



PALMER SQUARE
CAPITAL MANAGEMENT

Palmer Square Absolute Return Fund

(Class I Shares: PSQIX)

(Class A Shares: PSQAX)

SEMI-ANNUAL REPORT

October 31, 2016

Palmer Square Absolute Return Fund

A series of Investment Managers Series Trust

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This report and the financial statements contained herein are provided for the general information of the shareholders of the Palmer Square Absolute Return Fund. This report is not authorized for distribution to prospective investors in the Fund unless preceded or accompanied by an effective prospectus.

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS
As of October 31, 2016 (Unaudited)

Principal Amount		Value
	BANK LOANS – 5.6%	
\$ 265,000	AssuredPartners, Inc. 10.000%, 10/20/2023 ^{1,2}	\$ 266,093
337,500	Duff & Phelps Corp. 9.500%, 4/23/2021 ^{1,2}	335,812
225,000	EP Energy LLC 9.750%, 6/30/2021 ^{1,2}	231,187
125,000	Fairmount Santrol, Inc. 4.500%, 3/15/2017 ¹	122,709
65,000	LSC Communications, Inc. 7.000%, 9/30/2022 ^{1,2}	64,675
146,052	Murray Energy Corp. 8.250%, 4/16/2020 ^{1,2}	134,413
473,782	Neiman Marcus Group Ltd. LLC 4.250%, 10/25/2020 ^{1,2}	437,088
196,427	Pacific Drilling S.A. 4.500%, 6/3/2018 ^{1,2,3}	56,473
200,000	Renaissance Learning, Inc. 8.000%, 4/11/2022 ^{1,2}	197,500
273,625	Veritas US, Inc. 6.625%, 1/27/2023 ¹	255,541
105,000	Walter Investment Management Corp. 4.750%, 12/18/2020 ^{1,2}	98,591
	TOTAL BANK LOANS (Cost \$2,184,097)	2,200,082
	BONDS – 49.9%	
	ASSET-BACKED SECURITIES – 26.7%	
250,000	Apidos CLO XIV Series 2013-14A, Class F, 6.130%, 4/15/2025 ^{1,2,4}	199,199
750,000	BlueMountain CLO Ltd. Series 2013-1A, Class D, 5.417%, 5/15/2025 ^{1,2,4}	694,220
250,000	Carlyle Global Market Strategies CLO Ltd. Series 2013-2A, Class F, 6.282%, 4/18/2025 ^{1,2,4}	203,710
500,000	Catamaran CLO Ltd. Series 2015-1A, Class E, 6.032%, 4/22/2027 ^{1,2,4}	436,122
550,000	Cent CLO 22 Ltd. Series 2014-22A, Class E, 7.188%, 11/7/2026 ^{1,2,4}	407,802
4,000,000	Dryden XXII Senior Loan Fund Series 2011-22A, Class SUB, 0.000%, 1/15/2022 ^{2,4}	2,481,991
1,000,000	Dryden XXIV Senior Loan Fund Series 2011-22A, Class D, 6.080%, 1/15/2022 ^{1,2,4}	980,459
475,000	Flatiron CLO Ltd. Series 2012-24RA, Class ER, 6.767%, 11/15/2023 ^{1,2,4}	468,608
250,000	Series 2012-1A, Class D, 6.382%, 10/25/2024 ^{1,2,4}	241,004

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Principal Amount		Value
	BONDS (Continued)	
	ASSET-BACKED SECURITIES (Continued)	
	Gramercy Park CLO Ltd.	
\$ 500,000	Series 2012-1A, Class DR, 6.380%, 7/17/2023 ^{1,2,4}	\$ 496,674
	Greywolf CLO IV Ltd.	
250,000	Series 2014-2A, Class D, 6.480%, 1/17/2027 ^{1,2,4}	229,517
	Mountain View CLO Ltd.	
1,000,000	Series 2014-1A, Class INC1, 0.000%, 10/15/2026 ⁴	268,750
500,000	Series 2014-1A, Class D, 4.630%, 10/15/2026 ^{1,4}	421,281
	OZLM Funding III Ltd.	
625,000	Series 2013-3A, Class D, 5.882%, 1/22/2025 ^{1,2,4}	597,814
	OZLM Funding V Ltd.	
250,000	Series 2013-5A, Class C, 4.380%, 1/17/2026 ^{1,2,4}	245,966
	Voya CLO Ltd.	
250,000	Series 2012-1A, Class ER, 7.356%, 3/14/2022 ^{1,2,4}	249,574
	West CLO Ltd.	
1,250,000	Series 2013-1A, Class D, 5.688%, 11/7/2025 ^{1,2,4}	975,271
700,000	Series 2014-1A, Class C, 4.332%, 7/18/2026 ^{1,2,4}	635,920
250,000	Series 2014-1A, Class D, 5.782%, 7/18/2026 ^{1,2,4}	203,125
	TOTAL ASSET-BACKED SECURITIES	
	(Cost \$11,875,886)	10,437,007
	COMMERCIAL MORTGAGE-BACKED SECURITIES – 3.2%	
	FREMF Mortgage Trust	
240,402	Series 2014-K714, Class C, 3.849%, 1/25/2047 ^{1,2,4}	236,998
	GSCRE Commercial Mortgage Trust	
1,000,000	Series 2015-HULA, Class C, 3.285%, 8/15/2032 ^{1,4}	997,017
	TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES	
	(Cost \$1,227,998)	1,234,015
	CORPORATE – 20.0%	
	BASIC MATERIALS – 1.9%	
	AK Steel Corp.	
500,000	7.500%, 7/15/2023 ^{2,5}	540,000
	TPC Group, Inc.	
235,000	8.750%, 12/15/2020 ^{2,4,5}	195,638
		735,638
	COMMUNICATIONS – 0.9%	
	Frontier Communications Corp.	
75,000	11.000%, 9/15/2025 ²	76,851
	Intelsat Jackson Holdings S.A.	
205,000	5.500%, 8/1/2023 ^{2,3}	136,838
	Sprint Communications, Inc.	
150,000	7.000%, 8/15/2020	156,000
		369,689

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Principal Amount		Value
	BONDS (Continued)	
	CORPORATE (Continued)	
	CONSUMER, CYCLICAL – 3.0%	
\$ 600,000	Diamond Resorts International, Inc. 7.750%, 9/1/2023 ^{2,4,5}	\$ 594,000
155,000	Men's Wearhouse, Inc. 7.000%, 7/1/2022 ^{2,5}	143,375
215,000	Scientific Games International, Inc. 10.000%, 12/1/2022 ²	198,875
240,000	TI Group Automotive Systems LLC 8.750%, 7/15/2023 ^{2,4,5}	254,400
		1,190,650
	CONSUMER, NON-CYCLICAL – 2.9%	
350,000	Acadia Healthcare Co., Inc. 6.500%, 3/1/2024 ^{2,5}	360,062
220,000	Air Medical Merger Sub Corp. 6.375%, 5/15/2023 ^{2,4,5}	213,400
450,000	Mallinckrodt International Finance S.A. / Mallinckrodt CB LLC 5.750%, 8/1/2022 ^{2,3,4}	425,250
135,000	Sterigenics-Nordion Topco LLC 8.125%, 11/1/2021 ^{2,4}	132,638
		1,131,350
	ENERGY – 2.2%	
50,000	Basic Energy Services, Inc. 7.750%, 2/15/2019 ^{2,6}	23,625
125,000	7.750%, 10/15/2022 ^{2,6}	55,625
185,000	Murray Energy Corp. 11.250%, 4/15/2021 ^{2,4}	142,912
600,000	Parsley Energy LLC / Parsley Finance Corp. 6.250%, 6/1/2024 ^{2,4}	633,000
		855,162
	FINANCIAL – 0.9%	
245,000	Alliant Holdings Intermediate LLC 8.250%, 8/1/2023 ^{2,4,5}	249,900
55,000	Ocwen Financial Corp. 6.625%, 5/15/2019 ^{2,5}	52,525
55,000	Walter Investment Management Corp. 7.875%, 12/15/2021 ²	43,175
		345,600
	INDUSTRIAL – 1.7%	
440,000	StandardAero Aviation Holdings, Inc. 10.000%, 7/15/2023 ^{2,4,5}	468,600

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Principal Amount		Value
	BONDS (Continued)	
	CORPORATE (Continued)	
	INDUSTRIAL (Continued)	
\$ 180,000	XPO Logistics, Inc. 6.125%, 9/1/2023 ^{2,4,5}	\$ 185,625
		654,225
	TECHNOLOGY – 6.5%	
725,000	BMC Software Finance, Inc. 8.125%, 7/15/2021 ^{2,4,5}	667,000
195,000	Cengage Learning, Inc. 9.500%, 6/15/2024 ^{2,4,5}	182,325
190,000	Ensemble S Merger Sub, Inc. 9.000%, 9/30/2023 ^{2,4,5}	200,450
135,000	Inception Merger Sub, Inc. / Rackspace Hosting, Inc. 8.625%, 11/15/2024 ^{2,4}	135,506
600,000	Infor US, Inc. 6.500%, 5/15/2022 ^{2,5}	624,000
635,000	Rackspace Hosting, Inc. 6.500%, 1/15/2024 ^{2,4}	729,456
		2,538,737
	TOTAL CORPORATE (Cost \$7,743,970)	7,821,051
	TOTAL BONDS (Cost \$20,847,854)	19,492,073
Number of Shares		
	COMMON STOCKS – 0.2%	
	FINANCIAL – 0.2%	
2,310	Communications Sales & Leasing, Inc. - REIT	65,674
	TOTAL COMMON STOCKS (Cost \$66,847)	65,674
Number of Contracts		
	PURCHASED OPTIONS CONTRACTS – 0.5%	
	PUT OPTIONS – 0.5%	
	EQUITY – 0.5%	
300	CBL & Associates Properties, Inc. Exercise Price: \$10.00, Expiration Date: December 16, 2016	8,250
23	Continental Resources, Inc. Exercise Price: \$46.00, Expiration Date: November 18, 2016	2,415
23	Exercise Price: \$42.00, Expiration Date: December 16, 2016	2,300
45	Exercise Price: \$40.00, Expiration Date: January 20, 2017	5,287
95	Delphi Automotive PLC Exercise Price: \$60.00, Expiration Date: November 18, 2016	5,938

