

## Part 2A of Form ADV: Disclosure Brochure

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This Brochure provides information about the qualifications and business practices of Palmer Square Capital Management LLC (“Palmer Square”). If you have any questions about the contents of this Brochure, please contact us at (913) 647-9700. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Palmer Square is a registered investment adviser. Registration of an Investment Adviser does not imply any 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.

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” amending the disclosure document that we provide to clients as required by SEC Rules.

The changes made from the March 28, 2013 ADV Part 2 filing include detail related to Palmer Square’s new private funds, changes to Palmer Square’s affiliations, additional detail regarding methods of analysis and risks, and changes to Palmer Square’s disclosures regarding private fund management fees. No other material changes were made.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

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 (913) 647-9700 or [compliance@mariner-holdings.com](mailto:compliance@mariner-holdings.com).

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## **Item 4 – Advisory Business**

Palmer Square Capital Management LLC (“Palmer Square,” “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 supervisory services on a discretionary basis to two open-ended mutual funds, the Palmer Square Absolute Return Fund (“Absolute Return Fund”) and the Palmer Square SSI Alternative Income Fund (“Alternative Income Fund”); the following hedge fund of funds: Palmer Square Opportunity Fund L.P., Palmer Square Multi-Strategy Fund L.P., Palmer Square Multi-Strategy Fund, Ltd., Palmer Square Emerging Manager Fund L.P., Palmer Square Emerging Manager Fund II L.P., and Colony Multi-Strategy Fund, L.P.; and the following private funds: Palmer Square Opportunistic Credit Fund LLC, Palmer Square Short Duration Investment Grade Trust, Palmer Square Opportunistic Investment Grade Plus Trust, Palmer Square Investment Grade Plus Trust, Palmer Square CLO 2013-1, Ltd., and Palmer Square CLO 2013-2, Ltd.; (the hedge fund of funds and private funds collectively, the “Private Funds”). Palmer Square also provides direct investment advisory services on an ongoing basis to high net worth individuals as it pertains to the selection and monitoring of and reporting on direct manager investments and portfolio management.

Palmer Square’s assets under management total \$2,626,265,551. Asset values are as of August 31, 2013. This asset total includes the assets of Fountain Capital Management LLC, majority owned by Palmer Square.

**Palmer Square Opportunistic Credit Fund LLC** (the “Opportunistic Credit Fund”) is a Delaware limited liability company formed on October 4, 2012. Investments in the Opportunistic Credit Fund are restricted to qualified investors who are “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and investments are limited to no more than 100 beneficial owners of the limited liability company interests. Palmer Square Capital Advisors LLC, a Delaware limited liability company, is the managing member of the Opportunistic Credit Fund. Palmer Square Capital Advisors has delegated investment authority over the assets of the Opportunistic Credit Fund to Palmer Square. Palmer Square acts as the Investment Advisor to the Opportunistic Credit Fund.

The investment objective of the Opportunistic Credit Fund is to generate income and long-term capital appreciation. However, no assurance can be given that the investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly, annual and other periodic basis. The Investment Advisor believes that the Opportunistic Credit Fund’s investment objective can be achieved by primarily investing opportunistically in various credit-related instruments, including debt securities, instruments and obligations of U.S. and non-U.S. government, corporate and other non-governmental entities and issuers, and preferred securities that include fixed income features (e.g., payment of income distribution). The Opportunistic Credit Fund may invest in instruments and obligations directly or indirectly by investing in derivative or synthetic instruments, including, without limitation, credit default swaps and loan credit default swaps. The Opportunistic Credit Fund’s investment program will initially focus on

corporate structured credit, cash and synthetic CLOs and CDOs, cash and synthetic high yield debt and leveraged loans, mortgage and non-mortgage ABS. In addition to direct investments, the Opportunistic Credit Fund also reserves the ability to invest with a diversified group of investment managers that primarily employ a variety of credit-related investment strategies. The Investment Advisor will invest the assets of the Opportunistic Credit Fund with the investment managers either through becoming a participant in a pooled investment vehicle and/or by placing assets of the Fund in a managed account.

Prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Opportunistic Credit Fund.

**Palmer Square Short Duration Investment Grade Trust** (the “Short Duration Trust”) is organized under Delaware law and governed by the terms of an Agreement and Declaration of Trust between the Investment Manager and the Trustee. Palmer Square Capital Management LLC (the “Investment Manager”), is responsible for the management of the Short Duration Trust. National Advisors Trust Company, FSB acts as Managing Trustee, and Commonwealth Trust Company acts as Resident Trustee to the Short Duration Trust. Each investor must qualify as an “accredited investor” within the meaning of Rule 501(a) under the Securities Act of 1933 and investments are limited to no more than 100 beneficial owners.

The Short Duration Trust invests in a diversified portfolio of short duration high quality, collateralized loan obligations (“CLOs”) securities. The Trust seeks income by investing primarily in a diversified portfolio of short duration high quality CLO securities. It is designed to be a high quality, short term fixed income substitute.

Prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Short Duration Trust.

**Palmer Square Opportunistic Investment Grade Plus Trust** (the “Opportunistic Investment Grade Plus Trust”) is organized under Delaware law and governed by the terms of an Agreement and Declaration of Trust between the Investment Manager and the Trustee. Palmer Square Capital Management LLC (the “Investment Manager”), is responsible for the management of the Opportunistic Investment Grade Plus Trust. National Advisors Trust Company, FSB acts as Managing Trustee, and Commonwealth Trust Company acts as Resident Trustee to the Opportunistic Investment Grade Plus Trust. Each investor must qualify as an “accredited investor” within the meaning of Rule 501(a) under the Securities Act of 1933 and investments are limited to no more than 100 beneficial owners.

The Opportunistic Investment Grade Plus Trust invests in a diversified portfolio of both investment grade as well as non-investment grade collateralized loan obligations (“CLOs”) securities. The Trust seeks to provide income by investing in a diversified portfolio of both investment grade as well as non-investment grade floating rate CLO securities. It is designed to be a highly-rated, low risk vehicle with strong yields.

Prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Opportunistic Investment Grade Plus Trust.

**Palmer Square Investment Grade Plus Trust** (the “Investment Grade Plus Trust”) is organized under Delaware law and governed by the terms of an Agreement and Declaration of Trust between the Investment Manager and the Trustee. Palmer Square Capital Management LLC (the “Investment Manager”), is responsible for the management of the Investment Grade Plus Trust. National Advisors Trust Company, FSB acts as Managing Trustee, and Commonwealth Trust Company acts as Resident Trustee to the Investment Grade Plus Trust. Each investor must qualify as both (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and (ii) “qualified purchasers” as defined under the Investment Company Act of 1940, as amended (the “Company Act”).

The Investment Grade Plus Trust invests in a diversified portfolio of both investment grade as well as non-investment grade collateralized loan obligations (“CLOs”) securities. The Trust seeks to provide income by investing in a diversified portfolio of both investment grade as well as non-investment grade floating rate CLO securities. It is designed to be a highly-rated, low risk vehicle with strong yields.

Prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Investment Grade Plus Trust.

**Palmer Square CLO 2013-1, Ltd.** (the “CLO 2013-1”) is an exempted company incorporated with limited liability under the laws of the Cayman Islands and is governed by the terms of an Offering Circular. Palmer Square Capital Management LLC (the “Collateral Manager”), is responsible for the management of the portfolio. Investments in the CLO 2013-1 are restricted investors that are either (I)(A) qualified institutional buyers (“Qualified Institutional Buyers”) (as defined in Rule 144A under the Securities Act), (B) solely in the case of offered securities issued as certificated secured notes or certificated subordinated notes, institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) or (C) solely in the case of offered securities issued as certificated subordinated notes, other accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act) that are also knowledgeable employees with respect to the issuer in transactions exempt from registration under the Securities Act and (II)(A) qualified purchasers (“Qualified Purchasers”) (for the purposes of Section 3(c)(7) of the Investment Company Act), (B) solely in the case of the subordinated notes, knowledgeable employees with respect to the issuer or (C) entities owned exclusively by Qualified Purchasers or (solely in the case of the subordinated notes) by knowledgeable employees with respect to the issuer or (2) persons that are non-U.S. persons (as defined in Regulation S under the Securities Act).

The CLO 2013-1 consists primarily of bank loans and Participation Interests.

Prospective investors should carefully review the Offering Circular for a comprehensive description and complete information on the CLO 2013-1.

**Palmer Square CLO 2013-2, Ltd.** (the “CLO 2013-2”) is an exempted company incorporated with limited liability under the laws of the Cayman Islands and is governed by the terms of an Offering Circular. Palmer Square Capital Management LLC (the “Collateral Manager”), is responsible for the management of the portfolio. Investments in the CLO 2013-2 are restricted investors that are either (1)(I)(A) qualified institutional buyers (“Qualified Institutional Buyers”) (as defined in Rule 144A under the Securities Act), (B) solely in the case of offered securities issued as certificated secured notes or certificated subordinated notes, institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) or (C) solely in the case of offered securities issued as certificated subordinated notes, other accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act) that are also knowledgeable employees with respect to the issuer in transactions exempt from registration under the Securities Act and (II)(A) qualified purchasers (“Qualified Purchasers”) (for the purposes of Section 3(c)(7) of the Investment Company Act), (B) solely in the case of the subordinated notes, knowledgeable employees with respect to the issuer or (C) entities owned exclusively by Qualified Purchasers or (solely in the case of the subordinated notes) by knowledgeable employees with respect to the issuer or (2) persons that are non-U.S. persons (as defined in Regulation S under the Securities Act).

