



**INVESTMENT PERFORMANCE (%) as of December 31, 2021**

|                                    | Total Return   |              |               |               | Annualized Return |
|------------------------------------|----------------|--------------|---------------|---------------|-------------------|
|                                    | Inception      | Quarter      | YTD           | 1 Year        | Since Inception   |
| <b>Palm Valley Capital Fund</b>    | <b>4/30/19</b> | <b>0.04%</b> | <b>3.72%</b>  | <b>3.72%</b>  | <b>8.80%</b>      |
| <b>S&amp;P SmallCap 600 Index</b>  |                | <b>5.59%</b> | <b>26.74%</b> | <b>26.74%</b> | <b>16.17%</b>     |
| <b>Morningstar Small Cap Index</b> |                | <b>3.72%</b> | <b>16.21%</b> | <b>16.21%</b> | <b>14.19%</b>     |

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.

**Bottom Feeding**

*"Without labor, nothing prospers."*

-Sophocles

January 1, 2022

Dear Fellow Shareholders,

*Dirty Jobs* was one of the most popular shows on cable TV from 2005 to 2012. In each episode of the reality series, host Mike Rowe would engage in a typical workday for a job considered extremely difficult or gross to us armchair observers. Some featured roles: roadkill cleaner, sewer inspector, alligator farmer, steel mill worker, sheep castrator, high-rise window washer, asphalt paver, and fish squeezer. *Dirty Jobs* championed essential blue-collar workers and was a reminder that it's not all sunshine and roses that makes our society function. The show was canceled by Discovery Channel in November 2012, shortly after *QE3* was launched. The irony isn't lost on us, as the financialization of the economy further usurps its lifeblood. Mike Rowe has articulated America's predicament well: "You've got a lot of very, very smart people standing by waiting for somebody else to do the work. Not a recipe for long-term solvency in my opinion."

In our view, 2021 primarily featured three kinds of investors. First, there were the blindly blissful who don't recognize asset bubbles and enjoyed fabulous returns. Many scored life-changing sums.

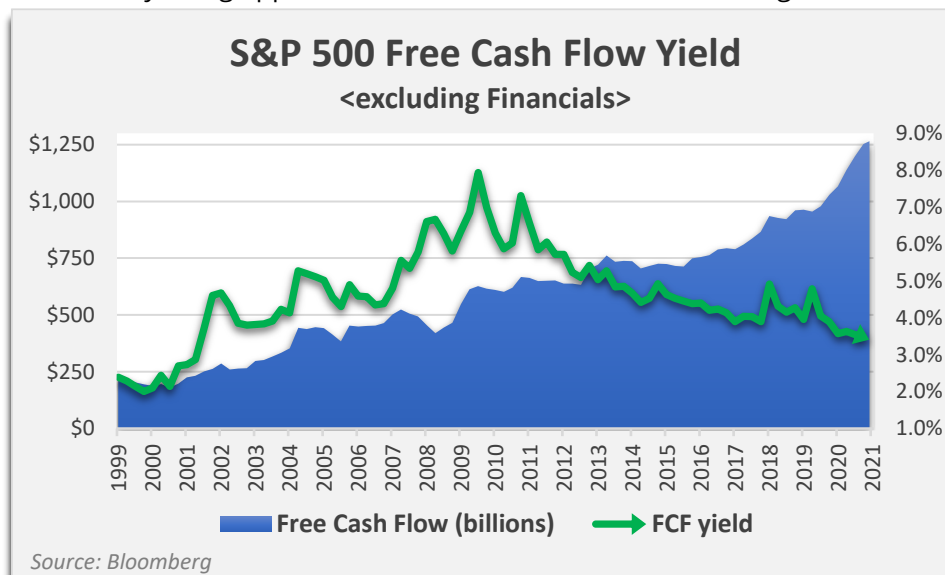




Some were burned when their speculative crypto, SPAC, meme stock, or options gambles went poof. The next group of investors understands the mania but participated anyway and generally prospered. Some carefully chose their spots with authentic diligence, but most just rode the liquidity tidal wave, in many cases from fear that rising inflation left them no alternative. Lastly, there were risk-conscious investors like us whose 2021 performance was more pedestrian. When record valuations and profits are soaring ever higher from the government's money cannons and value is scarce, we'll trade upside opportunity for downside mitigation. The bigger the bubble, the bigger the ultimate mess. Happy New Year.

For the quarter ending December 31, 2021, the Palm Valley Capital Fund inched higher 0.04% versus a 5.59% gain in the S&P SmallCap 600 and a 3.72% increase in the Morningstar Small Cap Index. We were approximately 20% invested throughout the period and ended Q4 with 79% of assets held in cash. For the full year, the Fund gained 3.72% compared to 26.74% for the S&P SmallCap 600 and 16.21% for the Morningstar Small Cap Index. The lower quality Russell 2000 rose 14.78% in 2021. The Fund returned less than its benchmarks due primarily to our cash position, and, to a lesser extent, our investment in silver. The Fund's other precious metal holdings, including gold, miners, and royalty and streaming businesses, added to 2021 performance. The securities owned by the Fund gained 1.34% during the fourth quarter and 24.7% for the year. We held a significant cash stake all year due to historically high valuations for small cap stocks. We believe shareholders own the Palm Valley Capital Fund because you expect us to intelligently deploy capital when there are more undervalued investments available.

