Palmer Square Income Plus Fund (PSYPX)

October 2024

Fund Refresher

As a refresher, the investment objective of the Palmer Square Income Plus Fund ("PSYPX" or the "Fund") is income and capital appreciation. In seeking to achieve that investment objective, the Investment Team employs a flexible mandate to find the best relative value across corporate credit and structured credit. The Fund has also historically maintained low interest rate duration* and high credit quality. Due to the Fund's high-quality bias, we are very comfortable with the underlying credit quality of the holdings and ability to avoid credit losses; more than 84% of the portfolio is rated investment grade ("IG") and over 60% is rated A or higher. Spread duration* is 1.72 years.

What is the Fund trying to achieve in today's market to benefit clients?

- Diversified Income Generation – The Fund generates income through a diversified exposure to corporate and structured credit, including primarily corporate bonds, bank loans, collateralized loan obligations ("CLOs"), commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS"), commercial paper and U.S. Treasury securities.
- Low Interest Rate Duration – We have had minimal interest rate duration that drives lower correlation to interest rate sensitive fixed income such as those investments which comprise the Bloomberg U.S. Aggregate Bond Index and Bloomberg 1-3 Year U.S. Corporate Index*.
- Capital Preservation – The Fund maintains a high-quality bias.
- Total Return – The Fund also seeks capital appreciation through opportunistic portfolio rotations driven by the Investment Team's assessment of relative value. Please note that the Fund can invest up to 30% in high yield rated ("HY") securities.

Portfolio Snapshot

Please refer to the table below for a portfolio snapshot by quarter.

	9/30/2023	12/31/2023	03/31/2024	06/30/2024	09/30/2024
Interest Rate Duration	0.91 yrs	0.90 yrs	0.98 yrs	0.90 yrs	0.81 yrs
Spread Duration	2.22 yrs	1.93 yrs	1.73 yrs	1.64 yrs	1.72 yrs
Yield to Expected Call*	6.90%	6.03%	6.18%	6.34%	5.14%
Yield to Maturity	6.74%	5.90%	6.09%	6.26%	5.10%
Current Yield	5.73%	5.66%	5.83%	6.17%	5.51%
30-day SEC Yield (subsidized)*	6.05%	5.86%	6.03%	6.19%	5.84%
30-day SEC Yield (unsubsidized)*	6.05%	5.86%	6.03%	6.19%	5.84%

The performance data quoted represents past performance and that past performance does not guarantee future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 866-933-9033.

*Please see Notes and Disclosures for definitions.

- <u>Performance and Attribution:</u> **With a quarterly return of 2.20% (net of fees) in Q3 2024, the Fund continues to outperform traditional fixed income benchmarks on a YTD basis (+5.60% YTD, net of fees), while providing more stable performance.** The Bloomberg U.S. Aggregate Bond Index added 5.20% for the quarter and 4.45% YTD, while the Bloomberg 1-3 Year U.S. Corporate Index added 3.17% for the quarter equating to 5.08% YTD. Positive absolute performance in Q3 2024 was driven by the Fund's high current income, moderate spread compression in CLO BBB-BBs, and the decline in interest rate that benefited the Fund's fixed rate exposure. On a relative basis, the Fund did underperform versus notable fixed income benchmarks as the Fund's low-interest rate duration left it less favorably positioned for the significant rate rally during the third quarter. It is worth highlighting; however, that for the quarter, all asset types within the Fund provided a positive return attribution while the Fund's exposure to CLO debt provided the largest positive contribution at +0.79%, followed by Investment Grade Corporates at +0.45% and Treasuries at +0.44%. Below is a summary of major benchmark performance for comparison.

