PALMER SQUARE CAPITAL MANAGEMENT®

# Palmer Square Income Plus Fund (PSYPX)

April 2022

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## Fund Refresher

As a refresher, the investment objective of the Palmer Square Income Plus Fund ("PSYPX" or the "Fund") is income and capital appreciation. To seek to achieve that investment objective, the Investment Team employs a flexible mandate to find the best relative value across all of corporate credit and structured credit. The Fund has also historically maintained low interest rate duration* and high credit quality. Due to the Fund's high-quality bias we are very comfortable with the underlying credit quality of the holdings and ability to avoid credit losses; over 81% of the portfolio is rated investment grade and over 57% is rated A or higher. Spread duration is 2.35 years.

**What is the Fund trying to achieve in today's market to benefit clients?**

- Income Capture – We have historically captured significant yield.
- Diversification – We have had minimal interest rate duration which drives lower correlation to interest rate sensitive fixed income such as those investments which comprise the Bloomberg Barclays U.S. Aggregate Bond Index and Bloomberg Barclays 1-3 Year U.S. Corporate Index.
- Exposure to an Expanded Universe of Credit – Opportunity exists beyond traditional options such as government bonds, municipal bonds, agencies, etc.
- Total Return – The Fund also seeks capital appreciation through opportunistic portfolio rotations driven by the Investment Team's assessment of relative value. Please note that the Fund can invest up to 30% in high yield-rated ("HY") securities. The opportunity in B/BB-rated Collateralized Loan Obligations ("CLOs") in October 2019 and BB-rated HY bonds in June 2020 were great examples of our ability to be nimble and generate returns for the Fund.

## 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 | 0.49 yrs | 0.49 yrs | 0.48 yrs | 0.41 yrs |
| Spread Duration | 1.76 yrs | 1.72 yrs | 1.58 yrs | 1.89 yrs | 2.35 yrs |
| Yield to Expected Call* | 1.90% | 1.87% | 1.86% | 2.13% | 3.40% |
| Yield to Maturity | 2.15% | 2.05% | 2.11% | 2.30% | 3.32% |
| Current Yield | 2.45% | 2.35% | 2.34% | 2.29% | 2.12% |
| 30-day SEC Yield* (net of fees) | 1.09% | 1.01% | 1.14% | 1.38% | 1.30% |
| 30-day SEC Yield* (gross of fees) | 1.15% | 1.01% | 1.14% | 1.38% | 1.30% |

*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.*

*Please see Notes and Disclosure for definitions.

**Summary Themes:**

- **Q1 2022 Performance and Attribution – Relatively Strong Against a Historically Bad Quarter for Bonds;**
- **The War in Ukraine and the Impact on Commodities and Corporate Fundamentals;**
- **2022 Outlook: Positioning for Policy Normalization.**

**Theme I. Q1 2022 Performance and Attribution – Relatively Strong Against a Historically Bad Quarter for Bonds**

» The first quarter of 2022 was a historically bad quarter for fixed income. The Fed's hawkish pivot in January combined with the war in Ukraine, and the subsequent surge in commodity prices (even more inflation), led to a sharp rise in interest rates as the market began pricing in more and more hikes in 2022. The 2Y Treasury yield increased 160bps, the quickest 3-month move higher since 1984. Credit spreads had held in relatively well until the war broke out but then spiked in mid-March before a moderate recovery late in the quarter. All-in-all, this led to quarterly returns of -5.93%, -7.69% and -2.47% for the Bloomberg Barclays U.S. Aggregate Bond Index, Bloomberg Barclays U.S. Corporate Bond Index and Bloomberg Barclays 1-3 Year U.S. Corporate Indices, respectively. For the two corporate indices, this was the worst quarterly return since the 2008 Global Financial Crisis, and for the aggregate index it was the worst since 1980, which was the last time inflation was as high as it is today.

» With that in mind, the -0.58% total return for the Fund stacks up relatively well against key benchmarks. This relative outperformance was driven by 3 main factors. First and foremost, was the Fund's conservative interest rate duration positioning of 0.41 years. Secondly, was the 50% exposure to floating rate credit (bank loans, CLO debt, floating rate notes ("FRNs"), etc.) that continue to benefit from the increase in LIBOR/SOFR* in the form of higher coupons. And lastly, the Fund's 25-30% allocation to cash equivalents mitigated the impact of the broad-based spread widening* seen in March. We did tactically add 7-10Y investment grade ("IG") corporate exposure in mid-March when IG spreads were approaching 150, however these positions were unloaded at a nice profit prior to quarter-end as IG spreads quickly tightened* back in the last week of March. At quarter-end, the Fund continues to be conservatively positioned driven by both our cautious view on Fed policy and still weak relative value in fixed-rate corporate bonds.

