

INVESTMENT PERFORMANCE (%) as of June 30, 2021

	Total Return				Annualized Return
	Inception	Quarter	YTD	1 Year	Since Inception
Palm Valley Capital Fund	4/30/19	1.16%	4.79%	11.84%	11.48%
S&P SmallCap 600 Index		4.50%	23.55%	67.33%	18.88%
Morningstar Small Cap Index		4.23%	16.34%	57.79%	17.75%

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 3.44% and the net expense ratio is 1.31%. Palm Valley Capital Management has contractually agreed to waive its management fees and reimburse Fund operating expenses through at least April 30, 2022.

Where the Cakewalk Ends

"If something cannot go on forever, it will stop."

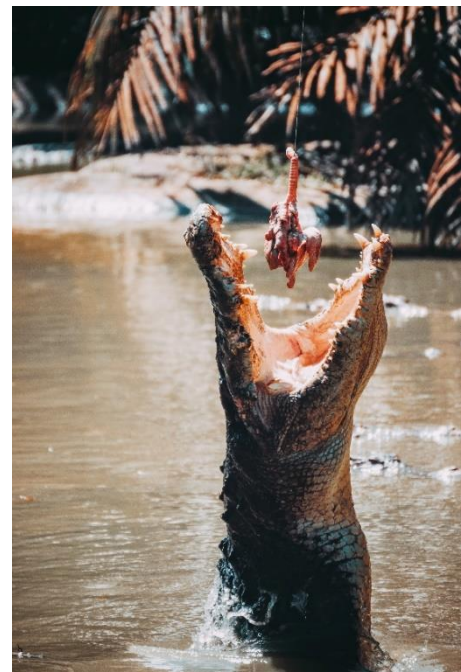
-Herbert Stein

July 1, 2021

Dear Fellow Shareholders,

A forty-minute scenic drive south on A1A from our office is the St. Augustine Alligator Farm. Founded in 1893, the attraction once was home to Gomek, a hulking 18 foot long, 1,900-pound saltwater crocodile that was one of the largest zoo crocodiles ever. Visitors can currently view albino alligators, zip-line over crocodiles, and meet a two-toed sloth up close. However, the signature event is the alligator feeding taking place in the early afternoon, during which a trainer dangles dead rats and chickens over a lagoon of 250 hungry American alligators. Anything thrown into the congregation of gators would meet the same fate as the bad guys when Indiana Jones cuts the rope bridge in *Temple of Doom*. Rather than a feeding frenzy, it's a controlled demonstration of how a person can summon scores of hungry wild animals to channel their attention on a single carcass. In other words, it's just like r/WallStreetBets.

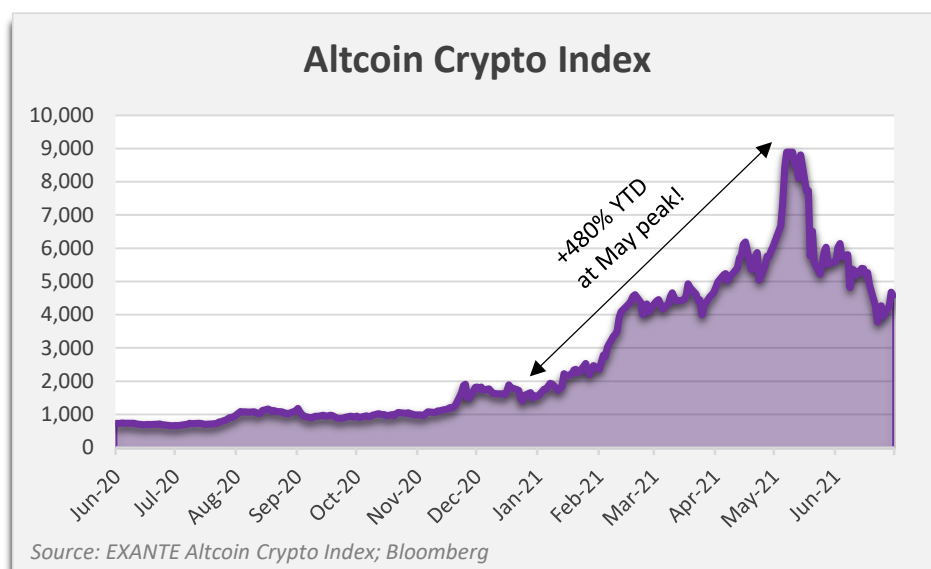
Recently overheard in conversations across America: "Hey, what do you know about [insert meme stock/cryptocurrency]? I saw it





mentioned on [social media platform] and bought [way too much]. I made [a lot] in [very little time]!" One unbelievable Yahoo Finance-Harris poll reported that 28% of Americans bought GameStop or other meme stocks in January. Conversations about risk almost universally fall on deaf ears to those who've been bitten by the stock gambling bug and have gains to show. It's easier to just offer congratulations.