For investors looking back on the long bull market that commenced in March 2009, it may now feel like research is unnecessary, unrewarded, and more likely to reduce than enhance returns. The free cash flow yield of the S&P 500 excluding financials is 3.4%—the lowest level since 2002. Considering inflation, real free cash flow yields are negative and have never been lower. In contrast to past periods, lofty multiples are currently being applied to record cash flows. For the trailing twelve months, free cash flow for S&P 500



nonfinancial firms was 31% above pre-pandemic levels, *which was also a record at the time*. It appears investors are no longer assuming there is a business cycle. The largest five companies in the U.S. trade for 46x free cash flow or 57x if you remove the cash flow benefit of stock-based compensation. Stock compensation expenses were 19% of these firms' collective free cash flow.

Palm Valley's investment process is consistent regardless of the backdrop, which today, in our judgment, is unappealing for anyone who cares about buying stocks for less than they're worth. **For a company to enter our portfolio, it must be trading at a price that we expect will enable us to earn a double-digit return (no guarantees).** Many investors have lowered their required return thresholds to justify paying



higher stock prices, which we view as a slippery slope. Palm Valley does not adopt the Street's method for forming equity discount rates for the following reasons:

- We believe low interest rates are artificial and have been suppressed by central banks. We assume one day this won't be possible, with inflation as a potential foil to reckless monetary and fiscal policy.
- While investors have used lower rates as a basis for reducing their required returns, they have generally maintained their growth assumptions. What would economic growth be like without the firehose of stimulus and deficit spending?
- We would argue that the risk premium (extra return over risk-free rates) investors demand should be higher now, given additional leverage and other systematic risks.
- Unlike many investment professionals, we don't typically reward firms for leveraging their balance sheets. While it's straightforward to calculate the value of a tax shield from borrowing in a low-rate environment, most analysts ignore the loss of flexibility and heightened financial risk that comes from debt. Palm Valley's approach is to value unleveraged cash flows and subtract net borrowings. If a company has too much debt, we avoid it.
- Absolute return investors should not rely on relative return arguments for owning assets. We won't justify irrational stock prices by comparing them to bonds—another distorted asset class offering scant returns.

We follow a large number of small cap businesses. This maintenance work is time-intensive and consists of reviewing hundreds of quarterly conference calls and earnings reports for micro and macroeconomic insights. Nevertheless, it enables us to maintain a list of stocks with relatively updated valuations, which can prove beneficial when there are company-specific events or market swoons that push prices below fair value. We can act quickly.

### Median Small Cap Valuations (Russell 2000)

|                                 | Tech Bubble<br>Peak<br>March 9, 2000 | Credit Bubble<br>Peak<br>July 13, 2007 | Credit Bubble<br>Trough<br>March 9, 2009 | Pandemic<br>Trough<br>March 18, 2020 | Present<br>Conditions<br>Dec. 31, 2021 |
|---------------------------------|--------------------------------------|--|--|--------------------------------------|--|
| <b>Price/Earnings</b>           | 17.2                                 | 25.9                                   | 18.3                                     | 23.8                                 | 60.1                                   |
| <b>Profitable Firms</b>         | 13.4                                 | 21.4                                   | 9.8                                      | 10.4                                 | 17.9                                   |
| <b>Net profit margin</b>        | 7.6%                                 | 7.9%                                   | 7.2%                                     | 8.6%                                 | 9.9%                                   |
| <b>P/E excl. Financials</b>     | 23.6                                 | 29.9                                   | 18.9                                     | 87.3                                 | 647.2                                  |
| <b>Profitable Nonfinancials</b> | 14.7                                 | 23.7                                   | 9.7                                      | 13.3                                 | 22.2                                   |
| <b>Net profit margin</b>        | 6.2%                                 | 6.2%                                   | 6.0%                                     | 5.5%                                 | 6.8%                                   |
| <b>EV/EBIT</b>                  | 14.0                                 | 19.2                                   | 10.2                                     | 33.7                                 | 82.9                                   |
| <b>Positive EBIT Firms</b>      | 10.9                                 | 16.4                                   | 7.5                                      | 13.1                                 | 20.0                                   |
| <b>Price/Free Cash Flow</b>     | 98.5                                 | 47.6                                   | 16.6                                     | 39.9                                 | 173.0                                  |
| <b>Positive FCF Firms</b>       | 19.7                                 | 25.3                                   | 8.5                                      | 10.6                                 | 21.4                                   |

\*Source: Bloomberg; EV/EBIT and Price/Free Cash Flow statistics are for nonfinancial firms