» The only positive contributor to returns this quarter were bank loans at +0.01%, which was driven by a strong performance in January and February only to see weakness in March which saw credit spreads generically widen* for all credit products. The biggest detractor from returns this quarter was IG corporate bonds at -0.40%. Note, however when netting this against the +0.29% PnL from interest rate hedges, the net contribution was closer to -0.10%. The next largest detractor was residential mortgage-backed securities ("RMBS") at -0.14% which was somewhat impacted by higher rates leading to lower assumed prepayment speeds. CLO Debt contributed -0.02% during the quarter, which similar to loans, performed well in the first two months but saw spreads widen somewhat in March.

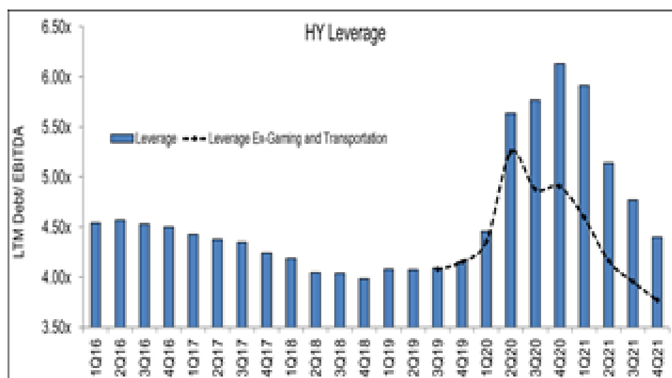
*Please see Notes and Disclosure for definitions.

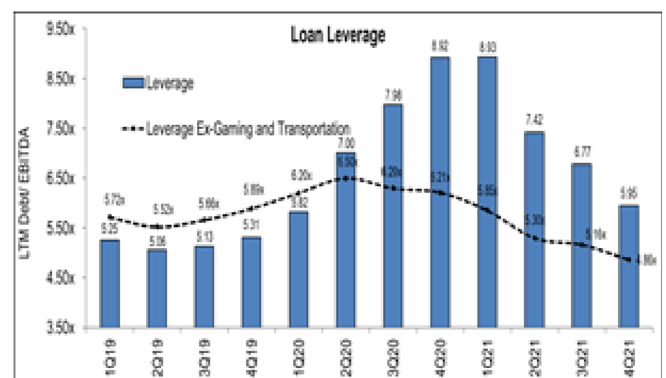
» Overall, we believe the Fund performed relatively well given the historically bad quarter for fixed income in general. It's worth pointing out that the current yield on the Fund should marginally increase in the next few months given the move in LIBOR/SOFR, which is the base rate for all floating rate securities in the Fund. 3-month LIBOR has increased from 0.20% at the start of the quarter to 0.97% at quarter-end.

**Theme II. The War in Ukraine and the Impact on Commodities and Corporate Fundamentals**

» Inflation was already an omnipresent problem prior the invasion of Ukraine. The January Consumer Price Index* ("CPI") showing 7.0% y/y inflation was the highest since 1980, and the world was already dealing with supply-chain related shortages of key goods such as semiconductors, basic materials, cars, building materials, etc. and Brent Crude was flirting with $100 on the eve of the Russian invasion. Since that point, oil surged a further $25/bbl (but has subsequently retraced this move), natural gas prices have skyrocketed in Europe, and now food scarcity is a major concern with soft commodity prices also spiking. The fact that Russia is a major supplier of oil and natural gas to Europe was a well-known, albeit frustrating, fact. But the war in Ukraine brought to light a less appreciated fact that Ukraine is the "bread basket of Europe" being a major exporter of cereals and wheat as well as iron ore. We are not going to pontificate on how long the war will last, but we are confident the prices of these key commodities are likely to stay elevated over at least the medium term. Replacing the dependence on Russia oil/gas will likely take years, and agricultural production is very inelastic.