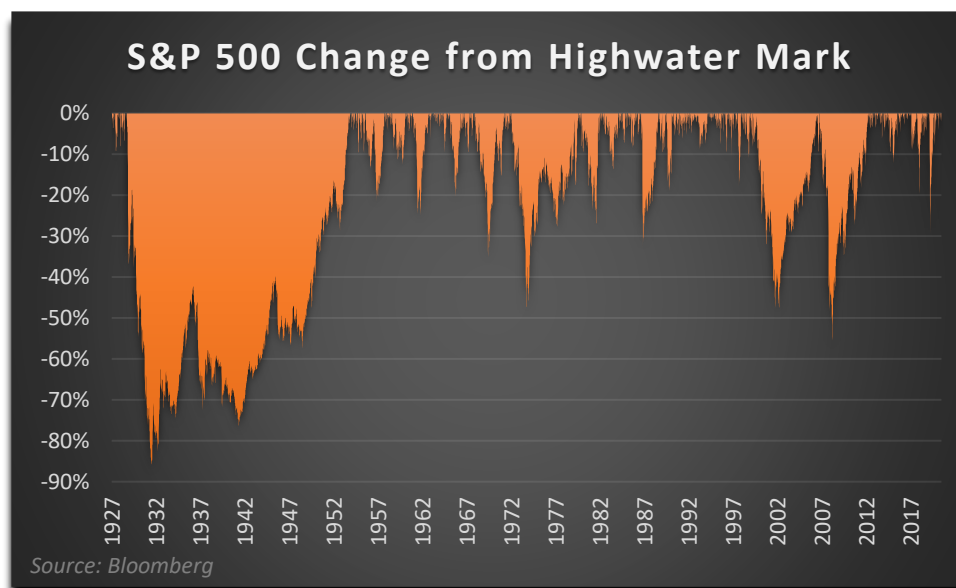
We're treating the meme stock and altcoin hijinks like a visit to the alligator farm—great for educational purposes, but best to keep a safe distance.



While certain sideshows like cryptocurrencies and Tesla are sharply down from their highs, major equity indexes reflect nothing but blue skies. Retail traders' share of stock market volume has surged since the lockdowns, and the number of individuals opening brokerage accounts is at a record pace in 2021. The FOMO-driven speculation in the second quarter was reminiscent of the technology bubble, when IPOs would race higher by a hundred percent or more in a single session and day trading was all the rage. The bar for speculating may have been higher back then, since traders weren't starting with stimulus house money and the risk-free alternative was not so dire. Fortunes were made and lost. Hard lessons were learned about the dangers of gambling in the stock market.

In the wake of the technology crash, the housing bubble escalated on the false notion that everyone should own a home and that housing prices would never fall. The bust ruined many hard-working folks who made poor financial decisions about shelter that would haunt them for years. From the doldrums of 2009, the Fed resuscitated and inflated housing, stock prices, and almost every other financial asset by keeping interest rates suppressed. Those market forces have been amplified by reckless fiscal policy. The coronavirus pandemic incinerated any remaining shred of fiscal discipline left in the U.S. government.

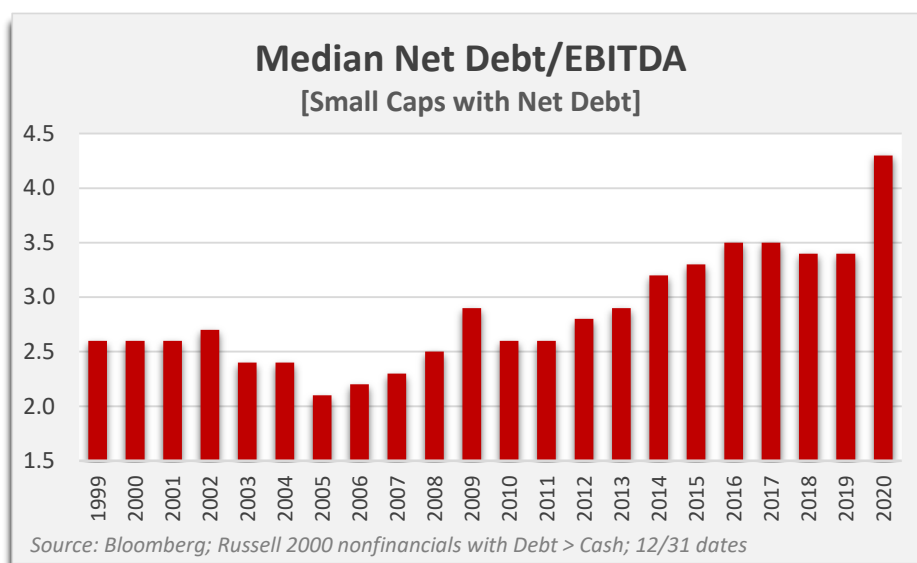
We're in the Mother of All Bubbles. The mania is deep and wide, coursing through young and old asset classes: stocks, bonds, real estate, art, cryptocurrencies, NFTs, designer dogs, etc. Some believe investors are repeating the same mistakes—treating the stock market like a casino and overspending on housing. Others argue it's different this time, since we have the Fed and Congress lined up in formation to defend against all downturns. For the better part of a decade, stocks have been at or near new highs almost all the time. The S&P 500 has compounded at 14.82% annualized over ten years, 17.62% over five years, and 40.77% over one year. Making money has been a cakewalk for investors and speculators of all stripes. In our opinion, it gets harder from here.



