PALMER SQUARE
CAPITAL MANAGEMENT

Palmer Square Opportunistic Income Fund (PSOIX)

April 2023

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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 3.25% (net of fees) for the first quarter of 2023. We remain confident in our positioning in CLO Debt, bank loans and high yield bonds and believe the total return outlook hasn't looked this constructive since mid-2020. The yield on the Fund is now 11.6%, which is the highest it's been since inception in 2014.

Fund Performance Net of Fees as of 3/31/2023 (inception 8/29/2014*)

	Q1 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014*
PSOIX	3.25%	-4.48%	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	-0.83%	14.05%	3.47%	3.96%

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.

	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023
Interest Rate Duration*	0.48 yrs	0.53 yrs	0.51 yrs	0.48 yrs	0.43 yrs
Spread Duration*	2.97 yrs	3.58 yrs	3.84 yrs	3.62 yrs	3.26 yrs
Credit Spread	633	902	997	866	892
Weighted Average Price	$94.3	$90.5	$89.1	$90.4	$90.2
Yield to Expected Call*	8.23%	12.04%	13.97%	13.24%	12.59%
Yield to Maturity	7.90%	11.37%	12.95%	12.40%	11.56%
Current Yield	5.92%	7.82%	9.66%	11.00%	11.18%
Beta vs. S&P 500	0.47	0.44	0.41	0.40	0.39
Beta vs. Bloomberg Barclays U.S. Aggregate Bond Index	0.31	0.31	0.34	0.38	0.35

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

Relative Value and Current Upside potential

- We see a lot of value in CLO debt at current levels, as spreads are near the wides only seen for a few short periods since 2008. 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. The Average 1-year upside represents the 1yr total return if spreads return to their 10yr average levels, and the Tight 1-year upside represents the 1yr total return if spreads return to their 10yr tight levels[1,2].

PALMER SQUARE OPPORTUNISTIC INCOME FUND							1yr Forward Breakeven[3]	3/31/2020[4]	2/28/2016[5]
Rating	**Allocation**	**Price**	**Spread**	**YTE***	**Average 1yr Upside[1]**	**Tight 1yr Upside[2]**	**Spread**	**Spread**	**Spread**
CLO AA	2.65%	94.21	346	6.37%	9.46%	11.80%	483	349	284
CLO BBB	28.85%	90.35	634	10.24%	18.66%	22.75%	840	755	661
CLO BB	35.31%	88.95	1003	14.07%	24.41%	29.60%	1238	1384	1193
CLO B	4.95%	80.44	1444	18.67%	34.58%	44.60%	1712	1949	1653
CLO Equity	5.12%	43.14	2373	25.78%	28.00%	39.27%	3550	2000	1850
CMBS	0.28%	54.47	1998	24.15%	46.00%	49.92%	3278	1030	665
Corp HY	5.43%	87.18	544	8.83%	11.13%	16.02%	838	880	726
Corp IG	0.21%	82.83	140	4.12%	4.38%	8.58%	226	272	197
Bank Debt	17.08%	94.48	539	9.02%	12.89%	13.78%	988	844	639
Total	**100.00%**	**85.11**	**868**	**12.44%**	**20.35%**	**24.93%**	**1183**	**1110**	**947**

Source: Bloomberg, Palmer Square, as of 3/31/2023. *YTE, also known as Yield to Expected Call, is a Yield to Call metric that assumes callable bonds are not called at their call date, but some later date prior to maturity. [1]Refers to the potential increase in value of the investment in one year if spreads return to 10-year average levels. [2]Refers to the potential increase in value of the investment in one year if spreads return to 10-year tight levels. The potential increase in value is calculated by determining the return resulting from the positive or negative difference between the current price of the securities and the price of the securities at the respective spread levels noted in the hypothetical performance (i.e., spread levels at 10-year averages) plus the income from anticipated coupon payments over the next 12 months. For purposes of this analysis, anticipated coupon payments incorporate the forward LIBOR curve. [3]Refers to the level at which spreads would need to widen in order to cause a negative value in an individual investment over a one-year period. This is determined by reducing a security's price by its expected coupon payments over the next 12 months and then calculating the level of spread widening that would need to occur to move the security's actual price to the reduced price. For purposes of this analysis, anticipated coupon payments incorporate the forward LIBOR curve. [4]Month end during Covid dislocation. [5]Month end of energy market dislocation. Below investment grade ratings are subject to higher risks. Figures shown are not indicative of the performance of the Fund. The presented hypothetical performance does not reflect the impact of material economic and market factors on decision-making, any changes to the strategy over time, and was prepared with the benefit of hindsight. Past performance is no guarantee of future returns.

