

**Item 1 – Cover Page**

# Part 2A of Form ADV: Disclosure Brochure



Palmer Square Capital Management LLC  
1900 Shawnee Mission Parkway, Suite 315  
Mission Woods, KS 66205  
(816) 994-3200  
[www.palmersquarecap.com](http://www.palmersquarecap.com)

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This Brochure provides information about the qualifications and business practices of Palmer Square Capital Management LLC. If you have any questions about the contents of this Brochure, please contact us at (816) 994-3200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Palmer Square is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information through which you determine to hire or retain an adviser.

Additional information about Palmer Square is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Palmer Square who are registered, or are required to be registered, as investment adviser representatives of Palmer Square.

This Brochure is neither an offer to sell nor a solicitation of an offer to buy shares or interests in any of the investment vehicles advised by Palmer Square Capital Management. An offer of interests in such vehicles can be made only through the offering materials for the relevant investment vehicle and only in jurisdictions in which such an offer would be lawful.

## **Item 2 – Material Changes**

This section summarizes the material changes to this Brochure since the last annual update to the Brochure filed on March 31, 2021.

- Updates throughout to reflect the various types of clients of the Firm, enhanced discussion of risks associated with the services provided by the Firm, in addition to other non-material changes, such as updates to dates and numbers, stylistic changes and clarifications.

We will provide you with a new Brochure if requested based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting us at (816) 994-3200 or [compliance@palmersquarecap.com](mailto:compliance@palmersquarecap.com).

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**Appendix:** Palmer Square Capital Management LLC Privacy Policy

## **Item 4 – Advisory Business**

Palmer Square Capital Management LLC (“Palmer Square,” “Adviser,” the “Firm,” “we,” or “us”) is an investment adviser registered with the SEC since January 2011. We are a limited liability company organized under the laws of Delaware and provide investment management services with a focus on corporate credit, structured credit, and alternative investments.

Palmer Square’s equity is owned directly and indirectly by the principals and members of the senior management of Palmer Square, principally through Palmer Square Holdings, LLC, an entity exclusively owned and controlled by Christopher Long, Chief Executive Officer of Palmer Square, and Angie Long, Chief Investment Officer of Palmer Square.

Palmer Square provides investment advisory services to institutions, high net worth individuals, investment companies and other pooled investment vehicles (each, a “client”). We serve as managing member, investment manager, collateral manager, collateral servicer, or portfolio manager to several types of investment vehicles, including investment companies registered under the Investment Company Act of 1940, as amended (“Registered Funds”), collective investment trusts (“CITs”), U.S. and non-U.S. private investment funds structured as hedge funds, private funds and fund of hedge funds (“Private Funds”), investment entities structured as collateralized loan obligations (“CLOs”), investment entities structured as collateralized debt obligations (“CDOs”), and investment vehicles organized to hold loans on a short-term basis prior to the launch of a CLO or CDO (“Warehouses”) (together with the Registered Funds, CITs, Private Funds, the CLOs and the CDOs, the “Palmer Square Funds”, and each of the Palmer Square Funds a “Palmer Square Fund”).

As of December 31, 2021, Palmer Square’s regulatory assets under management are approximately \$17,345,973,894. The Firm does not currently manage any assets on a non-discretionary basis.

### **Registered Funds**

Palmer Square provides investment advisory services to Palmer Square Funds that are registered investment companies under the Investment Company Act of 1940, as amended (the “Company Act”), including closed-end and open-end funds. Each Registered Fund pursues a distinct investment program that is set forth in its registration statement. Each Registered Fund has different investment features which may include varying levels of management fees, investment minimums, investor qualification standards, and liquidity terms. While the open-end funds generally provide for daily liquidity, the closed-end funds provide investors liquidity through a quarterly tender offer process.

### **Collective Investment Trusts**

Palmer Square provides investment advice to collective investment trusts. The trusts are for the collective investment of assets or participating tax qualified pension and profit sharing plans and related trusts, and governmental plans as more fully described in the applicable declaration of trust. As bank collective trusts, the trusts are exempt from registration under the Company Act. The trusts are managed by a trustee and Palmer Square is delegated investment management authority

by the trustee. If these trusts are held in a client account, the value of the investment in the trust is excluded from the billing value for the purpose of calculating the client's periodic fee due to Palmer Square.

## **Private Funds**

Each Private Fund is not required to register as an investment company under the Company Act in reliance upon an exemption(s) available to funds whose securities are not publicly offered. Palmer Square manages each Private Fund on a discretionary basis in accordance with the investment strategy description and the terms and conditions of the Private Fund's offering and organizational documents and any relevant supplements to those documents. Each Private Fund has different investment features which may include varying levels of management and performance fees, investment objectives and guidelines, investment minimums, investor qualification standards and liquidity terms. The Private Funds may be organized in the U.S. or offshore. Palmer Square may organize similar Private Funds in the future. Also, Palmer Square advises hedge fund of funds that generally invest with unaffiliated managers.

Each of the Private Funds employs investment strategies that are suitable only for sophisticated investors with substantial net worth and who are able to bear the risks of the strategies employed. Investors and/or prospective investors should also be aware of additional risks associated with investing in the Private Funds, many of which are described in the governing documents of each respective Private Fund.

Certain Private Funds may invest in other Palmer Square Funds, including other Private Funds, CLOs, CDOs and Warehouses. For more information on these investments, please see the offering materials for the applicable Palmer Square Fund.

## **CLOs, CDOs and Warehouses**

Palmer Square provides certain services to investment entities structured as CLOs, CDOs and Warehouses. Each such client pursues a distinct investment program that is set forth in its governing documents and has distinct investment features, which may include varying levels of fees, portfolio compositions, investment minimums, investor qualification standards, maturities and distribution terms.

## **Managed Account Clients**

In addition to the Palmer Square Funds, Palmer Square also offers discretionary investment management services with a focus on corporate credit, structured credit, and alternatives directly to high net worth and institutional clients pursuant to an investment management agreement on an ongoing basis whereby the client can customize portfolios according to their unique risk/reward objectives ("Managed Account Clients"). Generally speaking, the clients' customization of a portfolio centers around liquidity and strategy objectives. Certain securities held in a client's portfolio may be illiquid and the Firm may be unable to liquidate such securities prior to the date of termination of the investment management agreement. Where appropriate and permitted by applicable law, Managed Account Clients invest in Palmer Square Funds.

## **Legacy Clients**

The Firm also provides discretionary asset allocation services to a limited number of legacy clients pursuant to an investment management agreement (“Legacy Clients”). These services are generally limited to providing the Legacy Clients access to Palmer Square’s various investment strategies, including the Palmer Square Funds, and do not include comprehensive wealth management services. The Firm does not currently anticipate providing such services to additional clients. Certain securities held in a client’s portfolio may be illiquid and Palmer Square may be unable to liquidate such securities prior to the date of termination of the investment management agreement.

## **Additional Information**

Palmer Square advises certain Private Funds and Managed Accounts Clients that make risk retention investments in the equity of affiliated CLOs, CDOs and Warehouses, either directly or indirectly through investments in investment advisers affiliated with Palmer Square, as applicable.

Palmer Square and/or its affiliates may advise additional clients or investment vehicles without consulting its clients. In connection with the operation of such additional clients, Palmer Square and/or its affiliates employ substantially similar investment strategies and/or invest in substantially similar securities to the strategies employed or securities invested by other clients.

Investors in the Palmer Square Funds may not impose restrictions on the Palmer Square Funds’ investment activities. Palmer Square has full discretion in trading on behalf of such clients. Palmer Square does not require, and does not seek approval from, the Palmer Square Funds or their underlying investors with respect to its trading.

All of the discussions of the Palmer Square Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Palmer Square Funds, associated fees and costs and conflicts of interest faced by Palmer Square and its affiliates in connection with managing the Palmer Square Funds, are qualified in their entirety by the respective governing documents of the relevant Palmer Square Fund. As noted above, Palmer Square causes certain clients to invest in other pooled investment vehicles or accounts which are advised or managed by Palmer Square or an affiliate, including, without limitation, investments in the equity and/or debt securities of CLOs, CDOs and/or Warehouses that are advised, sponsored and/or otherwise affiliated with Palmer Square or its affiliates. Please refer to your advisory agreement or the applicable Palmer Square Fund’s governing documents for more information.

## **Item 5 – Fees and Compensation**

With respect to our clients, Palmer Square generally receives a fee based on a percentage of assets under management such as a collateral management fee or management fee. Palmer Square may also receive performance-based compensation as set forth in the applicable client's governing documents. The fees differ depending on the type of client, as described below.

### **Palmer Square Funds**

With respect to the Palmer Square Funds, the fees are generally established at the time the Palmer Square Fund was formed. Palmer Square Funds generally pay an annual asset-based fee of between 0% to 2% per annum. In addition to an asset-based fee, certain Palmer Square Funds may pay Palmer Square or its affiliates performance-based compensation. Performance-based compensation may be structured in a variety of ways generally ranging from 0% to 25% of net profits achieved over a high water mark and/or hurdle. Any performance-based compensation arrangements comply with Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. Please see each Palmer Square Fund's applicable governing documents for the specific fee terms applicable to the Palmer Square Fund. Palmer Square, in its sole and absolute discretion, may pay a portion of the fees to certain investors and/or other third parties.

For each of the Palmer Square Funds, Palmer Square's fees are generally calculated by a service provider such as a third-party administrator or a trustee, and deducted directly from the client's account by Palmer Square. Investors in Palmer Square Funds do not have the ability to choose to be billed directly. In the event of the termination of the relationship between a Palmer Square Fund and Palmer Square, the management and performance compensation typically will be allocated according to the date of termination or through the specified terms in the applicable agreement. Generally, any prepaid but unearned fees will be refunded.

Palmer Square and its affiliates have made, and may make in the future, exceptions to its general fee schedule for a Palmer Square Fund or an investor in a Palmer Square Fund in its sole discretion based on various circumstances, such as the relationship Palmer Square has with the Palmer Square Fund or investor, expectations of capital additions in the future, product, share class, or composition of portfolio, among other reasons. This may include fee waivers, reductions or rebates which may be permanent or temporary. Neither the Palmer Square Fund nor the Adviser is generally obligated to disclose such investor arrangements to all of the investors or obtain the approval of any investor.

