



**INVESTMENT PERFORMANCE (%) as of June 30, 2024**

	Total Return			Annualized Return		
	Qtr	YTD	1 Year	3 Year	5 Year	Inception*
<b>Palm Valley Capital Fund</b>	<b>0.79%</b>	<b>1.84%</b>	<b>6.51%</b>	<b>4.42%</b>	<b>7.43%</b>	<b>7.33%</b>
<b>S&amp;P SmallCap 600 Index</b>	<b>-3.11%</b>	<b>-0.72%</b>	<b>8.66%</b>	<b>-0.26%</b>	<b>8.05%</b>	<b>7.38%</b>
<b>Morningstar Small Cap Index</b>	<b>-3.64%</b>	<b>1.85%</b>	<b>10.88%</b>	<b>0.02%</b>	<b>7.65%</b>	<b>7.11%</b>

\*Inception date for the Palm Valley Capital Fund is 4/30/19

Performance data quoted represents past performance and 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 month-end can be obtained by calling 904-747-2345.

As of the latest prospectus, the Fund's Investor class gross expense ratio is 1.47% and the net expense ratio is 1.26%. Palm Valley Capital Management has contractually agreed to waive its management fees and reimburse Fund operating expenses through at least April 30, 2025.

**Surviving the Game  
(Red, White and Blue Edition)**

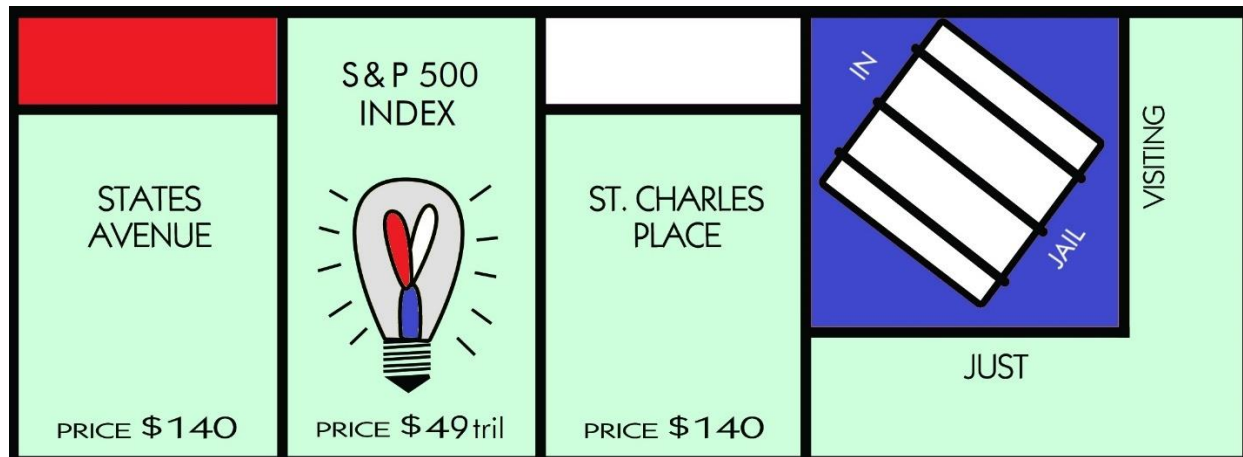
♪ "And I knew if I had my chance ♪  
That I could make those people dance  
And maybe they'd be happy for a while"

American Pie  
by Don McLean  
1971

July 1, 2024

Dear Fellow Shareholders,

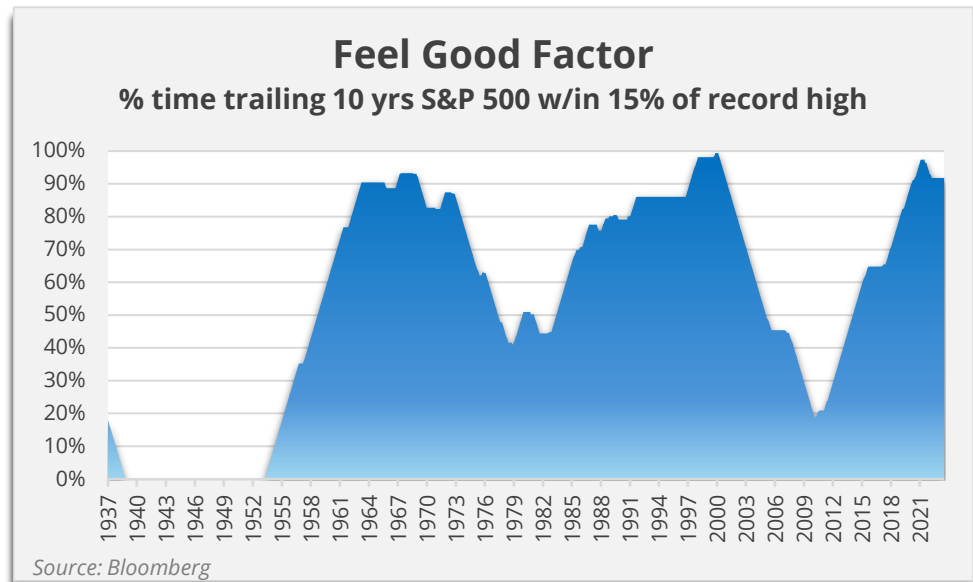
♪ "A long, long time ago, I can still remember how <finding cheap stocks> used to make me smile." ♪ Things are different now. There are more investors and there's more money circulating, but fewer public market opportunities exist. Valuations have been elevated for a long time, so the thrill of hunting for classically undervalued U.S. businesses isn't what it used to be.