PALMER SQUARE CLO INDEX LEVELS AND 1YR UPSIDE TO AVERAGE/TIGHTS					
Rating	**Current Average Price**	**Discount Margin**	**Yield to Expected**	**Average 1yr Upside[1]**	**Tight 1yr Upside[2]**
CLO AAA	$98.39	185	5.73%	7.69%	7.94%
CLO AA	$96.96	253	6.05%	9.30%	10.07%
CLO A	$94.76	346	6.91%	11.78%	13.10%
CLO BBB	$91.38	512	8.76%	16.57%	19.30%
CLO BB	$85.73	989	13.63%	23.81%	30.81%
CLO B	$68.93	1475	19.23%	40.28%	51.89%

Source: JPM / Intex / Palmer Square. As of 3/31/2023. Below investment grade ratings are subject to higher risks. Figures shown are not indicative of the performance of the Fund. [1]Refers to the potential increase in value of the investment in one year if spreads return to 10-year average levels. [2]Refers to the potential increase in value of the investment in one year if spreads return to 10-year tight levels. The potential increase in value is calculated by determining the return resulting from the positive or negative difference between the current price of the securities and the price of the securities at the respective spread levels noted in the hypothetical performance (i.e., spread levels at 10-year averages) plus the income from anticipated coupon payments over the next 12 months. For purposes of this analysis, anticipated coupon payments incorporate the forward LIBOR curve. The presented hypothetical performance does not reflect the impact of material economic and market factors on decision making, any changes to the Fund over time, and was prepared with the benefit of hindsight.

*Please see Notes and Disclosure for definitions.

Allocation / Attribution Summary

Select Portfolio Attribution and Characteristic Dashboard

Allocation	3/31/2023 Allocation	Q1 2023 Gross Attribution	Average Price	Yield to Expected Call*
CLO Debt	71.2%	2.61%	$89.3	12.55%
Bank Loans	17.2%	0.83%	$95.1	9.01%
High Yield Bonds	5.9%	0.35%	$87.9	9.03%
Sub Notes	5.2%	0.09%	$47.2	25.78%
ABS/MBS	0.3%	-0.08%	$66.5	24.13%
IG Corp Debt	0.2%	0.00%	$82.8	4.12%

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

Historic Positioning Detail by Asset Type:

	3/31/2022 Allocation	6/30/2022 Allocation	9/30/2022 Allocation	12/31/2022 Allocation	3/31/2023 Allocation	Q1 2023 Gross Attribution
CLO Debt	64%	63%	60%	63%	71%	2.61%
Bank Loans	9%	17%	24%	25%	17%	0.83%
High Yield Bonds	8%	11%	9%	7%	6%	0.35%
Sub Notes	8%	6%	5%	5%	5%	0.09%
ABS/MBS	1%	1%	0%	0%	0%	-0.08%
IG Corp Debt	1%	1%	1%	0%	0%	0.00%

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.

- **Q1 2023 Performance and Attribution:** The Fund delivered a positive return of 3.25% in 1Q 2023 in what turned out to be quite an eventful quarter. Risk assets recovered early in the quarter as positive data releases lifted hopes of a soft landing scenario. However, the bank failures in mid March added to spread volatility. Still, most risk assets ended the quarter with positive performance and the Cboe Volatility Index (VIX)* finished below 20 (near 18 month lows). We think the resilience of the market is being driven by two major factors:
  - » The system is still flush with cash which limits forced selling. Despite recent deposit flight, U.S. banks still sit on $17.3 trillion in deposits compared to $13.3 trillion pre-COVID and around $2 trillion above where they would be if the pre-COVID growth rate continued. There is also $5.2 trillion in money market funds (MMFs) compared to $4.7 trillion at the beginning of the year and $3.6 trillion pre-COVID. So let's call it $3.5-4 trillion in "excess" cash in the system between corporate and consumer balance sheets. Additionally, we also believe there are historically high cash balances within the fund management complex, where running high cash balances is no longer a drag on returns given the inverted yield curve.
  - » The recent stress in the banking and financial markets will likely cause the Fed to at least pause hiking in the near term, potentially ending the current hiking cycle. And rightly or wrongly, Fed policy is a major driver of investor risk appetite. However, this is where we think the market could be off-sides. That is, the market is now pricing in rate cuts later this year which we see as unlikely given our view of inflation remaining stubbornly high.

