



**INVESTMENT PERFORMANCE (%) as of June 30, 2026**

	Total Return			Annualized Return		
	Qtr	YTD	1 Year	3 Year	5 Year	Inception*
<b>Palm Valley Capital Fund</b>	<b>1.80%</b>	<b>2.55%</b>	<b>5.65%</b>	<b>5.30%</b>	<b>4.53%</b>	<b>6.58%</b>
<b>S&amp;P SmallCap 600 Index</b>	<b>19.70%</b>	<b>23.90%</b>	<b>37.50%</b>	<b>16.03%</b>	<b>7.36%</b>	<b>10.74%</b>
<b>Morningstar Small Cap Index</b>	<b>14.00%</b>	<b>14.01%</b>	<b>26.95%</b>	<b>15.55%</b>	<b>6.85%</b>	<b>10.04%</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 866-747-3111.*

*As of the latest prospectus, the Fund's Investor class gross expense ratio is 1.53% 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, 2027.*

**Groundhog Day**

"The whole world, unfortunately, has become somewhat of a casino."  
-President Donald Trump

July 1, 2026

Dear Fellow Shareholders,

On March 16, 2026, six weeks to the day after Punxsutawney Phil saw his shadow, President Trump told reporters he thought the Iran conflict would have caused the stock market to "go down much more, if you want to know the truth." He also predicted the war would be over soon. The S&P 500 climbed 1% that day off the post-war lows, with headlines citing geopolitical relief.

This sequence of unconfirmed diplomatic progress stoking market gains replayed ad infinitum, in a time loop reminiscent of Bill Murray's 1993 role as Phil Connors, an aptly named TV weatherman covering Groundhog Day on site in Pennsylvania. Undoubtedly, War On -> War Off -> Market Up was the major story of the quarter, but it's essentially a continuation of a pattern of Pollyannaish investors responding to cues from Washington.





Wikipedia writes of Murray's character: "Realizing that there are no consequences for his actions, Phil begins to spend his loops indulging in binge eating, one-night stands, and robbery, using his growing knowledge of the day's events and the town's residents to manipulate circumstances to his advantage." Sound familiar? We'd wager that the proportion of investors who weigh consequences before making investment decisions is near an all-time low, since they have been emboldened by the Fed put, fiscal profligacy, and market jawboning from on high. Defending the mid-June Memorandum of Understanding between the U.S. and Iran, the President remarked, "*There's nothing so smart as the market, and the market loves it beyond anything that I've actually seen.*" Loves it, or loves the casino?

When Wall Street wakes up to its alarm each morning, the day's unfolding scene may have grown predictable, but unlike the frozen-in-time movie, stock prices are starting higher than the day before, more often than not. The wealth effect drives spending, and this spending is again capitalized into larger equity values. They call this a virtuous cycle. However, if you're not on the gravy train of ever higher asset prices, you're on the hamster wheel of waiting for market justice. Hi.

Studies of Punxsutawney Phil's predictions going back to 1887 find his accuracy to be around 35% to 40%, which is worse than a coin flip. Forget predicting six more weeks of winter—six weeks is about how much



time the S&P 500 has spent in a bear market during *the past fifteen years*. Barely a blink since the Great Recession. The few brief dips hardly qualified as legitimate resets of the market cycle. A 20% drawdown from here would only put the S&P back to June 2025 levels. **The bull continues to outrun increasingly soft bear market thresholds.** Maybe the world's most famous whistle pig has a different calling...

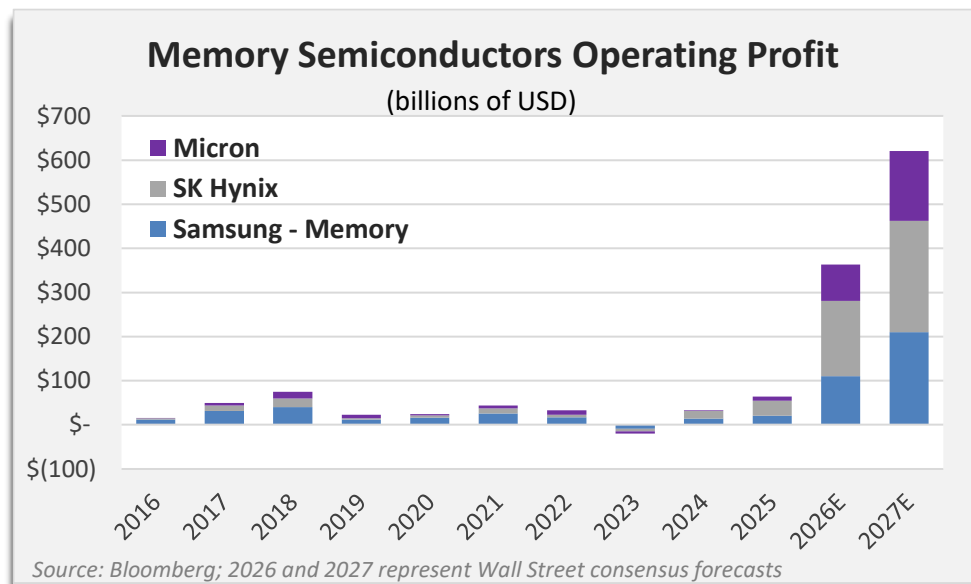
In *Groundhog Day*, Murray's character went from confusion, to depravity, to depression, and eventually to acceptance of his circumstances. Deep in the movie, he decided if he can't break the cycle, he'll use it to better himself and help others. At Palm Valley, we've long since progressed to the acceptance phase of Groundhog Day markets. We aren't keen to conform to an investment positioning that exposes our shareholders to uncompensated risk, even though that may entail forgoing speculative moves higher. Like Phil, we've opted to make an impact where we can, in our small corner of the investment world, while we await a new tomorrow.

