Palmer Square Opportunistic Income Fund (PSOIX)

January 2024

Fund Refresher

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

Performance Summary

The Fund returned 4.13% (net of fees) in Q4 2023 and 18.94% (net of fees) year-to-date 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 current yield on the Fund is now 11.10%.

Fund Performance Net of Fees as of 12/31/2023 (inception 8/29/2014*)

	Q4 2023	YTD 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014*
PSOIX	4.13%	18.94%	-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	18.94%	6.61%	6.67%	5.21%

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.

	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Interest Rate Duration	0.48 yrs	0.43 yrs	0.43 yrs	0.40 yrs	0.38 yrs
Spread Duration	3.62 yrs	3.26 yrs	3.23 yrs	2.90 yrs	2.79 yrs
Credit Spread	866	892	835	707	665
Weighted Average Price	$90.4	$90.2	$92.0	$95.4	$96.8
Yield to Expected Call	13.24%	12.59%	12.85%	11.44%	10.24%
Yield to Maturity	12.40%	11.56%	11.81%	10.80%	9.68%
Current Yield	11.00%	11.18%	11.40%	10.73%	10.70%

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

Relative Value and Current Upside Potential

- We believe the Fund is well positioned for potential upside going forward. We also believe high breakeven spread levels exist which serve as a cushion in a spread widening environment. **As shown in the highlighted box below, if spreads were to go back just to average levels over the past 10 years, the 1-year total return is estimated to be about +12%. If we go back to 10-year tights on spreads, that return goes to +15.87%.** Also given the very high coupon and spread levels currently, there is a very high hurdle to not capture a positive return over a 1 year holding period. The 1yr forward breakeven column below shows the spread levels each asset class would need to hit to not earn a positive return over the next year. At a Fund level, we would need to see over 318bps of widening from current levels, which would put us at worse levels than we saw during COVID.

- **Most notably, we see a lot of value in CLO debt at current levels, as spreads are still well wide of average levels since 2008.** If CLO debt levels return to their average post crisis spreads, total return potential is very attractive. We continue to favor shorter duration CLO deals with cleaner portfolios at a discount which we think will continue to deliver high total returns over the near term. 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	2.0%	$96.82	284	5.82%	6.05%	7.17%	407	349	284
CLO BBB	31.6%	$97.31	446	8.28%	10.65%	13.71%	669	755	661
CLO BB	31.8%	$96.62	787	11.92%	14.50%	18.70%	1065	1384	1193
CLO B	5.3%	$90.42	1143	15.51%	20.16%	28.61%	1429	1949	1653
CLO Equity	4.4%	$40.53	1850	22.30%	27.31%	32.31%	2859	2000	1850
CMBS	0.4%	$44.33	1240	16.36%	51.73%	54.79%	1810	1030	665
Corp HY	5.9%	$93.16	390	7.81%	5.71%	8.89%	729	880	726
Corp IG	0.2%	$90.73	77	2.90%	1.15%	4.65%	123	272	197
Bank Debt	18.4%	$98.74	436	8.15%	9.11%	9.62%	836	844	639
Total	**100.0%**	**$96.23**	**646**	**10.35%**	**12.58%**	**15.87%**	**964**	**1089**	**927**

Source: Bloomberg, Palmer Square, as of 12/31/2023. *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/SOFR 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/SOFR 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	$99.87	144	5.64%	6.95%	7.20%
CLO AA	$99.36	207	5.95%	7.53%	8.28%
CLO A	$99.12	253	6.39%	7.98%	8.99%
CLO BBB	$97.24	409	7.83%	10.98%	13.03%
CLO BB	$93.08	847	12.33%	16.07%	21.44%
CLO B	$71.48	1384	17.84%	35.26%	46.46%