*Please see Notes and Disclosure for definitions.

Combining the above two themes with what was a historically bad 2022 for performance across nearly all asset types, money managers are loathe to take off risk now. Said differently, the fear now is being wrong twice, first on the way down and then on the way back up.

But getting back to asset performance, as the table below shows it was a good quarter for just about every asset class, particularly in January which saw a sharp rally across the board (fixed, floating, equity, credit, etc.). The notable exception is CMBS which we will touch on later. The main driver of performance was clearly interest rates moving lower, and to a lesser extent increasing higher carry, which offset some modest spread widening*.

Selected Indicies	Q1 2023 Performance
Bloomberg U.S. Treasury Index	+3.00%
Bloomberg U.S. Aggregate Bond Index	+2.96% (spread +6bps)
Bloomberg U.S. Corporate Index	+3.50% (spread +9bps)
Bloomberg 1-3 Year U.S. Corporate Index	+1.24% (spread +30bps)
Bloomberg U.S. High Yield Index	+3.57% (spread -11bps)
iBoxx Liquid Leveraged Loan Index	+3.32% (DM -43bps)
Palmer Square CLO Senior Debt Index	+1.93% (DM -6bps)
Palmer Square CLO Debt Index	+3.00% (DM -11bps)
S&P 500 Index	+7.48%
STOXX 600 Index	+11.96%

Source: Bloomberg as of 3/31/2023

» **Q1 2023 Attribution**: The Fund's exposure to CLO Debt provided the largest contribution at +2.61%, followed by Bank Loans at +0.83% and HY bonds at +0.35%. On the negative side, CMBS detracted 0.08%.

- **CLO Allocation/Opportunity to Capture Income and Total Return:** As of quarter-end, 76% (CLO debt and sub notes) of the portfolio, up from 65% last quarter. CLO BBBs are currently trading on average at a spread of 625bps with prices in the high $80s/ low $90s and BBs are at a spread of 1000bps with prices in the low to mid to high $80s. Since 2008 we have only seen wider levels during two short time-frames, February 2016 and March- May 2020 (please see table below). Looking at CLO BBs in particular, there have only been 9 months in the past 10 years where spreads were wider than 900bps. Looking at 12 month forward returns from those points in time, the average return was +40.33% and the minimum return was +25.04%[1]. The breakeven spread widening on CLO BBs is approximately 360bps, which means that spreads could widen a further 360bps over the next 12 months before one lost money on $1 invested[2]. That type of spread widening from here would put us back at levels we saw in March of 2020. Another tailwind for CLO debt going forward is the increase in LIBOR*. In April almost the entire CLO portion of the portfolio will reset higher by almost 40bps (3m LIBOR is currently at 5.2%). *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.*

*Please see Notes and Disclosure for definitions. [1,2]See page 5 BB Spreads and 1Yr Forward Returns table and disclosure. This example is provided for illustrative purposes only.

BB SPREADS AND 1YR FORWARD RETURNS		
Period	**CLO BB Spread**	**1yr Forward Return[1]**
1/29/2016	954	32.57%
2/29/2016	1193	51.32%
3/31/2016	972	35.39%
5/31/2016	916	30.62%
6/30/2016	909	30.77%
3/31/2020	1384	63.03%
4/30/2020	1299	55.59%
5/29/2020	1094	38.61%
7/31/2020	916	25.04%

Source: Bloomberg / Palmer Square CLO Indices. As of 12/31/2022. [2]Refers to the level at which spreads would need to widen in order to cause a negative value in an individual investment over a one-year period. This is determined by reducing a security's price by its expected coupon payments over the next 12 months and then calculating the level of spread widening that would need to occur to move the security's actual price to the reduced price. The presented hypothetical performance does not reflect the impact of material economic and market factors on decision making, any changes to the Fund over time, and was prepared with the benefit of hindsight. The above analysis looks specifically at CLO BB's. Upon request, Palmer Square will provide this analysis for other CLO rating classes. [3]Source: Bloomberg.

