

## Palmer Square Opportunistic Income Fund (PSOIX)

July 2024

### Fund Refresher

As a refresher, the Palmer Square Opportunistic Income Fund (“PSOIX” or the “Fund”) seeks to not only capture a high level of current income, but also long-term capital appreciation by investing with a flexible mandate to find the best relative value opportunities across corporate credit and structured credit.

### Performance Summary

The Fund returned +2.79% (net of fees) for the second quarter of 2024 and +6.99% YTD. We remain confident in our positioning in CLO (Collateralized Loan Obligation) Debt, bank loans and high yield bonds and believe the total return outlook still remains very attractive. The current yield on the Fund is now 9.79%.\*

### Fund Performance Net of Fees as of 06/30/2024 (inception 10/7/2016)

	Q2 2024	YTD 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014*
PSOIX	2.79%	6.99%	18.94%	-4.48%	6.66%	5.92%	7.61%	-0.47%	11.04%	12.10%	-5.32%	-0.76%
	1 Year		3 Years			5 Years			Since Inception Annualized			
PSOIX	18.58%		7.37%			7.11%			5.67%			

Annual Expense Ratio: Gross 2.28%/Net 2.28% with expense waivers that are in effect until December 1, 2024. See expense waiver details in Notes and Disclosures. The performance returns shown above are calculated by comparing the net asset value (NAV) on the first day of the time period to the NAV on the last day of the time period and reflect reinvested dividends and capital gains. Returns less than 1 year are not annualized. **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.**

### Portfolio Snapshot

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

	6/30/2023	9/30/2023	12/31/2023	3/31/2024	6/30/2024
Interest Rate Duration	0.43 yrs	0.40 yrs	0.38 yrs	0.40 yrs	0.36 yrs
Spread Duration	3.23 yrs	2.90 yrs	2.79 yrs	2.59 yrs	2.38 yrs
Credit Spread	835	707	665	544	471
Weighted Average Price	\$92.0	\$95.4	\$96.8	\$98.5	\$99.4
Yield to Expected Call	12.85%	11.44%	10.24%	9.65%	9.10%
Yield to Maturity	11.81%	10.80%	9.68%	9.34%	8.94%
Current Yield	11.40%	10.73%	10.70%	10.13%	9.79%

Past performance does not guarantee future results. \*Please see Notes and Disclosures for definitions.

### Relative Value and Current Upside Potential

- We believe the Fund is well positioned for potential upside going forward as high breakeven spread levels appear to currently exist. As shown in the highlighted box below, this could help serve as a cushion in a spread widening environment. If spreads would move to their average levels seen over the past 10 years, the potential value of an investment over 1-year would be positive, while a return to the 10-year tightness on spreads would be even better. Also given the very high coupon and spread levels currently, there is a very high hurdle to not capture a positive return over a 1-year holding period. The 1yr Forward Breakeven column below shows the spread levels each asset class would need to hit to not earn a positive return over the next year. At a Fund level, we would need to see over 457bps (basis points or 0.01%) of widening from current levels, which would put us at worse levels than we saw during COVID-19 Pandemic.

- **Most notably, we see value in CLO debt at current levels, as spreads are still wide compared to other areas of corporate credit.** Investment Grade and High Yield corporate credit are hovering near all-time tights seen in 2021, and to get to tighter levels you would need to go all the way back to 2007. However, CLO debt levels are still near their longer-term averages and if they return to their tight post crisis spreads, total return potential is still attractive. We continue to favor shorter duration CLO deals with cleaner portfolios at a discount. Please see the table of indices below highlighting current price and spreads as well as potential upside from current levels. Yield to Expected (YTE) illustrates the yields if spreads were to stay the same and the bonds pull to par by maturity. The Average 1-yr Upside represents an opportunity for the 1 year total return if spreads return to their 10 year average levels, and the Tight 1yr Upside represents the an opportunity for the 1 year total return if spreads return to their 10 year tight levels.<sup>1,2</sup>

