PALMER SQUARE
CAPITAL MANAGEMENT

Palmer Square Opportunistic Income Fund (PSOIX)

April 2022

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Fund Refresher

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

Performance Summary

The Fund returned -0.55% (net of fees) for the first quarter of 2022, driven by the Fund's positioning in Collateralized Loan Obligation ("CLO") debt as well as corporate bonds and bank loans.

Fund Performance Net of Fees as of 3/31/2022 (inception 8/29/2014*)

	Q1 2022	2021	2020	2019	2018	2017	2016	2015	2014*
PSOIX	-0.55%	6.66%	5.92%	7.59%	-0.47%	11.04%	12.10%	-5.32%	-0.76%

	1 Year	3 Years	5 Years	Since Inception Annualized
PSOIX	3.41%	5.40%	4.93%	4.61%

Annual Expense Ratio: Net 1.50%. **The performance data quoted represents past performance and that past performance does not guarantee future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end please call 866-933-9033.**

Portfolio Snapshot

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

	3/31/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022
Interest Rate Duration*	0.52 yrs	0.48 yrs	0.49 yrs	0.49 yrs	0.48 yrs
Spread Duration*	2.49 yrs	2.22 yrs	2.31 yrs	2.40 yrs	2.97 yrs
Credit Spread	565	546	585	553	633
Weighted Average Price	$98.13	$98.19	$98.06	$98.5	$94.3
Yield to Expected Call*	6.08%	5.95%	6.33%	6.39%	8.23%
Yield to Maturity	6.52%	6.49%	7.15%	6.61%	7.90%
Current Yield	5.64%	5.66%	6.17%	5.56%	5.92%
Beta vs. S&P 500	0.52	0.51	0.51	0.48	0.47
Beta vs. Bloomberg Barclays U.S. Aggregate Bond Index	0.33	0.33	0.32	0.32	0.31

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

Allocation / Attribution Summary

Select Portfolio Attribution and Characteristic Dashboard

Allocation	3/31/2022 Allocation	Q1 2022 Gross Attribution	Average Price	Yield to Expected Call*
CLO Debt	64%	0.10%	$96.4	9.07%
Bank Loans	9%	0.03%	$97.7	8.01%
High Yield Bonds	8%	-0.26%	$96.5	7.07%
Sub Notes	8%	-0.07%	$64.6	13.11%
ABS/MBS	1%	0.09%	$93.1	7.28%
IG Corp Debt	1%	0.08%	$98.5	3.35%

Historic Positioning Detail by Asset Type:

	3/31/2021 Allocation	6/30/2021 Allocation	9/30/2021 Allocation	12/31/2021 Allocation	3/31/2022 Allocation	Q1 2022 Gross Attribution
CLO Debt	72%	71%	73%	65%	64%	0.10%
Bank Loans	14%	12%	11%	9%	9%	0.03%
High Yield Bonds	7%	4%	5%	5%	8%	-0.26%
Sub Notes	1%	3%	7%	7%	8%	-0.07%
ABS/MBS	3%	3%	3%	2%	1%	0.09%
IG Corp Debt	0%	0%	1%	1%	1%	0.08%

Please note the allocation above is on a gross exposure basis as a percent of NAV and does not include cash. Gross attribution does not include hedges, expenses and fees if applicable. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. Attribution refers to the process of measuring returns generated by various sources.