- **Bank Loan Allocation:** As of quarter end, bank loans were 17.2% of the portfolio, down from 24.5% last quarter. Following a strong January, we reduced the Fund's exposure to bank loans on reduced relative value vs. structured credit. We net sold $22.4mm through mid-February with a weighted average sale price of $99.43. On the back of March's headlines and volatility, we net sold another $2.1mm with a weighted average sale price of $99.43, rotating into select new issue at an attractive weighted average purchase price of $96.36. We continue to maintain a bias towards high quality and liquid loans in the facility. *We continue to view the asset class as attractive given the low interest rate duration and will focus our efforts on adding high quality/lower risk credits in the coming quarter.*
- **High Yield Bond Allocation:** As of quarter end, HY bonds were 5.9% of the portfolio, down moderately from 7.3% last quarter. HY spreads and yields ended the first quarter relatively unchanged q/q; however, there was a moderate amount of intra-quarter volatility that resulted in a front-loading of total return during the period. As such, most of the q/q reduction in HY exposure occurred earlier in the quarter following a strong start to the year including a 3.81% return for the Bloomberg U.S. Corp HY Index in January (Q1 2023 YTD return was 3.57%). Although the relative attractiveness of HY declined toward the beginning of the quarter, spreads have widened back out since early February (455 OAS as of 03/31, +70bps off YTD lows) and we continue to see pockets of value. *Our focus remains on identifying idiosyncratic credit opportunities, which we believe are capable of outperforming the underlying HY market.*

Outlook / Focus on CLO Relative Value

- **CLO Issuance Forecast and Outlook:** CLO issuance ended 2022 with about $132BN in new issue volumes. This is impressive given the volatility we have seen so far this year and is only down 28% from last year's record setting issuance and the 3rd highest issuance year ever. The size of the CLO market continues to grow in the U.S. and is now $1 trillion and over $1.2 trillion globally, which is now the largest credit sector within securitized products. Starting in 2023, we see new issue slowly ramping higher throughout January. Barring a material tightening in AAAs, we expect issuance to be in the $80-100BN range in 2023. So far 2023 U.S. issuance is $32BN which is actually 10% higher than over the same period in 2022.

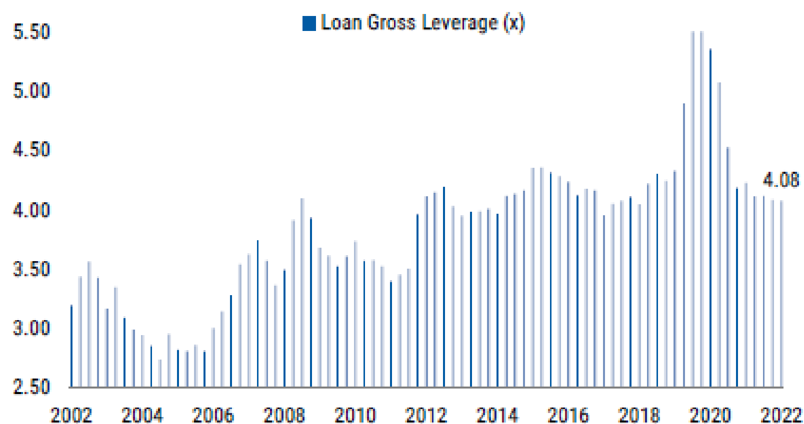
- **Pause, Not Pivot:** Recent inflation data is mixed at best, with "goods" prices decelerating but services inflation remaining stubbornly high. Core inflation has also likely peaked, but what is not clear is how long it will take to normalize back to the Fed's target level of 2%. Due to the way core inflation is calculated, the housing component of the Consumer Price Index (CPI (42% weight in headline, 54% in core)) works on a lag and will take time to fully reflect the current state of the housing and rental markets. Additionally, the inflation in core services is also unlikely to trend meaningfully lower without a sustained loosening in the labor market, which remains incredibly robust (unemployment at record lows and job openings still near record highs). Therefore, our base case is core y/y numbers, currently +6.0% y/y, will remain stubbornly high throughout 2023. And until the Fed feels core inflation has normalized, they will be forced to keep rates in restrictive territory (i.e. > 5%). That said, we also believe the Fed will pause the current hiking cycle in 1H 2023 once the Fed Funds Rate reaches 5.25% in order to observe the cumulative impact of higher interest rates on the economy. Furthermore, we do not see the Fed cutting rates in 2023 without a material weakening of the labor market combined with negative GDP (Gross Domestic Product) growth, which is not our base case. In summary, we believe short term interest rates will remain higher for longer than the market is currently pricing in. This would be positive for floating-rate securities as their coupons would remain higher for longer than the market currently anticipates.
- **Soft(ish) Landing:** Our view that rates will stay higher for longer is, in part, based on our view the macro picture looks resilient. The labor market is as strong as ever, literally. In fact, so strong that the Fed would like to see it cool a bit to ease inflation pressure. We have seen some layoffs starting, but so far this has been isolated to the tech space. The consumer remains in decent shape, with debt/income levels still historically low and excess savings still high. In Europe, the macro picture has improved substantially thanks to warmer weather and government actions. And lastly, geopolitical risks have eased as well – Russia in a stalemate in Ukraine, Ukraine exporting grain, China reopening, European unity, etc. Growth will undoubtedly slow as high interest rates restrict investment, but we don't envision a hard landing.
- **Defaults Contained:** The current cycle started with default rates practically at zero. So to say they will increase is certainly no hot take. In fact, they have already increased to around 1.25-1.50% depending on how one treats distressed exchanges. From a historical perspective, around half of CCCs default in an economic downturn. The weight of CCCs in the HY and bank loan market are 10% and 6%, respectively. So you could make the argument that half of those might default in 2023. You might also make the argument that another 1-3% from companies with 1) bad/disrupted business models and/or 2) bad capital structures, inadequate liquidity/maturities and you get to 4-5%. We have noticed several prognosticators calling for 10+% default rates, which is nearly what the market experienced during the GFC (Global Financial Crisis). We do not subscribe to that view. We've found that people have forgotten just how bad the set up was in 2008: corporates were max levered, consumers were max levered, and the banking system was massively over levered and dependent on short term financing. All 3 pillars of the economy are in significantly better shape today. This underpins our view that defaults will increase but be contained in 2023.