The CLO 2013-2 consists primarily of bank loans and Participation Interests.

Prospective investors should carefully review the Offering Circular for a comprehensive description and complete information on the CLO 2013-2.

**Palmer Square Absolute Return Fund** is an open-ended mutual fund, launched on May 17, 2011. Palmer Square Capital Management LLC acts as the adviser to the Absolute Return Fund.

The investment objective of the fund is to seek capital appreciation with an emphasis on absolute (positive) returns with low correlation to the broader equity and bond markets. The Investment Manager seeks to achieve the fund’s investment objective by delegating the management of fund assets to a group of experienced investment managers with strong infrastructures that utilize a variety of investment strategies and styles (“subadvisor(s)”). Palmer Square maintains primary responsibility for allocating fund assets to subadvisors consistent with this premise and will select and determine the percentage of fund assets to allocate to each subadvisor. Palmer Square, however, retains discretion to invest the fund’s assets in securities and other instruments directly. Subadvisors utilize a variety of strategies and styles in order to achieve favorable risk-adjusted returns over a market cycle through security selection and management of risk exposure. Palmer Square will allocate fund assets to those subadvisor strategies that individually provide the potential for attractive long-term capital appreciation and that collectively provide for overall investment diversification while also decreasing portfolio sensitivity to general market fluctuations. The subadvisors may not utilize all of the strategies all of the time due to the opportunistic and flexible nature of their investment approach and philosophy. Additional information can be obtained from the fund’s prospectus.

**Palmer Square SSI Alternative Income Fund** is an open-ended mutual fund, launched on May 25, 2012. Palmer Square Capital Management LLC acts as the adviser to the Alternative Income Fund. SSI Investment Management, Inc. serves as the sub-adviser to the Alternative Income Fund pursuant to a separate investment sub-advisory agreement directly with the Fund.

The investment objective of the fund is to seek income. As a secondary objective, the fund seeks absolute returns. The Investment Manager seeks to achieve the fund's investment objective by investing in convertible securities and to establish short positions in the common stock of the issuers of those convertible securities. The fund's strategy in this regard is managed on a day-to-day basis by SSI Investment Management, Inc., subject to overall monitoring and risk management by Palmer Square. Additional information can be obtained from the fund's prospectus.

**Palmer Square Opportunity Fund L.P.** (the "Opportunity Fund") is a Delaware limited partnership which began operations on June 9, 2009 as a private investment fund. Investments in this partnership are restricted to qualified investors who are both (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and (ii) "qualified purchasers" as defined under the Investment Company Act of 1940, as amended (the "Company Act"). Palmer Square acts as the investment manager to the Opportunity Fund.

The investment objective of the Opportunity Fund is long-term capital appreciation. Palmer Square believes that the Partnership's investment objective can be achieved by investing with a diversified group of investment managers ("Designated Manager(s)") that employ a variety of investment strategies that Palmer Square believes offer attractive risk-adjusted rates of return that are not highly correlated with the U.S. stock market. Palmer Square has discretion in selecting the Designated Managers with which to invest Partnership assets. The Partnership's investment program consists of Designated Managers that generally employ multi-strategy and credit-related investment strategies, including, without limitation, high yield, special situation or distressed securities, and preferred stock arbitrage. Palmer Square believes that a diversified portfolio of investments with Designated Managers offers superior risk/reward characteristics. Due to the opportunity for a low correlation of returns across strategy types, Palmer Square believes that the investors will derive significant benefits from a blended strategy. Palmer Square also believes that the ability to allocate capital flexibly across strategies creates a return enhancement potential when strategies go in and out of favor.

Limited Partners and prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Opportunity Fund.

**Palmer Square Multi-Strategy Fund L.P.** (the "Multi-Strategy Fund") is a Delaware limited partnership which began operations on July 21, 2009 as a private investment fund. Investments in this partnership are restricted to qualified investors who are both (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended (the "Securities Act") and (ii) "qualified purchasers" as defined under the Investment Company Act of 1940, as amended



(the “Company Act”). Palmer Square acts as the investment manager to the Multi-Strategy Fund.

The investment objective of the fund is long-term capital appreciation. Palmer Square believes that this investment objective can be achieved by investing with a diversified group of investment managers (“Designated Manager(s)”) that employ a variety of investment strategies that Palmer Square believes offer attractive risk-adjusted rates of return that are not highly correlated with the U.S. stock market. Further, Palmer Square believes that a diversified portfolio of directional and event-driven strategies offers superior risk/reward characteristics compared to a non-diversified portfolio. Palmer Square has discretion to select the Designated Managers with which to invest assets. The investment program primarily focuses on Designated Managers that generally employ long/short, multi-strategy, global macro, and event-driven investing strategies. Due to the opportunity for a low correlation of returns across strategy types, Palmer Square believes that the investors will derive significant benefits from a blended strategy. Palmer Square also believes that the ability to allocate capital flexibly across strategies creates a return enhancement potential when strategies go in and out of favor.

Limited Partners and prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Multi-Strategy Fund.

**Palmer Square Multi-Strategy Fund, Ltd.** (the “Multi-Strategy Fund, Ltd.”) is an exempted company limited by shares incorporated under the laws of the Cayman Islands on September 21, 2010 formed as a private investment fund for the benefit of certain Permitted U.S. Persons and persons who are not U.S. Persons. Investments in this partnership are restricted to qualified investors who are both (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and (ii) “qualified purchasers” as defined under the Investment Company Act of 1940, as amended (the “Company Act”). Palmer Square acts as the investment manager to the Multi-Strategy Fund, Ltd.

The investment objective is to generate long-term capital appreciation. Palmer Square believes that the investment objective can be achieved by investing with a diversified group of investment managers (“Designated Manager(s)”) that employ a variety of investment strategies that Palmer Square believes offer attractive risk-adjusted rates of return that are not highly correlated with the U.S. stock market. Further, Palmer Square believes that a diversified portfolio of directional and event-driven strategies offers superior risk/reward characteristics compared to a non-diversified portfolio. Palmer Square has discretion in selecting the Designated Managers with which to invest assets. The investment program primarily focuses on Designated Managers that generally employ long/short, event-driven, global macro, and multi-strategy approaches to investing.

Limited Partners and prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Multi-Strategy Fund, Ltd.

**Palmer Square Emerging Manager Fund L.P.** (the “Emerging Manager Fund”) is a Delaware limited partnership which began operations on May 4, 2010 as a private investment fund. Investments in this partnership are restricted to qualified investors who are both (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and (ii) “qualified purchasers” as defined under the Investment Company Act of 1940, as amended (the “Company Act”). Palmer Square acts as part of the investment manager to the Emerging Manager Fund, as described below.

The members and managers of MAPS Capital Management LLC, the Investment Manager of the Emerging Manager Fund (the “Investment Manager”), are Palmer Square, Atlantic Asset Management, L.L.C (“Atlantic”), and Montage Alternative Advisors LLC (“MAA”).

Palmer Square, Atlantic, and Montage, in their capacities as members and managers, will jointly direct the activities of the Investment Manager, and, as a result, the investment activities and operations of the Partnership.

The Partnership’s investment objective seeks to achieve capital appreciation and earn investment income. The Investment Manager believes that the investment objective can be achieved by investing primarily in hedge funds and other investment vehicles (which may include separate accounts managed in parallel with such investment vehicles) (“Underlying Fund(s)”) managed by start-up, early stage and other managers with low to moderate assets under management (“Designated Manager(s)”), as determined from time to time by the Investment Manager. The Investment Manager has discretion in selecting the Designated Managers with which to invest Partnership assets. The Partnership will seek to enhance its returns through the acquisition of: (i) a share of the management fees and/or incentive fees or allocations payable or allocable, as the case may be, to the Designated Managers or their affiliates by the Underlying Funds; (ii) an additional share of capital appreciation and/or investment income from the Underlying Funds; (iii) buyout and/or other considerations from the Underlying Funds and/or the Designated Managers; (iv) participation in a share of the Designated Managers’ revenues; and/or (v) such other arrangements as are agreed to by the Underlying Funds and/or the Designated Managers (collectively, the “Special Rights”). It is anticipated that certain Designated Managers will agree to such arrangements due to the Partnership supplying capital and other business and investment support services that may be provided by the General Partner, the Investment Manager and/or their respective members to the Designated Managers and/or the Underlying Funds. Such arrangements may have different terms, liquidity and durations depending upon negotiations with the Designated Managers, which may include, without limitation, the Partnership’s agreement to a lock-up period for the Partnership’s investment in an Underlying Fund. The Partnership may also make investments in the Underlying Funds without securing Special Rights. In addition to or in lieu of Special Rights, the Partnership may obtain waivers or reductions of management fees and performance fees and/or allocations with respect to the Underlying Funds. The Partnership may seek future capacity rights for the Partnership in the Underlying Funds.