The importance of stock prices on the spirits of half the country should not be underestimated. The virtuous cycle of asset inflation and consumer spending is the keystone of the economic expansion. As a result, Washington manages the stock market like a public utility. The past year of 5% risk-free rates was an aberration for the central bank necessitated by the highest inflation in four decades. Investors' faith in future rate cuts never wavered.

Investing has become a game for grown-ups, where the odds are ever in your favor. **Repeated bailouts have truncated equity drawdowns and vaporized the caution that investors used to carry that they can actually lose money.** Short sellers have been vilified, then nullified, while meme stock pumpers are idolized. Megacap equities are seemingly the ultimate asymmetric bet. Investors are crowding into the same quality stocks and think they're invincible. Just buy NVDA. Buy the S&P. Sell volatility.



As time passes, there are fewer holdouts to the market monolith. Many perceive active management to be an overpriced relic. Absolute return investing—our adopted strategy preceding the inception of Palm Valley—is an endangered species. It carries too much tracking error and career risk for most investment professionals. Small cap valuations started to go nuts in 2013, coinciding with QE3, and ever since then quality stocks have been expensive except for a few sharp, but brief, dips (e.g., March 2020). Our portfolio has reflected the perceived lack of opportunities. ♪ "For ten years we've been on our own..." ♪

With absolute return investing, it's better to not approach the idea generation process with desperation because that leads to mistakes. It's a waiting game, if your capital allows it. However, Wall Street has conditioned investors to demand action. A group of major institutions recently publicized a letter to the hedge fund industry bemoaning the payment of incentive fees on today's nonzero risk-free returns and arguing for cash hurdles to "promote proper risk taking." After a 15-year stretch when U.S. risk-free rates were zero almost 60% of the time, they want more risk taking now, before the party *really* starts.

## Bloomberg

## News Story

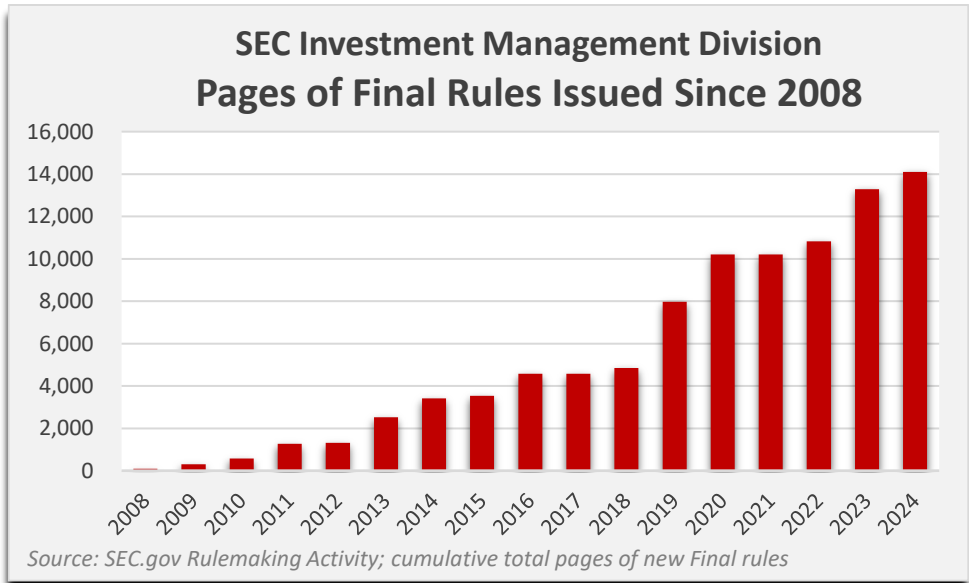
06/05/2024 12:47:56 [BN] Bloomberg News

### Goldman Sees 'Wall of Money' Fueling Stock Market's Summer Party

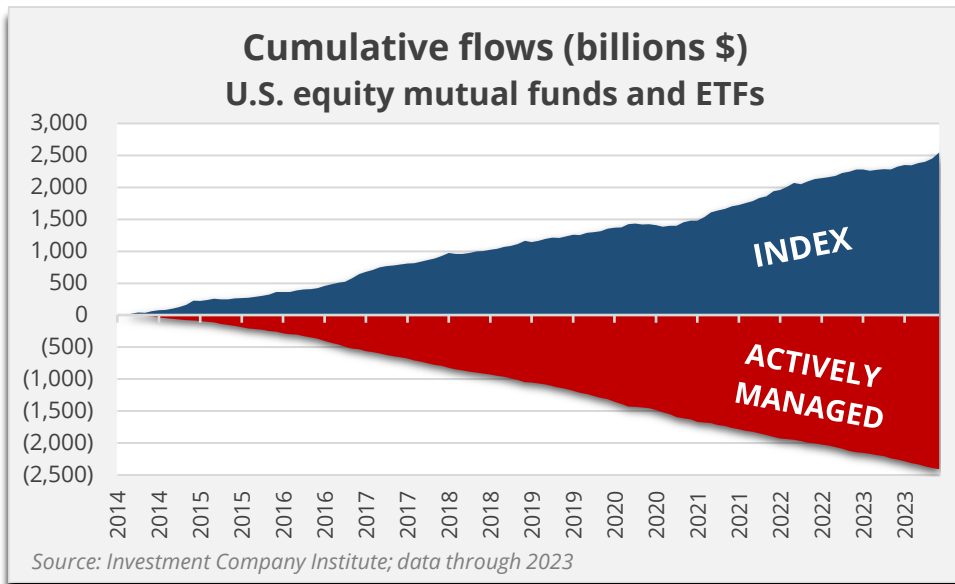
- Passive inflows, early July strength set up continuing rally
- 'Seeing a re-emergence in retail traders,' Rubner says



How many left are legitimately concerned about the potential impairment of portfolios? Between fangirls asking Nvidia CEO Jensen Huang to sign their brassieres and presidential candidate RFK tweeting his allegiance to GameStop apes, fear is far from the minds of most market participants. Regulators have thrust thousands of pages of new rules onto fund managers to ostensibly protect small investors from losses, which increases costs and industry barriers to entry and promotes conformity in portfolio management. The latest SEC rule, effective this month, requires funds to use a broad-based index reflecting the overall domestic equity market as their primary benchmark. We're not sure how placing S&P 500 returns next to our performance in our annual report will help you, but we're confident regulations will do little to shield portfolios when the equity dam breaks.