Source: JPM / Intex / Palmer Square. As of 12/31/2023. 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/SOFR 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	12/31/2023 Allocation	Q4 2023 Gross Attribution	Average Price	Yield to Expected Call*
CLO Debt	71%	3.06%	$96.6	10.79%
Bank Loans	19%	0.63%	$99.0	8.15%
High Yield Bonds	6%	0.59%	$95.2	7.80%
Sub Notes	5%	0.26%	n/a	22.30%
ABS/MBS	0%	-0.02%	$62.8	16.33%

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

<u>Historic Positioning Detail by Asset Type:</u>

	12/31/2022 Allocation	3/31/2023 Allocation	6/30/2023 Allocation	9/30/2023 Allocation	12/31/2023 Allocation	Q4 2023 Gross Attribution
CLO Debt	63%	71%	69%	71%	71%	5.36%
Bank Loans	25%	17%	19%	18%	19%	0.72%
High Yield Bonds	7%	6%	7%	6%	6%	0.21%
Sub Notes	5%	5%	5%	5%	5%	0.65%
ABS/MBS	0%	0%	1%	1%	1%	-0.11%

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.

- **<u>Performance and Attribution:</u> The Fund returned 4.13% (net of fees) in Q4 2023 and 18.94% (net of fees) year-to-date 2023.** The positive absolute performance was driven by a broad-based rally in credit spreads, particularly within our CLO exposure in the month of November/December, which in turn was driven by cooler than expected inflation data and lower rate expectations. The Fund's exposure to CLO debt and sub notes provided the largest contribution at +3.34%, followed by bank loans at +0.63% and HY bonds at +0.59%. There were no meaningful detractors during the quarter.
- **<u>Macro Takeaways:</u>** There are a few key macro and credit market takeaways from 2023. First, it was another year where interest rates dominated returns. After a decent start in Q1, driven by a wide starting point for yields and spreads, long term interest rates marched mercilessly higher from April to October, with the 10Y Treasury yield briefly touching 5.00%, dragging down all duration products. This all changed in early November after several better-than-expected inflation data points hit, followed by a surprisingly dovish pivot by the Fed in early December. All told, the 10Y treasury yield declined from 5.00% in mid-October to 3.88% by year-end, a staggering 110bps move in basically two months. The late year rally in Treasuries filled everyone's stocking with joy with equities hitting new highs and credit spreads hitting cycle lows. **This leads us to the next takeaway: the market is now fully pricing in a goldilocks scenario of a super easy fed with lower rates AND strong positive growth (earnings and GDP).** As readers may know, Palmer Square has been in the soft/no landing camp since early 2023, so in that regard we don't disagree with the consensus view on growth and earnings. But we do find the consensus view on rate cuts as <u>too much, too soon</u>. There are only 7 meetings in 2024 and the market is pricing in 6 cuts, implying the Fed will cut every meeting from March onward. We just don't believe in this magnitude of easiness being congruent with a soft landing and full employment. So, with that said, we are not at all surprised by the

*Please see Notes and Disclosure for definitions.

modest reversal in rates so far in 2024, and wouldn't be surprised to see rates stabilize even higher from here. **Finally, the last major takeaway: we are likely departing a period of low dispersion where interest rate duration positioning drove the vast majority of attribution, to a period of high dispersion where sector positioning and credit selection is likely to be a much larger driver of return attribution.** Below we provide a summary of major benchmark performance for comparison.

Selected Indices*	Q4 2023 Performance	2023 Performance
Bloomberg U.S. Treasury Index	+5.66% (Yield -0.77%)	+4.05% (-0.07%)
Bloomberg U.S. Aggregate Bond Index	+6.82% (spread -10bps)	+5.53% (-8bps)
Bloomberg U.S. Corporate Index	+8.50% (spread --22bps)	+8.52% (-30bps)
Bloomberg 1-3 Year U.S. Corporate Index	+3.10% (spread -16bps)	+5.48% (-4bps)
Bloomberg U.S. High Yield Index	+7.16% (spread -72bps)	+13.45% (-147bps)
iBoxx Liquid Leveraged Loan Index	+2.49% (DM -28bps)	+11.78% (-120bps)
Palmer Square CLO Senior Debt Index	+2.25% (DM -18bps)	+9.02% (-67bps)
Palmer Square CLO Debt Index	+4.07% (DM -37bps)	+17.423% (-133bps)
S&P 500 Index	+11.68%	+26.26%
STOXX 600 Index	-7.86%	+19.50%