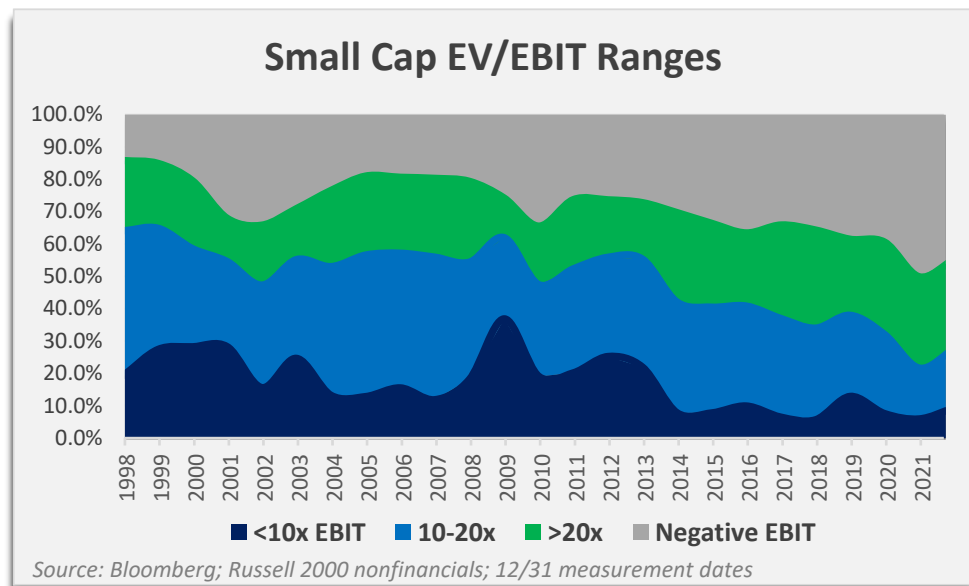
Current small cap valuations are extraordinary and exceed previous market peaks. **A primary difference between today and past cycles is the number of unprofitable companies.** Although valuations for *profitable* smaller firms appear less extreme and even below those during the credit bubble peak, this is due to record profitability, particularly for financial companies. Within the Russell 2000, the median net margin for profitable firms is 9.9% compared to 7.9% during the July 2007 market peak of the prior cycle. The median small cap financial company margin is 27.0% today versus 13.9% in July 2007! Current arguments for the relative attractiveness in the valuation of small cap value over small cap growth indexes should take into consideration the abnormally high profitability of the banking industry.

Underlying causes aside, as value investors, we have been grateful for *transitory* periods of small cap weakness such as early 2016, December 2018 or Spring 2020. We invested a significant portion of the Fund quickly in March of 2020. However, **the small cap market's fleeting corrections have not been sufficient for a broad valuation reset.** Today, it's slim pickings in small cap land with almost half of nonfinancial companies losing money and most of the other half priced at levels that suggest extremely low future returns. For many of the firms currently trading at the lowest multiples, ranging from RV producers to shoe retailers, we believe earnings are above normalized levels.

Besides keeping fresh on the businesses comprising our possible buy list, we're turning over a lot of rocks. Although we believe [observing patiently from the sidelines](#) can be a sensible approach for

addressing an equity bubble, we're value hunters at heart, and it's our desire to find good ideas when they are available. In light of extreme valuations, one way to identify new companies that might qualify as portfolio candidates is to peruse those stocks trading near their 52-week lows. It's a dirty job, but we're not above wading around in the muck to find an overlooked, unpolished gem. What could be more contrarian than scavenging the poor, huddled masses withering near their lowest share prices in twelve months?

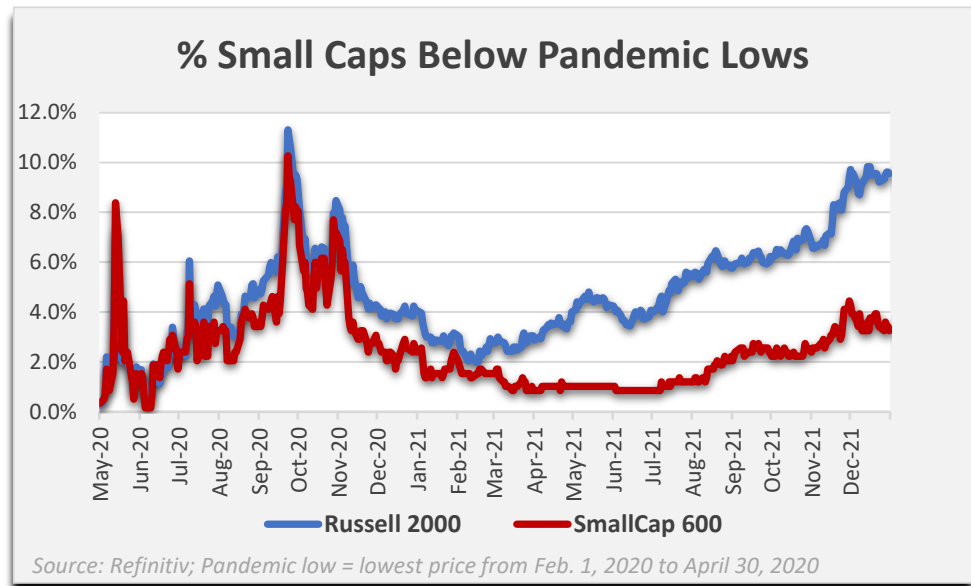
Well, the 52-week low list is not what it used to be. A 500%+ gain in small cap equities from the 2009 trough will do that. We believe the sharp market decline during the Spring 2020 COVID lockdowns primarily corrected severe overvaluation as opposed to presenting a fire sale on equities. There were certainly discounts, but they evaporated quickly. During the past quarter, the number of stocks hitting 52-week lows shot higher in November, which normally would be a promising signal for bargain hunters. However, many of these stocks were comping strong prices from twelve months earlier when small cap benchmarks were achieving new records.



