

# Palmer Square Absolute Return Fund (PSQIX, PSQAX)



December 2011



## Investment Objective

The investment objective of the Fund is to seek capital appreciation with an emphasis on absolute (positive) returns and low correlation<sup>1</sup> to the broader equity and bond markets. The Fund is designed to provide access to highly-skilled hedge fund managers and the diversification of hedge fund type strategies historically unavailable to most investors.

## Investment Adviser

Palmer Square personnel possess a diverse skillset having not only invested in hedge funds historically, but also direct investment experience in equity, credit, hedging, and risk management. From this experience and network, Palmer Square is distinctly qualified to perform deep due diligence on alternative investment opportunities; access a variety of alternative funds across the world; manage risk and structure proprietary alternative investment funds.

## Portfolio Managers

### Christopher D. Long, President

Prior to founding Palmer Square, Chris was a Managing Director and Investment Committee Member at a large midwestern wealth management firm where he was one of the team members responsible for the firm's hedge fund-of-funds and private equity fund-of-funds effort.

Prior to Palmer Square, Chris worked at various New York City-based firms including Sandell Asset Management, a multi-strategy hedge fund, the Credit Derivatives and Distressed Securities Group at Morgan Stanley, TH Lee Putnam Ventures, a \$1.1 billion private equity fund, and JPMorgan & Co. He holds the Series 7 and 66 securities licenses.

He earned an MBA from the Harvard Business School and an AB in Economics cum laude from Princeton University. Chris is a member of the Board of Trustees of the Kansas Public Employees Retirement System.

## Key Reasons to Invest

**Access** – Designed to provide access to a concentrated group of highly skilled hedge fund managers with long histories of managing hedged strategies historically unavailable to most investors

**Diversification/Multi-Strategy** – Provides exposure to a diverse set of hedge fund type strategies such as long/short and event driven credit, global macro, long/short international equity, and convertible bond arbitrage

**Absolute Return Oriented** – Seeks absolute returns with low beta<sup>2</sup> and low correlation to traditional equity and fixed income markets

**Risk Management** – Risk led by Angie Long, ex-13 year JPMorgan veteran and Deputy Head of Credit Trading for North America

**Transparent / Ease of Use** – Provides daily liquidity (no redemption fee), daily pricing, daily transparency, and a 1099 for tax reporting

**Structural Benefits** – Palmer Square engages sub advisors to manage liquid separate accounts not partnerships

### Angie K. Long, CFA, Chief Investment Officer

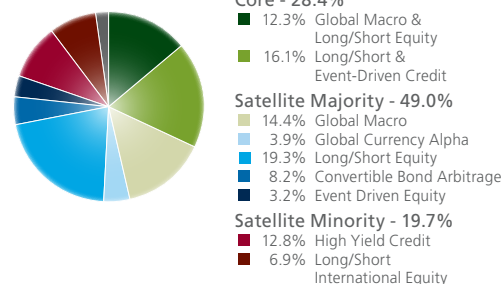
Prior to joining Palmer Square, Angie worked for JPMorgan Chase & Co. in New York for 13 years. Angie excelled in a variety of management and investment/trading roles including Deputy Head of Credit Trading for North America, Head of High Yield Trading, and Head of Credit Derivatives Trading.

Most recently, Angie ran a proprietary investment book focused on long/short credit (bonds and CDS) and capital structure arbitrage. In addition, she worked with the Global Head of Credit Trading and other senior executives within the credit area to help oversee risk management for the High Yield and High Grade credit trading books.

Angie is considered a pioneer in the Credit Derivatives industry and is credited with creating the HYDI (High Yield Debt Index), the first liquid credit trading index and predecessor to all of today's indices (the Dow Jones CDX). She holds the Series 4, 7, 24, 55 and 63 securities licenses.

She received an AB degree in Economics from Princeton University and is a Chartered Financial Analyst.

## Portfolio Allocation



Based on allocated capital as of 01/01/2012, Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor. Strategy allocation information reflects a categorization of each underlying Sub-Advisor based on its predominant investment themes. Such allocation data is an estimate and provided for illustration purposes only. Allocation figures do not include cash and may not sum to 100%.