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Number of Contracts		Value
	PURCHASED OPTIONS CONTRACTS (Continued)	
	PUT OPTIONS (Continued)	
	EQUITY (Continued)	
	Deutsche Bank AG	
175	Exercise Price: \$8.00, Expiration Date: January 18, 2019	\$ 21,437
	Endo International PLC	
65	Exercise Price: \$15.00, Expiration Date: January 20, 2017	5,200
65	Exercise Price: \$17.50, Expiration Date: January 20, 2017	11,050
	Freeport-McMoRan, Inc.	
1,030	Exercise Price: \$2.00, Expiration Date: January 20, 2017	—
	General Motors Co.	
180	Exercise Price: \$30.00, Expiration Date: December 16, 2016	9,810
90	Exercise Price: \$30.00, Expiration Date: January 20, 2017	8,415
	Masco Corp.	
33	Exercise Price: \$20.00, Expiration Date: January 20, 2017	—
	Men's Wearhouse, Inc.	
111	Exercise Price: \$8.00, Expiration Date: January 20, 2017	—
	Oasis Petroleum, Inc.	
65	Exercise Price: \$9.00, Expiration Date: November 18, 2016	1,365
45	Exercise Price: \$9.00, Expiration Date: December 16, 2016	2,250
100	Exercise Price: \$8.00, Expiration Date: January 20, 2017	4,500
	SM Energy Co.	
23	Exercise Price: \$30.00, Expiration Date: December 16, 2016	3,910
45	Exercise Price: \$25.00, Expiration Date: January 20, 2017	4,950
	SPDR S&P 500 ETF Trust	
135	Exercise Price: \$42.00, Expiration Date: December 16, 2016	14,580
	Transocean Ltd.	
64	Exercise Price: \$8.00, Expiration Date: January 20, 2017	2,368
	Trinseo S.A.	
65	Exercise Price: \$50.00, Expiration Date: November 18, 2016	8,775
	Valeant Pharmaceuticals International, Inc.	
65	Exercise Price: \$25.00, Expiration Date: December 16, 2016	54,600
	Whiting Petroleum Corp.	
45	Exercise Price: \$8.00, Expiration Date: December 16, 2016	3,285
100	Exercise Price: \$7.00, Expiration Date: January 20, 2017	6,000
		186,685
	TOTAL PUT OPTIONS	
	(Cost \$280,679)	186,685
	TOTAL PURCHASED OPTIONS CONTRACTS	
	(Cost \$280,679)	186,685

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Number of Shares		Value
	SHORT-TERM INVESTMENTS – 7.4%	
2,905,846	Fidelity Institutional Money Market Funds - Treasury Portfolio - Class I, 0.218% ^{5,7}	\$ 2,905,846
	TOTAL SHORT-TERM INVESTMENTS (Cost \$2,905,846)	2,905,846
	TOTAL INVESTMENTS – 63.6% (Cost \$26,285,323)	24,850,360
	Other Assets in Excess of Liabilities – 36.4%	14,205,428
	TOTAL NET ASSETS – 100.0%	\$ 39,055,788
	SECURITIES SOLD SHORT – (26.3)%	
	BONDS – (26.3)%	
	CORPORATE – (21.8)%	
	BASIC MATERIALS – (0.9)%	
\$ (335,000)	AK Steel Corp. 7.625%, 10/1/2021 ²	(338,350)
	COMMUNICATIONS – (1.9)%	
(150,000)	Sprint Corp. 7.625%, 2/15/2025 ²	(144,703)
(575,000)	Viacom, Inc. 4.250%, 9/1/2023 ²	(611,838)
		(756,541)
	CONSUMER, CYCLICAL – (4.0)%	
(150,000)	ClubCorp Club Operations, Inc. 8.250%, 12/15/2023 ^{2,4}	(160,500)
(300,000)	Dana Holding Corp. 5.500%, 12/15/2024 ²	(312,000)
(300,000)	Diamond Resorts International, Inc. 10.750%, 9/1/2024 ^{2,4}	(285,000)
(245,000)	Fiat Chrysler Automobiles N.V. 5.250%, 4/15/2023 ³	(250,819)
(475,000)	Neiman Marcus Group Ltd. LLC 8.000%, 10/15/2021 ^{2,4}	(394,250)
(150,000)	Scientific Games Corp. 8.125%, 9/15/2018 ²	(151,312)
		(1,553,881)
	CONSUMER, NON-CYCLICAL – (3.0)%	
(300,000)	Avis Budget Car Rental LLC / Avis Budget Finance, Inc. 5.250%, 3/15/2025 ^{2,4}	(286,125)
(165,000)	Horizon Pharma, Inc. / Horizon Pharma USA, Inc. 8.750%, 11/1/2024 ^{2,4}	(168,300)

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Principal Amount		Value
	SECURITIES SOLD SHORT (Continued)	
	BONDS (Continued)	
	CORPORATE (Continued)	
	CONSUMER, NON-CYCLICAL (Continued)	
	Immucor, Inc.	
\$ (235,000)	11.125%, 8/15/2019 ²	\$ (222,075)
	Mallinckrodt International Finance S.A.	
(300,000)	4.750%, 4/15/2023 ³	(262,875)
	Select Medical Corp.	
(250,000)	6.375%, 6/1/2021 ²	(249,609)
		(1,188,984)
	ENERGY – (5.9)%	
	Carrizo Oil & Gas, Inc.	
(725,000)	7.500%, 9/15/2020 ²	(752,418)
	Clayton Williams Energy, Inc.	
(300,000)	7.750%, 4/1/2019 ²	(300,750)
	Parsley Energy LLC / Parsley Finance Corp.	
(600,000)	7.500%, 2/15/2022 ^{2,4}	(640,500)
	SM Energy Co.	
(600,000)	6.500%, 11/15/2021 ²	(609,750)
		(2,303,418)
	FINANCIAL – (2.0)%	
	Bank of China Ltd.	
¥ (2,750,000)	6.750%, 10/31/2049 ^{1,2}	(478,412)
	UniCredit S.p.A.	
€ (250,000)	5.750%, 10/28/2025 ^{1,2}	(288,975)
		(767,387)
	INDUSTRIAL – (0.4)%	
	TransDigm, Inc.	
\$ (150,000)	6.375%, 6/15/2026 ^{2,4}	(154,407)
	TECHNOLOGY – (3.7)%	
	Boxer Parent Co., Inc.	
(705,000)	9.000%, 10/15/2019 ^{2,4}	(648,600)
	First Data Corp.	
(475,000)	7.000%, 12/1/2023 ^{2,4}	(500,531)
	Infor Software Parent LLC / Infor Software Parent, Inc.	
(300,000)	7.125%, 5/1/2021 ^{2,4}	(305,907)
		(1,455,038)
	TOTAL CORPORATE	
	(Proceeds \$8,210,978)	(8,518,006)

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

Principal Amount		Value
	SECURITIES SOLD SHORT (Continued)	
	BONDS (Continued)	
	GOVERNMENT – (2.5)%	
€	(250,000) Ireland Government Bond	\$ (384,396)
	5.400%, 3/13/2025	
	(250,000) Italy Buoni Poliennali Del Tesoro	(274,314)
	1.600%, 6/1/2026	
	(250,000) Spain Government Bond	(299,835)
	2.150%, 10/31/2025 ⁴	
	TOTAL GOVERNMENT SECURITIES	
	(Proceeds \$963,466)	(958,545)
	MORTGAGE-BACKED SECURITIES – (2.0)%	
\$	(750,000) Fannie Mae Pool	(787,471)
	3.500%, 11/1/2043 ⁸	
	TOTAL MORTGAGE-BACKED SECURITIES	
	(Proceeds \$788,086)	(787,471)
	TOTAL BONDS	
	(Proceeds \$9,962,530)	(10,264,022)
	TOTAL SECURITIES SOLD SHORT	
	(Proceeds \$9,962,530)	\$ (10,264,022)
	WRITTEN OPTIONS CONTRACTS – 0.0%	
	PUT OPTIONS – 0.0%	
	EQUITY – 0.0%	
	Freeport-McMoRan, Inc.	
(2,060)	Exercise Price: \$1.00, Expiration Date: January 20, 2017	—
	TOTAL PUT OPTIONS	
	(Proceeds \$43,173)	—
	TOTAL WRITTEN OPTIONS CONTRACTS	
	(Proceeds \$43,173)	\$ —

PLC – Public Limited Company
REIT – Real Estate Investment Trust

¹ Variable, floating or step rate security.

² Callable.

³ Foreign security denominated in U.S. Dollars.

⁴ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities are restricted and may be resold in transactions exempt from registration normally to qualified institutional buyers. The absolute value of these securities is \$20,925,077.

⁵ All or a portion of this security is segregated as collateral for securities sold short.

⁶ Security is in default.

⁷ The rate is the annualized seven-day yield at period end.

⁸ To-be-announced security.

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

SWAP CONTRACTS

CREDIT DEFAULT SWAP CONTRACTS

Counterparty/ Reference Entity	Pay/ ^(a) Receive		Expiration Date	Notional Amount	Premium Paid (Received)	Unrealized Appreciation/ (Depreciation)
	Fixed Rate	Fixed Rate				
J.P. Morgan						
American Axle & Manufacturing, Inc.	Pay	5.00%	12/20/21	\$ 900,000	\$ (96,054)	\$ 397
Deutsche Bank AG	Receive	1.00	12/20/18	€ 300,000	(31,722)	10,611
Ford Motor Co.	Pay	5.00	12/20/21	\$ 600,000	(89,984)	(6,912)
General Motors Co.	Pay	5.00	12/20/21	600,000	(85,794)	(9,819)
United States Steel Corp.	Pay	5.00	12/20/21	300,000	48,750	(8,271)
TOTAL CREDIT DEFAULT SWAP CONTRACTS					\$ (254,804)	\$ (13,994)

^(a) If Palmer Square Absolute Return Fund is paying a fixed rate, the counterparty acts as guarantor of the variable instrument. If Palmer Square Absolute Return Fund is receiving a fixed rate, Palmer Square Absolute Return Fund acts as guarantor of the variable instrument.