Selected Indices*	Q3 2024 Performance	YTD 2024 Performance
Bloomberg U.S. Treasury Index	+4.74% (Yield -0.81%)	+3.84% (-0.32%)
Bloomberg U.S. Aggregate Bond Index	+5.20% (spread -3bps)	+4.45% (-6bps)
Bloomberg U.S. Corporate Index	+5.84% (spread -5bps)	+5.32% (-10bps)
Bloomberg 1-3 Year U.S. Corporate Index	+3.17% (spread -4bps)	+5.08% (-11bps)
Bloomberg U.S. High Yield Index	+5.28% (spread -14bps)	+8.00% (-28bps)
iBoxx Liquid Leveraged Loan Index	+2.01% (DM -30bps)	+6.01% (-41bps)
Palmer Square CLO Senior Debt Index	+1.72% (DM -1bps)	+5.66% (-22bps)
Palmer Square CLO Debt Index	+2.42% (DM -13bps)	+10.44% (-102bps)
S&P 500 Index	+5.53%	+20.80%
STOXX 600 Index	+2.24%	+9.17%

Source: Bloomberg as of 09/30/2024.

*Please see Notes and Disclosure for definitions.

Detailed Fund Performance History

The Fund delivered a return of 2.20% (net of fees) in Q3 2024.

Fund Performance Net of Fees as of 09/30/2024 (inception 2/28/2014)

	Q3 2024	YTD 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
PSYPX	2.20%	5.60%	8.78%	-0.76%	1.17%	3.65%	5.29%	1.17%	4.03%	5.24%	1.21%
Bloomberg 1-3 Yr U.S. Corp Index*	3.17%	5.08%	5.48%	-3.32%	-0.13%	3.79%	5.30%	1.56%	1.85%	2.36%	1.00%
Bloomberg U.S. Aggregate Bond Index*	5.20%	4.45%	5.53%	-13.01%	-1.54%	7.51%	8.72%	0.01%	3.54%	2.66%	0.57%

Fund Performance Net of Fees as of 09/30/2024 (inception 2/28/2014)

	1 Year	3 Years	5 Years	10 Years	ITD Annualized
PSYPX	8.62%	4.46%	3.87%	3.48%	3.40%
Bloomberg 1-3 Year U.S. Corp Index*	8.34%	2.15%	2.30%	2.28%	2.20%
Bloomberg U.S. Aggregate Bond Index*	11.57%	-1.39%	0.33%	1.84%	1.93%

Class I shares – Annual Expense Ratio: Gross 0.74%/Net 0.74%. Palmer Square has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that total annual fund operating expenses (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses (as determined in accordance with Form N-1A), expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed 0.88% of the average daily net assets of the Fund. This agreement is in effect until October 31, 2024, and it may be terminated before that date only by the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to certain limitations, of fees waived or payments made to the Fund for a period ending three full fiscal years after the date of the waiver or payment. **Shares of the Fund are available for investment only by clients of financial intermediaries, institutional investors, and a limited number of other investors approved by the Advisor. The performance data quoted represents past performance and that past performance does not guarantee future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 866-933-9033.**

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Summary Themes:

I. **Positioning**
II. **Q3 2024 Macro Takeaways**
III. **Outlook: Market Overpricing Cuts…Again, Economy & Credit Fundamentals Resilient, Spreads Hovering Near Tights, Floating Rate Still Compelling**

Theme I. Positioning

- **Positioning:** The Fund made a few notable rotations during the third quarter; largely taking advantage of a brief spate of volatility in early August to opportunistically rotate some of our treasury exposure into corporate bonds. From 07/31 – 08/05, spreads on the Bloomberg U.S. Corporate Index and the Bloomberg U.S. Corporate High Yield Index widened by 18bps (basis point) and 67bps, respectively, presenting an attractive entry point. 5-year treasury exposure was reduced and rotated into the following: (i) 5–7-year Investment Grade bonds and (ii) 5–7-year High Yield bonds, adding spread duration in both categories to take advantage of the spread widening. Interest rate exposure was hedged to maintain the low-interest rate duration profile of the Fund. Overall, we remained conservatively positioned with a focus on higher credit quality within each asset type and ample capacity within our cash & cash equivalents allocation to take advantage of market opportunities when they arise.