PALMER SQUARE OPPORTUNISTIC INCOME FUND							1yr Forward Breakeven <sup>3</sup>	3/31/2020 <sup>4</sup>	2/28/2016 <sup>5</sup>
Rating	Allocation	Price	Spread	YTE*	Average 1yr Upside <sup>1</sup>	Tight 1yr Upside <sup>2</sup>	Spread	Spread	Spread
CLO AAA	7.6%	100.12	136	5.90%	6.07	6.60%	391	243	186
CLO AA	1.0%	96.50	228	6.31%	5.56	6.28%	443	349	284
CLO BBB	32.6%	100.00	326	7.81%	7.45	9.45%	594	755	661
CLO BB	30.8%	100.38	616	10.83%	10.56	12.92%	962	1384	1193
CLO B	3.0%	94.95	1000	14.57%	16.12	21.65%	1282	1949	1653
CLO Equity	3.0%	35.78	1585	20.63%	25.65	30.65%	2620	2000	1850
CMBS	0.5%	60.41	680	11.22%	31.00	33.75%	1060	1030	665
Corp HY	4.0%	92.77	358	7.86%	6.28	9.06%	3196	880	726
Corp IG	0.2%	90.86	27	3.00%	1.21	4.33%	79	272	197
Bank Debt	17.3%	98.82	313	8.40%	9.32	9.55%	804	844	639
<b>Total</b>	<b>100.0%</b>	<b>99.02</b>	<b>458</b>	<b>9.28%</b>	<b>9.48</b>	<b>11.39%</b>	<b>915</b>	<b>1000</b>	<b>849</b>

Source: Bloomberg, Palmer Square, as of 6/30/2024. \*YTE, also known as Yield to Expected Call, is a Yield to Call metric that assumes callable bonds are not called at their call date, but some later date prior to maturity. <sup>1</sup>Refers to the potential increase in value of the investment in one year if spreads return to 10-year average levels. <sup>2</sup>Refers to the potential increase in value of the investment in one year if spreads return to 10-year tight levels. The potential increase in value is calculated by determining the return resulting from the positive or negative difference between the current price of the securities and the price of the securities at the respective spread levels noted in the above performance (i.e., spread levels at 10-year averages) plus the income from anticipated coupon payments over the next 12 months. For purposes of this analysis, anticipated coupon payments incorporate the forward LIBOR/SOFR curve. <sup>3</sup>Refers to the level at which spreads would need to widen in order to cause a negative value in an individual investment over a one-year period. This is determined by reducing a security's price by its expected coupon payments over the next 12 months and then calculating the level of spread widening that would need to occur to move the security's actual price to the reduced price. For purposes of this analysis, anticipated coupon payments incorporate the forward LIBOR/SOFR curve. <sup>4</sup>Month end during Covid-19 dislocation. <sup>5</sup>Month end of energy market dislocation. Below investment grade ratings are subject to higher risks including that of repayment. Figures shown are not indicative of the performance of the Fund. The presented performance does not reflect the impact of material economic and market factors on decision-making, any changes to the strategy over time, and was prepared with the benefit of hindsight. Past performance is no guarantee of future returns.

PALMER SQUARE CLO INDEX LEVELS AND 1YR UPSIDE TO AVERAGE/TIGHTS					
Rating	Current Average Price	Discount Margin	Yield to Expected	Average 1yr Upside <sup>1</sup>	Tight 1yr Upside <sup>2</sup>
CLO AAA	\$100.13	125	6.24%	6.61%	6.86%
CLO AA	\$100.21	167	6.69%	7.02%	7.52%
CLO A	\$100.21	201	7.16%	7.45%	7.95%
CLO BBB	\$99.98	319	8.18%	8.34%	9.84%
CLO BB	\$97.83	698	11.79%	12.37%	15.43%
CLO B	\$76.98	1185	16.23%	26.21%	35.95%

Source: JPM / Intex / Palmer Square. As of 6/30/2024. Below investment grade ratings are subject to higher risks. Figures shown are not indicative of the performance of the Fund. <sup>1</sup>Refers to the potential increase in value of the investment in one year if spreads return to 10-year average levels. <sup>2</sup>Refers to the potential increase in value of the investment in one year if spreads return to 10-year tight levels. The potential increase in value is calculated by determining the return resulting from the positive or negative difference between the current price of the securities and the price of the securities at the respective spread levels noted in the above performance (i.e., spread levels at 10-year averages) plus the income from anticipated coupon payments over the next 12 months. For purposes of this analysis, anticipated coupon payments incorporate the forward LIBOR/SOFR curve. The presented performance does not reflect the impact of material economic and market factors on decision making, any changes to the Fund over time, and was prepared with the benefit of hindsight. Please see Notes and Disclosures for definitions.

