PALMER SQUARE CAPITAL MANAGEMENT®

Income Plus Strategy

January 2023

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Strategy Refresher

As a refresher, the investment objective of the Income Plus Strategy ("Strategy") is income and capital appreciation. In seeking to achieve that investment objective, the Investment Team employs a flexible mandate to find the best relative value across corporate credit and structured credit. The Strategy has also historically maintained low interest rate duration* and high credit quality. Due to the Strategy'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 50% is rated A or higher. Spread duration* is 2.7 years.

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

- Diversified Income Generation – The Strategy 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 Strategy maintains a high quality bias.
- Total Return – The Strategy also seeks capital appreciation through opportunistic portfolio rotations driven by the Investment Team's assessment of relative value. Please note that the Strategy 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.

	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Interest Rate Duration	0.48 yrs	0.41 yrs	0.57 yrs	0.62 yrs	0.64 yrs
Spread Duration	1.89 yrs	2.35 yrs	2.80 yrs	2.65 yrs	2.70 yrs
Yield to Expected Call*	2.13%	3.40%	5.27%	6.46%	6.49%
Yield to Maturity	2.30%	3.32%	5.15%	6.19%	6.26%
Current Yield	2.29%	2.12%	3.24%	4.15%	4.90%
30-day SEC Yield* (net of fees)	1.38%	1.30%	2.39%	3.84%	5.14%
30-day SEC Yield* (gross of fees)	1.38%	1.30%	2.39%	3.84%	5.14%

Source: Palmer Square. Please note characteristics shown above are from a registered fund in the Strategy. Characteristics may vary based on many factors including, but not limited to, the size of the account.

*Please see Notes and Disclosure for definitions.

Summary Themes:

- **Q4 2022 Performance, Attribution and Positioning;**
- **2023 Outlook: Fed Pause, Soft Landing, Earnings Recession, Defaults Contained, Bonds are Back**

Theme I. Q4 2022 Performance, Attribution and Positioning

» **Performance:** The Strategy delivered a positive return of 2.14% in Q4 2022 and a full year return of -0.58%. Risk assets recovered somewhat in the 4th quarter after 3 consecutive CPI (Consumer Price Index) prints that, along with other macro data, indicated a sustained reduction in the pace of inflation. Looking at the full year, 2022 marks the worst year for fixed income since most indices began tracking performance (earliest being the 1970s). As the table below shows, intermediate duration benchmarks were down 11-16% on a combination of higher rates and wider spreads. Floating rate products naturally outperformed with bank loans nearly flat and CLO Senior Debt being one of the lone asset classes to have a positive return (+0.70%) in 2022.

Selected Indicies	Q4 2022 Performance	2022 Performance
Bloomberg U.S. Treasury Index	+0.72%	-12.46%
Bloomberg U.S. Aggregate Bond Index	+1.87% (spread -11bps)	-13.01% (spread +15bps)
Bloomberg U.S. Corporate Index	+3.63% (spread -29bps)	-15.76% (spread +38bps)
Bloomberg 1-3 Year U.S. Corporate Index	+1.40% (spread -15bps)	-3.32% (spread +31bps)
Bloomberg U.S. High Yield Index	+4.17% (spread -83bps)	-11.19% (spread +186bps)
iBoxx Liquid Leveraged Loan Index	+3.15% (DM -49bps)	-1.80% (DM +197bps)
Palmer Square CLO Senior Debt Index	+2.15% (DM -20bps)	+0.70% (DM +79bps)
Palmer Square CLO Debt Index	+4.09% (DM -31bps)	-3.57% (DM +194bps)
S&P 500 Index	+7.55%	-18.13%
STOXX 600 Index	+9.97%	-9.88%

Source: Bloomberg as of 12/31/2022

» Amidst this backdrop of historically bad performance in fixed income, we are pleased with the -0.58% return for the Strategy (particularly when considering the yield on the Strategy increased to 6.49% (+436bps YTD) over same period). Said differently, the Strategy's yield is at its highest level and the strategy did not experience a decline in performance similar to other fixed rate strategies. The main drivers of this relative performance can be attributed to 1) low duration bias with key exposure in senior CLO debt, 2) conservative positioning entering 2022 allowing for cash deployment in 2H 2022, and 3) tactical asset allocation changes as the relative value within credit evolved over the year.