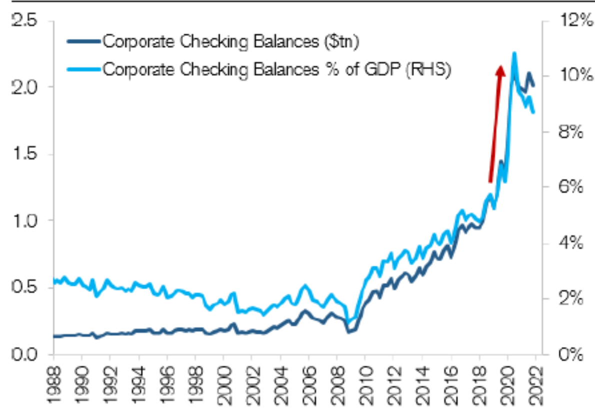
» Gauging the impact on corporate fundamentals is tough calculus. The headwinds are unequivocally fierce. And with Q1 books closing just a few days ago, we won't have a lot of color on this impact until companies start reporting Q1 earnings in late April and May. The positive perspective on this is that corporate fundamentals are starting from a position of strength. Balance sheets and credit metrics have improved significantly post COVID. IG corporate leverage is back to pre-COVID levels and cash balances are sitting at $2 trillion vs 1$trillion in 2019. For the bank loan and HY market the picture is similar. Leverage levels have been sharply declining since the pandemic, driven by both the demand recovery but also more conservative financial policies that have prioritized debt reduction and cleaning up maturity runways.

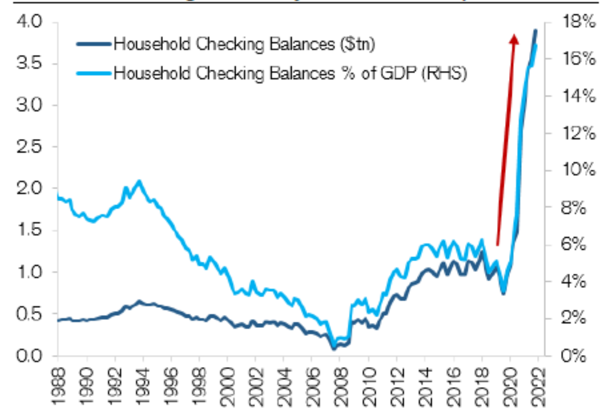



Source: J.P. Morgan April 2022.

*Please see Notes and Disclosure for definitions.




Source: Credit Suisse, Fed Z1.

- The other glass-is-half-full perspective, for corporate earnings at least, is the end-demand picture still looks strong. Unemployment is near record low levels. And by some measures (household cash balances) the consumer balance sheet has arguably never been stronger. This bodes well, at least near-term, for corporates looking to pass through inflation. We worry that consumer demand can't absorb this forever, and at some point decade-high inflation will result in some demand destruction. But over the near-term and medium-term we believe corporates have the ability to weather the current inflationary storm given their strong starting point.
- All that said, at the micro level there will of course be winners and losers. Some industries are set up better to handle inflation than others. Some geographies will be impacted more than others (e.g. Europe vs U.S.) and some business models (and management teams) within the same industry are better equipped to deal with inflation than others. We have already seen this play out in 2021 as certain businesses did a better job of mitigating inflation, through supply-chain management changes, diversified sourcing, contractual pass-throughs of raw materials, enacting price increases, cutting costs and capital expenditure, disposing non-core business, and hedging, just to name a few tools. This is why credit picking will be critically important in 2022. Dispersion is set to increase, and fundamental credit analysis has become more important than ever.

*Please see Notes and Disclosure for definitions.

**Theme III. 2022 Outlook: Positioning for Policy Normalization**

**We believe our strategies are positioned to benefit our investors:**

- Attractive yields;
- Lower duration, higher quality bias;
- Diversification potential;
- Rotational ability to potentially take advantage of dislocations as they arise.