The big players on Wall Street are getting bigger, and as long as investors are making money, you won't hear many complaints. According to ICI, the largest five fund complexes now control 56% of total assets,



up from 35% in 2005. Between passive fund flows and the [indefatigable corporate buyback machine](#), the proportion of equity transactions that are price agnostic is almost certainly at an all-time high. Autopilot investing is a giant boulder barreling down the mountain, gaining size and speed. ♪ "<Asset prices> grow fat on that rolling stone. But that's not how it used to be..." ♪

Irrational exuberance is as American as apple pie, but periodic losses were formerly a fundamental feature of the capital markets. When Don McLean's eight-and-a-half-minute *American Pie* reached the top of the Billboard 200 chart in early 1972, the market was powered by the Nifty Fifty and sported a 19x P/E. This



elite group of stocks would crash in 1973 and 1974, and the 70s were a decade of mostly pain and suffering for U.S. investors. The S&P 500 limped into the 80s at a 7.5x P/E.

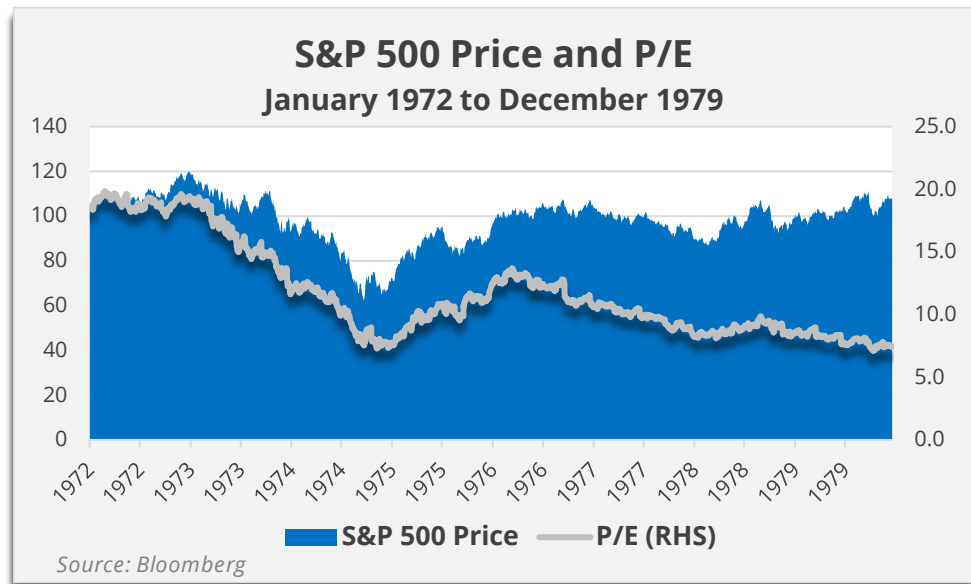
The people suffering financially today are the ones without equity portfolios. They often don't own a home. The wealth effect passed them by. ♪ "A generation lost in space, with no time left to start again." ♪

Subprime auto delinquencies are at a historical high. Owning a car is very expensive. One of us received an email in April from Progressive, our family's car insurer: "Congrats, your auto policy rate went down!" The premium dipped 1.8% after more than doubling over the past three accident-free years. With consumers under stress, McDonald's and Burger King are reintroducing \$5 value meals. Olive Garden owner Darden Restaurants commented that business from wealthier households was up, while "transactions from incomes below \$75,000 were much lower than last year." Dollar Tree lifted its price cap to lucky number \$7 as the company's hottest demographic is consumers making over six figures. Nestle, the world's largest food company, reported a mid-single digit drop in U.S. sales, blaming price increases for crushing the purchasing power of low-income consumers. Nevertheless, Walmart is still doing well. It's the Alamo for those on limited budgets. Target, with its higher discretionary assortment, is underperforming.

Spending by the bottom 40% of earners accounts for 22% of total spending (Source: Apollo). While the lowest income consumers might be viewed as mathematically inconsequential for the U.S. economic expansion, they have a vote. There is increasing political pressure to address the plight of the less fortunate, and we don't think the ultimate response can coexist with ongoing asset inflation.

