $33,000,000 invested in stocks and over $1,000,000 held in Russell 2000 ETFs alone! We'd love to see Fed policy if board members were required to keep all of their savings in a bank account earning standard CD rates.

During the pandemic, the powers that be recognized their largesse could not be one-sided in favor of connected classes. While there were plenty of handouts to large and small companies, including financially sound enterprises, politicians made sure to spread the wealth. In April, the United States implemented its first helicopter money drop, with $1,200 stimulus checks mailed to every adult citizen making less than $75,000 per year. Current unemployment benefits are also generous, since over half of workers are collecting more than they did on the job. In light of the approaching election, we expect the handouts to continue. Giving money to people who don't own stocks and bonds is more inflationary for goods and services than cutting interest rates. Therefore, *if* we get the V-shaped recovery investors have already priced in and the government maintains a blistering pace of spending, then inflation should be viewed as a growing risk. If we don't get the recovery, then even the cheerleaders will have a hard time justifying today's stock prices.

For the three months ending June 30, 2020, the Palm Valley Capital Fund gained 10.74% versus a 21.94% increase for the S&P Small Cap 600 Index and a 25.47% increase for the Morningstar Small Cap Index. **As a result of rising prices and shrinking discounts, we sold or reduced our exposure to most positions in the Fund during the quarter.** We ended the second quarter with 72.5% held in cash equivalents, up from 52.0% as of March 31, 2020. Over the period, our equity-only performance was 27.3%.

For the six months ending June 30, 2020, the Fund rose 11.62% compared to a 17.86% decline for the S&P Small Cap 600 and a loss of 14.16% for the Morningstar Small Cap Index. Looking at equity-only returns, our Fund's holdings fell 2.5% over the six-month period. Therefore, the Fund's favorable relative performance was due both to security selection and deploying capital after the market's drawdown.

We acquired a small weight in one new name during Q2, Sensient Technologies (SXT), but it was sold quickly as it reached our valuation. During the three-month period, we increased our weighting in two securities: Natural Gas Services (NGS) and silver. Unlike most energy companies, Natural Gas Services generated free cash flow and added to its cash position last quarter. We expect the company's balance sheet to improve further based on our estimates of lower capital expenditures, rising lease revenues, and an upcoming tax refund. Natural Gas Services remains at a meaningful discount to our calculated valuation and, in our opinion, has one of the strongest balance sheets in the energy service industry.

Q2 2020 Portfolio Activity

(in decreasing order of importance)

Sold	
Weis Mkts	WMK
Euronet Worldwide	EEFT
Healthcare Services Group	HCSG
Dick's Sporting Goods	DKS
Cass Information Systems	CASS
Alamos Gold	AGI
UniFirst	UNF
Sensient Technologies	SXT

Increased	
Natural Gas Services	NGS
Sprott Physical Silver Trust	PSLV

Reduced	
A-Mark Precious Metals	AMRK
Scholastic	SCHL
Benchmark Electronics	BHE
Bonanza Creek Energy	BCEI
Amdocs	DOX
Sykes Enterprises	SYKE
EZCORP	EZPW
Osisko Gold Royalties	OR
Carters	CRI
SP Plus	SP
Gencor Industries	GENC
Kelly Services	KELYA
Skechers USA	SKX

Silver is currently the Fund's largest position. We own the Sprott Physical Silver Trust (PSLV). Some people question the logic of owning gold and silver, since they have no yield and you can't really value them. However, they are perfectly content doing that for profitless small caps!

