



INVESTMENT PERFORMANCE (%) as of December 31, 2020

	Total Return				Annualized Return
	Inception	Quarter	YTD	1 Year	Since Inception
Palm Valley Capital Fund	4/30/19	5.78%	19.12%	19.12%	11.96%
S&P Small Cap 600 Index		31.27%	11.24%	11.24%	10.28%
Morningstar Small Cap Index		29.29%	16.41%	16.41%	12.90%

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.

No Country For Old Investors

Anton Chigurh: What's the most you've ever lost on a coin toss?

Gas station proprietor: I don't know. I couldn't say.

Chigurh: Call it.

Proprietor: For what?

Chigurh: Just call it.

Proprietor: Well—we need to know what we're callin' it for here.

Chigurh: You need to call it. I can't call it for you. It wouldn't be fair.

Proprietor: **Look...I need to know what I stand to win.**

Chigurh: **Everything.**

No Country for Old Men (2007).





January 1, 2021

Dear Fellow Shareholders,

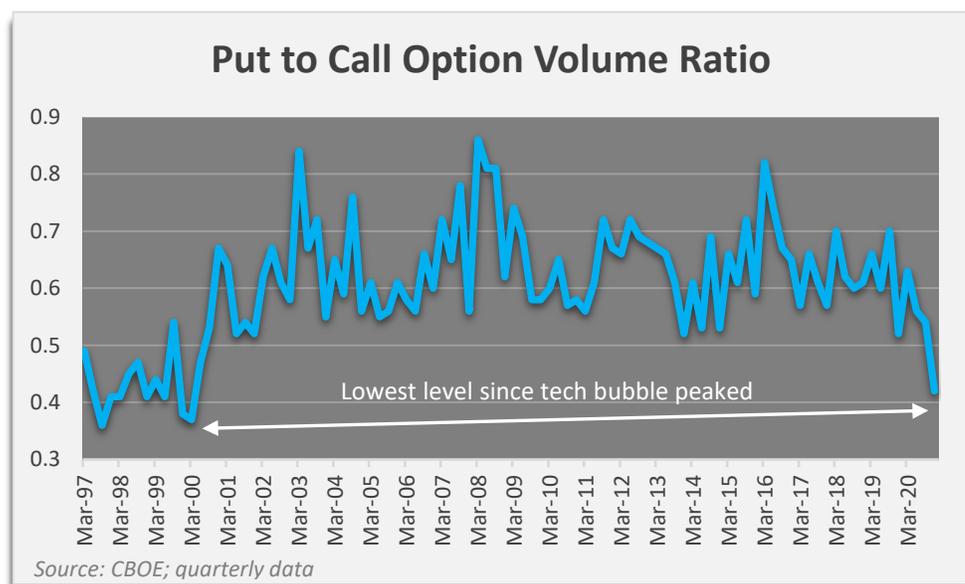
In *No Country For Old Men*, Javier Bardem plays a psychopath serial killer (Anton Chigurh) that walks into a quiet remote gas station in the desert. While paying his \$0.69 bill, he stoically badgers the elderly proprietor as a prelude to calmly demanding that the older man call a coin flip. While the proprietor senses danger, he still wants Bardem to explain what's at stake: "I need to know what I stand to win." Everything. Unbeknownst to him, "everything" implied the status quo—the opportunity to live another day.

That classic coin flip scene is the opposite of an asymmetric bet. With even odds, the proprietor's upside was limited (\$0.25), while his downside was, in a cruel irony, everything. No sane person would make that bet voluntarily. Now, here's our investment backdrop:

1. U.S. stocks are at the highest valuations in history.
2. The Federal Reserve is committed to supporting asset prices.

Which factor will drive future investment performance? If the Fed is omnipotent, investors may stand to win "everything," in that they don't lose their shirts and face a long period of mediocre prospective returns. Some even think asset prices have no upper limits in a liquidity-driven world. Instead, if market values reconnect with fundamentals, then the investment outlook could be very bleak. Which is it for you: Fed talking heads or fat left tails? Call it.

At Palm Valley, we recognize the power of the Fed put but do not believe the central bank will be able to sustain this bubble indefinitely. **The speculative frenzy we are witnessing is unlike anything we have seen in terms of its breadth.** The Russell 2000 small cap index gained over 100% from its March lows through year end. Stock option volume is through the roof while the ratio of put to call options has plummeted in recent weeks, signifying extreme emphasis on upside versus downside risk. During a recession year, the NASDAQ surged 45% in 2020, housing prices leapt to new records, and interest rates were pushed to historical lows. Sovereign bond yields of Portugal, Italy, Greece, and Spain, countries which nearly caused a European credit crisis in 2012, all went negative in the last two months. When PIGS fly, yields die. From March 2020 forward, stocks steamrolled through all clear and present dangers to achieve new highs. How would equities have performed in 2020 if we hadn't had a global pandemic and

