

Form ADV Part 2A: *Firm Brochure*

Item 1: Cover Page

Palm Valley Capital Management LLC

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Date of Disclosure Brochure: January 2021

This brochure provides information about the qualifications and business practices of Palm Valley Capital Management LLC (also referred to as we, us and Palm Valley Capital Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact us at 904-747-2345 or invest@palmvalleycapital.com. The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Palm Valley Capital Management is also available on the Internet at www.adviserinfo.sec.gov.

**Registration as an investment adviser does not imply a certain level of skill or training.*

Item 2: Material Changes

We updated Item 12 of this brochure to reflect that Palm Valley Capital Management will begin utilizing soft dollars generated by client brokerage commissions for research services in 2021. This is the only material change to our brochure since our October 2020 updating amendment.

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Item 4: Advisory Business

Palm Valley Capital Management became registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”) in February 2019 and is a limited liability company (LLC) formed under the laws of the State of Florida. The LLC is owned by three members—Jayme Wiggins, Eric Cinnamond, and Martin Capital Management, LLC. Please see *Item 10 – Other Financial Industry Activities and Affiliations* for more information.

Name	Title	Ownership
Jayme Wiggins	Managing Member Co-Chief Executive Officer Chief Compliance Officer Portfolio Manager	33.335%
Eric Cinnamond	Managing Member Co-Chief Executive Officer Portfolio Manager	33.335%
Martin Capital Management, LLC (100% owned by Frank Martin)	Member	33.33%

Palm Valley Capital Management provides investment management services to individual client accounts utilizing an absolute return approach to investing. We also serve as the investment adviser to the Palm Valley Capital Fund (ticker: PVCMX), a mutual fund that launched on April 30, 2019. We manage our separate accounts and mutual fund with the same small cap equity investment strategy. We focus on achieving an attractive risk-adjusted return over a market cycle rather than outperforming a specific benchmark. Please refer to *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* for information about our investment strategy and methods of analysis.

Before offering investment management services to individual clients, we obtain information about your financial situation and investment objectives to ensure they are appropriate for our investment strategy. In general, Palm Valley does not tailor its advisory services to the individual needs of specific clients, however, we will consider reasonable restrictions on the management of your account, such as instructions to not purchase certain securities. Palm Valley Capital Management provides investment advice on the following types of investments:

- Equities (e.g. individual stock positions)
- Corporate Debt Securities (e.g. bonds)
- U.S. Government Securities
- Foreign Issues
- Securities Properly Exempted from Registration

Although we generally provide advice only on the investments previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client.

Palm Valley Capital Management managed \$39,887,481 of client assets on a discretionary basis as of December 31, 2020.

Item 5: Fees and Compensation

Separate Accounts

Our standard annual fee for investment management services is 1.00% of your total assets under our management. Our minimum account size is \$2,000,000, although we will consider smaller accounts under certain circumstances. We can negotiate a lower annual fee rate for accounts that exceed \$10,000,000. Additionally, we reserve the right to negotiate lower fees for accounts less than \$10,000,000. Negotiating factors include the type of client, the potential for additional account deposits, the relationship of the client with the investment adviser representative and the total amount of assets under management for the client.

Assets Under Management	Annualized Fee
\$0 to \$10,000,000	1.00%
Over \$10,000,000	Negotiable but not to exceed 1.00%

Fees charged for our investment management services are based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

Services continue until terminated by either party (i.e. Palm Valley Capital Management or you) by giving thirty (30) days written notice to the other party. Palm Valley Capital Management will prorate the final fee payment based on the number of days services were provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian of your account. You should review your account statements received from the qualified custodian and verify that appropriate investment advisory fees are being deducted.

In addition to investment management fees, your account will incur brokerage transaction charges for buying and selling securities. A description of our policies related to brokerage can be found in *Item 12: Brokerage Practices*. The qualified custodian also charges custody fees to each client's account; however, Palm Valley Capital Management may elect to cover these charges on your behalf.

Palm Valley Capital Fund (PVCMX)

The Palm Valley Capital Fund's fee is calculated based on the amount of the Fund's average daily net assets and is paid monthly. The annual investment management fee payable to us from the Palm Valley Capital Fund is 0.90%. As the investment adviser to the Fund, we have contractually agreed, through April 30, 2021, to reduce our monthly fee by reimbursing the Fund to the extent necessary to ensure that the Fund's net annual operating expenses do not exceed 1.25%. *Please see the Palm Valley Capital Fund's [prospectus](#) for more information.* We can request recoupment of previously waived fees and reimbursed expenses from the Fund for three years from the date they were waived

or reimbursed, provided that the Fund is able to make the recoupment without exceeding the 1.25% expense cap.