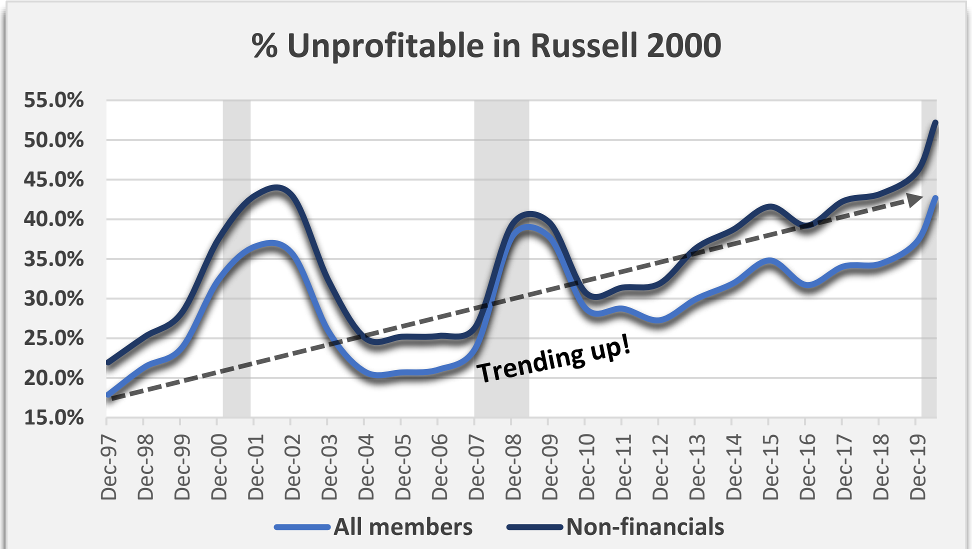
The Fund did not lose money on any of its holdings during the period. The top contributors to the Fund's second quarter performance were A-Mark Precious Metals (AMRK), Weis Markets (WMK), and the Sprott Physical Silver Trust (PSLV). All of these were larger positions. A-Mark reported its most profitable quarter since going public, as the coronavirus caused citizens to race to the perceived safety of physical gold and silver, leading to a surge in precious metals premiums. Weis Markets (WMK) reported its strongest comparable store sales in years (+12.8%), as stay-at-home orders shifted consumption from restaurants to grocery stores. As far as silver, perhaps it went up due to the recovery in risk assets, or maybe it was due to the $3 trillion of new money printed by the Fed. There are many different opinions about why precious metals react the way they do. Given bulging debt and a universal willingness to print money, we think there's a lot of gas left in silver's tank.

Top 10 Holdings (6/30/20)	% Assets
Sprott Physical Silver Trust	3.82%
Amdocs	3.52%
Crawford & Company (A & B)	2.93%
Protective Insurance	2.40%
Sykes Enterprises	2.36%
Osisko Gold Royalties	1.79%
Kelly Services	1.44%
Natural Gas Services	1.20%
Gencor Industries	1.19%
A-Mark Precious Metals	1.09%

In a world where knowledge of financial history has been a performance anchor and the idea of valuing a stock seems archaic, we will not waver from our investment discipline. Some say you should invest according to the circumstances you have (Fed mania), not what you want (true capitalism). We'll leave the Fed-has-my-back trading strategy to others. We don't know when the house of cards will come tumbling down again, but we believe it's unstable.

The premise of the Palm Valley Capital Fund is that valuations matter. Maybe they haven't been as much of a factor over the current cycle, but we are operating under the assumption that, at some point, valuations will reflect fundamentals. Last quarter, we wrote to you that we wouldn't invest as if the world was ending. We also won't blindly follow the stampeding herd back to historic valuation extremes. Our investment philosophy is based on an absolute value strategy, and you can't deliver that if you ignore mounting downside risks. In our opinion, fundamentals have grown increasingly disconnected from prices in recent years (weeks!), but distortions in the system continue to build and the free ride won't last forever.