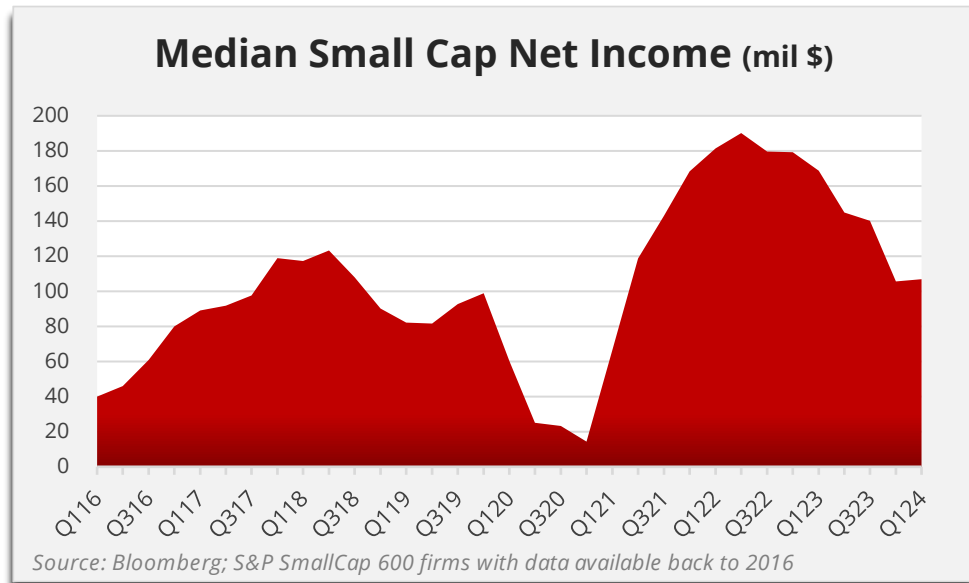
Although overall equity values are at a historical peak, small cap investors have lamented their lagging performance compared to large caps. **The past three years have been far kinder to big companies, with the S&P 500 compounding at 10% annualized while the SmallCap 600 fell slightly.** The tawdry Russell 2000 performed even worse. The gap closes the further back your starting point. If we measure performance since the bear market trough on March 9, 2009, quality small caps (S&P 600) have compounded at 15.2% annualized versus 16.9% per year for the S&P 500.

A central reason why small caps have performed so relatively poorly recently is the ludicrous heights they reached in 2021. Since then, small company valuations have been on a more direct path to normalization than large caps, which have been supported by robust earnings growth for technology companies. Profits for the typical small company have not been on as favorable a trajectory, having essentially roundtripped to pre-COVID levels. This median statistic includes loss-making businesses. Most *profitable* small firms





have grown earnings since 2019. Today, the median P/E for profitable S&P 500 firms is 24x. For profitable S&P SmallCap 600 companies, it's 17.5x. We don't view this as particularly attractive. Excluding banks, which haven't come clean yet on their dicey commercial real estate risk, the median profitable small cap P/E is 19x.

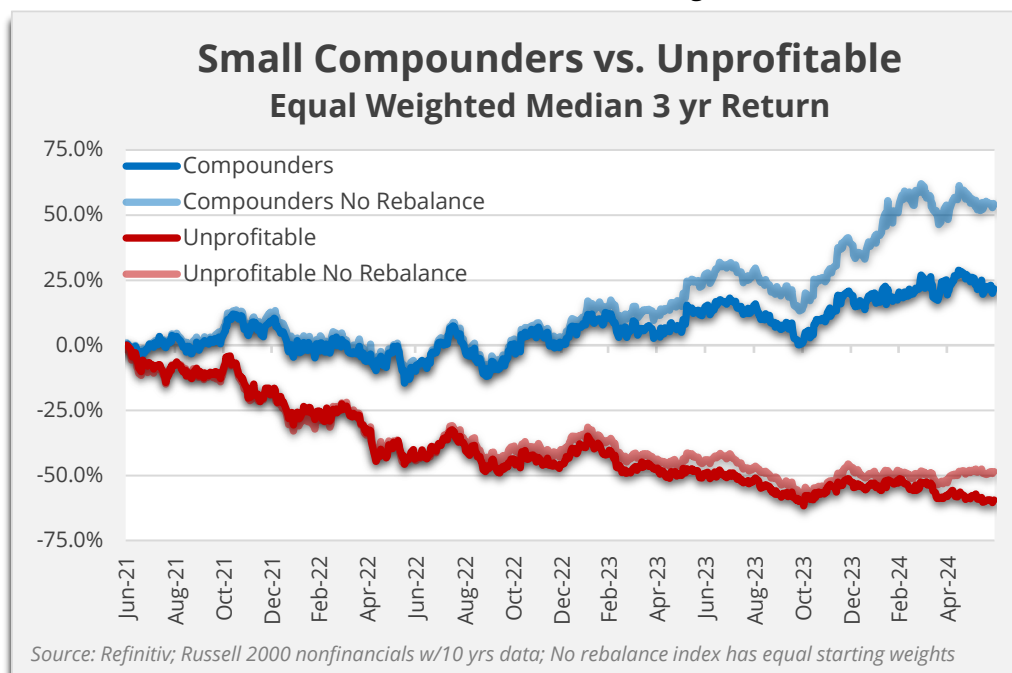


**A majority of small**

**caps with the lowest multiples have more than doubled profits since 2019, in contrast to the**

**broader universe.** Energy companies led the charge, but earnings for that sector are *“eight miles high and falling fast.”* Of course, just as a low multiple doesn't mean a stock is undervalued, a high multiple doesn't mean it's rich. There are a growing number of small companies that are experiencing operating weakness while the biggest U.S. enterprises thrive. In several cases, investors are fleeing these struggling smaller names, sending the shares to multiyear lows. This has created a bifurcated equity market: pay up for quality or try to catch a falling knife. Buy compounders, or buy dirt?

We carved out nonfinancial companies in the Russell 2000 Index that have been profitable every year for the last decade and have also delivered annualized EPS growth of at least 5%. Shares of these small cap



“compounders” have increased 22%, on average, over the three years ending June 30<sup>th</sup>.