The minimum investment required for the Palm Valley Capital Fund is \$2,500.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this brochure because we do not charge or accept performance-based fees.

Item 7: Types of Clients

Palm Valley Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

You are required to execute a written discretionary advisory agreement with Palm Valley Capital Management to establish an account with us.

Palm Valley Capital Management requires a minimum account size of \$2,000,000 to open a separate account. Exceptions may be granted to this minimum for the expectation of future account contributions and related-family member accounts.

We serve as the adviser to the Palm Valley Capital Fund, a regulated investment company, which is also considered a client of Palm Valley Capital Management. The Palm Valley Capital Fund has a \$2,500 required minimum investment.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Method of Analysis

Palm Valley Capital Management uses fundamental analysis in formulating investment advice. This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors that can affect the security's value. The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price to determine whether to buy or sell the security.

Investment Strategy

Palm Valley Capital Management's investment strategy uses an absolute return approach to develop and manage a portfolio of small capitalization stocks. We focus on achieving an attractive risk-adjusted return over a market cycle rather than outperforming a specific benchmark.

Risk control is essential to achieving our absolute return goal. We attempt to manage risk through bottom-up quantitative and qualitative analysis, a strict valuation discipline, the assessment of operating and financial risks of each business, and a flexible and opportunistic approach to the portfolio's cash position.

Our bottom-up quantitative and qualitative analysis is used to identify high-quality businesses. We prefer investing in high-quality businesses as we believe they can be valued more accurately, are more likely to grow consistently, and are less likely to experience a permanent loss in value. Quality businesses are defined as companies with long operating histories, established market leadership, strong balance sheets, and sustainable free cash flow.

Valuation

We use the discounted cash flow (DCF) valuation model as our primary valuation methodology. The required rate of return used in the discount model represents our absolute return goal. We also may appraise a business's value based on its net asset valuation in an effort to buy a business at a discount to the value of its balance sheet. Businesses selling at a discount to our DCF or net asset valuations will be considered for purchase. We consider ourselves value investors.

The specific discount rate we use in our valuation model is dependent on the unique risks of each business. Typically, we require a higher rate of return for businesses with higher risk and a lower rate of return for businesses with below-average risk. We consider both operating and financial risk. We define operating risk as the degree of uncertainty associated with a business's cash flows, while financial risk is dependent on a business's balance sheet strength. Assuming we are being adequately compensated to assume risk, we will invest in companies with operating or financial risk. However, in our attempt to avoid permanent losses to capital, we avoid businesses with both forms of risk.

Portfolio Management

The strategy has a flexible and opportunistic approach to the portfolio's cash position. The portion of the portfolio invested in cash is a function of the availability of high-quality companies trading at valuations that allow us to achieve our required absolute return goal. Therefore, the level of cash is not a reaction to our views on the market, but it is a result of our bottom-up analysis and valuation discipline. We expect the portfolio's cash levels to fluctuate with the number of equities meeting our

buy criteria and absolute return goal.

The equities selected for inclusion into client accounts are those that meet our qualitative standards and required absolute return objective. Preference will be given to stocks that offer the greatest potential for appreciation without permanent loss to capital. Typical position sizes will range from 1% to 4% (5% maximum weight).

We will sell a holding under three circumstances. First, we will sell a holding when it exceeds our valuation. Second, we will sell a holding when our valuation is revised below its market price. This may be a result of an unexpected increase in financial or operating risk and/or a shift in one of our valuation variables in our DCF model. Third, we will sell holdings that we can no longer value with a high degree of confidence. Additionally, we will not average down on holdings when our calculated valuation is in decline.

In conclusion, our strategy of focusing on quality, valuation discipline, and risk management is essential to achieving Palm Valley Capital Management's absolute return goal.

Principal Risks

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. You should be prepared to bear investment loss including loss of original principal.