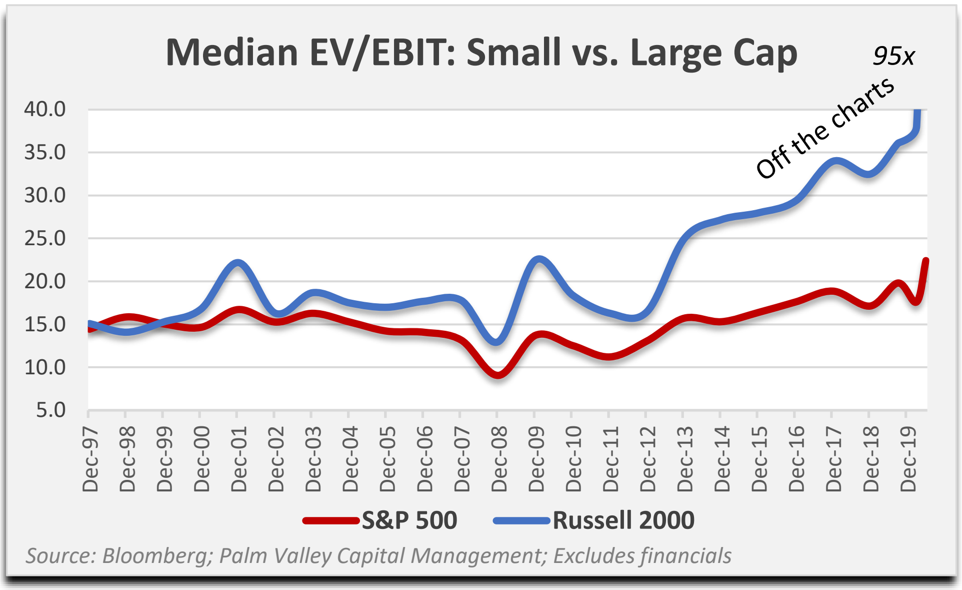
One sign of how the Fed has warped capital markets is the growing percentage of unprofitable small caps. This trend was evident long before first quarter earnings, so it is not due to the shutdown of the economy. **The proportion of money losing members of the Russell 2000 (42.7%) is twice the level from twenty years ago.**



Source: Bloomberg, 12/31 values except for 6/30/20

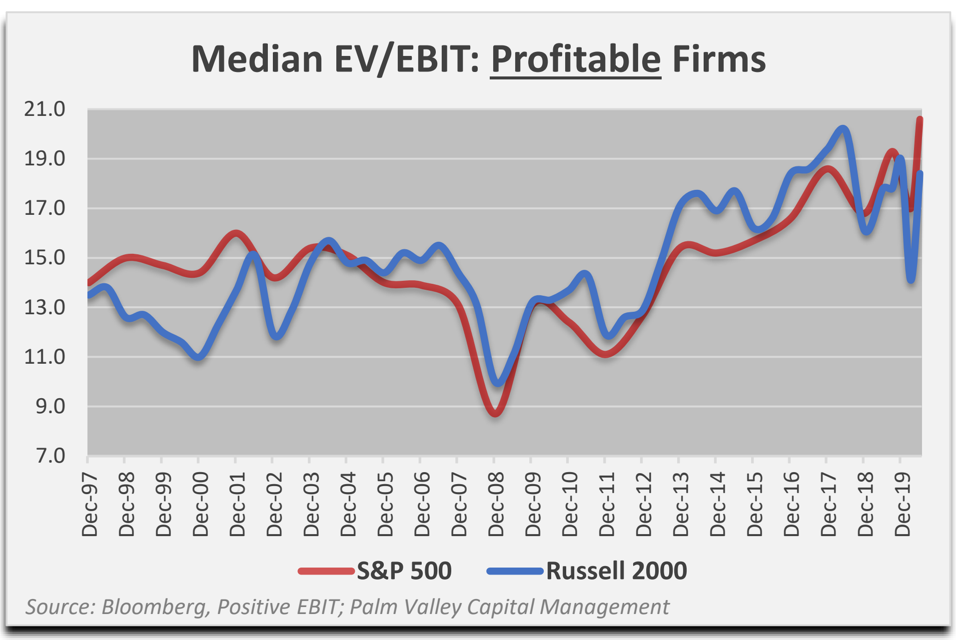
The lockdown and resulting recession have exacerbated losses for many small caps, so earnings over the next twelve months will be depressed. More than half of the non-financial companies in the Russell 2000 Index posted losses for the last twelve months, and for most reporting firms this included only two weeks of a shutdown. We are less convinced than the stock market that a rapid and complete economic recovery is in the cards, nevertheless, **it will be important to normalize results for many companies that were affected by the shelter-in-place orders**.

For some investors, "normalize" is code for "use all-time high earnings." They'll assume the peak profitability experienced by cyclical companies pre-coronavirus is typical, even though it was a byproduct of a debt-fueled economy operating in the final stages of an economic expansion. Still, we'll play along. If we ignore earnings for the latest quarter in order to extract any COVID-19 impact from results, and instead use EBIT for the last fiscal year (12/31 for most firms), the median EV/EBIT for the Russell 2000 is 51x. Using actual trailing results, it's 95x. Small caps aren't cheap, even when shown in more favorable lighting.