## Allocation / Attribution Summary

### Select Portfolio Attribution and Characteristic Dashboard

Allocation	6/30/2024 Allocation	Q2 2024 Gross Attribution	Average Price	Yield to Expected Call <sup>†</sup>
CLO Debt	74%	2.64%	\$99.9	8.99%
Bank Loans	17%	0.42%	\$99.1	8.50%
High Yield Bonds	5%	0.08%	\$93.8	7.86%
Sub Notes	3%	-0.01%	n/a	20.63%
ABS/MBS	1%	0.04%	\$75.6	11.20%

Asset-backed Securities (ABS), Mortgage-backed Securities (MBS).

#### Historic Positioning Detail by Asset Type:

	6/30/2023 Allocation	9/30/2023 Allocation	12/31/2023 Allocation	3/31/2024 Allocation	6/30/2024 Allocation	Q2 2024 Gross Attribution
CLO Debt	69%	71%	71%	71%	74%	2.64%
Bank Loans	19%	18%	19%	19%	17%	0.42%
High Yield Bonds	7%	6%	6%	6%	5%	0.08%
Sub Notes	5%	5%	5%	5%	3%	-0.01%
ABS/MBS	1%	1%	1%	1%	1%	0.04%

Please note the allocation above is on a gross exposure basis as a percent of NAV and does not include cash. Gross attribution does not include hedges, expenses and fees if applicable. 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. Attribution refers to the process of measuring returns generated by various sources.

- Performance and Attribution: The Fund returned 2.79% (net of fees) in Q2 2024.** The positive absolute performance was driven by a broad-based rally in credit spreads, particularly within our CLO exposure, which in turn was driven by stronger expected growth and earnings data. Also, as Fed cuts have slowly been priced out over the course of the year, technicals for floating rate products have been favorable. The Fund's exposure to CLO debt and sub notes provided the largest contribution at +2.63%, followed by bank loans at +0.42% and HY (High Yield) bonds at +0.08%. There were no meaningful detractors during the quarter.
- Macro Takeaways:** There are a few key macro and credit market takeaways from Q2 2024. First and foremost, the May CPI report (released on June 12<sup>th</sup>) was a major positive development in the Fed's war on inflation. The report showed inflation slowing at the headline, core and "super core" level, and reversed several months of price re-acceleration. It was also the lowest monthly reading for core inflation since 2021. This was followed by another positive CPI report released on July 11<sup>th</sup> that most likely provides the Fed with the justification it needs to cut rates later this year. At the beginning of the year, the market was pricing in 6-7 rate cuts while we expected 1-2. At the time of writing this letter, the market is pricing in precisely 2 cuts this year. That said, we are also sticking with our view that the long end of the curve (5-10 year U.S. Treasuries) could easily remain in a 4.25-4.75% range indefinitely; concurrent with a Fed cutting cycle. We believe it would take a significant slowing of growth to push longer end yields much below 4%.
- Outside of the U.S. markets, Q2 2024 marked the first rate cut from a G7 central bank since the pandemic when the ECB (European Central Bank) expectedly lower its policy rate by 25bps in June. Inflation data in Europe has been quicker to normalize compared to the U.S. for several reasons: more prudent fiscal policy, deeper structural deflationary socioeconomics, and arguably, a lower neutral rate which is at least partially due to higher national debt levels.
- Overall, market expectations have moved much closer to our long-held view of a soft or no landing and higher-for-longer rates. Our preference for floating rate assets bore fruit once again, as the long duration trade has once again been delayed, with short duration and floating rate

instruments outperforming during the quarter. With credit spreads moving closer to fully pricing in good economic conditions and dispersion continuing to decline, asset and security selection will be a key factor in avoiding pitfalls and taking advantage of opportunities when they arise.

- Below is a summary of major benchmark performance for comparison.

Selected Indices*	Q2 2024 Performance	YTD 2024 Performance
Bloomberg U.S. Treasury Index	+0.09% (Yield +0.14%)	-0.86% (+0.49%)
Bloomberg U.S. Aggregate Bond Index	+0.07% (spread 0bps)	-0.71% (-2bps)
Bloomberg U.S. Corporate Index	-0.09% (spread +4bps)	-0.49% (-5bps)
Bloomberg 1-3 Year U.S. Corporate Index	+1.05% (spread +3bps)	+1.85% (-8bps)
Bloomberg U.S. High Yield Index	+1.09% (spread +8bps)	+2.58% (-12bps)
iBoxx Liquid Leveraged Loan Index	+1.71% (DM -2bps)	+3.91% (-11bps)
Palmer Square CLO Senior Debt Index	+1.89% (DM -12bps)	+3.87% (-22bps)
Palmer Square CLO Debt Index	+3.41% (DM -47bps)	+7.83% (-89bps)
S&P 500 Index	+4.28%	+15.29%
STOXX 600 Index	+1.56%	+9.52%