The consensus view is for a Goldilocks expansion where the government continues to absorb massive deficits to produce the illusion of a robust economy. It's been 35 years since economist Herbert Stein postulated that deficits would eventually be tempered by market forces, but the U.S. borrowing binge has accelerated. This leverage has substantially magnified risk, which is why policy responses to downturns are so extreme. **Our collective borrowing has enabled us to pull forward demand for goods and services, just as low interest rates have brought forward returns for financial assets.** We're at historical highs for asset prices, corporate earnings, average valuation multiples, debt, and deficits. As economic policies and asset prices have progressed from unusual to unprecedented, we could be approaching the end.

At Palm Valley, we are believers in business and market cycles. The next economic downturn could be sooner than most investors are expecting. The government may continue with extraordinary stimulus and

handouts, artificially boosting demand and restricting supply. While this inflationary option seems like the path of least resistance today, we would expect it to eventually bring higher interest rates and cause economic mayhem. Corporate credit quality has deteriorated over the last 15 years. For small cap companies which have borrowings in excess of cash, the median Net Debt/EBITDA ratio soared to 4.25x in 2020.



Alternatively, Congress could cool its fiscal cannons, most likely due to political gamesmanship rather than a nostalgic idea that there should be limits to borrowing. Economic growth has been propelled by increasing debt, made possible by low interest rates. We doubt the government can rein in deficits without producing turmoil.

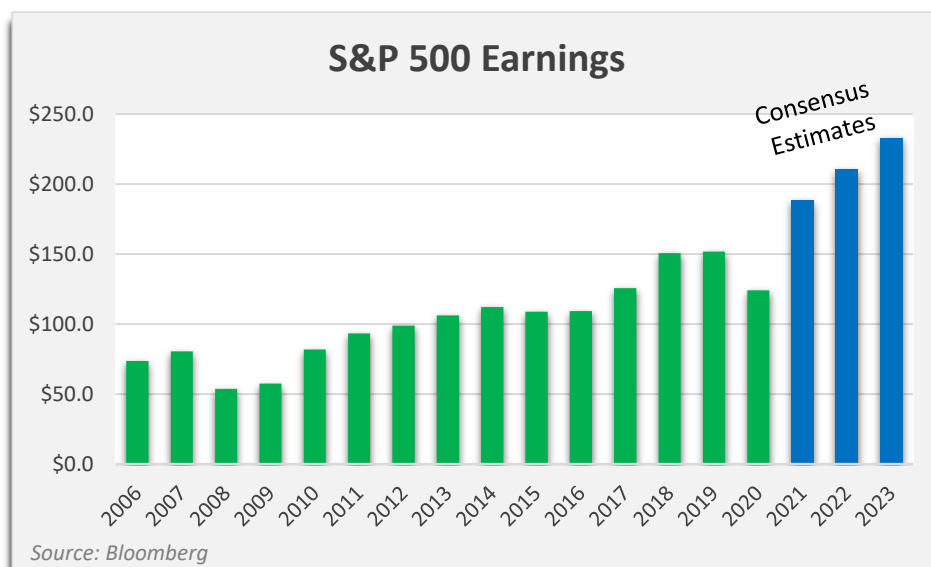
Inflation took center stage in the second quarter, with spiking prices for everything from commodities to



used cars. Rents also rose at the fastest pace in years, which will inject some reality into reported CPI, since it ignores skyrocketing home prices (up 24% year-over-year). Retail inventories are the lowest relative to sales, by a longshot, since the U.S. Census Bureau began collecting data. Even if high inflation is transitory, it will permanently harm anyone with an income that didn't keep up.

The U.S. is experiencing the largest disparity ever between available jobs and people willing to work. Job postings on Indeed.com are 30% above pre-pandemic levels. Less-skilled workers are enjoying meaningful wage gains. Many fast-food restaurants and retailers have set starting pay at \$15 per hour or more, but that still hasn't been enough to outrun the welfare benefits of the COVID-19 relief bill. There has been a noticeable decline in service levels—skipped home garbage pickups, slower lines for takeout, and missed deliveries. Letters are routinely disappearing at the Post Office. Contractors are backlogged and many are throwing out ridiculous quotes for work. You may want to defer building a pool right now.

CEO confidence, as reported by the Conference Board, hit an all-time in Q2. S&P 500 earnings fell 18% in 2020 but are expected to rebound 52% in 2021. That would place profits 24% above 2019 levels. It doesn't take a genius to see why public companies are producing strong earnings. Since the onset of the pandemic, monthly personal income has averaged 7% above February 2020. The year-over-year increase for March 2021 was





30%! Consumer spending impulses are in overdrive due to the combination of the wealth effect and stimulus payments. Earnings for many businesses probably do not reflect sustainable demand. Direct payments from the government either must be made permanent or many companies are going to be challenged to sustain revenue.

The universe of small caps without significant operational or financial risk is shrinking rapidly.