## Performance

Fund inception 5/17/2011

No Load	HFRX			
	PSQIX	PSQAX	Global HF Index	S&P500 Index
Month (Dec)	0.11%	0.11%	-0.49%	1.02%
3 Month	0.32%	0.32%	-0.54%	11.82%
6 Month	-4.70%	-4.80%	-6.96%	-3.69%
YTD 2011	-4.80%	-4.90%	-7.82%	-4.06%
St Dev	4.51%	4.64%	4.06%	28.37%
Beta to S&P 500	0.11	0.11	-	-

### Maximum Sales Load (A Share)

Month (Dec)	-	-5.65%	-0.49%	1.02%
3 Month	-	-5.47%	-0.54%	11.82%
6 Month	-	-10.28%	-6.96%	-3.69%
YTD 2011	-	-10.37%	-7.82%	-4.06%

The since inception cumulative total return for the Palmer Square Absolute Return Fund as of December 31, 2011 was -4.80% for the Class I share and -4.90% for the Class A share excluding the maximum sales load and -10.37% including the maximum sales load.

Data as of 12/31/11. Beta and standard deviation are measured from PSQIX/PSQAX inception, 5/17/11.

Please note that the total net expense ratio for investors in the Class I and Class A shares is 2.25% and 2.50% respectively. The total annual operating expenses are 2.81% and 3.06% for the Class I and Class A shares respectively.

The performance data quoted here represents past performance. Past performance is no guarantee of 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 1-866-933-9033.

The performance data for the Class A share reflects payment of the 5.75% maximum sales charge at the beginning of the stated periods.

### Argonaut Capital Management L.P.

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Based in New York and founded in 1993, the Firm has \$1.8 billion under management. Founded by David Gerstenhaber (ex-Morgan Stanley Asia / Tiger / Soros), the firm runs both a global macro and long/short international equities strategy. The Global Equities strategy utilizes a top-down macroeconomic overlay in conjunction with a bottom-up screening process to identify global sectors, countries, and companies that are beneficiaries or casualties of structural trends. The primary focus is on high growth companies in international markets. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund strategy. Strategy PSQIX, PSQAX: Long/Short International Equity

### Mesirow Global Markets Currency Alpha Program

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Based in Chicago and founded in 2000, the program manages in excess of \$2.0 billion. The program's principal investment objective is to generate capital appreciation by investing in a portfolio of currency and foreign exchange products, including both exchange-traded and over-the-counter financial instruments. The investment strategy generally seeks to establish long and short positions that will benefit from three principles with respect to currencies: (1) currency returns demonstrate both mean-reverting and directional movements; (2) currency returns move over three different timeframes (i.e. weekly, monthly and multi-monthly); and (3) strict risk controls are essential to managing positions. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund strategy. Strategy PSQIX, PSQAX: Global Currency Alpha

### Cramer Rosenthal McGlynn, LLC

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Based in New York and founded in 1973, the Firm has \$14.9 billion under management. The long/short fund was founded in 1993. It runs a diversified hedged equity strategy that invests across all capitalizations and sectors. Core holdings on the long side of the portfolio are those with highest conviction. The short side of the portfolio can be directional or pure hedges. The Fund takes advantage of CRM's heavy research effort and internal due diligence to identify those stocks undergoing negative change. Net long exposure average 30-40%. Expected long positions of 30-50; short positions of 50-70. Strategy PSQIX, PSQAX: Long/Short Equity

### Forum Asset Management, LLC

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Based in New York and founded in 1999 by industry veterans Americo Da Corte, Jose Pedreira, and Dr. Ray Bakhramov, the Firm has approximately \$340 million under management. The Global Opportunity Fund was launched in 2005. It runs a discretionary global macro strategy that is thematic-driven with 5-7 themes (which may change 1-2 times per year). The Fund focuses on equity, credit, rates, and foreign exchange. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund strategy. Strategy PSQIX, PSQAX: Global Macro

### Glaxis Capital Management, LLC

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Based in Sarasota, FL, the Firm was founded by Paul Holland and Matthew Miller who have worked together in the alternatives industry since 1997. Total assets on the products managed by Paul and Matt historically exceeded \$1.5 billion. The current Fund was launched in 2005 and manages \$130 million. The investment objective is to "advance and protect" fund capital. It utilizes a dynamic approach to investing which begins by identifying broad trends that are impacting global economic growth. It then performs bottom-up fundamental analysis to identify industries and potential investment candidates. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund strategy. Strategy PSQIX, PSQAX: Global Macro & Long/Short Equity