Source: Bloomberg as of 06/29/2024. \*Please see Notes and Disclosures for definition

- CLO Allocation/Opportunity to Capture Income and Total Return:** As of quarter-end, 78% (i.e. CLO Debt and Sub Notes) of the portfolio, mostly unchanged from last quarter, was invested in CLO debt. CLO BBBs are currently trading on average at a spread of 326bps and BBs are at a spread of 610bps with prices in the high \$90s for higher quality portfolios. When looking across corporate and structured credit, CLO BBB and BBs are one of the few asset classes that are still trading close to their historical averages and continue to look compelling vs. corporates. Given wider spreads and high base rates, breakeven spread widening on CLO BBB and BB is still very high. As indicated on the table above, BBBs are approximately 268bps and BBs 346bps below their 1yr Forward Breakeven spreads, indicating spreads could widen a further 268bps and 346bps, respectively, over the next 12 months before one lost money on \$1 invested. That type of spread widening from here would put us back at levels last seen during the wides of 2022. We also believe another tailwind for CLO debt going forward is the increase in LIBOR/SOFR\* and our view that rates will stay high in the near term. *We continue to add to CLO portfolios that are higher quality and more liquid as we believe they will continue to outperform portfolios with more risky collateral.*

CLO BBs remain a significant allocation in the portfolio and at current valuations offer a lot of potential value on an absolute and relative basis. As compared to High Yield (HY) opportunities, CLO BBs on a historical basis still look very cheap. CLO BBs currently pick up 363bps of spread versus HY, which looking back to 2012 is a 72nd percentile reading (meaning CLO BBs have been relatively cheaper only 28% of the time). The median spread differential over the same time period is 260bps, which means CLO BBs need to tighten\* about 103bps just to get back to historical average levels vs HY.

\*Please see Notes and Disclosures for definitions.

## CLO BB vs HY Spreads



Source: Bloomberg as of 7/8/2024. Current performance is not a guarantee of future performance of the Fund. \*Please see Notes and Disclosure for definitions.

- Bank Loan Allocation:** As of quarter-end, bank loan exposure was 17% of the portfolio, down from 19% at the end of the first quarter. We remain focused on selecting high-quality primary opportunities, with select discounted secondary investments. The primary market remains very busy, but is heavily skewed towards refinancing and repricing transactions, which has limited the number of attractive new money opportunities. In addition to modest net primary volumes, CLO issuance and retail inflows remain robust, creating a supportive price environment and driving incremental spread compression. *We continue to view the asset class as attractive given the combination of high current income and low interest rate duration and will continue to focus our efforts on seeking high quality/lower risk credits.*
- High Yield Bond Allocation:** As of quarter-end, HY corporate bond exposure was 5.4% of the portfolio, down modestly from 5.5% at the end of the first quarter. Valuations remain challenging with spreads near all-time lows and very limited spread volatility or dispersion during the quarter. The Bloomberg Ba/B US High Yield Bond Index reached a YTD low of 212bps during the second quarter, the lowest level since 2007, and ended the period at 220bps or virtually unchanged q/q. The overall opportunity set in HY remains limited; however, we continue to find idiosyncratic opportunities in the secondary market (USD and EUR HY) and are selectively participating in the new issue market. Although spread valuations are tight, limited net new supply, positive net fund flows, and resilient fundamentals, all remain supportive of current market levels. *We remain focused on identifying credit-specific opportunities we believe can outperform the current tight spread environment.*

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## Outlook / Focus on CLO Relative Value

- **CLO Issuance Forecast and Outlook:** CLO issuance is off to its busiest start of the year ever with \$100.8B in new issue volumes, up about 82% from 2023. Reset/refi activity has also trended higher with \$73B pricing so far in 2024. The size of the CLO market continues to grow in the U.S. and has surpassed \$1 trillion and \$1.4 trillion globally, which is now the largest credit sector within securitized products. We expect demand to continue for 3 main reasons: 1) higher for longer rates continue and demand for floating rate instruments remains strong. 2) demand from banks at the AAA level is returning and 3) an uptick in deal liquidations from out of reinvestment deals force investors to put capital to work in new issue transactions. We estimate that even though gross issuance has been record setting, net issuance for AAAs is actually negative on the year when factoring in liquidations and amortizations.