*Please see Notes and Disclosure for definitions.

» **Bonds are Back:** After the worst year for fixed income in decades, the silver lining is that yields are as attractive as they've been since the mid 2000s. Fortunately for this Fund, we got the historically high yields without the 10+% drawdown seen in most duration strategies. Credit spreads are also wider than average, which combined with high base rates allows for great carry plus upside if/when spreads tighten. And versus equities, fixed income hasn't looked this relatively attractive in most investors' lifetimes.

- **Earnings Headwinds to Intensify:** The numerous headwinds facing corporate earnings in 2H 2022 will continue into 2023 and likely intensify as the lagged impact of higher interest rates pressures more parts of the global economy. Revenue growth will slow on overall weaker demand and less ability to pass through inflation. Margins will be impacted by both lower revenue and continued cost pressure in wages and labor scarcity. But as we have highlighted previously (many times!), corporates started this current cycle from a period of strength, particularly when compared to previous cycles when corporates entered recessions over-levered and under prepared. On the whole, most measures of credit metrics are stable: debt leverage, interest coverage, liquidity, maturity profile, etc. (Exhibit 1-4 below). As such, we think most corporates are well positioned to withstand several quarters of weak earnings without a deterioration in credit profiles. The exception to this will be the weakest cohort of companies with bad business models and/or bad capital structures. But this is why fundamental credit research and selection remains so important.

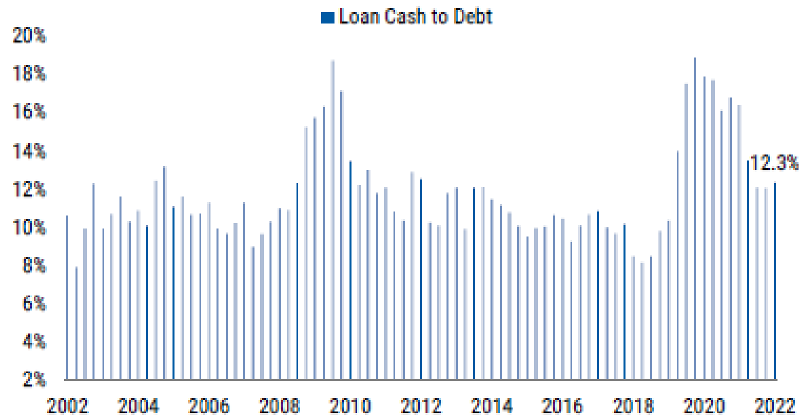
Exhibit 1: Loan gross leverage still near multi year low