TOTAL RETURN SWAP CONTRACTS

Counterparty/ Reference Entity	Notional Amount ^(b)	Pay/Receive Total Return		Financing Rate	Termination Date	Premium Paid (Received)	Unrealized Appreciation/ (Depreciation)
		Reference Entity	Reference Entity				
The Bank of Nova Scotia							
Loan Funding I, Ltd. - OTC ^(c)	\$ 3,478,845	Receive	Receive	1-Month USD-LIBOR-ICE + 1.15%	7/17/17	\$ -	\$ 16,616
TOTAL TOTAL RETURN SWAP CONTRACTS						\$ -	\$ 16,616

^(b) The notional amount of a total return swap contract is the reference amount pursuant to which the counterparties make payments and is not a measure of the maximum risk of loss.

^(c) Loan Funding I, Ltd. consists of a portfolio of BBB to B- rated bank loans.

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
SCHEDULE OF INVESTMENTS - Continued
As of October 31, 2016 (Unaudited)

FUTURES CONTRACTS

Number of Contracts	Expiration Date	Value At Trade Date	Value At October 31, 2016	Unrealized Appreciation (Depreciation)
Long (Short) Description				
(4) 2-Year U.S. Treasury Note (CBT)	December 2016	\$ (873,926)	\$ (872,562)	\$ 1,364
(10) 5-Year U.S. Treasury Note (CBT)	December 2016	(1,214,268)	(1,207,969)	6,299
TOTAL FUTURES CONTRACTS		\$ (2,088,194)	\$ (2,080,531)	\$ 7,663

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
SUMMARY OF INVESTMENTS
As of October 31, 2016 (Unaudited)

Security Type/Sector	Percent of Total Net Assets
Bank Loans	5.6%
Bonds	
Asset-Backed Securities	26.7%
Corporate	20.0%
Commercial Mortgage-Backed Securities	3.2%
Total Bonds	49.9%
Common Stocks	
Financial	0.2%
Total Common Stocks	0.2%
Purchased Options Contracts	
Put Options	0.5%
Total Purchased Options Contracts	0.5%
Short-Term Investments	7.4%
Total Investments	63.6%
Other Assets in Excess of Liabilities	36.4%
Total Net Assets	100.0%

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
STATEMENT OF ASSETS AND LIABILITIES
As of October 31, 2016 (Unaudited)

Assets:

Investments, at value (cost \$26,004,644)	\$ 24,663,675
Purchased options contracts, at value (cost \$280,679)	186,685
Investments, at value (cost \$26,285,323)	24,850,360
Foreign currency, at value (cost \$1,302,695)	1,262,903
Cash	15,465,914
Cash held by broker	7,220,095
Receivables:	
Investment securities sold	3,294,696
Fund shares sold	219
Premiums paid on open swap contracts	48,750
Unrealized appreciation on open swap contracts	27,624
Unrealized appreciation on open futures contracts	7,663
Dividends and interest	365,036
Other assets	41
Prepaid expenses	18,142
Total assets	<u>52,561,443</u>

Liabilities:

Securities sold short, at value (proceeds \$9,962,530)	10,264,022
Written options contracts, at value (proceeds \$43,173)	-
Payables:	
Investment securities purchased	2,530,391
Fund shares redeemed	7,782
Premiums received on open swap contracts	303,554
Unrealized depreciation on open swap contracts	25,002
Advisory fees	3,117
Shareholder servicing fees (Note 6)	17,726
Distribution fees (Note 7)	3,150
Dividends and interest on securities sold short	154,632
Fund accounting fees	48,907
Custody fees	28,904
Broker fees	25,778
Fund administration fees	22,250
Auditing fees	15,986
Transfer agent fees and expenses	14,408
Chief Compliance Officer fees	2,125
Trustees' fees and expenses	961
Accrued other expenses	36,960
Total liabilities	<u>13,505,655</u>

Net Assets

\$ 39,055,788

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
STATEMENT OF ASSETS AND LIABILITIES – Continued
As of October 31, 2016 (Unaudited)

Components of Net Assets:

Paid-in capital (par value of \$0.01 per share with an unlimited number of shares authorized)	\$ 94,182,599
Accumulated net investment income	1,473,772
Accumulated net realized loss on investments, purchased options contracts, securities sold short, futures contracts, written options contracts, swaptions contracts, swap contracts, and foreign currency transactions	(54,877,938)
Net unrealized appreciation (depreciation) on:	
Investments	(1,340,969)
Purchased options contracts	(93,994)
Securities sold short	(301,492)
Written options contracts, swaptions contracts, swap contracts and futures contracts	53,458
Foreign currency translations	(39,648)
Net Assets	<u><u>\$ 39,055,788</u></u>

Maximum Offering Price per Share:

Class I Shares:	
Net assets applicable to shares outstanding	\$ 35,062,702
Shares of beneficial interest issued and outstanding	4,134,025
Offering and redemption price per share	<u><u>\$ 8.48</u></u>
Class A Shares:	
Net assets applicable to shares outstanding	\$ 3,993,086
Shares of beneficial interest issued and outstanding	473,053
Redemption price*	<u>8.44</u>
Maximum sales charge (5.75% of offering price)**	<u>0.51</u>
Maximum offering price to public	<u><u>\$ 8.95</u></u>

* No sales charge applies on investments of \$1 million or more, but a contingent deferred sales charge ("CDSC") of 1% may be imposed on certain redemptions of such shares within 12 months of the date of purchase.

** On sales of \$50,000 or more, the sales charge will be reduced.

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
STATEMENT OF OPERATIONS
For the Six Months Ended October 31, 2016 (Unaudited)

Investment Income:	
Dividends	\$ 2,574
Interest	1,216,494
Total investment income	<u>1,219,068</u>
Expenses:	
Interest on securities sold short	285,950
Advisory fees	179,931
Brokerage expense	157,459
Fund accounting fees	86,080
Registration fees	26,063
Fund administration fees	24,554
Interest expense (Note 13)	23,961
Shareholder servicing fees (Note 6)	21,827
Transfer agent fees and expenses	21,285
Legal fees	20,951
Auditing fees	15,733
Custody fees	13,454
Shareholder reporting fees	8,463
Miscellaneous	6,079
Trustees' fees and expenses	4,016
Distribution fees (Note 7)	2,889
Chief Compliance Officer fees	2,776
Insurance fees	1,017
Total expenses	<u>902,488</u>
Advisory fees waived	(173,787)
Fees paid indirectly (Note 3)	<u>(5,903)</u>
Net expenses	<u>722,798</u>
Net investment income	<u>496,270</u>
Realized and Unrealized Gain (Loss) on Investments, Purchased Options Contracts, Securities Sold Short, Futures Contracts, Written Options Contracts, Swaptions Contracts, Swap Contracts, and Foreign Currency:	
Net realized loss on:	
Investments	(7,389,410)
Purchased options contracts	(883,962)
Securities sold short	(307,952)
Futures contracts, written options contracts, swaptions contracts and swap contracts	(88,120)
Foreign currency transactions	(1,673)
Net realized loss	<u>(8,671,117)</u>
Net change in unrealized appreciation/depreciation on:	
Investments	11,674,052
Purchased options contracts	671,365
Securities sold short	(76,397)
Futures contracts, written options, swaptions contracts and swap contracts	60,289
Foreign currency translations	(62,124)
Net change in unrealized appreciation/depreciation	<u>12,267,185</u>
Net realized and unrealized gain on investments, purchased options contracts, securities sold short, futures contracts, written options contracts, swaptions contracts, swap contracts, and foreign currency	<u>3,596,068</u>
Net Increase in Net Assets from Operations	<u>\$ 4,092,338</u>

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
STATEMENTS OF CHANGES IN NET ASSETS

	For the Six Months Ended October 31, 2016 (Unaudited)	For the Year Ended April 30, 2016
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income	\$ 496,270	\$ 12,478,151
Net realized loss on investments, purchased options contracts, securities sold short, futures contracts, written options contracts, swaptions contracts, swap contracts, and foreign currency	(8,671,117)	(46,667,937)
Net change in unrealized appreciation/depreciation on investments, purchased options contracts, securities sold short, futures contracts, written options contracts, swaptions contracts, swap contracts, and foreign currency	12,267,185	(14,276,772)
Net increase (decrease) in net assets resulting from operations	4,092,338	(48,466,558)
Distributions to Shareholders:		
From net investment income:		
Class I	(2,146,910)	(11,993,862)
Class A	(131,072)	(233,159)
Total distributions to shareholders	(2,277,982)	(12,227,021)
Capital Transactions:		
Net proceeds from shares sold:		
Class I	11,805,847	66,333,467
Class A	2,255,511	3,578,002
Reinvestment of distributions:		
Class I	2,144,050	11,661,551
Class A	122,981	225,171
Cost of shares redeemed:		
Class I	(22,412,813)	(283,961,977)
Class A	(723,568)	(6,124,327)
Net decrease in net assets from capital transactions	(6,807,992)	(208,288,113)
Net increase from payments by affiliates (Note 3)	-	92,173
Total decrease in net assets	(4,993,636)	(268,889,519)
Net Assets:		
Beginning of period	44,049,424	312,938,943
End of period	\$ 39,055,788	\$ 44,049,424
Accumulated net investment income	\$ 1,473,772	\$ 3,255,484
Capital Share Transactions:		
Shares sold:		
Class I	1,422,157	7,149,132
Class A	269,590	362,378
Shares reinvested:		
Class I	274,175	1,296,516
Class A	15,787	24,778
Shares redeemed:		
Class I	(2,740,349)	(34,293,539)
Class A	(88,809)	(664,259)
Net decrease in capital share transactions	(847,449)	(26,124,994)