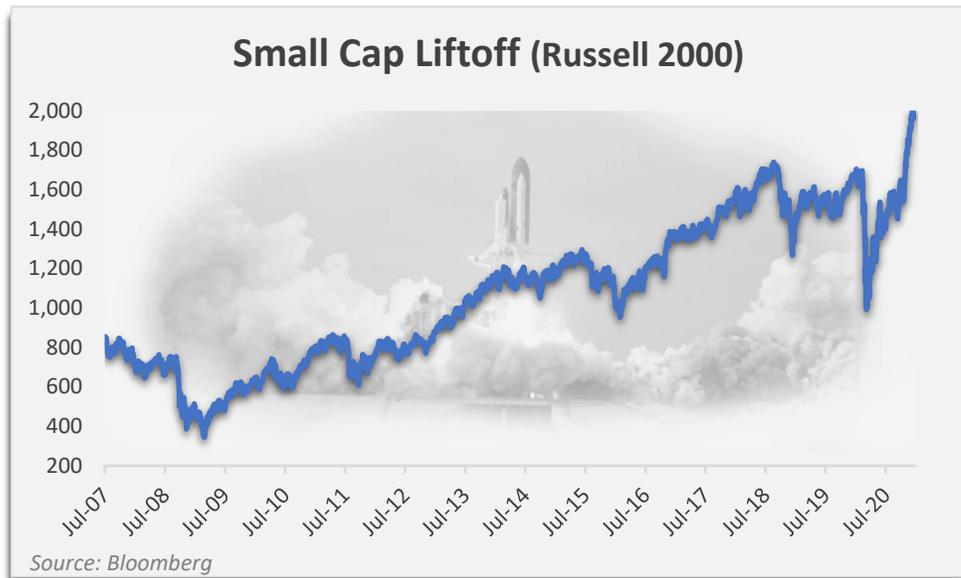




widespread lockdowns? We're guessing not as well, but Congress and the Fed's forceful response to the downturn removed any concerns that the government would actually weigh costs against short-term action.

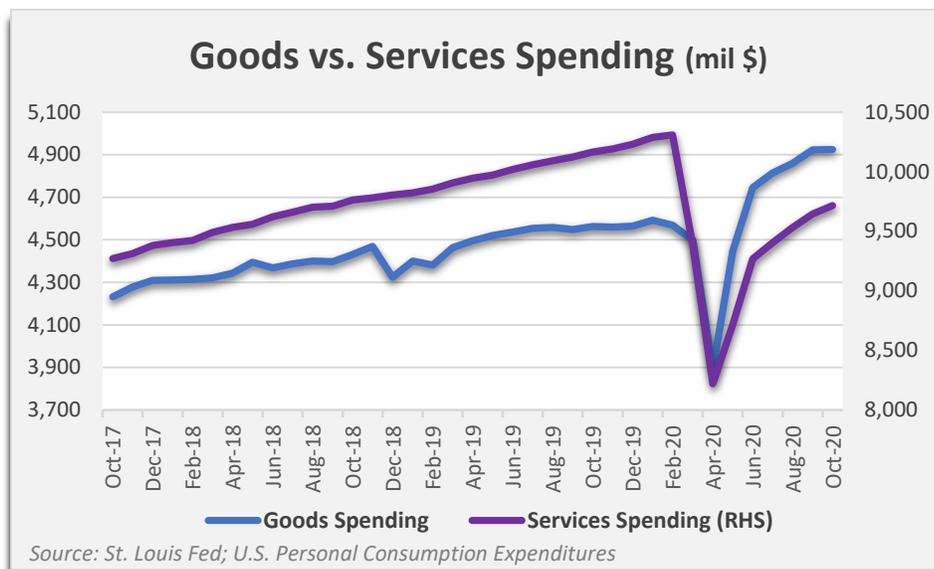
In our opinion, there are few credible arguments that can be made about fundamentals supporting current equity prices. Risks have been largely ignored while investors double and triple-dip on positive catalysts (e.g. vaccine Mondays). A

bullish narrative is quickly concocted for every scenario, which was evident when reading the schizophrenic analysis coming from Wall Street during election night. While stocks are supposed to represent fractional ownership interests in real businesses, they are rapidly devolving into financial playthings and tools of the central bank. **This is no country for old investors.**



The U.S. economy is recovering from its initial pandemic lockdowns. Investors have looked beyond spiking COVID-19 hospitalizations and deaths to the broader rollout of vaccines and herd immunity expected in 2021. Fingers crossed that new virus strains don't disrupt the medical game plan. According to many, the economy is a coiled spring, with huge pent-up demand for travel and dining out. At whose expense? Personal

consumption expenditures in October were only 1.6% below February, with goods spending up 7.8% while spending on services was down 5.8%. Major retailers including Target, Best Buy, Home Depot, Lowe's, and Dick's Sporting Goods delivered comparable store sales exceeding 20% in the latest quarter. Can strong earnings for these and other pandemic beneficiaries persist even as pandemic losers recover and claim a higher share of consumer spending?





The lockdowns caused a rapid share shift from small to large businesses, from services to goods, from travel to technology, from cities to suburbs, and from New York and California to Florida and Texas. Let's also not forget the transfer from savers to borrowers, a 30-year rollout punctuated by the pandemic. Seeking a reasonable risk-free return? Fuhgeddaboutit. The Indebted. Drink. Your. Milkshake.