Source: Bloomberg as of 12/31/2023

- **CLO Allocation/Opportunity to Capture Income and Total Return:** As of quarter-end, 76% (i.e. CLO Debt and Sub Notes) of the portfolio, up slightly from last quarter. CLO BBBs are currently trading on average at a spread of 446bps with prices in the mid-high $90s and BBs are at a spread of 787bps with prices in the low to mid-high $90s for higher quality portfolios. When looking across corporate and structured credit, CLO BBB and BBs are one of the few asset classes that are still trading wide of their historical averages and continue to look compelling vs corportates. Looking at CLO BBs in particular, there have only been 9 months in the past 10 years where spreads were wider than 900bps (we are currently in the 800-900bps range at the index level). 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 200bps, which means that spreads could widen a further 200bps 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 the wides of 2022. We also believe another tailwind for CLO debt going forward is the increase in LIBOR/SOFR* and our view that rates will stay higher than the market is currently implying (i.e. there won't be 6 rate cuts this year with the first one starting in March). *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.*

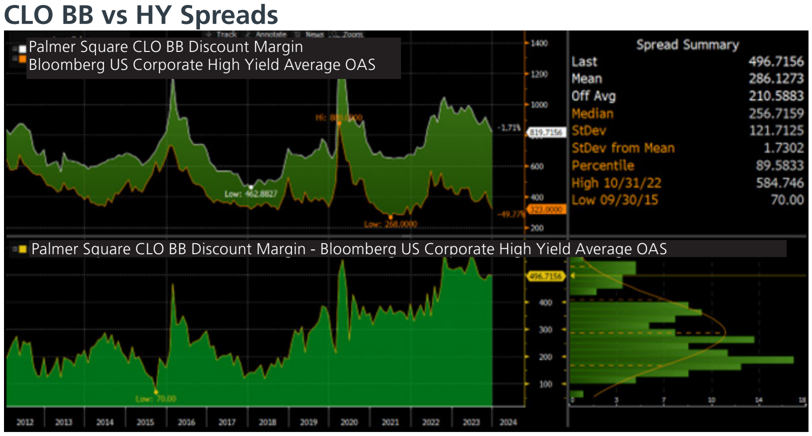
*Please see Notes and Disclosure for definitions. [1,2]See page 5 BB Spreads and 1Yr Forward Returns table and disclosure. This example is provided for illustrative purposes only.

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.

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 497bps of spread versus HY, which looking back to 2012 is a 90th percentile reading (meaning CLO BBs have been relatively cheaper only 10% of the time). The median spread differential over the same time period is 286bps, which means CLO BBs need to tighten* about 211bps just to get back to historical average levels vs HY.

CLO BB vs HY Spreads



Source: Bloomberg as of 12/31/2023. Current performance is not a guarantee of future performance of the Fund. *Please see Notes and Disclosure for definitions.

- **Bank Loan Allocation:** As of quarter end, bank loans were 19% of the portfolio. In the 4th quarter, we continued to recycle repayments into primary issuance, as well as select discounted secondary opportunities. While the primary calendar was fairly robust in the quarter (particularly in December), it was dominated by refinancings and repricings of high quality and low spread names, offering only select opportunities. Our primary participation for the quarter came in at a weighted average spread of 425bps and an OID (original issue discount)* of 98.7 across $4mm of purchases (6 deals). *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.*

*Please see Notes and Disclosure for definitions.