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
STATEMENT OF CASH FLOWS
For the Six Months Ended October 31, 2016 (Unaudited)

Increase (Decrease) in Cash:

Cash flows provided by (used for) operating activities:	
Net increase in net assets resulting from operations	\$ 4,092,338
Adjustments to reconcile net increase in net assets from operations to net cash used for operating activities:	
Purchases of long-term portfolio investments	(19,523,220)
Sales of long-term portfolio investments	34,771,649
Proceeds from securities sold short	17,882,937
Cover short securities	(19,480,111)
Proceeds from written options and swaptions	1,554
Purchase of short-term investments, net	(1,966,041)
Return of capital dividends received	366,055
Decrease in foreign currency	789,899
Decrease in cash held by broker	602,484
Decrease in investment securities sold receivable	4,278,577
Increase in premiums paid on open swap contracts	(48,750)
Decrease in dividends and interest receivable	141,322
Decrease in due from broker	23,000
Decrease in payment by affiliates	92,173
Increase in other assets	(41)
Decrease in prepaid expenses	8,864
Increase in investment securities purchased	210,140
Decrease in advisory fees payable	(5,579)
Increase in premiums received on open swap contracts	227,294
Increase in dividends and interest on securities sold short	3,899
Increase in accrued expenses	2,757
Net amortization on investments	(88,175)
Net realized loss	8,586,445
Net change in unrealized appreciation/depreciation	(12,329,309)
Net cash provided by operating activities	<u>18,640,161</u>
Cash flows provided by (used for) financing activities:	
Proceeds from shares sold	14,126,171
Cost of shares redeemed	(23,306,304)
Dividends paid to shareholders, net of reinvestments	(10,951)
Net cash used for financing activities	<u>(9,191,084)</u>
Net increase in cash	9,449,077
Cash:	
Beginning of period	<u>6,016,837</u>
End of period	<u>\$ 15,465,914</u>

Non cash financing activities not included herein consist of \$2,267,031 of reinvested dividends.

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
FINANCIAL HIGHLIGHTS
Class I

Per share operating performance.
For a capital share outstanding throughout each period.

	For the Six Months Ended October 31, 2016 (Unaudited)	For the Year Ended April 30, 2016	For the Year Ended April 30, 2015	For the Year Ended April 30, 2014	For the Year Ended April 30, 2013	For the Period May 17, 2011* through April 30, 2012
Net asset value, beginning of period	\$ 8.08	\$ 9.91	\$ 10.13	\$ 9.86	\$ 9.70	\$ 10.00
Income from Investment Operations:						
Net investment income (loss) ¹	0.11	0.46	0.34	0.24	0.06	(0.08)
Net realized and unrealized gain (loss) on investments and foreign currency	0.83	(1.85)	(0.19)	0.25	0.12	(0.22)
Total from investment operations	0.94	(1.39)	0.15	0.49	0.18	(0.30)
Less Distributions:						
From net investment income	(0.54)	(0.44)	(0.22)	(0.13)	(0.02)	-
From net realized gains	-	-	(0.15)	(0.09)	-	-
Total distributions	(0.54)	(0.44)	(0.37)	(0.22)	(0.02)	-
Net increase from payments by affiliates (Note 3)	-	-	-	-	-	-
Net asset value, end of period	\$ 8.48	\$ 8.08	\$ 9.91	\$ 10.13	\$ 9.86	\$ 9.70
Total return³	12.30% ⁴	(14.39)% ⁷	1.55%	4.95%	1.90%	(3.00)% ⁴
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	\$ 35,063	\$ 41,827	\$ 307,472	\$ 256,993	\$ 201,442	\$ 122,632
Ratio of expenses before fees waived/recovered including interest expense and dividends on securities sold short to average net assets	4.92% ⁵	2.38%	2.19%	2.58%	3.01%	3.72% ⁵
Ratio of expenses after fees waived/recovered including interest expense and dividends on securities sold short to average net assets	3.96% ⁵	2.40%	2.31%	2.65%	2.84%	3.11% ⁵
Ratio of expenses after fees waived/recovered excluding interest expense and dividends on securities sold short to average net assets	1.39% ⁵	1.39%	1.74%	2.04%	2.25%	2.25% ⁵
Ratio of net investment income (loss) after fees waived/recovered including interest expense and dividends on securities sold short to average net assets	2.75% ⁵	4.98%	3.40%	2.42%	0.63%	(0.88)% ⁵
Portfolio turnover rate	99% ^{4,6}	213% ⁶	206% ⁶	230% ⁶	317% ⁶	490% ^{4,6}

* Commencement of operations.

¹ Based on average shares outstanding for the period.

² Amount represents less than \$0.01 per share.

³ Total returns would have been lower/higher had expenses not been waived/recovered by the Advisor. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

⁴ Not annualized.

⁵ Annualized.

⁶ Please note that the portfolio turnover figures shown above are calculated in accordance with Item 13 of Form N-1A which exclude cash, securities, including options, futures, and cash held against other derivatives whose maturities or expiration dates at the time of acquisition were one year or less. Also not included is notional values of certain derivative contracts.

⁷ Payment from affiliates had no impact to the total return.

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
FINANCIAL HIGHLIGHTS
Class A

Per share operating performance.
For a capital share outstanding throughout each period.

	For the Six Months Ended October 31, 2016 (Unaudited)	For the Year Ended April 30, 2016	For the Year Ended April 30, 2015	For the Year Ended April 30, 2014	For the Year Ended April 30, 2013	For the Period May 17, 2011* through April 30, 2012
Net asset value, beginning of period	\$ 8.04	\$ 9.88	\$ 10.09	\$ 9.83	\$ 9.67	\$ 10.00
Income from Investment Operations:						
Net investment income (loss) ¹	0.10	0.43	0.31	0.22	0.04	(0.10)
Net realized and unrealized gain (loss) on investments and foreign currency	0.83	(1.86)	(0.18)	0.24	0.13	(0.23)
Total from investment operations	0.93	(1.43)	0.13	0.46	0.17	(0.33)
Less Distributions:						
From net investment income	(0.53)	(0.42)	(0.19)	(0.11)	(0.01)	-
From net realized gains	-	-	(0.15)	(0.09)	-	-
Total distributions	(0.53)	(0.42)	(0.34)	(0.20)	(0.01)	-
Net increase from payments by affiliates (Note 3)	-	0.01	-	-	-	-
Net asset value, end of period	\$ 8.44	\$ 8.04	\$ 9.88	\$ 10.09	\$ 9.83	\$ 9.67
Total return²	12.07% ³	(14.70)% ⁶	1.30%	4.71%	1.73%	(3.30)% ³
Ratios and Supplemental Data:						
Net assets, end of period (in thousands)	\$ 3,993	\$ 2,222	\$ 5,467	\$ 35,975	\$ 21,515	\$ 10,903
Ratio of expenses before fees waived/recovered including interest expense and dividends on securities sold short to average net assets	5.17% ⁴	2.63%	2.44%	2.83%	3.26%	3.97% ⁴
Ratio of expenses after fees waived/recovered including interest expense and dividends on securities sold short to average net assets	4.21% ⁴	2.65%	2.56%	2.90%	3.09%	3.36% ⁴
Ratio of expenses after fees waived/recovered excluding interest expense and dividends on securities sold short to average net assets	1.64% ⁴	1.64%	1.99%	2.29%	2.50%	2.50% ⁴
Ratio of net investment income (loss) after fees waived/recovered including interest expense and dividends on securities sold short to average net assets	2.50% ⁴	4.73%	3.15%	2.17% ⁵	0.38% ⁵	(1.13)% ⁴
Portfolio turnover rate	99% ^{3,5}	213% ⁵	206% ⁵	230% ⁵	317% ⁵	490% ^{3,5}

* Commencement of operations.

¹ Based on average shares outstanding for the period.

² Total returns would have been lower/higher had expenses not been waived/recovered by the Advisor. Returns shown do not include payment of sales load of 5.75% of offering price which is reduced on sales of \$50,000 or more. Returns shown do not include payment of a Contingent Deferred Sales Charge ("CDSC") of 1% on certain redemptions of Class A shares made within one year of purchase. If the sales load or CDSC were included, total returns would be lower. These returns include Rule 12b-1 fees of up to 0.25% and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

³ Not annualized.

⁴ Annualized.

⁵ Please note that the portfolio turnover figures shown above are calculated in accordance with Item 13 of Form N-1A which exclude cash, securities, including options, futures, and cash held against other derivatives whose maturities or expiration dates at the time of acquisition were one year or less. Also not included is notional values of certain derivative contracts.

⁶ Payment from affiliates had a positive 0.02% impact to the total return.

See accompanying Notes to Financial Statements.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS
October 31, 2016 (Unaudited)

Note 1 – Organization

Palmer Square Absolute Return Fund (the “Fund”) was organized as a non-diversified series of Investment Managers Series Trust, a Delaware statutory trust (the “Trust”) which is registered as an open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund’s primary investment objective is to seek capital appreciation with an emphasis on absolute (positive) returns and low correlation to the broader equity and bond markets. The Fund commenced investment operations on May 17, 2011, with two classes of shares, Class I and Class A.

The shares of each class represent an interest in the same portfolio of investments of the Fund and have equal rights as to voting, redemptions, dividends and liquidation, subject to the approval of the Trustees. Income, expenses (other than expenses attributable to a specific class) and realized and unrealized gains and losses on investments are allocated to each class of shares in proportion to their relative shares outstanding. Shareholders of a class that bears distribution and service expenses under the terms of a distribution plan have exclusive voting rights to that distribution plan.

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 “Financial Services—Investment Companies”.