Source: Bloomberg, PitchBook LCD, S&P Capital IQ, Morgan Stanley Research as of 4/03/2023

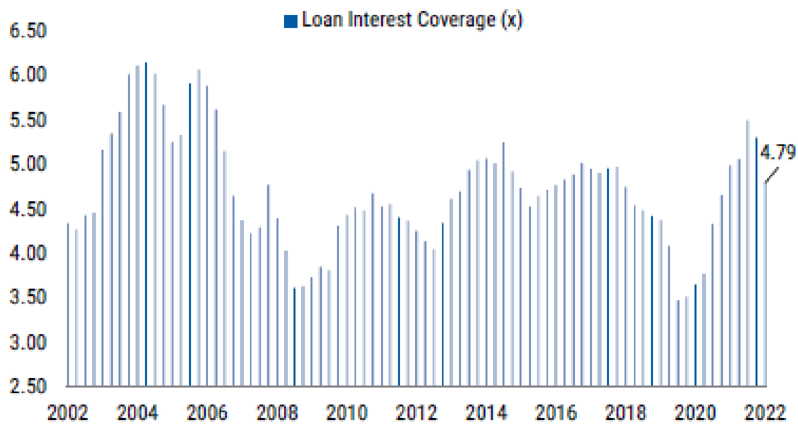
*Please see Notes and Disclosure for definitions.

Exhibit 2: Cash/Debt held steady heading into the end of the year and remains 2pts higher than 2019 levels



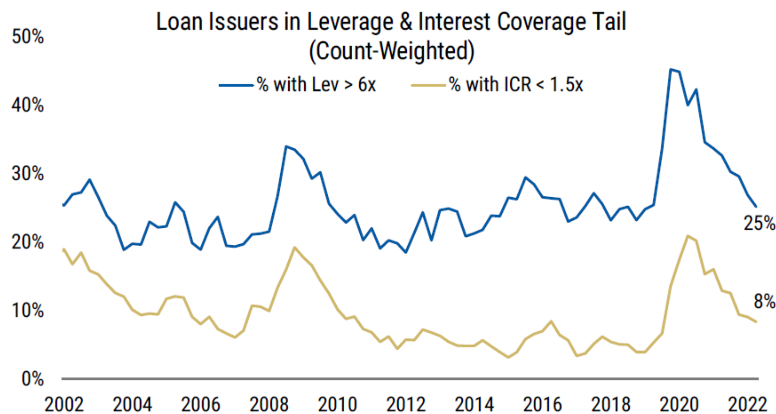
Source: Bloomberg, PitchBook LCD, S&P Capital IQ, Morgan Stanley Research as of 4/03/2023

Exhibit 3: Interest coverage ratios down from post GFC but still very elevated vs history



Source: Bloomberg, PitchBook LCD, S&P Capital IQ, Morgan Stanley Research as of 4/03/2023

Exhibit 4 - Interest coverage and leverage tails vs history, still near average levels



Source: Bloomberg, PitchBook LCD, S&P Capital IQ, Morgan Stanley Research as of 4/03/2023

- 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 526bps of spread versus HY, which looking back to 2012 is a 98th percentile reading (meaning CLO BBs have been relatively cheaper only 2% of the time). The median spread differential over the same time period is 252bps, which means CLO BBs need to tighten* about 274bps just to get back to historical average levels vs HY.

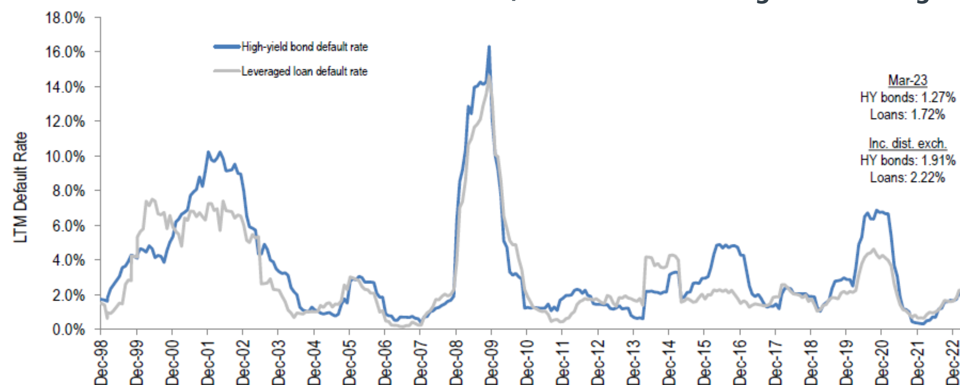
CLO BB vs HY Spreads

Source: Bloomberg.

