Palmer Square Income Plus Fund (PSYPX)

October 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 80% of the portfolio is rated investment grade ("IG") and over 47% is rated A or higher. Spread duration* is 2.6 years.

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

- Diversified Income Generation – The Fund generates income through a diversified exposure to corporate and structured credit, including primarily corporate bonds, bank loans, collateralized loan obligations ("CLOs"), commercial mortgage backed securities ("CMBS"), residential mortgage backed securities ("RMBS"), asset backed securities ("ABS"), commercial paper and U.S. Treasury securities.
- Low Interest Rate Duration – 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 U.S. Aggregate Bond Index and Bloomberg 1-3 Year U.S. Corporate Index.
- Capital Preservation – The Fund maintains a high quality bias.
- 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.

Portfolio Snapshot

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

	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022
Interest Rate Duration	0.49 yrs	0.48 yrs	0.41 yrs	0.57 yrs	0.62 yrs
Spread Duration	1.58 yrs	1.89 yrs	2.35 yrs	2.80 yrs	2.65 yrs
Yield to Expected Call*	1.86%	2.13%	3.40%	5.27%	6.46%
Yield to Maturity	2.11%	2.30%	3.32%	5.15%	6.19%
Current Yield	2.34%	2.29%	2.12%	3.24%	4.15%
30-day SEC Yield* (net of fees)	1.14%	1.38%	1.30%	2.39%	3.84%
30-day SEC Yield* (gross of fees)	1.14%	1.38%	1.30%	2.39%	3.84%

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:

- **Q3 2022 Performance, Attribution and Positioning;**
- **Fundamentals vs Valuation (and Technicals)**

Theme I. Q3 2022 Performance, Attribution and Positioning

» The Fund delivered a positive return of 0.13% in Q3 2022 despite continued pressure across fixed income, particularly for duration sensitive product. The yields on 2Y and 10Y treasuries increased 133bps and 81bps respectively during the quarter as inflation data showed little improvement and investors discounted an incrementally more hawkish Fed policy. This led to treasuries and corporate bonds being down 4-5% while high yield bonds fared better given their lower duration and higher carry. High quality floating rate product was the main outperformer, with senior CLOs (AAA, AA) along with BB-rated bank loans providing a positive return. The Fund's positioning in floating rate securities helped mitigate the rate impact while still allowing the Fund's yield to reach the highest level since inception at 6.19%. Before we dive into the current opportunity set, below is a quick Q3 performance recap for selected indices (as of 9/30/2022):

Selected Indicies	Q3 2022 Performance
Bloomberg U.S. Treasury Index	-4.35%
Bloomberg U.S. Aggregate Bond Index	-4.75% (spread +6bps)
Bloomberg U.S. Corporate Index	-5.06% (spread +3bps)
Bloomberg 1-3 Year U.S. Corporate Index	-1.23% (spread -4bps)
Bloomberg U.S. High Yield Index	-0.65% (spread -17bps)
iBoxx Liquid Leveraged Loan Index	+1.38% (discount margin +17bps)
Palmer Square CLO Senior Debt Index	+0.42% (discount margin +20bps)
Palmer Square CLO Debt Index	-1.06% (discount margin +72bps)
S&P 500 Index	-4.89%
Bloomberg Commodity Index	-4.75%

Source: Bloomberg as of 9/30/2022

» As seen from above, the weakness in Q3 was mostly driven by rate duration rather than spread widening*. But **within** the quarter, there was a decent amount of spread volatility. The quarter started with a significant rally in credit spreads with IG and HY spreads tightening* 30bps and 180bps respectively until mid-August. But another bad inflation print coupled with a hawkish Powel speech in Jackson Hole led to a nearly complete reversal of this spread rally in September. The Fund made some tactical allocation changes throughout the quarter – initially taking HY up to 5% from 2% in early July and then back down to 3% in August as relative value looked much less compelling. The Fund also increased its exposure in short-dated corporate bonds throughout the quarter, particularly so in September as the treasury curve bear flattened and 2Y treasury yields spiked to 4.35%. Add in spreads in the 90-110bps context, and we were able to buy BBB+/A- rated 1-3Y corporate bonds at a historically attractive 5.25 to 5.50% yield. To put that in context, the US HY Index (average rating of Ba3/B1 (average rating is based on the Bloomberg US HY Index)) had a yield of 3.6% in July 2021. Quite a lot has changed since last summer!