It took \$3 trillion of stimulus to get the U.S top line (GDP) almost back to even. Another trillion was just approved by Congress. There was no natural cleansing process. Aggregate personal income actually grew during this recession due to government payments. Thanks to the visible hand of Uncle Sam, the economy has never been more distorted:

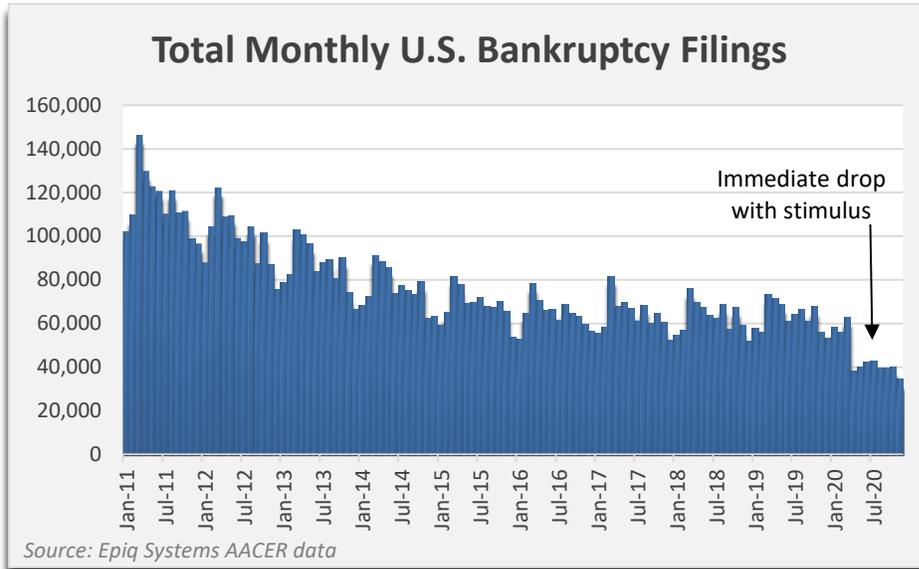
- The stock market is breaking records while politicians demand more stimulus to support a tenuous recovery.* If the Fed is terrified that “even thinking about thinking about raising rates” by 25 basis points will cause it all to come crashing down, we must have problems. Our nation’s debt has far outpaced the growth of our economy for years, well before the pandemic. When steep deficits fueled by low interest rates are required to maintain an economic expansion, it’s not authentic, and the leverage reduces our future growth potential. Shouldn’t forward-looking investors reflect that in their outlook?



- The Payroll Protection Program provided a lifeline to many businesses but also was a freebie to numerous others.* To be fair, many recipients sought this money when the immediate outlook was dire, and they were required to certify at the time that “current economic uncertainty makes this loan request necessary to support ongoing operations.” It would have been easy enough to tie forgiveness of loans to the quantified impact on a business (as was done in Canada), potentially saving U.S. taxpayers tens (hundreds?) of billions of dollars from PPP recipients who didn’t end up needing the money. Congress seems to have figured this out because the second round of PPP will come with a means test.
- The Sun Belt’s housing market is on fire, but segments of commercial real estate may face a reckoning.* Toll Brothers’ CEO said this is the hottest housing market in decades, a byproduct of low mortgage rates, remote work options, and a desire for living space. On the other hand, commercial real estate problems are extending beyond shopping malls to hotels, city office buildings, and apartments with large numbers of tenants who are not currently paying rent.



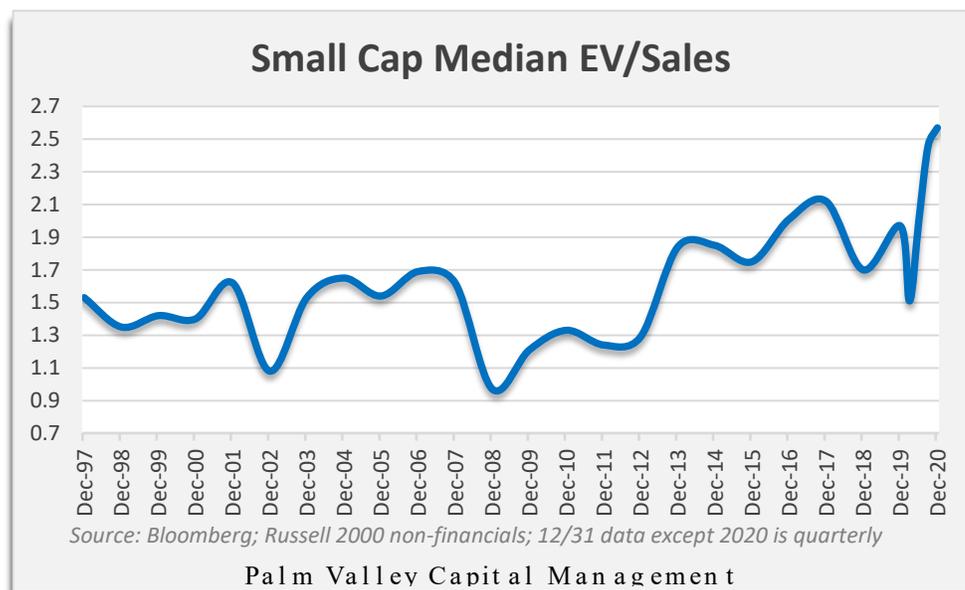
- *We are receiving mixed messages about the health of consumers in lower income brackets.* There are heartbreaking weekly headlines about spiking use of food banks, people living paycheck to paycheck, and ongoing elevated unemployment claims. On the other hand, the number of bankruptcy filings is at a 14-year low and soft pawn shop activity indicates a below-average need for cash by underbanked consumers.



Direct payments, unemployment insurance, and eviction moratoriums have supported struggling Americans. Normally, we would expect safety nets to taper off quickly to incentivize returning to work. If the Federal Reserve has pledged ongoing support for the stock market, is it a surprise that many people also want continued government support for those who don't own stocks?