Note 2 – Accounting Policies

The following is a summary of the significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

(a) Valuation of Investments

The Fund values equity securities at the last reported sale price on the principal exchange or in the principal over the counter (“OTC”) market in which such securities are traded, as of the close of regular trading on the NYSE on the day the securities are being valued or, if the last-quoted sales price is not readily available, the securities will be valued at the last bid or the mean between the last available bid and ask price. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price (“NOCP”). Debt securities are valued by utilizing a price supplied by independent pricing service providers. The independent pricing service providers may use various valuation methodologies including matrix pricing and other analytical pricing models as well as market transactions and dealer quotations. These models generally consider such factors as yields or prices of bonds of comparable quality, type of issue, coupon, maturity, ratings and general market conditions. If a price is not readily available for a portfolio security, the security will be valued at fair value (the amount which the Fund might reasonably expect to receive for the security upon its current sale) as determined in good faith by the Fund’s advisor, subject to review and approval by the Valuation Committee, pursuant to procedures adopted by the Board of Trustees. The actions of the Valuation Committee are subsequently reviewed by the Board at its next regularly scheduled board meeting. The Valuation Committee meets as needed. The Valuation Committee is comprised of all the Trustees, but action may be taken by any one of the Trustees.

(b) Foreign Currency Translation

The Fund’s records are maintained in U.S. dollars. The value of securities, currencies and other assets and liabilities denominated in currencies other than U.S. dollars are translated into U.S. dollars based upon foreign exchange rates prevailing at the end of the reporting period. The currencies are translated into U.S. dollars by

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

using the exchange rates quoted as of 4:00 PM Eastern Standard Time. Purchases and sales of investment securities, income and expenses are translated on the respective dates of such transactions.

The Fund does not isolate that portion of its net realized and unrealized gains and losses on investments resulting from changes in foreign exchange rates from the impact arising from changes in market prices. Such fluctuations are included with net realized and unrealized gain or loss from investments and foreign currency.

Net realized foreign currency transaction gains and losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the differences between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency translation gains and losses arise from changes in the value of assets and liabilities, other than investments in securities, resulting from changes in the exchange rates.

(c) Forward Foreign Currency Exchange Contracts

The Fund may utilize forward foreign currency exchange contracts ("forward contracts") under which it is obligated to exchange currencies on specified future dates at specified rates, and are subject to the translations of foreign exchange rates fluctuations. All contracts are "marked-to-market" daily and any resulting unrealized gains or losses are recorded as unrealized appreciation or depreciation on foreign currency translations. The Fund records realized gains or losses at the time the forward contract is settled. Counterparties to these forward contracts are major U.S. financial institutions.

(d) Short Sales

Short sales are transactions under which the Fund sells a security it does not own in anticipation of a decline in the value of that security. To complete such a transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. When a security is sold short a decrease in the value of the security will be recognized as a gain and an increase in the value of the security will be recognized as a loss, which is potentially limitless. Until the security is replaced, the Fund is required to pay the lender amounts equal to dividend or interest that accrue during the period of the loan which is recorded as an expense. To borrow the security, the Fund also may be required to pay a premium or an interest fee, which are recorded as interest expense. Cash or securities are segregated for the broker to meet the necessary margin requirements. The Fund is subject to the risk that it may not always be able to close out a short position at a particular time or at an acceptable price.

(e) Options Contracts

The Fund may write or purchase options contracts primarily to enhance the Fund's returns or reduce volatility. In addition, the Fund may utilize options in an attempt to generate gains from options premiums or to reduce overall portfolio risk. When the Fund writes or purchases an option, an amount equal to the premium received or paid by the Fund is recorded as a liability or an asset and is subsequently adjusted to the current market value of the option written or purchased. Premiums received or paid from writing or purchasing options which expire unexercised are treated by the Fund on the expiration date as realized gains or losses. The difference between the premium and the amount paid or received on affecting a closing purchase or sale transaction, including brokerage commissions, is also treated as a realized gain or loss. If an option is exercised, the premium paid or received is added to the cost of the purchase or proceeds from the sale in determining whether the Fund has realized a gain or a loss on investment transactions. The Fund, as a writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

change in the price of the security underlying the written option. The Fund, as a purchaser of an option, bears the risk that the counterparties to the option may not have the ability to meet the terms of the option contract.

The Fund may also enter into the purchase or sale of related caps, floors and collars. The Fund may enter into these transactions to preserve a return or spread on a particular investment or portion of its portfolio, to protect against currency fluctuations or to protect against any increase in the price of securities it anticipates purchasing at a later date. Swaps may be used in conjunction with other instruments to offset interest rate, currency or other underlying risks. For example, interest rate swaps may be offset with "caps," "floors" or "collars". A "cap" is essentially a call option which places a limit on the amount of floating rate interest that must be paid on a certain principal amount. A "floor" is essentially a put option which places a limit on the minimum amount that would be paid on a certain principal amount. A "collar" is essentially a combination of a long cap and a short floor where the limits are set at different levels.

Transactions in written options contracts for the six months ended October 31, 2016 were as follows:

	Number of Contracts	Premium Amount
Outstanding at April 30, 2016	2,145	\$ 46,995
Written	35	1,553
Terminated in closing purchase transactions	-	-
Expired	(120)	(5,375)
Exercised	-	-
Outstanding at October 31, 2016	2,060	\$ 43,173

(f) Stock Index Futures

The Fund may invest in stock index futures as a substitute for a comparable market position in the underlying securities. A stock index future obligates the seller to deliver (and the purchaser to accept), effectively, an amount of cash equal to a specific dollar amount times the difference between the value of a specific stock index at the close of the last trading day of the contract and the price at which the agreement is made. No physical delivery of the underlying stocks in the index is made. Initial margin deposits required upon entering into futures contracts are satisfied by the segregation of specific securities or cash as collateral for the account of the broker (the Fund's agent in acquiring the futures position). During the period the futures contracts are open, changes in the value of the contracts are recognized as unrealized gains or losses by "marking to market" on a daily basis to reflect the market value of the contracts at the end of each day's trading. Variation margin payments are received or made depending upon whether unrealized gains or losses are incurred. When the contracts are closed, the Fund recognizes a realized gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the Fund's basis in the contract. Risks of entering into futures contracts include the possibility that a change in the value of the contract may not correlate with the changes in the value of the underlying instruments. The purchase of a futures contract involves the risk that the Fund could lose more than the original margin deposit required to initiate the futures transaction. Finally, the risk exists that losses could exceed amounts disclosed on the Statement of Assets and Liabilities. There is minimal counterparty credit risk involved in entering into futures contracts since they are exchange-traded instruments and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees the futures against default.

(g) Exchange-Traded Notes

Exchange-Traded Notes ("ETNs") are debt securities that combine certain aspects of Exchange-Traded Funds ("ETFs") and bonds. ETNs are not investment companies and thus are not regulated under the 1940 Act. ETNs, like ETFs, are traded on stock exchanges and generally track specified market indices, and their value depends on the

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

performance of the underlying index and the credit rating of the issuer. ETNs may be held to maturity, but unlike bonds there are no periodic interest payments and principal is not protected.

(h) Total Return Swap Contracts

The Fund may enter into total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount to hedge sector exposure and to manage exposure to specific sectors or industries and to gain exposure to specific markets/countries and to specific sectors/industries. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty. Total return swap contracts are marked to market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss. Payments received or made are recorded as realized gains or losses. The risk of loss under a swap contract may exceed the amount recorded as an asset or a liability on the Statement of Assets and Liabilities. The Fund could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or in the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The Fund's maximum risk of loss from counterparty risk is the fair value of the contract.

(i) Credit Default Swap Contracts

The Fund may enter into credit default swap agreements to hedge credit and market risk and to gain exposure on individual names and/or baskets of securities. In a credit default contract, the protection buyer typically makes an up front payment and a periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. An upfront payment received by the Fund, as the protection seller, is recorded as a liability on the Fund's books. An upfront payment made by the Fund, as the protection buyer, is recorded as an asset on the Fund's books. Periodic payments received or paid by the Fund are recorded as realized gains or losses. The credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an unrealized gain or loss. Upon the occurrence of a credit event, the difference between the par value and market value of the reference obligation, net of any proportional amount of the upfront payment, is recorded as a realized gain or loss.

In addition to bearing the risk that the credit event will occur, the Fund could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that the Fund may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. The Fund's maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract.

(j) Interest Rate Swap Contracts

The Fund may enter into interest rate swap contracts, which are arrangements between two parties to exchange cash flows based on a notional principal amount, to hedge interest rates and gain exposure on interest rates. An interest rate swap can be purchased or sold with an upfront premium. An upfront payment received by the Fund is recorded as a liability on the Fund's books. An upfront payment made by the Fund is recorded as an asset on the Fund's books. Interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers and the change, if any, is recorded as an unrealized gain or loss. Payments received or made are recorded as realized gains or losses. The Fund could be exposed to credit or

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults on its obligation to perform. The Fund's maximum risk of loss from counterparty risk is the fair value of the contract.

(k) Currency Swap Contracts

The Fund may enter into currency swap agreements, which are similar to interest rate swaps except that they involve multiple currencies. The Fund may enter into a currency swap when it has exposure to one currency and desires exposure to a different currency. Typically the interest rates that determine the currency swap payments are fixed, although occasionally one or both parties may pay a floating rate of interest. Unlike an interest rate swap, however, the principal amounts are exchanged at the beginning of the contract and returned at the end of the contract. In addition to paying and receiving amounts at the beginning and termination of the agreements, both sides will also have to pay in full periodically based upon the currency they have borrowed. Change in foreign exchange rates and changes in interest rates, as described above, may negatively affect currency swaps.

(l) Other

The Fund may purchase participations in commercial loans. Such investments may be secured or unsecured. Loan participations typically represent direct participation, together with other parties, in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Fund may participate in such syndications, or can buy part of a loan, becoming a part lender. When purchasing indebtedness and loan participations, the Fund assumes the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. The indebtedness and loan participations in which the Fund intends to invest may not be rated by any nationally recognized rating service.