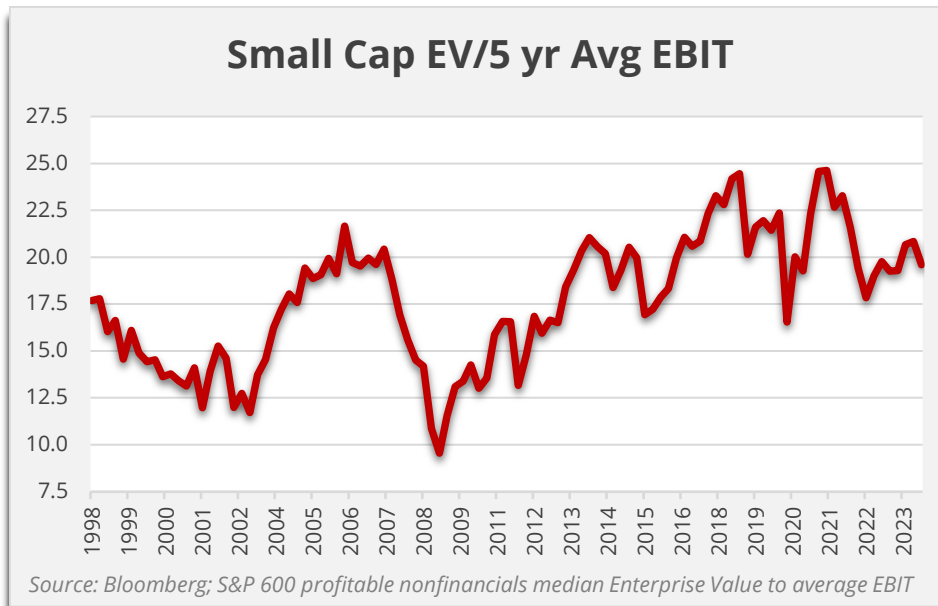
Importantly, the starting point was the very hot 2021 market. Prices for these firms are near peak levels, and for many, earnings are as well. Using equal starting weights but not rebalancing, or letting winners run, produced a 54% return over the period—better than





the S&P 500. In contrast, **seasoned small cap firms (at least 10 years old) that lost money over the last twelve months have fallen by 60%, on average, over three years.** It's been a dash from trash since the 2021 bubble highs.

Approximately 9% of mature members of the all-capitalization Russell 3000 Index are trading within 20% of their lowest price in the past five years, which includes the lockdown lows. Losses, leverage, and disrupted business models are salient features of this group, featuring companies like Big Lots, Paramount, Xerox, and Hawaiian Electric. Other big brand names might be surprising, such as Pfizer, Walgreens, Clorox, and Estee Lauder. We're looking for exceptions among the ravaged, or decent small cap businesses with solid balance sheets that are experiencing temporary issues. Current Palm Valley



holdings near five-year lows that are Russell constituents include Northwest Natural (ticker: NWN), Avista (ticker: AVA), Equity Commonwealth (ticker: EQC), TrueBlue (ticker: TBI), Carter's (ticker: CRI), and Hooker Furnishings (ticker: HOFT). Several other names on our followed list are getting close to an adequate discount. **There is value available, in our opinion, but the overall small cap market is not on sale.**

During the quarter ending June 30, 2024, the Palm Valley Capital Fund increased 0.79% compared to a 3.11% decrease for the S&P SmallCap 600 Index and a decline of 3.64% for the Morningstar Small Cap Total Return Index. Small caps continued their streak of underperformance versus large caps in Q2. The Fund's equity securities were up marginally (+0.24%) during the period before operating expenses (fees). However, interest earned on Treasury bills helped lift our quarterly return. We ended the period with 81.4% of assets held in cash equivalents.

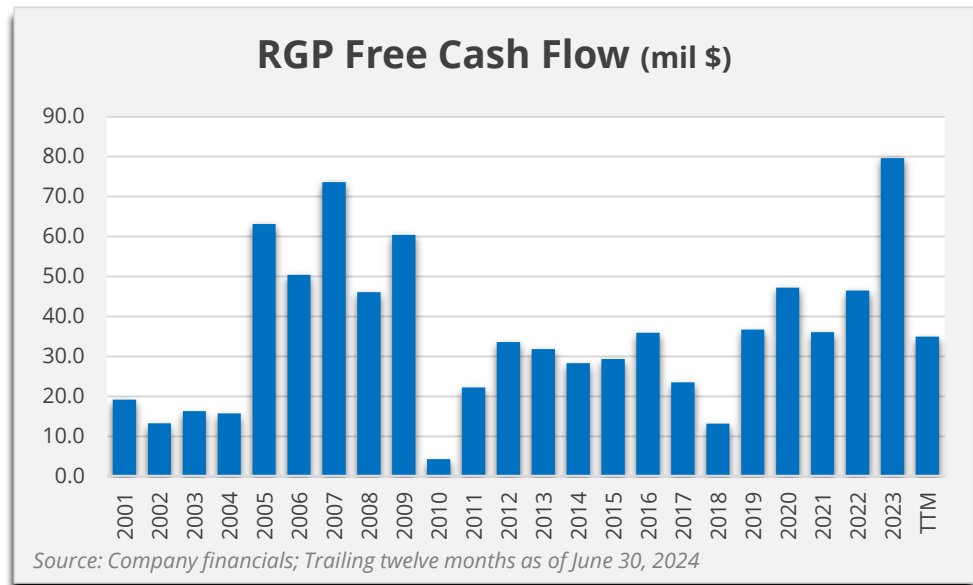
We purchased one new position during the second quarter. Resources Connection (ticker: RGP) is a global consulting firm focused on project execution. The company's 4,100 professionals specialize in facilitating initiatives associated with business transformation, strategic transactions, or regulatory change. Many employees have Big Four or legal backgrounds. In the mid 2000's RGP was viewed as the best public company play on Sarbanes Oxley compliance requirements, leading to a temporary profit boom. Besides consulting projects, the

Top 10 Holdings (6/30/24)	% Assets
Sprott Physical Silver Trust	2.90%
Amdocs	2.29%
Lassonde Industries	2.22%
Sprott Physical Gold Trust	1.94%
Avista	1.40%
WH Group (ADR)	1.33%
Northwest Natural	1.26%
TrueBlue	1.19%
Carters	1.00%
Equity Commonwealth	0.97%



company also competes on the high end of professional staffing. RGP works with over 2,000 clients, including 87% of the Fortune 100.