## Madison Street Partners, LLC



Based in Denver, CO, the Firm was founded in 2004 as an opportunistic value-oriented, long-short equity fund. It seeks to invest in undervalued or overlooked companies across the market capitalization spectrum with an emphasis towards small and mid capitalization companies. The Fund generally allocates to two types of investments, excluding cash and cash equivalents: Core Value and Short-term Trading. Core Value positions typically represent approximately 60-70% of invested capital and will consist of 30 to 70 long positions in select undervalued equities. Short-term Trading Positions represent approximately 20-30% of invested capital and will consist of 20 to 40 mispriced stocks with event-driven opportunities. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund strategy.

Strategy PSQIX, PSQAX: Long/Short and Event-Driven Equity

## Long/Short and Event-Driven Credit



Based in New York and founded in 2004, the Firm has \$550 million under management. The Fund pursues a long/short high yield and distressed credit strategy. It invests in liquid corporate bonds, bank loans, and CDS, primarily in the U.S. market. The Fund seeks to execute a flexible approach to credit investing designed with the intent to produce positive returns across the credit cycle. Net exposures typically vary based on the credit cycle and have ranged from 65% net short to 80% net long. Shorting is directional for alpha, rather than hedging focused, and expressed in single names. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund.

Strategy PSQIX, PSQAX: Long/Short and Event-Driven Credit

## SSI Investment Management, Inc.



Based in Beverly Hills, CA, the Firm has approximately \$1.5 billion under management, \$450 million of which is managed in the Convertible Income Strategy, which was launched in January 1995. The strategy is comprised of approximately 100 fully liquid securities that range across multiple sectors from mid-cap issuers. The Firm currently manages other separate accounts.

Strategy PSQIX, PSQAX: Convertible Bond Arbitrage

## Coe Capital Management, LLC



Based in Chicago and founded in 1999, the Firm has approximately \$325 million under management. The Fund pursues a long/short equity strategy using a fundamentally driven investment process known as "DRIVER." It is an acronym "Developing and maintaining a proprietary database; Reviewing daily news flow to identify actionable ideas; Interviews with managements routinely and systematically; Visiting with customers, suppliers and competitors as trade checks; Evaluating the best ideas; and Repeating the process."

Strategy PSQIX, PSQAX: Long/Short Equity

## Fountain Capital Management, LLC



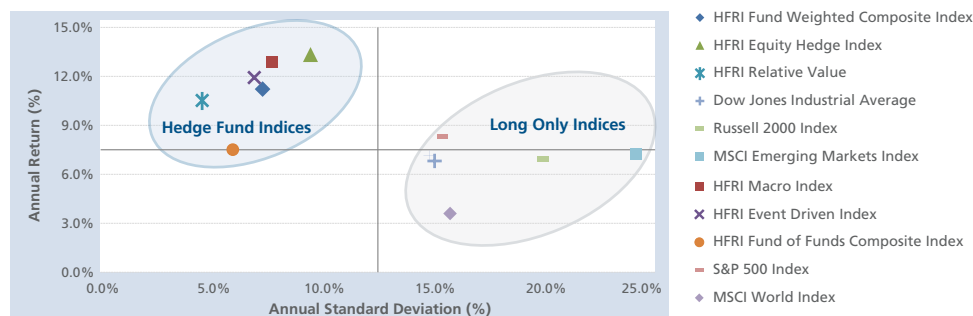
Based outside Kansas City and founded in 1990, the Firm currently manages approximately \$1.2 billion. The Short Duration High Yield Strategy invests in a portfolio of short duration and high yield bonds. Fountain believes that the short end of the high yield market is undervalued and provides compelling risk-adjusted returns, as short duration high yield bonds can offer wider spreads than longer high yield bonds despite potentially less volatile returns. Fountain typically invests in B and BB-rated segments of the non-investment grade market. The strategy focuses on seasoned credits with seven years or fewer to maturity. Working with Palmer Square will be the first time they sub-advise a separate account for a mutual fund.

Strategy PSQIX, PSQAX: High Yield Credit

# Palmer Square Absolute Return Fund

## Historic Risk/Return of Hedge Funds vs Stocks

Hedge Funds have the ability to invest long or short providing a greater flexibility than many traditional long-only funds



Source: PerTrac, Standard & Poor's, and MSCI Inc.  
 Note: Data analyzed from January 1990 to November 2011

## Disclosures

Past performance does not guarantee future results. Absolute return funds are not designed to outperform stocks and bonds in strong markets. Techniques used are intended to reduce risk and volatility, seeking to provide protection in a down market. Asset allocation decisions may not always be correct and may adversely affect Fund performance.