To the extent the Adviser determines the fair value of an investment, the Adviser has a conflict of interest as its management and performance-based compensation will be based on such valuation. With respect to certain Private Funds, all or a substantial portion of a Private Fund's assets are valued in accordance with a proprietary model developed by Palmer Square.

### Registered Funds

The fees and expenses for each Registered Fund are set forth in the corresponding offering documentation for the respective Registered Fund but generally include an annual management fee accrued daily and paid monthly in arrears.

### Collective Investment Trusts

The fees and expenses for each CIT are set forth in the corresponding offering documentation for the respective CIT but generally include an annual management fee accrued daily and paid monthly in arrears.

### Private Funds

The fees and expenses for each Private Fund are described in governing documents for the respective Private Fund. The annual management fee is generally payable quarterly or monthly in arrears, and performance-based compensation, if any, is generally payable either quarterly or annually and at the time of withdrawal, depending on the Private Fund. For certain Private Funds, the performance-based compensation is payable at the time when the investor has received distributions equal to the amount of its capital contribution. Please refer to the applicable Private Fund's offering documents for more information. Each affiliate that serves as general partner, managing member or investment manager (or in a similar capacity) of a Private Fund is generally entitled to receive the performance-based compensation, if applicable, from the relevant Private Fund.

In addition to the fees paid to Palmer Square, to the extent the Private Fund invests in other funds (including affiliated funds), the Private Fund will bear its pro rata share of the fees (including asset-based and performance-based compensation) and expenses of such underlying funds. To the extent a Private Fund invests in another Private Fund managed by Palmer Square or its affiliates, Palmer Square will generally waive or rebate any fees payable to Palmer Square and its affiliates at either the level of the Private Fund or the level of the underlying Private Fund managed by Palmer Square such that investors in the Private Fund will not be subject to an additional layer of fees payable to Palmer Square as a result of the affiliated investment. With respect to Private Funds that invest in affiliated CLOs, CDOs and/or Warehouses, such Private Funds will generally be subject to management and other fees payable to Palmer Square at the level of the affiliated CLOs, CDOs and Warehouses in which the Private Funds invest. Certain Private Funds are entitled to a waiver or rebate on a portion of the fees payable to Palmer Square related to investments in the equity of affiliated CLOs, CDOs and Warehouses. Please see each Private Fund's applicable governing documents for specific fee waiver and/or rebate terms applicable to the Private Fund.

### CLOs, CDOs and Warehouses

The fees and expenses for each CLO, CDO and Warehouse are set forth in the corresponding governing documents. Palmer Square, or its affiliates, is generally entitled to a collateral management fee with respect to its services to the CLOs, CDOs and Warehouses. Certain collateral management fees are payable only to the extent that funds are available in accordance with the priority of payments described in the indentures of the CLO, CDO or Warehouse, as applicable. Palmer Square, or its affiliates, is generally entitled to receive performance-based compensation with respect to its services to such clients, as set forth in the applicable client's indentures,



collateral management agreements and servicing agreements. Performance-based compensation is also generally only payable to the extent that funds are available for such purpose on each payment date and to the extent that certain specified returns hurdles are achieved in accordance with the priority of payments described in the applicable client's indentures, collateral management agreements and servicing agreements. Palmer Square or its affiliates are generally entitled to receive certain structuring fees upon the closing of the formation of certain CLOs, CDOs and/or Warehouses.

### **Managed Account and Legacy Clients**

Fees for each client are negotiated on a case-by-case basis and may vary depending upon the level of service the Firm provides to the client, but primarily consists of an annual asset-based advisory fee. In addition to the advisory fee paid to Palmer Square, each client is generally subject to various costs and expenses, including, but not limited to, custodial, brokerage, transactional and research-related fees and expenses. Clients may elect to be invoiced, but Palmer Square generally deducts the advisory fee automatically pursuant to each client's agreement. As all Managed Account and Legacy Clients are "qualified purchasers" as defined in section 2(a)(51)(A) of the Company Act, Palmer Square is not required to provide a fee schedule in this Brochure.

To the extent a Managed Account or Legacy Client invests in another Palmer Square Fund, the Managed Account or Legacy Client will generally be subject to both an advisory fee and the fees of the applicable Palmer Square Fund. A conflict of interest exists when Palmer Square causes clients to invest in Palmer Square Funds where it receives additional fees. Please consult the relevant governing documents or related documents for more information. Notwithstanding the foregoing, to the extent the client is subject to ERISA and/or an IRA, Palmer Square will rebate the client's advisory fee by an amount equal to the Registered Funds' fees associated with the total account assets invested in the Registered Fund. This fee rebate is calculated in arrears and netted to the current quarter's advisory fees. If the account is not charged an advisory fee by Palmer Square, it will not receive a rebate of the Registered Fund's fees. In addition, with respect to investments in Palmer Square Funds that charge a management fee (other than Registered Funds), Palmer Square will waive the advisory fee applicable to such investment.

### **Expenses Charged to Clients**

Our fees are exclusive of various costs and expenses in connection with Palmer Square's provision of investment advisory services, including, but not limited to, organizational, custodial, brokerage, audit, line of credit, legal, risk management, consulting, third party administration and research-related fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, the Registered Funds charge various shareholder and operating fees and expenses which are disclosed in each Registered Fund's prospectus. To the extent a client invests in other unaffiliated funds, such clients will bear their pro rata share of the fees (including any asset-based and performance-based compensation) and expenses of such investment funds.

#### Direct and Indirect Expenses

Expenses incurred directly by a client will be the responsibility of such client and may be paid directly by the client or Palmer Square may pay the expenses directly out of its own account for

and on behalf of the client, and in such cases will be entitled to reimbursement from the applicable client. Examples of allocable direct client expenses include, but are not limited to, the following:

- organizational expenses;
- operating expenses, including brokerage commissions and other charges for transactions in securities, other instruments and investments (including designated investments);
- escrow expenses;
- borrowing charges on margin accounts, credit facility charges and the costs of other indebtedness;
- insurance costs;
- governmental charges;
- licensing costs;
- audit fees;
- valuation expenses;
- financing and interest costs and expenses;
- custodial fees and expenses;
- administrative fees and expenses;
- reporting expenses;
- taxes;
- legal and accounting fees and other professional expenses such as consulting and investment banking fees;
- expenses associated with mailing and reproducing offering documents, any amendments thereto and other communications with investors;
- all expenses incurred in connection with any threatened, pending or anticipated litigation, examination or proceeding;
- all expenses incurred as a result of the client's obligation to indemnify Palmer Square, the administrator, their affiliates and certain other parties against losses, liabilities and expenses incurred in connection with the performance of their duties on behalf of, or the provision of services to, the client;

- all other expenses and liabilities incurred in connection with or arising out of the client's business, including extraordinary or non-recurring charges;
- expense related to any side pocket account (shall be charged only to the capital accounts who participated in the side pocket account); and
- reimbursements due to Palmer Square for all such costs and expenses, if any, borne by Palmer Square on behalf of the client.

Certain costs and expenses may be incurred for the benefit of, or be shared by, multiple clients which may include clients which do not bear any responsibility for such costs and expenses. Such shared expenses generally will be allocated across the applicable clients pro rata based on relative assets under management or in such other manner as Palmer Square deems appropriate. Palmer Square may directly bear the responsibility for the portion of such shared costs and expenses otherwise allocable to clients which benefit from, but which are not directly responsible for, such shared costs and expenses. For example, with respect to each Managed Account, Palmer Square generally bears either all or a portion of the expenses allocated to the Managed Account, as detailed in the governing documents for the account. In addition, the governing documents of the Registered Funds do not permit Palmer Square to seek reimbursement for such expenses from the client. Examples of allocable indirect client expenses include, but are not limited to, the following:

- due diligence expenses, including reasonable travel expenses related to client investments;
- out-of-pocket expenses directly related to a current or prospective investment;
- research related expenses;
- computer software and news and information services, including but not limited to expenses relating to maintaining Bloomberg accounts, risk management software;
- expenses related to pricing services;
- special investment opportunities such as private placement or limited availability investments; and
- consulting fees.

#### Expenses Related to Affiliated Investments

In certain circumstances, Palmer Square causes clients to invest in other pooled investment vehicles or accounts which are advised or managed by Palmer Square or an affiliate. The client will pay its pro rata share of the expenses of any affiliated pooled investment vehicles or accounts in which the client invests, if any. Please consult the applicable client's governing documents or

related documents for more information on the expenses of investments for affiliated Palmer Square products.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

### **Performance-Based Fees**

As set forth in Item 5, Palmer Square and its affiliates receive performance-based compensation from certain clients (*i.e.*, performance allocation, performance fee or incentive collateral management fee). With certain exceptions, each affiliate of Palmer Square that serves as general partner, managing member or investment manager (or in a similar capacity) to a Private Fund and as collateral manager (or in a similar capacity) to a CLO, CDO or Warehouse is entitled to performance-based compensation from the applicable Palmer Square Fund. Performance-based compensation arrangements create an incentive for Palmer Square (i) to recommend investments that may be riskier or more speculative than those that might be recommended under a different fee arrangement, such as a management fee only arrangement, and (ii) to dispose of investments at a time and in a sequence that would generate the most performance-based compensation.

To the extent Palmer Square determines the fair value of assets, Palmer Square has a conflict of interest as the calculation of the performance-based compensation will be based on such valuations. Performance-based compensation incentivizes Palmer Square to overvalue assets in order to increase the amount of its performance-based compensation.

Similarly, Palmer Square charges asset-based fees (*i.e.*, management fees and collateral management fees) to clients which vary. Differing fee levels incentivize Palmer Square to dedicate increased resources and allocate more profitable investment opportunities or best investment ideas to clients whose fees (management or performance-based arrangements) are more profitable for Palmer Square.

As described below, Palmer Square has implemented procedures designed to mitigate these conflicts from influencing the allocation of investment opportunities among clients.