**Factoring in RGP’s extremely clean balance sheet, the business has never been priced this low since its IPO over 20 years ago.** While results have been on a consistent downward slide for almost two years, the performance is consistent with other providers of consulting and temporary staffing. The stock’s valuation multiples are appealing on both a trailing and normalized basis, although RGP’s financials have not yet bottomed. RGP has generated positive free cash flow every year since going public. We believe it will survive the current industry recession.



During the quarter, we sold Kelly Services (ticker: KELYA). Kelly is a staffing company that has been bucking industry trends recently, with margins expanding to record highs. This is due to internal efforts to raise profitability as well as the company’s leading position in educational staffing, including substitute teachers. Although Kelly has long maintained an excellent balance sheet, in early May the company announced a major acquisition and did not, at the time, share details about the profitability of the target. As a result, we were unable to determine how the deal would affect our valuation, but we believed it could have a material adverse impact and would increase the firm’s financial risk. Since Kelly was trading near our valuation, we sold on the news. This was our second time owning Kelly since the Fund’s launch.

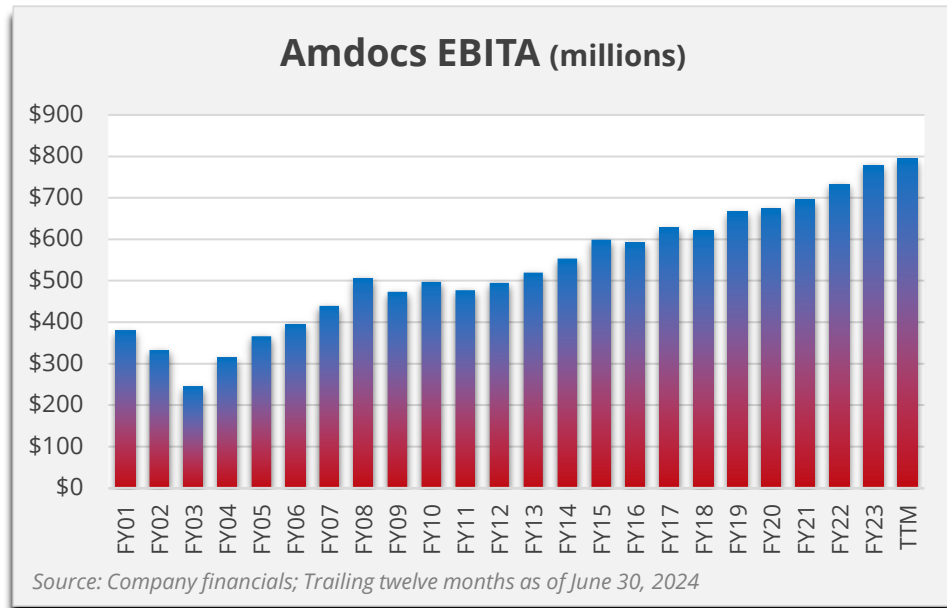
The Fund currently owns three staffing businesses: Resources Connection (RGP), TrueBlue, and ManpowerGroup (ticker: MAN). The temporary employment industry is contracting, with U.S. revenues for several public firms down 15% to 25% from two years ago despite higher bill rates. In certain cases, profitability is at a historical trough. The pandemic thrust the labor market into disarray, with many companies struggling to find employees. To avoid reliving that experience, employers have held onto their workforces and have reduced their utilization of temporary staff. Commented ManpowerGroup’s CEO: “We feel this is a cyclical downturn distorted by anomalies created by the pandemic, and eventually, this will sort of flatten out.” Never before has overall employment remained robust with temporary staffing sliding. We’re wagering this is not a structural change, and if we’re correct, then we think the staffing companies in the Fund are trading at attractive valuations based on normalized results. In each case, we believe our holdings have the financial strength to endure a period of challenged profitability.

The three holdings most negatively impacting the Fund’s return this quarter were Amdocs (ticker: DOX), TrueBlue, and Carter’s (ticker: CRI), which all had a similar drag on performance.



