



## INVESTMENT PERFORMANCE (%) as of September 30, 2020

	Total Return				Annualized Return
	Inception	Quarter	YTD	1 Year	Since Inception
<b>Palm Valley Capital Fund</b>	<b>4/30/19</b>	<b>0.89%</b>	<b>12.61%</b>	<b>12.85%</b>	<b>9.79%</b>
<b>S&amp;P Small Cap 600 Index</b>		<b>3.17%</b>	<b>-15.26%</b>	<b>-8.32%</b>	<b>-7.34%</b>
<b>Morningstar Small Cap Index</b>		<b>4.90%</b>	<b>-9.97%</b>	<b>-2.17%</b>	<b>-3.71%</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 7.27% and the net expense ratio is 1.27%. Palm Valley Capital Management has contractually agreed to waive its management fees and reimburse Fund operating expenses through at least April 30, 2021.

### Under the Sea

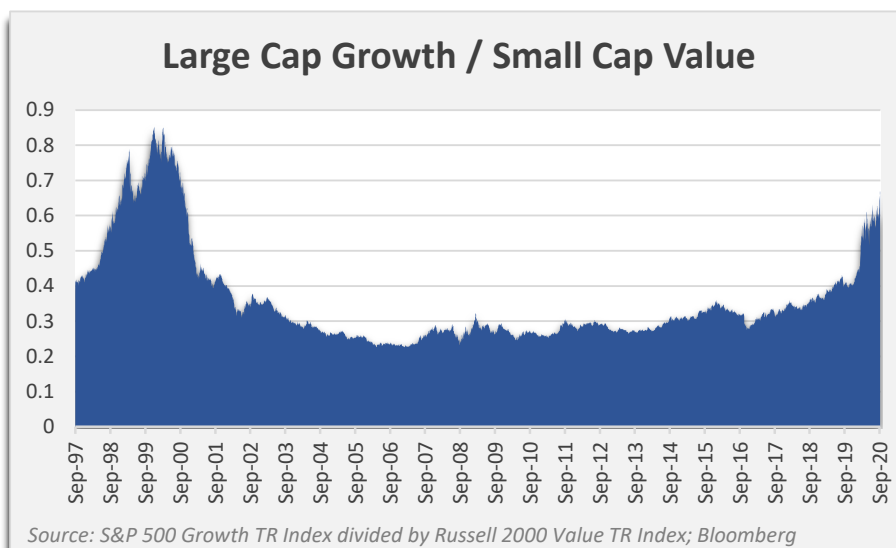
*The seaweed is always greener  
In somebody else's lake  
You dream about going up there  
But that is a big mistake*

From Disney's "The Little Mermaid"

October 1, 2020

Dear Fellow Shareholders,

Envy. It's one of investing's cardinal sins. Many a nest egg has been destroyed by chasing somebody else's returns. Lately, the market has tested the mettle of those pursuing unpopular strategies. The hot topic of the third quarter was the continuing outperformance of splashy growth stocks over boring value stocks, a trend that accelerated with the lockdowns. Since the beginning of 2017, the NASDAQ 100 Index has more



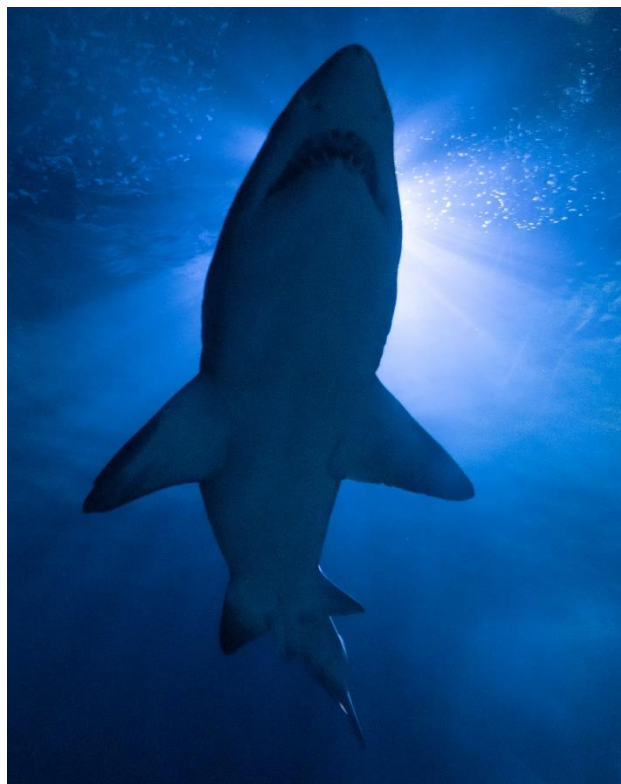


than doubled, while the Russell 2000 Value Index is underwater. Large cap growth companies haven't traded this far above small cap value firms since the technology bubble of the late '90s. Apple, the most profitable U.S. company, was bigger than the entire Russell 2000 at one point this quarter. Electric vehicle manufacturer Tesla has a larger market cap than every U.S. and Japanese car manufacturer...combined. According to LendingTree, Facebook is worth as much as Miami! Even the Nifty Fifty has-been Kodak had its brief moment in the sun this summer. Relatively speaking, value investors have been left in a cloud of dust. Like Howard Beale, they're yelling, "I'm mad as hell, and I'm not going to take it anymore!"

Call it sour grapes, but it's not fun to spin your wheels when you feel like you are investing responsibly, while you watch other investors get rich with much less mental anguish! You can't put a price on the sense of relief many feel when they abandon their investment principles to join the herd. Actually, you can put a price on it, and it may turn out to be a very costly decision.

There is room for all kinds of investment strategies in the big blue sea, but let's face it—most investors are remoras. Remoras, also known as suckerfish, attach to a host animal such as a whale, shark, ray, or turtle and remove parasites and loose skin. Like passive and momentum investors, remoras catch a free ride for little effort. They mostly feast on the waste of their host. It's a symbiotic relationship, since the remora benefits when the host thrives. Remoras live from 2 to 5 years, which, on the long end, is similar to the duration of a typical bull market, at least before the Fed tried to make them permanent.