*Please see Notes and Disclosure for definitions.

» From an attribution perspective, the Fund's exposure to CDX Index Tranches was the highest contributor at +0.30%. Like the HY exposure, this risk was taken off in early August prior to Jackson Hole. Bank loans and HY contributed +0.26% and +0.10% respectively. Corporate bonds detracted 0.40% in the quarter but were flat when including the +40bps from rate hedges. Rounding things out, CLO Debt detracted 0.19% on some late quarter weakness and RMBS detracted 0.20% which was mostly rates-related.

» As mentioned in previous letters, the Fund had maintained a 20-30% allocation to cash equivalents (e.g. dry powder* in the form of treasury bills and money-market ABS) to be used after a period of sustained spread widening. In early July we decided to deploy some of this capital given attractive credit valuations that, in our judgement, were pricing in a significantly worse outlook than equities (or commodities for that matter). In total we deployed around 15%, including 4% in HY, 8% in short IG corps, and 3% in CLO debt (mostly AAAs). Some of this allocation has been subsequently reduced prior to quarter end, including taking HY back down to 3% and bank loans down to 8% (from 11%). As we enter the 4th quarter, we see a set up similar to July with credit spreads and yields offering historically attractive levels so we are seeking to take advantage of this relative value.

Theme II. Fundamentals vs Valuation (and Technicals)

» The fundamental outlook for credit deteriorated somewhat throughout the quarter. There were numerous earnings misses and guidance downgrades, particularly in the retail, automotive, tech hardware, and food sectors. The drivers of these earnings misses were mixed: supply chain issues, chip shortages, inventory mismanagement, cost inflation, rising interest rates, and weaker demand (e.g. housing). Europe's energy crisis deepened further with the curtailment of the Nordstream gas pipeline, which led to a sharp spike in electricity prices and fears of gas shortages/rationing this winter. The sharp appreciation of the USD also led to some earnings pressures for US-based corporates, and is also, seemingly, causing financial stress in various areas/regions (JPY intervention, UK pensions, China property, etc.). Overall, however, the earnings misses so far have been mostly an equity problem (vs a credit problem). And by that we mean a lot of the guidance reductions are simply reducing growth targets (i.e. company X now sees sales up 2-5% vs 7-10% previously). While the housing sector and related industries are clearly seeing a slow down in activity, the overall consumer demand picture still remains robust. Additionally, the supply chain issues that plagued companies earlier in the year appear to be easing (e.g., just look at freight rates). So the earnings picture isn't entirely a bleak one. That said, the real time indicators along with anecdotal CEO commentary did indicate a sharp deterioration in demand late in the quarter. With that in mind, 3rd quarter earnings will be hugely important, and likely dictate how the market performs for the rest of the year. To conclude, we will remind our readers that despite the admittedly cloudy fundamental outlook, corporate credit profiles started this cycle from a position of strength, having spent the previous two years reducing leverage, building liquidity and extending maturities post COVID-19. As such, we think defaults will be moderate and below prior cycle peaks.

*Please see Notes and Disclosure for definitions.