### **Side-by-Side Management (Allocation Practices)**

Certain clients are subject to significant potential and actual conflicts of interest with respect to side-by-side management. Side-by-side management is the simultaneous management of multiple accounts that follow the same or similar investment strategies. With respect to certain clients, the conflicts with respect to side-by-side management present themselves both at the client level and at the investor level. This conflict of interest is also present where Palmer Square investment personnel provide services to Palmer Square BDC and Palmer Square Europe (as defined in Item 10), to the extent that clients of Palmer Square BDC and Palmer Square Europe have investment strategies that are similar to clients of Palmer Square.

It is Palmer Square's policy to allocate, to the extent operationally and otherwise practicable, investment opportunities to each client in a fair and equitable manner. To the extent the portfolio managers deem a particular investment suitable for more than one of Palmer Square's clients, such investment will be allocated or apportioned by Palmer Square between (or among) applicable clients to the extent the Firm determines it is practicable and advisable to do so. Palmer Square recognizes that it may not always be possible (or consistent with the investment objectives of a client) for the same investment positions to be taken or liquidated at the same time or at the same price as other of the Firm's clients.

Palmer Square allocates investment opportunities among its discretionary clients, where appropriate, on a basis that Palmer Square deems fair and equitable to each client, generally pro rata referencing an appropriate metric or based on a pre-determined allocation methodology. However, Palmer Square is not required to allocate on a pro rata basis if, in its discretion, Palmer Square determines another manner would be fair and equitable on an overall basis to all applicable clients under the circumstances, taking into account relevant characteristics of each applicable client (in each case, both at the time of investment and on a prospective basis). Such characteristics include, among other factors, cash position, lot size, amount of available capital, investment strategy, risk profile, liquidity, current portfolio holdings, overall portfolio composition, trading activity and tax and legal considerations, in each case relative to each applicable client both at the time of the investment and on a prospective basis.

Moreover, Palmer Square may be limited in its ability (or may be unable) to allocate certain investments, particularly with respect to private, unregistered or over-the-counter securities and financial instruments, due to a variety of factors, including limited investment opportunity, legal, regulatory, tax, trading, or counterparty-imposed or market-driven restrictions. As a result, a client may not participate in any particular investment opportunity on an equal, on a pro rata basis with other clients or at all. Moreover, there may be circumstances where an investment opportunity is allocated to certain clients first in satisfaction of applicable risk retention requirements or other legal or regulatory conditions. Moreover, non-discretionary clients may execute on an investment recommendation of Palmer Square, if at all, on a different timetable, at different prices, and with different restrictions from Palmer Square's discretionary clients.

Palmer Square has addressed these conflicts through policies and procedures designed to ensure each client is treated in a fair and equitable manner, including to account for the services provided by Palmer Square personnel to Palmer Square BDC and Palmer Square Europe.

Please see Item 12 for additional information on Palmer Square's trading practices.

## **Item 7 – Types of Clients**

Palmer Square provides investment advisory services to a broad range of client types, including institutions, high net worth individuals, collective investment trusts, investment companies and other pooled investment vehicles. Palmer Square and its affiliates serve as general partner, managing member, investment manager, collateral manager, collateral servicer, or portfolio manager to several types of investment vehicles, including investment companies registered under the Company Act (Registered Funds), U.S. and non-U.S. private investment funds structured as hedge funds and fund of hedge funds (Private Funds), collective investment trusts (CITs), investment entities structured as collateralized loan obligations (CLOs), investment entities structured as collateralized debt obligations (CDOs) and investment vehicles organized to hold loans on a short-term basis prior to the launch of a CLO or CDO (Warehouses). Any applicable investment minimums for a Palmer Square Fund are described in the corresponding organizational documents for the client. Investors in the Palmer Square Funds may be required to meet various suitability requirements.

Palmer Square generally requires a minimum account size of \$10 million with respect to any Managed Account Client or Legacy Client, but may waive or raise the minimum in its discretion.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

The following is a summary of the investment strategies and methods of analysis employed by Palmer Square on behalf of clients. This summary should not be interpreted to limit in any way Palmer Square's investment activities. Palmer Square offers advisory services, provides advice with respect to investment strategies and makes investments, including those that may not be described in this Brochure, that Palmer Square considers appropriate, subject to each client's investment objectives and guidelines. Specific descriptions of such strategies and methods are included in each client's governing documents. In the case of Managed Accounts and Legacy Clients, the investment strategies employed on behalf of each Managed Account or Legacy Client will be set forth in the advisory agreement between the client and Palmer Square or in other related documents such as in investment guidelines. There can be no assurance that the investment objectives of any client will be achieved.

Although it is impossible to predict the precise nature and consequences of these events (or similar), or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our clients and their investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact clients and borrowers and in many instances the impact will be adverse and profound.

As a result, each of the risks discussed in Item 8 of this Brochure is subject to, and should be considered in light of, the foregoing risks and uncertainties.

### **Methods of Analysis**

In directly investing capital to achieve a particular client objective, Palmer Square employs a blend of top-down and bottom-up analysis. The top-down approach has three components: (1) macro analysis whereby the Adviser's investment team undertakes frequent dialogues regarding macro items including the economic outlook, financial and credit markets, new and secondary issues, regulatory changes, M&A environment, and valuation levels; (2) cross-asset relative value analysis which consists of analyzing the credit spectrum for strong relative value opportunities (e.g., analysis of valuation metrics across loans, bonds, convertibles, CLOs, CDOs, Warehouses and mortgage credits to identify and monitor optimal risk/reward opportunities); and (3) active monitoring by the investment team of the major sectors within the credit universe. With regard to the bottom-up approach, the investment team undertakes frequent dialogue discussing key analyses including items such as determining an issuer's ability to service debt, measuring past performance and understanding the approach of the manager team and their ability to meet goals, deal structure model analysis, document analysis and other financial modeling and scenario testing. Finally, the bottom-up approach includes trade refinement. For example, within the credit spectrum, the team also seeks to evaluate many trade specifics including, without limitation, liquidity, position size, upside/downside, and relative versus absolute value.

Palmer Square believes that the ongoing monitoring of the portfolios is of paramount importance to achieving a client's investment objective. The Firm's monitoring process focuses on many factors including meetings to review portfolio developments and market trends as well as security-specific reviews.



As the collateral manager, collateral servicer and/or portfolio manager to the CLOs, CDOs and Warehouses, Palmer Square selects the collateral obligations and eligible investments to be acquired and sold by the client, monitors the collateral obligations and provides the client and the client's trustee, if applicable, certain information with respect to the composition and characteristics of the collateral obligations, any disposition or tender of a collateral obligation, the reinvestment of the proceeds of any such disposition in eligible investments and with respect to the retention of the proceeds or any such disposition or the application thereof toward the purchase of an additional collateral obligation. Palmer Square believes the investment process is designed to support the investment objective by meeting certain priorities that include: select high quality, high yield and liquid credits, minimize default risk, and optimize relative value. The process includes, but is not limited to, top-down industry analysis, fundamental credit analysis, and an approval process for buy and sell decisions.

With regard to allocating capital to outside managers (including to unaffiliated funds), Palmer Square strives to construct a portfolio integrating market opportunity with carefully selected managers. With regard to the top-down strategy allocation, based on current market conditions, the Adviser decides which strategies we believe are the most promising. We prioritize on our view of prospective (rather than historical) performance and volatility, and seek to identify attractive investment environments for specific strategies and/or sectors. Insight provided by our outside managers is generally incorporated in our investment outlook. With regard to the bottom-up portion of our investment philosophy, Palmer Square generally believes in maintaining a concentrated approach, thereby investing with what we believe to be relatively few managers. Palmer Square will generally select and monitor underlying managers based on factors determined in its sole and absolute discretion, including, without limitation, experience, performance track record, ability to protect capital in adverse market environments, personal financial commitment, prevalence of opportunities in their area of expertise, structure of organization, risk controls, risk management process, communication and reporting transparency style. The ultimate allocation of assets managed by Palmer Square is intended to manage the overall risk/return while optimizing the ability to generate long-term capital appreciation. For our hedge fund of funds and sub-advisers where we are selecting other managers, as described above, Palmer Square performs due diligence in selecting and evaluating the managers, monitoring and overseeing them and their performance and, if necessary, replacing them.

Finally, with regard to allocating capital for Legacy Clients, Palmer Square generally strives to construct a portfolio that integrates market opportunities available by primarily using a potential mix of Palmer Square's various investment strategies. With regard to the strategy allocation, we seek to identify attractive strategies with the aim of achieving the investment objective as detailed in the Client's investment management agreement.

### **Investment Strategies**

Currently, the strategies described below are those that Palmer Square primarily employs directly and/or are employed by the managers to which Palmer Square allocates client capital. Palmer Square generally intends to invest opportunistically, therefore, retaining the right to continue to develop and invest in additional strategies over time. Within certain investment strategies, Palmer Square employs exclusionary screens which seek to identify investments relating to companies involved primarily in business activities that do not align with certain specific socially-conscious

investment criteria identified by relevant clients. Additional information regarding the exclusionary screens is set forth in the governing documents of the client accounts employing such screens. While the below list is not exhaustive and does not purport to be complete, assets of Palmer Square's clients will primarily be invested either directly by Palmer Square or allocated to managers employing the following investment strategies:

Fixed Income, Long/Short Credit, and Distressed Debt Investing: Focuses on debt securities of domestic and foreign and emerging market governments, government-related agencies, and companies of all maturities and credit qualities including corporate bonds, convertible bonds, bank loans and distressed debt. In addition, mortgage-backed securities, other mortgage-related securities, CLOs, CDOs, Warehouses and other asset-backed securities of all credit qualities, including lower-rated bonds, may also be used within the investment strategies. Investment strategies within credit will generally involve a long-only strategy or long/short or event driven style similar to those described below in "Long/Short Investing" and "Event Driven Investing." Strategies may involve the purchase of debt securities that are currently undervalued, out-of-favor, have low credit ratings or are affected by other adverse factors ("Stressed or Distressed Securities"). Stressed or Distressed Securities may include debt issued by companies undergoing bankruptcy proceedings that are restructuring their capital structure outside of the court, or that have experienced short-term credit problems. These strategies may include the purchase of structured credit or bonds of companies with lower credit ratings and that have attractive risk/reward characteristics due to, among other things, an anticipation of an upgrade in the bond's ratings, expectation that a reorganization will provide greater value, or other positive business factors that are not yet reflected in their market value. Strategies employed may involve short positions such as the use of credit default swaps, equities and the short sale of individual bonds to hedge risk or profit from an anticipated decline in the price of a security. Derivatives may also be used to hedge risk or position a portfolio to benefit from a decline in the price of a bond or other security. Strategies may also employ leverage to increase returns.