Value investors are more like sharks. They're independent and generally not liked. When other investors see them, they move quickly in the other direction. Sharks and value practitioners both prey on the wounded. They prefer a big meal but can get by on scraps. Also, they've been around for ages. Greenland sharks are rumored to survive over 300 years, with one tagged fella supposedly born 400 years ago. He was around to see Tulip Mania and the South Sea Bubble.



While the difference in performance between large growth and small value stocks has been striking, we don't believe a chart displaying the historical returns of two strategies is adequate to decide on the present investment case. Examining valuations is more instructive. In our view, while megacaps are overpriced, valuations of the biggest companies are not as irrational as they were in 1999. The median Enterprise Value to EBIT multiple of the biggest ten nonfinancial companies is much lower than it was two decades ago.



**Valuation of Top 10 Nonfinancial Companies in S&P 500: 1999 vs. Today**

*December 31, 1999*

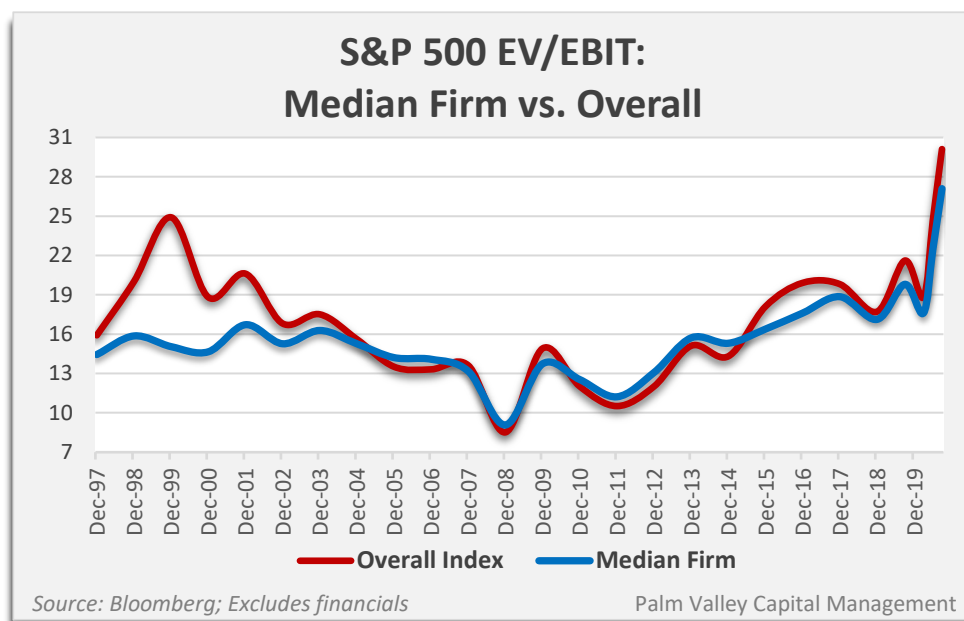
Company	Ticker	EV	EBIT	EV/EBIT
General Electric	GE	615	15.3	40.2
Microsoft	MSFT	583	10.7	54.6
Cisco Systems	CSCO	353	3.8	93.5
Walmart	WMT	331	7.6	43.3
Intel	INTC	264	10.2	26.0
Nokia	LU	240	5.7	42.2
IBM	IBM	215	12.2	17.6
Pfizer	PFE	206	3.8	54.0
Exxon Mobil	XOM	204	11.8	17.2
AT&T	T	202	9.7	20.8
<b>Median</b>				<b>41.2</b>

*September 30, 2020*

Company	Ticker	EV	EBIT	EV/EBIT
Apple	AAPL	1,900	67.1	28.3
Amazon.com	AMZN	1,567	16.9	92.9
Microsoft	MSFT	1,527	53.0	28.8
Alphabet	GOOG	881	32.8	26.9
Facebook	FB	688	27.9	24.7
Visa	V	448	14.7	30.5
Walmart	WMT	437	21.3	20.5
Johnson & Johnson	JNJ	402	20.1	20.0
AT&T	T	372	24.2	15.3
Procter & Gamble	PG	367	15.7	23.4
<b>Median</b>				<b>25.8</b>

*\*Source: Bloomberg; Ranked by Enterprise Value (EV); EV and EBIT in billions of USD.*

However, **on an unleveraged pre-tax basis, the valuation for the *typical* large cap company is almost twice as high as it was during the tech bubble.** With a median EV/EBIT multiple of 27x for the S&P 500, we'd wager that the average big cap stock has never been this expensive. In our opinion, the overvaluation in today's market is much broader than it was in 1999, so it's a far more challenging backdrop for value investors.