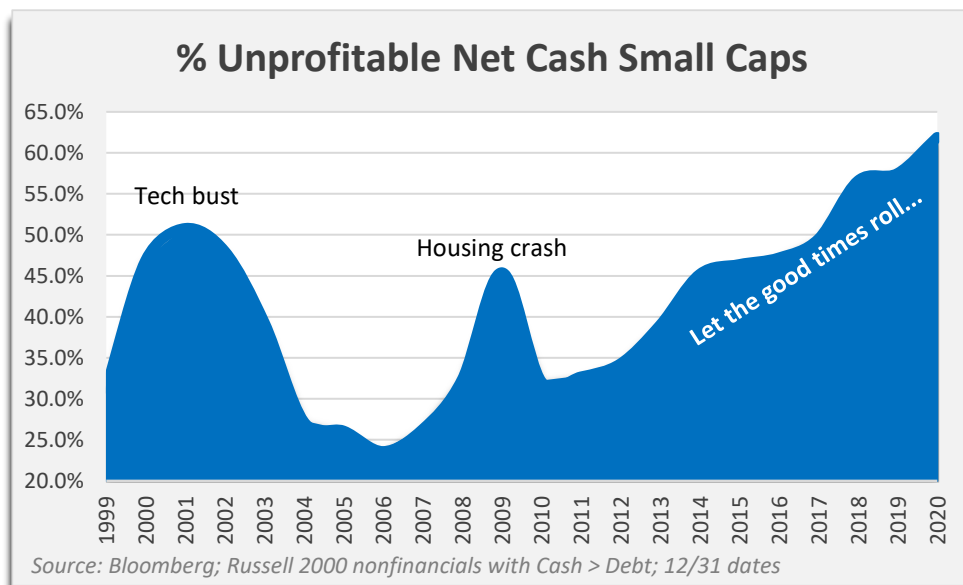
Leverage for the typical indebted small cap places them squarely in junk bond issuer territory. However, for those Russell 2000 Index constituents with clean balance sheets, or cash exceeding debt, a record percentage of them (62%) are unprofitable.

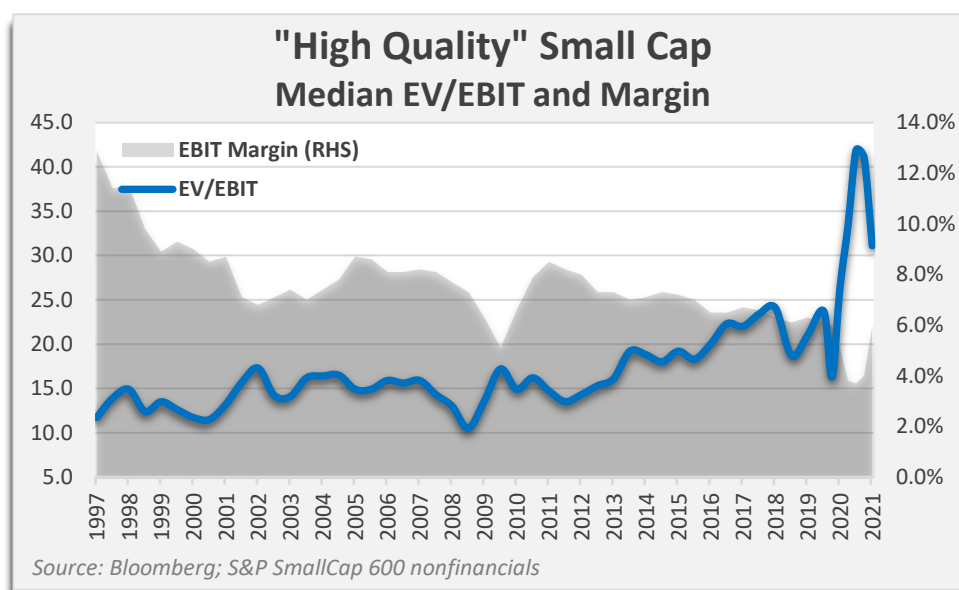
This is not due to the pandemic but is a multiyear trend. Regardless of sky-high prices, it's hard to find a good business with a clean balance sheet.

When discussing small caps, we typically focus on the Russell 2000, since it's the broadest and most popular small cap benchmark. The Russell's membership is dispassionately formed

through a market capitalization ranking, so it is a democratic index. The downside is that it's an increasingly unsuitable benchmark for investors who avoid speculative businesses. In the second quarter, AMC's market cap grew by \$24.5 billion, and the stock accounted for approximately 74 basis points, or 17% of the Russell 2000 Index's entire quarterly return. During the annual Russell reconstitution that was finalized last week, approximately three-quarters of index additions were unprofitable versus roughly half of deleted members.