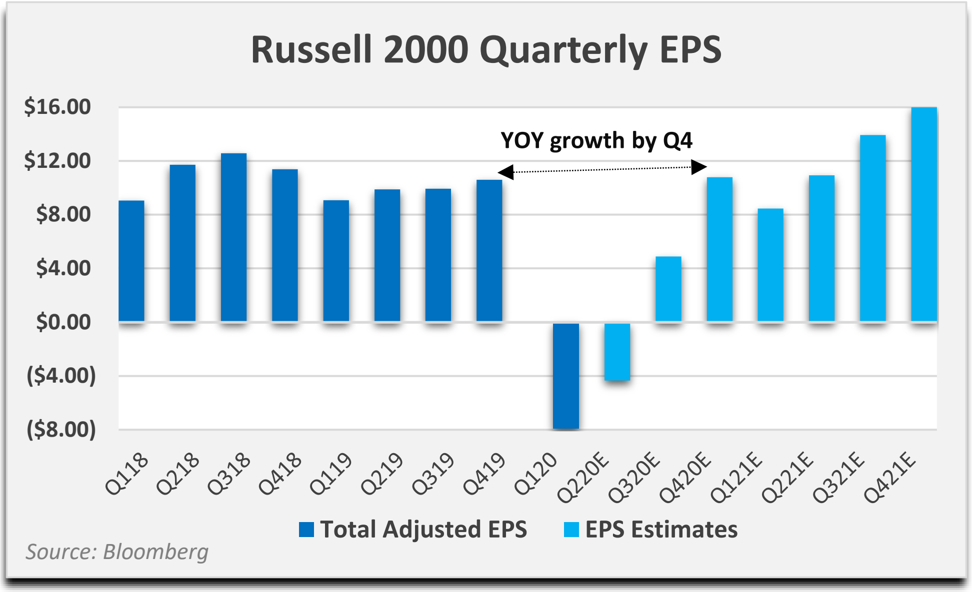
Source: Bloomberg; Palm Valley Capital Management; Excludes financials

Going further, if we exclude the 46% of non-financial Russell 2000 members that registered negative operating profit over the past year, current valuations look about average for the last four years, which was generally a period of pervasive overvaluation, in our opinion. If we perform the same exercise for the S&P 500, stripping out negative EBIT companies (basically, the energy sector), the median EV/EBIT multiple is at a peak.