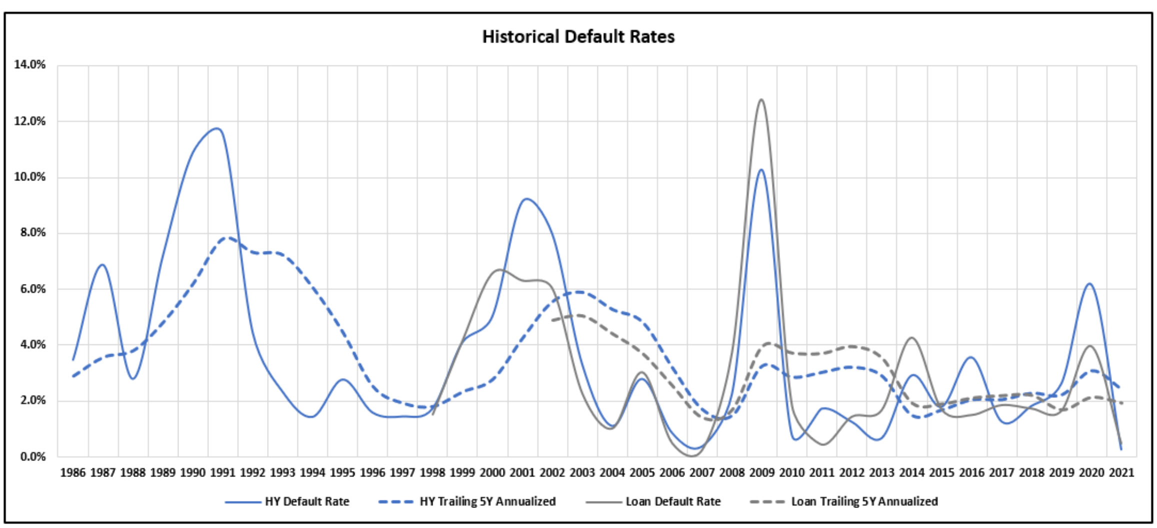
» The other side of the investing equation is valuation. Yes, the fundamental outlook isn't great. But the real question is are we (investors) getting compensated enough for that risk. And in that regard, we think the answer is yes. Unlike prior cycles, both rates and spreads have moved wider all year. The result is that all in yields, for most products, haven't been this high since the Global Financial Crisis (GFC), and are now higher than the apexes of the last 3 cycles (Mar-20 COVID-19, Feb-16 oil crash, Nov-11 European debt crisis). The yield on the HY index is nearly 10%, a level that historically is a great entry point. As shown in the table below, there are numerous ways to discern value in credit. For starters, both yields and spreads are currently in the 90th percentile of their respective 10 year histories. Looking at breakeven spread widening, a measure of how much wider spreads need to go to lose money over the next year, this illustrates how much cushion investors have at the current level of yields. HY spreads would need to widen out to 800bps to lose money on a one year basis. We also look at breakeven default rates, which suggest that the bank loan market is currently implying a constant default rate (CDR) of 11.3% per year for the next 5 years. Since the default data began in 1998, the highest 5-year period for defaults was 1999-2003 in which loans experienced a CDR of 5.0%, materially below what's currently implied. Lastly, we look at potential returns if spreads were to normalize back to average and 25th percentile levels.

					10Y Percentile		Breakeven Spread Change*		Breakeven Default Rate**	
	Price	Yield	Spread	Duration	Yield	Spread	Dec-21	Sep-22	Dec-21	Sep-22
Bloomberg U.S. Corporate Index	86.62	5.69	172	7.24	95%	92%	27	79	1.4%	2.4%
Bloomberg U.S. High Yield Index	83.86	9.68	562	4.19	93%	84%	111	231	4.6%	7.2%
Credit Suisse Liquid Leveraged Loan Index	91.86	10.83	655	5.00	93%	95%	108	217	8.7%	11.3%
Palmer Square CLO Senior Debt Index	97.52	6.31	215	3.89	95%	95%	76	162	na	na
Palmer Square CLO Debt Index	88.59	10.06	598	6.70	95%	93%	91	150	na	na
Bloomberg CMBS AAA Index	89.99	4.97	110	4.74	95%	93%	35	105	na	na

* The degree to which spreads could widen such that it completely offsets the yield

** The annualized default rate that completely offsets the excess return (spread). Assumes 40% recovery in bonds, 70% for loans.