The Emerging Manager Fund owns membership interests in related entities of the following investment funds: Millstreet Credit Fund LP, LNG Investor Holdings Limited SPC, Cypress Capital Onshore, LP, and Geneva Arbitrage Fund, L.P. (together, the “fund managers”). These

interests entitle the Emerging Manager Fund to receive a percentage of the revenues of the fund managers.

Limited Partners should carefully review the offering memorandum for a comprehensive description and complete information on the Emerging Manager Fund. The Emerging Manager Fund was closed to new investors as of December 31, 2011.

**Palmer Square Emerging Manager Fund II L.P.** (the “Emerging Manager Fund II”) is a Delaware limited partnership which began operations on June 1, 2012 as a private investment fund. Investments in this partnership are restricted to qualified investors who are both (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and (ii) “qualified purchasers” as defined under the Investment Company Act of 1940, as amended (the “Company Act”). Palmer Square Capital Advisors LLC, a Delaware limited liability company, is the general partner of the Emerging Manager Fund II and has sole and complete discretionary authority to manage the Partnership’s activities. Palmer Square Capital Advisors has delegated investment authority over the assets of the Emerging Manager Fund II to Palmer Square. Palmer Square acts as the Investment Manager to the Emerging Manager Fund II.

The Emerging Manager Fund II’s investment objective is to generate long-term capital appreciation. The Investment Manager believes that the investment objective can be achieved by investing with a diversified group of investment managers (each, a “Designated Manager”) that employ a variety of investment strategies that the Investment Manager believes offer attractive risk-adjusted rates of return that are not highly correlated with the U.S. stock market. The Investment Manager has wide discretion in selecting the Designated Managers with which to invest Emerging Manager Fund II assets. The Emerging Manager Fund II’s investment program will primarily focus on Designated Managers, many of whom are early-stage and small capitalization investment managers and affiliated with the General Partner and Investment Manager of the Emerging Manager Fund II, that generally employ long-short, multi-strategy, credit-related, global macro and event-driven investing strategies. The Investment Manager will invest the assets of the Emerging Manager Fund II with Designated Managers either through becoming a participant in a pooled investment vehicle and/or by placing assets of the Emerging Manager Fund II in a managed account (each, an “Underlying Fund”). In addition, the Investment Manager may, from time to time, cause some of the Emerging Manager Fund II’s assets to be held in cash and/or cash equivalents pending an allocation to Designated Managers, to pay expenses or to fund withdrawal requests.

Limited Partners and prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Emerging Manager Fund II.

**Colony Multi-Strategy Fund, L.P.** (the “Colony Fund”) is a Delaware limited partnership which began operations on July 19, 2005 as a private investment fund. Investments in this partnership are restricted to qualified investors who are “accredited investors” as defined under

Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and investments are limited to no more than 100 beneficial owners of the limited liability company interests.

Colony Funds, LLC, a Delaware limited liability company (the “General Partner”) has sole and complete discretionary authority to manage the Partnership’s activities. The Colony Group, LLC (the “Manager”) is a limited liability company formed under the laws of the Commonwealth of Massachusetts. The General Partner and the Manager have engaged Palmer Square to serve as the Partnership’s Subadvisor. The Subadvisor is responsible for the Partnership’s day-to-day portfolio management under the general supervision of the General Partner and the Manager. Palmer Square Capital Advisors LLC, a Delaware limited liability company (the “Special Limited Partner”), assists the General Partner and the Manager in the supervision of the Subadvisor.

The Partnership’s investment objective is to generate long-term capital appreciation. However, no assurance can be given that the Partnership’s investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly and annual basis. The Subadvisor believes that the Partnership’s investment objective can be achieved by investing with a broad group of investment managers (“Designated Manager(s)”) that employ a variety of investment strategies that offer attractive risk-adjusted rates of return that are not highly correlated with the U.S. stock market. The Subadvisor has discretion in selecting the Designated Managers with which to invest Partnership assets. The Partnership’s investment program will include Designated Managers that generally employ a set of strategies that may include long/short equity, credit, global macro, event-driven, managed futures and various other multi-strategy investment approaches. The Subadvisor will invest the assets of the Partnership with Designated Managers either through becoming a participant in a pooled investment vehicle and/or by placing assets of the Partnership in a managed account (“Underlying Fund(s)”). In addition, the Subadvisor may, from time to time, cause some of the Partnership’s assets to be held in cash and/or cash equivalents pending an allocation to Designated Managers, to pay expenses, or to fund withdrawal requests.

Limited Partners and prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Colony Fund.

### **Management of the Private Funds – General**

None of the Private Funds are required to register as investment companies under the Company Act in reliance upon an exemption(s) available to funds whose securities are not publically offered. Palmer Square manages the Funds on a discretionary basis in accordance with the terms and conditions of each Fund’s offering and organizational documents and any relevant supplements thereto.

Each of the Funds outlined above employs investment strategies that are suitable to sophisticated investors with substantial net worth and who are able to bear the risks of the strategies employed. Limited Partners and prospective investors should also be aware of additional risks associated

with investing in the Funds, many of which are described in the offering memorandum of each respective Fund.

Palmer Square serves as the general partner and investment manager of the Multi-Strategy Fund and Opportunity Fund, both fund-of-funds vehicles, as described more fully above. MAPS Capital Advisors LLC and MAPS Capital Management LLC are the general partner and investment manager, respectively, of the Emerging Manager Fund, a fund-of-funds vehicle the primary investment strategy of which is to invest in hedge funds and other investment vehicles (which may include separate accounts managed in parallel with such investment vehicles) managed by start-up, early stage and other managers, as described more fully above. The members and managers of each of MAPS Capital Advisors LLC and MAPS Capital Management LLC are Atlantic Asset Management, L.L.C., Montage Alternative Capital LLC and Palmer Square (as applicable). The Multi-Strategy Fund and Opportunity Fund have the ability to make investments in the funds in which the Emerging Manager Fund has invested. The Emerging Manager Fund owns membership interests in related entities of the following investment funds: Millstreet Credit Fund LP, LNG Investor Holdings Limited SPC, Cypress Capital Onshore, LP, and Geneva Arbitrage Fund, L.P. (together, the “fund managers”). These interests entitle the Emerging Manager Fund to receive a percentage of the revenues of the fund managers.

### **Direct Investment Advisory Services**

In addition to the Absolute Return Fund, Alternative Income Fund and Private Funds, the Adviser also offers discretionary investment management services to high net worth and institutional clients on an ongoing basis whereby the client can customize portfolios according to their unique risk/reward objectives. Palmer Square will select, monitor, and report on direct manager relationships. Generally speaking, the investors’ customization of a portfolio centers around liquidity and strategy objectives and involves selecting and investing directly with one or more fund managers.

### **Ownership**

A majority of Palmer Square’s equity is owned by Montage Investments, LLC, a Kansas limited liability company and an SEC-registered investment adviser that currently manages, through control relationships with ten other investment managers, over \$18 billion in assets as of August 31, 2013. The remainder is owned by employees of Palmer Square.

### **Other**

Palmer Square does not currently manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Set forth below is a description of how Palmer Square is compensated for advisory services to clients.

### **Absolute Return Fund Investment Management Fees**

As set forth in the Investment Management Agreement between the Investment Managers Series Trust, a Delaware Statutory Trust, and Palmer Square Capital Management LLC, (the “Investment Manager”), the Absolute Return Fund pays to the Investment Manager a fee accrued daily and paid monthly in arrears at an annual rate of 1.75%.

### **Alternative Income Fund Investment Management Fees**

As set forth in the Investment Management Agreement between the Investment Managers Series Trust, a Delaware Statutory Trust, and Palmer Square Capital Management LLC (the “Investment Manager”), the Alternative Income Fund pays to the Investment Manager a fee accrued daily and paid monthly in arrears at an annual rate of 0.35%.

### **Private Funds Investment Management Fees**

Management fees for the Private Funds range from 0.25% to 1.50%, per annum, as more fully described in each Private Fund’s offering documents which each investor and prospective investor is required to receive prior to investing.

We calculate the management fee for the Private Funds either quarterly in arrears or monthly in arrears depending on the specific contractual arrangement for each Private Fund. The Management Fee shall be prorated for amounts invested and/or redeemed during any month and for any month during which the Investment Manager does not serve as the investment manager of the Company for the entire month.

For the avoidance of doubt, the Investment Manager, in its sole and absolute discretion, may waive, reduce or rebate any management fee attributable to any Class, sub-class or series of Shares held by or on behalf of any Shareholder, including, without limitation, any employee, agent or affiliate of the Investment Manager. The Investment Manager, in its sole and absolute discretion, may also pay a portion of the Management Fee to certain Shareholders and/or other third parties.

For Opportunistic Credit Fund investors who hold a piece of the equity of the CLO 2013-1, Palmer Square rebates the fees to the extent they are attributable to the investors’ equity holdings.

In addition to our management fee, we may also charge an annual performance fee, as further described in Item 6 of this Brochure.

Investors in the Fund(s) and prospective investors are requested to refer to the applicable Fund offering memorandum for complete information on the Fund(s) and its fees.