In contrast, the S&P SmallCap 600 requires new members to have produced profits over the trailing twelve months and most recent quarter. The S&P index committee can also add and remove firms at will. By largely avoiding the trash heap, the SmallCap 600 has delivered superior performance versus the Russell 2000 over their histories. However, while SmallCap 600's additions must initially be profitable, they don't have to *stay* profitable. Inevitably, this benchmark has also reflected the reality of easy money and how that alters the corporate landscape. Furthermore, quality small caps are alarmingly expensive, even as profits for many businesses negatively impacted by the pandemic have recovered. The curated SmallCap 600 constituents sell for a median EV/EBIT multiple of 31x (nonfinancials). **Ignoring the unprofitable companies, small caps have a median multiple 20% higher than the quarter before the pandemic.** Including the financial sector, trailing earnings for profitable S&P SmallCap firms are 31% higher than they were at the end of 2019. Higher multiples on higher, stimulus-goosed earnings. U.S. stocks have hovered at extreme valuations for so long that most skeptics, bears, and absolute return investors are gone.





Arguing in support of 1980s deficit spending, Herb Stein said, "If something cannot go on forever, it will stop." Five years later, Vanilla Ice rapped, "Will it ever stop, yo, I don't know." Taking a flippant attitude toward risk has been very profitable this cycle. The Fed backstop ("If there was a problem, yo, I'll solve it") has seemingly demolished the utility of historical market signals. In an economy with so many distortions, it's nearly impossible to have confidence about the timing of the downcycle. Nevertheless, if you believe in cycles, as we do, then it's time to choose your side.

For the second quarter ending June 30, 2021, the Palm Valley Capital Fund returned 1.16% versus 4.50% for the S&P SmallCap 600 and 4.23% for the Morningstar Small Cap Index. The underperformance versus benchmarks was due to the Fund's cash position. Cash was 81.4% of Fund assets at the end of the quarter. The Fund's equities returned 6.94% during the quarter.

We sold Scholastic (ticker: SCHL), Carters (ticker: CRI), EZCORP (ticker: EZPW), and United-Guardian (ticker: UG) after the share prices exceeded our intrinsic value estimates. These companies were negatively impacted by the pandemic but are beginning to see light at the end of the tunnel. On June 1st, Progressive closed its acquisition of Protective Insurance (ticker: PTVCB). We completely exited the Fund's Protective position shortly before closing.

During the quarter we purchased Cabot Oil & Gas (ticker: COG) and Vidler Water Resources (ticker: VWTR). Cabot is an exploration and production company focused on natural gas and the Marcellus Shale. Cabot prides itself on being a low-cost producer that generates attractive returns on capital and free cash flow. Due to its reserve base and low-cost structure (all-in operating expenses were \$1.43/mcf in 2020), Cabot has been able to generate free cash flow for five consecutive years. The company has used its free cash flow to pay a dividend, buy back stock,

Top 10 Holdings (6/30/21)	% Assets
Sprott Physical Silver Trust	3.56%
Crawford & Company (A & B)	3.42%
Cabot Oil & Gas	2.11%
Amdocs	2.05%
Osisko Gold Royalties	1.59%
Sprott Physical Gold Trust	1.50%
Natural Gas Services	1.48%
WH Group ADR	1.03%
SSR Mining	1.02%
Vidler Water Resources	0.81%



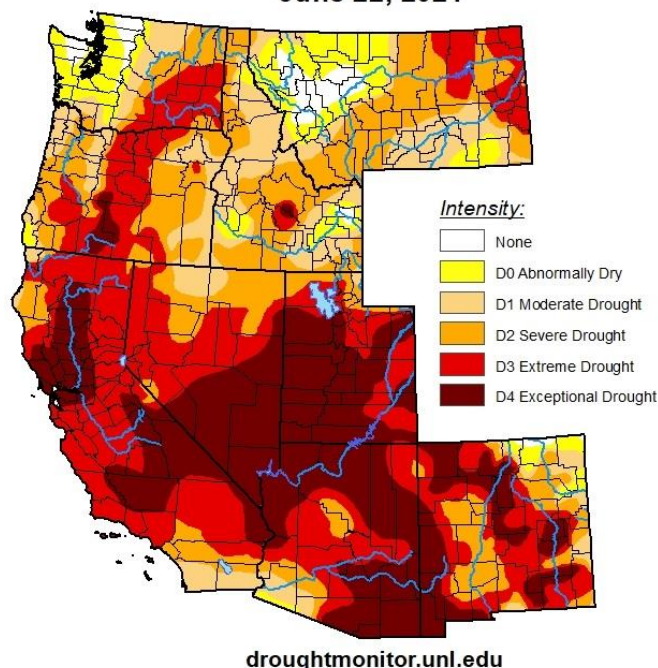
and reduce debt. Cabot's dividend is currently yielding 2.7%. The company is committed to returning at least of 50% of free cash flow to shareholders. **We think Cabot, along with several other exploration and production companies, are transforming from focusing on growing production to generating and returning free cash flow.**

We initially purchased Cabot on April 30, 2021. On May 24th, Cabot announced a merger agreement with Cimarex Energy. Cimarex is an exploration and production company with reserves in the Permian and Anadarko basins. Cimarex is also considered a low-cost producer, but with a higher mix of oil. The merger is expected to diversify the combined company's asset mix, which management believes will allow it to generate free cash flow across a wide range of commodity price scenarios. At \$60 oil and \$3 natural gas, the merged firm is expected to generate \$5.7 billion in free cash flow over the next three years, or a 12% annualized free cash flow yield. We expect a meaningful portion of this free cash flow to be distributed to shareholders in the form of regular and variable dividends. Assuming current energy prices hold, we believe the combined company will generate a dividend yield greater than most regulated utilities.