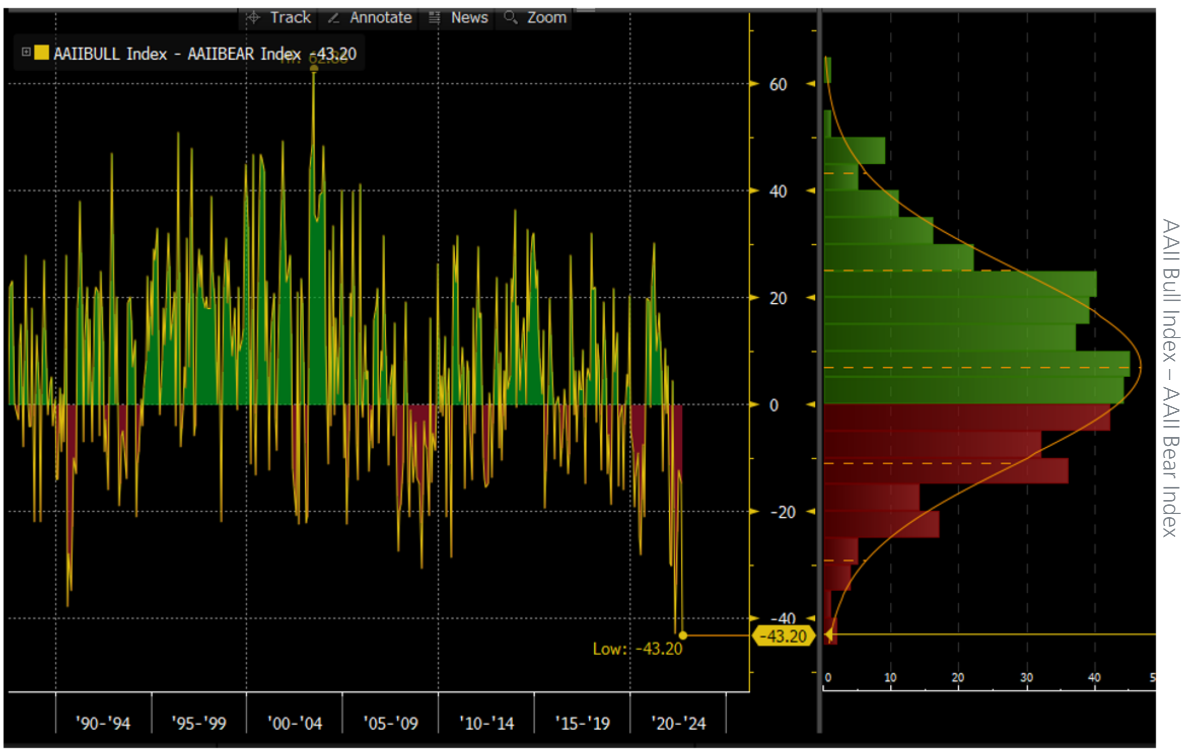
Source: Bloomberg as of 9/30/2022



Source: JPMorgan as of 8/31/2022

*Please see Notes and Disclosure for definitions.

» Somewhat related to valuation is technicals, which encompasses fund flows, investor sentiment, short interest, option expiries, dealer inventories, quantitative easing, quarter end rotations, credit rating changes, and various other non-fundamental forces that can move markets. And technicals tend to matter the most at market extremes and can exacerbate market moves. Focusing on sentiment first, the differential between the AAII Bull and Bear indices* is signaling **the worst sentiment since 1987**. Other technicals that are supportive include low dealer inventories, historically low hedge fund leverage, bearish net short positioning in equity futures, very low primary issuance, elevated cash levels across the board, rising stars (bonds upgraded from HY to IG that leave the HY index), and finally a structural appetite for USD assets from abroad. Nearly all the technicals we track are positioned in a way that is supportive of risk assets.



Source: Bloomberg

*Please see Notes and Disclosure for definitions.

Summary on Attribution, Allocation and Positioning

Select Portfolio Attribution and Characteristic Dashboard

	Allocation	% Allocation	Q3 2022 Attribution	Average Price	Yield to Expected Call*
	ABS (100% AAA)	8%	0.03%	$98.7	4.3%
	Treasury Bills	5%	0.05%	$99.6	2.6%
	CLO AAA	11%	0.06%	$98.1	6.2%
	CLO AA	3%	0.00%	$89.2	6.9%
	CLO A	1%	0.00%	$95.2	7.7%
	CLO BBB	12%	-0.13%	$90.1	10.6%
IG	RMBS (98% AAA, 100% A and above)	5%	-0.20%	$87.3	5.7%
	CMBS (88% A- and above, 97% IG)	6%	0.01%	$96.4	7.0%
	IG Corp Bonds - Fixed	23%	-0.41%	$93.6	5.4%
	IG Corp Bonds - Floating	3%	0.02%	$99.1	4.2%
	IG Bank Loans	1%	0.06%	$97.0	6.5%
	Bank Loans - Non IG	7%	0.20%	$96.6	7.0%
	Credit Derivatives (CDS, Tranches)	1%	0.31%	na	6.7%
HY	HY Corp Bonds	3%	0.10%	$89.5	7.5%
	CLO BB	8%	-0.13%	$87.1	15.0%

Source: Palmer Square as of 9/30/2022. 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.