### **Special Rights**

The Emerging Manager Fund will seek to enhance its returns through the acquisition of Special Rights. It is anticipated that certain Designated Managers will agree to such arrangements due to the Partnership supplying capital and other business and investment support services that may be provided by the General Partner, the Investment Manager and/or their respective members to the Designated Managers and/or the Underlying Funds. Such arrangements may have different terms, liquidity and durations depending on the negotiations with the Designated Managers, which may include, without limitation, the Partnership's agreement to a lock-up period for the Partnership's investment in an Underlying Fund.

Limited Partners and prospective investors should carefully review the offering memorandum for a comprehensive description and complete information on the Emerging Manager Fund.

### **Direct Investment Advisory Services**

Palmer Square provides investment supervisory services on an ongoing basis to high net worth individuals and institutions as it pertains to the selection and monitoring of and reporting on direct manager investments and portfolio management. Fees range depending on the services involved. All fees are subject to negotiation and all fee arrangements will comply with Section 205 of the Advisers Act.

### **Fee Billing**

For the Private Funds, the Absolute Return Fund, and the Alternative Income Fund, investors do not have the ability to choose to be billed directly for fees incurred as Palmer Square and its service providers deduct fees automatically. For direct/investment advisory services to individual clients, clients may choose to be billed directly for fees incurred.

### **Other Expenses**

In addition to the Palmer Square fees referred to above, the Private Funds' clients and direct investment advisory clients, in some cases, are liable to pay a management fee and performance fee for each Designated Manager. Fixed fees are typically 1.5% (annualized) of the average net asset value of assets under management, but can generally range from 0.5% to 3.0% (annualized) of such assets. If applicable, performance-based fees generally will range from 15% to 25% of the net capital appreciation in the Designated Manager's Partnership for each year (in some cases above a specified benchmark), but may be higher in certain instances. In most cases, receipt by a Designated Manager of performance-based fees will be subject to the investment exceeding its "high water mark" in such investment. In addition, the Private Funds' clients and direct advisory clients, in some cases, may also be liable for their pro-rata share of certain operating expenses of Palmer Square and the underlying managers in which we invest including (but not limited to) brokerage commissions, dealer spreads, transfer fees, taxes and other transaction costs, custody, administration, legal, auditing, registration fees, and licensing (including certain research

databases and software and certain administrative software), government filing fees, and manager background checks.

The Absolute Return Fund is responsible for its own operating expenses. The Adviser has contractually agreed, however, to waive its fees and/or absorb expenses of the Absolute Return Fund to ensure that the total annual fund operating expenses (excluding acquired fund fees and expenses, interest, taxes, dividends on short positions, brokerage commissions and extraordinary expenses such as litigation expenses) do not exceed 2.50% and 2.25% of the average daily net assets of its Class A shares and Class I shares, respectively. This agreement is effective until, August 31, 2013, subject thereafter to annual re-approval of the agreement by the Trust's Board of Trustees, and may be terminated with the consent of the Trust's Board of Trustees. Any reduction in advisory fees or payment of the Absolute Return Fund expenses made by the Adviser in a fiscal year may be reimbursed by the Absolute Return Fund in any of the three subsequent fiscal years if the Adviser so requests. This reimbursement may be paid by the Absolute Return Fund if the aggregate amount of operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the current limitation on the Absolute Return Fund expenses or the limitation on the Absolute Return Fund expenses in effect at the time of the request. Any such reimbursement is contingent upon the Board's subsequent review and ratification of the reimbursed amounts and may not cause the total fee paid by the Absolute Return Fund in a fiscal year to exceed the applicable limitation on Absolute Return Fund expenses. The Absolute Return Fund must pay current ordinary operating expenses before the Adviser is entitled to request any reimbursement of fees and/or Absolute Return Fund expenses.

The Alternative Income Fund is responsible for its own operating expenses. The Adviser and Sub-advisor have contractually agreed, however, to waive their fees and/or pay for expenses of the Alternative Income Fund to ensure that the total annual fund operating expenses (excluding any shareholder servicing plan fees, front-end or contingent deferred loads, taxes, leverage interest, brokerage commissions, dividend or interest expenses on short sales, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation) do not exceed 1.74% and 1.49% of the average daily net assets of its Class A shares and Class I shares, respectively. This expense limitation agreement has been structured so that the adviser will first be required to waive an amount up to its entire management fee before the sub-adviser will be required to waive its fee or absorb fund operating expenses that exceed the amount of the advisor's fee. This agreement is effective until, April 30, 2013, subject thereafter to annual re-approval of the agreement by the Trust's Board of Trustees, and may be terminated with the consent of the Trust's Board of Trustees. The adviser and sub-adviser are permitted to seek reimbursement from the fund, subject to certain limitations, for waived fees and fund expenses paid for three years from the date of any such waiver or payment to the extent a class's total annual fund operating expenses do not exceed the limited described above.



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

As described in Item 5 above, in some cases, Palmer Square receives performance-based compensation with respect to its Private Funds. Palmer Square will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (The Advisers Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

The performance-based compensation is based on capital appreciation. This arrangement may create an incentive for Palmer Square to invest certain of the Private Funds' assets in investments that are riskier or more speculative than would be the case if Palmer Square was compensated solely on a flat percentage of capital. The Partnership Agreement and the Investment Management Agreement, or Agreement and Declaration of Trust, as applicable, of the Private Funds require the General Partner and the Investment Manager, respectively, to exercise their duties with care, skill, prudence and diligence. In the event of a conflict of interest between the Partnership and any other entity managed by the General Partner, the Investment Manager, or any of their respective affiliates, the General Partner, the Investment Manager or such affiliate, as the case may be, will resolve such conflict by taking into account the investment objective of each entity (or account), any investment restrictions applicable to each entity and the other available investment options for each entity and will seek to resolve such conflict in a fair and equitable manner.

For investment management of the Absolute Return Fund and Alternative Income Fund and certain Private Funds such as the Opportunistic Credit Fund, the Investment Grade Plus Trust and the Short Duration Trust, as well as direct investment advisory relationships where Palmer Square solely receives fees based on a percentage of assets managed and no incentive or performance fee, there is an incentive to favor higher fee paying accounts. Palmer Square has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

Palmer Square provides investment advisory services to investment companies (Absolute Return Fund and Alternative Income Fund), hedge fund of funds, private funds, institutions, and individuals (including high net worth individuals).

Investments in the Private Funds that are currently open to new investors are subject to a minimum initial investment amount of \$250,000 (subject to the discretion of the General Partner).

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

### **Methods of Analysis**

In directly investing capital to achieve a particular client objective, Palmer Square's process consists of top-down analysis which incorporates a combination of macro analysis, cross asset relative value analysis, and market trends, and bottom-up analysis which seeks to identify securities which offer strong risk-adjusted returns. Our bottom-up process includes, but is not limited to, a focus on security screening and analysis, trade refinement and structural analysis, and portfolio-level analysis.

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 weekly meetings to review portfolio developments and market trends as well as security-specific reviews.

For example, Palmer Square builds portfolios of CLO debt and equity tranches utilizing an investment process which blends top-down and bottom-up analysis. We analyze trends and relative value available across the entire CLO capital structure including new and secondary issues, regulatory changes, buyer dynamics across market participants, and key long-term investment themes. From the bottom-up, we rely on our working knowledge of managers, Wall Street relationships and proprietary tools to source and screen securities. Palmer Square also conducts manager evaluation and due diligence, document analysis, deal structure model analysis, evaluation of deal status and compliance reports, and loan collateral analysis. We frequently conduct scenario analyses stressing default, prepayment and reinvestment rates to test individual investments and help manage risk in the broader portfolio by balancing upside versus downside potential.

As the collateral manager to the CLO 2013-1 and CLO 2013-2, Palmer Square selects the Collateral Obligations and Eligible Investments to be acquired and sold by the issue and monitors the Collateral Obligations and provides the issuer and the trustee 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.

For example, Palmer Square and its fundamental credit team employ a comprehensive investment process designed to generate a portfolio of attractively priced quality credits. 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 investment committee approval process for not only buy decisions, but also sell decisions.

Finally, with regard to allocating capital to outside managers, Palmer Square strives to construct a well-diversified portfolio integrating market opportunity with carefully selected managers.

With regard to the top-down strategy allocation, based on current market conditions and a proprietary core / satellite majority / satellite minority, the Investment Committee 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. And, we incorporate our investment outlook with our managers' insight.

With regard to the bottom-up portion of our investment philosophy, Palmer Square believes in maintaining a concentrated approach, thereby investing with what we believe to be relatively few managers. Palmer Square will generally select 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.

Palmer Square believes that the ongoing monitoring of the underlying managers is of paramount importance to achieving a client's investment objective. Style drift, rapid growth of assets, changes in the use of leverage and liquidity, employee defections, infrastructure changes, transparency reduction, and complacency are a few examples of factors that can lead to the re-evaluation of an investment decision. Palmer Square dedicates a significant amount of time to monitoring the underlying managers within the different portfolios. Palmer Square will perform regular reviews of the underlying managers through onsite face-to-face meetings and conference calls and by utilizing Palmer Square's extensive network of buy side and sell side professionals, traders, other fund managers and other Wall Street professionals.