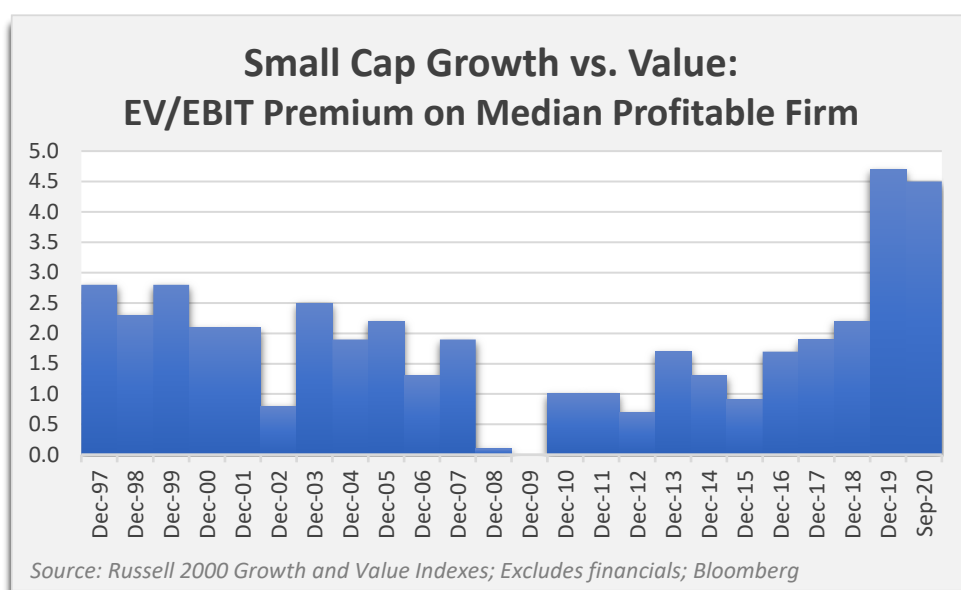
The investment story for small caps, and in particular, small cap value stocks, is less clear cut. There is no widely accepted definition of what constitutes a value stock. In fact, hundreds of companies are partially present in both value and growth indexes from leading benchmark providers. In general, growth investors



want to own firms with above-average growth, while value investors are primarily concerned with the price they pay. With that said, you'd be hard-pressed to find a value investor who would turn away a rapidly growing, attractively priced business. It's just difficult for value investors to pay up for projected growth.

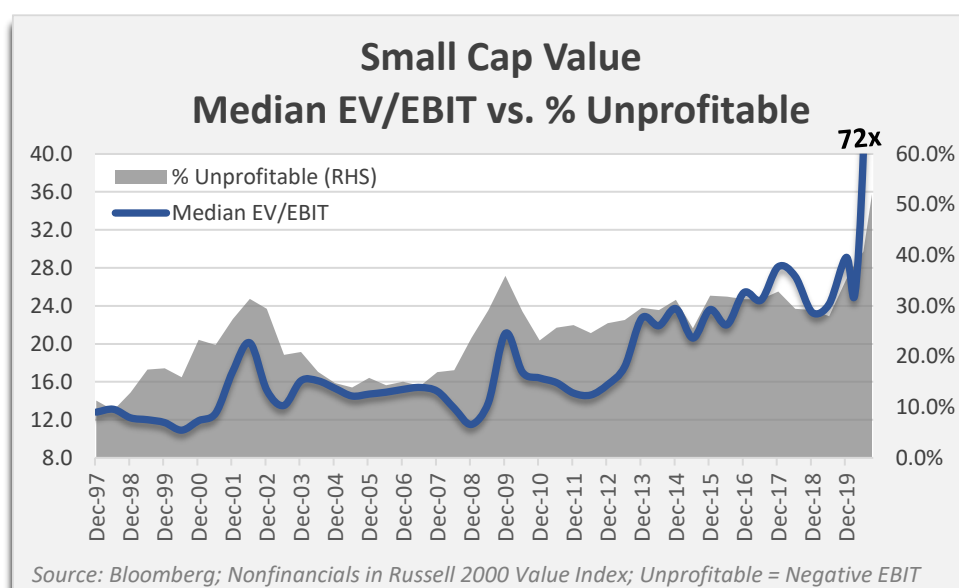
**Today, small cap investors are paying nearly the largest**

**premium for growth over value in at least a generation.** Despite the material outperformance of small cap growth over value styles so far in 2020, the relative valuation premium assigned to the typical small growth stock hasn't expanded since the beginning of the year. Chalk this up to stronger year-to-date earnings performance from nonfinancial growth versus value firms.



The proportion of Russell 2000 Index members that are unprofitable, 46% (54% of nonfinancials), is approximately double what it was in 1999. While firms in the growth bucket are more likely to lose money, the difference is not that significant when you exclude financial companies. You could blame today's higher concentration of unprofitable value firms on COVID-19, or on the oil bust, but you'd mostly be wrong. This is a secular trend supported by government policies. **Unfortunately, even with the extended relative beating absorbed by small cap value stocks versus other styles and capitalizations, their valuations look nothing like the 1999 bargain hunter's panacea when you**

**consider the entire index, including the unprofitable businesses.**



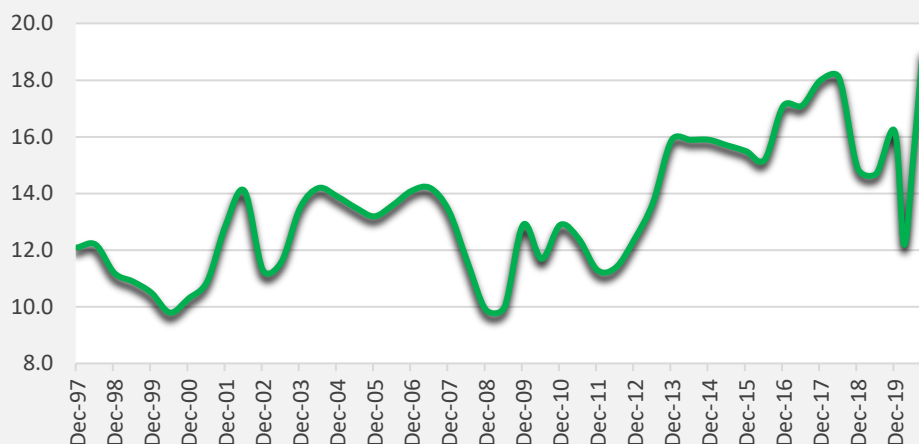
Over the last twelve months, the Russell 2000 small cap universe produced an aggregate net loss of \$73 billion, with the energy sector responsible for about one-third of this deficit. At the beginning of the year, before the lockdowns, there was also a trailing twelve-



month loss for the index members. Nevertheless, unprofitable companies aren't usually worthless. We even own some. It just depends on the circumstances. As a value investor, you have to buy when it's ugly, and sometimes that means at cyclical troughs. **When you look separately at only profitable small cap value stocks, the story becomes more interesting, but, we would argue, not compelling.** In March of this year, many stocks were quickly approaching bargain territory, but the Fed's flurry of actions and jawboning sent stocks rocketing higher. The current 19x median EV/EBIT of profitable nonfinancial

companies is twice the level from the end of 1999 and 2008, although for many firms it reflects weaker second quarter earnings from government-imposed lockdowns. Using 2019 pre-pandemic operating profit, the adjusted median multiple would be roughly 14x—the lowest in several years except for March, but still on the high side of historical multiples prior to QE3.