We expect your portfolio to be defensively positioned during periods of elevated equity valuations. During such periods, it's more likely fewer investments will meet our required absolute return goal. As such, we expect cash levels to be above average when we consider the valuations of our opportunity set to be expensive. *When our cash levels are above average, the portfolios could incur opportunity cost and significantly lag their benchmark in rising equity markets.*

We expect your portfolio to be aggressively positioned during periods of depressed equity valuations. During such periods, it's likely portfolios' cash levels will be low. Furthermore, we are more likely to invest in companies with operating or financial risk during periods of economic and market weakness. *When portfolios' cash levels are low and we are invested in businesses with operating or financial risk, we expect the risk to portfolios' capital will increase.*

There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Equity Market Risk. The stock market can decline, resulting in a decrease in the value of client investments. Holding common stocks generally exposes investors to greater risks than holding preferred stocks and debt obligations of an issuer.
- Company Risk. When investing in stocks, there is company and industry-specific risk inherent in each investment.
- Small Cap Risk. Palm Valley Capital Management generally focuses on small capitalization stocks, which are typically less liquid (more difficult to trade) than larger companies.

- Fixed Income Risk. Fixed income investors receive set, regular payments and face the risk that inflation will erode their spending power. Although we do not frequently invest in corporate bonds, for corporate bond investments there is the risk that the issuer will default on the bond and fail to make payments.
- Management Risk. Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not work over a full market cycle, consisting of a bull and bear market, the value of your investment could decrease or grow at a slower rate than the broader market.

Palm Valley Capital Management's strategy is most appropriate for investors seeking positive absolute returns over a full market cycle. We do not believe our strategy is suitable for investors focused on near-term relative returns or for investors with fully invested mandates.

Item 9: Disciplinary Information

Item 9 is not applicable to this disclosure brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10: Other Financial Industry Activities and Affiliations

We are an independent registered investment adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this disclosure brochure.

We serve as the adviser to the Palm Valley Capital Fund, a mutual fund. We do not believe our activities with the Palm Valley Capital Fund create a conflict of interest with our separate account clients because both types of accounts are managed to the same investment strategy and generally participate in the same block trades.

Martin Capital Management, LLC

Frank Martin owns and operates Martin Capital Management, LLC, a state-registered investment adviser firm that holds a one-third interest in Palm Valley Capital Management. Frank Martin is a licensed investment adviser representative with Martin Capital Management, LLC. Frank Martin provides asset management services and earns advisory fees when providing services through Martin Capital Management.

Palm Valley Capital Management and Martin Capital Management are affiliated companies because Martin Capital Management's ownership interest exceeds the 25% threshold for affiliation. Moreover, Frank Martin is considered a control person and supervised person of Palm Valley Capital Management. Although Frank Martin is a control person of the firm, he primarily functions as a passive owner not actively involved in the firm's day-to-day functions.

Palm Valley entered into a subadvisory relationship with Martin Capital Management in October 2020. Palm Valley is compensated based on the assets under management Martin Capital deploys into a model strategy. Palm Valley does not have discretion over the related portfolios and is not involved in placing transactions. Martin Capital Management has a conflict of interest to use Palm Valley Capital Management's investment services because of its ownership interest in our firm and not based exclusively on its clients' interest of receiving the best possible investment advice. To mitigate this conflict of interest, Martin Capital Management fully discloses its ownership interest to all clients and will actively compare the investment strategies offered by Palm Valley Capital Management against its peer group offering similar investment strategies.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Palm Valley Capital Management has established a Code of Ethics to comply with the requirements of Rule 204A-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons.” All employees, officers, directors and investment adviser representatives are classified as supervised persons. Palm Valley Capital Management requires its supervised persons to consistently act in your best interest in all advisory activities. Palm Valley Capital Management imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm’s fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

If you wish to review the Code of Ethics in its entirety, you should send us a written request. Upon receipt of your request, we will promptly provide you with a copy of our Code of Ethics.

Personal Securities Transactions

To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our employees, directors, and their immediate family members (collectively, supervised persons). Any supervised person not observing our policies is subject to sanctions up to and including termination.

Palm Valley Capital Management’s supervised persons can buy or sell for their personal accounts investments identical to those recommended to clients. This creates a conflict of interest because we may want to place our investment interests ahead of the investment interests of our clients. To control for this conflict, it is the express policy of Palm Valley Capital Management that all supervised persons must place clients’ interests ahead of their own when implementing personal investments. As is required by our internal compliance manual, employees must seek written pre-approval from our Chief Compliance Officer before executing personal trades in stocks, bonds, and certain other securities including the Palm Valley Capital Fund. Employees must wait three days after Palm Valley is finished trading a security for clients’ accounts before he or she can trade the same security for their personal accounts. Employees are also prohibited from trading on non-public information. Our Chief Compliance Officer receives duplicate statements and trade confirmations for all brokerage accounts of each supervised person, which enables us to monitor compliance.