Historic Positioning Detail by Asset Type:

	9/30/2021 Allocation	12/31/2021 Allocation	3/31/2022 Allocation	6/30/2022 Allocation	9/30/2022 Allocation
CLO Debt	30%	28%	28%	30%	34%
Gov't Bonds	5%	7%	19%	4%	5%
IG Corp Debt	20%	20%	15%	18%	27%
ABS	12%	11%	14%	16%	8%
Bank Loans	10%	11%	11%	11%	7%
RMBS	3%	5%	5%	5%	5%
CMBS	5%	5%	5%	6%	6%
HY Corp Bonds	4%	3%	3%	4%	3%
Credit Derivatives	0%	1%	1%	5%	1%
Commercial Paper	11%	8%	0%	0%	1%
Cash/Other	0%	0%	0%	1%	3%

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 increased late in the quarter (from 18% to 27%), after a significant move higher in front end rates. The focus of this increase was on 2-3Y maturity bonds yielding above 5% that we intend to hold until maturity, and was funded partially by the cash equivalents exposure but also from rotating out of 5-7Y corporate bonds (rate hedged) and into 2-3Y corporate bonds (not rate hedged). *In general, after screening as expensive/tight for all of 2021 and most of 2022, we now view corporate IG as generally attractive for both spread buyers (like Income Plus) and for investors more concerned with all-in yield.*

*Please see Notes and Disclosure for definitions.

- **<u>High Yield Bond Allocation</u>** – As of quarter-end, 3% of the portfolio. However, we increased the HY allocation to 7% in early July after taking the view that HY bonds looked oversold, especially relative to equities. Our focus was on BB-rated bonds, which are relatively less risky and benefitted the most from the temporary pull back in interest rates. However, by mid-August HY spreads had retraced 180bps from the wides and we took profit on most of the bonds purchased in July. HY spreads subsequently widened out again and as we sit today the opportunity looks similar to early July. *The Fund has added exposure to HY BB-rated bonds in the mid 80 price context and 7.5-8.5% yield context.*
- **<u>CLO Allocation/Opportunity to Capture Income and Total Return</u>** – As of quarter-end, 33.8% of the portfolio, which was an increase of 3% from last quarter. Most of the increase in exposure came from AAA and AA, which we view as very attractive right now. We added 1.5% exposure to AAA exposure in the 180-200bps spread range and yielding over 6%. Since the GFC, we have only seen AAA spreads wider during the depths of the COVID-19 pandemic and yields have never been higher. Breakeven spread widening also looks very attractive at current levels. For example, over a one year holding period AAA spreads would need to reach 626bps in order to not make money, a level that is over 2x wider than during the depths of the COVID-19 pandemic.
  - At the end of the quarter we were also active in EUR rated AA tranches, adding about 75bps of exposure. We saw some forced selling out of UK pension plans towards the end of the quarter, which pushed spreads wider by about 100bps to 400-450bps and some cash prices into the $80s. Adjusting for currency the yield is close to 10%. Since then, we have seen spreads stabilize in the low to mid 300s as US buyers stepped in and selling has normalized.

  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.
- **<u>ABS/MBS Allocation has Provided Diversification and Income Capture</u>** – As of quarter-end, 19% of the portfolio had exposure to ABS/MBS. During the quarter, our allocation to ABS decreased slightly as we allowed for natural amortization and reinvestment in more attractive opportunities in credit.
  - **ABS** exposure (primarily prime auto ABS with a weighted average life of 6 months or less) ended nearly 8% lower than Q2, currently 8% of the Fund. Although we did take advantage of some opportunistic selling, our primary focus was to allow bonds to amortize monthly and then reinvest cash proceeds.
  - **CMBS** exposure at quarter-end was at 6%, flat from Q2. We continued to add exposure to single-asset / single-borrower transactions. In particular, we saw value in AAA-tranches of sectors that had demonstrated significant widening from historical tights, participating in primary / new issue industrial and student housing deals that were supported by high-quality sponsors in the context of mid-200s DM (discount margin*) / 6-6.5% yield to maturity. We also opportunistically monetized positions that had outperformed during periods of elevated volatility.
  - **RMBS** exposure remained flat from previous quarter as the increase in mortgage rates continued to apply pressure on spreads. Our exposure is still primarily AAA-rated debt which are backed by collateral from borrowers with FICOs (Fair Isaac Corporation*) greater than 700 and in some cases as high as 750.

*Please see Notes and Disclosure for definitions.

ABS/MBS Positions	9/30/2022
Prime Autos	6%
Equipment	1%
ABS (100% AAA)	**8%**
Conduit	1%
Single Asset/Single Borrower	6%
CMBS (95% A- and above)	**6%**
Non-Agency	4%
RMBS (98% AAA)	**5%**

Source: Palmer Square.