### Profitable Small Value Median EV/EBIT

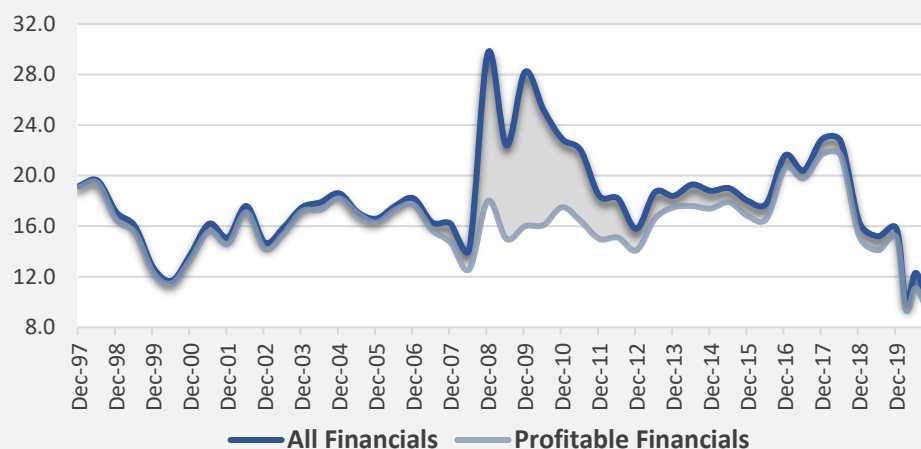


Source: Bloomberg; Nonfinancial companies in Russell 2000 Value Index

We'd be remiss to ignore an analysis of small cap financials, which occupy the largest slice of value indexes. **On the surface, financial company valuations look very cheap, with several caveats.** The median P/E of Russell 2000 financial companies of 11x is near record lows. More than half of small cap banks are selling below tangible book value. For enterprising investors, there's likely productive work to do now in this space, although conviction may be limited.

As we discussed with you last quarter, financials benefited significantly from corporate tax reform, and current low earnings multiples might reflect that investors are pricing in the possibility of

### Small Cap Financials Median P/E



Source: Bloomberg; Russell 2000 financial sector

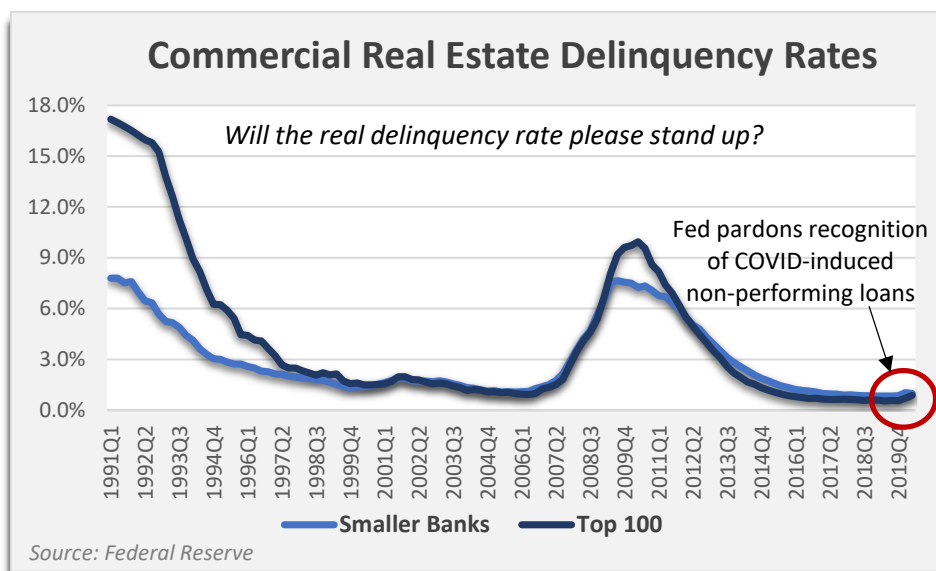




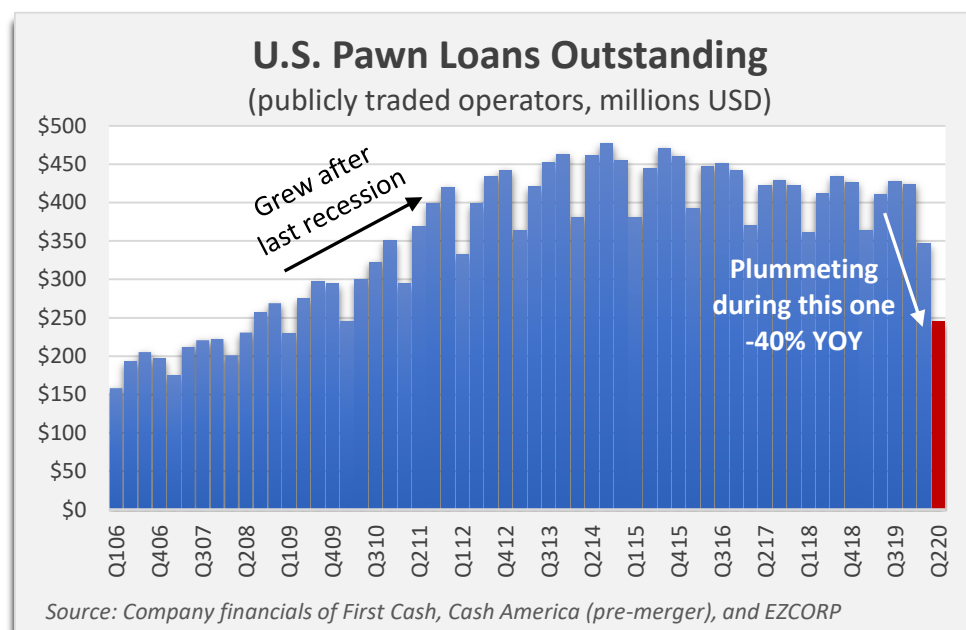
higher tax rates.