Small caps went berserk after the election. **November was the best month for the Russell 2000 since its inception.** Vaccine and stimulus announcements fueled the rip higher. Small cap value stocks produced a decent year of returns in one day, on November 9th, when they soared 900 basis points after Pfizer announced COVID-19 vaccine study results and Joe Biden was declared President by major networks. Wall Street strategists are gushing about the perfect trading environment shaping up for small caps as we move past lockdowns and absorb more deficits. Valuation is not part of the discussion. **The Russell 2000 ended the fourth quarter at a 2.6x median enterprise value to sales ratio—likely the highest ever by a comfortable margin.** Yet we repeatedly see recommendations implying that an economic recovery hasn't already been priced into small caps trading at all-time highs.

When assessing valuations, we take nothing at face value. Are we looking at a multiple based on forward earnings? Adjusted earnings? Only profitable companies? For example,

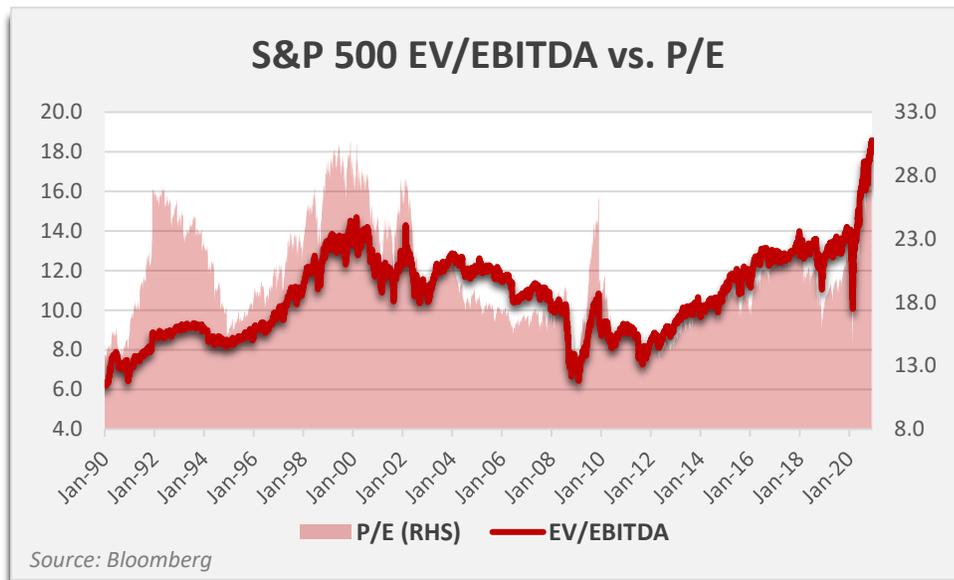




the Russell 2000 has negative aggregate earnings today. However, the Russell's price to earnings ratio (P/E) for positive earnings companies is "only" 21x. If you remove financial companies from this bucket (13x P/E), the positive earnings P/E shoots up to 28x. For the casual investor, interpreting valuations can be like a Rorschach test!

Low relative P/Es for small cap financials don't necessarily signal they are a no brainer here—investors must also consider how profitability is being impacted by the business cycle. The current and forward P/Es on the Russell 2000 Value Index (16x, profitable firms only) happen to be above the levels from August 2008—right before the Russell Value plummeted 50%. Over the last two decades, small cap nonfinancial margins have stagnated while financial sector net margins have expanded meaningfully, aided by the recent adrenaline shot of reduced tax rates. In our opinion, possible headwinds for the profitability of small cap financials include credit losses and tax increases.

Some investors attach to the insanity of the tech bubble as a high-water mark for when they should start worrying about valuations. Based on earnings metrics like the CAPE Shiller P/E, the capitalization-weighted S&P 500 is at its *second* most expensive level in history. Low discount rates are provided as justification for



today's high prices compared to 1999, whereas concomitant lower growth rates are ignored. Yet, valuations using enterprise values and market caps can tell different stories, and **we think investors often overlook the increased possibility of financial distress that comes with leverage.** The adjacent chart shows that the S&P 500's current debt-adjusted valuation is well above the level from the technology bubble.

Median valuation multiples for both large and small cap stocks are in the stratosphere and demonstrate that the market's excesses are not confined to a handful of megacap technology stocks. The typical *profitable* public U.S. company is selling for around 25x operating profit. For small caps, we can't even track an official median multiple at this stage because the median is a money-losing business! There are more small firms today that lose money or carry high debt loads than any prior period, but investors have wholeheartedly embraced speculative enterprises. From our perspective, the main reasons to be bullish on stocks right now hinge on a widespread willingness by our leaders to sacrifice our children's future to avoid near-term pain by increasing debt and propping up asset prices. The primary reasons to be bearish—high leverage, low growth, and high multiples—would be the trifecta under any normal economy. Are we in a brave new world that's no country for old investment approaches where risk was reflected in prices?