» **Q4 2022 Attribution:** The Strategy's exposure to CLO Debt provided the largest contribution at +1.09%, followed by IG corporate bonds at +0.64% and bank loans at +0.25%. On the negative side, CMBS and RMBS detracted 0.04% each.

» **2022 Attribution:** Bank loans were the largest contributor in 2022 at +0.20%, followed by Credit Derivatives at +0.11% and Treasury Bills at +0.8%. On the negative side, RMBS was the largest detractor at -0.54%, followed by IG corporate bonds at -0.42% (although +0.19% net of rate hedges), and CLO Debt at -0.18%.

*Please see Notes and Disclosure for definitions. [1]Quarterly data.

- **Positioning:** As mentioned in previous letters, the Strategy had generally 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-duration IG corps, and 3% in CLO debt (mostly AAAs). Some of this allocation was subsequently reduced in mid August after spreads rallied considerably, but exposure was taken back up in HY and IG again in October. We believe in this positioning given 1) recent positive inflation data which provides scope for the Fed to pause (but not pivot) in 1H 2023, 2) corporate and consumer fundamentals that, while certainly weakening, remain relatively strong, 3) historically attractive all-in yields across all of credit, and 4) market technicals (fund flows, cash balances, positioning, sentiment) that are supportive of asset prices.

Theme II. 2023 Outlook: Fed Pause, Soft Landing, Earnings Recession, Defaults Contained, Bonds are Back

- **Pause, Not Pivot:** The last 3 CPI prints suggest headline inflation peaked in mid 2022. Core inflation has also likely peaked, but what is not clear is how long it will take to normalize back to the Fed's target level of 2%. Due to the way core inflation is calculated, the housing component of CPI (42% weight in headline, 54% in core) works on a lag and will take time to fully reflect the current state of the housing and rental markets. Additionally, the inflation in core services is also unlikely to trend meaningfully lower without a sustained loosening in the labor market, which remains incredibly robust (unemployment at record lows and job openings still near record highs). Therefore, our base case is core y/y numbers, currently +6.0% y/y, will remain stubbornly high throughout 2023. And until the Fed feels core inflation has normalized, they will be forced to keep rates in restrictive territory (i.e. > 5%). That said, we also believe the Fed will pause the current hiking cycle in 1H 2023 once the Fed Funds Rate reaches 5.25% in order to observe the cumulative impact of higher interest rates on the economy. Furthermore, we do not see the Fed cutting rates in 2023 without a material weakening of the labor market combined with negative GDP (Gross Domestic Product) growth, which is not our base case. In summary, we believe short term interest rates will remain higher for longer than the market is currently pricing in. This would be positive for floating-rate securities as their coupons would remain higher for longer than the market currently anticipates.
- **Soft(ish) Landing:** Our view that rates will stay higher for longer is, in part, based on our view the macro picture looks resilient. The labor market is as strong as ever, literally. In fact, so strong that the Fed would like to see it cool a bit to ease inflation pressure. We have seen some layoffs starting, but so far this has been isolated to the tech space. The consumer remains in decent shape, with debt/income levels still historically low and excess savings still high. In Europe, the macro picture has improved substantially thanks to warmer weather and government actions. And lastly, geopolitical risks have eased as well – Russia in a stalemate in Ukraine, Ukraine exporting grain, China reopening, European unity, etc. Growth will undoubtedly slow as high interest rates restrict investment, but we don't envision a hard landing.

*Please see Notes and Disclosure for definitions.