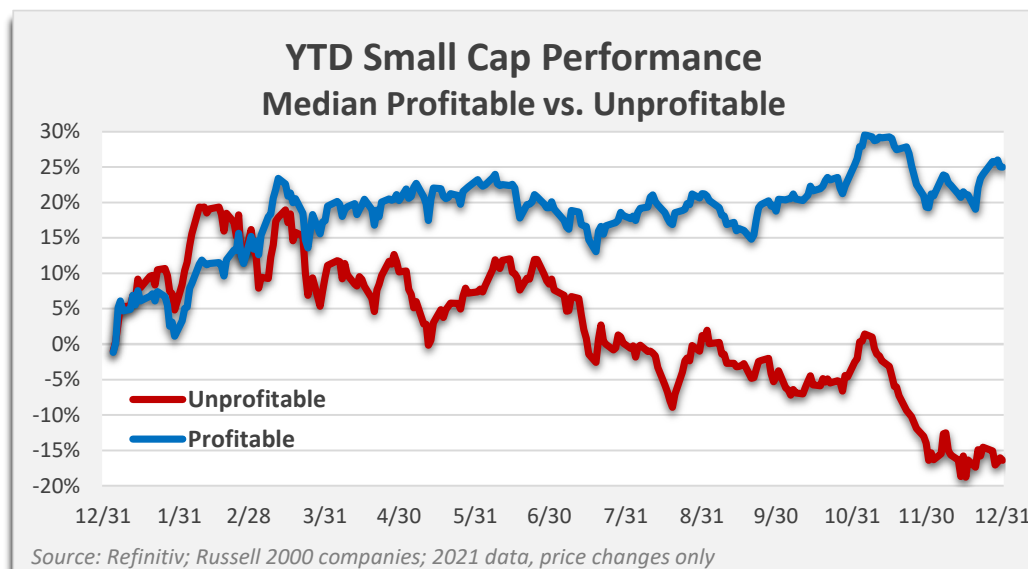


There may be a stronger chance of finding truly out of favor names by comparing current prices to those experienced during the onset of the pandemic. While many profitless biotechs were routed in 2021, the number of higher quality companies trading for less than the trough prices they reached between February and April of 2020 remains subdued. This explains

the significant outperformance of the S&P SmallCap 600 over the Russell 2000 in 2021. The SmallCap 600 requires its constituents to be profitable upon admission into the index.



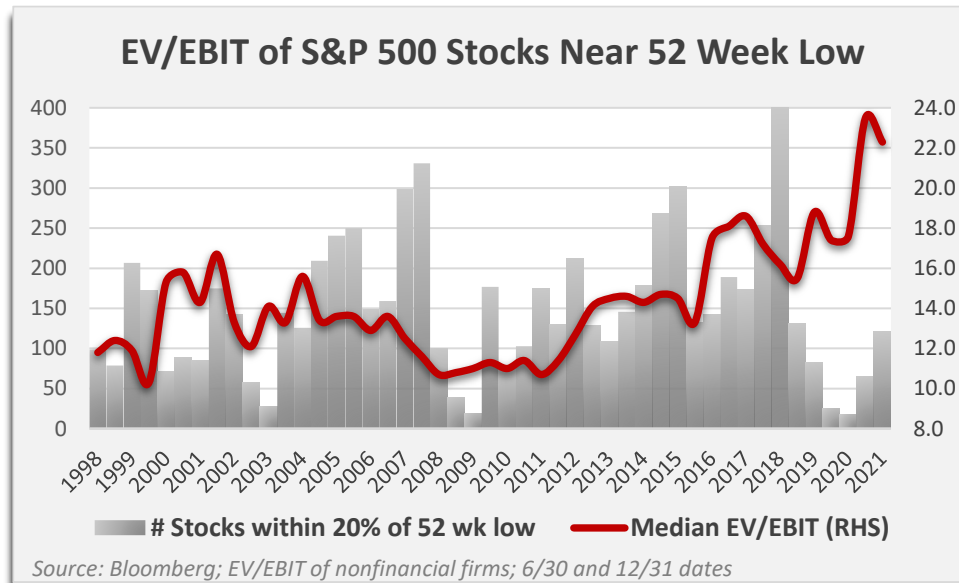
Many of the poorest performing small cap stocks over the last year are still expensive, in our opinion. A significant percentage are uninvestable for Palm Valley for various reasons, such as their balance sheet (bad) or business model (consistently losing money). Researching a depressed name is an exercise in determining whether the business issues are appropriately priced into the shares. It takes time, and investment analysts must become comfortable recognizing a sunk cost and moving on. Some investors prefer to stick with Buffettesque compounders that have served them well, even at this stage of the cycle, where it seems no price is too dear for such names. The Big Apple is no longer NYC, it's AAPL—with a P/E of 32x and a \$3 trillion market cap. Conversely, we're often in the weeds on contrarian ideas in unpopular industries in hopes of finding value with a reasonable margin of safety.