### **Theme III. Outlook: Measured Pace of Cuts, Economy & Credit Fundamentals Resilient, Tight Spreads + Little Dispersion**

- **The Fed Will Cut Rates, But at a Measured Pace:** We think the recent CPI data combined with some modest weakening of the labor market and signs of consumer stress provides the Fed with the justification it has been looking for to cut rates for the first time since the Pandemic. However, given that core inflation remains well above target and the various other structural inflation headwinds, we think the Fed will take a very measured approach to the pace of rate cuts.
- **Economy Remains Resilient:** While the U.S. economy has slowed modestly from a high point in Q3 2023, the labor market remains strong and growth forecasts still call for 2-2.5% growth in 2024 and 1.5-2.0% in 2025. We remain constructive on the economic outlook and believe there is potential for GDP growth to surprise to the upside in 2024, with the possibility of another year of above-trend growth similar to what was witnessed in 2023.
- **Corporate Fundamentals Stabilizing:** After a brief earning recession in late 2022 – early 2023, corporate earnings have regained their footing over the last couple of quarters, including S&P 500 year-over-year earnings growth of 8% in Q1 2024. Analysts are even more optimistic for the full year 2024 with current estimates calling for 5.0% revenue and 7.0% earnings growth. This is filtering through to credit markets with Q2 2024 net ratings upgrades in the IG (Investment Grade) Corporate market positive (more upgrades than downgrades) for the ninth consecutive quarter and the highest dollar increase since Q2 2023.

We are also seeing this show up in leveraged credit markets, where defaults rates remain contained and an accommodative primary market has helped to alleviate some lingering concerns surrounding near term maturities. The HY default rate of 2.0% for the trailing 12-months ending May 2024 is well below the long-term average of 4.0% and a recent peak of 2.6% in October 2023.

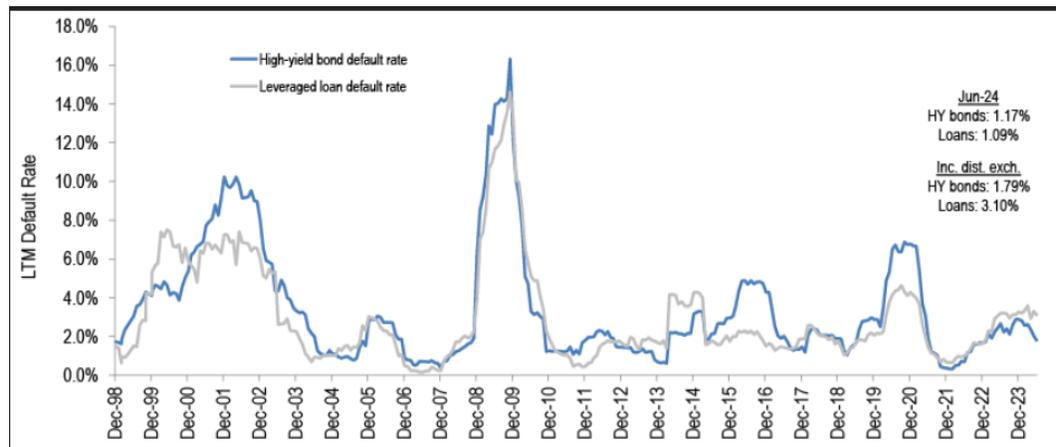
- **Tighter Spreads + Less Dispersion = Discipline and Patience:** The trend of tighter spreads and less dispersion that emerged at the end of last year continued in the first quarter and in some cases accelerated. For example, IG corporate spreads are in the bottom decile on a long-term historical basis and spread dispersion is at its lowest level since 2007! It's important to remember that in a tight spread / low dispersion environment, we are rewarded more from *avoiding* the losers versus picking the winners. Our conservative positioning and prudent relative value framework leaves us well prepared to take advantage of opportunities when they inevitably arise.

- Floating Rate Continues to be an Attractive Relative Value Play:** Despite the first quarter repricing of the rate curve to more closely match our expectations, floating rate credit continues to be an attractive place to be due to a number of factors. These include: (i) floating rate assets still provide a considerable current yield advantage with the 3M/10Y 100bps inverted, (ii) potential for rate cuts to materialize even slower than the current market expects, and (iii) longer-term fiscal concerns that could prevent any material tightening of the long end of the curve.