Additionally, bank credit is already at record levels relative to GDP, and most banks are tightening lending standards. The low interest rate environment could make it difficult for banks and insurers to grow profits. During the last recession, many financials posted losses, reflecting the bursting of the housing bubble. So far this cycle, small bank profitability has remained firm, aided by

servicing fees on Payroll Protection Program loans. In fact, as a group, smaller banks reported higher year-over-year profits in the second quarter, in contrast to large banks. The Fed has granted lenders a temporary reprieve from recognizing non-performing loans due to COVID-19. We estimate that 40% of the loan book for public small cap banks consists of commercial real estate and construction loans, and we believe this is a major source of risk on small bank balance sheets. While the uptick in reported delinquencies on commercial properties is almost imperceptible this year, we expect that to change for the worse, given the significant number of loans in forbearance.



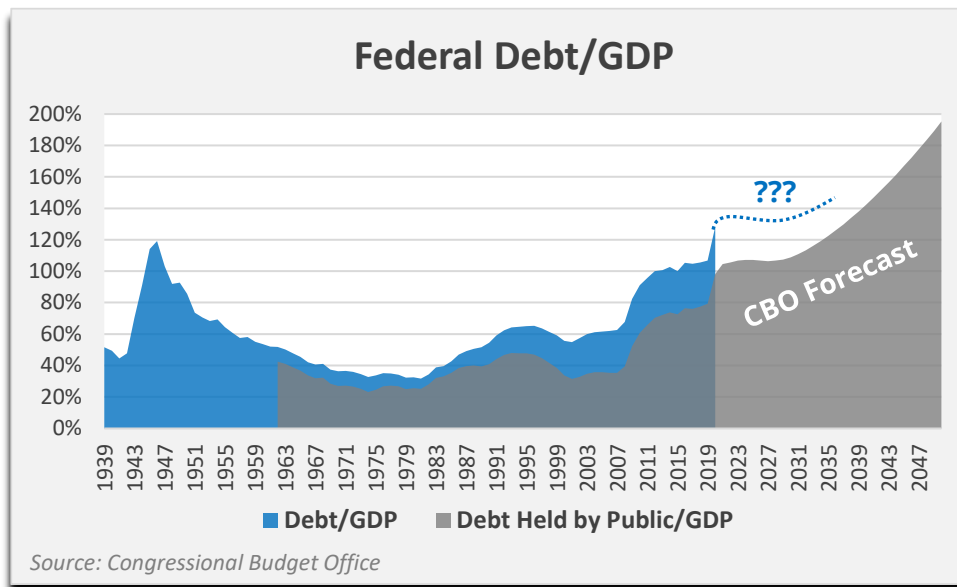
**We underestimated how much government stimulus would influence consumer behavior in the second quarter.** While robust sales at grocery stores were a given, we wouldn't have predicted 21% comps at Dick's Sporting Goods or a 13% increase in same store sales at Shoe Carnival. Discretionary



retailers took wallet share from restaurants and other venues that were closed or had capacity restrictions. With unemployment spiking to Depression levels, we certainly wouldn't have forecasted a 40% plunge in new pawn loans. This did not happen in 2008-2009, when pawn usage grew during and after the recession, and it demonstrates that the pandemic stimulus was a windfall for cash-strapped consumers.

All fiscally untenable things must come to an end, but when? The direct payments to citizens happened back in April, enhanced unemployment benefits expired at the end of July, and mortgage forbearance and eviction moratoriums won't last forever. During its second quarter earnings call, Walmart's management commented, *"As the benefits from stimulus waned towards the end of the quarter, we saw comp sales settle into a more normal range."* Surprisingly, Congress has not yet agreed on additional stimulus measures, with the Democrats asking for more, the Republicans less, and the President somewhere in the middle. In early August, Gallup and Franklin Templeton surveyed U.S. adults and asked whether they thought the federal government should send another direct payment to citizens. 70% said yes. We're afraid the chopper has left the hangar on second thoughts about helicopter money.

Even the lower end amounts being discussed for a second round of stimulus are still stupefying relative to historical measures. In September, the Congressional Budget Office (CBO) produced a long-term forecast for government debt. While the report is frightening enough on its own, it likely understates the problem. The CBO has consistently been too optimistic in its projections for spending and growth. Additionally, in our opinion, they are using the wrong numerator. In what may be the biggest Non-GAAP adjustment in finance, the government cites "federal debt held by the public" when discussing our national debt. This