- **CLO Allocation/Opportunity to Capture Income and Total Return** – As of quarter-end, 64% of the portfolio. Although the allocation did not change materially from Q4, we were able to trade around the portfolio and pick up spread at lower dollar prices. For example in BBBs, we sold or got called out of roughly 6% at an average dollar price of $99.34 and spread of 332 and bought similar quality bonds with an average price of $98.51 and a spread of 408. We did a similar rotation in BBs, selling 12.5% of the allocation at a price of $98.59 and 654 spread and bought at a price of $97.68 and spread of 667. As the Fed starts to hike rates, floating rate products such as loans will continue to see inflows, which is a tailwind for CLO portfolios. Also noteworthy, the vast majority of our CLO positions currently float on 3m LIBOR, which is currently 20bps higher than 3m SOFR. As new CLOs are issued with SOFR as a reference rate, we believe LIBOR based bonds will outperform in the near term given its higher coupon. We continue to see improvements in more seasoned loan portfolios (net upgrades, lower WARFs*, improving default rates, etc.) and believe that will continue for the foreseeable future. *We continue to add to CLO portfolios that are higher quality and more liquid as we believe they will continue to outperform portfolios with more risky collateral.*
- **Bank Loan Allocation** – As of quarter-end, 9% of the portfolio. We continue to view bank loans as relatively attractive and continue to see opportunities in 1st lien and 2nd lien loans with coupons of 400-450 and 700-800 respectively. Of the 9% allocation to loans, 7% were 1st liens and 2% were 2nd liens. *Overall, we currently view the bank loan market as attractive and continue to participate in new issuance.*
- **High Yield Bond Allocation** – As of quarter-end, HY bonds were 8% of the portfolio. HY bonds had a challenging first quarter as interest rates began to rise with the market

*Please see Notes and Disclosure for definitions.

pricing in more rate hikes and spreads widened out from near-historic low levels. HY bond attribution was -26bps during the quarter, which equates to approximately a -4.64% return given its weight for the quarter. Although overall HY exposure remained relatively flat q/q, we did make some tactical moves intra-quarter including reducing US HY exposure in mid-February and taking advantage of a dislocation in EUR HY to add exposure in early March. *Overall, however, we view the HY market as generically expensive on a spread vs duration basis, and continue to only participate in bonds that have idiosyncratic upside potential such as earnings or ratings catalysts.*

- **CMBS Allocation has Provided Diversification and Total Return** – As of quarter-end, 1.5% of the portfolio had exposure to CMBS. The portfolio's current exposure includes AAA/AA-rated retail investments and mezzanine debt in mixed use and office. Of note:
  - » The portfolio's investment in a single asset CMBS transaction collateralized by Union Station in Washington, DC paid off at par in January 2022, returning an IRR of 25%+ during a one-year hold and adding approximately +13bps of performance attribution in Q1. The Fund's blended cost basis across the BBB-/AA(low) and BBB(low) tranches was approximately $87. While there was noise on this name throughout 2021 as the sponsor sought additional forbearance due to COVID underperformance, the investment team had a strong credit and real estate view on this asset. The team's confidence in Union Station's inherent real estate value allowed us to add to this position throughout the year at an attractive cost basis, resulting in a strong total return outcome for the Fund.
  - » The portfolio's investment in a single asset CMBS transaction collateralized by One Times Square, the site of the Times Square New Year's Eve ball drop, was defeased in April 2022. It is expected to pay off at par after a ~1.75 year hold in September 2022, achieving an 8.5%+ IRR. The Fund's cost basis for the A/A-rated tranche was $92-12. This asset was acquired as part of the investment team's "re-opening" thesis – the significant dollar price discount provided convexity for an iconic asset that has strong fundamental real estate value and a unique, visual advertising-driven business model. This investment will be carried as a AAA until its expected prepayment date in September 2022.

Outlook / Focus on CLO Relative Value

Issuance Forecast and Outlook

- After a record setting year for CLO issuance in 2021, volumes started 2022 at a slower pace but more in line with previous years. The market saw 31.5BN in new issuance in the first quarter, which is about -18% y/y. The size of the CLO market continues to grow in the US and is now $870BN and $1.1 trillion globally, which is now the largest credit sector within securitized products. Looking forward to 2022, we see issuance slowing down modestly to $150BN new issue and $100BN in resets/refis. With higher rates, 8 rate hikes currently priced in, demand should continue. Underlying loan fundamentals remain strong, with stressed credits (under $90) close to post crisis lows. We also continue to see rating improvement, with CLO portfolio WARFs* decreasing by about 300pts since 2021. Given these factors, we remain very bullish on CLO mezz. CLO BBs still remain the largest portion of the portfolio at 38%, and also look very attractive from a relative value standpoint with a pickup of almost 390bps vs high yield.

*Please see Notes and Disclosure for definitions.