Long/Short Investing: Employs long and short investing in primarily the capital structures of U.S. and foreign issuers based on the perception of such securities being overvalued or undervalued. This strategy attempts to neutralize exposure to general market risk by: (i) purchasing securities to capitalize on a rising market through appreciation ("Long Position") and (ii) taking a short position in other securities to capitalize on potential market declines.

Event Driven Investing: Takes advantage of the impact of corporate events on the market value of company securities. Corporate events include, but are not limited to, restructuring, mergers, reorganizations, spin-offs, leveraged buyouts and material litigation. Companies experiencing financial distress, and/or that have potential or threatened extraordinary liabilities, may also be targeted. Event Driven Investing also includes structuring investment positions that benefit from events such as debt restructuring and bankruptcies. All types of corporate equity and fixed income securities and derivative positions may be used to implement this strategy such as common and preferred stock, corporate debt securities including those that have high yields and credit ratings below investment grade or "junk bonds," convertible securities and options on equity and debt securities.

Opportunistic/Global Macro Investing: Employs long and short positions across various U.S. and foreign markets, sectors and companies to benefit from those investments which have the highest

probability for success (long positions) and those that have the highest probability for decline (short positions). Although a wide variety of securities may be utilized to implement this strategy, typically, global macro investors target sovereign debt (e.g. government debt), equity indices, currencies, interest rates, and commodity-related investments such as futures and options on commodities, and exchange-traded funds (“ETFs”) that focus on gold and precious metals. Futures and options are often used for hedging and alpha generation (risk-adjusted return) in order to quickly position a portfolio to profit from changing markets.

Either directly or indirectly through a special purpose vehicle, Palmer Square may utilize structured products to seek certain investment exposures. For example, a client may engage in total return swaps to derive the economic benefit of owning an asset(s) without retaining legal ownership of such asset. Finally, in connection with certain investments, Palmer Square may employ hedging techniques designed to reduce the risk of adverse movements in interest rates, securities prices and currency exchange rates.

### **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including a complete loss of your original principal. You should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Depending on the different types of investments, there may be varying degrees of risk. The foregoing list of certain risk factors does not purport to be a complete enumeration or explanation of the risks associated with the investment services provided by Palmer Square. Prospective investors should read all applicable organization documents and risk disclosures and consult with their own advisers before investing. In addition, as the various Palmer Square Funds develop and change over time, investments may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred, including a risk of complete loss. The risks summarized below are qualified in their entirety by the disclosures in each applicable client’s governing documents.

- *Collateralized Debt Obligations:* Palmer Square may invest in CLOs, CDOs, Warehouses and other related instruments. The portfolio may consist of CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO mezzanine debt. CDO securities are subject to credit, liquidity and interest rate risks. The CDO equity and other tranches purchased by Palmer Square may be unrated or non-investment grade, which means that a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest. Such investments may be speculative. In addition, as a holder of CDO equity, there are limited remedies available upon the default of the CDO.
- *Concentration Risk:* A strategy that concentrates its investments in a particular sector of the market (such as traditional credit, structured credit and alternative investments) may be affected by events that adversely affect that sector and the value of a portfolio using such strategy may fluctuate more than that of a less concentrated portfolio.

- *Counterparty Risk:* The institutions (such as banks) and prime brokers with which Palmer Square does business, or to which securities have been entrusted for custodial purposes, could encounter financial difficulties. This could impair the operational capabilities or the capital position of Palmer Square or create unanticipated trading risks.
- *Credit Default Risk:* The owner of a fixed income security may lose money if the issuer is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its payment obligations. Further, when an issuer suffers adverse changes in its financial condition or credit rating, the price of its debt obligations may decline and/or experience greater volatility. These adverse changes can also affect the liquidity of an issuer's debt securities and make them more difficult to sell.
- *Debt Securities:* Palmer Square may invest client capital in U.S. and non-U.S. corporate and sovereign debt securities and instruments. Debt securities may be subject to price volatility due to various factors including changes in interest rates, market perceptions of the creditworthiness of an issuer, and general market liquidity. Such instruments involve the fundamental credit risk that an issuer will be unable to make principal and interest payments. Debt securities may be rated or unrated, and whether or not rated may have speculative characteristics.
- *Distressed/Bankruptcy Investing:* Palmer Square may invest in unrated or "distressed" securities, i.e., securities of companies that are experiencing significant financial or business difficulties, including companies involved in debt restructurings, in bankruptcy or other reorganization and liquidation proceedings. Palmer Square may also purchase financial instruments of companies that have low credit quality, and purchase securities and loans that are in default. Performance may be substantially impaired by unsuccessful distressed or low credit investments.
- *Equity Securities and Equity Derivatives:* Palmer Square may invest client capital in equity securities and equity derivatives. The value of equity securities and equity derivatives vary based upon the company's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political, and market-related factors, among others, influence the value of equities. A portfolio may suffer losses if an equity instrument's performance diverges from expectations or if equity markets generally move in a single direction and Palmer Square has not hedged against such a move.
- *Eurozone Risk:* A number of countries in the European Union ("EU") have experienced, and may continue to experience, severe economic and financial difficulties. In particular, many EU nations are susceptible to economic risks associated with high levels of debt. As a result, financial markets in the EU have been subject to increased volatility and declines in asset values and liquidity. Responses to these financial problems by European governments, central banks, and others, including austerity measures and reforms, may not work, may result in social unrest, and may limit future growth and economic recovery or have other

unintended consequences. The risk of investing in securities in the European markets may also be heightened due to the referendum in which the United Kingdom left the EU (known as “Brexit”). One or more other countries may also abandon the euro and/or withdraw from the EU, placing its currency and banking system in jeopardy. The impact of these actions, especially if they occur in a disorderly fashion, is not clear but could be significant and far-reaching. Clients may have exposure to European markets and may have exposure to transactions tied to the value of the euro; such exposures could negatively affect the value and liquidity of the Fund’s investments. All of these developments may continue to significantly affect the economies of all EU countries, which in turn may have a material adverse effect on a client’s investments in such countries, other countries that depend on EU countries for significant amounts of trade or investment, or issuers with exposure to debt issued by certain EU countries.

In February 2022, Russia commenced a military attack on Ukraine. The outbreak of hostilities between the two countries could result in more widespread conflict and could have a severe adverse effect on the region and the markets for securities and commodities, including oil. In addition, sanctions imposed on Russia by the United States and other countries, and any sanctions imposed in the future, are generally expected to have a significant adverse impact on the Russian economy and related markets. The price and liquidity of the securities and commodities to which clients have exposure may fluctuate widely as a result of the conflict and related events. How long such conflict and related events will last and whether it will escalate further cannot be predicted. Impacts from the conflict and related events could have significant impact on an account’s performance, and the value of an account may decline significantly over short or extended periods.

- *Event Risks:* Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, and similar “Act of God” events have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term and wide-spread effects on world economies and markets generally. Palmer Square may have exposure to countries and markets impacted by such events, which could result in material losses.
- *Forward Contract Markets:* Palmer Square may trade forward contracts (and options on forward contracts). These securities are not traded on exchanges and are individually negotiated and therefore can be highly illiquid. The principals in forward contract markets are not required to continue to make such markets or to continue to deal in forward contracts of all currencies and/or commodities. In addition, forward contract markets are subject to significant disruptions, including through the intervention of governmental authorities. Therefore, Palmer Square may experience liquidity or other problems, and may incur substantial losses on such investments.
- *Futures:* Palmer Square may utilize futures contracts on a security of on an index of securities. Futures positions may include both long and short positions. Because of the low margin deposits normally required in futures trading, a high degree of

leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses and, like other leveraged investments, any trade may result in losses in excess of the amount invested.

- *General Credit Risks:* Palmer Square will seek to take advantage of opportunities in the stressed and distressed credit arena and may be exposed to losses resulting from default and foreclosure. Stressed and distressed credit assets may have large uncertainties or major risk exposures to adverse conditions, and certain of them may be considered to be predominantly speculative. Generally, such credit assets offer a potentially higher return, but involve greater volatility of price and greater risk of loss of income and investment.
- *High Yield (“Junk”) Bond Risk:* High yield bonds are debt securities rated below investment grade (often called “junk bonds”). Junk bonds are speculative, involve greater risks of default, downgrade, or price declines and are more volatile and tend to be less liquid than investment-grade securities. Companies issuing high yield bonds are less financially strong, are more likely to encounter financial difficulties, and are more vulnerable to adverse market events and negative sentiments than companies with higher credit ratings.
- *Investments in Undervalued Securities:* Palmer Square may seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.
- *Loan Participations:* Palmer Square may invest in loan participations. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have the voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan. Palmer Square will acquire participations only if the seller of the participation is determined by Palmer Square to be creditworthy.
- *Leverage:* Leverage may generally be employed in the investments associated with the investment advisory services provided by Palmer Square, including, without limitation, through the use of borrowed funds and investments in options, such as puts and calls, regulated futures contracts, warrants, credit default swaps and short sales. If leverage is utilized with respect to a position, any losses would be more pronounced than if leverage were not used, and a relatively small price movement

in a security or other financial instrument may result in immediate and substantial losses.