### **Investment Strategies**

Currently, the strategies described below are those that Palmer Square employs directly and/or primarily expects the Designated Managers to employ on behalf of the Absolute Return Fund, Alternative Income Fund, and Private Funds and direct advisory clients. Importantly, though, Palmer Square generally intends to invest opportunistically, therefore, retaining the right to continue to develop and invest in additional strategies over time. Palmer Square recognizes that any particular strategy may be incapable of remaining profitable indefinitely. Accordingly, Palmer Square may allocate and re-allocate capital between or among strategies and/or Designated Managers, including, without limitation, between or among Designated Managers employing a varied set of strategies focused on public markets, on the one hand, and private markets, on the other hand, all as dictated by opportunity.

While the below list is certainly not exhaustive and does not purport to be complete, assets of the Absolute Return Fund, Alternative Income Fund, Private Funds, and direct advisory clients will primarily be invested either directly by Palmer Square or with Designated Managers employing the following investment strategies:

**Fixed Income, Long/Short Credit, and Distressed Debt Investing:** Focuses primarily in 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, collateralized mortgage obligations, other mortgage-related securities, collateralized loan obligations and other asset-backed securities of all credit qualities including lower-rated bonds may also be used within the investment strategies. Typical investment strategies within credit will involve a long/short or event driven style similar to those described above in “Long/Short Equity Investing” and “Event Driven Investing.” Strategies will also often involve the purchase of debt securities that are currently undervalued, out-of-favor, have low credit ratings or are affected by other adverse factors (“Distressed Securities”). Distressed Securities will typically 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 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 company 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 Equity Investing: Employs long and short investing in primarily common and preferred stocks of U.S. Issuers 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.

### **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including 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 involved in an investment or an investment in the Private Funds, Absolute Return Fund, or Alternative Income Fund. Moreover, the different Palmer Square Funds have specific risks and Prospective Investors should read the entire respective Prospectus and Statement of Additional Information or Fund Memorandum and consult with their own adviser before signing a Subscription Document. 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. For additional information on specific risks, please carefully review all of the key documentation including the Subscription Documents.**

### **Market Risks:**

- *Risk of Loss:* An investment in the Private Funds, Absolute Return Fund or Alternative Income Fund is speculative and involves significant risk. The profitability of the Private Funds, Absolute Return Fund or Alternative Income Fund depends upon Palmer Square and/or the Designated Managers selected by Palmer Square correctly assessing the future price movements of the securities, commodities and other financial instruments in which the Underlying Funds invest 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 or the Designated Managers. There can be no assurance that Palmer Square or the Designated Managers will be successful in accurately predicting price and interest rate movements. Accordingly, Investors may incur substantial losses on their investments in the Private Funds, Absolute Return Fund or Alternative Income Fund, and it is possible that the Private Funds', Absolute Return Fund's or Alternative Income Fund's performance will fluctuate substantially from period to period.
- *Leverage:* Palmer Square and/or the Designated Managers selected by Palmer Square may generally employ leverage, 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 Palmer Square or the Designated Managers selected by Palmer Square use leverage 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 to the Funds.

- *General Credit Risks:* Palmer Square and/or the Underlying Funds will seek to take advantage of opportunities in the distressed credit arena and may be exposed to losses resulting from default and foreclosure. 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.
- *Distressed/Bankruptcy Investing:* Palmer Square and/or the Underlying Funds 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 and/or the Underlying Funds may also purchase financial instruments of companies that have low credit quality, and purchase securities and loans that are in default. There is no assurance that Palmer Square or the Underlying Funds will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or rehabilitation of a distressed asset or adequate realization upon such assets and claims. The Private Funds’, Absolute Return Fund’s or Alternative Income Fund’s performance may be substantially impaired by unsuccessful distressed or low credit investments.
- *Liquidity:* Many of the investments that are made by Palmer Square and/or the Underlying Funds in the Private Funds will lack liquidity. Palmer Square and/or some of the Designated Managers only permit the Private Funds to withdraw assets at specified times (i.e., annually, semi-annually or quarterly) and may have the right to suspend the payment of withdrawals under certain circumstances. Furthermore, though it is intended that investments by the applicable Private Funds will be with Designated Managers which invest in securities, commodity futures or other financial instruments traded on listed exchanges, some may be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). In many situations, Palmer Square and/or the Designated Managers 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.
- *Independence of Designated Managers:* The Private Funds do not presently, and do not expect in the future to, control any of the Designated Managers, their choice of investments and other investment decisions, all of which will be totally within the control of such Designated Managers. The investments of the Underlying Funds are made pursuant to written disclosures from and/or agreements with a Designated Manager which provide, among other things, guidelines by which the Designated Manager will trade for the applicable Underlying Fund. Thus, while each Designated Manager undertakes to follow specified trading strategies, the written disclosures and/or agreements discussed above typically provide the Designated Managers with broad discretion to modify their trading strategies and therefore it is possible that a Designated Manager could deviate from its trading strategies, which deviation could result in, among

other things, a less profitable trading strategy or a riskier approach that could lead to a loss of all or part of the Private Fund's investment with such Designated Manager. Furthermore, Designated Managers invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that the Designated Managers do, in fact, hold such positions, the Fund, considered as a whole, cannot achieve any gain or loss despite incurring fees and expenses. In certain Private Funds, Palmer Square and its respective affiliates own equity interests in some of the Designated Managers. Moreover, it is possible that one or more of the affiliates of Palmer Square will in the future acquire non-controlling interests in one or more of the Designated Managers.

- *Fraudulent Activities:* There is a risk that a Designated Manager may knowingly, negligently or otherwise withhold or misrepresent information regarding the performance of the Designated Manager or the Underlying Fund including, without limitation, the presence or effects of any fraudulent or similar activities. The Private Funds' performance of their monitoring functions would generally not give the Private Funds the opportunity to discover such situations prior to the time the Designated Manager discloses (or there is public disclosure of) the presence or effects of any fraudulent activities.
- *Investments in Undervalued Securities:* Palmer Square and/or the Designated Managers 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.
- *Options:* Palmer Square and/or the Designated Managers may utilize options in furtherance of their investment strategies. Option positions may include both long positions, where Palmer Square or the Designated Manager is the holder of put or call options, as well as short positions, where Palmer Square or the Designated Manager 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. For example, the expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the cost of selling or purchasing the underlying securities, commodities or other instruments in the event of exercise of the option.
- *Loan Participations:* Palmer Square and/or the Underlying Funds 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 and/or the Underlying Funds will acquire participations only if the seller of the participation is determined by Palmer Square to be creditworthy.

- *Collateralized Debt Obligations:* Palmer Square and/or the Underlying Funds may invest in collateralized debt obligations (each, a “CDO”), collateralized loan obligations (each, a “CLO”) 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 and/or the Underlying Funds 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.
- *Forward Contract Markets:* Palmer Square and/or the Designated Managers 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 and/or the Designated Managers that trade forward contracts may experience liquidity or other problems, and may incur substantial losses on such investments.
- *Short Sales:* Palmer Square and/or the Designated Managers 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 and/or the Designated Managers 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 and/or the Designated Managers are otherwise unable to borrow securities which are necessary to cover their positions.
- *Proprietary Investment Strategies:* Palmer Square and the Designated Managers generally use investment strategies that are different than those typically employed by traditional managers of 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 and the Designated Managers may be closely correlated to each other in some market conditions, resulting (if those returns are negative) in significant losses to the

applicable Private Funds, Absolute Return Fund, and Alternative Income Fund and their investors.

- *Concentration and Non-Diversification of Investments:* The Private Funds will attempt to diversify their portfolios over time by investing in numerous securities and/or Underlying Funds, as applicable to the respective Fund. However, a number of underlying investments may have overlapping strategies or securities and thus could accumulate large positions in the same or related instruments. In the case of those Private Funds focused on investment in numerous Underlying Funds, this could occur without Palmer Square's knowledge. Even if known, Palmer Square's ability to avoid such concentration would depend on their ability to reallocate the Private Funds' capital among existing or new Designated Managers, which might not be feasible for several months until withdrawals and contributions are permitted. To the extent the assets of the Underlying Funds do so concentrate, the overall adverse impact on the Private Funds of adverse developments in the business of such issuer, such industry or such country could be considerably greater than if it did not concentrate its investments to such an extent.
- *Compensation Arrangements with the Designated Managers:* Designated Managers may receive incentive compensation from the Private Funds based on the performance of their portfolios. Such compensation arrangements may create an incentive 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 of the Private Funds' assets, such performance-based compensation may be greater than if such compensation were based solely on realized gains.
- *Non-U.S. Investments; Emerging Market Risk:* Palmer Square and/or a Designated Manager 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.

#### Regulatory Risks:

- *No Registration:* The Private Funds are not registered as an "investment company" under the ICA in reliance upon Section 3(c)(1) or Section 3(c)(7) thereof. In addition, it is expected that the Underlying Funds in which Palmer Square will invest assets of certain of the Private Funds will be exempt from registration under the ICA under Section 3(c)(1) or Section 3(c)(7) thereof. Further, the Private Funds are exempt from

registration as a CPO with the CFTC under CFTC Rule 4.13(a)(3) and Palmer Square is exempt from registration as a CTA with the CFTC under CFTC Rule 4.14(a)(8). However, some of the pooled investment vehicles and accounts in which Palmer Square plans to invest assets of the Private Funds may be directed by CFTC registered CPOs and/or CTAs. Consequently, the Limited Partners of the Private Funds and the Private Funds will not benefit from certain of the protections afforded by such statutes.