Meanwhile, it's buzzing under the AI big top. SpaceX went public in June at a \$1.8 trillion valuation, and OpenAI and Anthropic are expected to hit the market at valuations exceeding one trillion apiece. None are



profitable, but the sky's the limit. In SpaceX's case, the sky isn't even a limit. Literally. OpenAI's internal projections have it in the black around 2030. Despite investors' frothing over all things AI, the world is quickly learning that utilizing automation at scale is far from free. Corporations are beginning to question the return on AI investments. A Bain survey revealed that automation-driven savings are falling short of projections. One unnamed company reportedly blew half a billion dollars on Claude usage fees in one month after letting employees have unrestricted use of the tool. Uber burned through its entire 2026 annual AI budget by April. Amazon discovered employees were inflating AI consumption, or "tokenmaxxing," to climb the ranks of an internal AI adoption leaderboard. Microsoft has curbed employees' use of Claude due to exorbitant token costs and is considering using China's DeepSeek in a lower cost AI model. OpenAI is debating whether to slash its enterprise pricing to regain market share from Anthropic.

The LLMs are incinerating cash, which is flowing directly into the coffers of the semiconductor industry. Memory chip manufacturer Micron is forecast to have an operating margin exceeding 80% next fiscal year, which is over 10x its average 30-year margin of ~8%. Samsung is paying its 78,000 semiconductor employees incredible bonuses averaging nearly \$400,000. NVIDIA's market cap vaulted past \$5 trillion. History would suggest the profit bonanza cannot be sustained. China has boosted production of DRAM and NAND memory chips. Amazon and Google are both now producing chips to compete with NVIDIA. Competition is coming for windfall profits.



Even though June was brutal for hyperscalers, the S&P 500 Index is up 9.5% since the war started on February 27<sup>th</sup>. According to Goldman Sachs, excluding AI stocks, the Index return was 1.6%. Tech sector earnings are booming from rapacious AI demand and soaring microchip prices, lifting the S&P's profit margin to a historical peak. On the other hand, non-tech companies' net income growth has been meager. AI capital investment is by far the largest driver of gains in GDP. Hyperscalers' cash flow is diving as they rush to build data centers. Alphabet was first to test the market's appetite for a huge secondary offering and raised \$85 billion. Meta might do the same, and SK Hynix's U.S. listing is imminent. Are the floodgates opening? It would almost be criminal *not* to issue stock at present valuations.

The average Price to Sales multiple for the top ten stocks in the S&P 500 is 12.6x, up from 4.5x a decade ago. The S&P 500's dividend yield is near 150-year lows. Stocks have not winced at rising bond yields, with the 30-year U.S. Treasury temporarily pushing over 5% in May. The current climate is not a facsimile of 2021, but nutty things are happening with regularity. Former sneaker maker Allbirds pivoted to AI

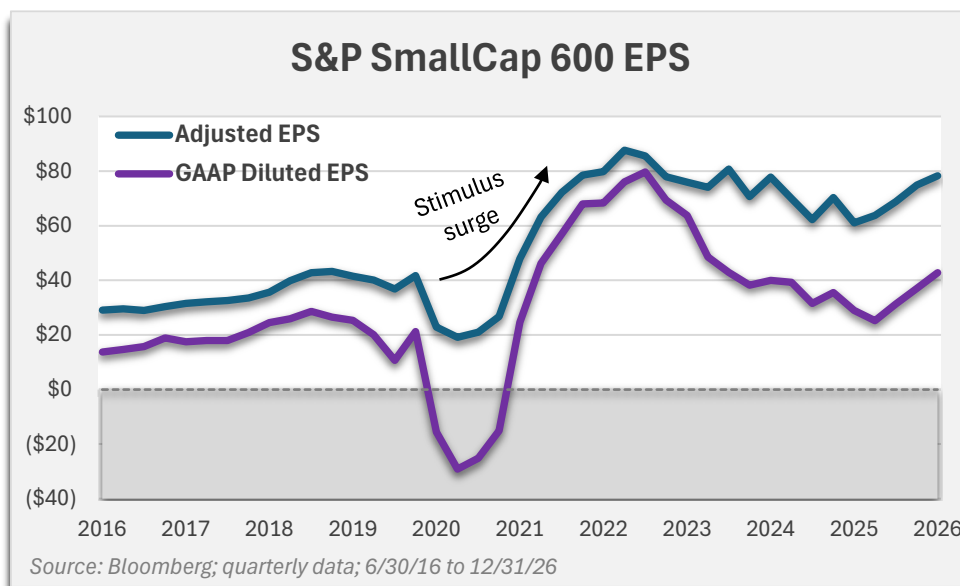


infrastructure, and its stock climbed nearly sixfold the day of the announcement. If you haven't had AI exposure in your portfolio, you may feel like this poor kid in China who was at the wrong end of a roundhouse from a clown-wig wearing humanoid robot performing a martial arts demonstration.



As the AI ecosystem has powered the market higher, the chorus of calls for a rotation into small caps has become overwhelming. The Q2 gain for small caps was the highest of any quarter since the COVID bounce in Q2 2020. Investors cite lower relative valuations for small caps and their severe equity underperformance over the past decade. These valuation arguments are usually grounded in unreliable forward earnings estimates or management's adjusted earnings instead of actual GAAP profits. Although the Russell 2000 is the most popular small cap benchmark, its composition has been hijacked by the speculative fervor flooding the capital markets, with 40% of its members unprofitable.

While it's not perfect, the S&P SmallCap 600 is probably a better comparison for Palm Valley's investment strategy, since it has profitability standards for admitting members. Despite its highbrow methodology,



the SmallCap 600's true EPS is approximately half of its advertised adjusted EPS (source: Bloomberg), as aggregate GAAP results are heavily impacted by losses from a small subset of the Index. Over the trailing twelve months, 115 unprofitable members collectively lost \$38 billion, while the 485 profitable constituents made \$89 billion. That's equal to two quarters worth of earnings for NVIDIA, by the way. Crazy times.