- *LIBOR Replacement Risk:* Palmer Square can invest in certain debt securities, derivatives, or other financial instruments that utilize the London Inter-Bank Offered Rate (“LIBOR”) as a reference rate for various rate calculations. It is expected that the U.S. Dollar London Interbank Offered Rate (“LIBOR”), which is commonly used as a reference rate within various financial contracts (any such rate, a “Reference Rate”), will not be published after June 30, 2023 (other than the one-week and two-month tenors, which ceased to be published after December 31, 2021). In anticipation of the end of LIBOR, the United States and other countries have worked to replace LIBOR with alternative Reference Rates. The Secured Overnight Financing Rate (“SOFR”) is the Reference Rate recommended by the Alternative Reference Rates Committee (the “ARRC”). The ARRC and regulators have stated that any party choosing another Reference Rate should do so carefully. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Fund is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants. With respect to financial contracts to which a client may be a party, including corporate and municipal bonds and loans, consumer loans, bank loans, CLOs, floating rate debt, certain asset-backed securities, and interest rate swaps and other derivatives, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or which have other curative mechanisms available) may need to be renegotiated, the process of which will consume resources and may result in disputes among counterparties, the result of which may be adverse to the applicable client. Regulators encouraged market participants to cease entering new contracts that use U.S. Dollar LIBOR as a reference rate by December 31, 2021. As a result, U.S. Dollar LIBOR’s liquidity and usefulness will likely diminish. Clients should expect that accounts will be party to SOFR-based contracts, or contracts utilizing other alternative reference rates, in the near-future. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which a client is a party may adversely affect the performance of the applicable client account.
- *Liquidity:* A portion of the investments that are made by Palmer Square can be less liquid or lack liquidity. Certain of the Private Funds only allow investors to withdraw assets at specified times (such as but not limited to, annually, semi-annually or quarterly) and may have the right to suspend the payment of withdrawals under certain circumstances. In many situations, Palmer Square may invest in illiquid investments (including, without limitation, side pocket investments and follow-up investments) which could result in significant loss in

value should they be forced to sell the illiquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. With respect to Managed Account Clients and Legacy Clients, the Firm may be unable to liquidate certain securities in the portfolio prior to the date of termination of the investment management agreement.

- *Monetary Policy and Governmental Intervention:* The U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have – in addition to other governmental actions to stabilize markets and seek to encourage economic growth – acted to hold interest rates to historic lows. It cannot be predicted with certainty when or how, these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the investments of clients. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.
- *Mortgage-Backed and Asset-Backed Securities:* Mortgage-backed and asset-backed securities represent interests in “pools” of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage-backed securities are subject to “prepayment risk” (the risk that borrowers will repay a loan more quickly in periods of falling interest rates) and “extension risk” (the risk that borrowers will repay a loan more slowly in periods of rising interest rates). If a client invests in mortgage-backed or asset-backed securities that are subordinated to other interests in the same pool, it may only receive payments after the pool’s obligations to other investors have been satisfied. An unexpectedly high rate of defaults on the assets held by a pool may limit substantially the pool’s ability to make payments of principal or interest to a client, reducing the values of those securities or in some cases rendering them worthless. The risk of such defaults is generally higher in the case of mortgage pools that include so-called “subprime” mortgages. A client’s investments in other asset-backed securities are subject to risks similar to those associated with mortgage-backed securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.
- *No Limitation on Investment Instruments:* While certain clients may focus on traditional credit, structured credit and alternative investments, generally speaking, there is no limitation on the investment instruments in which a Palmer Square may direct a client to may invest. New investment instruments are continually developing and investment in such instruments may involve material and as of yet unanticipated risks.
- *Non-U.S. Investments; Emerging Market Risk:* Palmer Square may invest all or a portion of its assets in non-U.S. securities and interests denominated in non-U.S. currencies and/or traded outside of the United States, including emerging market securities and interests. Such investments require consideration of certain risks not



typically associated with investing in securities traded in the United States or other assets. Such risks include, among other things, unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, confiscatory taxation, and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

- *Options:* Palmer Square may utilize options in furtherance of their investment strategies. Option positions may include both long positions, where Palmer Square is the holder of put or call options, as well as short positions, where Palmer Square is the seller (writer) of an option. Although option techniques can increase investment return, they can also involve a higher level of risk compared with their underlying securities.
- *Pandemic Risks:* An outbreak of disease or similar public health threat, or fear of such an event could have a material adverse impact on the performance of client accounts. In addition, outbreaks of disease could result in increased government restrictions and regulation, including quarantines, which could adversely affect our operations. In December 2019, a novel strain of coronavirus (“COVID-19”) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. To date, the COVID-19 pandemic has significantly and negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the financial performance of client accounts, including Palmer Square’s ability to execute a client account’s investment strategy in the expected time frame, will depend on future developments, including the duration and spread of the pandemic and the impact of the pandemic on local, national, and global financial markets, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption could materially affect the performance of client accounts, results of operations, access to sources of liquidity, and financial condition.
- *Prepayment Risk:* When the issuer of a fixed income security has the right to prepay principal, if it exercises that right earlier or at a higher rate than expected, an investor may incur losses from being unable to recoup the initial investment and/or from having to reinvest in lower-yielding securities. This can have an adverse effect on income, total return and/or price of the security. Prepayment risk tends to be highest in periods of declining interest rates. Asset-backed securities, including mortgage-backed and commercial mortgage-backed securities, are subject to greater prepayment risk than other types of fixed income securities.

- *Proprietary Investment Strategies:* Palmer Square generally uses investment strategies that are different than those typically employed by managers of traditional portfolios of stocks and bonds and may involve significantly more risk and higher transaction costs than more traditional investment methods. Additionally, it is possible that the performance or the specific investments of Palmer Square may be closely correlated to each other in some market conditions, resulting (if those returns are negative) in significant losses.
- *Risks of Investing in Underlying Funds:* Underlying funds to which Palmer Square may allocate capital are organized as independent legal entities and may be subject to lawsuits or proceedings by government entities or private parties. Additionally, underlying funds pursuing certain strategies may be more prone to lawsuits in connection with their investment activities than underlying funds pursuing strategies where the likelihood of engaging in hostile investment activities is lower. Expenses or liabilities of a client or an underlying fund arising from any such suit would be borne by the client or the underlying fund.
- *Risk of Loss:* Investments associated with the investment advisory services provided by Palmer Square may be speculative and involve significant risk. The profitability of an investment depends upon a correct assessment of the future price movements of the securities, commodities and other financial instruments and the movement of interest rates. These price movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by Palmer Square. There can be no assurance that Palmer Square will be successful in accurately predicting price and interest rate movements. Accordingly, investors may incur substantial losses on their investments, and it is possible that performance will fluctuate substantially from period to period.
- *Short Sales:* Palmer Square may sell securities short. Selling securities short risks losing an amount greater than the proceeds received. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. Palmer Square may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if Palmer Square is otherwise unable to borrow securities which are necessary to cover the position.
- *Systems Risk and Cybersecurity:* Investment advisers, including Palmer Square, rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes, including trading, clearing and settling transactions, evaluating certain investments, monitoring its portfolio and net capital and generating risk management and other reports that are critical to oversight of a client's activities. Certain of the clients' and the Palmer Square's operations will be dependent upon systems operated by third parties, including prime broker(s), custodians, administrators, market counterparties and their sub-custodians and other service providers. The clients' service providers may also depend on information technology systems that may or may not be controlled by them and, notwithstanding the diligence that the client may perform on its service

providers, the client may not be in a position to verify the risks or reliability of such information technology systems.

Clients, Palmer Square, their affiliates and their service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. For example, information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems may cause losses to clients or limited partners, without limitation, by interfering with the processing of transactions, affecting a client's ability to conduct valuations or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose clients or Palmer Square (which in turn may be indemnified by clients) to civil liability as well as regulatory inquiry and/or action. Investors could also be exposed to losses resulting from unauthorized use of their personal information. Similar types of cybersecurity risks also are present for portfolio investments, which could affect their business and financial performance, resulting in material adverse consequences for such issuers and causing a client's investment in such portfolio investments to lose value.

- *Valuation Risk:* The sales price a client could receive for any particular portfolio investment may differ from the client's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued by Palmer Square or the client using a fair value methodology. With respect to certain Private Funds, all or a substantial portion of a Private Fund's assets are valued in accordance with a proprietary model developed by Palmer Square, which may not comply with U.S. Generally Accepted Accounting Principles. Palmer Square has a conflict of interest as its management fee and performance-based compensation will be based on such valuations.
- *Selection and Monitoring of Sub-advisers and Other Third-Party Managers:* There is a risk that we will not identify in our selection process: an appropriate manager for the asset class; existing weaknesses in a manager's compliance or operational infrastructure; or existing material regulatory, financial or other operational issues. There is a risk that a manager will not meet our expectations from an investment performance perspective over time; will develop significant weaknesses in their

compliance or operational infrastructure that could lead to a material adverse event; or will develop material regulatory, financial or other operational issues.

When Palmer Square engages a manager, we are highly dependent upon their investment expertise and abilities as they have day-to-day investment discretion over the underlying portfolio assets. Therefore, there is a risk that an event having a negative impact on a manager (such as a significant change in personnel, corporate structure or resources) may adversely impact a client's investment results.

Palmer Square conducts due diligence in selecting, monitoring, and overseeing its managers. However, due diligence is not foolproof and may not uncover problems associated with a particular manager. For example, one or more of the managers may engage in improper conduct (including unauthorized changes in investment strategy) that may be harmful and may result in losses. We may rely upon representations made by managers, accountants, attorneys, and/or other service providers. If any of these representations are misleading, incomplete or false, this may result in the selection of a manager that might otherwise have been eliminated from consideration if fully accurate and complete information had been made available to us. Even if our due diligence efforts are effective at ensuring that we have a thorough understanding of a particular manager, our judgment about whether a particular manager is able to perform in a manner that meets our expectations over the long-term may be incorrect.

Although managers are generally subject to investment policies, strategies, and guidelines, there can be no assurance that the manager will comply with these policies, strategies, and guidelines. Failure to comply with the policies, strategies, and guidelines could result in an unintended deviation in the investment strategy and could result in losses.

- *Compensation Arrangements with the Managers:* Managers to which Palmer Square may allocate capital may be entitled to receive performance-based compensation based on the performance of such manager's portfolios. Such compensation arrangements may create an incentive for the managers to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation may be calculated on a basis which includes unrealized appreciation, such performance-based compensation may be greater than if such compensation were based solely on realized gains.
- *Possibility of Fraud and Other Misconduct:* When Palmer Square allocates capital to an underlying fund managed by a third party, Palmer Square does not have custody of the underlying fund's assets. Therefore, there is the risk that the underlying fund or its custodian could divert or abscond with those assets, fail to follow agreed upon investment strategies, provide false reports of operations, or engage in other misconduct. Moreover, there can be no assurances that all underlying funds will be operated in accordance with all applicable laws and that assets entrusted to underlying funds will be protected.