**Investment Considerations:**

» Inflation and Fed Policy will continue to be the main focus of the market for most of 2022. While investors are still debating the form and pace of normalization – hikes vs quantitative tightening* ("QT") – the Fed has already started this process and has indicated the willingness to "do what it takes" to tame inflation. As of the writing of this letter the market is now pricing in at least 8 more hikes in 2022 (so 9 in total) with 50bps hikes in May and June and then 25bps each meeting thereafter. But if inflation remains stubbornly high, and in particular if inflation expectations begin to become unanchored, we think the Fed will be forced to act more strongly, particularly with respect to its balance sheet. *As such, our view on interest rates remains defensive, but we believe the Fund is well positioned to not only blunt the impact of higher rates but to also capitalize on them in the form of higher coupons and reinvestment rates.*

» Corporate fundamentals continue to face inflationary headwinds but are starting from a position of strength in terms of balance sheets and liquidity. Consumer balance sheets are even stronger, providing some degree of cushion for corporates to pass through higher costs. But overall, the impact from inflation will be mixed with some industries and geographies being hit harder than others. This is why credit picking remains paramount in the current environment. *While we think we will see some degree of uptick in corporate default as a result of the surge in commodities, we don't believe this increase will be material nor systematic.*

» The key macro risks that Palmer Square will continue to evaluate include Fed policy errors, a resurgence in the COVID-19 pandemic including new variants, a further acceleration in inflation and/or supply chain disruptions that could pressure corporate fundamentals, as well as geopolitical events that could lead to market volatility and capital market dysfunction. It is always difficult to predict the timing or reason for the next volatility spike, which is why it's paramount to stick to our well- worn investment processes. *The Fund intends to maintain it's high- quality, low-duration approach, which includes having a high degree of liquidity, while constantly seeking out the best relative value opportunities within corporate and structured credit.*

## Summary on Attribution, Allocation and Positioning

### Select Portfolio Attribution and Characteristic Dashboard

| | Allocation | % Allocation | Q1 2022 Attribution | Average Price | Yield to Expected Call* |
|---|---|---|---|---|---|
| IG | ABS (100% AAA) | 13.8% | -0.04% | $99.3 | 1.83% |
| IG | Treasury Bills | 19.1% | 0.00% | $99.9 | 0.36% |
| IG | CLO AAA | 8.1% | -0.01% | $99.5 | 3.74% |
| IG | CLO AA | 1.7% | -0.01% | $98.8 | 4.29% |
| IG | CLO A | 0.5% | 0.00% | $99.3 | 4.80% |
| IG | CLO BBB | 10.2% | 0.01% | $98.0 | 6.28% |
| IG | RMBS (98% AAA, 100% A and above) | 5.1% | -0.14% | $95.8 | 3.52% |
| IG | CMBS (88% A- and above, 97% IG) | 5.4% | -0.01% | $98.4 | 4.59% |
| IG | IG Corp Bonds - Fixed | 10.8% | -0.39% (-0.10%*) | $97.5 | 2.94% |
| IG | IG Corp Bonds - Floating | 3.0% | -0.02% | $99.8 | 2.87% |
| IG | IG Bank Loans | 3.2% | 0.01% | $99.2 | 4.51% |
| IG | Bank Loans - Non IG | 8.1% | 0.00% | $98.7 | 5.23% |
| HY | HY Corp Bonds | 2.3% | -0.09% | $97.6 | 4.58% |
| HY | CLO BB | 6.8% | 0.00% | $96.9 | 9.80% |
| HY | CLO B | 0.2% | 0.00% | $93.4 | 12.39% |

*Source: Palmer Square as of 3/31/2022. 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. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. To obtain performance information current to the most recent month-end please call 866-933-9033. *Please see Notes and Disclosure for definitions. * Net of interest rate hedges.*

### 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 |
|---|---|---|---|---|---|
| CLO Debt | 28% | 29% | 30% | 28% | 28% |
| Gov't Bonds | 9% | 6% | 5% | 7% | 19% |
| IG Corp Debt | 20% | 22% | 20% | 20% | 15% |
| ABS | 13% | 11% | 12% | 11% | 14% |
| Bank Loans | 8% | 9% | 10% | 11% | 11% |
| RMBS | 2% | 3% | 3% | 5% | 5% |
| CMBS | 5% | 5% | 5% | 5% | 5% |
| HY Corp Bonds | 6% | 5% | 4% | 3% | 3% |
| Commercial Paper | 7% | 9% | 11% | 8% | 0% |
| Cash/Other | 1% | 0% | 0% | 0% | 0% |

Please note allocation and attribution above is a % of NAV and does not include hedges. Gross attribution does not include hedges, expenses and fees if applicable. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. Asset-backed Securities (ABS), Mortgage-backed Securities (MBS), Commercial mortgage-backed securities (CMBS), Residential mortgage-backed securities (RMBS).