**Fundamentals**

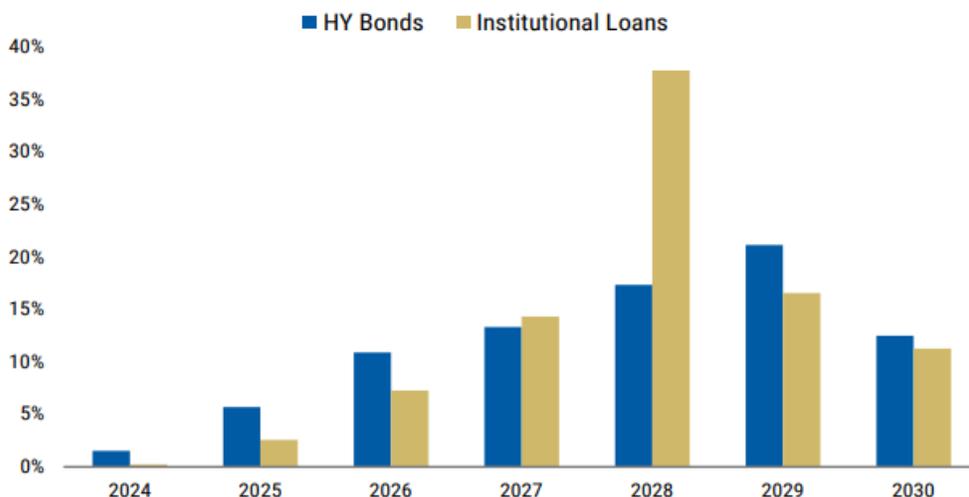
- Loan defaults are hovering around long-term averages at 1.79%, ticking down from the 1.9% from last quarter. Current defaults in CLO portfolios are lower at 0.57%, also down from last quarters reading of 0.73%. We expect defaults will stay rangebound in the next year and remain in the 2-4% range which is the long-term average. The percentage of underlying CLO collateral trading at distressed levels (under \$80) is currently around 4.9%, which is typically a good barometer of future defaults (Palmer Square deals are much lower in the 2-3% range). Also, loans with maturities before 2026 represent a small portion of the loan market at about 10%, meaning refinancing risk is low. The current CCC% in CLO portfolios is 5-7% (Palmer Square deals are lower in the 3-4% range) and still have ample cushion to withstand an uptick in downgrades.

**Exhibit 1: Loan default rates off the lows, but still below long term average**



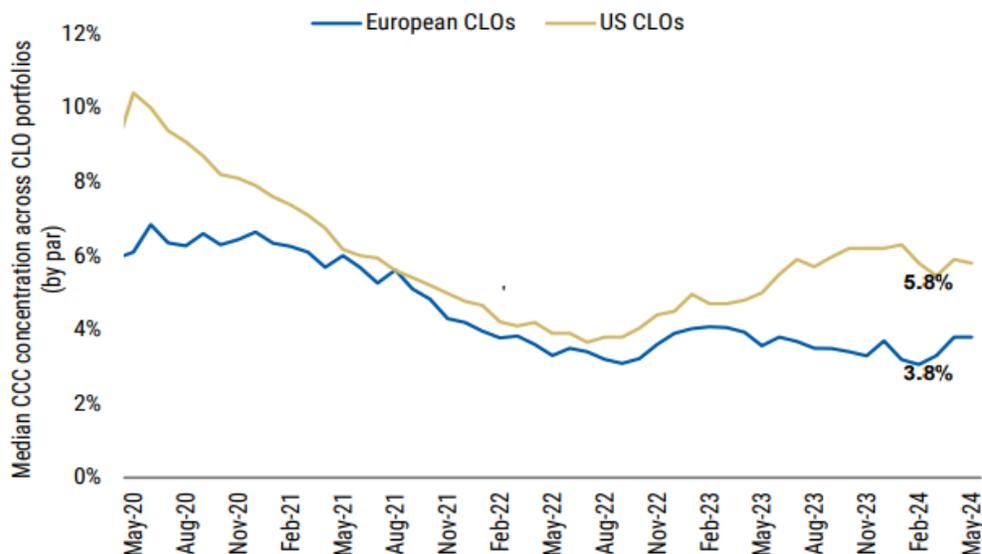
Source: J.P.Morgan Research 7/1/2024

Exhibit 2: Loan maturity walls (\$BN)  
**US Leveraged Debt Maturity Profile**



Source: ICE, Pitchbook LCD, Morgan Stanley Research as of 6/12/2024.