Theme II. Q3 2024 Macro Takeaways

- **Macro Takeaways:** In the third quarter, the key macro debate shifted from *when* the Federal Reserve would begin cutting rates to *how much* and *how fast*. This transition culminated in the Fed's 50bp (basis point) rate cut at the September meeting but was presaged during the quarter by a confluence of factors including gradually slowing employment data (e.g. July and August nonfarm payroll (NFP) both missed), steady progress on inflation, and dovish commentary from Chair Powell at Jackson Hole in late August. By the end of the third quarter, the market was pricing in an implied Fed Funds Rate below 3.00% by July 2025, implying *more* than 7 additional 25bp rate cuts in less than 12 months. **As we have espoused numerous times over the course of the last couple of years, our view is that rates are likely to remain "higher for longer" and the market's expectations for rates cuts is likely to prove too optimistic – especially if U.S. economic growth remains resilient like we expect it to.** At the time of writing this letter, we have already seen the rates market start moving in our direction with short- and long-term rates beginning to retrace some of their third quarter rally.
- Although the U.S. economy remains on stable footing, we are starting to see some signs of weakness in other developed markets across the world, most notably in Europe. Whereas the monetary policy discussion in the U.S. largely centers around whether the Fed will cut *rates too fast*, the discussion surrounding the European Central Bank (ECB) is whether they have been too slow to cut rates despite already cutting rates twice in 2024. The other big piece of macroeconomic news outside the U.S. was China's late September announcement of a flurry of stimulus measures (largely monetary at this stage) to restore confidence and kickstart growth in the world's second-largest economy. The jury is still out on the effect of the stimulus, but global commodity markets and local equity markets are already reacting very favorably to the news.
- Overall, we remain confident the U.S. economy is likely to achieve a soft landing, despite some pockets of potential weakness that we are closely watching – notably within the consumer finance space. At the same time, credit spreads remain near historic tights across several asset classes and are largely reflective of our favorable view of macroeconomic and corporate fundamentals. Given this dynamic, we believe maintaining a conservative positioning across the fund is the prudent risk management decision and affords us the opportunity to redeploy capital to more attractive opportunities when they arise.

Theme III. Outlook: Floating Rate Is Compelling, Economy & Credit Fundamentals Resilient, Spreads Hovering Near Tights,

- **Floating Rate Continues to be an Attractive Relative Value Play:** Although the forthcoming Fed rate cut cycle is set to erode some of the current income advantage offered by floating rate products, we believe floating rate / low duration credit continues to present an attractive opportunity due to several factors. These include: (i) potential for rate cuts to materialize slower than market expectations – consistent with our view, (ii) more attractive spread valuations than comparable fixed rate products, (iii) longer-term fiscal concerns that could prevent any material tightening of the long end of the curve, (iv) and lower rate-driven volatility versus longer duration assets.

- **Economy Remains Resilient:** The U.S. economy remains resilient, with Real GDP (gross domestic product) growth modestly trailing 2023's pace but still tracking well above 2% and stronger than almost all other developed world economies. Final second quarter Real GDP growth (Q/Q) came in at 3.0%, which was well above the initial street estimate of 1.4% and above 1.6% in the first quarter. Street estimates for the full year 2024 Real GDP have been trending higher throughout 2024 and now stand at 2.6%. Additionally, after a few months of softer NFP job numbers, the September jobs report (Released Oct 4th) totaled 254k new jobs (above 12-month average of 203K) and included 72k of positive revisions for July and August.

- **Corporate Fundamentals Stable:** Corporate fundamentals remain stable and generally supportive of the tight credit spread levels seen throughout the Investment Grade and Sub-Investment Grade corporate universe. In the third quarter, revenue from investment grade issuers returned to positive y/y growth for the first time since Q3 2023 and EBITDA (earnings before interest, taxes, depreciation and amortization) growth turned positive after five quarters of consecutive y/y declines. In addition, ratings momentum remains very strong with the ratio of Investment Grade upgrades to downgrades in 2024 at a multi-year high (6:1).