- **High Yield Bond Allocation:** As of quarter-end, HY corporate bond exposure was 5.8% of the portfolio, down modestly from 5.9% last quarter. However, there was a moderate amount of intra-period change with the HY corporate allocation peaking above 8% near the end of October before we gradually reduced exposure through the end of the year. The mid-quarter increase in the HY corporate allocation was driven by increasingly attractive valuations as rising rates and spreads brought the YTW on the Bloomberg US Corp HY Index to a 2023 peak of 9.49% on 10/31/2023. This presented an attractive entry point ahead of the "everything rally" in November and December that was spurred on by the combination of better than expected inflation data, robust economic growth, and a dovish Fed pivot in December, amongst other factors. Option-Adjusted Spread on the Bloomberg US Corp HY Index closed 4Q23 at 323bps, down more than 100bps q/q and inside the 10th percentile on a short- (1Y) and long-term (10Y) basis. As such, we reduced HY corporate exposure near year end, focusing on keeping our highest conviction positions. We've reduced HY corporate exposure further in early 2024 as the opportunity set has become incrementally less attractive.

Outlook / Focus on CLO Relative Value

- **CLO Issuance Forecast and Outlook:** CLO issuance ended 2023 at $116BN in new issue volumes, down about 13% from 2022. We also saw reset/refi activity pick up towards the end of the year at about $20BN YTD. 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. Given the recent liability tightening and US banks showing more demand, we expect 2024 to start with a flurry of new deals coming to market.

2024 Outlook: Too Much Too Soon, GDP Growth, Earnings Recovery, Credit Selection Remains Key, and Why Floating Rate Can Still Outperform Fixed

- **Too Much, Too Soon:** We understand why the market celebrated at the end of 2023: core inflation continues to trend towards 2%, the labor market remains historically strong, and the Fed surprised practically everyone with a dovish pivot in the December policy press conference. This sent the animal spirits soaring (along with equities) and long-term yields rallied nearly 125bps tighter in the final 2 months of the year. The result is the market is now pricing in over 6 cuts in 2024 (there are only 7 meetings!), implying the Fed Funds Rate will end the year 1.5% lower at 4.00%. Said differently, the market is now pricing in the goldilocks scenario of both a super easy Fed AND essentially no landing. We simply find that level of implied monetary easing incongruent with the current macroeconomic outlook. As such, we are not surprised by the recent move higher in long term interest rates and think the equilibrium level for the 10Y treasury yield is in the 4.0-4.5% range (vs 4.00% at the time of this letter). And while we do think the Fed will make a few "victory" cuts in 2024 we think rates will still remain higher than what is currently implied by the market.
- **GDP Growth:** 3rd quarter real GDP growth surged to an astounding 5.0% with the FY2023 estimate still a healthy +2.4%. The estimate for 2024 currently sits at 1.3%, which when parsed out is factoring in a soft landing (we define as growth between 0-1%) in the 2nd half of 2024. Our view is slightly more constructive on growth, with 2024 looking a lot like 2023, but with more dispersion in terms of sector performance.

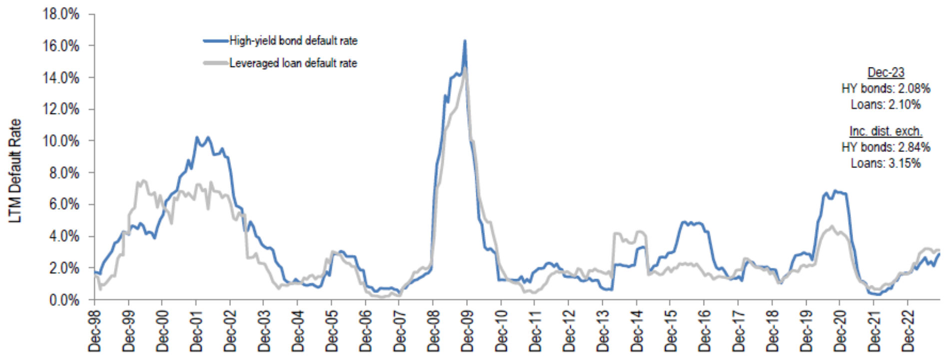
*Please see Notes and Disclosure for definitions.