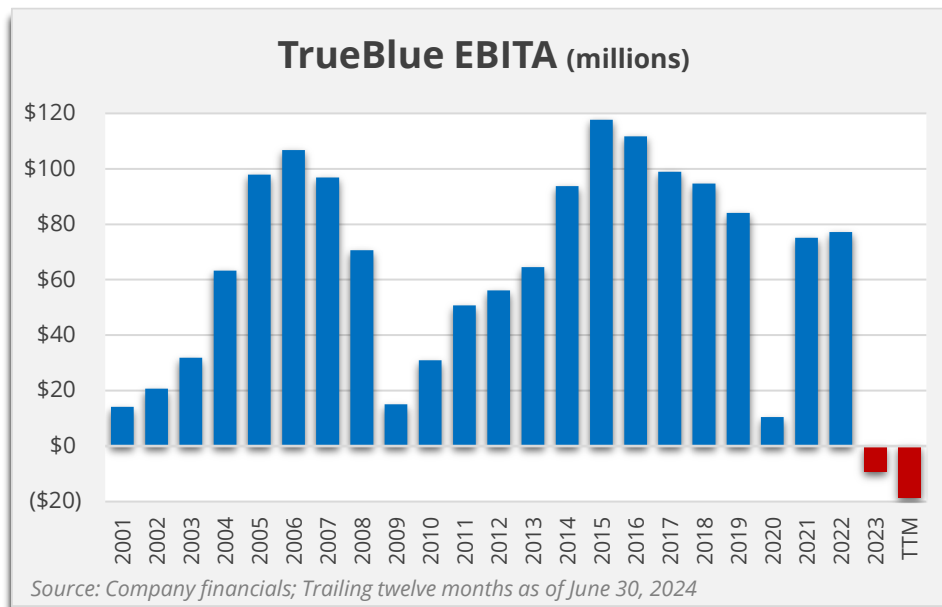
Amdocs, a leading software and services provider to wireless, cable, and media companies, reduced its full year revenue guidance by 0.5% and trimmed its adjusted EPS forecast by 1%. While this was immaterial to us, the market was less forgiving. The company is still modeling 7-11% EPS growth for the fiscal year. It's possible that investors may be misinterpreting the company's exposure to artificial intelligence. **Amdocs has been occasionally mislabeled as a glorified call center cousin, when in fact it is a mission critical service provider to the world's most important communications enterprises**, including AT&T, Bell, BT, Charter, Comcast, dish, Globe, T-Mobile, Telefonica, and Vodafone.

Amdocs does everything from providing customer facing portals to handling the details of billing to helping ensure that networks are operating at peak efficiency. We like to increase our exposure to Amdocs when its valuation doesn't reflect its quality.



TrueBlue, a staffer specializing in blue-collar roles, has rarely lost money over its history, but it produced operating losses over the past year and recently coughed up its worst quarterly performance ever. Unlike Amdocs, it's a highly cyclical business. The company has been behind the curve on reducing operating expenses to match falling revenues, but the new management team is adjusting the cost structure more

actively since the industry pullback is continuing. We believe the company can remain near breakeven while the demand drought for staffers persists.

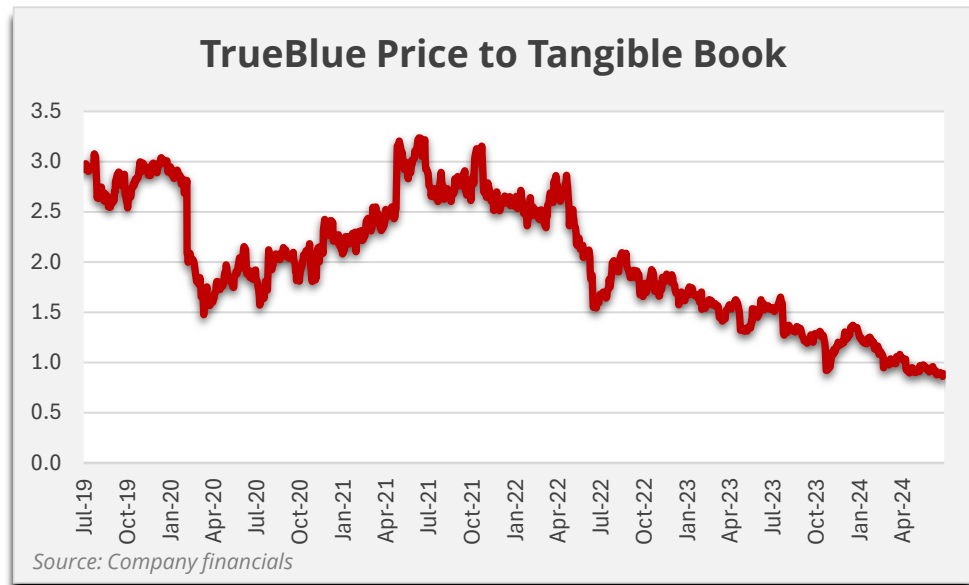


Over the last 10 years, the average annual operating profit generated by the firm was \$75 million. TrueBlue's current enterprise value is \$280 million. TrueBlue has no debt and significant access to liquidity





between its cash resources and credit facility. The company's stock is also trading below tangible book value. **Many investors today are chasing companies that are performing well when the stock price more than reflects it. With TrueBlue, we think we're getting involved near a cycle low when the price more than reflects temporary challenges.**



Carter's, the number one branded marketer of apparel for young children in the U.S., is experiencing the same difficult comparisons facing many consumer companies. The combination of substantial accumulated inflation over the past three years and the end of pandemic stimulus payments has resulted in compressed budgets for many consumers. Children's clothing hasn't been spared from cutbacks, as evidenced by the travails of competing retailer The Children's Place. Carter's sells merchandise online and in its own branded stores as well as through major retailers like Walmart, Target, and Amazon. While Carter's operating results may remain soft in the near term, we expect the company to retain its industry leadership position. Carter's lineage extends back to 1865!

The Fund had one material contributor (>10 basis points impact) to its quarterly performance: Sprott Physical Silver Trust (ticker: PSLV). Despite retreating from its 11-year high of \$32 per ounce in May, silver gained 17% during the quarter, outperforming gold's 4% increase. The Sprott Trust is not a perfect facsimile for silver, the underlying metal, since it incurs management fees and can trade at a premium or discount to NAV. The Trust began the quarter at a 5% discount to NAV and ended it at a 2.5% discount. The Sprott Physical Silver Trust is our preferred vehicle for maintaining silver exposure because all 170+ million ounces are fully allocated and held at the Royal Canadian Mint. While we expect to tweak our weightings in precious metals based on performance, **Sprott Physical Silver and Physical Gold Trusts remain among the Fund's top holdings because it seems wise to own precious metals as long as we expect the Federal Reserve to return to easy money policies.** It's about surviving the game.