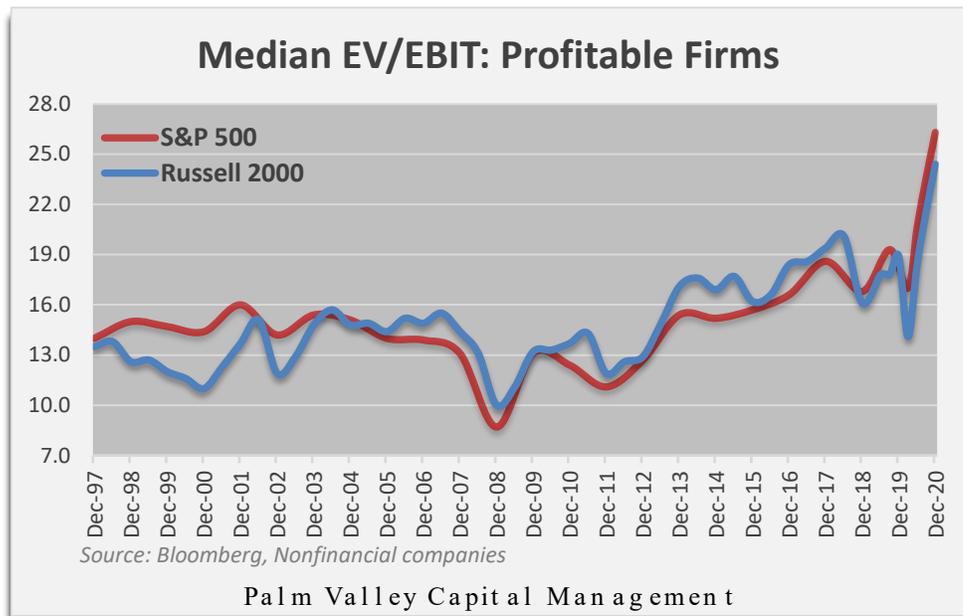


After such an extended period of loose monetary policy where each market drawdown has been quickly reversed with Fed action, investors rightfully wonder what might cause a return to naturally functioning market cycles. **The endgame may be when the Fed can no longer buy assets and Congress cannot rack up massive deficits without causing inflation in the broader economy.**

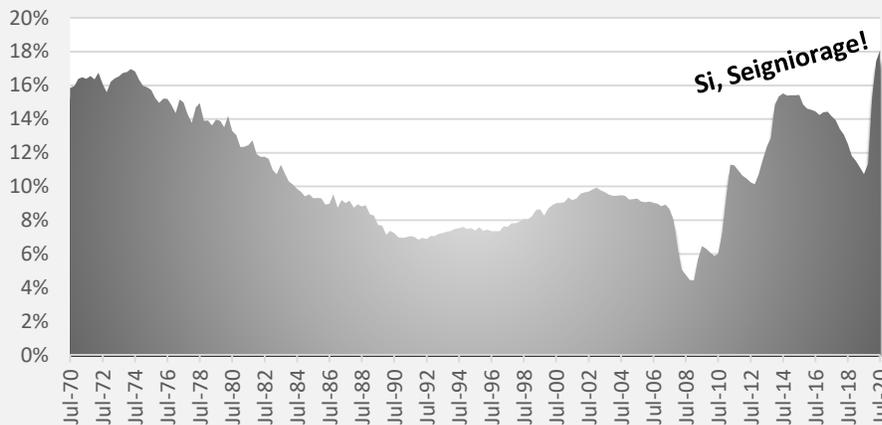
Skeptical investors have warned for years about

the growing possibility of Fed-induced price inflation. The Fed has again cut rates to zero and has purchased trillions of bonds from banks, which has powerfully lifted asset prices. On the other hand, reported inflation has been moderate for most goods and services. We think the actual increase in prices has been higher than the official figures because of tweaks like substitutions, hedonic adjustments, and the basket used. Nevertheless, broad inflation hasn't been damaging enough to bring out the pitchforks yet.

The U.S. Treasury sent \$290 billion of stimulus checks in April and more is on the way. This money went straight into the pockets of everyday citizens, many of whom spent it in the economy quickly. Absent a recession, this type of activity is inflationary. President-elect Biden's campaign platform included giving everyone \$15,000 for a starter home, and many politicians are seeking \$50,000 of student debt forgiveness. Canceling debt and giving people cash is a lot more inflationary than the Fed buying Treasuries from a bank. In



% of U.S. Debt held by Federal Reserve



Source: St. Louis Fed

November, Florida passed a \$15 minimum wage. That's inflationary too. As is a depreciating U.S. dollar, which raises the cost of imports. Central banks are now exploring the idea of digital currencies, where the Fed could issue digital dollars directly to citizens and even include an expiration date on the "money." Definitely inflationary. Deficit-funded universal basic income? That might be the Holy Grail of inflation.



While many of these ideas have not yet been implemented, U.S. fiscal and monetary policy seem destined to remain profligate and reckless but also become more egalitarian in order to stave off class warfare. With Janet Yellen leading the Treasury Department, the relationship between the Fed and Treasury may be amplified. We're not predicting that inflation and a weakened Fed will be the catalyst for the *next* market puke—**bear markets happen for a variety of unexpected reasons**. However, the ultimate reset for Congress's profligacy and the Fed's overreach could be tied to a sustained rise in inflation in the broader economy that confiscates the government's capacity to print without consequence.

The Palm Valley Capital Fund had a successful year in 2020. We exceeded our absolute return objectives during a period that *began* and *ended* with record small cap valuations. The Fund increased 19.12%, compared to a 11.24% gain for the S&P Small Cap 600 and a 16.41% increase for the Morningstar Small Cap Index. We had 27% of the Fund's capital invested throughout the year (daily average), so we believe we took significantly less risk than most of our peers. We came into 2020 with only a small portion of the Fund invested, but after the pandemic hit and share prices tanked, we deployed nearly half of our assets in the span of a few weeks. Once the Fed pledged to buy corporate bonds in late March, the market's tailspin quickly reversed and never looked back. We ended the period with 78.4% of the Fund's assets held in cash equivalents.