- **Earnings Recovery:** While the broader economy managed to avoid a recession in 2023, corporate earnings did not. S&P 500 earnings declined on a y/y basis for 4 straight quarters until turning positive in Q3 2023. And current estimates for Q4 indicates earnings will be up 5% y/y. We expect corporate earnings to continue to grow in 2024, partially based on favorable comps from 2023 but also due to increased investment. Even though rates remain high, the belief that the Fed is done hiking removes a major uncertainty that likely limited investment in 2023. But we don't think the growth will be uniform. Namely, we remain cautious on consumer spending, particularly companies with exposure to the lower income cohort.
- **Credit Selection Remains Key:** 2023 was a year dominated by duration positioning. Whether you were short in the summer and long in the fall largely determined the performance of most fixed income strategies. This was not the case for this Fund, which is agnostic to rate duration and saw returns driven by spread compression and relatively higher current income. We are departing a period of low dispersion tethered to interest rates and entering a new period of sector dispersion where credit/stock picking will be the major driver of return attribution.
- **Floating Rate is the Optimal Relative Value Play:** Despite the recent move in rates, floating rate credit maintains a very attractive set up. Interest rates are already significantly off their highs, and despite that, floating rate still outperformed fixed in 2023. But we digress. **A bet on duration at this point is essentially a bet the Fed is going to be even easier than what is currently priced into the market (i.e cutting more than 7 times).** However, if the Fed cuts less due to continued strong growth and full employment, intermediate rates need to reset higher and floating rate likely outperforms fixed again. **Keep in mind the yields shown for floating rate assets are inclusive of the forward curve.** So if the Fed hikes less, or later, the yield on floating rate assets will increase.

Fundamentals

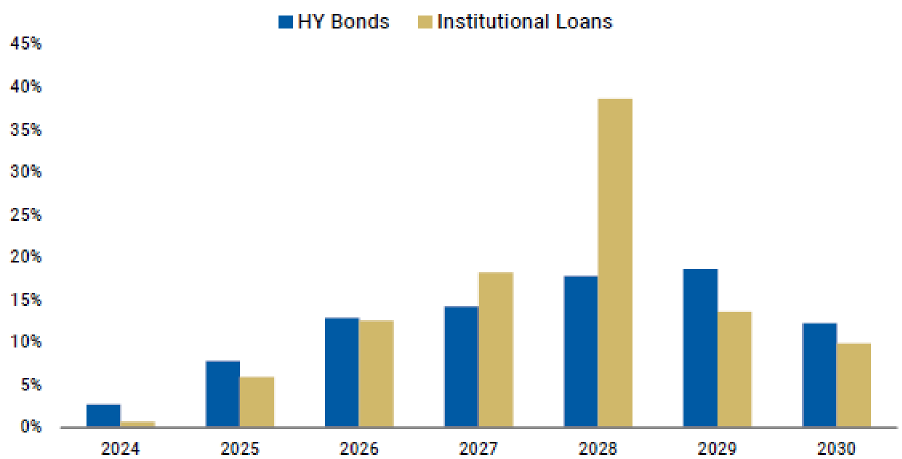
- Loan defaults are hovering around longer term averages at 2.10%, with current defaults in CLO portfolios lower at 0.56%. We expect defaults to tick modestly higher in the next year but remain in the 2-4% range which is the longer term averages. The percentage of underlying CLO collateral trading at distressed levels (under $80) is currently around 4.8%, which is typically a good barometer of future defaults (Palmer Square deals are much lower in the 2-3% range). Also, loans with maturities before 2025 represent a small portion of the loan market at about 5%, meaning refinancing risk is low. The current CCC% in CLO portfolios is 5-7% (Palmer Square deals are lower in the 3-4% range) and still have ample cushion to withstand an uptick in downgrades.