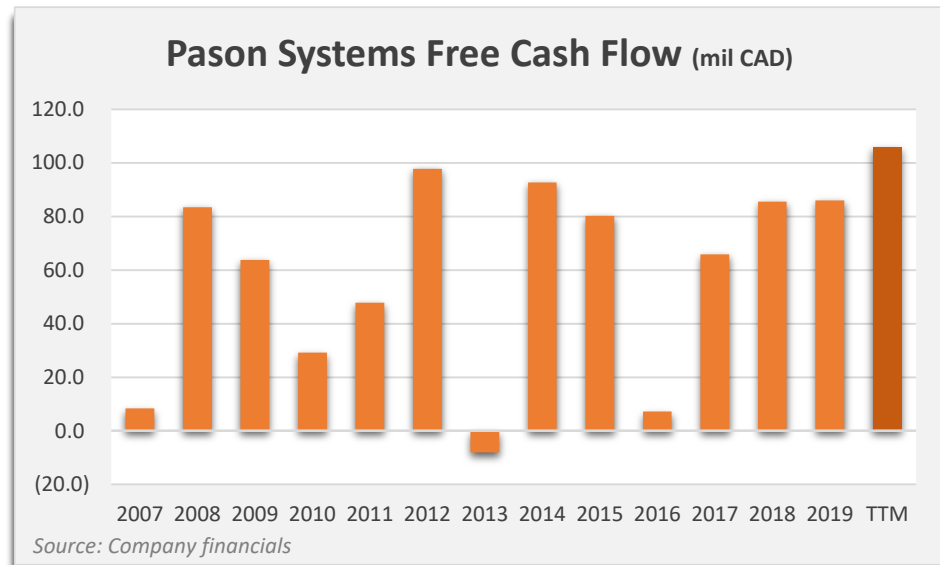
conveniently leaves out \$6 trillion of Treasuries held in government trust funds, like the Social Security trust fund. The reasoning: "It's debt we owe to ourselves." So, should we just mentally cancel the primary assets supporting Social Security, which is already underfunded? We'll see how proposed reductions to old age benefits would fly with "the public."

For the third quarter ending September 30, 2020, the Palm Valley Capital Fund gained 0.89%. This compared to a 3.17% increase for the S&P Small Cap 600 Index and 4.90% appreciation for the Morningstar Small Cap Total Return Index. The Fund ended the quarter at 30% invested, which was slightly above the average for the three months. The remaining 70% of the portfolio is in cash equivalents. The performance of our equity positions was roughly in line with our benchmarks in the third quarter.

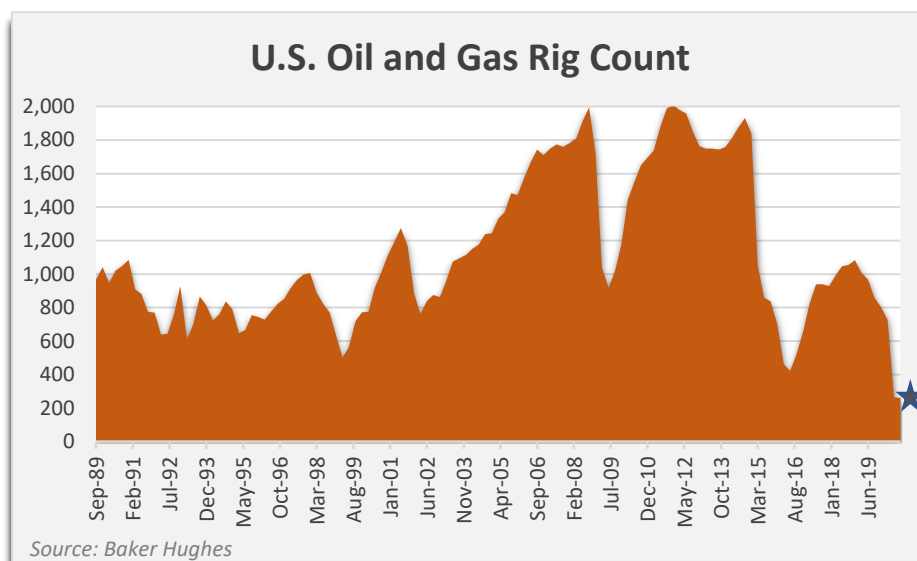
Through the first nine months of the year, the Fund gained 12.61% versus a 15.26% decline for the S&P Small Cap 600 and a 9.97% drop for the Morningstar Small Cap Total Return Index. Even though we consider ourselves value investors, at the inception of the Fund we elected not to use a value index as one of our benchmarks. We do not want potential shareholders to think we are limiting our universe. We will buy businesses others may define as growth companies, but most of our holdings typically belong to value benchmarks.

We purchased small positions in three new companies during the quarter: Pason Systems (ticker: PSI CN), NOW (ticker: DNOW), and Capitol Federal Financial (ticker: CFFN). Two energy companies and a bank—reflecting where the market's pain points are today. In late August, Exxon, the longest tenured member of the Dow Jones Industrial Average (since 1928), was removed from the index. The energy sector has been massacred and bankruptcies continue to pile up (see our blog post: "[Loose Teeth and Tangible Assets](#)"). We're favoring operators with strong balance sheets that we believe will be survivors.

Pason is headquartered in Canada and is the market leader in providing drilling data to U.S. and Canadian energy companies. It is a technology-focused business with its fortunes tied to the number of operating drilling rigs. In other words, the company is facing a tough near-term outlook. In prior energy downturns, such as 2016, Pason was able to reduce expenses to preserve its excellent balance sheet. As of the last report, the firm had \$176 million (CAD) of cash and no debt against a current market cap of \$445 million (CAD).



NOW is a 2014 spinoff from National Oilwell Varco and has a 150-year legacy as a distributor to the oil and gas and industrial markets. Through a vast network of 245 locations, NOW's 300,000 SKU product offering addresses all segments of the energy value chain, from upstream E&Ps to midstream infrastructure to



downstream refining, in addition to industrial end markets including chemicals, mining, utilities, and manufacturing. When energy companies reduce activity, NOW suffers. However, it has streamlined its business since the last oil and gas downturn and expects reduced operating losses this round. As of June 30<sup>th</sup>, NOW had \$269 million of cash and no debt (\$497 million market cap), although if demand recovers as we expect, some



cash will be reinvested in working capital. The stock is currently selling for 66% of tangible book value.

Pason and NOW represent our fourth and fifth investments in the energy sector. The active rig count in the U.S. is at all-time lows. When considering our timing, we concluded, if not now, when? Our largest energy holding is Helmerich & Payne, the nation's largest drilling contractor. It's selling for half of book value. We believe the financial strength of our holdings is far above the typical energy company. Even so, we have kept our exposure to the energy sector in check given our concerns about the overall economy.