Derivatives can be highly volatile and may have the potential for unlimited loss. The use of leverage may magnify losses. A security which was liquid when purchased may subsequently become illiquid. Credit default swaps and related instruments are derivatives used for hedging against a credit default and may involve greater risks than if the Fund invested in the referenced obligation directly. Short sales may be considered speculative and it may be difficult to purchase securities to meet delivery obligations. Distressed securities are typically unrated, lower-rated, in default or close to default and the prices may be extremely volatile, more likely to become worthless and the Fund may lose all of its investment. Event-driven strategies are speculative, which may result in a new less valuable security (or derivative) and are subject to the risk of complete loss of value. 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. Small, mid and large cap stocks are subject to substantial risks such as market, business, size volatility, management experience, product diversification, financial resource, competitive strength, liquidity, and potential to fall out of favor that may cause their prices to fluctuate over time, sometimes rapidly and unpredictably. Debt securities have interest rate, inflation and credit risks and are subject to prepayment and default risk. High yield and junk securities involve greater risk and tend to be more sensitive to economic conditions and credit risk.

The views expressed are those of the author at the time created. They do not necessarily reflect the views of other persons in the Palmer Square organization. These views are subject to change at any time based on market and other conditions, and Palmer Square disclaims any responsibility to update such views. No forecasts can be guaranteed. These views may not be relied upon as investment advice or as an indication of trading intent on behalf of any Palmer Square portfolio.

The Palmer Square Absolute Return Fund is distributed by Grand Distribution Services, LLC, 803 W. Michigan Street, Milwaukee, WI, 53233.

## Fund Details

**Inception Objective** **May 17, 2011**  
**Absolute return**

### Institutional class

Ticker	PSQIX
Cusip	461418451
Minimum investment	\$1 million
Net expense ratio <sup>3</sup>	2.25%
Gross Expense Ratio	2.81%
Redemption fee	None
Maximum sales load <sup>4</sup>	0.00%

### Investor class

Ticker	PSQAX
Cusip	461418469
Minimum investment	\$2,500
Net expense ratio <sup>3</sup>	2.50%
Gross Expense Ratio	3.06%
Redemption fee	None
Maximum sales load	5.75%

<sup>1</sup> Correlation - the extent to which the returns of different types of investments move in tandem with one another in response to changing economic and market conditions. Correlation is measured on a scale of -1 (negatively correlated) to +1 (completely correlated).

<sup>2</sup> Beta - describes an investment's volatility in relation to that of the stock or bond market as a whole. For example, the S&P 500 is typically considered to be 'the equity market' and it has a beta of 1.0.

<sup>3</sup> Palmer Square has contractually agreed to waive its fees and/or pay for expenses of the Fund to ensure that total annual fund operating expenses (excluding any acquired fund fees and expenses, interest, taxes, dividends and interest expenses on short positions, brokerage commissions and extraordinary expenses such as litigation expenses) do not exceed 2.50% and 2.25% of the average daily net assets of the Fund's Class A shares and Class I shares, respectively. This agreement is effective until May 31, 2012 and is subject thereafter to annual re-approval of the agreement by the advisor and the Trust's Board of Trustees. This agreement may be terminated with the consent of the Trust's Board of Trustees. The Fund's advisor is permitted to seek reimbursement from the Fund, subject to certain limitations, for fees it waived and Fund expenses it paid for three years from the date of any such waiver or payment to the extent a class's total annual fund operating expenses do not exceed the limits described above. Expenses excluded from the waiver are estimated to be an additional 0.27% for the Class A and I shares.

<sup>4</sup> You may qualify for sales charge discounts if you invest at least \$50,000. While the institutional class is no load, advisory and other expenses still apply.

**You should consider the funds' investment objectives, risks, charges and expenses carefully before investing. For a prospectus, or summary prospectus, that contains this and other information about the Funds, call 1-1-866-933-9033 or visit our website at [www.palmersquarecap.com](http://www.palmersquarecap.com). Please read the prospectus, or summary prospectus carefully before investing.**