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



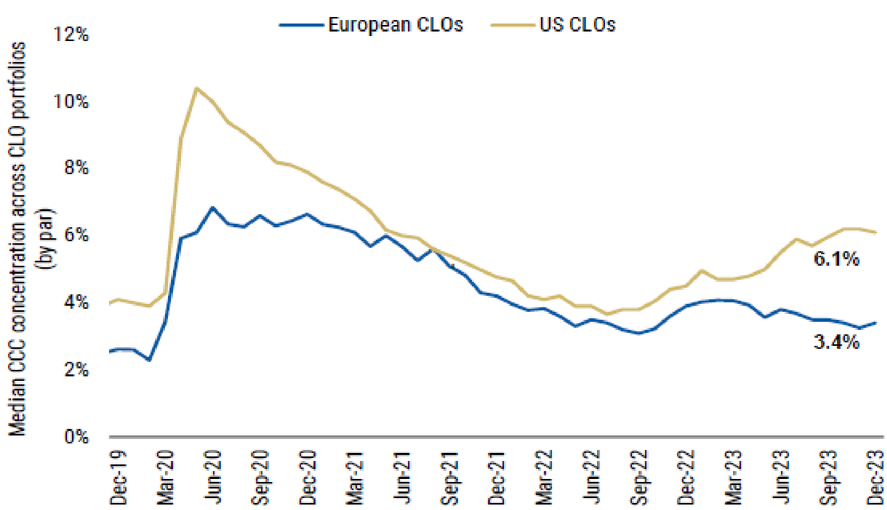
Source: J.P.Morgan Research 12/29/2023

Exhibit 2: Loan maturity walls ($BN)



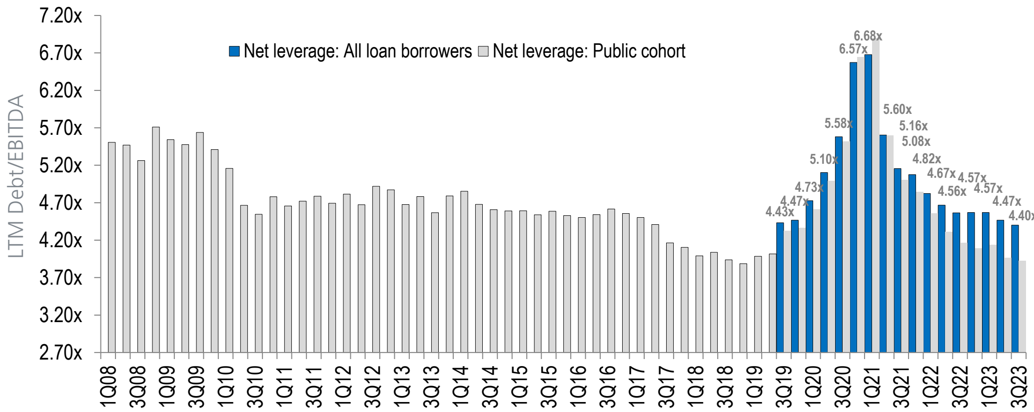
Source: ICE, Pitchbook LCD, Morgan Stanley Research as of 12/29/2023.