In addition, the Fund may enter into, or acquire participations in, delayed funding loans and revolving credit facilities. Delayed funding loans and revolving credit facilities are borrowing arrangements in which the lender agrees to make loans up to a maximum amount upon demand by the borrower during a specified term. A revolving credit facility differs from a delayed funding loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed funding loans and revolving credit facilities usually provide for floating or variable rates of interest. These commitments may have the effect of requiring the Fund to increase its investment in a company at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). To the extent that the Fund is committed to advance additional funds, it will at all-times segregate or " earmark " liquid assets, in an amount sufficient to meet such commitments.

(m) Counterparty Risks

The Fund may be exposed to counterparty risk on institution or other entity with which the Fund has unsettled or open transactions. Although the Fund expects to enter into transactions only with counterparties believed by the Advisor or relevant Sub-Advisor to be creditworthy, there can be no assurance that a counterparty will not default and that the Fund will not sustain a loss on a transaction as a result. The Fund is subject to the risk that issuers of the instruments in which it invests and trades may default on their obligations, and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments.

The Fund is subject to various Master Agreements, which govern the terms of certain transactions with select counterparties. The Master Agreements reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under the Master Agreement, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant master agreement with a counterparty in a given account exceeds a specified threshold.

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NOTES TO FINANCIAL STATEMENTS – Continued
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The Master Repurchase Agreement governs transactions between the Fund and the counterparty. The Master Repurchase Agreement maintains provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral for Repurchase Agreements.

International Swaps and Derivatives Association, Inc. Master Agreements (“ISDA Master Agreements”) govern OTC financial derivative transactions entered into by the Fund and those counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement.

(n) Securities Lending

The Fund may engage in securities lending. The loans are secured by collateral. During the term of the loan, the Fund will continue to receive any interest, dividends or amounts on the loaned securities while receiving interest on the investment of the cash collateral. The cash collateral is maintained on the Fund's behalf. Loans are subject to termination at the option of the borrower of the security. Upon termination of the loan, the borrower will return to the lender securities identical to the loaned securities. The Fund may pay reasonable administrative and custodial fees in connection with a loan of its securities and may share the interest and/or fees earned on the collateral with the borrower. The Fund bears the risk of delay in recovery of, or even loss of rights in, the securities loaned should the borrower of the securities fail financially.

As of October 31, 2016, the Fund had no securities on loan.

(o) Investment Transactions, Investment Income and Expenses

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Withholding taxes on foreign dividends, if applicable, are paid (a portion of which may be reclaimable) or provided for in accordance with the applicable country's tax rules and rates and are disclosed in the Statement of Operations. Withholding tax reclaims are filed in certain countries to recover a portion of the amounts previously withheld. The Fund records a reclaim receivable based on a number of factors, including a jurisdiction's legal obligation to pay reclaims as well as payment history and market convention. Discounts or premiums on debt securities are accreted or amortized to interest income over the lives of the respective securities using the effective interest method. Expenses incurred by the Trust with respect to more than one fund are allocated in proportion to the net assets of each fund except where allocation of direct expenses to each fund or an alternative allocation method can be more appropriately made.

In conjunction with the use of short sales, futures contracts, or swap contracts, the Fund may be required to maintain collateral in various forms. At October 31, 2016, such collateral is denoted in the Fund's Schedule of Investments and Statement of Assets and Liabilities. Also in conjunction with the use of short sales, options contracts, futures contracts, or swap contracts, the Fund, when appropriate, utilizes a segregated margin deposit account with the counterparty. At October 31, 2016 these segregated margin deposit accounts are denoted in the Fund's Statement of Assets and Liabilities.

(p) Federal Income Taxes

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income and any net realized gains to its shareholders. Therefore, no provision is made for federal income or excise taxes. Due to the timing of dividend distributions and the differences in accounting for income and realized gains and losses for

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
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financial statement and federal income tax purposes, the fiscal year in which amounts are distributed may differ from the year in which the income and realized gains and losses are recorded by the Fund.

Accounting for Uncertainty in Income Taxes (the “Income Tax Statement”) requires an evaluation of tax positions taken (or expected to be taken) in the course of preparing a Fund’s tax returns to determine whether these positions meet a “more-likely-than-not” standard that, based on the technical merits, have a more than fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the “more-likely-than-not” recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations.

The Income Tax Statement requires management of the Fund to analyze tax positions taken in the prior three open tax years, if any, and tax positions expected to be taken in the Fund’s current tax year, as defined by the IRS statute of limitations for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of and during the open years ended April 30, 2014-2016 and as of and during the six months ended October 31, 2016, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

(q) Distributions to Shareholders

The Fund will make distributions of net investment income semi-annually and capital gains, if any, at least annually. Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

The character of distributions made during the year from net investment income or net realized gains may differ from the characterization for federal income tax purposes due to differences in the recognition of income, expense and gain (loss) items for financial statement and tax purposes.

Note 3 – Investment Advisory and Other Agreements

The Trust, on behalf of the Fund, entered into an Investment Advisory Agreement (the “Agreement”) with Palmer Square Capital Management LLC (the “Advisor”). Under the terms of the Agreement, the Fund pays a monthly investment advisory fee to the Advisor at the annual rate of 0.99% of the Fund’s average daily net assets, effective February 1, 2015. The Advisor 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 acquired fund fees and expenses (as determined in accordance with Form N-1A), interest, taxes, dividends and interest expenses on short positions, brokerage commissions and extraordinary expenses such as litigation expenses) do not exceed 1.39% and 1.64% of the average daily net assets of the Fund’s Class I shares and Class A shares, respectively. This agreement is effective until August 31, 2017, and may be terminated before that date only by the Trust’s Board of Trustees.

For the six months ended October 31, 2016, the Advisor waived \$173,787 of its advisory fees. The Advisor may recover from the Fund fees and expenses previously waived and/or absorbed if the Fund’s expense ratio, including the recovered expenses, falls below the expense limit at which the expenses were waived. The Advisor is permitted to seek reimbursement from the Fund for a period ending three full fiscal years after the fiscal year in which such reimbursements occurred. At October 31, 2016, the amount of these potentially recoverable expenses was \$173,787. The Advisor may recapture all or a portion of this amount no later than April 30, of the years stated below:

2020	\$ 173,787
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Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

The “Net increase from payments by affiliates” in the Financial Highlights represents an amount reimbursed from the Advisor for losses from a security valuation and two trade errors.

IMST Distributors, LLC serves as the Fund’s distributor; UMB Fund Services, Inc. (“UMBFS”) serves as the Fund’s fund accountant, transfer agent and co-administrator; and Mutual Fund Administration, LLC (“MFAC”) serves as the Fund’s other co-administrator. Effective August 31, 2015, UMB Bank, n.a., an affiliate of UMBFS, serves as the Fund’s custodian. Prior to August 31, 2015, J.P. Morgan Chase Bank, N.A., served as the Fund’s custodian.

The Fund has a fee arrangement with its custodian, UMB Bank, n.a., which provides for custody fees to be reduced by earning credits based on cash balances left on deposit with the custodian. For the six months ended October 31, 2016, the total fees reduced by earning credits were \$5,903. Such amount is shown as a reduction of expenses, “Fees paid indirectly”, on the Statement of Operations.

Certain trustees and officers of the Trust are employees of UMBFS or MFAC. The Fund does not compensate trustees and officers affiliated with the Fund’s co-administrators. For the six months ended October 31, 2016, the Fund’s allocated fees incurred for Trustees who are not affiliated with the Fund’s co-administrators are reported on the Statement of Operations.

Dziura Compliance Consulting, LLC provides Chief Compliance Officer (“CCO”) services to the Trust. The Fund’s allocated fees incurred for CCO services for the six month ended October 31, 2016, are reported on the Statement of Operations.

Note 4 – Federal Income Taxes

At October 31, 2016, the cost of securities on a tax basis and gross unrealized appreciation and depreciation on investments for federal income tax purposes were as follows:

Cost of investments	<u>\$ 26,293,190</u>
Gross unrealized appreciation	\$ 506,891
Gross unrealized depreciation	<u>(1,949,721)</u>
Net unrealized depreciation on investments	<u>\$ (1,442,830)</u>

The difference between cost amounts for financial statement and federal income tax purposes is due primarily to timing differences in recognizing certain gains and losses in security transactions.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

As of April 30, 2016, the components of accumulated earnings (deficit) on a tax basis were as follows:

Undistributed ordinary income	\$ 2,103,735
Undistributed long-term capital gains	-
Accumulated earnings	<u>2,103,735</u>
Accumulated capital and other losses	(44,958,428)
Unrealized appreciation on securities sold short, swap contracts and futures contracts, and currency	(396,870)
Other accumulated losses	(1,202,050)
Unrealized depreciation on investments	<u>(12,487,554)</u>
Total accumulated deficit	<u>\$ (56,941,167)</u>

At April 30, 2016, the Fund had \$44,958,428 of accumulated capital loss carryforward which consisted of \$16,186,948 short-term and \$28,771,480 long-term. To the extent that a fund may realize future net capital gains, those gains will be offset by any of its unused capital loss carryforward. Future capital loss carryover utilization in any given year may be subject to Internal Revenue Code limitations.

The tax character of distributions paid during the fiscal years ended April 30, 2016 and April 30, 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Distributions paid from:		
Ordinary income	\$ 12,227,021	\$ 7,901,825
Long-term capital gains	-	3,343,694
Total distributions paid	<u>\$ 12,227,021</u>	<u>\$ 11,245,519</u>

Note 5 – Investment Transactions

For the six months ended October 31, 2016, purchases and sales of investments excluding short-term investments, forward contracts, futures contracts, options contracts and swap contracts, were \$19,523,220 and \$34,771,649, respectively. Proceeds from securities sold short and cover short securities were \$17,882,937 and \$19,480,111, respectively, for the same period.