For the fourth quarter ending December 31, 2020, we got smoked, relatively speaking. The Fund rose 5.78% while the S&P Small Cap and Morningstar Small Cap benchmarks surged 31.27% and 29.29%, respectively. During the early part of the quarter, we expanded our weighting in energy names, which had lagged the rest of the market's recovery narrative. However, by quarter end, we were doing a lot of selling and minimal buying. Our equities underperformed small cap benchmarks for the quarter, rising 22.14%. For the full year, our equity-only returns were 24.90%.

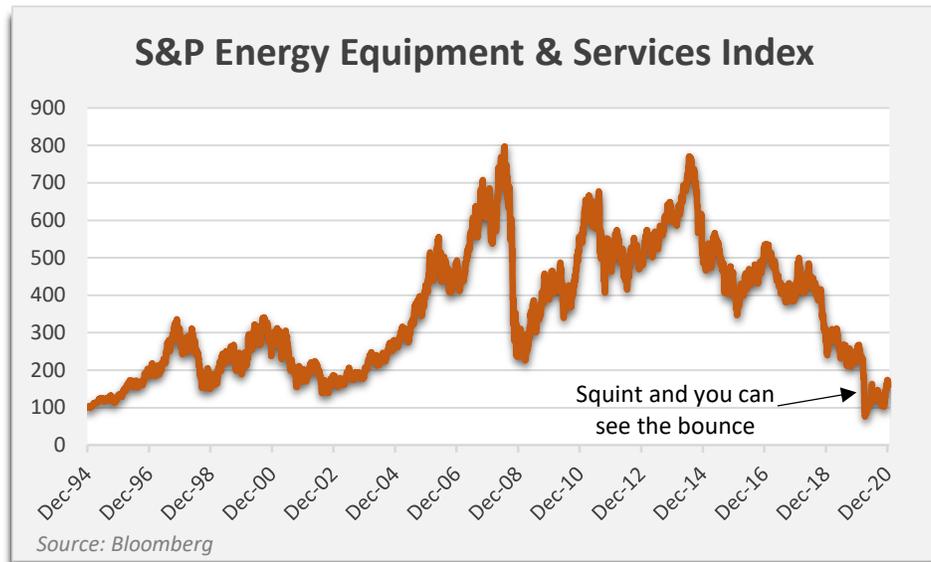
Top 10 Holdings (12/31/20)	% Assets
Amdocs	3.96%
Sprott Physical Silver Trust	3.63%
Crawford & Company (A & B)	3.40%
Sykes Enterprises	2.27%
Protective Insurance	2.10%
Scholastic	1.61%
Osisko Gold Royalties	1.11%
Helmerich & Payne	1.06%
Natural Gas Services	0.79%
Bonanza Creek Energy	0.49%

We acquired a small position in Corby Spirit & Wine (ticker: CSW/A CN), a Canadian alcoholic beverage company, early in the fourth quarter. Corby owns several leading spirits brands such as J.P. Wiser's whiskey and is the Canadian distributor for Pernod Ricard, Corby's 44% owner. The company maintains a spotless balance sheet and has a history of returning cash to shareholders, with a current dividend yield exceeding 5%. Investors have struggled to understand the impact of the Pernod Ricard distribution deal on Corby's earnings. Through our own diligence, we concluded that Corby's owned brands matter more to its profitability. We bought the shares at a modest discount to our estimated fair value and sold Corby after the stock appreciated during the quarter.

We sold seven existing positions during the fourth quarter: Benchmark Electronics (ticker: BHE), Capitol Federal Financial (ticker: CFFN), Carters (ticker: CRI), Kelly Services (ticker: KELYA), Pason Systems (ticker: PSI CN), Skechers USA (ticker: SKX), and SP Plus (ticker: SP). In each case, the shares exceeded our calculated valuation. We feel that Benchmark, Kelly Services, and Skechers all possess exceptionally strong balance sheets, but the share prices appreciated to reflect a complete recovery. While SP Plus has historically been a very stable business, the firm has leverage. When we bought the stock during the early stages of the pandemic, we were not considering a possible structural shift toward reduced air travel by corporations. The stock increased to a level where we felt there was more downside than upside.



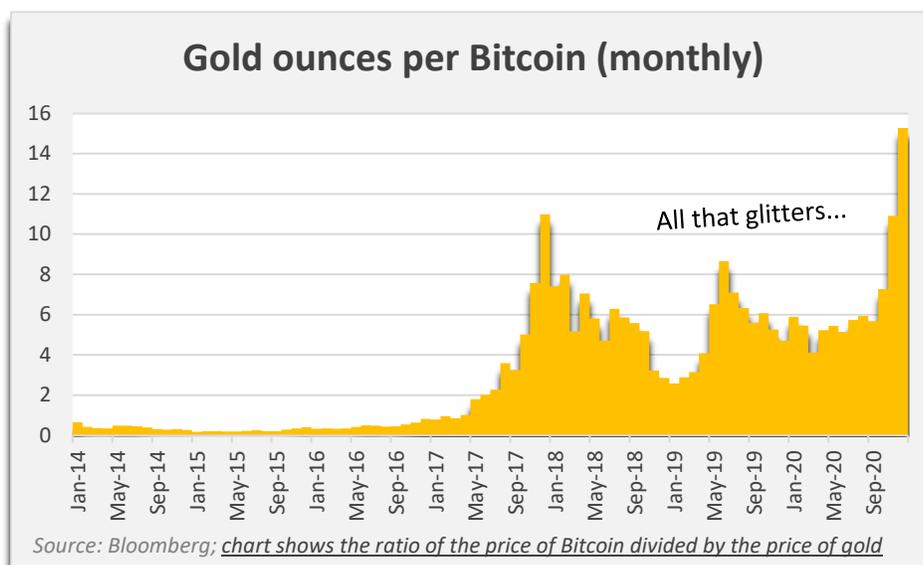
Both Capitol Federal Financial and Pason Systems were purchased near the end of the third quarter. At the time, financial and energy stocks were significantly underperforming the broader market, since everyone was dancing to Tesla and the *Electric Boogie*. In the case of the energy sector, while the subsequent rebound was swift, the share prices of most companies still appear historically depressed. However, a lot of value has been destroyed by energy businesses over time. We have made what we feel are conservative assumptions about where industry rig counts normalize, which informed our intrinsic value and sale of Pason.