The foregoing list of risk factors does not purport to be a complete explanation of the risks involved in Palmer Square's advisory services. Investors should read the applicable offering materials, prospectus, or similar account opening documents for such client, if any, in addition to consulting with their own financial and tax advisers.

## **Item 9 – Disciplinary Information**

On September 21, 2020, the Securities and Exchange Commission issued an order instituting administrative and cease-and-desist proceedings, making certain findings and imposing certain sanctions. The settled order provides that Palmer Square violated certain provisions of the Investment Advisers Act and Investment Company Act in connection with certain cross trading activity. Without admitting or denying the findings of the settled order, Palmer Square consented to the entry of the order, was ordered to cease and desist from violating certain provisions of the Investment Advisers Act and Investment Company Act, was censured and agreed to pay a civil monetary penalty of \$450,000.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Palmer Square or its affiliates serve as the general partner, managing member or investment manager (or in a similar capacity) for the Private Funds. Certain of our offshore Private Funds are managed by a board of directors, which includes a principal of Palmer Square.

Certain employees of Palmer Square serve as officers for one Registered Fund.

Palmer Square and/or a Palmer Square Fund may enter into a distribution relationship with a selling agent, such as a broker-dealer, for the solicitation of investment advisory clients and/or qualified investors for a Palmer Square Fund. The distributions agreements generally require either Palmer Square or the Palmer Square Fund to pay a portion of the fees earned by Palmer Square to the distributor. The distributor may charge a separate asset-based distribution fee (i.e., sales load).

Certain employees of Palmer Square are registered representatives with Foreside Fund Services, LLC (“Foreside”). As registered representatives, the employees are authorized to sell the Registered Funds and certain Private Funds. Palmer Square is not affiliated with Foreside.

Principals, employees and affiliates of Palmer Square may hold significant investments in Palmer Square Funds from time to time.

Palmer Square maintains certain exemptions from registration with the U.S. Commodity Futures Trading Commission as a commodity pool operator with respect to certain of the Palmer Square Funds that trade or are deemed to trade in commodity interests.

Palmer Square BDC Advisor LLC (“Palmer Square BDC”), is a related adviser of Palmer Square. Palmer Square BDC is majority owned and controlled by Palmer Square. Palmer Square BDC serves as investment adviser to a business development company (“BDC Fund”) which primarily lends to and invests in privately-held companies. Certain employees of Palmer Square serve on the board of directors as interested directors and executive officers for the BDC Fund. Palmer Square has entered into a resource sharing agreement with Palmer Square BDC, pursuant to which Palmer Square provides Palmer Square BDC with access to the resources of Palmer Square, including the investment and operations teams. Palmer Square maintains policies and procedures designed to manage and monitor the conflicts of interest presented to Palmer Square and its clients in connection with the provision of services to Palmer Square BDC.

Palmer Square Europe Capital Management LLC (“Palmer Square Europe”), is a related adviser of Palmer Square. Palmer Square Europe, through its Management Series, is majority owned and controlled by Palmer Square. Palmer Square Europe serves as investment adviser to CLOs and CLO Warehouses which primarily invest in loans. Palmer Square has entered into a shared services agreement with Palmer Square Europe, pursuant to which Palmer Square provides Palmer Square Europe with access to the resources of Palmer Square, including the investment and operations teams. Palmer Square maintains policies and procedures designed to manage and monitor the conflicts of interest presented to Palmer Square and its clients in connection with the provision of services to Palmer Square Europe.

Certain personnel of Palmer Square provide operational and administrative services to non-advisory business ventures associated with the principals of Palmer Square pursuant to a resource sharing agreement.

Palmer Square and its principals and employees will devote as much of their time to the activities of a particular client as they deem necessary and appropriate. Palmer Square and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities. These activities could be viewed as creating a conflict of interest in that the time and effort of Palmer Square and its principals and employees will not be devoted exclusively to the business of a particular client but will be allocated between the clients.



## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

Palmer Square has adopted a code of ethics that sets forth the standards of conduct expected of its supervised persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Advisers Act, the Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Palmer Square or any of its supervised persons. The Code of Ethics also requires that certain of Palmer Square’s personnel (“access persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as equities, bonds, initial public offerings and limited offerings. Palmer Square’s personnel registered with Foreside and their immediate families are prohibited from participation in initial public offerings.

Provisions in the Code of Ethics and our compliance manual relate to the confidentiality of client information, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Our goal is to protect our clients’ interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with clients. All our employees are expected to adhere strictly to these guidelines and must acknowledge their obligation to comply with the Code of Ethics annually.

If an access person is aware that the Firm is purchasing/selling or considering for purchase/sale any security on behalf of a client, the access person may not directly or indirectly effect a transaction in that security until the transaction is completed for all clients or until a decision has been made not to purchase/sell such security on behalf of a client account. This does not include transactions for accounts that are executed as part of a block trade within a managed strategy or for accounts over which the access person has no direct or indirect influence or control. These requirements are not applicable to: (i) direct obligations of the government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and (iv) shares issued by other mutual funds that are not advised or sub-advised by the Firm or its affiliates; and (v) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds, none of which are funds advised or sub-advised by the Firm or its affiliates.

No supervised person may trade, either personally or on behalf of others, while in the possession of material, nonpublic information, nor may any personnel of Palmer Square communicate material, nonpublic information to others in violation of the law. Furthermore, all access persons are required to submit information to the Chief Compliance Officer detailing all outside business activities. The Chief Compliance Officer will review and approve these activities on a case by case basis.

Our clients or prospective clients may request a copy of our Code of Ethics by contacting us at (816) 994-3200 or [compliance@palmersquarecap.com](mailto:compliance@palmersquarecap.com).

## **Participation or Interest in Client Transactions**

A conflict of interest exists to the extent Palmer Square and/or its related persons invest in the same securities that are recommended to clients. In order to address this conflict of interest, Palmer Square has implemented certain policies and procedures in its Code of Ethics, as further described above.

As described above, Palmer Square serves as the manager to a variety of investment products. Persons associated with our Firm may have significant investments in these products.

Palmer Square advises, and may organize or advise in the future, investment products that invest in similar or different investments. The management of these clients may conflict in some circumstances. This conflict of interest is also present where Palmer Square investment personnel provide services to Palmer Square BDC and Palmer Square Europe, to the extent that clients of Palmer Square BDC and Palmer Square Europe have investment strategies that are similar to clients of Palmer Square. For example, we may determine that an investment opportunity in a client is appropriate for a particular client, but not for another. We may have different types of clients, including Private Funds and Managed Accounts, and our clients may be subject to different regulations. Clients may have different investment strategies, objectives and restrictions and may be subject to different terms. These terms include, but are not limited to, the following: investor lock-up periods, management and performance fees, liquidity terms, rights to receive information regarding the portfolio and such other rights as may be negotiated by investors or other accounts. As a result, we may have an incentive to favor one account over another when making investment decisions.

There may be instances when allocating investments among clients in which some clients may participate in certain opportunities while other clients may not. Where accounts have competing interests in a limited investment opportunity, we may not allocate investment opportunities pro rata among clients but rather allocate investment opportunities on the basis of numerous other considerations, including, without limitation, a client's cash flows, investment objectives and restrictions, participation in other opportunities, compliance with applicable laws, and tax concerns as well as the relative size of different accounts' same or comparable portfolio holdings.

Taking into consideration the conflicts of interest disclosed above, it is important to note that it is our policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each client on a fair and equitable basis relative to our other clients. In addition, periodically, where permitted by applicable law, Palmer Square may effectuate cross trades between or among client accounts. Please see Items 6 and 12 for more information on Palmer Square's trade allocation practices and policies and cross trade practices.

Palmer Square provides a variety of services for, and advice to, various clients, including issuers of securities that Palmer Square may recommend for purchase or sale by clients. In the course of providing these services, Palmer Square may come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Palmer Square may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including Palmer Square's clients.

Palmer Square may enter into non-disclosure agreements or come into possession of information that restricts our ability to trade securities that are held by clients of different strategies. These restrictions may have an adverse impact on one group of clients while benefiting another group. In certain situations, Palmer Square will purchase different classes of securities of the same company (e.g. senior debt, subordinated debt, and or equity) in different investment strategies which can give rise to conflicts. For example, in a distressed restructuring of a company's capital structure, Palmer Square may advocate for the benefit of one class of security which may be adverse to another security that is held by clients of a different strategy. Palmer Square seeks to mitigate the impact of these conflicts on a case by case basis.

Palmer Square causes certain clients to invest in other pooled investment vehicles or accounts which are advised or managed by Palmer Square or an affiliate, including, without limitation, investments in the equity and/or debt securities of CLOs, CDOs, Warehouses and Private Funds that are advised, sponsored and/or otherwise affiliated with Palmer Square or its affiliates. Generally, Palmer Square will waive or rebate clients, as applicable, so such clients will not pay additional fees with respect to an investment in such vehicles or accounts (although such fees or allocations may be paid or allocated, as applicable, at the client level or at the affiliated pooled investment vehicle or account level). However, the client will pay its pro rata share of the expenses of any affiliated pooled investment vehicles or accounts in which the client invests. Notwithstanding the foregoing, certain client may be subject to fees payable to Palmer Square for investments in other Palmer Square products. Please consult the governing documents or other relevant offering materials for more information.

## **Item 12 – Brokerage Practices**

### **Selection of Broker-Dealers**

When selecting broker-dealers and negotiating commission rates, Palmer Square seeks to obtain best execution, taking into account all relevant factors, including:

- Price;
- Likelihood of execution;
- Likelihood of execution within a desired time frame;
- Market conditions;
- Ability of a counterparty to execute a desired security in desired volume;
- Ability of a counterparty to act on a confidential basis;
- Ability of a counterparty to act with minimum market effect;
- Creditworthiness of a counterparty in relation to risk created by the transaction;
- Willingness and ability of a counterparty to make a market in particular securities;
- Operational coordination by a counterparty with Palmer Square and custodians of the Palmer Square's clients, including ability to communicate, to settle trades reliably and to quickly and effectively resolve differences;
- Counterparty's reputation for ethical and trustworthy behavior;
- Client preferences/guidance for permissible counterparties;
- Use of automation by a counterparty;
- Willingness of a counterparty to commit capital to a particular transaction;
- The market knowledge of a counterparty; and
- Ability of a counterparty to execute difficult transactions in unique and/or complex securities.