- The picture is slightly less favorable in the Sub-Investment Grade space; however, y/y revenue and EBITDA growth was positive in the third quarter and credit fundamentals remain on generally stable footing. Gross leverage for High Yield bond issuers increased modestly to 4.0x in Q3 2024, but is still comfortably below the long-run average (since 2008) of 4.3x. Additionally the start of the Fed rate cutting cycle should be supportive of Leveraged Loan and hybrid (Loans + Bonds) issuers, helping to ease the interest burden that has moved steadily higher over the last couple of years. Lastly, default rates (incl. distressed exchanges) remain stable with Last Twelve Months (LTM) HY defaults at 1.64%, well below the 25 year average of 3.40%, and Leveraged Loan defaults moderately higher at 3.7% versus a long term average of 3.0%.

- **Tighter Spreads + Less Dispersion = Discipline and Patience:** Outside the brief bout of volatility in early August, spreads across corporate credit have continued to grind tighter throughout the year and remain near multi-year tights. IG Corporate spreads remain at or just above all-time tights and spread dispersion within the market is at the lowest levels since 2007. Some areas of credit, notably CLOs and Bank Loans, do offer more attractive spread valuations, but remain below long-term averages. We believe our prudent approach to risk management and our relative value framework leave us well prepared to capitalize on opportunities when they arise and minimize potential downside risk.

Summary on Attribution, Allocation and Positioning

Select Portfolio Attribution and Characteristic Dashboard

	Allocation	% Allocation	Q3 2024 Attribution	Average Price	Yield to Expected Call*
IG	ABS (100% AAA)	15%	0.36%	100.6	4.6%
IG	Treasury Bonds	16%	0.42%	99.5	4.0%
IG	CLO AAA	12%	0.22%	100.2	4.9%
IG	CLO AA	3%	0.06%	99.8	5.3%
IG	CLO A	1%	0.03%	100.3	6.0%
IG	CLO BBB	10%	0.26%	100.0	6.9%
IG	RMBS (97% AAA, 100% A and above)	2%	0.11%	87.6	4.9%
IG	CMBS	2%	0.03%	91.9	8.4%
IG	IG Corp Bonds - Fixed	16%	0.39%	98.3	4.5%
IG	IG Corp Bonds - Floating	3%	0.04%	100.2	5.4%
IG	IG Bank Loans	1%	0.03%	100.2	5.6%
HY	Bank Loans - Non IG	4%	0.09%	100.1	6.1%
HY	HY Corp Bonds	6%	0.22%	97.8	5.2%
HY	CLO BB/B	6%	0.19%	100.1	10.0%

Source: Palmer Square as of 09/30/2024. The performance data quoted represents past performance and that past performance does not guarantee future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. To obtain performance information current to the most recent month-end please call 866-933-9033.

Historic Positioning Detail by Asset Type:

	9/30/2023 Allocation	12/31/2023 Allocation	03/31/2024 Allocation	06/30/2024 Allocation	09/30/2024 Allocation
CLO Debt	34%	32%	33%	35%	33%
IG Corp Debt	16%	23%	20%	12%	19%
ABS	13%	9%	11%	16%	15%
Gov't Bonds	9%	13%	15%	18%	16%
RMBS	12%	4%	2%	2%	2%
Bank Loans	4%	7%	8%	9%	5%
CMBS	5%	4%	4%	3%	2%
HY Corp Bonds	4%	4%	4%	4%	6%
Cash/Other	3%	4%	3%	1%	3%

Please note allocation and attribution above is a % of NAV and does not include hedges. Gross attribution does not include hedges, expenses and fees if applicable. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. Asset-backed Securities (ABS), Mortgage-backed Securities (MBS), Commercial mortgage-backed securities (CMBS), Residential mortgage-backed securities (RMBS).