- **Earnings Headwinds to Intensify:** The numerous headwinds facing corporate earnings in 2H 2022 will continue into 2023 and likely intensify as the lagged impact of higher interest rates pressures more parts of the global economy. Revenue growth will slow on overall weaker demand and less ability to pass through inflation. And margins will be impacted by both lower revenue and continued cost pressure in wages and labor scarcity. But as we have highlighted previously (many times!), corporates started this current cycle from a period of strength, particularly when compared to previous cycles when corporates entered recessions over-levered and under prepared. On the whole, most measures of credit metrics are strong: debt leverage, interest coverage, liquidity, maturity profile, etc. As such, we think most corporates are well positioned to withstand several quarters of weak earnings without a deterioration in credit profiles. The exception to this will be the weakest cohort of companies with bad business models and/or bad capital structures (i.e. CCCs and cyclical single Bs). But this is why fundamental credit research and selection remains so important, now more than ever.
- **Defaults Contained:** The current cycle started with default rates practically at zero. So to say they will increase is certainly no hot take. In fact, they have already increased to around 1.25-1.50% depending on how one treats distressed exchanges. From a historical perspective, around half of CCCs default in an economic downturn. The weight of CCCs in the HY and bank loan market are 10% and 6% respectively. So you could make the argument that half of those might default in 2023. You might also make the argument that another 1-3% from companies with 1) bad/disrupted business models and/or 2) bad capital structures, inadequate liquidity/maturities and you get to 4-5%. We have noticed several prognosticators calling for 10+% default rates, which is nearly what the market experienced during the GFC (Global Financial Crisis). We do not subscribe to that view. We've found that people have forgotten just how bad the set up was in 2008: corporates were max levered, consumers were max levered, and the banking system was massively overlevered and dependent on short term financing. All 3 pillars of the economy are in significantly better shape today. This underpins our view that defaults will increase but be contained in 2023.
- **Bonds are Back:** After the worst year for fixed income in decades, the silver lining is that yields are as attractive as they've been since the mid 2000s. Fortunately for this Strategy, we got the historically high yields without the 10+% drawdown seen in most duration strategies. Credit spreads are also wider than average, which combined with high base rates allows for great carry plus upside if/when spreads tighten. And versus equities, fixed income hasn't looked this relatively attractive in most investors' lifetimes.

*Please see Notes and Disclosure for definitions.

Summary on Attribution, Allocation and Positioning

Select Portfolio Attribution and Characteristic Dashboard

	Allocation	% Allocation	Q4 2022 Attribution	Average Price	Yield to Expected Call*
IG	ABS (100% AAA)	10%	0.09%	$97.7	5.23%
IG	Treasury Bills	5%	0.03%	$99.4	4.25%
IG	CLO AAA	11%	0.16%	$98.0	6.33%
IG	CLO AA	3%	0.06%	$94.6	6.84%
IG	CLO A	1%	0.01%	$95.1	7.78%
IG	CLO BBB	11%	0.41%	$91.3	10.16%
IG	RMBS (98% AAA, 100% A and above)	5%	-0.04%	$83.8	5.37%
IG	CMBS (88% A- and above, 97% IG)	7%	-0.04%	$94.6	8.28%
IG	IG Corp Bonds - Fixed	23%	0.64%	$94.4	5.45%
IG	IG Corp Bonds - Floating	3%	0.04%	$99.1	5.45%
IG	IG Bank Loans	1%	0.05%	$99.6	5.49%
IG	Bank Loans - Non IG	6%	0.21%	$98.7	6.68%
HY	Credit Derivatives (CDS, Tranches)	0%	0.06%	na	na
HY	HY Corp Bonds	2%	0.15%	$89.9	6.58%
HY	CLO BB	9%	0.44%	$88.8	14.28%

Source: Palmer Square as of 12/31/2022. Please note characteristics shown above are from a registered fund in the Strategy. Characteristics may vary based on many factors including, but not limited to, the size of the account. 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).

Historic Positioning Detail by Asset Type:

	12/31/2021 Allocation	3/31/2022 Allocation	6/30/2022 Allocation	9/30/2022 Allocation	12/31/2022 Allocation
CLO Debt	28%	28%	30%	34%	35%
IG Corp Debt	20%	15%	18%	27%	26%
ABS	11%	14%	16%	8%	10%
Bank Loans	11%	11%	11%	7%	7%
CMBS	5%	5%	6%	6%	7%
Gov't Bonds	7%	19%	4%	5%	5%
RMBS	5%	5%	5%	5%	5%
Cash/Other	0%	0%	1%	3%	3%
HY Corp Bonds	3%	3%	4%	3%	2%
Credit Derivatives	1%	1%	5%	1%	0%
Commercial Paper	8%	0%	0%	1%	0%

Source: Palmer Square as of 12/31/2022. Please note characteristics shown above are from a registered fund in the Strategy. Characteristics may vary based on many factors including, but not limited to, the size of the account.