The strength of small cap earnings growth during the COVID-era is frequently used as a point of argument why this slice of the market has been unfairly neglected. If small caps can double adjusted profits per share throughout the stimulus-sated pandemic and hold most of the earnings gains during the subsequent inflationary surge, then do these stocks deserve higher multiples?

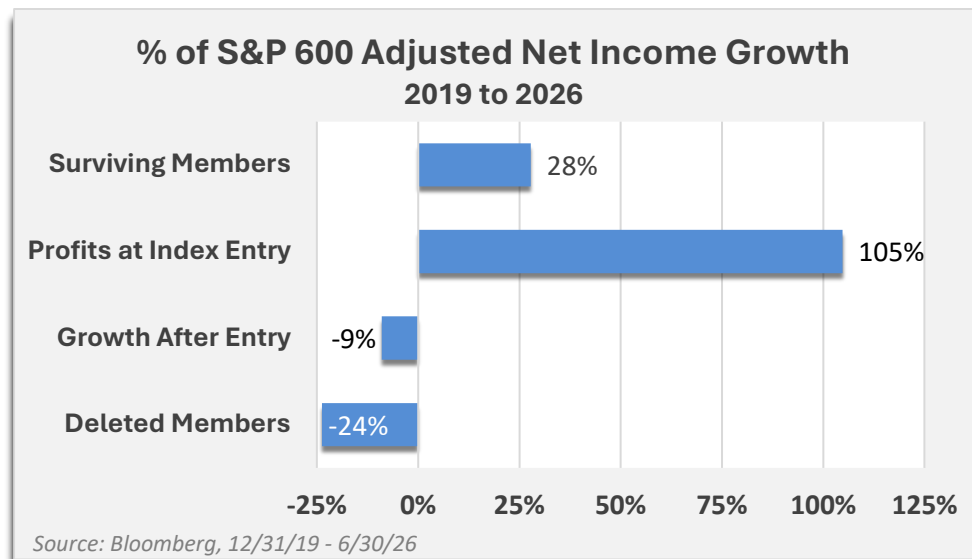
**The earnings trajectory of small cap benchmarks has been influenced by evolving membership more than the underlying fundamentals of their constituents.** We deconstructed the S&P 600 constituents each quarter from the end of 2019 to present. Aggregate adjusted earnings for the Index increased from \$31 billion to \$83 billion (+164%) over the period. This percentage change is greater than the change in SmallCap 600 EPS because Index EPS has been impacted over time by a growing “divisor.” The divisor is a mathematical value used to inoculate an Index price from turnover in its membership on the day of the change. For example, when NVIDIA replaced Enron (no joke!) in the S&P 500 on November 29, 2001, it had a market cap of \$7.8 billion, whereas the collapsing Enron was worth less than \$300 million. The divisor prevented this switch from impacting the Index price on the reconstitution day. Of course, the subsequent price impact from NVDA was substantial!

The SmallCap 600 divisor increased by 32% over the period under review, reflecting net share issuance and a net gain in Index market cap from reconstitutions. Of the original S&P 600 as of December 31, 2019, only 249 members remained in the Index 6.5 years later—much higher turnover than the S&P 500 due to small caps’ higher propensity for takeovers and bankruptcies. While these survivors grew profits by 59% on average, they explained only 28% of the Index’s earnings growth from 2019 to mid-2026.

**The majority of earnings accretion for the S&P 600 from before the pandemic to today came from Index turnover.** New members collectively delivered 105% of the total Index earnings growth based on their contributed profits at Index entry, more than replacing the 24% of profits attributed to starting constituents that were subsequently deleted.

If you think this finding indicates healthy creative destruction, that would be the wrong take. Over 40% of the Index additions were fallen angels from the S&P MidCap 400 and S&P 500. These were

established businesses that shrunk relative to the market. Nevertheless, their profits still delivered a boost to the S&P 600 if the entrants had an earnings yield in excess of the deleted member...which in the vast majority of cases, they did. While the S&P methodology insulates the Index price from turnover by using the divisor, no such direct neutralization is made for the associated earnings. The P/E of added S&P





600 members over the period was 17x compared to 48x for those removed, so the Index valuation initially improved as a result of the replacements.

Almost 60% of the Index additions between 2019 and 2026 weren't S&P 400 or 500 refugees. These stocks may have been viewed by the Index committee as younger, faster-growing businesses worthy of membership. However, **the aggregate earnings change for all new entrants from their inclusion to 2026 was negative**. As a group, they collectively made *less* money in the last twelve months than they did when they became constituents. The median new addition did grow earnings slightly (~10%), but this was generated by new members from the 2020 and 2021 cohorts, which started with lower profitability.

Russell 2000 Index EPS increased much less than the SmallCap 600 since before COVID because its new members contributed significant losses upon admission—the opposite of the S&P phenomenon—showing the influence of index construction methodology. **We recommend viewing small cap index earnings charts with a grain of salt. Index EPS have not been representative of the profit path of the typical small cap**, with earnings driven more by constituent replacement than organic net income growth.