We have also selectively added CLO equity in the secondary, with exposure now at 8% (+5% since the beginning of 2021). Given the benign default outlook and arbitrage still near post crisis wides*, we think equity will continue to deliver strong returns for the foreseeable future. **We view this as a significant buying opportunity and very attractive versus other areas of corporate and structured credit.**

Relative Value and Current Upside potential

- We see a lot of value in CLO debt at current levels, as spreads are now wider* from their 2021 tights* and well wide of the tights seen in 2018. If CLO debt levels return to their average post crisis spreads, total return potential is very attractive. Please see the table below highlighting current price/spreads and potential upside from current levels. Yield to expected illustrates yields if spreads were to stay the same and the bonds pull to par by maturity.

CURRENT SPREAD AND YIELD LEVELS

Rating	Current Avg Price	Discount Margin	Yield to Expected
CLO AAA	$99.40	130	3.76%
CLO AA	$98.70	187	4.28%
CLO A	$98.30	234	4.69%
CLO BBB	$97.66	351	5.85%
CLO BB	$95.38	715	9.64%
CLO B	$84.28	1049	13.11%

Source: JPM / Intex / Palmer Square. As of 3/31/2022. Below investment grade ratings are subject to higher risks. Figures shown are not indicative of the performance of the Fund.

- CLO BBs remain a significant allocation in the portfolio and at current valuations offer a lot of potential value on an absolute and relative basis. As compared to High Yield (HY) opportunities, CLO BBs on a historical basis still look very cheap. CLO BBs currently pick up 390bps of spread versus HY, which looking back to 2012 is a 94th percentile reading (meaning CLO BBs have been relatively cheaper only 6% of the time). The median spread differential over the same time period is 253bps, which means CLO BBs need to tighten about 140bps just to get back to historical average levels vs HY.

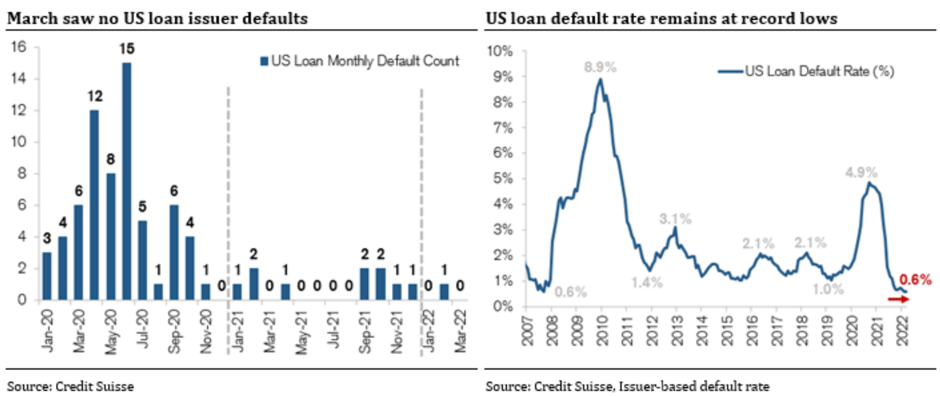
CLO BB vs HY Spreads

Source: Bloomberg.

Fundamentals Remain Positive

- As spreads have remained range bound on higher supply, underlying loan fundamentals have continued to be a tailwind and we expect that to continue. Loan defaults are hovering near multi year lows at 0.60%, with only one defaulted reported in Q1 (see below). We also continue to see loan upgrades and lower Caa1/CCC balances in CLOs as company earnings continue to surprise to the upside. The current CCC% in CLO portfolios stand at around 5% and continues to trend lower (Exhibit 2).

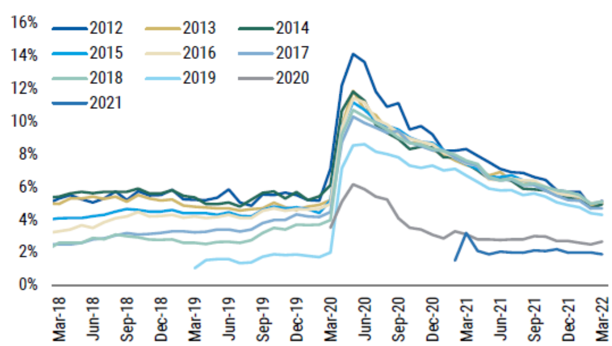
Exhibit 1 - Loan default rates continue to decline



Source: Credit Suisse. As of 3/31/2022.