♪ "Helter skelter in a summer swelter" ♪

In 1906, a fast-snaking slide for adults called the Helter Skelter debuted at Coney Island. "Participants rode an escalator to the top of a huge chute made of rattan, then slid down the winding slide before landing on a mattress in front of a crowd of onlookers" (*Coney Island*, Hoffman). An escalator up, followed by a rapid slide down with a cushioned landing. Sounds familiar.



Over a century of summers later at Coney Island, on July 4, 2022, the hot dog eating GOAT Joey Chestnut placed a protester in a headlock in the middle of the Nathan's Famous July 4<sup>th</sup> contest. Despite this distraction, Chestnut won the gorge fest for the 15<sup>th</sup> time. The protester donned a Darth Vader mask and held a sign reading: *Expose Smithfield's Deathstar.*



“Operation Deathstar” occurred in 2017, when California activists secretly trespassed onto a Smithfield hog farm in Beaver County, Utah, to document the living conditions of pigs, noting that some of the animals had little room to move around. According to sympathetic media outlets, the infiltrators also liberated two piglets from slaughter. Their piglet “rescue” video was shared with the *New York Times*, which led to an FBI investigation. The activists were later acquitted by a Utah jury. Smithfield largely wound down its Beaver County operations due to these headaches, relinquishing its spot as the area’s largest employer. As far as Joey Chestnut, he is banned from participating in the Nathan’s Fourth of July event this year because he is sponsored by a competing firm: plant-based meat imitator Impossible Foods. Somewhere an activist just dropped a mic.

For a slice of bacon to make it to our plate, a lot must happen first, and we don’t want to think about the details. The problem is that mentality has been adopted for the overall economy. **Most citizens don’t want to contemplate how the economic sausage is made.** That’s someone else’s responsibility. Regrettably, in recent decades our leaders in Washington have become increasingly reactive, shortsighted, and politically motivated. The stock market is both a reflection and instrument of this behavior. It’s white hot, even as the average Joe’s situation is not.

Temperatures have been blistering this summer, with A/Cs in Florida working overtime. No wonder small cap HVAC manufacturer AAON trades at a 35x P/E. As we celebrate a steamy Independence Day, we remember those who sacrificed everything to give Americans abundant opportunity. In our small corner of the world, we’ve incorporated the spirit of independence into Palm Valley’s core mission. We believe investing independently will lead to a better outcome for you. Land of the free? Land of the moderately cheap would work for us! In our judgment, the best investment opportunities are not currently at the top of the quality heap, but it’s crucial to distinguish a calculated risk-adjusted bet from a pig in a poke. A credible thesis must support every addition to our portfolio.

In terms of liberating hogs from slaughter, few will pity bombastic speculators when financial justice is served, but passive investing loyalists could be the real human-interest story of the coming years. We’re deep undercover inside the finance farm, witnessing the bandwagon trades bursting out of their pens. We don’t want to be part of this death march either. Nevertheless, in this index-centric world, singing the praises of 5% risk-free yields or unloved stocks to the investing masses is like casting pearls before swine.



When high multiples indicate low future equity returns, we think it's prudent to build a portfolio that can survive after the music dies. The helter-skelter busts of the Nifty Fifty and Tech Bubble showed that quality is not a refuge when valuations are extreme. The combined market capitalizations of Nvidia (71x P/E) and Apple (32x P/E) now exceed the total amount of U.S. Treasury bills outstanding. When \$6 trillion is at stake, choose wisely!



JAKE-CLARK.TUMBLR

Thank you for your investment.

Sincerely,  
Jayme Wiggins                      Eric Cinnamon

***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. Earnings growth for a Fund holding does not guarantee a corresponding increase in the market value of the holding or the Fund.*

*The S&P SmallCap 600 Total Return 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:

*All-capitalization:* Including public companies of all market capitalizations, from small to large.

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

*EPS (Earnings per share):* Net income divided by shares outstanding.

*Equal-weighted:* A method of measuring a group of companies where the same weighting is assigned to each member.

*EBIT:* Earnings Before Interest and Taxes (i.e. operating income).

*EBITA:* Earnings Before Interest, Taxes, and Amortization of acquired intangibles (i.e., operating income).

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

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

*IPO:* An initial public offering is when a private company first offers shares to the public.

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

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

*Nifty Fifty:* A group of 50 popular large cap stocks on the New York Stock Exchange in the 1960s and 70s.

*NVDA:* The ticker symbol for Nvidia.

*Price to Earnings (P/E) Ratio:* A stock's price divided by its earnings per share.

*Price to Tangible Book (P/TB):* A stock's price divided by its tangible book value, or shareholders' equity excluding intangibles, per share.

*QE3:* Quantitative Easing 3 was the third round of U.S. monetary policy where the central bank purchased government bonds to create liquidity in the economy.

*Risk-free rates (returns):* Refers to the yield or return available on U.S. Treasury bills, which are perceived to have no credit risk.

*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.

*Russell 3000:* An American stock market index based on the market capitalizations of the largest 3,000 publicly traded companies.

*S&P 500 ("S&P"):* The Standard & Poor's 500 is an American stock market index based on the market capitalizations of 500 large companies.

*SEC:* Securities & Exchange Commission, which is the primary regulator for the investment industry.

*Tangible book value:* Shareholders' equity, or total assets excluding goodwill and other intangibles minus total liabilities.

*TTM:* Abbreviation for trailing twelve months.