- **Investment Grade Corporate Bond Allocation** – The IG corporate bond exposure was reduced early in the quarter (from 20% to 15%), ahead of the January CPI print which showed the highest y/y inflation numbers since 1980. Rates moved significantly higher from that point forward with the 2Y Treasury yield increasing a further 148bps finishing the quarter at 2.45%. Short-dated corporate spreads remained stable despite the rate move until the war in Ukraine broke out which pushed spreads 40bps wider* by mid-March, only to retrace around 30bps in the final weeks of the quarter. In mid-March we tactically added some 7-10Y IG corporate exposure on a hedged basis to take advantage of this weakness, but as spreads retraced we unloaded this exposure

*Please see Notes and Disclosure for definitions.

prior to quarter end. *We remain conservative with our IG corporate fixed exposure given the rate volatility and current weak relative value. We would only look to increase this exposure if credit spreads widened back out to mid March levels or wider.*

- **High Yield Bond Allocation** – As of quarter-end, 3% of the portfolio which was unchanged versus year-end. HY bonds overall performed poorly in Q1 with the Bloomberg Barclays U.S. High Yield Index returning -4.84%. The attribution of the HY bonds in the Fund was -0.09% in the quarter implying a -3% return, so relatively better than the index. We continue to view HY bonds valuations as relatively expensive hence our low exposure. The HY exposure we do have are in names with idiosyncratic catalysts such as rising stars, refinancing candidates, and YTC (yield-to-call) bonds, all of which tend to be BB-rated. *The Fund continues to focus on shorter duration BB-rated bonds that offer decent relative value and price stability (e.g. call constrained bonds with deep in-the-money coupons likely to be refinanced in 2022).*
- **CLO Allocation/Opportunity to Capture Income and Total Return** – As of quarter-end, 28% of the portfolio. The CLO allocation moved up in quality as BBBs were lower by 1% over the quarter, which was mostly offset with AAAs. We opportunistically sold BBBs in mid-late February at or above par as we viewed further upside in the near term was limited. In March, we rotated into AAAs at discounts of over a point in some instances and spreads in the 130-150 range. Outside of the pandemic, these were levels last seen in December 2018. As credit fundamentals continue to improve and the economy reopens, we think CLOs will continue to outperform given they still offer attractive spreads and little to no interest rate duration. 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. We continue to see improvements in more seasoned loan portfolios (net upgrades, lower WARFs*, low default rates, etc.) and think 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.*
- **ABS/MBS Allocation has Provided Diversification and Income Capture** – As of quarter-end, 24% of the portfolio had exposure to ABS/MBS. During the quarter, our allocation to ABS increased as the short duration nature became attractive in rising rate environment.
    - » **ABS** exposure (primarily prime auto ABS with a weighted average life of 6 months or less) ended nearly 3% higher than Q4, currently 14% of the Fund. We added in both primary and secondary markets as all in yield became more attractive with rate move.
    - » **CMBS** exposure at quarter-end was at 5.4%, increasing 0.4% from Q4. We continued to add exposure to high quality, AAA-rated single-asset transactions where we see relative value and strong structural support. In particular, we added exposure to a high-quality, high-coupon retail asset that is supported by a 2020-vintage conservative debt structure, and a multi-asset single borrower office transaction.
    - » **RMBS** exposure remained flat from previous quarter rate as the Q1 rate move added incremental duration risk to our holdings. Our exposure is still primarily AAA-rated debt which are backed by collateral from borrowers with FICOs greater than 700 and in some cases as high as 750.

*Please see Notes and Disclosure for definitions.

| ABS/MBS Positions | 3/31/2022 |
|---|---|
| Prime Autos | 13.3% |
| Equipment | 0.5% |
| **ABS (100% AAA)** | **13.8%** |
| Conduit | 0.8% |
| Single Asset/Single Borrower | 4.4% |
| **CMBS (94% A- and above)** | **5.4%** |
| Agency | 0.1% |
| Non-Agency | 5.1% |
| **RMBS (98% AAA)** | **5.2%** |

Asset-backed Securities (ABS), Mortgage-backed Securities (MBS), Commercial mortgage-backed securities (CMBS), Residential mortgage-backed securities (RMBS)