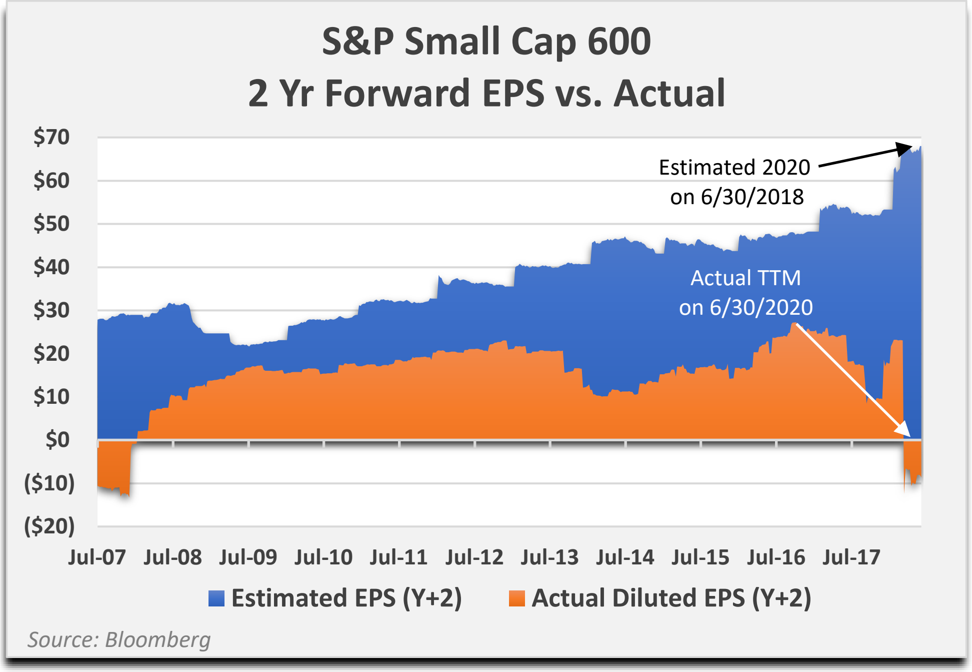


Source: Bloomberg, Positive EBIT; Palm Valley Capital Management

Wall Street analysts are currently forecasting a full earnings recovery for small caps by the fourth quarter of this year. Given the continuing effects of the pandemic on the travel and entertainment sectors, among many others, it seems like a stretch to believe Q420 EPS will exceed Q419.

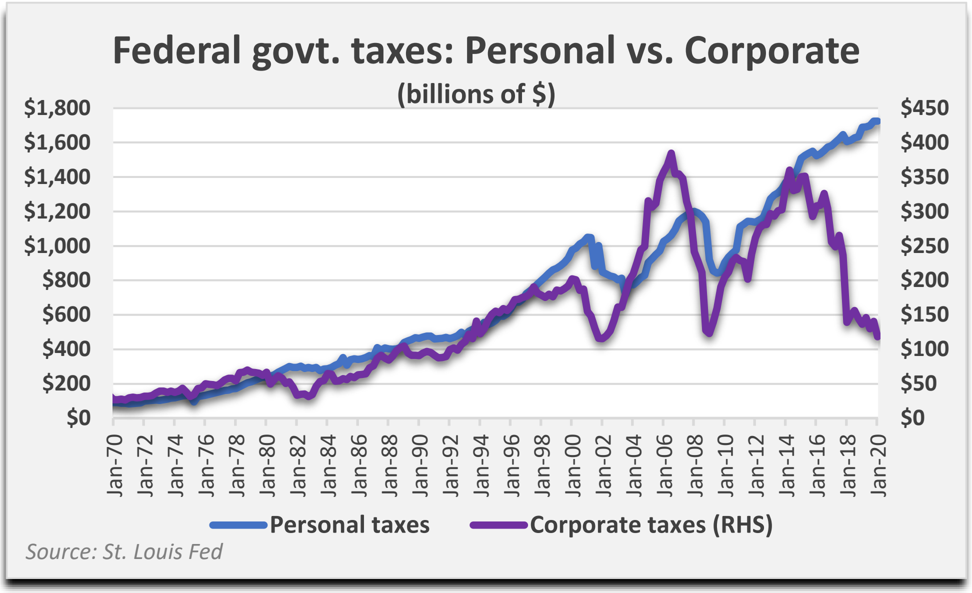


We can look past 2020, and even 2021, but small cap valuations don't look appealing using two year forward estimates (2022). The Russell 2000 is trading for 23x estimated 2022 EPS, while the higher quality S&P Small Cap 600 trades for 16x estimated 2022 EPS. Combined long-term analyst earnings forecasts for small caps have not aged well. Two year forward estimates have limited predictive ability for what small caps collectively deliver in two years. Overzealous would be an understatement.



When evaluating aggregate statistics, we generally prefer Enterprise Value to EBIT (EV/EBIT) over Price to Earnings (P/E) charts because they better reflect the operations of businesses over time. When corporate borrowing costs are suppressed, it's easier to show earnings accretion by issuing debt to buy back stock or overpay for acquisitions. As a result, many of today's low P/E stocks have above-average financial risk.