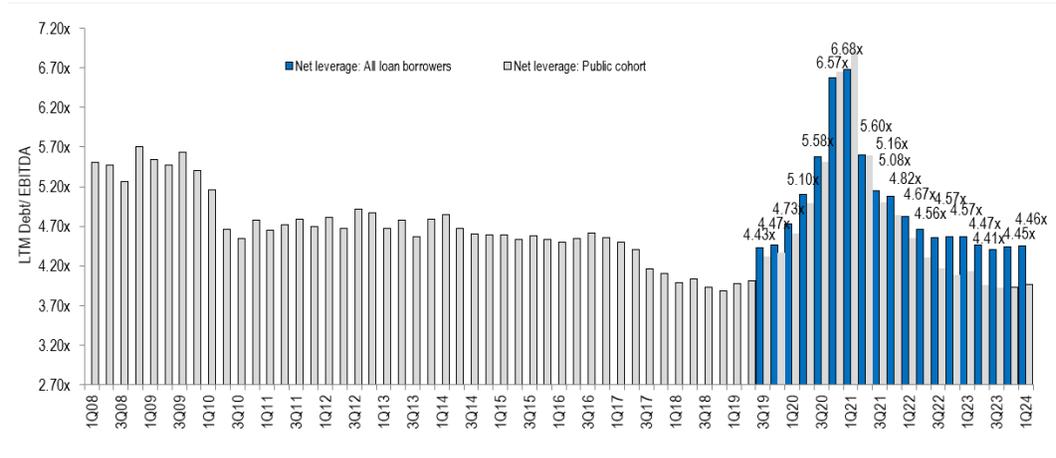
Exhibit 3: Median CCC assets in CLO portfolios



Source: J.P.Morgan Research 6/12/2024

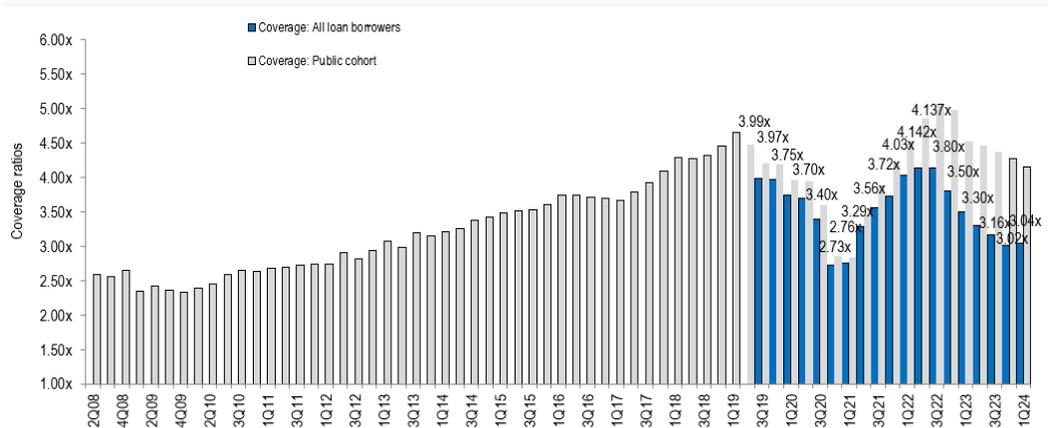
## Exhibit 4: Loan gross leverage still near multi year low, trending lower

### Bank Loan Net Leverage (TM)



Source: J.P.Morgan Research 6/20/2024

## Exhibit 5: Interest coverage ratios in line with historical averages, larger companies outperforming



Source: J.P.Morgan Research 6/20/2024

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## 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 Opportunistic Income 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 Palmer Square Opportunistic Income Fund is a closed-end interval fund. You should not expect to be able to sell your Shares other than through the Fund's repurchase policy, regardless of how the Fund performs.

The Fund's advisor has contractually agreed to waive or reduce its management fees and/ or reimburse expenses of the Fund to ensure that total annual Fund operating expenses (excluding taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed 1.50% of the Fund's average daily net assets. This agreement is in effect until December 1, 2024, and it may be terminated before that date only by the Fund'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 of three years from the date of the waiver or payment.