- **Investment Grade Corporate Bond Allocation** – The IG corporate bond exposure was decreased slightly (from 27% to 26%) after bringing up this exposure significantly late in Q3 on the back of a significant move higher in front end rates. The focus of this increase in exposure was on 2-5Y maturity bonds yielding above 5.5% that we intend to hold until maturity. This was funded partially by the cash equivalents exposure but also from rotating out of 5-7Y corporate bonds (rate hedged) and into 2-5Y 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, 2% of the portfolio. We have taken a tactical approach to the HY allocation during 2022, trading the 400-600bps spread range. In early July and again in late September, we increased HY exposure to 5-7% only to reduce back to 2-3% after spreads rallied back to the 400-450 spread range. Our focus remains on BB-rated bonds, which are relatively less risky and benefit the most from a stabilization in rates. T*he Strategy will continue to be tactical with its HY exposure with a new range of 350-500bps.*
- **<u>CLO Allocation/Opportunity to Capture Income and Total Return</u>** – As of quarter-end, 35.4% of the portfolio, which was an increase of 1% from last quarter. Most of the increase in exposure came from AAA, which we view as very attractive right now given the risk profile. We added 1.5% exposure to AAA exposure in the 180-220bps 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 614bps 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 115bps of exposure through the 2nd half of the year. We saw some forced selling out of UK pension plans towards the end of the 3rd 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. This still looks attractive vs US AAAs and is about 50-100bps wider.

  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, 22% of the portfolio had exposure to ABS/MBS. During the quarter, our allocation to ABS increased slightly as spreads widened and all in yields looked attractive.
  - » **ABS** exposure (primarily prime auto ABS with a weighted average life of 6 months or less) ended 2% higher than Q3, currently 10% of the Strategy. We tactically deployed capital over the quarter into short dated prime autos as spreads reached attractive levels.
  - » **CMBS** exposure at quarter-end was at 6%, flat from Q3. We continue to see value in single-asset / single-borrower deals rather than adding in the CMBS conduit space. Along with other structured products, the primary market slowed heading into year end which created a technical spread rally.
  - » **RMBS** exposure slightly increased from the previous quarter as the market adjusted to slower prepay assumptions and spreads looked relatively attractive with upside potential. 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	12/31/2022
Prime Autos	9%
Equipment	1%
ABS (100% AAA)	**10%**
Conduit	1%
Single Asset/Single Borrower	6%
CMBS (95% A- and above)	**7%**
Non-Agency	5%
RMBS (98% AAA)	**5%**

Source: Palmer Square.

- **Bank Loan Allocation** – As of quarter-end, 6% of the portfolio, a reduction of 1% over the quarter. We continue to trim exposure to bank loans mostly for relative value reasons – quality BB loans now trade in the 99-100 context and CLO BBBs provide a significant spread/yield pickup while providing the same underlying exposure/beta. *We continue to be constructive on the higher quality part of the US bank loan asset class and would look to increase exposure if prices moved lower.*

Given the recent market moves and the continued dislocation in credit, we believe the Strategy 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 Strategy'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 Strategy Performance History

The Strategy returned 2.14% (net of fees) for the fourth quarter of 2022.

Composite Performance Net of Fees as of 12/31/2022 (inception 2/15/2013)

	Q4 2022	YTD 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Strategy	2.14%	-0.58%	1.44%	3.92%	5.28%	1.41%	4.20%	5.45%	1.38%	2.35%	4.29%

Composite Performance Net of Fees as of 12/31/2022 (inception 2/15/2013)

	1 Year	3 Years	5 Years	Since Inception Annualized
Strategy	-0.58%	1.58%	2.27%	2.92%

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. The Income Plus Strategy performance numbers shown represent Palmer Square's composite for income plus portfolios which are predominately investment grade and target yield and some price appreciation through investing in corporate and structured credit. The composite inception date is 02/01/2013. Performance numbers shown represent a deduction of the highest management fees Palmer Square currently charges for this Strategy. Individual investor's performance may vary from those reported herein due to, but not limited to, different fee schedules. Results portrayed reflect certain accounts which may reinvest their dividends. Please note allocation above is a % of NAV and does not include hedges. Please see Notes and Disclosure on last page for additional information.

Summary

The Strategy'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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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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