- **Bank Loan Allocation** – As of quarter-end, 11% of the portfolio. The allocation to bank loans was unchanged in the quarter however we continue to rotate and swap within that allocation. Prepayment speeds continue to be healthy allowing the Fund to reinvest these proceeds into attractive new primary loans, mainly BB and B+ rated loans with coupons in the SOFR+350 to 400 area with 50/100bps SOFR floors leading to all in yields in the 4.5-6.0% area (inclusive of the forward curve). Of the 11% allocation to loans, 3% are rated investment grade at the facility level. Please note that 100% are first-lien, senior secured. *Overall, we currently view the bank loan market as attractive and continue to participate in new issuance while recycling out of legacy low- coupon paper that has appreciated to par.*

Given the recent market moves and the continued dislocation in credit, we believe the Fund is well-positioned to not only generate a strong yield, but also meaningful capital appreciation going forward. As mentioned in our last quarter's letter, we believe our Fund's positioning has the potential to deliver a higher Sharpe* ratio as we continue to navigate these markets. We feel we are opportune in our approach to relative value and could not be more excited about how this portfolio is positioned and its outlook.

*Please see Notes and Disclosure for definitions.

## Detailed Fund Performance History

The Fund returned -0.58% (net of fees) for the first quarter of 2022.

### **Fund Performance Net of Fees as of 3/31/2022** (inception 2/28/2014)

| | Q1 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| PSYPX | -0.58% | 1.17% | 3.65% | 5.29% | 1.17% | 4.03% | 5.24% | 1.21% |
| Bloomberg Barclays U.S. Corporate 1-3 Year Index | -2.47% | -0.13% | 3.79% | 5.30% | 1.56% | 1.85% | 2.36% | 1.00% |
| Bloomberg Barclays U.S. Aggregate Bond Index | -5.93% | -1.54% | 7.51% | 8.72% | 0.01% | 3.54% | 2.66% | 0.57% |

### **Fund Performance Net of Fees as of 3/31/2022** (inception 2/28/2014)

| | 1 Year | 3 Years | 5 Years | Since Inception Annualized |
|---|---|---|---|---|
| PSYPX | 0.16% | 2.43% | 2.61% | 2.72% |
| Bloomberg Barclays U.S. Corporate 1-3 Year Index | -2.57% | 1.49% | 1.81% | 1.70% |
| Bloomberg Barclays U.S. Aggregate Bond Index | -4.15% | 1.69% | 2.14% | 2.30% |

*Class I shares – Annual Expense Ratio: Gross 0.94%/Net 0.94%. Palmer Square has contractually agreed to waive its fees and/or pay for operating expenses of the Fund to ensure that total annual fund operating expenses (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses (as determined in accordance with Form N-1A), expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed 0.75% of the average daily net assets of the Fund. This agreement is in effect until October 31, 2022, and it may be terminated before that date only by the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to certain limitations, of fees waived or payments made to the Fund for a period ending three full fiscal years after the date of the waiver or payment.* **Shares of the Fund are available for investment only by clients of financial intermediaries, institutional investors, and a limited number of other investors approved by the Advisor. 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.**

## Summary

**The Fund's diverse portfolio across corporate and structured credit is positioned in predominately investment grade securities, yet has offered a strong current yield* and potential opportunity for capital appreciation.** We believe we are opportune in our approach to relative value and could not be more excited about how this portfolio is positioned and its outlook.

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 Income Plus 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 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 **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. **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. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index.

**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 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. **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. **Sharpe Ratio** is used to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate - such as that of the 10-year U.S. Treasury bond - from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. **WARF** The weighted average rating factor is a measure that is used by credit rating companies to indicate the credit quality of a portfolio. **Credit Spreads** are often a good barometer of economic health - **widening (bearish sentiment)** and **narrowing/tightening (bullish sentiment)**. A **tight market (tight-trading)** is a market characterized by narrow bid-ask spreads and abundant liquidity with frenetic trading activity. A mutual fund's **30-Day SEC Yield** refers to a calculation that is based on the 30 days ending on the last day of the previous month. The yield figure reflects the dividends and interest earned during the period, after the deduction of the fund's expenses. **Basis points (BPS)** refers to a common unit of measure for interest rates and other percentages in finance. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point. **The London Interbank Offered Rate (LIBOR)** is a benchmark interest rate at which major global banks lend to one another in the international interbank market for short-term loans. The **Secured Overnight Financing Rate (SOFR)** is a benchmark interest rate for dollar-denominated derivatives and loans that is replacing the London interbank offered rate (LIBOR). The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

Past performance is not indicative of future results. 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. Diversification does not assure a profit, nor does it protect against a loss in a declining market

## Notes and Disclosure cont'd

**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. 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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