- **CLO Allocation/Opportunity to Capture Income and Total Return** – As of quarter-end, 33% of the portfolio, a decrease of 2% from last quarter, was invested in CLO debt. Our exposure in the capital stack continues to be weighted towards AAA, which still offers tremendous value in the 120-140bps spread range and current yields over 6%. AAA spreads are 20-40bps cheap to the post crisis tights seen in 2018, while corporate credit spreads are sitting near their all-time tights. Breakeven spread widening also looks very attractive at current levels. For example, over a one year holding period, AAA spreads on shorter duration profiles would need to reach more than 500bps in order to not make money, a level wider than during the depths of the COVID pandemic.[1]
- CLO mezzanine exposure decreased slightly with BBBs at 10% and BBs at 6%. BBB and BB CLO debt were some of the best performing asset classes in 2023 with returns of +16.91% and +24.00%, respectively, and continued their outperformance in 2024 with returns of +10.12% and +16.04%, respectively. In addition, forward looking yields still look very attractive with the average price/yield on our BBBs at $100.00/6.9% and BBs at $100.1/9.96%. *We continue to add to CLO portfolios that are higher quality and as we believe they will continue to outperform portfolios with more risky collateral.*
- **Investment Grade Corporate Bond Allocation** – IG corporate bond exposure increased from 11% to 18%. Allocations were largely static throughout July; however, the brief increase in volatility at the beginning of August provided us with an opportunity to increase exposure as spreads momentarily widened to YTD high levels. We largely increased exposure in 4-5 year bonds, incrementally adding spread duration at more attractive spread levels. Subsequent to quarter end, we have largely unwound this rotation as spreads have retraced back to YTD tight level and offer less compelling relative value. *We continue to maintain a conservative positioning within our IG corporate allocation, leaving us well-positioned to add risk at more attractive levels in the future should spreads widen back out.*
- **High Yield Bond Allocation** – As of quarter-end, HY corporate bond exposure was 5% of the portfolio, up slightly from 4% last quarter. Similar to Investment Grade, we took advantage of early August volatility to increase our High Yield bond exposure near a peak of 7% before gradually reducing exposure throughout the remainder of the quarter. HY BB Spreads (Bloomberg Ba US High Yield Index OAS) ended the quarter at 180bps, but during a brief period touched as high as 240bps, which was the highest level since November of 2023. Overall, we continue to maintain a defensive posture within our HY allocation, focusing on shorter duration bonds in the secondary market and selectively participating in new deals in the primary market. *Spread valuations remain challenging and we expect to keep our HY allocation at or near current levels until the risk/reward profile becomes more attractive.*
- **ABS/MBS Allocation has Provided Diversification and Income Capture** – As of quarter-end, 19% of the portfolio had exposure to ABS/MBS. During the quarter, our allocation to ABS was relatively unchanged
  - **ABS** exposure (primarily prime auto ABS with a weighted average life (WAL)* of 6 months or less) ended 1% lower relative to Q2 and 6% higher YTD, currently 15% of the Fund.
  - **CMBS** exposure at quarter-end was 2%, consistent with Q2 2024. Our preference in CMBS continues to be single asset/single borrowers and in sectors where we find most relative value, notably retail and lodging. We still feel there are macro headwinds for commercial real estate in certain sectors, so we have not increased exposure.
  - **RMBS** exposure remained steady compared to Q2 2024. Our existing exposure in non-agency is still primarily AAA- rated debt which is backed by collateral from borrowers with FICOs (Fair Isaac Corporation*) greater than 700 and in some cases as high as 750.

*Please see Notes and Disclosure for definitions. [1]This example is provided for illustrative purposes only.

ABS/MBS Positions	09/30/24
Prime Autos	12%
Cards	2%
Equipment	1%
ABS (100% AAA)	**15%**
Conduit	1%
Single Asset/Single Borrower	1%
CMBS (75% A- and above)	**2%**
Agency	0%
Non-Agency	2%
RMBS (97% AAA)	**2%**

Source: Palmer Square.