Currently, the P/E of the SmallCap 600 using adjusted Index earnings is 23x. The median constituent trades at the same 23x multiple on adjusted earnings. On GAAP profits, the Index P/E is 40x, with a median of 26x. Market pundits remark about how cheap small caps are on forward earnings—only 16x

**S&P SmallCap 600 Forward Earnings Flop**

	Index Total	Median Company
<b>The Past Year (actual miss)</b>		
Adjusted TTM Net Income ÷ Consensus Estimates 1 Year Ago	-16%	-9%
Actual TTM Net Income ÷ Consensus Estimates 1 Year Ago	-54%	-13%
<b>The Next Year (expected growth)</b>		
Consensus Estimates Next 12 Months ÷ Adjusted TTM Net Income	40%	25%
Consensus Estimates Next 12 Months ÷ Actual TTM Net Income	153%	35%

\*Source: Bloomberg; TTM = Trailing twelve months

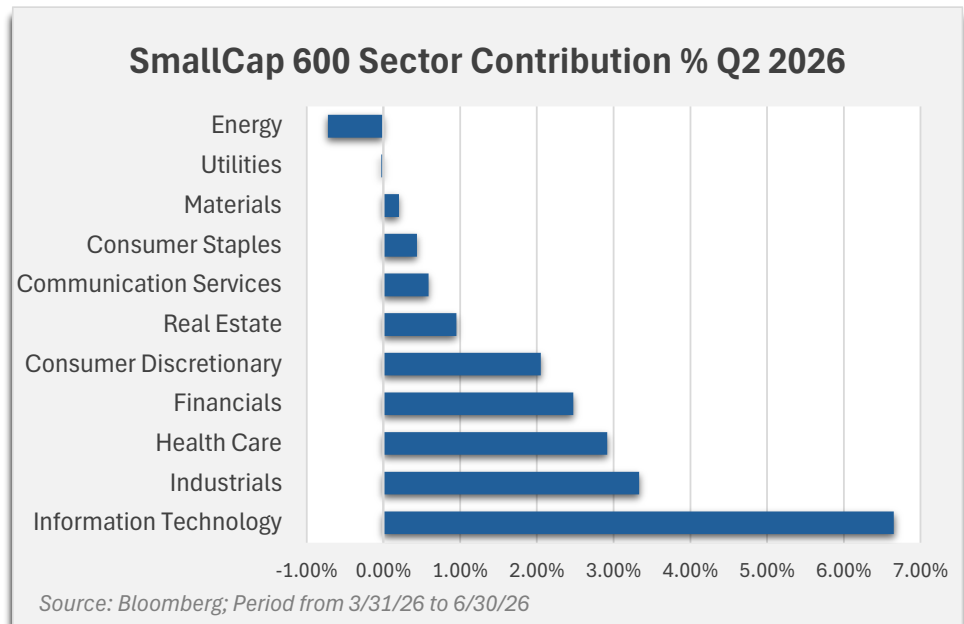
Wall Street estimates for the next 12 months. In the words of Ronald Reagan, "There you go again." If we mercifully take trailing *fully adjusted* Index earnings for small caps and compare them to consensus estimates from exactly one year ago, they fell short by 16%. If we use GAAP profits, they fell short by 54%. For the average company, the misses weren't as dramatic, but they were still substantial, particularly since tariff-related impacts were less than anticipated. So, forgive our skepticism about forward multiples implying 40% growth over adjusted Index profits and 153% growth over actual trailing earnings. That rosy outcome is highly unlikely.

The Palm Valley Capital Fund Investor Class increased 1.80% for the quarter ending June 30, 2026, compared to a 19.7% return for the S&P SmallCap 600 Index and a 14.0% gain for the Morningstar Small Cap Index. Although the Fund's annual report lists the S&P 500 as a benchmark, this is due to regulatory requirements for mutual fund reports to include a "broad-based securities index." We don't believe this is helpful to shareholders, but we don't make the rules. Investors utilize our strategy in different buckets including small cap, small cap value, and absolute return—we are not aware of any using us as a mega-cap alternative. We believe it's most appropriate to evaluate the Fund's performance against relevant benchmarks over a full market cycle, which would include a bull and bear market. This may be asking a lot, given Washington's efforts to eliminate bear markets. Nonetheless, we are managing your capital under the assumption that downside risk still exists.

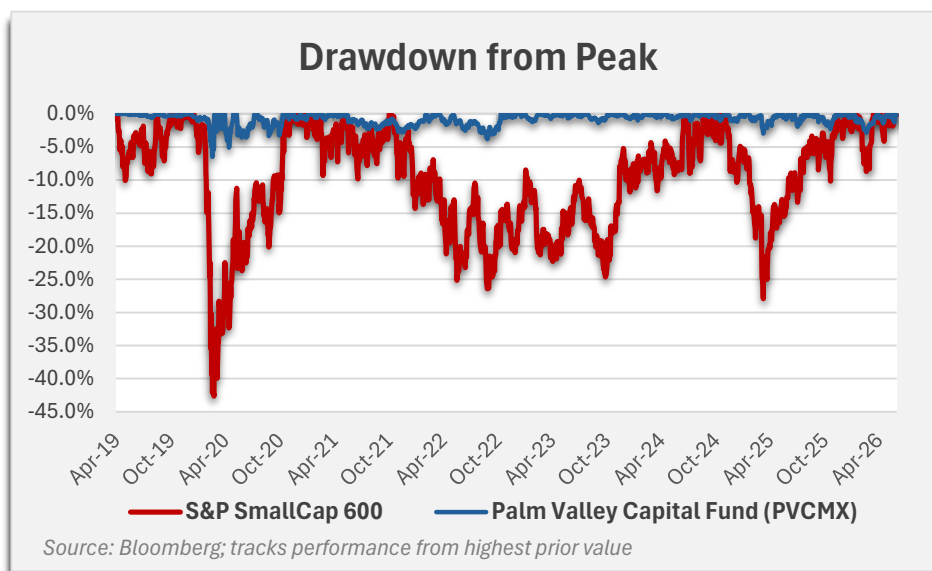


Vigorous data center construction was a primary contributor to the S&P SmallCap 600's performance in Q2, with the weighted average return of the semiconductor industry at 93% in the period. Biotechs also made a major impact, and financials generally performed well, benefiting from credit creation and strong capital markets. The energy industry lagged as oil prices were whipsawed by the Iran conflict. The Fund's underperformance versus benchmarks was attributable to its large allocation to cash

equivalents (Treasury bills), which ended the period at 75% of Fund assets. We also did not have exposure to stocks seen as AI beneficiaries, since we believe prices for those securities are implying a boundless future unencumbered by normal economic constraints, like competition and cyclicity. Excluding cash and Fund operating expenses, the Fund's equity positions increased 6.0% for the three months.