Fundamentals

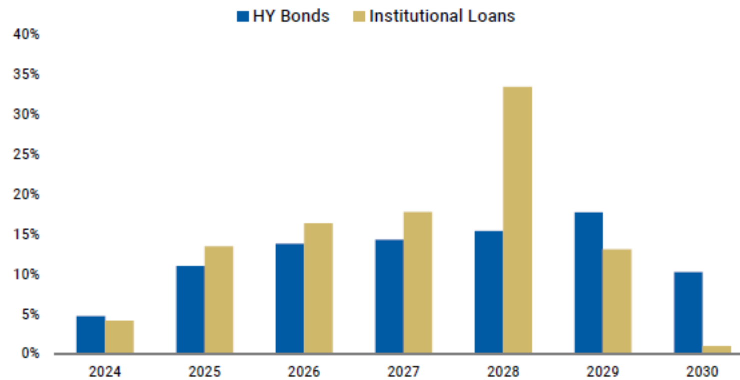
- As spreads drift wider with broader macro concerns, underlying loan fundamentals have been resilient. Loan defaults are still hovering near multi year lows at 1.1%, with zero defaults reported in December (see below). We expect defaults to tick modestly higher, closer to long term averages near the 2-4% range. The percentage of underlying CLO collateral trading at distressed levels (under $80) is currently around 6%, which is typically a good barometer of future defaults (Palmer Square deals are much lower in the 3-4% range). Also, loans with maturities before 2024 represent a small portion of the loan market at about 9%, meaning refinancing risk is low. The current CCC% in CLO portfolios is under 4% (Palmer Square deals are much lower in the 1-2% range) and still have ample cushion to withstand an uptick in downgrades.

Exhibit 5 - Loan default rates off the lows, but still below long term average



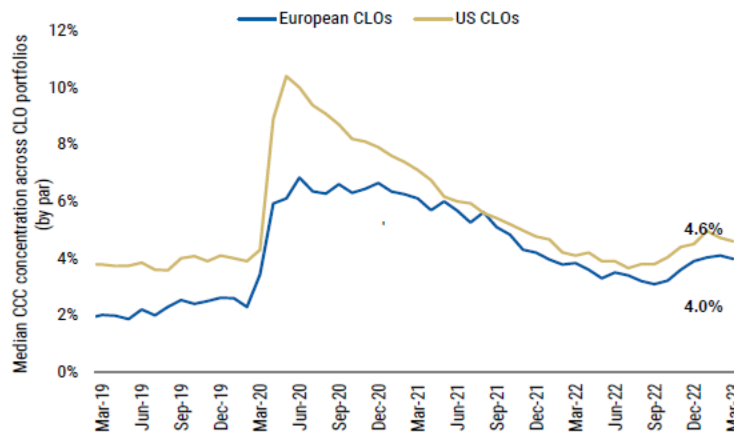
Source: J.P. Morgan as of 4/03/2023

Exhibit 6 - Loan Maturity Wall



Source: Morgan Stanley Research, Intex as of 3/31/2023

Exhibit 7 - CCC Assets Closer to Longer Term Averages



Source: Morgan Stanley Research, Intex as of 3/31/2023

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. **LIBOR** (London Interbank Offered Rate) is the benchmark interest rate at which major global banks lend to one another. As of January 1, 2022 many banks ar no longer required to submit the data needed to calculate the LIBOR rate. In June 2023, LIBOR will be replaced by SOFR. A **Reference Rate** is an interest rate benchmark used to set other interest rates. Various types of transactions use different reference rate benchmarks, but the most common include the Fed Funds Rate, LIBOR, the prime rate, and the rate on benchmark U.S. Treasury securities. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

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

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

Notes and Disclosure cont'd

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

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

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

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

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This material must be preceded or accompanied by a prospectus. Please read the prospectus carefully before investing. For a prospectus, or summary prospectus, that contains this and other information about the Funds, call 866-933-9033 or visit our website at www.palmersquarefunds.com. Please read the prospectus, or summary prospectus carefully before investing.