- **Bank Loan Allocation** – As of quarter-end, 7% of the portfolio, a reduction of 4% over the quarter. The allocation to bank loans was reduced late in the quarter after outperforming HY bonds and other classes of credit post Jackson Hole. After this reduction loan prices subsequently dropped by around 2-3 points. *But despite these tactical moves, we are still constructive on the higher quality part of the US bank loan asset class.*

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 0.13% (net of fees) for the third quarter of 2022.

Fund Performance Net of Fees as of 9/30/2022 (inception 2/28/2014)

	Q3 2022	YTD 2022	2021	2020	2019	2018	2017	2016	2015
PSYPX	0.13%	-2.81%	1.17%	3.65%	5.29%	1.17%	4.03%	5.24%	1.21%
Bloomberg 1-3 Year U.S. Corporate Index	-1.23%	-4.65%	-0.13%	3.79%	5.30%	1.56%	1.85%	2.36%	1.00%
Bloomberg U.S. Aggregate Bond Index	-4.75%	-14.61%	-1.54%	7.51%	8.72%	0.01%	3.54%	2.66%	0.57%

Fund Performance Net of Fees as of 9/30/2022 (inception 2/28/2014)

	1 Year	3 Years	5 Years	Since Inception Annualized
PSYPX	-2.82%	1.02%	1.81%	2.29%
Bloomberg 1-3 Year U.S. Corporate Index	-5.16%	-0.10%	1.11%	1.33%
Bloomberg U.S. Aggregate Bond Index	-14.60%	-3.26%	-0.27%	1.02%

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.

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 employees or representatives do not assume any responsibility for the accuracy of such information. Palmer Square is under no obligation to verify its accuracy.

Bloomberg U.S. Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. **Bloomberg U.S. Aggregate Bond Index** is an unmanaged index of publicly issued investment grade corporate, U.S. Treasury and government agency securities with remaining maturities of one to three years. **Bloomberg U.S. Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market. **Bloomberg 1-3 Year U.S. Corporate Index** measures the performance of investment grade, U.S. 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-U.S. agencies, sovereigns, supranationals and local authorities. **Bloomberg U.S. High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. **iBoxx Liquid Leveraged Loan Index** tracks the total return of the 100 most liquid loans from the USD LLI index universe, offering a powerful insight into the loan market. **Palmer Square CLO Senior Debt Index** is a rules-based observable pricing and total return index for collateralized loan obligation debt for sale in the United States, rated at the time of issuance as AAA or AA (or an equivalent rating). Such debt is often referred to as the senior tranches of a CLO. **Palmer Square CLO Debt Index** is a rules-based observable pricing and total return index for collateralized loan obligation debt for sale in the United States, rated at the time of issuance as A, BBB or BB (or equivalent rating). Such debt is often referred to as the mezzanine tranches of a CLO. **S&P 500 Index** is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S. **Bloomberg Commodity Index** is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited. **The Credit Suisse Liquid Leveraged Loan Index** is designed to represent a subset of the Leveraged Loan Index, based on the following criteria: Facilities rated at least Caa3/CCC- and no higher than Ba1/BB+ by Moody's/S&P, facilities with an amount outstanding of at least $1 billion, facilities which rank first lien in seniority, institutional facilities, such as facility types Term Loan B ("TL-b""), Term Loan C ("TL-c"), Term Loan D ("T- d"), etc. Bank-held facilities, facility types TL and TL-a, are excluded, only the largest facility per issuer is eligible; in the case of a tie, the facility with the longer maturity is selected, eligible new loans are added at the beginning of the month following issuance. **Bloomberg CMBS AAA Index** measures the AAA-rated market of US Agency and US Non-Agency conduit and fusion CMBS deals with a minimum current deal size of $300mm. **Credit Default Swap Index (CDX)**, formerly the Dow Jones CDX, is a benchmark financial instrument made up of credit default swaps (CDS) that have been issued by North American or emerging market companies. The **AAII** Sentiment Survey measures the percentage of individuals who are bullish, bearish, and neutral about the stock market over the next six months. 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

Notes and Disclosure cont'd

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). **Dry powder** refers to cash or marketable securities that are low-risk and highly liquid and convertible to cash. A **discount margin (DM)** is the average expected return of a floating-rate security (typically a bond) that's earned in addition to the index underlying, or reference rate of, the security. A FICO score is a credit score created by the **Fair Isaac Corporation (FICO)**. Lenders use borrowers' FICO scores along with other details on borrowers' credit reports to assess credit risk and determine whether to extend credit.

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

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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