Exhibit 3: Median CCC assets in CLO portfolios



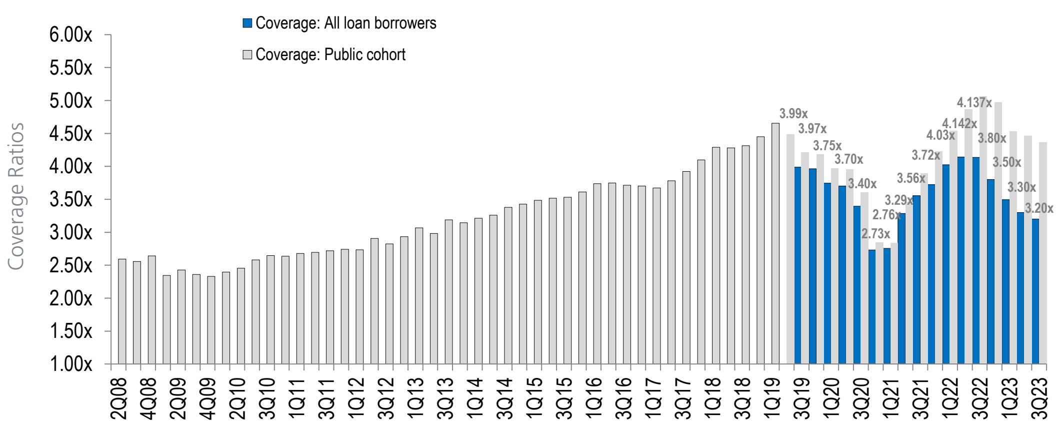
Source: Morgan Stanley Research, Intex as of 1/4/2024

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



Source: J.P.Morgan Research 1/4/2024

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



Source: J.P.Morgan Research 1/5/2024

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 interval fund. You should not expect to be able to sell your Shares other than through the Fund's repurchase policy, regardless of how the Fund performs.

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 an annualized figure of distributions paid YTD, divided by the $98.78 price of shares on 9/30/2023. **Beta** describes an investment's volatility in relation to that of the stock or bond market as a whole. For example, the S&P 500 is typically considered to be "the equity market" and it has a beta of 1.0. Yield to Expected Call is a Yield to Call metric that assumes callable bonds are not called on their call date, but at some later date prior to maturity. **Yield to Expected Call** considers contractual terms in a bond's indenture or other similar governing document. A bond may be called before or after this date, which has the potential to increase or decrease the Yield to Expected Call calculation. All else equal, when a bond's price is below par, Yield to Expected Call is a more conservative yield metric than Yield to Call. If a bond is not callable, Yield to Expected Call calculates the bond's Yield to Maturity. **Credit Spreads** are often a good barometer of economic health - **wide or widening (bearish sentiment)** and **narrowing/tight or tightening (bullish sentiment)**. The **option-adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses Treasury yields for the risk-free rate. The **original issue discount (OID)** is the difference between the original face value amount and the discounted price paid for a bond. The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

The **Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index of publicly issued investment grade corporate, US Treasury and government agency securities with remaining maturities of one to three years. The **Bloomberg Barclays 1-3 Year US Corporate Index** measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1 to 2.9999 years to maturity. It is composed of a corporate and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities. **S&P 500 Index** is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. **U.S. Treasury index** is an index based on recent auctions of U.S. Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates. **Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Barclays U.S. High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. **Bloomberg Barclays U.S. HY BB Corporates Index** tracks the performance of USD-denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market. **Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. The **STOXX 600 Index** seeks to offer broader exposure to European companies. Thus, it's often cited as a close European alternative to Standard & Poor's 500 Index (S&P 500). **Palmer Square CLO Senior Debt Index (CLOSE)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. CLOSE is comprised of original rated AAA and AA debt issued after January 1, 2009 subject to certain inclusion criteria. **Palmer Square CLO Debt Index (CLODI)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. CLODI is comprised of original rated A, BBB, and BB debt issued after January 1, 2009 subject to certain inclusion criteria. **Palmer Square CLO BB TR Index (PCLOBBTR)** seeks to reflect the investable universe for U.S. dollar denominated CLOs. The index is comprised of original rated BB debt issued after January 1, 2009 subject to certain inclusion criteria. **LIBOR** (London Interbank Offered Rate) is the benchmark interest rate at which major global banks lend to one another. As of January 1, 2022 many banks are no longer required to submit the data needed to calculate the LIBOR rate. In June 2023, LIBOR will be replaced by SOFR. A **Reference Rate** is an interest rate benchmark used to set other interest rates. Various types of transactions use different reference rate benchmarks, but the most common include the Fed Funds Rate, LIBOR, the prime rate, and the rate on benchmark U.S. Treasury securities. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

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

Notes and Disclosure cont'd

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.

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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