- *General Business and Regulatory Risks of Hedge Funds:* Legal, tax and regulatory changes could occur during the term of the Private Funds, Absolute Return Fund or Alternative Income Fund that may adversely affect the fund(s). The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Private Funds, Absolute Return Fund, or Alternative Income Fund and the ability of the Private Funds, Absolute Return Fund, or Alternative Income Fund to pursue its investment strategy. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Private Funds, Absolute Return Fund, or Alternative Income Fund could be substantial and adverse.

#### Fund Specific Risks:

- *Limited Operating History of Private Funds, Absolute Return Fund, and Alternative Income Fund:* The Funds are recently formed and have a limited operating history. The success of the Funds depends on the ability and experience of the General Partner and the Investment Manager and there can be no assurance that the General Partner or the Investment Manager will generate any gains or profits for the Funds. In addition, the past performance of the founders of the General Partner, the Investment Manager and their respective affiliates is no guarantee of future performance.
- *Limited Liquidity:* An investment in the Private Funds provides limited liquidity. In connection with the purchase of an interest in a Private Fund pursuant to each Private Fund's respective Memorandum, each Prospective Investor must represent that the Prospective Investor is acquiring the interests for investment purposes only and not with a view to or for resale, distribution or fractionalization of the interests. Interests have neither been registered under the 1933 Act nor under the securities or "blue sky" laws of any state or any other jurisdiction and, therefore, are subject to transfer restrictions. A secondary market does not exist, and one is not expected to develop, for the interests. **The different Palmer Square Funds have specific risks and Prospective Investors should read the entire respective Prospectus and Statement of Additional Information or Fund Memorandum and consult with their own adviser before signing a Subscription Document.**

- *Frequency of Trading:* Some of the strategies and techniques employed by Palmer Square and/or the Designated Managers require frequent trades to take place and, as a consequence, portfolio turnover and brokerage commissions may be greater than for other investment entities of similar size.
- *Fees and Expenses:* Private Funds which invest in underlying Designated Managers are subject to a “layering” of asset-based or performance-based allocations, fees and expenses. The asset-based fees of the Designated Managers generally are expected to range from 0.5% to 3.0%, and the performance-based allocations or fees of the Designated Managers generally are expected to range from 15% to 25% of net income or capital appreciation. An additional “layer” of fees and expenses may be added where one of the Private Funds invests in a Multi-Manager Structure. Such fees and expenses, in the aggregate, will exceed the fees and expenses that would typically be incurred by an investor making a direct investment in an Underlying Fund. In addition, performance based compensation arrangements may create an incentive for the Designated Managers to make investments that are more risky or more speculative than would be the case if such arrangements were not in effect. For detail on the fees and expenses of the Private Funds, Absolute Return Fund and Alternative Income Fund, please refer to the appropriate Offering Memorandum, Prospectus and Statement of Additional Information.
- *Dependence of the Investment Manager and Designated Managers:* The Investment Manager invests assets of certain of the Private Funds, Absolute Return Fund, and Alternative Income Fund with Designated Managers. The success of the Private Funds, Absolute Return Fund, and Alternative Income Fund depends upon the ability of the Investment Manager and the Designated Managers to develop and implement investment strategies that achieve the Private Funds’, Absolute Return Fund’s, and Alternative Income Fund’s investment objectives. Subjective decisions made by the Investment Manager and/or the Designated Managers may cause the Funds to incur losses or to miss profit opportunities on which it could otherwise have capitalized. In addition, the overall performance of the Private Funds, Absolute Return Fund, and Alternative Income Fund is dependent not only on the investment performance of individual Designated Managers, but also on the ability of the Investment Manager to select and allocate the Private Funds’ Absolute Return Fund’s, and Alternative Income Fund’s assets among such Designated Managers effectively on an ongoing basis. There can be no assurance that the allocations made by the Investment Manager will prove as successful as other allocations that might otherwise have been made, or as adopting a static approach in which Designated Managers are not changed.
- *Other Clients and Funds:* The General Partner, the Investment Manager and/or their respective affiliates may from time to time sponsor or advise other clients or investment vehicles. In connection with the operation of the accounts of such clients or vehicles, the General Partner, the Investment Manager and/or their affiliates may employ substantially similar investment strategies and/or invest in substantially similar securities to the strategies employed or securities invested by the Private Funds, Absolute Return Fund, or Alternative Income Fund. In either case, the General Partner, the Investment Manager

and/or their respective affiliates may receive fees from the Private Funds, Absolute Return Fund, and Alternative Income Fund and such clients or vehicles.

- *Opportunistic Credit Investments:* Palmer Square may cause the Opportunistic Credit Fund, Investment Grade Plus Trust, and/or Short Duration Trust 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 other securitized vehicles that are advised, sponsored and/or otherwise affiliated with Palmer Square or its affiliates.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Palmer Square or the integrity of Palmer Square's management. Palmer Square has no information applicable to this Item.

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

### Other Investment Advisers

Palmer Square is affiliated, and under common control, with other SEC registered investment advisers:

- 440 Investment Group, LLC (“440 Investment Group”) (CRD No. 155399);
- Adams Hall Wealth Advisors, LLC (“Adams Hall”) (CRD No. 107355);
- Ascent Investment Partners, LLC (“AIP”) (CRD No. 152533);
- Brinton Eaton, LLC (“Brinton Eaton”) (CRD No. 165972);
- Convergence Investment Partners, LLC (“CIP”) (CRD No. 148472);
- FirstPoint Financial, LLC (“FirstPoint”) (CRD No. 168793);
- Fountain Capital Management, LLC (“Fountain”) (CRD No. 109424);
- Giralda Advisors, LLC (“Giralda”) (CRD No. 165971);
- Mariner Real Estate Management, LLC (“MREM”) (CRD No. 159261);
- Mariner Wealth Advisors, LLC (“MWA”) (CRD No. 140195);
- Mariner Wealth Advisors, LLC (“MWA-Omaha”) (CRD No. 109904);
- Montage Investments, LLC (“Montage”) (CRD No. 152607);
- Nuance Investments, LLC (“Nuance”) (CRD No. 148534);
- RiverPoint Capital Management, LLC (“RPCM”) (CRD No. 165759); and,
- Tortoise Capital Advisors, L.L.C. (“TCA”) (CRD No. 123711), respectively.

### Broker-Dealer

Palmer Square is affiliated, and under common control, with Montage Securities, LLC (“Montage Securities”) (CRD No. 154327), a broker/dealer registered with the SEC and various state jurisdictions, member of the Financial Industry Regulatory Authority (FINRA), Securities Investment Protection Corporation (SIPC), and Municipal Securities Rulemaking Board (MSRB). Certain personnel of Palmer Square are registered representatives of Montage Securities. However, no securities transactions for our clients will be executed through Montage Securities.

### Investment Company or Other Pooled Investment Vehicles

Palmer Square is the investment adviser to the Palmer Square Absolute Return Fund administered by UMB Fund Services. All relevant information, terms and conditions relative to the Absolute Return Fund may be found in its prospectus, which each investor is required to receive prior to being accepted as an investor.

Palmer Square is the investment adviser to the Palmer Square SSI Alternative Income Fund administered by UMB Fund Services. All relevant information, terms and conditions relative to the Alternative Income Fund may be found in its prospectus, which each investor is required to receive prior to being accepted as an investor.

One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment adviser to the Convergence Core Plus Fund administered by U.S. Bancorp Fund Services. All relevant information, terms and conditions relative to the Convergence Core Plus Fund may be found in its prospectus, which each investor is required to receive prior to being accepted as an investor.

One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment adviser to the Giralda Fund administered by Gemini Fund Services, LLC. All relevant information, terms and conditions relative to the Giralda Fund may be found in its prospectus, which each investor is required to receive prior to being accepted as an investor.

One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment adviser to the Nuance Concentrated Value Fund administered by U.S. Bancorp Fund Services. All relevant information, terms and conditions relative to the Nuance Concentrated Value Fund may be found in its prospectus, which each investor is required to receive prior to being accepted as an investor.

One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment adviser to the Tortoise MLP & Pipeline Fund administered by U.S. Bancorp Fund Services. All relevant information, terms and conditions relative to the Tortoise MLP & Pipeline Fund may be found in its prospectus, which each investor is required to receive prior to being accepted as an investor.

One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment manager of Montage Seed Capital, LLC (“MSC”). One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment manager of WBR, LLC. One of our Advisory Affiliates due to common control where Palmer Square has no operational involvement is the investment manager of Mariner Real Estate Partners, LLC (“MREP”); Mariner Real Estate Partners II, LLC (“MREP II”); Mariner Real Estate Partners III, LLC (“MREP III”); Mariner Real Estate Partners III A, LLC (“MREP III A”); Mariner Real Estate Partners III B, LLC; Mariner Residential Recovery Fund, LLC (“MRRF”), all of which are pooled investment vehicles focusing on real estate investments. MREP and MREP II are closed to any new investors.