#### Energy Companies: Net Debt / Market Cap as of September 30, 2020

	Benchmarks		Palm Valley Capital Fund Holdings				
	Median S&P Energy Co.	Median Russell 2000	Helmerich & Payne	Bonanza Creek Energy	Natural Gas Services	Pason Systems	NOW
<b>Net Debt / Mkt Cap*</b>	<b>57%</b>	<b>87%</b>	<b>-1%</b>	<b>13%</b>	<b>-13%</b>	<b>-40%</b>	<b>-54%</b>
Price / Tangible Book	1.10	0.76	0.48	0.42	0.45	1.53	0.67

\*Negative percentages indicate net cash on the balance sheet

Capitol Federal Financial is a savings bank headquartered in Topeka, Kansas that was founded in 1893. The firm has significantly less exposure to commercial real estate than its small cap peers, instead preferring to focus on mortgages for single-family homes. The bank is overcapitalized and pays out special dividends in most years. As a result of the lockdowns, management offered forbearance to many of its commercial customers. This, along with overall pressure on the sector, pushed the stock price and valuation down to multiyear lows.

A-Mark Precious Metals (ticker: AMRK) was the only name we exited during the third quarter. While it was a successful position, we unfortunately sold too early! The premiums on physical metals continue to be well above-average and A-Mark is earning gangbusters profits. Nevertheless, we value businesses based on normalized conditions, and we expect A-Mark's profitability to eventually return to more typical levels.

We have keenly focused on limiting financial risk for our energy investments, given the volatility of the industry, and several non-energy holdings in our portfolio were valued using the balance sheet as a foundation. Scholastic (ticker: SCHL) is the world's largest publisher of children's books and has been around for 100 years. The company's net cash equals 20% of its market cap, and it owns two 10 story buildings in Manhattan. The stock was slammed by a steep drop in the number of schools conducting book fairs as a result of COVID-19 concerns. We believe the firm will move past this issue next year, and in the meantime, Scholastic is ringing up strong sales of bestsellers like *Dog Man: Grime and Punishment* (#1 book in the world). Scholastic trades at nearly a 30% discount to tangible book value.

#### *The New York Times* Children's Series Bestsellers

October 4, 2020

<b>1</b>	<b>DOG MAN / Scholastic</b> 160 weeks on the list
<b>2</b>	<b>THE TWILIGHT SAGA / Little, Brown</b> 233 weeks on the list
<b>3</b>	<b>HARRY POTTER / Scholastic</b> 600 weeks on the list
<b>4</b>	<b>THE LAST KIDS ON EARTH / Viking</b> 45 weeks on the list
<b>5</b>	<b>DIARY OF A WIMPY KID / Amulet</b> 601 weeks on the list
<b>6</b>	<b>BABY-SITTERS CLUB / Scholastic</b> 41 weeks on the list
<b>7</b>	<b>THE HUNGER GAMES / Scholastic</b> 248 weeks on the list
<b>8</b>	<b>THE BAD GUYS / Scholastic</b> 96 weeks on the list
<b>9</b>	<b>PERCY JACKSON / Disney-Hyperion</b> 549 weeks on the list
<b>10</b>	<b>I SURVIVED / Scholastic</b> 60 weeks on the list



Kelly Services (ticker: KELYA) is a profitable, mediocre staffing company that's upgrading its mix into higher margin areas. More importantly, the stock trades for over a 40% discount to tangible book, which is mainly supported by low-risk receivables.

Protective Insurance (ticker PTVCB) is a leading commercial trucking insurer and trades below 0.6x tangible book value. After years of challenging underwriting driven by nuclear jury awards, aggressive pricing actions have allowed the firm to inch closer to underwriting profitability. Although Protective's investment portfolio holds commercial mortgage-backed securities, which are investments where credit issues are more likely, we believe their exposure is manageable. The controlling shareholder family appears to be looking for an exit, and the company is currently undergoing a review of strategic alternatives.

Top 10 Holdings (9/30/20)	% Assets
Sprott Physical Silver Trust	3.52%
Amdocs	3.47%
Crawford & Company (A & B)	2.93%
Sykes Enterprises	2.91%
Protective Insurance	2.20%
Scholastic	1.77%
Kelly Services	1.52%
Benchmark Electronics	1.28%
Natural Gas Services	1.22%
Osisko Gold Royalties	1.11%

**Of the Fund's top 10 positions, only one has more debt than cash:** Crawford & Co (CRD/A, CRD/B), which has approximately 1.5x net leverage on depressed numbers. Crawford is a top provider of claims management services to insurance companies and self-insured entities. Demand is tied to industrywide claims volumes, which are impacted by weather events, economic activity, and workplace injuries. A cursory examination of the company's long-term operating performance suggests stagnation. However, a few years ago, Crawford sold its class action administration business ("Garden City"). Following the 2010 BP oil spill, this segment enjoyed several years of abnormally strong, but dwindling, profits. This masked underlying improvement in the core claims and third-party administration businesses. Crawford's results are positively impacted by extreme weather activity, which hurt them in 2019, but we believe the shares are inexpensive based on normalized profitability. The stock is trading for 6-7x normalized operating profit and a double-digit free cash flow yield.

**Crawford & Co Historical Results (mil \$)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Reported EBITA</b>	\$76	\$87	\$94	\$92	\$70	\$72	\$94	\$110	\$78	\$75	\$52	\$69
<b>Garden City EBITA (sold)</b>	\$0	\$0	(\$4)	\$8	\$12	\$23	\$47	\$60	\$51	\$48	\$13	\$11
<b>Adjusted EBITA</b>	\$76	\$87	\$98	\$84	\$58	\$49	\$47	\$49	\$27	\$27	\$39	\$58

*EBITA = Earnings Before Interest, Taxes, and Amortization of Intangible Assets*

The three positions contributing most to the Fund's return in the third quarter were Sprott Physical Silver Trust (ticker: PSLV), Sykes Enterprises (ticker: SYKE), and Natural Gas Services (ticker: NGS). Although silver was thumped in September, it posted a substantial gain over the entire three-month period. Sykes Enterprises demonstrated the resiliency of its business when it reported second quarter earnings, posting significant growth in revenue and earnings. Our position in Natural Gas Services, a previous laggard, rose sharply as the company delivered bottom line results that were similar to the previous year, despite headwinds in the energy sector.