Over the last year, small cap benchmarks have raced ahead of the Fund. The Palm Valley Capital Fund's risk-adjusted results (return / volatility) continue to screen well due to strong equity-only performance matched against a high cash position. This has helped us deliver a reasonable return with approximately one-fifth the volatility (standard deviation) of the benchmark with limited drawdowns. While we are proud of this achievement, our goal is to produce attractive absolute returns on all the capital you've entrusted to



us. At present, we are unable to find enough small cap opportunities that meet our required return criteria to populate the entire portfolio. We are prepared to act swiftly if market conditions become more favorable for valuation-conscious investors. We do not believe our shareholders will benefit from compromising our standards to achieve a more fully invested status. As the old saying goes, to finish first, first you must finish.



The Fund acquired three new positions during the second quarter: The Clorox Company (ticker: CLX), Molson Coors Beverage Company (ticker: TAP), and Vontier Corp. (ticker: VNT). The Clorox Company manufactures a wide range of household and professional cleaning, disinfecting, lifestyle, and wellness products. Its portfolio includes well-known brands such as *Clorox* bleach and disinfecting wipes, *Pine-Sol* cleaners, *Glad* trash bags, *Burt's Bees* lip balm, *Kingsford* charcoal, *Fresh Step* cat litter, and *Hidden Valley* salad dressings. The company suffered a major cyberattack in 2023 that disrupted production and distribution, causing it to lose market share in several categories. The recovery has been slower than investors hoped, and Clorox has been working through a large ERP implementation that distorted shipments, reduced volumes, and created inventory disruptions with retailers.

THE  
**CLOROX**  
COMPANY  
KEY BRANDS



In April, Clorox cut its fiscal 2026 outlook. Consumers have become more price-sensitive, leading some shoppers to trade down to private-label alternatives in categories such as cleaning products and household consumables. We view Clorox as a slow-growth consumer staples company with historically stable cash flows. We acquired a small position near the lows, but the shares have since bounced.

Molson Coors is the second largest brewer in North America and a top five global player. Its brewing heritage extends back two centuries. Coors Brewing Company was incorporated in 1913 and merged with Molson in 2005. The firm acquired full ownership of the Miller portfolio in 2016. The company's beer

brands include *Coors Light*, *Miller Lite*, *Coors Banquet*, *Molson Canadian*, *Carling*, *Staropramen*, *Blue Moon Belgian White*, *Leinenkugel's Summer Shandy*, *Miller High Life*, and *Keystone Light*. Beyond the beer aisle, the firm offers *Vizzy Hard Seltzer* and partner brands such as *Simply Spiked*, *ZOA Energy*, and *Fever-Tree*.

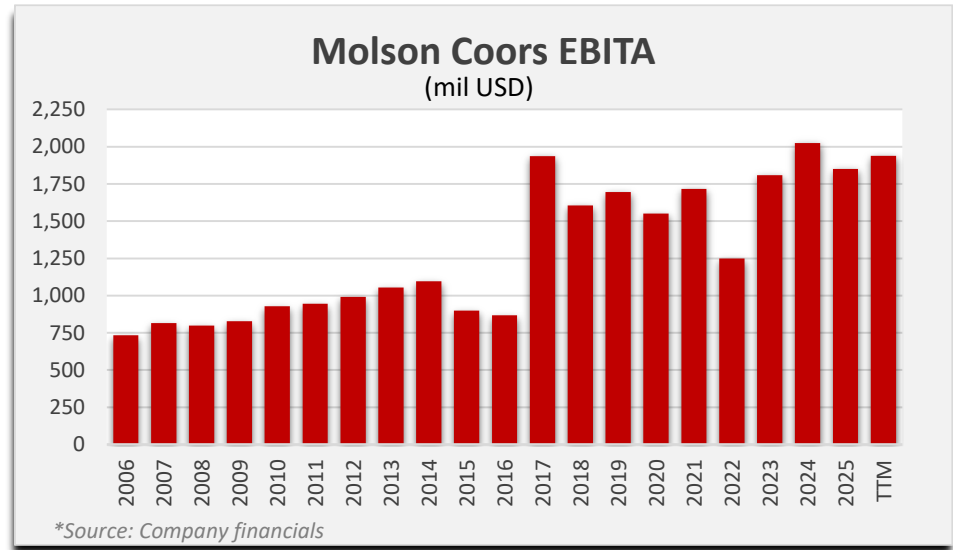


Molson's financial performance has stagnated over the past decade, as the U.S. beer industry has experienced declining demand for mainstream offerings while consumers shift toward premium and "Beyond Beer" brands where the company's market share is weaker. Hard seltzers (*White Claw*, *Truly*),



energy drinks, ready-to-drink cocktails (*Cutwater, High Noon, and Sun Cruiser*), flavored malt beverages (*Twisted Tea, Mike's Hard Lemonade*), non-alcoholic beer, and zero-proof cocktails have dented the market share of leading beer brands, although the alternative beverage space is crowded and exhibits shorter product life cycles. High gas prices have sapped beer demand from lower income consumers in

2026. Investors are grappling with whether the beer category is in permanent, albeit gradual, decline or will stabilize. Molson Coors has maintained profitability despite industry headwinds and paid down a significant chunk of the debt used to fund its 2016 acquisition of the MillerCoors JV. Shares are near multidecade lows and sell for 6.5x trailing free cash flow. Although the business is mature, cash generation is robust, and the stock provides a 4.9% dividend yield.