**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 Call** is the yield of a bond or note if you were to buy and hold the security until the call date. **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. **Beta** describes an investment's volatility in relation to that of the stock or bond market as a whole. For example, the S&P 500 is typically considered to be "the equity market" and it has a beta of 1.0.

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. **Credit Spreads** are often a good barometer of economic health - **wide or widening (bearish sentiment)** and **narrowing/tight or tightening (bullish sentiment)**. The **option-adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses Treasury yields for the risk-free rate. The **original issue discount (OID)** is the difference between the original face value amount and the discounted price paid for a bond. The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

The **Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index of publicly issued investment grade corporate, US Treasury and government agency securities with remaining maturities of one to three years. The **Bloomberg Barclays 1-3 Year US Corporate Index** measures the performance of investment grade, US 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-US agencies, sovereigns, supranationals and local authorities. **S&P 500 Index** is a market-capitalization- weighted index of 500 leading publicly traded companies in the U.S. **U.S. Treasury index** is an index based on recent auctions of U.S. Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates. **Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Barclays U.S. High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. **Bloomberg Barclays U.S. HY BB Corporates Index** tracks the performance of USD-denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market. **Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. 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). **Palmer Square CLO Senior Debt Index (CLOSE)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. CLOSE is comprised of original rated AAA and AA debt issued after January 1, 2009 subject to certain inclusion criteria. **Palmer Square CLO Debt Index (CLODI)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. CLODI is comprised of original rated A, BBB, and BB debt issued after January 1, 2009 subject to certain inclusion criteria. **Palmer Square CLO BB TR Index (PCLOBBTR)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. The index is comprised of original rated BB debt issued after January 1, 2009 subject to certain inclusion criteria. **LIBOR** (London Interbank Offered Rate) is the benchmark interest rate at which major global banks lend to one another. As of January 1, 2022 many banks are no longer required to submit the data needed to calculate the LIBOR rate. In June 2023, LIBOR will be replaced by SOFR. A **Reference Rate** is an interest rate benchmark used to set other interest rates. Various types of transactions use different reference rate benchmarks, but the most common include the Fed Funds Rate, LIBOR, the prime rate, and the rate on benchmark U.S. Treasury securities. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

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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## Notes and Disclosures (cont'd)

This material represents an assessment of the market environment at a specific point in time, is subject to change without notice, and should not be relied upon by the reader as research or investment advice. With regard to sources of information, certain of the economic and market information contained herein has been obtained from published sources and/or prepared by third parties. While such sources are believed to be reliable, Palmer Square or their employees or representatives do not assume any responsibility for the accuracy of such information. Palmer Square is under no obligation to verify its accuracy.

The performance presented here is past performance and not indicative of future returns. 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. Past performance does not guarantee future results.

**Collateralized Loan Obligations Risk** – The Fund may invest in CLOs. The Fund is subject to asset manager, legal and regulatory, limited recourse, liquidity, redemption, and reinvestment risks as a result of the structure of CLOs in which the Fund may invest. A CLO's performance is linked to the expertise of the CLO manager and its ability to manage the CLO portfolio. Changes in the regulation of CLOs may adversely affect the value of the CLO investments held by the Fund and the ability of the Fund to execute its investment strategy. CLO debt is payable solely from the proceeds of the CLO's underlying assets and, therefore, if the income from the underlying loans is insufficient to make payments on the CLO debt, no other assets will be available for payment. CLO debt securities may be subject to redemption and the timing of redemptions may adversely affect the returns on CLO debt.

**The CLO manager may not find suitable assets** in which to invest and the CLO manager's opportunities to invest may be limited. 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. The Fund is "non-diversified," meaning the Fund may invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. Investment in securities of a limited number of issuers exposes the Fund to greater market risk and potential losses than if its assets were diversified among the securities of a greater number of issuers.

**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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**Investors should consider the investment objectives, risks, charges and expenses carefully before investing. For a prospectus, or summary prospectus, that contains this and other information about the Funds, call 866-933-9033 or visit our website at [www.palmsquarefunds.com](http://www.palmsquarefunds.com). Please read the prospectus carefully before investing. An investment in the Fund is not designed to be a complete investment program and should be considered speculative. Investing in the Fund entails substantial risk and may result in a loss of some or all of the amount invested. An investment in the Fund is not appropriate for investors with a short-term investing horizon and/or cannot bear the loss of some or all of their investment.**