- **Bank Loan Allocation** – As of quarter-end, bank loan exposure was 5% of the portfolio, a modest decrease from 9% at the end of last quarter. The modest decrease was largely driven by the rotation out of bank loans and into corporate bonds as relative value for bonds became more compelling. Despite the modest decrease in exposure, we continue to believe bank loans look attractive due to high current income and a supportive technical backdrop highlighted by robust CLO creation and limited net new loan supply. *We maintain our constructive stance on higher quality U.S. bank loans and expect to keep allocations near current levels in the near term.*

Although credit market valuations remain tight, we believe the Fund remains well-positioned to not only generate a strong yield, but also capital appreciation going forward. In addition, we believe our Fund's conservative positioning and low interest rate duration have the potential to deliver a higher Sharpe* ratio as we continue to navigate these markets. We are confident in our opportunistic approach to relative value and are excited about how the portfolio is positioned and its outlook.

Summary

The Fund's diverse portfolio across corporate and structured credit is positioned in predominately investment grade securities, yet has offered a strong current yield* and potential opportunity for capital appreciation. We believe we are opportune in our approach to relative value and are excited about how this portfolio is positioned and its outlook.

Please do not hesitate to contact us at investorrelations@palmersquarecap.com or 816-994-3200 should you desire more information. We would also be happy to set up a call and/or meeting at your convenience.

*Please see Notes and Disclosure for definitions.

Notes and Disclosures

This overview is for informational and comparative purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any interests in the Palmer Square Income Plus Fund, the ("Fund"), and/or any other securities, or to provide any other advisory services. Any offer to invest in the funds will be made pursuant to the Fund's prospectus, which will contain material information not contained herein and to which prospective investors are directed. Before investing, you should carefully read such materials in their entirety. This overview is not intended to replace such materials, and any information herein should not be relied upon for the purposes of investing in the funds or for any other purpose. This overview is a summary and does not purport to be complete.

The allocation and credit quality distribution figures shown are used for illustrative purposes only. Palmer Square does not guarantee to execute that allocation and credit quality distribution. Allocation and exposures information, as well as other referenced categorizations, reflect classifications determined by Palmer Square as well as certain Palmer Square assumptions based on estimated portfolio characteristic information. Allocation and credit quality distribution figures may not sum to 100%. Ratings listed herein are assigned by Standard & Poor's (S&P) and Moody's Investor Service (Moody's). Credit quality ratings are measured on a scale with S&P's credit quality ratings ranging from AAA (highest) to D (lowest) and Moody's credit quality ratings ranging from Aaa (highest) to C (lowest). We use the higher of the two ratings. Credit ratings listed are subject to change. Please contact Palmer Square for more information.

Market opportunities and/or yields shown are for illustration purposes only and are subject to change without notice. Palmer Square does not represent that these or any other strategy/opportunity will prove to be profitable or that the Fund's investment objective will be met.

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Bloomberg U.S. Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. **Bloomberg U.S. Aggregate Bond Index** is an unmanaged index of publicly issued investment grade corporate, U.S. Treasury and government agency securities with remaining maturities of one to three years. **Bloomberg U.S. Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg 1-3 Year U.S. Corporate Index** measures the performance of investment grade, U.S. dollar- denominated, fixed-rate, taxable corporate and government-related debt with 1 to 2.9999 years to maturity. It is composed of a corporate and a non-corporate component that includes non-U.S. agencies, sovereigns, supranationals and local authorities. **Bloomberg U.S. High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. **iBoxx Liquid Leveraged Loan Index** tracks the total return of the 100 most liquid loans from the USD LLI index universe, offering a powerful insight into the loan market. **Palmer Square CLO Senior Debt Index** is a rules-based observable pricing and total return index for collateralized loan obligation debt for sale in the United States, rated at the time of issuance as AAA or AA (or an equivalent rating). Such debt is often referred to as the senior tranches of a CLO. **Palmer Square CLO Debt Index** is a rules-based observable pricing and total return index for collateralized loan obligation debt for sale in the United States, rated at the time of issuance as A, BBB or BB (or equivalent rating). Such debt is often referred to as the mezzanine tranches of a CLO. **S&P 500 Index** is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. The **STOXX 600 Index** seeks to offer broader exposure to European companies. Thus, it's often cited as a close European alternative to Standard & Poor's 500 Index (S&P 500). **Bloomberg Ba US High Yield Index** measures the USD-denominated, Ba-rated, fixed-rate high-yield corporate bond market. The **option-adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