One of our Advisory Affiliates is the investment manager to the Fountain Short Duration High Yield Trust and the Fountain High Yield Total Return Trust.

Palmer Square is the Subadviser to the Colony Multi-Strategy Fund, L.P. and the investment manager of the Palmer Square Multi-Strategy Fund L.P., Palmer Square Multi-Strategy Fund, Ltd., both fund of funds comprised of a diversified portfolio of managers employing a variety of investment strategies; Palmer Square Opportunity Fund L.P., a fund of funds designed to capitalize on market opportunities; Palmer Square Emerging Manager Fund, L.P.; Palmer Square Emerging Manager Fund II, L.P. ; Palmer Square Opportunistic Credit Fund LLC; Palmer Square Short Duration Investment Grade Trust; Palmer Square Opportunistic Investment Grade



Plus Trust; Palmer Square Investment Grade Plus Trust; Palmer Square CLO 2013-1, Ltd.; and Palmer Square CLO 2013-2, Ltd.

Please also refer to Item 4, “Advisory Business”.

All relevant information, terms and conditions relative to the aforementioned Private Funds, including the investment objectives and strategies, minimum investments, qualification requirements, suitability, fund expenses, risk factors, and potential conflicts of interest, are set forth in the offering documents (which typically include a confidential private offering memorandum, Limited Partnership Agreement, and Subscription Agreement), which each investor is required to receive and/or execute prior to being accepted as an investor.

#### Accounting Firm

Palmer Square has no operational involvement with any accounting firm; however, we are under common control with Mariner Consulting, a Certified Public Accounting Firm. Palmer Square does not render or recommend accounting advice or tax preparation services to our clients.

#### Law Firm

Palmer Square has no operational involvement with any legal entity; however, one of our affiliates due to common control, Kirk Lambright, is a licensed practicing attorney. Mr. Lambright maintains a limited legal practice, separate and distinct from any and all of Palmer Square’s investment advisory activities. No portion of any services rendered by us to our clients should be interpreted as legal advice. Rather, clients should defer to the advice of their own attorney.

#### Insurance Company or Agency

Palmer Square has no operational involvement with any insurance agency other than an affiliation due to common control with ERS Insurance, Inc.; ERS Securas LLC; and Mariner Insurance Resources, LLC; duly licensed insurance agencies. We do not render or recommend insurance advice or services to our clients.

#### Real Estate Broker or Dealer

Palmer Square has no operational involvement with a real estate broker or dealer other than it has an affiliate due to common control, Mariner Real Estate Management, LLC, which has a principal, Ryan Anderson, who is a licensed real estate broker and owner of Mariner Real Estate Management, LLC.

## **Item 11 – Code of Ethics**

Palmer Square has adopted a code of ethics that sets forth the standards of conduct expected of its associated 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 associated 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 initial public offerings and limited offerings. Clients may contact Palmer Square to request a copy of its Code of Ethics. Unless specifically permitted in Palmer Square’s Code of Ethics, none of Palmer Square’s access persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the access person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Palmer Square’s clients.

When Palmer Square is purchasing or considering for purchase any security on behalf of a client, no access person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. This does not include transactions for accounts that are executed as part of a block trade within a managed strategy. Similarly, when Palmer Square is selling or considering the sale of any security on behalf of a client, no access person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. 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.

## **Item 12 – Brokerage Practices**

As noted in Item 4, Palmer Square primarily acts as the investment adviser or investment manager to mutual funds and private funds.

In placing portfolio transactions and negotiating commission rates, Palmer Square seeks to obtain best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the reputation of the broker; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; and (viii) the competitiveness of commission rates in comparison with other brokers satisfying Palmer Square's other selection criteria.

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 such investment and research information or to pay higher commissions to such 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. Since commission rates in the United States are negotiable, 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 engage in any soft dollar transactions and does not intend to engage in any soft dollar transactions other than with respect to products and services which fall within the Section 28(e) safe harbor or where such products or services would otherwise be properly chargeable to Palmer Square's clients.

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.

For those funds in which we allocate to Designated Managers, the Designated Managers, in selecting brokers or dealers to execute transactions, do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It may not be the practice of Designated Managers to negotiate “execution only” commission rates; thus, the Designated Managers may be deemed to be paying for research and other services provided by the broker which are included in the commission rate.

Designated Managers may also be paying for services other than research and brokerage that are included in the commission rate. These other services may include, without limitation, office space, facilities and equipment; administrative support; accounting; supplies; telephone usage and equipment, and other items which may otherwise be treated as an expense of the Underlying Fund.

If the Designated Manager utilizes commissions to obtain items that would otherwise be an expense of the Designated Manager, such use of commissions in effect constitutes additional compensation to the Designated Manager.

Certain of the foregoing commission arrangements are outside of the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of commissions or “soft dollars” to obtain research and brokerage services. It is further noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may result in higher transaction costs than would otherwise be attainable.

### **Item 13 – Review of Accounts**

Designated Managers held by the Absolute Return Fund, Alternative Income Fund and certain of the Private Funds to which Palmer Square provides investment advice are systematically monitored and reviewed by personnel of Palmer Square. Accounts are reviewed in the context of each Funds' stated investment objectives and guidelines. More frequent reviews may be triggered by changes in variables such as the underlying funds' circumstances, or the market, political or economic environment.

Investors in the Funds managed by Palmer Square are provided with monthly statements from the custodian and/or fund administrator. Investors are also provided with an annual financial statement audit. Palmer Square may provide additional information by special agreement with investors.

With the exception of negotiated arrangements and any regulatory filings, Palmer Square generally may not disclose the Absolute Return Fund's, Alternative Income Fund's and/or Private Funds' positions to investors on an ongoing basis in an effort to protect the confidentiality of its positions. Further, the Funds may not disclose their investment positions in their 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.

Palmer Square monitors direct investment advisory client portfolios regularly as part of an ongoing process. Unless otherwise agreed, clients are provided with transaction confirmation notices and monthly account statements directly from either the custodian or administrator depending on the type of client account.

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

If a client is introduced to Palmer Square by an affiliated or unaffiliated solicitor, Palmer Square may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Palmer Square's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Palmer Square by an unaffiliated solicitor, the client will be given, prior to or at the time of entering into any advisory contract with the client, (1) a copy of Palmer Square's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act, and (2) a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Palmer Square shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Palmer Square's written disclosure statement at the time of the solicitation.

## **Item 15 – Custody**

With respect to the Palmer Square Opportunity Fund L.P., Palmer Square Multi-Strategy Fund L.P., Colony Multi-Strategy Fund L.P., Palmer Square Multi-Strategy Fund, Ltd., Palmer Square Emerging Manager Fund II L.P., Palmer Square Opportunistic Credit Fund LLC, Palmer Square Short Duration Investment Grade Trust, Palmer Square Opportunistic Investment Grade Plus Trust, and Palmer Square Investment Grade Plus Trust, Palmer Square is deemed to have custody by virtue of its status as the investment manager to each fund. With respect to the Palmer Square Emerging Manager Fund L.P., Palmer Square is deemed to have custody by virtue of its status as part of the investment manager to the fund. Palmer Square will maintain the assets of the Funds in accounts with a “qualified custodian” pursuant to Rule 206(4)-2 under the Advisers Act and will notify investors of 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 Funds invested with Designated Managers are held by the custodian or prime broker chosen by each of the Underlying Funds.

Palmer Square has established a custodial relationship for the Palmer Square Absolute Return Fund and the Palmer Square SSI Alternative Income Fund whereby the custodian serves as the sole custodian and, currently, the sole prime broker. All assets of the Palmer Square Absolute Return Fund and the Palmer Square SSI Alternative Income Fund are custodied in separate accounts which are owned by Palmer Square.

For the direct investment advisory 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 the direct investment advisory clients who invest directly with the underlying hedge funds chosen by Palmer Square, the actual assets (stocks, bonds, etc.) reside with the custodian or prime broker chosen by those underlying hedge funds.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, Palmer Square reasonably believes that all investors in the Private Funds will be provided with audited financial statements for the Private Funds, 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 Funds’ respective fiscal years. Investors should carefully review the audited financial statements of the Private Funds upon receipt. Each of the direct investment advisory 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. For example, NAV Consulting, a third party administrator utilized by the Private Funds, will provide statements to clients on at least a quarterly basis. In the instances where the clients choose to also have a custodian involved for their investment in the Private Funds, Palmer Square clients are urged to compare the reports provided by NAV Consulting, on behalf of Palmer Square, to the reports provided by the qualified custodian. Palmer Square may use additional qualified custodians in the future.

## **Item 16 – Investment Discretion**

For those funds managed directly by Palmer Square, Palmer Square has full discretionary authority. The nature of the fund of funds or manager of managers structure is such that the brokerage allocation decisions are made at the underlying manager's discretion.

With regard to direct investment advisory 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. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account (inclusive of the investment adviser's relationship to the Absolute Return Fund, Alternative Income Fund and Private Funds).

When selecting investments and determining amounts, we observe the investment policies, limitations and restrictions of the clients and partnerships for which we advise. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to us in writing. We reserve the right to deny acceptance of a client account based upon the client limiting our discretion. Not all client investment guidelines and restrictions can be met.