Vontier sells the equipment, software, and recurring services that help convenience stores pump gas and process payments, repair shops diagnose problems, and car washes operate efficiently. It was spun out of Fortive Corporation in 2020, which itself was formerly part of Danaher. Key operations include fueling equipment and payment systems through the brands *Invenco* and *Gilbarco Veeder-Root*, vehicle repair and

diagnostics tools through *Matco Tools*, and car wash technology through *DRB*. The company touches a large portion of the world's fuel transactions, since its equipment is installed at hundreds of thousands of fuel sites globally. Vontier enjoyed a significant temporary tailwind, peaking in 2021, when U.S. gas stations were required to upgrade payment terminals at the pump to support EMV chip card transactions due to shifting fraud liability rules. Some investors have long-term concerns about the company's relevance as the transportation fleet moves away from internal combustion engines. Vontier has become more fuel agnostic in recent years, with its products serving vehicles powered by gasoline, electricity, and hydrogen. The firm owns a leading provider of electric vehicle (EV) charging software. Vontier's payment systems stretch from the pump to inside of convenience stores.



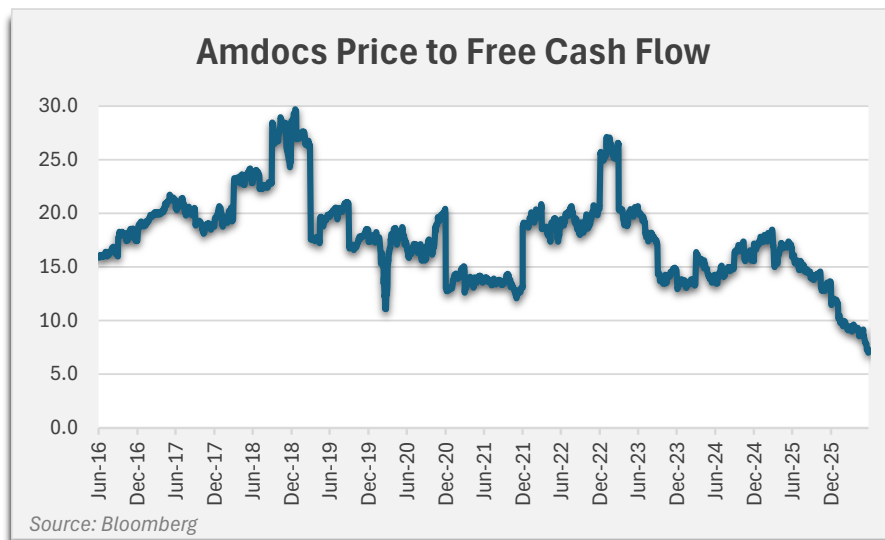
Organic revenue growth has moderated, certain segments have experienced softer demand, and the market seems to be weighing the company's software exposure to AI impacts. Nevertheless, most of Vontier's products are embedded in physical transportation infrastructure, and the firm's fate is increasingly tied more to the popularity of



convenience stores than the quantity of gasoline sold. The company has applied its cash flow to repurchasing stock and repaying debt, and the current enterprise value is near the low end of its range since the 2020 spinoff. Shares are trading for 9x expected 2026 free cash flow.

We sold our position in Heartland Express (ticker: HTLD) during the quarter. The stock rallied to our valuation in anticipation of a trucking industry recovery. The freight cycle has experienced a prolonged bottoming, yet Heartland's shares have priced in significantly improved fundamentals already. We sold Heartland in April but observed with interest a June *Wall Street Journal* article discussing PepsiCo's use of driverless box trucks in Arizona to transport Frito-Lay and Doritos relatively short distances from distribution centers to retail stores like Walmart. Trucking is another sector where investors are assessing how quickly automation will impact incumbents, and their judgments and misjudgments could create future opportunities.

The stocks most negatively affecting the Fund's second quarter return were Amdocs (ticker: DOX), LKQ (ticker: LKQ), and Chord Energy (ticker: CHRD). Amdocs was a top decliner for the second consecutive quarter, since it has been treated as a casualty of artificial intelligence. Amdocs has a hybrid model anchored by managed services (two-thirds of revenue) and systems integration/custom software (one-third). It operates the core billing, rating, and customer care engines of telecommunications giants, which are insulated from quick displacement because ripping them out introduces severe operational risk to a carrier. While Amdocs' stock has been grouped with IT consultants with large offshore employee bases like Accenture and Infosys, pure consultancies typically bill on a time and materials model (i.e., headcount).



Amdocs, in contrast, wraps its services around its own IP and offers long-term managed services arrangements where *it assumes end-to-end operational accountability*. While we expect Amdocs to pass along to clients the benefits of automating its workflows, which may constrain revenue growth, we believe the historically low valuation (~7x free cash flow) has priced in a severe outcome that is not evident in the current business trajectory.