Vidler Water Resources controls water rights in western states. Water rights are the legal authority to use water from a stream, river, or lake. The American West is experiencing a severe drought, and water is increasingly scarce. Vidler's primary assets are water rights needed for development north of Reno, Nevada and water stored in Arizona that can be used to mitigate shortfalls from the drought. The company sells its water rights to private companies, developers, and municipalities. Vidler has an extremely clean and simple balance sheet with hardly any liabilities. We valued the business based on a price per "acre-foot" of water rights and storage credits using comparable transactions and the company's own sales history.

The opportunity exists because Vidler used to be part of a larger firm called PICO Holdings that was involved in various activities and failed to create any shareholder value over two decades. Under new leadership, the business was streamlined down to the water rights business of Vidler. The timeline for sales of water assets has been routinely pushed back, which is due to permitting delays for new Reno housing developments and the patchwork of regulations associated with claiming and selling water rights. We believe the firm is now closing in on monetizing its major assets. Vidler's plan is to return capital to shareholders, and management is incentivized to make it happen soon.

U.S. Drought Monitor
West
June 22, 2021



The top contributors to the Fund's second quarter returns were Osisko Gold Royalties (ticker: OR), Amdocs (ticker: DOX), and Vidler Water. Osisko's partner mines are performing well, and the stock has benefited from several positive developments since the end of last year, including: the spinoff of the Cariboo development project into an independent publicly-traded company, Agnico Eagle/Yamana's decision to



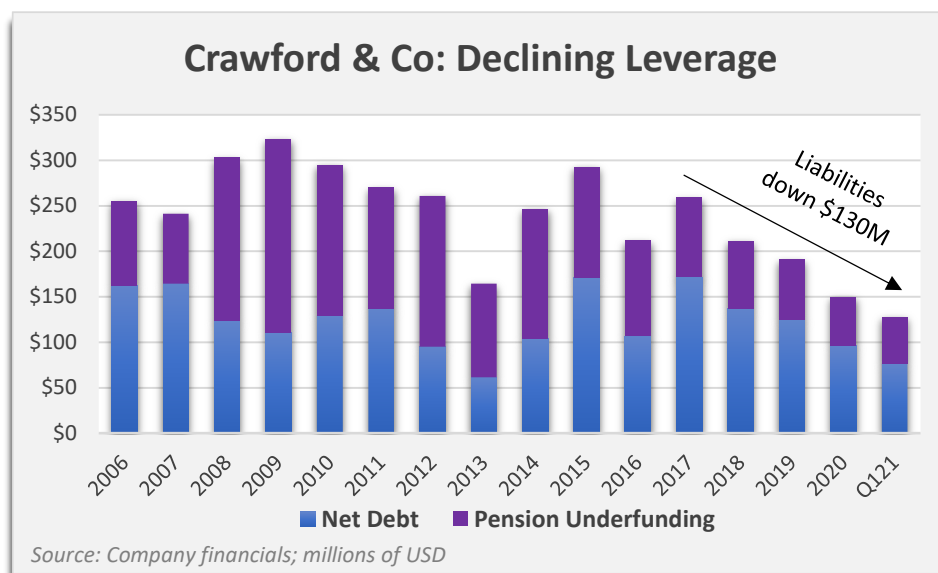
proceed with underground development of Canadian Malartic (Osisko's largest royalty), and a significant rebound in diamond prices, which brings Osisko's Renard stream nearer to long-term viability.

Amdocs' stock has fully recovered from the erroneous, widely disseminated anonymous short seller report issued on the final day of the first quarter. Amdocs' organic growth is the strongest it has been in years, and the company is delivering excellent free cash flow.

The stock of Vidler Water, our recent purchase, began rising as soon as we attempted to build a position. The shares' behavior was odd given Vidler's telegraphed ejection from the Russell 2000 Index due to a low market capitalization. We assume investor fears over forced passive selling were addressed earlier in the quarter, leading to a May and June rally in the stock, which had previously significantly underperformed the small cap space.

The only position having a negative impact to performance exceeding 10 basis points during Q2 was Crawford & Co (tickers: CRD/A, CRD/B). Crawford's operational performance has been strong over the past few quarters, with severe weather driving results in its insurance claims businesses and improving trends for the employment-driven third-party administration segment. The shares are trading for less than 8x operating profit and a double-digit free cash flow yield. This is an attractive absolute valuation and incredibly low relative to market multiples. We believe Crawford's shares are suffering an excessive discount due to its dual class share structure.

Investors also appear to have ignored a \$130 million reduction in the company's net borrowings and pension liabilities over the last four years, which alone is worth nearly \$2.50 per share (over 25% of the current price). We believe Crawford is one of a small number of remaining undervalued U.S. small caps that is not a commodity company.