Note 6 – Shareholder Servicing Plan

The Trust, on behalf of the Fund, has adopted a Shareholder Servicing Plan to pay a fee at an annual rate of up to 0.25% of average daily net assets of shares serviced by shareholder servicing agents who provide administrative and support services to their customers.

For the six months ended October 31, 2016, shareholder servicing fees incurred are disclosed on the Statement of Operations.

Note 7 – Distribution Plan

The Trust, on behalf of the Fund, has adopted a Distribution Plan (the “Plan”) pursuant to Rule 12b-1 under the 1940 Act that allows the Fund to pay distribution fees for the sale and distribution of its Class A shares. The Plan provides for the payment of distribution fees at the annual rate of up to 0.25% of average daily net assets attributable to Class A shares.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

For the six months ended October 31, 2016, distribution fees incurred with respect to Class A shares are disclosed on the Statement of Operations.

Note 8 – Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

Note 9 – Fair Value Measurements and Disclosure

Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements. It also provides guidance on determining when there has been a significant decrease in the volume and level of activity for an asset or a liability, when a transaction is not orderly, and how that information must be incorporated into a fair value measurement.

Under *Fair Value Measurements and Disclosures*, various inputs are used in determining the value of the Fund's investments. These inputs are summarized into three broad Levels as described below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different Levels of the fair value hierarchy. In such cases, for disclosure purposes, the Level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest Level input that is significant to the fair value measurement in its entirety.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the inputs used, as of October 31, 2016, in valuing the Fund's assets carried at fair value:

Assets	Level 1	Level 2	Level 3*	Total
Bank Loans	\$ -	\$ 2,200,082	\$ -	\$ 2,200,082
Bonds**	-	19,492,073	-	19,492,073
Common Stock**	65,674	-	-	65,674
Purchased Options Contracts	150,535	36,150	-	186,685
Short-Term Investments	2,905,846	-	-	2,905,846
Total	\$ 3,122,055	\$ 21,728,305	\$ -	\$ 24,850,360
Liabilities				
Bonds**	\$ -	\$ 10,264,022	\$ -	\$ 10,264,022
Written Options Contracts	-	-	-	-
Total	\$ -	\$ 10,264,022	\$ -	\$ 10,264,022
Other Financial Instruments***				
Credit Default Swap Contracts	\$ -	\$ (13,994)	\$ -	\$ (13,994)
Total Return Swap Contracts	-	16,616	-	16,616
Futures Contracts	7,663	-	-	7,663
Total	\$ 7,663	\$ 2,622	\$ -	\$ 10,285

* The Fund did not hold any Level 3 securities at period end.

** All bonds held in the Fund are Level 2 securities and all common stocks held in the Fund are Level 1 securities. For a detailed break-out by major industry classification, please refer to the Schedule of Investments.

*** Other financial instruments are derivative instruments, such as futures contracts and swap contracts. Futures and swap contracts are valued at the unrealized appreciation (depreciation) on the instrument.

Transfers between Levels 1, 2, or 3 are recognized at the end of the reporting period. There were no transfers between levels at period end.

Note 10 – Derivatives and Hedging Disclosures

Derivatives and Hedging requires enhanced disclosures about the Fund's derivative and hedging activities, including how such activities are accounted for and their effects on the Fund's financial position, performance and cash flows.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

The effects of these derivative instruments on the Fund's financial position and financial performance as reflected in the Statement of Assets and Liabilities and Statement of Operations are presented in the tables below. The fair values of derivative instruments as of October 31, 2016 by risk category are as follows:

	Derivatives not designated as hedging instruments				
	Commodity Contracts	Credit Contracts	Equity Contracts	Interest Rate Contracts	Total
Assets					
Purchased options contracts, at fair value	\$ -	\$ -	186,685	\$ -	186,685
Unrealized appreciation on open swap contracts	-	11,008	-	16,616	27,624
	<u>\$ -</u>	<u>\$ 11,008</u>	<u>\$ 186,685</u>	<u>\$ 16,616</u>	<u>\$ 214,309</u>
Liabilities					
Written options contracts, at fair value	\$ -	\$ -	-	\$ -	-
Unrealized depreciation on open swap contracts	-	25,002	-	-	25,002
	<u>\$ -</u>	<u>\$ 25,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,002</u>

The effects of derivative instruments on the Statement of Operations for the six months ended October 31, 2016 are as follows:

	Derivatives not designated as hedging instruments				
	Commodity Contracts	Credit Contracts	Equity Contracts	Interest Rate Contracts	Total
Realized Gain (Loss) on Derivatives					
Purchased options contracts	\$ (63,783)	\$ -	(613,290)	\$ (206,889)	\$ (883,962)
Written options contracts	-	-	5,375	-	5,375
Swaptions contracts	-	-	-	(17,035)	(17,035)
Swap contracts	-	(82,879)	-	8,668	(74,211)
Futures contracts	-	-	-	(2,249)	(2,249)
	<u>\$ (63,783)</u>	<u>\$ (82,879)</u>	<u>\$ (607,915)</u>	<u>\$ (217,505)</u>	<u>\$ (972,082)</u>

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

	Commodity Contracts	Credit Contracts	Equity Contracts	Interest Rate Contracts	Total
Net Change in Unrealized Appreciation/Depreciation on Derivatives					
Purchased options contracts	\$ (4,130)	\$ -	\$ 389,745	\$ 285,750	\$ 671,365
Written options contracts	-	-	(2,377)	-	(2,377)
Swaptions contracts	-	-	-	4,260	4,260
Swap contracts	-	(11,862)	-	62,605	50,743
Futures contracts	-	-	-	7,663	7,663
	\$ (4,130)	\$ (11,862)	\$ 387,368	\$ 360,278	\$ 731,654

The notional amount and the number of contracts are included on the Schedule of Investments. The quarterly average volumes of derivative instruments as of October 31, 2016 are as follows:

Derivatives not designated as hedging instruments			
Commodity	Purchased options contracts	Number of contracts	2
Credit contracts	Swap contracts	Notional amount	\$ 2,020,000
Equity contracts	Purchased options contracts	Number of contracts	3,979
	Written options contracts	Number of contracts	(2,088)
Interest rate contracts	Purchased options contracts	Number of contracts	666,785
	Purchased interest rate cap options contracts	Notional amount	\$ 66,666,667
	Swap contracts	Notional amount	\$ 2,629,556
	Swaptions contracts	Notional amount	\$ 33,333
	Futures contracts	Number of contracts	(9)

Note 11 - Disclosures about Offsetting Assets and Liabilities

Disclosures about Offsetting Assets and Liabilities requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The guidance requires retrospective application for all comparative periods presented.

A Fund mitigates credit risk with respect to OTC derivative counterparties through credit support annexes included with ISDA which are the standard contracts governing most derivative transactions between the Fund and each of its counterparties. These agreements allow the Fund and each counterparty to offset certain derivative financial instruments' payables and/or receivables against each other and/or with collateral, which is generally held by the Fund's custodian. The amount of collateral moved to/from applicable counterparties is based upon minimum transfer amounts specified in the agreement. To the extent amounts due to the Fund from its counterparties are not fully collateralized contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

The Fund’s Statement of Assets and Liabilities presents financial instruments on a gross basis, therefore there are no net amounts and no offset amounts within the Statement of Assets and Liabilities to present below. Gross amounts of the financial instruments, amounts related to financial instruments/cash collateral not offset in the Statement of Assets and Liabilities and net amounts are presented below:

Description/Financial Instrument/Statement of Assets and Liabilities Category	Counterparty	Gross Amounts Recognized in Statement of Assets and Liabilities	Amounts Not Offset in Statement of Assets and Liabilities		
			Financial Instruments*	Cash Collateral**	Net Amount
Unrealized appreciation on open swap contacts – asset	J.P. Morgan	\$ 11,008	\$ (11,008)	\$ -	\$ -
Unrealized appreciation on open swap contacts – asset	Bank of Nova Scotia	16,616	-	(16,616)	-
Unrealized depreciation on open swap contacts – liability payable	J.P. Morgan	25,002	(11,008)	(13,994)	-

*Amounts relate to master netting agreements and collateral agreements (for example, ISDA) which have been determined by the Advisor to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.

**Amounts relate to master netting agreements and collateral agreements which have been determined by the Advisor to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance. The collateral amounts may exceed the related net amounts of financial assets and liabilities presented in the Statement of Assets and Liabilities. Where this is the case, the total amount reported is limited to the net amounts of financial assets and liabilities with that counterparty.

Note 12 – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures requires an entity to modify accounting for repurchase-to-maturity transactions and repurchase financing arrangements, as well as modify required disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. Management has evaluated the impact on the financial statement disclosures and determined that there is no effect.

Note 13 – Line of Credit

The Fund together with other funds managed by the Advisor (together “Palmer Square Funds”) has entered into a Senior Secured Revolving Credit Facility (“Facility”) of \$25,000,000 with UMB Bank, n.a. The Fund is permitted to borrow up to the lesser of one-third of the Fund’s total assets, or the maximum amount permitted subject to the Funds’ investment limitations. The purpose of the Facility is to finance temporarily the repurchase or redemption of shares of each fund. Borrowings under this agreement bear interest at the one-month London Interbank Offered Rate (LIBOR) plus 1.75%. As compensation for holding the lending commitment available, the Palmer Square Funds are charged a commitment fee on the average daily unused balance of the Facility at the rate of 0.20% per annum. Interest expense for the six months ended October 31, 2016 is disclosed in the Statement of Operations. The Fund did not borrow under the line of credit agreement during the six months ended October 31, 2016.

Palmer Square Absolute Return Fund
NOTES TO FINANCIAL STATEMENTS – Continued
October 31, 2016 (Unaudited)

Note 14 - Recently Issued Accounting Pronouncements

Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) removes the requirement to categorize within the fair value hierarchy investments measured using the net asset value per share ("NAV") practical expedient, as well as removes certain disclosure requirements for investments that qualify, but do not utilize, the NAV practical expedient. Management has evaluated the impact on the financial statement disclosures and determined that there is no effect.