Exhibit 2 - CCC assets continue to decline in CLO Portfolios

Median US CLO 2.0 CCC Assets by Vintage



Source: Morgan Stanley, Intex. As of 3/31/2022.

Summary

Given the portfolio positioning, we are confident in the outlook moving forward. We believe our portfolio is embedded with strong catalysts that will not only drive potential returns, but will also help mitigate volatility. More specifically, the portfolio has high current yield and the potential to generate price appreciation, and finally the portfolio has been providing low interest rate and relatively low spread duration*.

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

*Please see Notes and Disclosure for definitions.

Notes and Disclosure

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

The Palmer Square Opportunistic Income Fund is a closed-end fund.

Interest Rate Duration measures a portfolio's sensitivity to changes in interest rates. **Spread Duration** measures the sensitivity of a bond price based on basis point changes of more than 100. **Yield To Call** is the yield of a bond or note if you were to buy and hold the security until the call date. **Yield To Maturity** is the rate of return anticipated on a bond if held until the end of its lifetime. **Current Yield** is annual income divided by price paid. **Beta** describes an investment's volatility in relation to that of the stock or bond market as a whole. For example, the S&P 500 is typically considered to be "the equity market" and it has a beta of 1.0. Yield to Expected Call is a Yield to Call metric that assumes callable bonds are not called on their call date, but at some later date prior to maturity. **Yield to Expected Call** considers contractual terms in a bond's indenture or other similar governing document. A bond may be called before or after this date, which has the potential to increase or decrease the Yield to Expected Call calculation. All else equal, when a bond's price is below par, Yield to Expected Call is a more conservative yield metric than Yield to Call. If a bond is not callable, Yield to Expected Call calculates the bond's Yield to Maturity. **Credit Spreads** are often a good barometer of economic health - **wide or widening (bearish sentiment)** and **narrowing/tight or tightening (bullish sentiment)**.

The **Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index of publicly issued investment grade corporate, US Treasury and government agency securities with remaining maturities of one to three years. The **Bloomberg Barclays 1-3 Year US Corporate Index** measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1 to 2.9999 years to maturity. It is composed of a corporate and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities. **S&P 500 Index** is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. **U.S. Treasury index** is an index based on recent auctions of U.S. Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates. **Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Barclays U.S. High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. **Bloomberg Barclays U.S. HY BB Corporates Index** tracks the performance of USD-denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market. **Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. **Palmer Square CLO Senior Debt Index (CLOSE)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. CLOSE is comprised of original rated AAA and AA debt issued after January 1, 2009 subject to certain inclusion criteria. **Palmer Square CLO Debt Index (CLODI)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. CLODI is comprised of original rated A, BBB, and BB debt issued after January 1, 2009 subject to certain inclusion criteria. **Palmer Square CLO BB TR Index (PCLOBBTR)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. The index is comprised of original rated BB debt issued after January 1, 2009 subject to certain inclusion criteria. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

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

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

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The performance presented here is past performance and not indicative of future returns. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable. Please note that the performance of the funds may not be comparable to the performance of any index shown. Palmer Square has not verified, and is under no obligation to verify, the accuracy of these returns. Past performance does not guarantee future results.

Collateralized Loan Obligations Risk – The Fund may invest in CLOs. The Fund is subject to asset manager, legal and regulatory, limited recourse, liquidity, redemption, and reinvestment risks as a result of the structure of CLOs in which the Fund may invest. A CLO's performance is linked to the expertise of the CLO manager and its ability to manage the CLO portfolio. Changes in the regulation of CLOs may adversely affect the value of the CLO investments held by the Fund and the ability of the Fund to execute its investment strategy. CLO debt is payable solely from the proceeds of the CLO's underlying assets and, therefore, if the income from the underlying loans is insufficient to make payments on the CLO debt, no other assets will be available for payment. CLO debt securities may be subject to redemption and the timing of redemptions may adversely affect the returns on CLO debt. The CLO manager may not find suitable assets in which to invest and the CLO manager's opportunities to invest may be limited.

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

The Palmer Square Opportunistic Income Fund is distributed by Foreside Fund Services LLC.

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