Given record valuations for nearly all "normal" operating businesses, the equity holdings of the Palm Valley Capital Fund are now centered on the commodity and precious metals sectors. We own oil, natural gas, water, pigs, gold, and silver. During June, WH Group (ticker: WHGLY), the world's largest pork producer and a newer Fund holding, announced an accelerated share repurchase at a premium. The U.S. and Chinese pork industries have received significant press coverage recently, after pork prices spiked and then retreated due to a recovery of the Chinese hog herd from African swine fever. WH Group earns the majority of its profits from packaged meats as opposed to the volatile business of raising hogs.

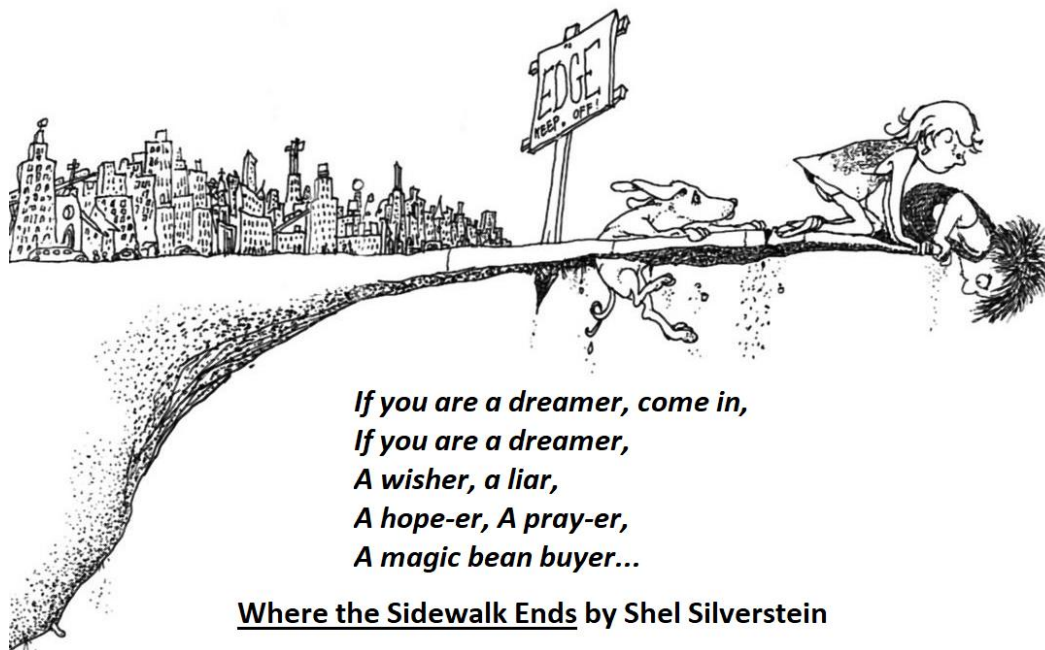
Everything was working beautifully for gold and silver in Q2 until June 17th, when the Fed pretended to inch a teensy bit toward raising rates over two years from now. Gold and silver sold off sharply on this

“hawkish” tilt, wiping out months of gains. While stocks initially dipped as well after the Fed meeting, they fully recovered within days. Cognitive dissonance to the maximus. Buying the equity dip has been super dependable for many years. For precious metals, not so much. Haters say you don’t need precious metals if inflation is tame, and if it’s hot like the present, the prospect of rising rates will smack gold and silver down. **We continue to believe precious metals are a nice fit with our elevated cash position given the current inflationary backdrop and deeply negative real rates.**

We received a few inquiries about the high turnover rate published in the Fund’s latest prospectus. Per regulatory requirements, turnover is calculated as the lesser of purchases or sales against the average value of long-term positions, *excluding cash*. The turnover shown is not the turnover of the portfolio, which for us is mostly cash right now. In an extreme example, a portfolio that bought and sold one 1% position over a year and had no other investments would show 100% turnover even though 99% of the portfolio was in cash equivalents. Moreover, the Palm Valley Capital Fund experienced inflows that were weighted toward the end of 2020. Our purchase and sales activity later in the year reflected higher dollar amounts compared to the average value of the Fund throughout the year, which also inflated our disclosed turnover rate. Despite the potentially confusing nature of the statistic, the Fund’s equity turnover was elevated in 2020. We embrace it! We sell holdings when they reach our fair value estimates. The small cap market moved a lot in both directions last year, providing us opportunities to deploy capital and monetize gains. In volatile markets like 2020, our turnover is probably going to be high.

The bestselling children’s poetry book ever, *Where the Sidewalk Ends*, written by Shel Silverstein in 1974, was almost an early victim of cancel culture. In the ‘80s several libraries banned the book for a variety of reasons, including objecting to the silly poem “Dreadful” because of fears it could encourage kids to engage in cannibalism.

“Someone ate the baby, It’s absolutely clear, Someone ate the baby, ‘Cause the baby isn’t here.” A 1999 sell side technology analyst might even blush at the huge leap required to make that macabre assumption. *Where the Sidewalk Ends* embraces the imagination of youth. Children have a different way of looking at the world.