Accordingly, although the Firm will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Palmer Square does not select or recommend brokers or dealers based on whether the broker or dealer refers clients to Palmer Square.

### **Soft Dollar Practices**

Palmer Square is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with investment and research information or to pay higher commissions to such brokerage firms if Palmer Square determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend

conferences or meetings with management or industry consultants. Palmer Square is not required to weigh any of these factors equally. To the extent Palmer Square receives research services, Palmer Square receives a benefit because it does not need to produce or otherwise pay for such research services. Additionally, research services obtained from a broker could benefit all clients, and not only those having brokerage transactions with such broker. Palmer Square's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in Palmer Square's clients being charged higher transaction costs than they could otherwise obtain.

Receipt by an investment adviser of products and services provided by brokers, without any cash payment by an investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser's clients is commonly referred to as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment advisers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such advisers use soft dollars generated by their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided.

Palmer Square does not currently have any formal soft dollar arrangements. Palmer Square is not required to allocate either a stated dollar or stated percentage of its brokerage business to any broker for any minimum time period, and will review such relationships from time to time.

### **Directed Brokerage**

A Managed Account Client or Legacy Client may direct Palmer Square in writing to use a particular broker-dealer to execute some or all transactions for the client ("Directed Brokerage"). In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Palmer Square will not seek best execution from other broker-dealers. As a result of the Directed Brokerage, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Where the client has Directed Brokerage that would result in additional operational difficulties, Palmer Square may determine to terminate the investment advisory relationship.

### **Cross Trades**

From time to time, where permitted by applicable law, Palmer Square may determine that a sale of positions from one client to another is in the best interests of both clients. This may arise, for example, if one client is being wholly or partially liquidated to fund withdrawals, while another client has cash available for investment. Palmer Square and its affiliates will not receive commissions or otherwise profit from such cross trades, and Palmer Square's compliance officer or designee will be required to approve all cross trades in advance and in accordance with applicable law.

In the context of a Private Fund, Palmer Square may appoint an independent representative of the Private Fund or one or more investors to an investor committee to consent on behalf of the Private Fund to a rebalancing transaction or other transactions in which participating accounts may have divergent interests. Any consent given by the independent representative or investor committee on behalf of a Private Fund would be binding upon all investors in such Private Fund. The Private Fund may agree to reimburse any such representatives or investor committee members for their reasonable out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

### **Allocation of Orders and Aggregation**

It is Palmer Square's policy to allocate, to the extent operationally and otherwise practicable, investment opportunities to each client in a fair and equitable manner. To the extent the portfolio managers deem a particular investment suitable for more than one of Palmer Square's clients, such investment will be allocated or apportioned by Palmer Square between (or among) applicable clients to the extent the Firm determines it is practicable and advisable to do so. Palmer Square recognizes that it may not always be possible (or consistent with the investment objectives of a client) for the same investment positions to be taken or liquidated at the same time or at the same price as other of the Firm's clients.

Palmer Square allocates investment opportunities among its discretionary clients, where appropriate, on a basis that Palmer Square deems fair and equitable to each client, generally pro rata referencing an appropriate metric or based on a pre-determined allocation methodology. However, Palmer Square is not required to allocate on a pro rata basis if, in its discretion, Palmer Square determines another manner would be fair and equitable on an overall basis to all applicable clients under the circumstances, taking into account relevant characteristics of each applicable client (in each case, both at the time of investment and on a prospective basis). Such characteristics include, among other factors, cash position, lot size, amount of available capital, investment strategy, risk profile, liquidity, current portfolio holdings, overall portfolio composition, trading activity and tax and legal considerations, in each case relative to each applicable client both at the time of the investment and on a prospective basis.

### **Special Allocation Considerations**

- As noted above, allocations may not be made pro rata due to investor subscription and redemptions or for other reasons.
- Simultaneous identical portfolio transactions for Palmer Square's clients may decrease the prices received, or increase the prices required to be paid, by each client for its portfolio sales and purchases.
- Palmer Square may be limited in its ability (or may be unable) to allocate certain investments, particularly with respect to over-the-counter instruments or private or unregistered securities, due to a variety of factors, including legal, regulatory, tax, trading or other contractual restrictions or counterparty-imposed or market-driven trading limitations (e.g. lot sizes), as may be applicable to one or more clients.

- Palmer Square may be restricted in its ability to allocate transactions involving simultaneous or related investments in the same portfolio company in the context of investment transactions involving the BDC Fund and other funds managed by Palmer Square or an affiliate thereof.
- If deemed appropriate by Palmer Square in any given circumstance, including for administrative convenience or efficiency, the allocation of a particular investment between (or among) clients may be rounded. Non-pro rata allocations or deviations from pre-determined allocations are permitted in the interest of placing round lots in client accounts.
- Allocations may be unable to be made, in whole or in part, to certain clients in light of legal restrictions or other limitations on the investment mandate applicable to the client's outstanding investment interests, such as, for example, securities laws restrictions (e.g., inability to participate in Rule 144A transactions), requirements in respect of "socially responsible" investment funds, entities, vehicles, share classes or other investment interests or managed funds or contractual restrictions in respect of managed accounts.
- Trades will be allocated on a fair and equitable basis among clients without preference based on client performance or fee structure.

Palmer Square may be limited in its ability (or may be unable) to allocate certain investments, particularly with respect to private, unregistered or over-the-counter securities and financial instruments, due to a variety of factors, including limited investment opportunity, legal, regulatory, tax, trading, or counterparty-imposed or market-driven restrictions. As a result, a client may not participate in any particular investment opportunity on an equal, on a pro rata basis with other clients or at all. Moreover, there may be circumstances where an investment opportunity is allocated to certain clients first in satisfaction of applicable risk retention requirements or other legal or regulatory conditions. Moreover, non-discretionary clients may execute on an investment recommendation of Palmer Square, if at all, on a different timetable, at different prices, and with different restrictions from Palmer Square's discretionary clients.

Palmer Square may seek to contemporaneously purchase or sell the same investment for multiple clients. In those circumstances, the Firm may aggregate client trade orders for execution purposes where it believes aggregation is practical and in the best interest of all applicable clients. The aggregation of client trade orders does not ordinarily adversely affect commissions charged and execution prices, and in many cases results in reduced cost and more efficient and favorable execution. Although the aggregation of trade orders is expected to benefit Palmer Square's clients overall, aggregation may, in any circumstance, disadvantage a particular client. There may be circumstances where the Firm determines not to aggregate client trade orders which otherwise could have been aggregated or where aggregation is not feasible. All clients participating in a block trade generally will receive the average price and pay a proportional share of any commission and other transactions costs, subject to minimum ticket charges.

Palmer Square maintains policies and procedures covering its brokerage practices designed to ensure each client is treated in a fair and equitable manner, including to account for the services provided by Palmer Square personnel to Palmer Square BDC and Palmer Square Europe.

## **Item 13 – Review of Accounts**

### **Periodic Account Review**

Palmer Square monitors the portfolios of its clients regularly as part of an ongoing process. Investment reviews and decision-making are performed by Palmer Square's investment staff, including portfolio managers. Underlying funds held by a client are systematically monitored and reviewed by investment personnel of Palmer Square on a regular basis or more frequently as deemed necessary by the investment staff.

### **Client Reports**

Unless otherwise agreed, clients are provided with transaction confirmation notices and monthly account statements directly from either the third party custodian or administrator, depending on the type of client account.

Investors in a client managed by Palmer Square for which Palmer Square is deemed to have custody are provided with monthly or quarterly statements from the third party custodian and/or administrator. Each investor in a Private Fund is also provided with audited financial statements on an annual basis. Palmer Square may provide additional information by special agreement with investors.

With the exception of negotiated arrangements and any regulatory filings, Palmer Square generally is not permitted to disclose a Registered Fund's positions to investors on an ongoing basis in an effort to protect the confidentiality of its positions. Further, a fund may not disclose its investment positions in the annual financial statements if it is determined that such confidentiality is desirable and permissible.

Prospective investors in any one or more of the various funds should refer to the appropriate offering and organizational documents for more information on the reports provided to clients.



## **Item 14 – Client Referrals and Other Compensation**

In the future we may enter into referral arrangements whereby we pay solicitors/introducers a referral fee in accordance with the requirements of applicable law. Any such referral fee shall be paid solely from the fees earned by Palmer Square and shall not result in any additional charge to the client. The payment of referral fees creates an incentive for a solicitor to recommend Palmer Square over another adviser that does not pay referral fees.

As discussed above in Item 10, Palmer Square, at its own expense, pays Foreside, a registered broker-dealer, a fee for certain distribution related services for the Registered Funds and certain Private Funds. Certain Palmer Square personnel serve as registered representatives of Foreside to facilitate the distribution of such Registered Funds and such Private Funds.

## Item 15 – Custody

Except as provided below, Palmer Square will not maintain possession or custody of the funds or securities in a client's account. A qualified custodian will maintain a client's assets and will provide clients with periodic account statements and performance reports. The clients' custodians maintain the client account's official records. Information in any Palmer Square account statements may differ from the custody statements based on various items, such as accounting procedures, reporting dates, or valuation methodologies of certain securities, clients should carefully read these reports and compare any reports received from Palmer Square against reports received from the qualified custodian.

