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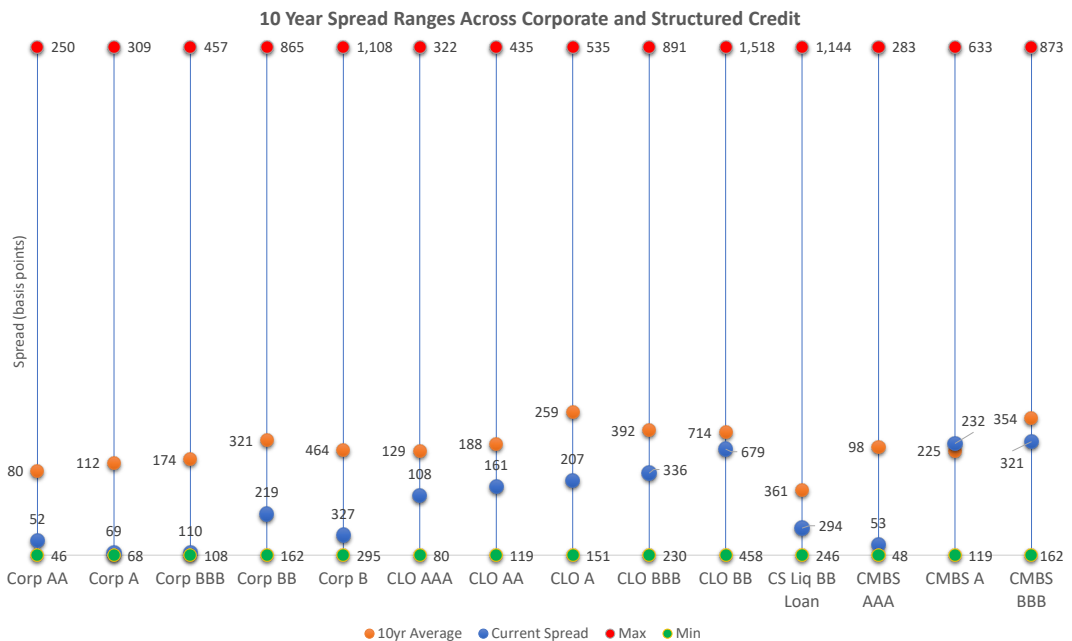
## With Valuations at 10 Year Highs in Many Areas of Credit, where is Palmer Square Finding Relative Value Opportunities?

Palmer Square has always looked across corporate credit and structured credit to find the best relative value opportunities for our clients. As many areas of credit are trading at historically expensive levels (i.e., offering minimal potential for capital appreciation) and meaningful yields are difficult to come by, Palmer Square is constantly working to identify opportunities to make our current and potential clients' fixed income allocation work harder.

We recently created the below chart to illustrate relative and absolute value across credit, which examines current spread levels compared to 10 year lows, highs, and averages.

For each asset class depicted on the chart (i.e., Corp AA or CLO AAA), the red dots at the top of the chart represent the highest spread value over the last 10 years, the green dots represent the lowest spread value for the last 10 years, and the orange dots represent the 10 year average spread. The blue dots represent the current spread level (as of 4/15/2021).

On a relative basis, for example, A-rated CLO debt offers a spread of 207 basis points (“bps”) compared to only 69 bps on A-rated corporate debt. However, when taking into account where current spreads are on a historical basis compared to other asset classes, it is more evident just how expensive certain areas of credit are. AA to BBB-rated and B-rated corporate spreads are at or near their 10 year tightest levels, as is AAA CMBS. Even BB-rated Bank Loans are approaching 10 year lows. **CLO debt, however, continues to offer attractive relative and absolute spreads.**



Source: Bloomberg, Palmer Square, data as of 4/15/2021

These levels not only highlight the attractive relative yield and income CLO debt can provide when compared to other areas of credit, but also the potential for capital appreciation in the event CLO debt spreads move towards their lows (i.e., “tighten”).

Please note that we continue to own select exposure to Investment Grade and High Yield Bonds; however, we emphasize the word “select” when discussing our exposure to these areas of credit.

It’s also worth noting that while A-rated and BBB-rated CMBS spreads also have potential for spread tightening at current levels, Palmer Square believes, in some situations, legitimate fundamental credit concerns exist. Conversely, Palmer Square believes the CLO structure to be more fundamentally sound and significantly more resilient, especially when taking into account Palmer Square’s conservative approach to CLO investing.

### **Summary**

Given demand for both yield and floating rate securities (especially in an inflationary environment), Palmer Square believes there to be a strong tailwind to drive CLO spreads tighter in the near term, resulting in potentially attractive total returns.

Please do not hesitate to contact us at [investorrelations@palmersquarecap.com](mailto:investorrelations@palmersquarecap.com) or 816-994-3200 should you desire more information. We would also be happy to set up a call at your convenience.

### **About Palmer Square**

Founded in 2009 and based right outside of Kansas City, Palmer Square manages approximately \$16.1 billion in fixed income/credit investments on behalf of a diverse client base inclusive of institutional investors, wealth management firms, and high net worth individuals (as of 4/30/2021). The firm offers mutual funds, separately managed accounts, and private partnerships (including investments focused on the CLO market).

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