Note 15 – Events Subsequent to the Fiscal Period End

The Fund has adopted financial reporting rules regarding subsequent events which require an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. Management has evaluated the Fund's related events and transactions that occurred through the date of issuance of the Fund's financial statements.

The Fund declared the payment of a distribution to be paid, on December 22, 2016, to shareholders of record on December 21, 2016 as follows:

	Long Term Capital Gain	Short Term Capital Gain	Income
Class A Shares:	\$ -	\$ -	\$ 0.0724
Class I Shares:	-	-	0.0812

There were no other events or transactions that occurred during this period that materially impacted the amounts or disclosures in the Fund's financial statements.

Palmer Square Absolute Return Fund SUPPLEMENTAL INFORMATION (Unaudited)

Board Consideration of Investment Advisory Agreement

At an in-person meeting held on June 7-9, 2016, the Board of Trustees (the “Board”) of Investment Managers Series Trust (the “Trust”), including the trustees who are not “interested persons” of the Trust (the “Independent Trustees”) as defined in the Investment Company Act of 1940, as amended (the “1940 Act”), reviewed and unanimously approved the renewal of the Investment Advisory Agreement (the “Advisory Agreement”) between the Trust and Palmer Square Capital Management, LLC (the “Investment Advisor”) with respect to the Palmer Square Absolute Return Fund series of the Trust (the “Fund”) for an additional one-year term. In approving renewal of the Advisory Agreement, the Board, including the Independent Trustees, determined that such renewal of the Advisory Agreement was in the best interests of the Fund and its shareholders.

Background

In advance of the meeting, the Board received information about the Fund and the Advisory Agreement from the Investment Advisor and from Mutual Fund Administration, LLC and UMB Fund Services, Inc., the Trust’s co-administrators, certain portions of which are discussed below. The materials, among other things, included information about the Investment Advisor’s organization and financial condition; information regarding the background and experience of relevant personnel providing services to the Fund; reports comparing the performance of the Fund with returns of the HFRX Absolute Return Index and a group of comparable funds selected by Morningstar, Inc. (the “Peer Group”) from its Multialternative fund universe (the “Fund Universe”) for the one- and three-year periods ended March 31, 2016; and reports comparing the investment advisory fees and total expenses of the Fund with those of the Peer Group and Fund Universe. The Board also received a memorandum from the independent legal counsel to the Trust and the Independent Trustees discussing the legal standards under the 1940 Act and other applicable law for their consideration of the proposed renewal of the Advisory Agreement. In addition, the Board considered information reviewed by the Board during the year at other Board and Board committee meetings. No representatives of the Investment Advisor were present during the Board’s consideration of the Advisory Agreement.

In approving renewal of the Advisory Agreement, the Board and the Independent Trustees considered a variety of factors, including those discussed below. In their deliberations, the Board and the Independent Trustees did not identify any particular factor that was controlling, and each Trustee may have attributed different weights to the various factors.

Nature, Extent and Quality of Services

With respect to the performance results of the Fund, the meeting materials indicated that the total return for the one-year period was below the HFRX Absolute Return Index by 18.05%, and below the Peer Group and Multialternative Fund Universe median returns by 14.00% and 13.11%, respectively. For the three-year period, the Fund’s annualized total return was below the HFRX Index return by 6.41%, and below the Fund Universe and Peer Group median returns by 6.00% and 5.58%, respectively. The Board considered the Investment Advisor’s belief that the Peer Group was not comprised of those mutual funds most comparable to the Fund, and that compared to an alternate peer group of three other funds selected by the Investment Advisor, the Fund’s annualized total returns were higher than one fund for the two- and three-year periods. The Board also considered that the dispersion of investment styles in the Multialternative Fund Universe is great, which makes construction of an appropriate peer group of funds difficult. In addition, the Board noted that the Investment Advisor does not manage to a benchmark and therefore material dispersion from the Fund’s benchmark may occur.

The Board noted its familiarity with the Investment Advisor as the investment advisor of three other series of the Trust, and considered the overall quality of services provided by the Investment Advisor to the Fund. In doing so, the Board considered the Investment Advisor’s specific responsibilities in day-to-day management and oversight of the Fund, as well as the qualifications, experience, and responsibilities of the personnel involved in the activities of

Palmer Square Absolute Return Fund

SUPPLEMENTAL INFORMATION (Unaudited) - Continued

the Fund. The Board also considered the overall quality of the Investment Advisor's organization and operations, and the Investment Advisor's compliance structure. The Board and the Independent Trustees concluded that based on the various factors they had reviewed, the nature, overall quality, and extent of the management and oversight services provided by the Investment Advisor to the Fund were satisfactory.

Advisory Fee and Expense Ratio

With respect to the advisory fees and expenses paid by the Fund, the meeting materials indicated that the investment advisory fee (gross of fee waivers) was lower than the Fund Universe and Peer Group medians. The Board considered that the Investment Advisor does not manage assets for any other clients using the same investment strategies as those used by the Fund, and therefore they did not have a good basis for comparing the Fund's advisory fee with those of other similar clients of the Investment Advisor. The Board also noted that the Fund's advisory fee was within the range of advisory fees paid by other series of the Trust managed by the Investment Advisor, with the exception of a fund that directly pays a sub-advisory fee in addition to its advisory fee. The annual total expenses paid by the Fund (net of fee waivers) for the Fund's most recent fiscal year were lower than the Fund Universe median but higher than the Peer Group median by 0.11%.

The Board and the Independent Trustees concluded that the compensation payable to the Investment Advisor under the Advisory Agreement was fair and reasonable in light of the nature and quality of the services the Investment Advisor provides to the Fund.

Profitability and Economies of Scale

The Board also considered information prepared by the Investment Advisor relating to its costs and profits with respect to the Fund for the year ended March 31, 2016, noting that the Investment Advisor had recouped fees previously waived for the Fund, and determined that the level of profit was reasonable. The Board also considered the benefits received by the Investment Advisor as a result of the Investment Advisor's relationship with the Fund (other than its receipt of investment advisory fees), including research received from broker-dealers providing execution services to the Fund, beneficial effects from the review by the Trust's Chief Compliance Officer of the Investment Advisor's compliance program, and the intangible benefits of the Investment Advisor's association with the Fund generally and any favorable publicity arising in connection with the Fund's performance. The Trustees noted that although there were no advisory fee breakpoints with respect to the Fund, the Investment Advisor had significantly reduced the contractual advisory fee and expense limitation of the Fund on more than one occasion.

Conclusion

Based on these and other factors, the Board and the Independent Trustees concluded that renewal of the Advisory Agreement was in the best interests of the Fund and its shareholders and, accordingly, approved such renewal of the Advisory Agreement.

Palmer Square Absolute Return Fund
EXPENSE EXAMPLE
For the Six Months Ended October 31, 2016 (Unaudited)

Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payment of Class A shares; and (2) ongoing costs, including management fees; distribution and/or service (12b-1) fees (Class A only); and other Fund expenses. The examples below are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

These examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from May 1, 2016 to October 31, 2016.

Actual Expenses

The information in the row titled “Actual Performance” of the table below provides actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the appropriate row for your share class, in the column titled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information in the row titled “Hypothetical (5% annual return before expenses)” of the table below provides hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare these 5% hypothetical examples with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as sales charges (load) or contingent deferred sales charges. Therefore, the information in the row titled “Hypothetical (5% annual return before expenses)” is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 5/1/16	Ending Account Value 10/31/16	Expenses Paid During Period* 5/1/16 – 10/31/16
Class I			
Actual Performance	\$ 1,000.00	\$ 1,123.00	\$ 21.20
Hypothetical (5% annual return before expenses)	\$ 1,000.00	\$ 1,005.24	\$ 20.02
Class A			
Actual Performance	\$ 1,000.00	\$ 1,120.70	\$ 22.51
Hypothetical (5% annual return before expenses)	\$ 1,000.00	\$ 1,003.98	\$ 21.27

* Expenses are equal to the Fund’s annualized expense ratio of 3.96% and 4.21% for Class I and Class A, respectively, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the six month period). The expense ratios reflect an expense waiver. Assumes all dividends and distributions were reinvested.

Palmer Square Absolute Return Fund

A series of Investment Managers Series Trust

Investment Advisor

Palmer Square Capital Management LLC
2000 Shawnee Mission Parkway, Suite 300
Mission Woods, Kansas 66205

Custodian

UMB Bank, n.a.
928 Grand Boulevard, 5th Floor
Kansas City, Missouri 64106

Fund Co-Administrator

Mutual Fund Administration, LLC
2220 E. Route 66, Suite 226
Glendora, California 91740

Fund Co-Administrator, Transfer Agent and Fund Accountant

UMB Fund Services, Inc.
235 W. Galena Street
Milwaukee, Wisconsin 53212

Distributor

IMST Distributors, LLC
Three Canal Plaza, Suite 100
Portland, Maine 04101
www.foreside.com

FUND INFORMATION

	<u>TICKER</u>	<u>CUSIP</u>
Palmer Square Absolute Return Fund - Class I Shares	PSQIX	461418 451
Palmer Square Absolute Return Fund - Class A Shares	PSQAX	461418 469

Privacy Principles of the Palmer Square Absolute Return Fund for Shareholders

The Fund is committed to maintaining the privacy of its shareholders and to safeguarding its non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

This report is sent to shareholders of the Palmer Square Absolute Return Fund for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Proxy Voting Policies and Procedures

A description of the Fund's proxy voting policies and procedures related to portfolio securities is available without charge, upon request, by calling the Fund at (866) 933-9033, or on the U.S. Securities and Exchange Commission's ("SEC") website at www.sec.gov.

Proxy Voting Record

Information regarding how the Fund voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request by calling the Fund at (866) 933-9033, or by accessing the Fund's Form N-PX on the SEC's website at www.sec.gov.

Form N-Q Disclosure

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC website at www.sec.gov or by calling the Fund at (866) 933-9033. The Fund's Form N-Q may also be viewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

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