Interest Rate Duration measures a portfolio's sensitivity to changes in interest rates. **Spread Duration** measures the sensitivity of a bond price based on basis point changes of more than 100. **Yield to Expected Call** is a Yield to Call metric that assumes callable bonds are not called on their call date, but at some later date prior to maturity. Yield to Expected Call considers contractual terms in a bond's indenture or other similar governing document. A bond may be called before or after this date, which has the potential to increase or decrease the Yield to Expected Call calculation. All else equal, when a bond's price is below par, Yield to Expected Call is a more conservative yield metric than Yield to Call. If a bond is not callable, Yield to Expected Call calculates the bond's Yield to Maturity. **Yield To Maturity** is the rate of return anticipated on a bond if held until the end of its lifetime. **Current Yield** is a weighted calculation of the annual coupon rate divided by the price of each individual security within the portfolio and represents the return an investor would expect if the securities were held for a year and the price did not change. **Credit Spreads** are often a good barometer of economic health - **widening (bearish sentiment)** and **narrowing/tightening (bullish sentiment)**. A **tight market (tight-trading)** is a market characterized by narrow bid-ask spreads and abundant liquidity with frenetic trading activity. The **SEC 30-day yield** is computed under an SEC standardized formula and is based on the maximum offer price per share. Subsidized yields reflect fee waivers in effect. Without such waivers, yields would be reduced. Unsubsidized yields do not reflect fee waivers in effect. **Sharpe Ratio** is a measure of risk-adjusted return. **FICO** stands for the **Fair Isaac Corporation** and the FICO score is a number that is used to predict how likely a borrower will pay back a loan. **WAL or weighted average life** is the average length of time that each dollar of unpaid principal on a loan remains outstanding. **Basis points (BPS)** refers to a common unit of measure for interest rates and other percentages in finance. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point. Past performance is not indicative of future results. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable. Please note that the performance of the funds may not be comparable to the performance of any index shown. Palmer Square has not verified, and is under no obligation to verify, the accuracy of these returns. Diversification does not assure a profit, nor does it protect against a loss in a declining market.

Notes and Disclosures cont'd

The risks of an investment in a collateralized debt obligation depend largely on the type of the collateral securities and the class of the debt obligation in which the Fund invests. Collateralized debt obligations are generally subject to credit, interest rate, valuation, prepayment and extension risks. These securities are also subject to risk of default on the underlying asset, particularly during periods of economic downturn. Defaults, downgrades, or perceived declines in creditworthiness of an issuer or guarantor of a debt security held by the Fund, or a counterparty to a financial contract with the Fund, can affect the value of the Fund's portfolio. Credit loss can vary depending on subordinated securities and non-subordinated securities. If interest rates fall, an issuer may exercise its right to prepay their securities. If this happens, the Fund will not benefit from the rise in market price, and will reinvest prepayment proceeds at a later time. The Fund may lose any premium it paid on the security. If interest rates rise, repayments of fixed income securities may occur more slowly than anticipated by the market which may result in driving the prices of these securities down. Foreign investments present additional risk due to currency fluctuations, economic and political factors, government regulations, differences in accounting standards and other factors. Investments in emerging markets involve even greater risks. High yield securities, commonly referred to as "junk bonds," are rated below investment grade by at least one of Moody's, S&P or Fitch (or if unrated, determined by the Fund's advisor to be of comparable credit quality high yield securities).

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