The stocks most negatively impacting our return for Q3 were Helmerich & Payne, Protective Insurance, and Scholastic. Each was discussed above.

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Author F. Scott Fitzgerald said, "Nothing is as obnoxious as other people's luck." It can be hard to separate skill from chance in the investment business. Over two decades ago, amid a sea of speculation, some investors believed Amazon would change the world. The price they paid was probably an afterthought. And the same is likely true today, not just for Amazon, but Apple, Microsoft, Google, and Facebook too. Except now the blue-chip enterprises powering the NASDAQ are among the biggest companies in the world. As we learned in the years following the popping of the tech bubble, it can take a very long time for good companies to grow into insane valuations.

During the summer, we noticed an old high school friend updated his job on his online profile to "Retail day trader." He made the following pitch on social media:

*"Just an example if you had invested in \$TSLA. Interest in savings is going down and inflation is killing your savings. Put that money to work! Get the absolute cheapest way to trade stocks and two free stocks."*

What followed was a screenshot of an unidentified account 100% invested in Tesla that was up 15% for the day and 291% since inception, leaving a tidy seven figure account balance. He included a link to his Robinhood referral page. Robinhood offers a free share of a random stock if you refer friends. There is a 98% chance the value of the share is between \$2.50 and \$10. In other words, you earn a few breadcrumbs if you convince your friends to trade speculative stocks. The hook, of course, is showing some hypothetical rich person's burgeoning single name portfolio. When it comes to your money, beware of the green-eyed monster.

As absolute return investors in a world with zero percent risk-free rates, we expect to lose purchasing power when holding cash. Nevertheless, over our time horizon, the relatively predictable erosion of value from inflation is tolerable compared to the devastating losses possible from being fully committed to overvalued equities. We believe more opportunities will materialize before our purchasing power is meaningfully impacted. Holding cash allows us to capitalize during periods of market stress and more attractive valuations, like we experienced in March 2020, 2011, or 2008.

*We got no troubles  
Life is the bubbles  
Under the sea*

Life is the bubbles. During our career, first it was technology stocks in the late '90s. Then it was the housing market. Now, it's a little of both and a whole lot more. If you're a suckerfish firmly latched onto an indexing strategy, prospective returns look bleak to us. For value investor sharks, the unloved apex predators, we can swim against the current. We can hunt, and there's blood in the water. The banker fish lost a fin and the energy eel is stuck in a reef. Those morsels may tide us over, but we think the real buffet is to come. You'll know it's happening when high-quality companies broadly go on sale. One day, when the feeding frenzy is over and you're stuffed to the gills, don't be surprised if you gaze back past your dorsal fin and see a remora hitching a ride. After all, they go with what's working!



Photo: Albert Kok

Thank you for your investment.

Sincerely,  
Jayme Wiggins                      Eric Cinnamond

***Mutual fund investing involves risk. Principal loss is possible. The Palm Valley Capital Fund invests in smaller sized companies, which involve additional risks such as limited liquidity and greater volatility than large capitalization companies. The ability of the Fund to meet its investment objective may be limited to the extent it holds assets in cash (or cash equivalents) or is otherwise uninvested.***

***Before investing in the Palm Valley Capital Fund, you should carefully consider the Fund's investment objectives, risks, charges, and expenses. The Prospectus contains this and other important information and it may be obtained by calling 904-747-2345. Please read the Prospectus carefully before investing.***

***Past performance is no guarantee of future results. Dividends are not guaranteed and a company's future ability to pay dividends may be limited. A company currently paying dividends may cease paying dividends at any time. Fund holdings and sector allocations are subject to change and are not a recommendation to buy or sell any security.***

*The S&P Small Cap 600 Index measures the small cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. The Morningstar Small Cap Total Return Index tracks the performance of U.S. small-cap stocks that fall between 90th and 97th percentile in market capitalization of the investable universe. **It is not possible to invest directly in an index.***

*The Palm Valley Capital Fund is distributed by Quasar Distributors, LLC.*

Definitions:

*CAD:* Canadian dollar.

*Dow Jones Industrial Average (DJIA):* The Dow is an American stock market index based on the prices of 30 leading large capitalization companies.

*E&P:* Oil and gas exploration and production company.

*Enterprise Value to EBIT (EV/EBIT):* Enterprise value (EV) equals market cap plus total debt minus cash and equivalents. EBIT equals earnings before interest and taxes. EV/EBIT is a valuation metric.

*Free cash flow:* Free cash flow equals cash from operating activities minus capital expenditures.

*Free cash flow yield:* Free cash flow divided by market capitalization.

*GAAP:* Generally Accepted Accounting Principles.

*GDP (Gross domestic product):* The monetary value of all finished goods and services made within a country during a specific period.

*NASDAQ 100 Index:* A market-capitalization weighted index of the 100 largest nonfinancial companies on the NASDAQ stock exchange.

*Price to earnings ratio (P/E):* Stock price divided by earnings per share.

*QE3:* The third round of quantitative easing by the Federal Reserve, which commenced in late 2012.

*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.

*Russell 2000 Growth Index:* Measures the performance of Russell 2000 companies with higher historical and forecasted growth rates.

*Russell 2000 Value Index:* Measures the performance of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth rates.

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

*S&P 500 Growth Index:* Measures the performance of S&P 500 companies with the highest historical sales and earnings growth and largest 12-month price changes.

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