The largest contributors to the Fund’s fourth quarter return were Helmerich & Payne (ticker: HP), Amdocs (ticker: DOX), and Pason Systems. Helmerich and Pason benefited from the sharp recovery in energy stocks. Amdocs was a top holding for the Fund over the period. The firm sailed through the pandemic with minimal impact and set guidance for fiscal 2021 implying the strongest revenue growth in many years.

The Fund had no positions which negatively impacted results by more than 10 basis points during the quarter.

Silver continues to be one of the Fund’s largest positions. Combined with our exposure to Osisko Gold Royalties (ticker: OR), the Fund’s overall weighting in precious metals is approximately 5%. We imagine gold and silver were probably affected in the fourth quarter by bitcoin sucking all the oxygen from the room during its dizzying rise. Bitcoin promoter Grayscale is throwing marketing dollars behind anti-gold

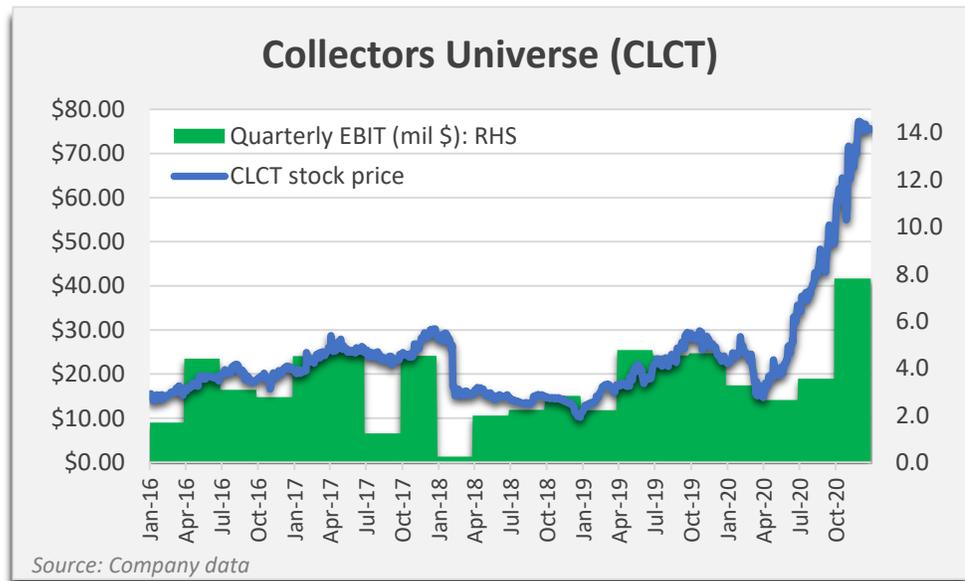


commercials airing on CNBC. Grayscale’s retail investment trust traded as high as a 40% premium in December, making it a money machine for Grayscale to issue shares so far above NAV. We don’t know how cryptocurrencies will turn out, but we’re bullish on precious metals as long as we expect central banks to act irresponsibly.



We follow a significant number of small cap companies. Collectors Universe (ticker: CLCT) is the world’s largest provider of authentication and grading services to dealers and collectors of coins, trading cards, and autographed memorabilia. We looked at the stock closely during the late 2018 swoon. Collectors has produced good cash flow, but the shares were languishing due to a loss of business from China. We valued it at \$15 per share (roughly 15x normalized free cash flow), which was around where it was trading at the time.

The lockdowns led to a spike in interest for rare coins, trading cards, and autographed items. During the quarter ending September 30, 2020, Collectors reported 65% year-over-year growth in earnings. On November 30th, the company announced it was being acquired by a well-known card collector and Steven Cohen’s family office for \$75 per share (\$680 million), or 52x trailing earnings. Clearly, the buyers are assuming the sharp increase in demand for grading trading cards and authenticating autographs is permanent. And everyone buying travel stocks now is assuming people will leave their homes (and new hobbies). Will they both be right?



The Palm Valley Capital Fund is now available on several major broker platforms. Despite current challenging valuations, the Palm Valley team is pleased with our nascent business’s progress over the last two years and since the April 30, 2019, launch of the Fund. We hope we are viewed as an alternative to most other small cap mutual funds that are expected to remain fully invested. We believe 2020 demonstrates that a fund with high cash can produce solid returns if it capitalizes on volatility that produces attractive investment opportunities. While we would like to be fully invested, we will never force it. Our process is repeatable and characterized by extreme buying and selling discipline. **We require volatility for our absolute return strategy to continue to work, in the long run.** Given the brevity of the market’s 2020 decline and lack of cleansing normally experienced during recessions, we do not believe 2020 marked the end of the last market cycle and beginning of a new one. Our job is to stay prepared for the main event.