Canvassing the small cap lows list is more perilous than searching for larger capitalization underperformers, since the issue of business viability is more pertinent. Unfortunately, if you upgrade in size and quality from small caps to the S&P 500, it's a desert for cheap, defeated stocks. **Large cap**



companies with share prices that have appreciated the least from their 52-week lows are, on average, trading near the highest valuations since the Fed began sponsoring asset inflation. It's a tough time to be a bottom feeder.



Nevertheless, like Lloyd Christmas with his signature bowl cut from *Dumb and Dumber*...we're telling you there's a chance. Several of the names owned by the Palm Valley Capital Fund are within striking distance of multiyear lows. Our portfolio is skewed toward beaten down names because they are more likely to be trading for reasonable valuations, in some cases because they aren't part of popular U.S. benchmarks. While the Fund's median market cap is below \$2 billion, as of December 31<sup>st</sup>, we held only two names that were members of the Russell 2000 Index.

During the fourth quarter we took advantage of weakness in the precious metal and energy sectors to acquire two small new positions that we believe are selling at attractive prices relative to their strong, asset heavy balance sheets: Alamos Gold (ticker: AGI) and Dril-Quip (ticker: DRQ). Alamos Gold is a Canadian-based intermediate gold producer with three mines in production: the Young-Davidson and Island Gold mines in Canada and the Mulatos mine in Mexico. It is a previous Fund holding that we have continued to

| Top 10 Holdings (12/31/21)   | % Assets |
|------------------------------|----------|
| Sprott Physical Silver Trust | 3.50%    |
| Crawford & Company (A & B)   | 3.49%    |
| Amdocs                       | 3.10%    |
| Sprott Physical Gold Trust   | 1.99%    |
| WH Group (ADR)               | 1.71%    |
| Osisko Gold Royalties        | 1.53%    |
| Coterra Energy               | 1.49%    |
| Natural Gas Services         | 1.24%    |
| Vidler Water Resources       | 0.74%    |
| Triple Flag Precious Metals  | 0.64%    |

monitor. Alamos has a very strong balance sheet with \$2.7 billion in tangible book value (\$6.80 per share), over \$200 million in cash, and no debt. At our acquisition price under \$7 per share, Alamos Gold was selling at a discount to our adjusted net asset valuation, which includes an upward adjustment to its Island Gold mine. Alamos bought Island Gold in 2017 for \$600 million and has doubled the mine's gold reserves since purchase. At current gold prices, we expect Alamos to generate near record earnings and to be able to fund its growth projects with internally generated free cash flow.



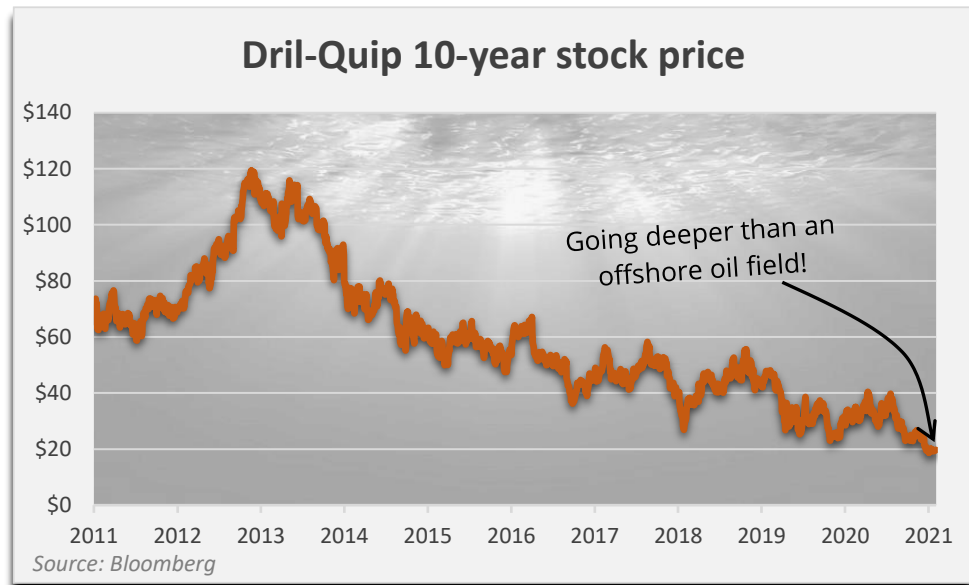
Founded in 1981, Dril-Quip manufactures drilling and production equipment that is used in deepwater energy exploration and production. Dril-Quip's customers include major integrated and foreign national oil and gas companies such as Chevron, Shell, Exxon, Murphy, and Petrobras. Similar to most energy equipment and service companies, Dril-Quip performed

wonderfully during the energy boom that peaked in 2014. Revenues, operating income, and free cash flow benefited tremendously from bloated E&P budgets and the focus on production growth. Of course, oil prices eventually collapsed in 2014 from \$110 per barrel to \$29 in 2016, with oil briefly turning negative in 2020! During this time, energy companies reduced their capital expenditures considerably, driving down Dril-Quip's revenues and earnings.