LKQ's stock declined in the second quarter after management disclosed that the sale process for the firm's Specialty division has been diminished by tightening credit conditions for potential buyers. Regardless, LKQ's overall business appears to be on the mend, with tailwinds forming for key drivers of repairable

Top 10 Holdings (6/30/26)	% Assets
Rayonier	3.13%
Amdocs	2.93%
Kelly Services (Class A)	2.27%
LKQ Corp	2.03%
Reynolds Consumer Prod	1.13%
Healthcare Services Group	1.03%
Teleflex	1.02%
Flowers Foods	1.00%
ManpowerGroup	0.96%
Domino's Pizza Group PLC	0.96%

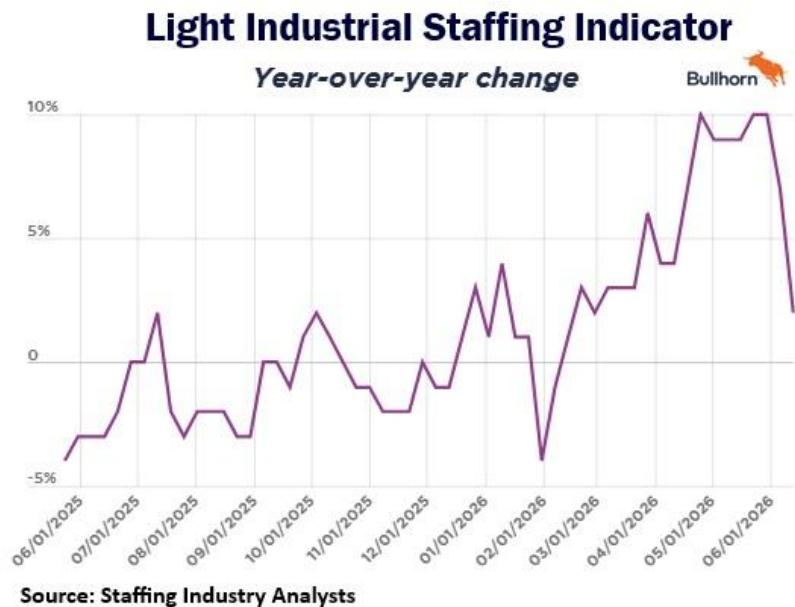


claims. Additionally, the stock has potential catalysts from a strategic review currently underway. Shares are selling for 8.5x trailing free cash flow.

Chord Energy was also a bottom contributor in the quarter. Although Chord reported solid first quarter results and raised its 2026 production guidance, this was overshadowed by the broader selloff in energy stocks driven by falling oil prices after geopolitical tensions eased.

The Fund's top contributors in the second quarter were Kelly Services (ticker: KELYA), TrueBlue (ticker: TBI), and Heartland Express (ticker: HTLD). Although Kelly's first quarter results were weak, as expected, management reaffirmed their expectation for improved year-over-year performance for sales and EBITDA margins in each successive quarter of 2026. Additionally, on May 19th, Kelly's controlling shareholder, Hunt Companies, filed an amended 13D requesting that Kelly's board form a special committee of independent directors "so that the company may be prepared to discuss and evaluate new potential opportunities for Kelly involving Hunt and its affiliates if and when presented, without delay." We believe this signals that Hunt plans to make an offer for Kelly. The stock remains below our valuation, so we are holding our position and view this news as a potential favorable catalyst.

TrueBlue's stock seems to be reacting to improving demand for industrial staffing, which according to industry associations was growing 10% above the prior year in May, but fell to 2% by mid-June. TrueBlue is participating in the data center boom through significant growth in its energy projects, but the company hasn't yet converted this into positive earnings. TrueBlue also ended its proxy battle with EHS Investments in April by entering into a cooperation agreement, and the company received (and rejected) another acquisition offer for its PeopleReady segment from competitor HireQuest. While we continue to believe TrueBlue's profitability will bounce, the company's poor execution the last few years leaves us cautious about sizing the position.



*"How much wood would a woodchuck chuck if a woodchuck could chuck wood?"*  
-*"The Woodchuck Song"* by Robert Hobart Davis, 1902

In 1988, New York wildlife expert Richard Thomas calculated the volume of dirt in a typical 25-foot woodchuck (groundhog) burrow and estimated if the animal could move an equivalent volume of wood, it could chuck "about 700 pounds on a good day." At least Mr. Thomas tried to put some numbers to the age-old question, but the only answer we've ever heard is some variation of: "A woodchuck would chuck as much wood as a woodchuck could chuck if a woodchuck could chuck wood." Delivering this type of polished reply is considered a success, even if it means nothing.



Likewise, Wall Street’s asset gathering machine thrives on sounding smart. Perceived value is added via the narrative. Optimism pays. Look at the heat taken by Ryan Cohen for lacking preparation and enthusiasm when he went on CNBC to discuss funding GameStop’s proposed takeover of eBay (“Half cash, half stock”). The investment community expects more from its meme stock billionaires.

By the time you read this, America will have celebrated its 250<sup>th</sup> anniversary. Thomas Jefferson, the primary author of the Declaration of Independence, was arguably the nation’s most eloquent Founding Father. Jefferson was able to capture grand philosophical ideals in elegant prose that gave the American Revolution its soul. Decades later, at age 69, Jefferson wrote, *“The wise know their weakness too well to assume infallibility; and he who knows most, knows best how little he knows.”*

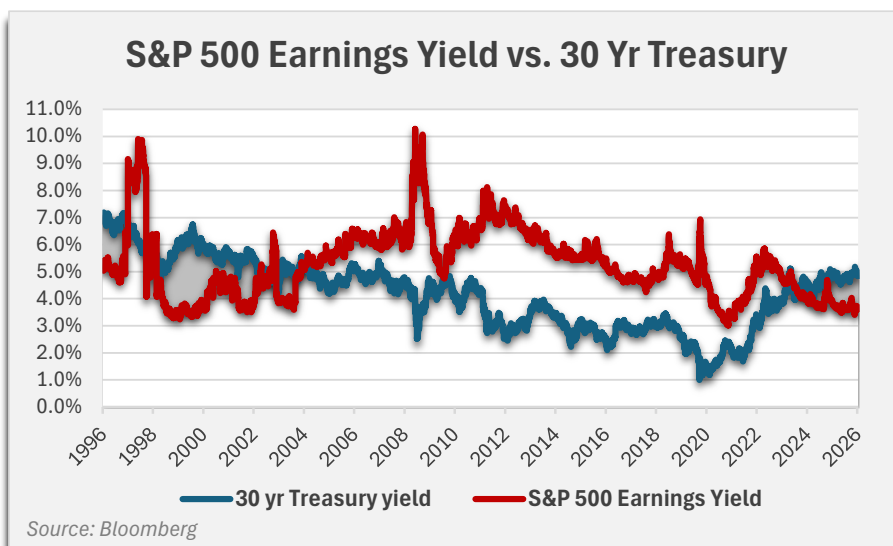


Investors express their uncertainty through valuation. For businesses that are growing rapidly, like the market’s leading enterprises, it seems like no price is too dear. For industries that are facing structural pressures, like food, software, and professional services, multiples have collapsed. A conservative valuation is an investor’s way of demonstrating humility in his or her thesis.