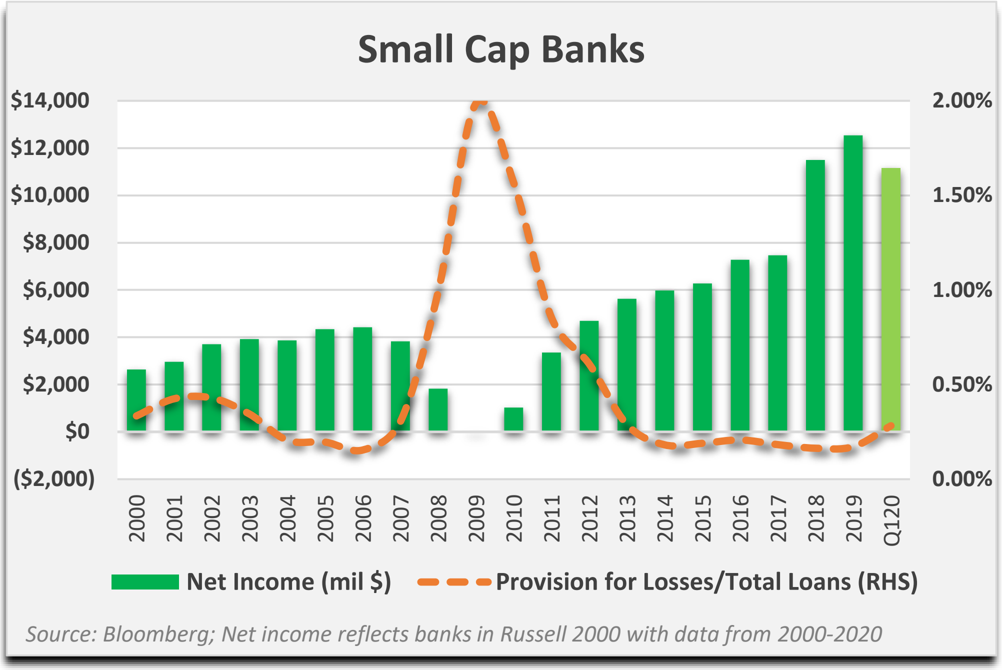
We are also uncertain about the durability of corporate tax rates. Corporate tax collections are down materially since the passage of tax reform. Profitable domestically focused small caps received a windfall in 2018. The federal government's corporate tax receipts are at the same level from 2000. As we noted in The Last Second Half Dance blog, tax rates could be vulnerable if political power changes in November. The flames of class warfare are easily stoked by comparing corporate tax treatment to individuals.



You might agree with us that the earnings outlook alone doesn't support a bullish case for stocks. But interest rates are so low! Surely, we should be capitalizing today's cash flows at higher multiples than 10 or 20 years ago, right? If you're going to assume low discount rates last forever in your valuation models, you need to have intellectual honesty about our low growth rates too. Real GDP can barely register at +2% as we spend far beyond our means. For those looking to Japan or Europe's more extreme monetary and fiscal policies as potential catalysts for multiple expansion in the U.S., you may get more than you bargained for. Despite the Japanese government owning nearly 80% of ETFs, the median EV/EBIT multiple of Japanese small caps is 11.6x versus an 18.4x median for the average *profitable* U.S. small cap.

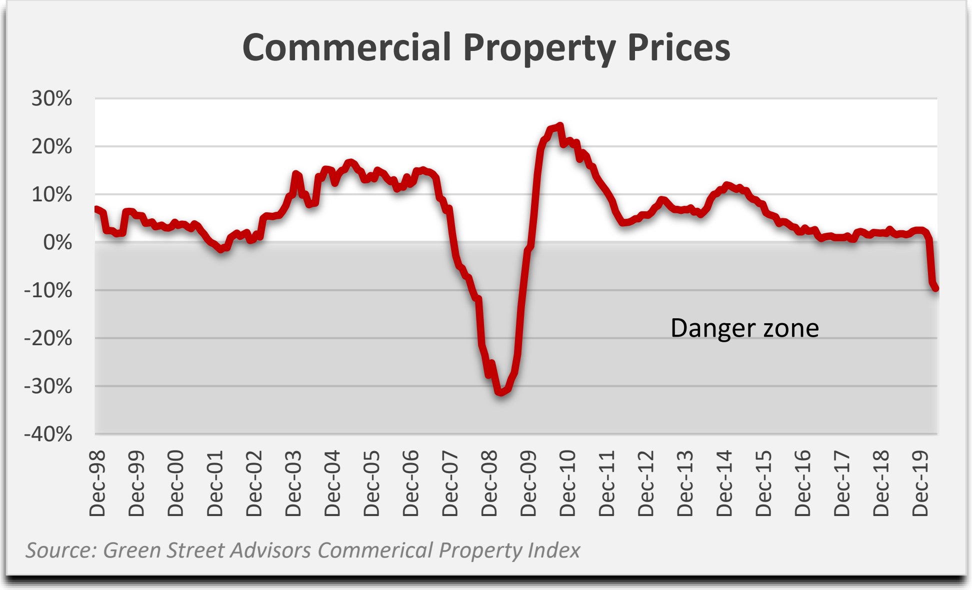
The downside to focusing on EV/EBIT metrics to assess overall valuations is that you have to ignore the financial sector, since the balance sheets of those businesses are ingrained in their operations. However, banks represent a significant proportion of small cap indexes, and particularly small cap value indexes (19% of Russell 2000 Value Index members). Also, most banks make money, whereas large parts of other industries are consistently unprofitable. In fact, the lower P/E ratios sported by many banks are a primary reason why small cap value screens as relatively cheap. These domestic companies were leading beneficiaries of corporate tax reform and saw a 50% surge in profitability in 2018, largely due to lower tax rates. Last year, the aggregate net income for seasoned banks in the Russell 2000 Index was 3x their profits from 2006!