Dril-Quip's balance sheet is extraordinary with nearly a billion dollars of tangible book value (\$26.90 per share). The majority of the company's assets are liquid with net working capital exceeding \$20 per share, including more than \$10 per share in cash. Although we can't precisely predict when deepwater energy exploration and production will rebound, there are signs that offshore activity has bottomed and may increase in 2022. We believe Dril-Quip's balance sheet provides us with a sufficient margin of safety and the necessary liquidity to take advantage of improving industry conditions.

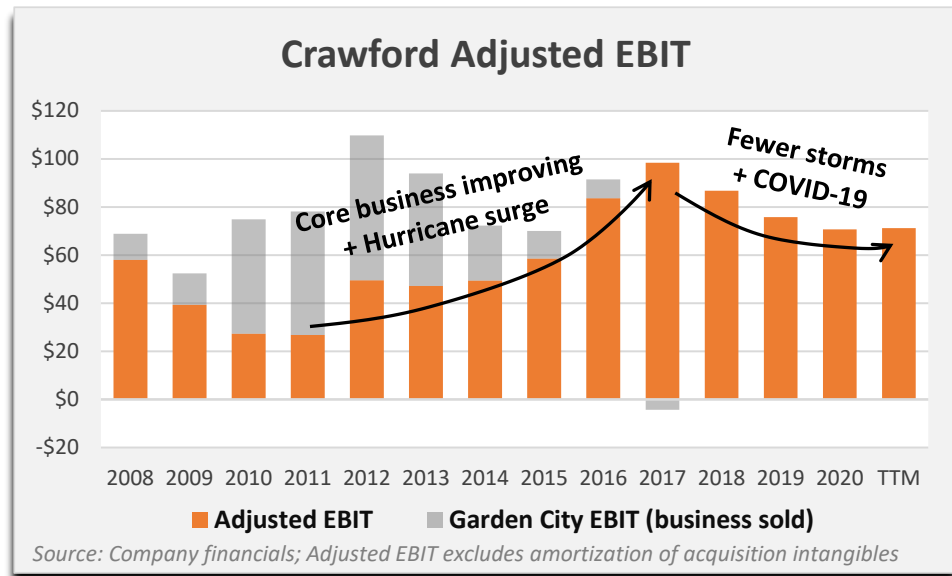
During the quarter we sold SSR Mining (ticker: SSRM) and TreeHouse Foods (ticker: THS). We exited SSR Mining after the shares appreciated above our fair value estimate. In November, TreeHouse Foods revised its earnings and free cash flow forecast well below our estimates. Food companies continue to struggle in the current inflationary environment. While we believe TreeHouse will eventually succeed in passing on rising costs, we determined our initial normalized free cash flow estimate was too optimistic. The reduction in cash flow will also limit efforts to deleverage. After revising our assumptions, our valuation of TreeHouse declined below its stock price. We sold the position for a small gain.

The three positions contributing most negatively to the Fund's fourth quarter return were Crawford & Co. (tickers: CRD/A, CRD/B), Coterra Energy (ticker: CTRA), and WH Group (ticker: WHGLY). Crawford's stock is trading for 6x our estimate of normalized operating profit, which is a fraction of the multiple of other profitable small caps. Crawford's shares have frequently received a controlled company discount, but the current disparity is as wide as ever. During the quarter, an activist shareholder sold his position back to the firm after failing to gain a seat on the board. Crawford was also removed from MSCI US Indexes at the end of November, creating significant price agnostic selling pressure in a stock without fabulous liquidity. There is minimal sell side coverage. The company's third quarter earnings were less than some expected,



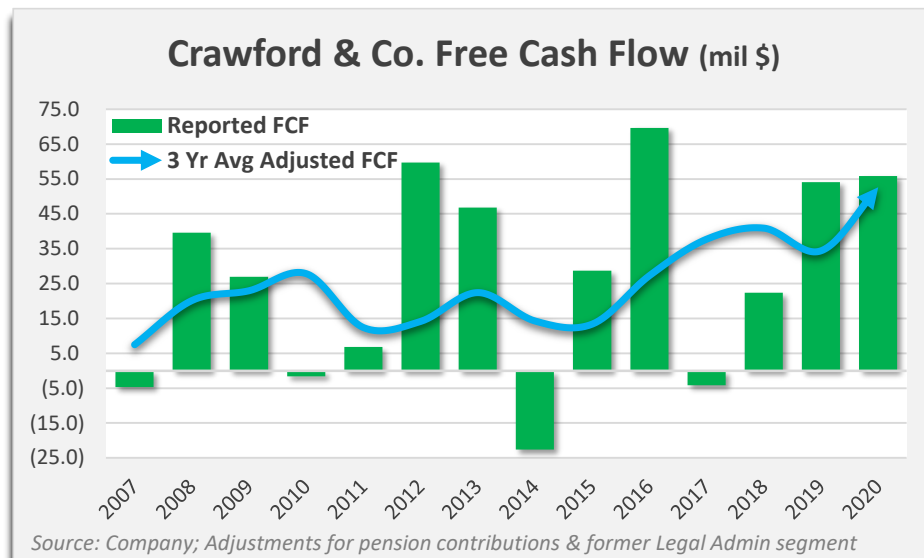


partly because other economies have not bounced back as quickly from COVID due to ongoing lockdowns and less stimulus than the U.S. Crawford has meaningful global exposure and had maintained its international cost structure in anticipation of a quicker recovery. Less economic activity means fewer insurance claims and less business for Crawford. Lastly, the company spent over 20% of its market cap on acquisitions from August to October but failed to adequately communicate the high margins of the targets, leading investors to assume management may have overpaid.