Absolute return investing is like a Jefferson \$2 bill. Most people know it exists, but it is rarely used. Like the groundhog, it occasionally emerges from hibernation, but few take it seriously. While the ranks of disciplined investors have dwindled during the market’s endless summer, the convergence of peak margins, peak valuations, and unprecedented intervention has Palm Valley expecting an impending change of seasons.

In October 2023, the 30-year U.S. Treasury yield moved above the S&P 500 earnings yield for the first time in two decades. Since then, the S&P has appreciated 84% while underlying Index earnings grew 32%. The

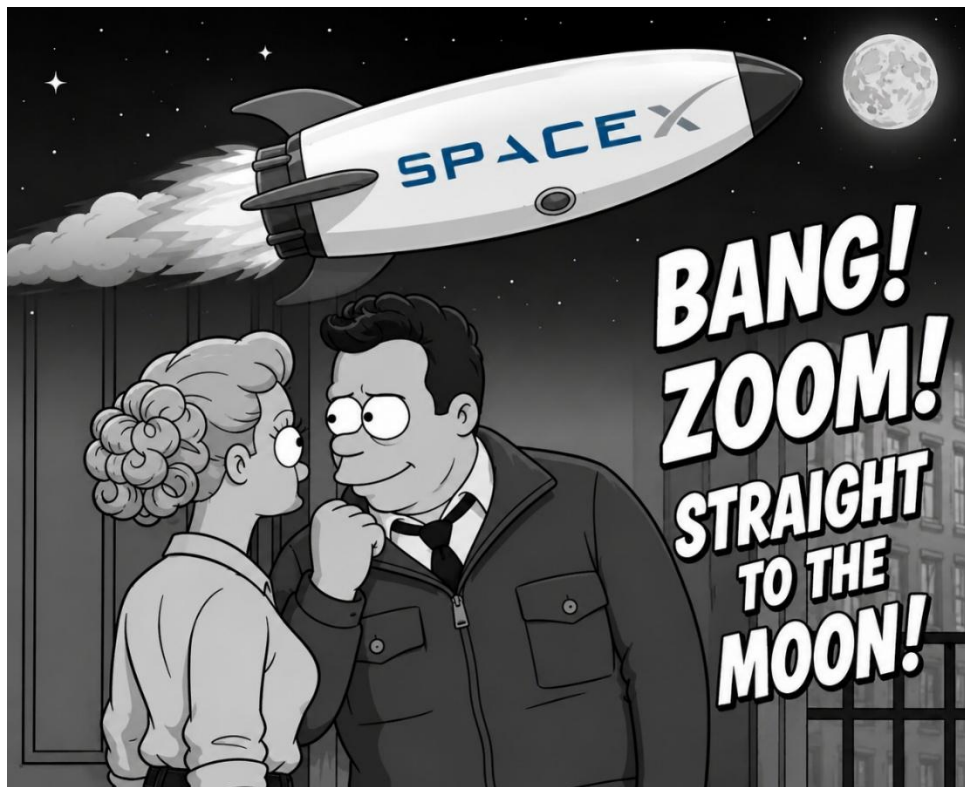
Index’s current 28x P/E is near a historical peak. As we are writing this letter, we received an unsolicited text: *“Looking to invest into companies like OpenAI & Anthropic before IPO? Interested?”* Grifters are coming out of the woodwork to cash in on AI-FOMO. Why chuck, or chop, wood the hard way, if you can watch the winter wood pile grow without lifting an axe?



How much hope can a stock quote float if a stock quote could float hope?



Enough to convince many investors that gravity is optional.



*\*Not a recommendation to invest in SpaceX!*

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 and Summary Prospectus contain this and other important information and may be obtained by calling 904-747-2345. Please read them 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:

*13D:* Mandatory documented filed with the U.S. Securities and Exchange Commission by any individual or entity that acquires a beneficial ownership stake exceeding 5% of a public company's voting stock.

*AI:* Artificial intelligence.

*Credit loss reserves:* Accounting estimates set aside to cover anticipated defaulted loans.

*Dividend yield:* Annual dividends divided by price per share.

*DRAM:* Dynamic Random-Access Memory.

*Earnings yield:* Earnings per share divided by stock price.

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

*EBITDA:* Earnings before interest, taxes, depreciation, and amortization.

*EMV:* Europay, Mastercard, and Visa.

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

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

*ERP (Enterprise Resource Planning):* Business management software used to automate operations.

*FOMO:* Fear of missing out.

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

*GAAP:* Generally Accepted Accounting Principles.

*Hyperscaler:* Massive cloud computing company that builds and manages global data centers.

*IP:* Intellectual property.

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

*Large language models (LLMs):* Machine learning models that are trained on vast amounts of data and can generate human language text.

*Market capitalization:* Stock price multiplied by shares outstanding.

*Meme stock:* An equity that has gained viral popularity through social media.

*NAND:* Flash memory, which is used to save data without a constant power source.

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

*Price to Sales (P/S):* The ratio of a stock's price to the company's sales per share.

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

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

*S&P MidCap 400:* An American stock market index for mid-sized companies.

*Standard deviation:* A measure of the dispersion of a dataset around its average.