Historically, we haven't owned many banks because they usually trade over book value, and it's difficult for us to have confidence in the quality of their loans. Banks have benefited significantly from credit growth this cycle. We shudder to think about what would be happening to bank loan performance without the Federal Reserve and Treasury backstopping businesses. Even with government intervention, how will the deterioration in commercial real estate impact small cap banks, which have enjoyed a long period of low provisions for loan losses?



Source: Bloomberg; Net income reflects banks in Russell 2000 with data from 2000-2020

On June 1st, Jacksonville-based shopping center owner Regency Centers announced that it had only collected 58% of May rents. Mall operator CBL & Associates defaulted on an interest payment in early June and revealed that it expected to collect less than 30% of May rents. Simon Property and Brookfield are exploring a bankruptcy bid for J.C. Penney, one of their largest tenants, which seems like a desperate move to support occupancy levels. While the reopening should result in more tenants paying rent, it will be interesting to see how much lasting damage has occurred. It took about six years for bank profitability to return to previous highs after the credit crisis. Additionally, there may be structural changes underway for commercial real estate that were not present during the last downturn, such as a shift to remote workers.



Source: Green Street Advisors Commerical Property Index

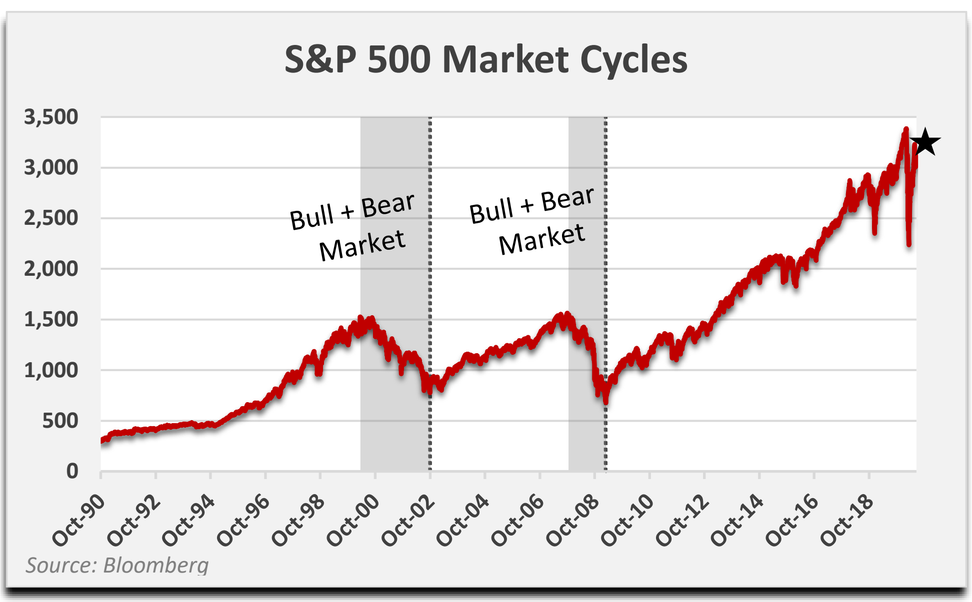
If you watched NBC in the '90s you may recall *The More You Know* public service announcements where celebrities would give advice during brief commercial spots that ended with a cartoon shooting star. Will Smith, the Fresh Prince, told us, "The more you know, the further you'll go." Betty White said, "The more you read…the more you know…the better you do in school…the better you do in life…and that's a promise!"