## **Item 17 – Voting Client Securities**

We primarily advise funds (including the Absolute Return Fund, Alternative Income Fund and Private Funds). For the Private Funds structured as funds of funds, the Designated 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. 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 will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

We may vote proxies on behalf of our direct clients and/or certain of the Private Funds. When we do so, we will only cast proxy votes in a manner consistent with the best interests of our clients. 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 brief summary of our Proxy Voting Policies and Procedures is as follows:

- According to our Proxy Voting Procedures, our policy is to vote client shares primarily in conformity with Glass Lewis & Co. recommendations, in order to limit conflict of interest issues between Palmer Square and our clients. 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 our clients. In such a case, Palmer Square will have to file a written disclosure detailing why we believe Glass Lewis & Co.'s recommendation was not in the client's best interest.
- Palmer Square votes client shares via ProxyEdge, an electronic voting platform provided by Broadridge Financial Solutions, Inc. ProxyEdge retains a record of proxy votes for each client.
- Palmer Square's Compliance department will periodically review proxy votes to ensure consistency with its procedures.
- In situations where there may be 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 our proxy voting decisions are made in the best interest of our clients.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Palmer Square’s financial condition. Palmer Square has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Part 2B of Form ADV: Brochure Supplement

Palmer Square Capital Management LLC  
11300 Tomahawk Creek Parkway, Suite 200  
Leawood, KS 66211  
(816) 994-3200

[www.palmersquarecap.com](http://www.palmersquarecap.com)

September 30, 2013

This Brochure Supplement provides information about Christopher D. Long that supplements the Palmer Square Capital Management LLC Brochure. You should have received a copy of that Brochure. Please contact us if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Christopher D. Long is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2- Educational Background and Business Experience**

Christopher D. Long, President  
Born 1975

Mr. Long is the President and founder of the adviser and is responsible for co-managing Palmer Square's credit and alternative investment effort which includes a mutual fund platform, opportunistic credit platform, and multi-strategy platform. Chris also directs the firm's due diligence effort and sits on the firm's Investment Committee.

Chris's previous work experience includes serving as Managing Director and Investment Committee Member at Prairie Capital where he was one of the team members responsible for the firm's proprietary alternative investment products.

In addition, prior to relocating to Kansas City, Chris spent a considerable portion of his career responsible for making investments at various New York City-based firms including Sandell Asset Management, a multi-billion dollar hedge fund, where he invested in both equity and debt securities. Prior to Sandell, he worked at Morgan Stanley in the Credit Derivatives and Distressed Securities Group focused on the firm's proprietary investments. Before Morgan Stanley, he worked at TH Lee Putnam Ventures, a \$1.1 billion private equity fund sponsored by Thomas H Lee Partners and Putnam Investments. In that role, he was instrumental in investing over \$200 million of capital and served on the Board of Directors of Averro, Inc. and was a Board Observer for Parago, Inc. He started his career at JPMorgan & Co. in Leveraged Finance and Mergers & Acquisitions (FIG Group) advising corporations and private equity firms on investment banking and capital markets.

He received an MBA degree from the Harvard Business School and an AB degree in Economics cum laude from Princeton University.

Chris's community involvement includes serving as a Trustee for the Kansas Public Employees Retirement System, Investment Committee member of the Nelson-Atkins Museum of Art, Board Member of the Children's Mercy Hospital Foundation, Co-Class Agent for Princeton University, Major Gifts Committee- Harvard Business School, and Social Chair for the Princeton Club of Greater Kansas City. Chris was also the former Treasurer for the City of Mission Hills, KS and a former member of the Children's Mercy Hospitals Leadership Circle of Care Committee, Kansas University's Finance Department Advisory Board, Treasurer for the Harvard-Radcliffe Club of Kansas City and Investment Committee Member for the Foundation of the University of Missouri-Kansas City..

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

#### **Item 4- Other Business Activities**

Board Member of the Children's Mercy Hospital Foundation (volunteer)  
Trustee of the Board of the Kansas Public Employees Retirement System (Governor appointment)  
Investment Committee – Nelson-Atkins Museum of Art (volunteer)  
Co-Class of 1997 Agent – Princeton University (volunteer)

#### **Item 5- Additional Compensation**

No information is applicable to this Item.

#### **Item 6 - Supervision**

Christopher D. Long (President), Angie K. Long (Chief Investment Officer), and Cheryl Vohland (the firm's Chief Compliance Officer), are responsible for all internal supervision. Christopher D. Long and Angie K. Long are responsible for the formulation and monitoring of investment strategy, documentation as it pertains to material due diligence calls and/or meetings, and oversight of all material investment changes. Cheryl Vohland is responsible for all compliance-related aspects of the firm. She can be reached at (913) 647-9700.

Item 1- Cover Page

Part 2B of Form ADV: Brochure Supplement

Palmer Square Capital Management LLC  
11300 Tomahawk Creek Parkway, Suite 200  
Leawood, KS 66211  
(816) 994-3200  
[www.palmersquarecap.com](http://www.palmersquarecap.com)

September 30, 2013

This Brochure Supplement provides information about Angie K. Long that supplements the Palmer Square Capital Management LLC Brochure. You should have received a copy of that Brochure. Please contact us if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Angie K. Long is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2- Educational Background and Business Experience**

Angie K. Long, CFA, Chief Investment Officer  
Born 1974

Ms. Long is the Chief Investment Officer of the adviser since February 2011. She is a member of the adviser's Investment Committee and has key responsibilities for all investment-related activities with a particular focus on portfolio construction and risk management.

Prior to joining Palmer Square, Angie worked for JPMorgan Chase & Co. in New York for 13 years. Angie excelled in a variety of management and trading roles including Head of High Yield Trading, Head of Credit Derivatives Trading, and Deputy Head of Credit Trading. Since 1998, Angie has been responsible for JPMorgan trading businesses ranging from \$100 million to \$1 billion in profit. Angie has been a trader of many products including high yield bonds, high yield credit derivatives, distressed debt, capital structure arbitrage, and structured credit. Most recently, Angie ran a proprietary trading book focused on long/short credit (cash and CDS) and capital structure arbitrage. In addition, she worked with the Global Head of Credit Trading and other senior executives within the credit area to help oversee risk management for the High Yield and High Grade credit trading books.

Named a Managing Director at age 29, Angie is considered a pioneer in the Credit Derivatives industry and is credited with creating the HYDI (High Yield Debt Index), the first liquid credit trading index and predecessor to all of today's indices (the Dow Jones CDX). JPMorgan now trades billions per day of this product. Angie also built JPMorgan's High Yield Credit Derivatives business and Credit Options business.

She received an AB degree in Economics from Princeton University and is a Chartered Financial Analyst. During her years at Princeton, Angie was a member of two National Championship Rugby Teams and was selected as an All-American in 1997.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 135 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.



#### **Item 4- Other Business Activities**

No information is applicable to this Item.

#### **Item 5- Additional Compensation**

No information is applicable to this Item.

#### **Item 6 - Supervision**

Christopher D. Long (President), Angie K. Long (Chief Investment Officer), and Cheryl Vohland (the firm's Chief Compliance Officer), are responsible for all internal supervision. Christopher D. Long and Angie K. Long are responsible for the formulation and monitoring of investment strategy, documentation as it pertains to material due diligence calls and/or meetings, and oversight of all material investment changes. Cheryl is responsible for all compliance-related aspects of the firm. She can be reached at (913) 647-9700.

# PALMER SQUARE CAPITAL MANAGEMENT LLC PRIVACY POLICY

FACTS		WHAT DOES PALMER SQUARE CAPITAL MANAGEMENT LLC DO WITH YOUR PERSONAL INFORMATION?	
WHY?	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.		
What?	<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>■ Name; ■ Social Security number; ■ Address; ■ Assets; ■ Income; ■ Account Balances; ■ Account Transactions; ■ Transaction History; ■ Transaction or Loss History; ■ Investment Experience; ■ Risk Tolerance; ■ Retirement Assets; ■ Checking Account Information; ■ Employment Information; ■ 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>		
How?	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.		
Reasons we can share your personal information		Does Palmer Square Capital Management LLC share?	Can you limit this sharing?
For our everyday business purposes—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.	No.
For our marketing purposes—to offer our products and services to you		No.	No.
For joint marketing with other financial companies		No.	We don’t share.
For our affiliates’ everyday business purposes—information about your transactions and experiences		Yes. Palmer Square shares personal information with affiliates as permitted by law.	No.
For our affiliates’ everyday business purposes—information about your creditworthiness		No.	We don’t share.
For nonaffiliates to market to you		No.	We don’t share.
QUESTIONS?		Call (913) 647-9700 or email <a href="mailto:compliance@mariner-holdings.com">compliance@mariner-holdings.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 information?</b>	<p>To protect your nonpublic personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include 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> <ul style="list-style-type: none"> <li>■ Complete account paperwork;</li> <li>■ Seek advice about your investments;</li> <li>■ Direct us to buy securities;</li> <li>■ Direct us to sell your securities;</li> <li>■ Enter into an investment advisory contract;</li> <li>■ Give us your contact information;</li> </ul> <p>We also 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>