We do not believe a cursory examination of Crawford's financials is sufficient to understand and value the business. First, the company's claims volumes are impacted by severe weather. Major hurricanes bolster results but are not predictable. Second, Crawford's former Legal and Settlement Administration segment (Garden City) accounted for a majority of profitability in the years following the 2010 Deepwater Horizon oil spill but transitioned to losses by 2017 and was sold in 2018. Restructuring actions have delivered improvement in the company's core insurance claims and third-party administration businesses, but these trends have been masked by the cash flow tail from Deepwater Horizon as well as fluctuating hurricane activity, which peaked in 2017 (Harvey, Maria, Irma) and 2018 (Michael, Florence). Lastly, Crawford has spent the years since the credit crisis de-risking its defined benefit pension plans by reducing equity exposure and making material contributions to improve the funded status. These pension contributions weighed on cash flow but have decreased as the company's U.K. pension is fully funded and the frozen U.S. plan's underfunding has diminished.

For these reasons, it is important for investors to normalize Crawford's results. We adjust for the historical impact of the disposed Legal Administration business and discretionary pension contributions to assess the firm's core cash generation.







Excluding pension contributions, the company's three-year average free cash flow exceeds \$50 million, while Crawford's market cap is less than \$400 million. We believe the shares, with a dividend yield over 3%, are trading at a meaningful discount to fair value, so Crawford is one of the largest positions in the Fund.

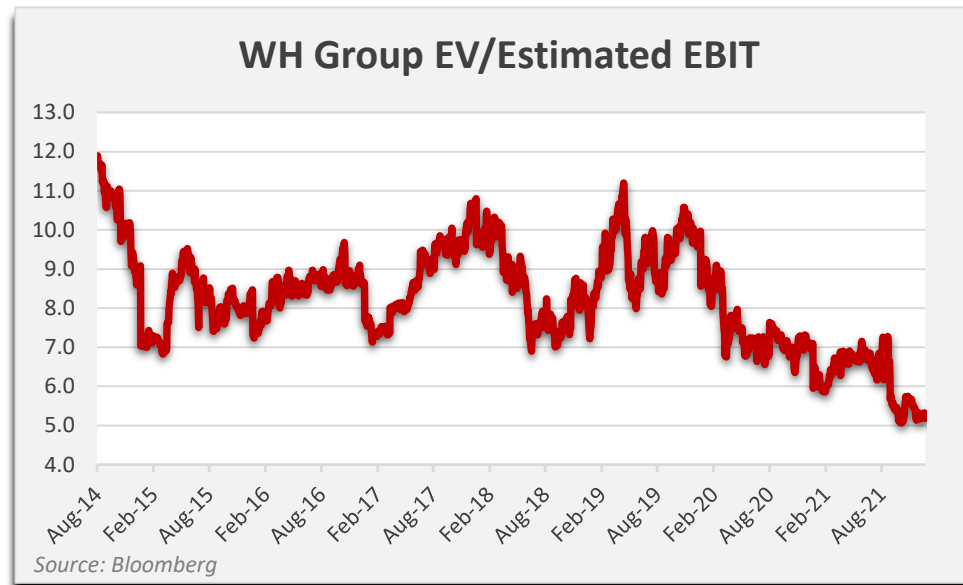
Coterra Energy, which was known as Cabot Oil & Gas before its merger with Cimarex Energy, was the Fund's largest contributor in Q3. While we had reduced our weighting as the valuation gap closed, the shares gave back gains in Q4 as natural gas prices fell sharply on above average temperatures.

It was not a fun year to be a member of the Hong Kong Hang Seng Index even if you weren't a technology company targeted by the Chinese government or a property developer. WH Group is trading at its lowest price since its public listing in 2014. The stock was adversely impacted by drama in the executive suite in 2021, and volatility in global hog prices dealt a temporary setback to earnings. Nevertheless, WH remains highly profitable with a very strong packaged meats business that has leading market shares in China and the U.S. (Smithfield). We don't believe WH has the drawbacks of VIE ownership structures used by businesses like Alibaba. A majority of the company's assets are located in the U.S. WH Group is trading for around 5x normalized operating profit. In comparison, one of the companies with the highest valuations



|                               | <b>WH Group</b> | <b>Hormel</b> |
|-------------------------------|-----------------|---------------|
| <b>Enterprise Value (USD)</b> | \$10,721        | \$29,306      |
| <b>Forward EBIT (USD)*</b>    | \$2,159         | \$1,388       |
| <b>EV/2022 Est. EBIT</b>      | <b>5.0x</b>     | <b>21.1x</b>  |

*\*Bloomberg consensus*



(>100x) in the Hang Seng Index is electric vehicle maker BYD, which is 20% owned by Berkshire Hathaway. WH Group is projected to generate over 50% more income in 2022 than Hormel (ticker: HRL), a leading U.S. food company specializing in meats, but it is valued at barely one-third the price. We believe WH Group's shares are a bargain for investors willing to entertain exposure to China.