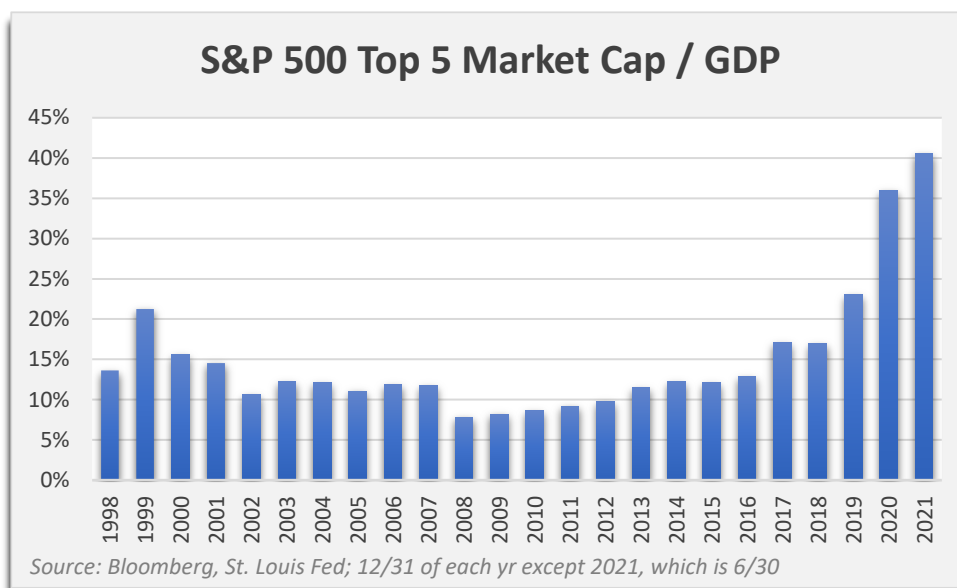


A vivid imagination can be a dangerous trait for a value investor. Instead of accepting what’s staring them in the face, they search for reasons why it isn’t so. A 40x P/E on a firm growing at 3% would’ve made past



value investors run for the hills. Now, "The earnings yield still beats a bond." Or, "Let's buy that new SPAC. The management team *promised* to only acquire an undervalued business." How about, "Earnings are going to jump 50% this year. I'm not worried about after that because Congress has to keep renewing the stimulus." And some of our favorites: "Debt doesn't matter anymore" and "The CPI actually *overstates* inflation, according to the Fed." From where we sit, you really have to stretch your mind to justify what's occurring in today's capital markets as sustainable.

When did investing become child's play? Investor dreamers, wishers, liars, hope-ers, pray-ers, and magic bean buyers—they're all winning, but unfortunately for the wrong reasons. The stock market is supposed to exist to provide companies a venue for raising capital for productive use. Investors can share in the profits of these firms. When the cost of capital is close to zero, everything seems to make sense. So, we have massive quantities of money chasing marginal projects, being used for overvalued share buybacks, and spawning new assets whose backers say are going to change the world. It's been an amazing run for stock investors and speculators. Trees don't grow to the sky. Even magic beanstalks stop above the clouds.



Thank you for your investment.

Sincerely,

Jayne Wiggins

Eric Cinnamond

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 SmallCap 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. Opinions expressed are those of the author, are subject to change at any time, are not guaranteed and should not be considered investment advice.

Definitions:

Acre-foot: The volume of one acre of water to a depth of one foot. Roughly 326,000 gallons.

Altcoin: A cryptocurrency other than Bitcoin.

Basis points: One hundredth of a percentage point (0.01%).

CPI: Consumer Price Index, which seeks to measure the prices paid by consumers.

Cryptocurrency: A digital currency where records are maintained by a decentralized system using cryptography.

EV/EBIT: Represents the Enterprise Value of a company (Market Capitalization – Cash + Debt) divided by its trailing twelve-month Earnings Before Interest and Taxes (i.e. operating income).

EXANTE Altcoin Cryptocurrency Index: An index of altcoins that cover 20% of the crypto market capitalization.

FOMO: Fear of missing out.

Free cash flow: Cash From Operating Activities minus Capital Expenditures.

IPO: Initial Public Offering.

LBMA: London Bullion Market Association.

Mcf: Measurement of natural gas equal to 1,032 cubic feet or 1 million British Thermal Units.

Meme stock: Stocks experiencing significant increases in trading volume, typically driven by social media.

Net Debt/EBITDA: Debt minus Cash divided by Earnings Before Interest Taxes Depreciation & Amortization. A measure of financial leverage.

NFT: Non-fungible token. A digital asset stored on the blockchain.

P/E: Price to Earnings ratio. Equal to market capitalization divided by net income.

r/WallStreetBets: A popular Reddit (social media) message board for meme stock ideas.

Russell 2000: An American small-cap stock market index based on the market capitalizations of the bottom 2,000 companies in the Russell 3000 Index.

S&P 500: An American stock market index based on the market capitalizations of 500 large companies.

S&P SmallCap 600: An American stock market index based on the market capitalizations of 600 small capitalization companies.