During 1999’s tech mania, Monster.com ran a memorable ad during the Super Bowl called “When I Grow Up.” It featured kids across the country describing their less-than-ambitious future careers.

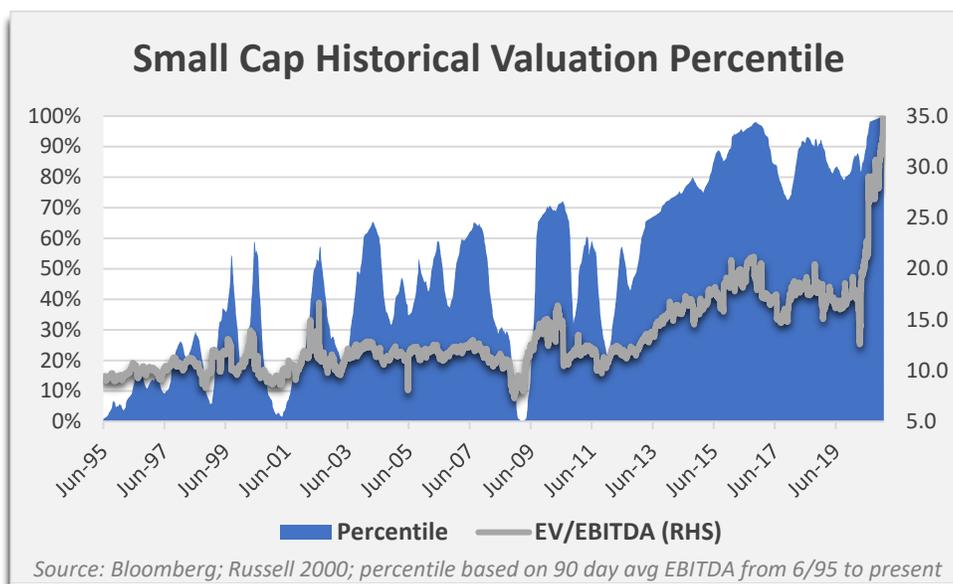
“When I grow up, I wanna file ALL day. I want to claw my way up to middle management. Be replaced on a whim. I wanna have a brown nose. I wanna be a yes man. Yes woman. Yes sir. Coming sir. Anything for a raise sir. When I grow up, I want to be underappreciated. Be paid less for doin’ the same job. I want sunshine blown up my dress. What did you want to be? There’s a better job out there.”



Monster.com was worth \$8 billion at the peak of the Internet bubble. After technology stocks crashed, Monster.com gradually faded from the limelight, and its leading recruiting role was usurped by LinkedIn. However, the “When I Grow Up” message stuck with us as a path to avoid. In the investment industry, it has been easier to be unoriginal. If you stay close to mediocrity, your career is more likely to survive. With the growth of passive investing and related fee compression, you’ll be paid less for doin’ the same job. But what do you expect if you’re a yes man/yes woman?

Since the Fed launched QE3, the environment has generally been inhospitable to investors with valuation discipline. That’s a long stretch for a strategy to be out of favor. Long enough to convince you that this no country for old value investors. Long enough to turn almost anyone into a yes man.

Like us, you may be frustrated that financial markets are not currently allowed to function on their own. However, you can’t blame it all on the Fed. They are the puppet masters in a market confidence game, but they aren’t setting the bid on every stock (yet). As investors, we may not have good alternatives, but we have a choice. We can refuse to overpay. We believe there is a generational opportunity to differentiate investment outcomes by maintaining discipline on the prices paid for stocks. While the government’s distortion of the capital markets won’t last forever, predicting its end date is tantamount to a coin flip. Today, investors seem dangerously focused on their upside. With “everything” possibly hanging in the balance, the question we should all be asking is: What do I stand to lose?



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 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 (0.01%).

CAPE Shiller P/E: The cyclically adjusted price-to-earnings ratio is a valuation measure usually applied to the US S&P 500. It is defined as price divided by the average of ten years of earnings, adjusted for inflation.

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 larger share of the total.

Enterprise value: Market Cap plus total debt minus cash and equivalents, adjusting for noncontrolling interests.

Enterprise Value to EBIT: EV/EBIT represents the Enterprise Value of a company divided by its trailing twelve-month Earnings Before Interest and Taxes (i.e. operating income).

Enterprise Value to EBITDA: EV/EBITDA represents the Enterprise Value of a company divided by its trailing twelve-month Earnings Before Interest, Taxes, Depreciation and Amortization.

Enterprise Value to Sales: EV/Sales represents the Enterprise Value of a company divided by its trailing twelve-month net sales.

Free Cash Flow: Free Cash Flow equals Cash from Operating Activities minus Capital Expenditures.

GDP: Gross Domestic Product is the total value of goods produced and services provided in a country during one year.

NASDAQ Index: A market capitalization-weighted index of over 2,500 stocks listed on the Nasdaq exchange.

NAV: Net Asset Value is the value of an entity's assets minus its liabilities.

Price to Earnings: A stock's price divided by its earnings per share.

Put to Call Option Volume Ratio: A put (call) option allows investors to sell (buy) stock at an agreed price on or before a particular date. Dividing put by call option activity gives the put to call option volume ratio.

QE3: The third round of Quantitative Easing, or large scale asset purchases, by the Federal Reserve.

Russell 2000 Index: 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: An American stock market index based on the market capitalizations of 500 large companies.



S&P Energy Equipment & Services Index: The index comprises stocks in the S&P Total Market Index that are classified in the GICS oil & gas equipment & services sub-industry.