Item 12: Brokerage Practices

Clients will generally establish accounts at a custodian recommended by Palm Valley Capital Management. Custody platforms we recommend may be more expensive than other available platforms and we do not represent or guarantee our recommended platforms are the least expensive in the industry. We generally do not execute trades using our primary custodian, U.S. Bank. Instead, we direct transactions to third party broker-dealers. Our selection of broker-dealers is based on a variety of factors including execution capabilities, commission rates, responsiveness, technology provided, and financial strength. Quality of execution for broker dealers will be reviewed on an ongoing basis by comparing trade execution prices and sizes to a security's overall intraday pricing and volume.

Research and Soft Dollar Benefits

Palm Valley Capital Management may receive benefits for using a specific broker-dealer, including investment research and soft dollars. Soft dollars involve using client brokerage commissions to purchase research services that help managers make investment decisions. Soft dollars can create a conflict of interest if they give us an incentive to use a certain broker-dealer to help pay for research services as opposed to seeking the most favorable execution for your account. This could result in higher commissions for you. Soft dollar benefits are used to service the accounts of all clients, and benefits are not allocated proportionately to the soft dollar credits each account generates. Palm Valley will determine that the brokerage commissions paid by the client are reasonable in light of the brokerage and research services it receives. In 2021, Palm Valley expects to begin utilizing soft dollars to pay for research services such as a Bloomberg terminal.

Directed Brokerage

Although we recommend and, in some cases, require the use of a particular broker-dealer or custodian, upon request and at the explicit approval of Palm Valley Capital Management, we may allow certain clients to select a custodian or broker-dealer of their own choosing. Clients directing the use of a particular broker-dealer or other custodian must understand that we may not be able to obtain the best prices and execution for the transaction. Directed brokerage account trades will generally be placed by Palm Valley Capital Management after completing trades for other clients.

Block Trading Policy

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and is used when we believe such action may prove advantageous to clients. We aggregate client orders on a fair and equitable basis. Typically, aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates, or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Palm Valley Capital Management uses the pro rata allocation method. Under this procedure, trades are allocated among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. We will calculate the pro rata share of each transaction included in a block order and assign the appropriate number of shares of each allocated transaction executed for the client's account.

Item 13: Review of Accounts

Reviews are conducted by Palm Valley Capital Management's portfolio managers. Managed accounts are reviewed internally on a regular basis, and a formal internal review happens quarterly. Reviews conducted with the client typically occur annually but can occur more frequently at your request. Client reviews will include a review of Palm Valley's investment strategy and implementation and will determine whether the strategy remains suitable for your long-term objectives.

As a separate account client, you are provided with access to an online platform that enables you to monitor account activity, and you receive monthly account statements directly from the qualified custodian (U.S. Bank). Palm Valley Capital Management provides written performance reports to you on a quarterly basis.

Investors in the Palm Valley Capital Fund receive quarterly statements with their account value. Palm Valley does not currently offer direct online account access to Fund customers, however, those Fund clients who have purchased our Fund through a third-party platform will likely be able to follow their account electronically. Additionally, any Fund client can track the daily NAV of the Fund through various financial websites.

Item 14: Client Referrals and Other Compensation

Palm Valley Capital Management does not directly or indirectly compensate any person for client referrals.

Item 15: Custody

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Palm Valley Capital Management is deemed to have custody of client funds and securities whenever Palm Valley Capital Management is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Palm Valley Capital Management will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Palm Valley Capital Management is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address, and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Palm Valley Capital Management. When clients have questions about their account statements, they should contact Palm Valley Capital Management or the qualified custodian preparing the statement.

Item 16: Investment Discretion

Palm Valley Capital Management provides investment management services on a discretionary basis and has trading authorization over all client accounts. As a result, we have the authority to determine the type and amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. Discretionary trading authority will be granted, in writing, in our investment advisory agreement that you sign when your account is established.

Item 17: Voting Client Securities

Palm Valley Capital Management does not vote proxies on behalf of its clients with separate accounts. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting such client securities. Therefore, it is your responsibility to vote all proxies for securities held in your account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote separate account client proxies, if you have a question about a particular proxy, feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

We do vote proxies related to assets held in the Palm Valley Capital Fund.

You can obtain a copy of our proxy voting policies upon request.

Item 18: Financial Information

Item 18 is not applicable to this brochure. Palm Valley Capital Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Palm Valley Capital Management has not been the subject of a bankruptcy petition at any time.