With respect to the Private Funds, Palmer Square is deemed to have custody by virtue of its status as the general partner, managing member or investment manager or a related party of the general partner/managing member/investment manager. Except with respect to certain uncertificated securities, Palmer Square maintains the assets of the Private Funds in accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act and provides investors the qualified custodian's name, address and the manner in which the assets are maintained promptly when the account is opened and following any changes to this information. The actual assets (stocks, bonds, etc.) for each of the Private Funds invested with underlying managers are held by the custodian or prime broker chosen by each of the underlying funds. To ensure compliance with Rule 206(4)-2, Palmer Square has taken reasonable steps to ensure that all investors in the Private Funds, for which it is deemed to have custody, are provided with audited financial statements, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days or 180 days of the end of the Private Fund's fiscal year. Investors should carefully review the audited financial statements of the Private Fund upon receipt.

For certain Managed Account Clients and Legacy Clients, Palmer Square is deemed to have custody of client funds and securities under Rule 206(4)-2 due to its ability to deduct fees directly from client accounts. For Managed Account Clients and Legacy Clients who invest directly with underlying funds chosen by Palmer Square, the actual assets (stocks, bonds, etc.) reside with the custodian or prime broker chosen by those underlying funds. Each of the Managed Account Clients and Legacy Clients will receive, at least quarterly, an account statement directly from the custodian and/or the underlying fund's administrator depending on the type of fund in which the client is invested, if applicable.

## **Item 16 – Investment Discretion**

Palmer Square generally has full discretionary authority for its clients. Such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client. Details of the relationship between Palmer Square and the client, as well as investment objectives, guidelines, and restrictions, are outlined in each client's respective offering materials, prospectus, or similar account opening documents. When selecting investments and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which we advise.

With regard to Managed Account Clients and Legacy Clients, Palmer Square customarily receives discretionary authority from the client at the outset of an advisory relationship to select the investments to be bought and sold through its investment management agreement and/or to invest in said securities. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

## Item 17 – Voting Client Securities

Where Palmer Square accepts responsibility to vote proxies, or in the case of an employee benefit plan, as defined by ERISA, where such responsibility has been properly delegated to, and assumed by, Palmer Square, the Adviser will only cast proxy votes in a manner consistent with the best interest of its clients or, to the extent applicable, their beneficiaries. In the event that Palmer Square is accorded the right to vote proxies for a client, Palmer Square will delegate the responsibility to review proxy proposals and make voting recommendations to Palmer Square to a non-affiliated third party vendor. Proxies will be voted consistent with the Proxy Voting Policies and Procedures summarized below in this Item 17.

Palmer Square will vote proxies for the Palmer Square Funds (exclusive of the CLOs, CDOs and Warehouses, which generally do not vote proxies) in accordance with the Proxy Voting Policies and Procedures summarized below in this Item 17. If applicable, Palmer Square delegates proxy voting authority to a fund's sub-adviser.

Certain of the Private Funds are funds of funds that invest in underlying portfolio funds but do not invest directly in securities of operating companies. As a result, the most common scenario for these Private Funds would be that Palmer Square is requested to vote a proxy where it relates to a limited partnership interest, limited liability membership interest, share or similar equity interest in a portfolio fund in which one of the Palmer Square Private Funds invests. For the Private Funds structured as funds of funds, the underlying managers of the various funds do not typically convey traditional voting rights to the holders and the occurrence of corporate governance or other notices for this type of investment is substantially less than that encountered in connection with registered equity securities. If we are accorded voting or consent rights by virtue of any investment, we will be guided by general fiduciary principles and such voting or consent rights will be exercised by us in a manner believed to be in the best interests of clients and consistent with efforts to achieve a client's stated objective, including maximizing portfolio value.

Plans managed by Palmer Square governed by ERISA shall be administered consistent with the terms of the governing plan documents and applicable provisions of ERISA. In cases where the Firm has been delegated sole proxy voting discretion, these policies and procedures will be followed subject to the fiduciary responsibility standards of ERISA.

We are subject to conflicts of interest in the voting of proxies due to business or personal relationships we maintain with persons having an interest in the outcome of certain votes. For example, we may provide services to accounts owned or controlled by companies whose management is soliciting proxies. Palmer Square, along with any affiliates and/or associates, has business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships. If it is determined that a conflict or potential conflict exists between our interests and those of our clients, we may vote proxies notwithstanding the existence of the conflict. If it is determined that a conflict of interest or potential conflict of interest is material, our Chief Compliance Officer, or appropriate designee, will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

Absent special circumstances, which are fully described in our Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in our Proxy Voting Policies and Procedures, as they may be amended from time-to-time. A summary of our Proxy Voting Policies and Procedures is as follows:

- Upon opening an account with Palmer Square, clients are given the option to delegate proxy-voting discretion to Palmer Square by completing the appropriate documents. Palmer Square will only exercise proxy-voting discretion over client shares in the instances where clients give Palmer Square discretionary authority to vote on their behalf.
- It is Palmer Square's policy to vote client shares primarily in conformity with Glass Lewis & Co. recommendations, in order to limit conflict of interest issues between Palmer Square and its clients. Glass Lewis & Co. and Palmer Square retain a record of all recommendations.
- Glass Lewis & Co. is a neutral third party that issues recommendations based upon its own internal guidelines.
- Palmer Square may vote client shares inconsistent with Glass Lewis & Co. recommendations if Palmer Square believes it is in the best interest of its clients. In such a case, Palmer Square will have on file a written disclosure detailing why they believe Glass Lewis & Co.'s recommendation was not in the client's best interest.
- In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that Palmer Square maintains with persons having an interest in the outcome of certain votes, Palmer Square will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients.
- Palmer Square votes client shares via ProxyEdge, an electronic voting platform provided by Broadridge Financial Solutions, Inc. Additionally, ProxyEdge retains a record of proxy votes for each client.
- Annually, Palmer Square will file Form N-PX with the SEC, which will contain each Registered Fund's complete proxy voting record.
- Palmer Square's Compliance Department will periodically review all proxy votes to ensure consistency with its procedures.
- Palmer Square conducts a periodic review of Glass Lewis & Co. to assess the firm's capacity and competency to serve as a proxy advisor.
- Upon request, clients can receive a copy of Palmer Square's proxy voting procedures and Glass Lewis & Co.'s proxy voting guidelines.

If you have any questions or would like a copy of Palmer Square's proxy voting procedures, Glass Lewis & Co.'s proxy voting guidelines and/or a record of how your shares were voted, please contact Palmer Square's Chief Compliance Officer at (816) 994-3200.

## **Item 18 – Financial Information**

As of the date of this Brochure, the Firm has nothing to report.

## Palmer Square Capital Management LLC Privacy Policy

<b>FACTS</b>	<b>WHAT DOES PALMER SQUARE CAPITAL MANAGEMENT LLC DO WITH YOUR PERSONAL INFORMATION?</b>	
<b>WHY?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <p><input type="checkbox"/> Name; <input type="checkbox"/> Social Security number; <input type="checkbox"/> Address; <input type="checkbox"/> Assets; <input type="checkbox"/> Income; <input type="checkbox"/> Account Balances; <input type="checkbox"/> Account Transactions; <input type="checkbox"/> Transaction History; <input type="checkbox"/> Transaction or Loss History; <input type="checkbox"/> Investment Experience; <input type="checkbox"/> Risk Tolerance; <input type="checkbox"/> Retirement Assets; <input type="checkbox"/> Checking Account Information; <input type="checkbox"/> Employment Information; <input type="checkbox"/> Wire Transfer Instructions.</p> <p>If you decide at some point to either terminate our services or become an inactive customer, we will continue to adhere to our privacy policy, as may be amended from time to time.</p>	
<b>How?</b>	All financial companies need to share clients' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their clients' personal information; the reasons Palmer Square Capital Management LLC ("Palmer Square") chooses to share; and whether you can limit this sharing.	
	<b>Reasons we can share your personal information</b>	<b>Does Palmer Square Capital Management LLC share?</b>
	<b>For our everyday business purposes</b> —such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes. Palmer Square may share personal information described above for business purposes with a non-affiliated third party if the entity is under contract to perform transaction processing or servicing on behalf of Palmer Square and otherwise as permitted by law. Any such contract entered by Palmer Square will include provisions designed to ensure that the third party will uphold and maintain privacy standards when handling personal information. Palmer Square may also disclose personal information to regulatory authorities as required by applicable law.
	<b>For our marketing purposes</b> —to offer our products and services to you	No.
	<b>For joint marketing with other financial companies</b>	No.
	<b>For our affiliates' everyday business purposes</b> —information about your transactions and experiences	Yes. Palmer Square shares personal information with affiliates as permitted by law.
	<b>For our affiliates' everyday business purposes</b> —information about your creditworthiness	No.
	<b>For nonaffiliates to market to you</b>	No.
<b>QUESTIONS?</b>	Call (816) 994-3200 or email <a href="mailto:compliance@palmersquarecap.com">compliance@palmersquarecap.com</a>	
<b>Who is providing this notice?</b>	Palmer Square Capital Management LLC	
<b>How does Palmer Square Capital Management LLC protect my personal</b>	To protect your nonpublic personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include	

<b>information?</b>	<p>computer safeguards and secured files and buildings.</p> <p>Palmer Square limits access to personal information to individuals who need to know that information in order to service your account.</p>
<b>How does Palmer Square Capital Management LLC collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <p>Complete account paperwork; <input type="checkbox"/> Seek advice about your investments; <input type="checkbox"/> Direct us to buy securities; <input type="checkbox"/> Direct us to sell your securities; <input type="checkbox"/> Enter into an investment advisory contract; <input type="checkbox"/> Give us your contact information.</p> <p>We also may collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>■ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>■ affiliates from using your information to market to you</li> <li>■ sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ Palmer Square may share personal information described above for business purposes as permitted by law with our affiliates. Our affiliates include financial companies such as investment advisers. Palmer Square does not share nonpublic information with affiliates so that they can market their services or products to you.</li> </ul>
<b>Non-affiliates</b>	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"> <li>■ Palmer Square may share personal information described above for business purposes with non-affiliated third parties performing transaction processing or servicing on behalf of Palmer Square and otherwise as permitted by law. Such companies may include broker-dealers, banks, investment advisers, mutual fund companies and insurance companies. Palmer Square may also share personal information with parties who provide technical support for our hardware and software systems and our legal and accounting professionals. Palmer Square does not share with non-affiliates so that they can market their services or products to you.</li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>■ Palmer Square does not jointly market with nonaffiliated financial companies.</li> </ul>