The old saw that knowledge is power hasn't worked so well for value investors over the last decade. If investing was a Monopoly game: Land on Chance and draw an MBA? Pay $100,000 to the bank. Check out *The Intelligent Investor* and *Margin of Safety* while on Reading Railroad? Give 500 basis points of relative performance to growth investors. Spend all your money buying hotels for Absolute Return Avenue? Bankrupt! Of course, those who fully participated in the latest central bank bubble would argue you'd have to be dense to fight the Fed. Simple as that. Just invest, lay back and float down the lazy river. Never mind the waterfall somewhere off in the distance.

Before *The More You Know* campaign began, children of the '80s heard another PSA on TV from G.I. Joe: "Knowing is half the battle." That couldn't be truer for investing. Knowledge may get you halfway, but in the long run, you'll need grit and emotional discipline too. Especially now. The long duration of this investment cycle is a testament to the faith of investors in central banks. We all know that valuations can always drift further from fundamentals. Nevertheless, when things make the least sense, we could be getting close to the end. Over the last month, we've read about preteens ditching Fortnite to trade stocks, seen a bankrupt company try to raise equity, and laughed as a popular new day trader announced that the world's most famous investor was washed up because he sold his airline stocks at a steep loss. One quote attributed to Warren Buffett, which he borrowed from a 15th century Italian philosopher, seems apt when thinking about today's investment opportunities:

"What the wise man does in the beginning, the fool does in the end."

Where do you think we are in the current investment cycle?



Thank you for your investment.

Sincerely,
Eric Cinnamond Jayme Wiggins

Mutual fund investing involves risk. Principal loss is possible. The Palm Valley Capital Fund invests in smaller sized companies, which involve additional risks such as limited liquidity and greater volatility than large capitalization companies. The ability of the Fund to meet its investment objective may be limited to the extent it holds assets in cash (or cash equivalents) or is otherwise uninvested.

Before investing in the Palm Valley Capital Fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. The Prospectus contains this and other important information and it may be obtained by calling 904-747-2345. Please read the Prospectus carefully before investing.

Past performance is no guarantee of future results. *Dividends are not guaranteed and a company's future ability to pay dividends may be limited. A company currently paying dividends may cease paying dividends at any time. Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.*

The S&P Small Cap 600 Index measures the small cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The Morningstar Small Cap Total Return Index tracks the performance of U.S. small-cap stocks that fall between 90th and 97th percentile in market capitalization of the investable universe. ***It is not possible to invest directly in an index.***

The Palm Valley Capital Fund is distributed by Quasar Distributors, LLC.

Definitions:
Basis point: One hundredth of a percentage point.
Book value: Shareholders' equity, or total assets minus total liabilities.
Capitalization-weighted: A method of measuring a group of companies where the weighting assigned to each is based on its market capitalization, so larger firms represent a greater share of the total.
Enterprise Value to EBIT (EV/EBIT): Enterprise value (EV) equals market cap plus total debt minus cash and equivalents. EBIT equals earnings before interest and taxes. EV/EBIT is a valuation metric.
ETF: An exchange traded fund is an investment fund that trades on stock exchanges, like stocks.
Free cash flow: Cash from operating activities minus capital expenditures.
GDP (Gross domestic product): The monetary value of all finished goods and services made within a country during a specific period.
NASDAQ: A market-capitalization weighted index of over 2,500 stocks on the NASDAQ stock exchange.
*Price to earnings ratio (P/E): S*tock price divided by earnings per share.
Russell 2000: The Russell 2000 Index is an American small-cap stock market index based on the market capitalizations of the bottom 2,000 companies in the Russell 3000 Index.
Russell 2000 Value Index: Measures the performance of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth rates.
S&P 500: The Standard & Poor's 500 is an American stock market index based on the market capitalizations of 500 large companies.