The three positions contributing most to the Fund's quarterly return were SSR Mining, Sprott Physical Silver Trust (ticker: PSLV), and Triple Flag Precious Metals (ticker: TFPM.U). Although precious metals experienced modest gains in the fourth quarter, it was a trying year for gold and silver investors. The U.S. experienced its highest inflation in 40 years, the largest federal budget deficits ever, deeply negative real interest rates, and ongoing Quantitative Easing by the Fed. Yet, precious metals declined. Some gold and silver investors are reacting to expectations of tighter monetary policy, as the Federal Reserve has begun



its taper of asset purchases and has indicated a plan to begin raising interest rates in 2022. Of course, monetary conditions will remain looser than almost any prior time in U.S. history. In a not-so-surprising contradiction, the stock market has had a muted reaction to the Fed’s tapering announcements, with large caps continuing to trade near all-time highs.

For any investment, it is frustrating when your main catalyst occurs, but you don’t get the expected outcome. After years of Fed-induced asset inflation, stimulus spending caused the budget deficit to explode in 2020 and 2021, which incited a sharp rise in broad inflation across the U.S. economy. Gold and silver shrugged, leading many to conclude that precious metals have lost their luster and that crypto and stocks make better inflation hedges. It’s too early to tell if 2022 will bring more of the same inflationary conditions, as the Build Back Better plan appears to be on shaky ground in Congress. We welcome fiscal prudence but ultimately have little faith in politicians or the Fed to make decisions that are in our nation’s long-term best interest. If we actually experience a real tightening of monetary and fiscal policy that adversely impacts precious metals, we would also expect and welcome considerably lower equity valuations. Along with many others, we’re confident that “hawkish” words and actions will be rapidly reversed when asset prices begin to crack. However, at some point, the rescue attempt will fail, when investors finally realize you can’t print and spend your way to prosperity. We believe the long-term outlook for gold and silver are positive.

Mike Rowe has said his favorite person from over 300 *Dirty Jobs* he filmed was a Las Vegas pig farmer who has been likened to a cross between Old MacDonald and Jed Clampett. Bob Combs opened R.C. Farms in 1963 with a unique business model based on collecting uneaten food scraps from Vegas casino buffets, turning them into stew, and feeding them to his hogs. Rowe writes, “For 50 years, Bob has brought his pigs to market with Vegas house money.” In 2009, owners in a nearby new Vegas housing development sued the builders for not disclosing the pungent smell wafting from R.C. Farms. Combs told the *Los Angeles Times*, “It don’t bother me. To me, it’s like walking past a bakery.” The family’s dedication to reducing waste led them to develop a major recycling operation in the city led by Combs’ sons. Bob



Bob Combs at R.C. Farms. Photo from *Las Vegas Sun*.

Combs retired and sold R.C. Farms in 2017 to Vegas real estate developers for \$23 million, but the family constructed a modern pig farm farther north of the city, where neighbors are less likely to complain.

Investors talk a lot about competitive advantages. Bob Combs had a competitive advantage in costs that enabled him to thrive in a tough line of work. In today’s



equity market, the *easiest* job may be to recite the clearcut competitive advantages of firms like Apple, Google, or Microsoft. While MBA-trained investors take comfort in companies with the strongest competitive moats, few worry themselves with whether their own investment process offers anything unique. In a 2008 TED Talk, Mike Rowe described how Bob Combs' success came from capitalizing on a contrarian opportunity: "He stepped back and watched where everybody was going, and he went the other way." After a nine-year hiatus, *Dirty Jobs* returns to Discovery Channel this month. As we enter 2022, you will hear that cash is trash, gold is a worthless relic, and the 52-week lows list is for misguided bottom feeders. In the investment management business, far too many participants care more about the optics of what they own than the inherent value. If the crowd finds it vile, it may be worthwhile.

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. Exposure to the commodities markets may subject the investment to greater volatility.***

***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 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:

*Cash flow:* Short for Free Cash Flow.

*Crypto:* Short for cryptocurrency, which is a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography.



*E&P (Exploration & Production):* The upstream segment of the oil and gas industry, including finding and extracting oil and gas.

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

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

*EV/EBIT:* 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).

*Free Cash Flow (FCF):* Equals Cash from Operating Activities minus Capital Expenditures.

*Free Cash Flow Yield:* Equals Free Cash Flow divided by Market Capitalization.

*Hang Seng Index:* A market capitalization-weighted index of large public companies in Hong Kong.

*MSCI US Indexes:* A series of U.S. equity indexes based on market capitalization, including the MSCI Small Cap 1750 Index and the MSCI US Investable Market 2500 Index.

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

*Net Asset Value (NAV):* The value of an entity's assets minus its liabilities.

*Net working capital:* The difference between a company's current assets and current liabilities.

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

*Price/Free Cash Flow:* Market Capitalization divided by Free Cash Flow.

*QE3:* The third round of U.S. Quantitative Easing, which is a monetary policy where a central bank purchases government bonds or other financial assets to create liquidity in an economy.

*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.

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

*SPAC (Special Purpose Acquisition Company):* A publicly traded company created to acquire an existing publicly traded company.

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

*VIE (Variable Interest Entity):* A business structure where an investor has a controlling interest but lacks a majority of the voting rights.